Financial Report 2020

INTERNATIONAL FACTORS ITALIA S.p.A. - IFITALIA
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
Registered offices and Headquarters: C.so Italia, 15, 20122 Milan, Italy
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Share capital: EUR 55,900,000
Tax Code No. 00455820589 - VAT No. 09509260155
Milan Companies' Register No. 00455820589 and Economic & Administrative Roster No. 683665
Register of Financial Brokers: mechanised code no. 19016

FINANCIAL REPORT 2020

REPORT ON OPERATIONS

2020 Report on Operations

Offices

Milan	20132	Via Deruta, 19 Tel. No. 02/67781

Local Units

Milan	20124	Viale Tunisia, 38 (effective as from 01/01/2021)

Commercial offices within branches of Banca Nazionale del Lavoro

Bari	70121	Via Dante Alighieri, 32/40 Tel. No. 080/5210177
Bologna	40125	Via Rizzoli, 26 Tel. No. 051/237001
Genoa	16121	Largo Eros Lanfranco, 2 Tel. No. 010/582571
Mestre	30175	Corso del Popolo, 21 Tel. No. 041/5044070
Naples	80134	Via Toledo, 126 Tel. No. 081/5517364
Padua	35139	Piazza Insurrezione, 6/6A Tel. No. 049/655988
Palermo	90133	Via Roma, 291 Tel. No. 091/6111387
Parma	43100	Piazza Garibaldi, 17/A Tel. No. 0521/206232
Pescara	65121	Corso Vittorio Emanuele, 148 Tel. No. 085/4429552
Prato	50047	Via Bettino, 2 Tel. No. 0574/453605
Rome	00185	Viale Altiero Spinelli, 30
Turin	10121	Via XX Settembre, 40 Tel. No. 011/543444

Directors and Officers as at 31 December 2020

Board of Directors	MARIO GIROTTI		*Chairman*
	PATRICK PIERRE MARIE GALOUZEAU DE VILLEPIN		*Vice Chairman*
	MASSIMO MACCIONI	(from 29 April 2019)	*Director*
	REGINA CORRADINI D'ARIENZO	(from 29 April 2019)	*Director*
	VETTA PAOLO	(from 22 July 2020)	*Director*
	RUXANDRA VALCU	(expiry of term of office on 1 July 2020)	*Director*
Board of Statutory Auditors	ROBERTO SANTAGOSTINO		*Chairman*
	ROBERTO SERRENTINO	(from 29 April 2019)	*Acting Auditor*
	LORENZO THEODOLI CICCOLINI	(from 1 July 2020)	*Acting Auditor*
	ROBERTO D'AYALA VALVA	(from 29 April 2019)	*Alternate Auditor*
General Manager	GIANLUCA LAURIA (until 30 June 2020)		
	RUXANDRA VALCU (from 1 July 2020)		

Introduction and methodological note

In addition to the separate financial statements, Ifitalia prepared the consolidated financial statements that include in the scope of consolidation, other than Ifitalia, only Tierre Securitization srl, the SPV used for securitisation transactions (as described in detail on page 40 of this report) and a de facto subsidiary of Ifitalia.
Given the structure of the securitisation transactions that do not allow the receivables assigned to the SPV to be derecognised from Ifitalia's balance sheet assets, the values of the various items of the consolidated financial statements do not differ substantially from those of Ifitalia's separate financial statements.
For this reason, the values and analyses performed in the Report on Operations refer to Ifitalia's separate financial statements.
The figures in the report on operations are drawn up in millions of Euro.

Highlights

Ifitalia S.p.A. - Highlights	2020	2019	Var. %
VOLUMES			
Turnover	27,940	32,334	-13.6%
- without recourse	25,690	29,628	-13.3%
- with recourse	2,249	2,706	-16.9%
ECONOMIC DATA			
Net interest	63	70	-9.8%
Net commissions	36	42	-14.2%
Net banking income	100	112	-11.4%
Administrative expenses	42	45	-7.7%
- personnel expenses	*22*	*23*	-6.8%
Net adjustments for impairment of tangible and intangible assets	5	5	4.1%
Net adjustments for impairment of financial assets	8	12	-35.8%
Net operating income	42	73	-43.2%
Profit for the year	29	50	-42.3%
BALANCE SHEET DATA			
Total assets	6,415	*7,662*	-16.3%
Total Risk Weighted Assets (RWA)	5,246	*5,808*	-9.7%
Financial assets measured at amortised cost	6,262		
Due from customers	6,120	*7,425*	-17.6%
Loans to lending and financial institutions	142	*98*	44.7%
Available-for-sale assets	5	*5*	4.7%
Financial liabilities measured at amortised cost	5,478	*6,653*	-17.7%
Equity	790	*761*	3.8%
Tier 1 capital	756	*700*	8.1%
Supervisory capital	756	*700*	8.1%
PROFITABILITY, EFFICIENCY AND DIVERSIFICATION INDICES			
R.O.E.	3.7%	6.8%	-45.2%
(*)Cost / income (with amortisation/depreciation)	46.9%	44.5%	5.4%
Net commissions/Earnings margin	36.5%	37.6%	-3.1%

Ifitalia S.p.A. - Highlights

	2020	2019	Var. %
ASSET QUALITY			
Total problem positions	**357**	**410**	**-12.9%**
- in relation to customer receivables	5.84%	5.53%	5.6%
- coverage percentage	73.05%	69.28%	5.4%
Non-performing positions	**277**	**305**	**-9.2%**
- in relation to customer receivables	4.53%	4.11%	*10.2%*
- coverage percentage	80.01%	79.35%	*0.8%*
Unlikely to pay	**78**	**85**	**-8.2%**
- in relation to customer receivables	1.27%	1.14%	*11.4%*
- coverage percentage	49.94%	46.87%	*6.6%*
Past due positions	**2**	**20**	**-88.4%**
- in relation to customer receivables	0.04%	0.28%	*-86.0%*
- coverage percentage	19.44%	12.21%	*59.2%*
CAPITALISATION RATIOS			
Tier 1 ratio	14.42%	12.05%	19.7%
Solvency ratio	14.42%	12.05%	19.7%
STRUCTURAL DATA			
Employees at year end	265	272	-2.6%
No. of commercial offices	14	14	0.0%
- of which in Italy	14	14	0.0%
INFORMATION ON IFITALIA SECURITY			
Total number of shares	55,900	55,900	0.0%
- of which ordinary	55,900	55,900	0.0%
Par value (euro)	1	1	0.0%
Current value (euro) (*)	14.13	13.62	3.8%

(*) Effective Equity/total number of shares

Results overview

The context conditions have changed profoundly and remain uncertain.
In addition to the weakness of the economic cycle already recorded in 2018 and continued in 2019, the impact of the Covid-19 pandemic was added at the beginning of 2020, profoundly changing the context conditions.
The drastic measures introduced to stop the spread of the virus had a heavy effect on the real economy, which negatively affected factoring.
In this economic scenario, the factoring market suffered a significant drop in turnover volumes (-11%). The reduced volume of business and the high availability of liquidity on the market contributed to keeping the price level low with a further downward trend.

In line with the context, in Ifitalia turnover decreased by 13% and average loans by 8%.

Net banking income decreased from EUR 112.4 million in 2019 to EUR 99.6 million in 2020 (-11.4%) mainly as a result of the decline in business volumes and in particular:

- **net interest** amounted to EUR 63.2 million versus EUR 70 million in 2019 (-9.8%). The reduction in net interest was mainly due to the decrease in the volume of average loans (-8%) and to a lesser extent to the reduction in the spread and lower interest on late payments from Public Entities.

- **net commissions**, equalling EUR 36.3 million, decreased with respect to 2019 by EUR 6 million (-14.2%). The trend was affected by a decrease in fee and commission income; these equalled EUR 49.2 million in 2020 compared to EUR 55.3 million in 2019 (-6.1 million; -11.1%); this decrease is the result of the significant drop in turnover volumes (-13.6%); the average commission applied to customers remains in line with the previous year.

The **Cost of credit risk** decreased from EUR 12.3 million in 2019 to EUR 7.9 million as a result of reduced new additions to NPL and a significant write-back on the provision for performing loans.
On the other hand, significant provisions for operational risk (about EUR 6 million) were made as a result of transaction assumptions to settle ongoing disputes with transferor customers. These provisions are compared with a significant write-back in 2019 of approximately EUR 3 million.
The overall CoR in bps (cost of risk in relation to loans) rose from 12 bps in 2019 to 21 bps in 2020.

In terms of ***costs,*** there was a reduction in administrative expenses (-7.75%) due to
- a careful and more efficient resource management policy with a reduction in the average workforce and a reduction in certain cost categories including IT expenses and legal expenses for debt collection.
- lockdown effect resulting from the COVID-19 pandemic, which reduced the incidence of some cost items (e.g. travel expenses, restaurant tickets, etc.)
- extraordinary costs incurred in 2019 such as the provision for early termination of employment (known as "quota 100" retirement scheme) amounting to approximately EUR 1 million.

Impairment adjustments on tangible and intangible assets remain substantially unchanged.

From a financial point of view, **due from customers** declined from EUR 7,523 million in 2019 to EUR 6,262 million in 2020 (-16.8%) due to the negative impact COVID_19 had on the business.

In defining administrative expenses and depreciation and amortisation expenses compared with the net banking income, the cost to income ratio equalled 46.9% in 2020 against 44.5% in 2019.

Other operating income and expenses amounted to EUR 2.7 million (EUR 2.5 million in 2019).

In 2020, a revenue amounting to EUR 242 thousand was generated from the adjustment (earn-out) of the sale price of the property in Via Vittor Pisani, the former headquarters of Ifitalia, in 2019, resulting in a capital gain of EUR 17.8 million.

Net operating income stood at EUR 41.6 million (-43.3%; vs EUR 73.4 million in 2019); note that the capital gain related to the sale of the property for EUR 17.8 million was realised in 2019.

After direct taxes, which were EUR 13 million, the **profit for the year** was EUR 29 million (EUR 50.2 million in 2019, -42.3%).

*   *   *

Equity, including the profit for the year, stood at EUR 790 million (761 million in 2019; +3.8%).

As at 31 December 2020, the level of capitalisation for Supervisory purposes was expressed by a Tier 1 Capital Ratio of 14.42% (12.05% in 2019) and by a Total Capital Ratio of 14.42% (12.05% at the end of December 2019).

Market in which the company operates

Macroeconomic scenario

The world economy and the Eurozone

In 2020, the COVID-19 pandemic and the measures adopted to contain it led to an exceptional global recession. The development of the epidemiological context has driven the development of individual economies, with different trends across countries and sectors. World GDP fell by 3.5%, while trade fell by almost 10%. The decline was more pronounced in advanced countries, as a result of the greater weight of services, a sector affected by restrictions on individual freedom and travel.
In all economies, the reaction of governments and central banks was rapid in terms of time and large in size. The monetary conditions were made even more accommodating, keeping the benchmarks low and increasing direct interventions on the market. The European Central Bank and the Federal Reserve expanded their balance sheet assets by EUR 2.3 trillion and USD 3.2 trillion, respectively. At global level, tax support, in the form of higher expenses, guarantees given and liquidity support, came close to 14 trillion dollars.
The spread of the virus had strong financial repercussions, with a massive shift of funds and a significant increase in volatility. Market prices reflected both the increasing inflow of liquidity and expectations on the development of the epidemiological situation.
In China, after the sharp decline recorded at the beginning of the year, the economy started to grow again. Overall, in 2020, GDP increased by more than 2%. The recovery of exports boosted production, while the more rapid fight against the spread of the virus supported domestic demand.
In the United States, the fall in activity in the first half of the year was followed by a solid recovery that contained the annual contraction of GDP to around 3.5%. In the labour market, the delay in terms of employees remained wide compared to the beginning of the crisis.
In the United Kingdom, a complex epidemiological situation increased the uncertainty related to the exit from the European Union, leading to a downturn in the economy of around 10%.
In the Eurozone, the resurgence in the spread of the virus after the summer led to a new worsening of the economic situation. The drop in activity was less pronounced in Germany, thanks in part to an improved performance of the manufacturing sector, while France and Spain experienced a sharp decline. The weak domestic demand led to a negative inflation. The labour market suffered from a strong reduction in employment.
In Italy, GDP contracted by around 9% in 2020, penalised by a large drop in domestic demand. Consumption was affected by an increase in households' propensity to save, as a result of restrictions imposed to combat the epidemic and concerns about the economic situation. In the labour market, the decline in employment has been accompanied by an increase in inactivity.
Italian companies suffered from worsening economic conditions, while public support for liquidity eased financial tensions, favouring an increase in indebtedness. Investments were cut, while at the same time increasing the liquidity reserves.
The drop in activity was wider in the sectors most penalised by the virus containment measures. Services were affected by what happened in the transport, accommodation and restaurant sector, which was also penalised by the effects of the international travel ban. Manufacturing production recovered some of what was lost in the early phase of the pandemic, also benefiting from the gradual recovery in exports. However, in 2020 as a whole, the value of sales abroad decreased by around 10%, with a decline that affected almost all markets, albeit at different rates.

Lending activities in Italy

In 2020, lending activities in Italy went through two phases characterised by particularly different trends for the main institutional sectors. In the first two months of the year, the change in loans to the non-financial private sector (seasonally adjusted and corrected for the accounting effect of securitisations) was in line with that of 2019, with annual growth of around 0.5%, the result of a 2.5% increase in loans to households and a decrease of just over -1% in loans to non-financial companies. Starting from March, following the outbreak of the pandemic, the monetary support measures taken significantly affected credit trends in the remaining months of the year. Moratorium on loans, non-repayable grants and guarantee

schemes for new loans led to an acceleration of loans to non-financial companies in response to the liquidity shortage: at the end of the year, the growth rate of loans to businesses reached 8.2% year-on-year. Lending increased in the manufacturing sector (13.7%, November) and in services (7.6%, November), while lending to the construction sector started to grow again (1.7% in November). Among the more solid companies, recourse to the bond market also increased.
The trend in loans to households was affected by the fall in disposable income (-2.7% y/y in the third quarter), which led to a contraction in the amount of consumer credit (-1.9%) and a reduction in the trend in loans for the purchase of homes, which recovered only in the last few months of the year (2.2%), while other loans 1 were boosted (3%), especially as regards micro enterprises and sole proprietorships (10.2%).
Despite the unfavourable period, economic measures to support households and businesses made it possible to contain the negative effects on the quality of the loan portfolio. In the third quarter of 2020, the ratio of impaired loans to total loans fell to 5.4%; net of write-downs, the ratio to total loans was 2.6%. The rate of impairment fell to 0.9%, a level never reached before. In particular, that of companies fell to 1.2% thanks to the reduction recorded in the services and construction sectors. The rate of impairment of household loans fell below 1%.
The high level of uncertainty in 2020 was reflected in a robust increase in deposits from both households (+7.3%) and businesses (+28.8%), especially in the more liquid component. The stock of bank bonds declined (-4.6% on average) following a negative balance of net issues (-EUR 18 billion in the first 11 months). All in all, funding activity increased by 4.9% on average over the year, strengthening compared to 2019.
After the decline recorded at the beginning of the pandemic, asset management recovered to previous levels, closing the year with assets under management of almost EUR 2.4 trillion, EUR 85 billion more than the previous year. Net funding for the year was positive (EUR 7.8 billion), although the figure was penalised by an extraordinary technical transaction by the Generali Group in December, which affected the monthly balance of institutional mandates.

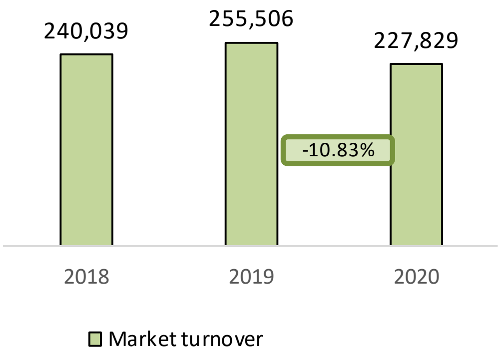
[1] overdraft facilities, mortgages other than those for the purchase, construction and renovation of residential property units, credit to income-generating households.

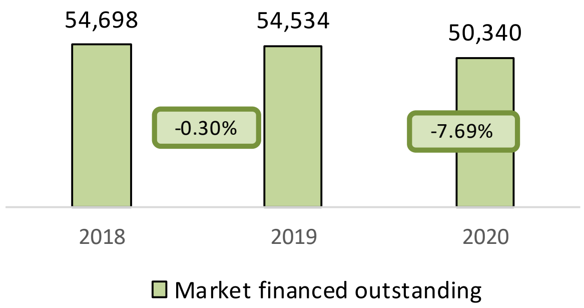
The factoring market

The factoring market in 2020 recorded a turnover of almost EUR 228 billion, a decrease of 10.83% compared to 2019. The trend in turnover followed the trend of the turnover of companies during the year. Average loans decreased by 7.29%.
This market continues to remain highly concentrated in the hands of the 3 main players.

In terms of the ratio of factoring market turnover to national GDP, 2020 stands at 13.8% compared to 2019 (or 14.3%).

In terms of **loans**, the market stood at EUR 50,304 million at the end of 2020, a decrease of 7.69% compared to the previous year, while **average loans**, at EUR 37,364 million, also fell by 7.29%.





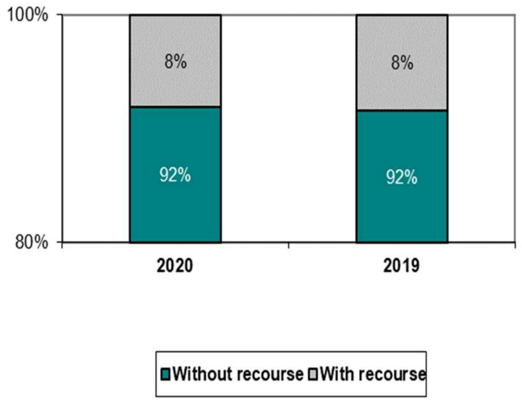
Ifitalia's competitive positioning

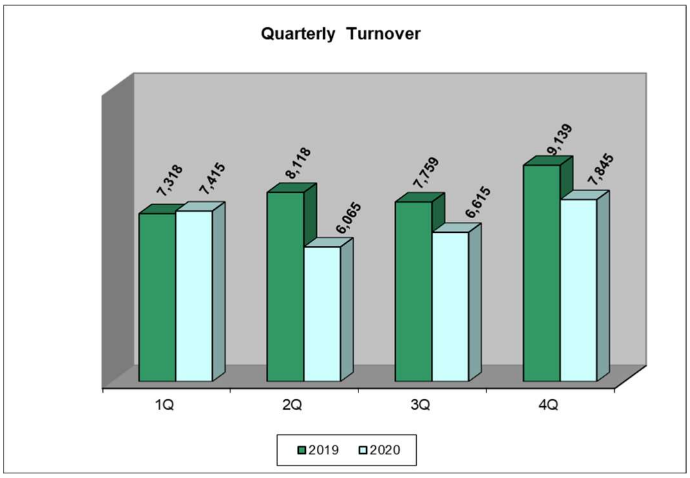
Turnover

Ifitalia's turnover, flow of loans/receivables acquired by the Company during 2020, reached EUR 27,940 million (EUR 32,334 million in 2019) reporting a drop of 13.6%.
With regard to the breakdown between products, carried out according to the contractual form, without-recourse factoring represented 92% of total turnover while with-recourse factoring represented 8% (in line with 2019).

(in millions of €)

TURNOVER	31/12/2020	31/12/2019	Changes	%
Without recourse	25,690	29,628	(3,937)	-13.3%
With recourse	2,249	2,706	(457)	-16.9%
Total	**27,940**	**32,334**	**(4,394)**	**-13.6%**





As regards the composition, the graphs below show without-recourse and with-recourse factoring further broken down into their income components.

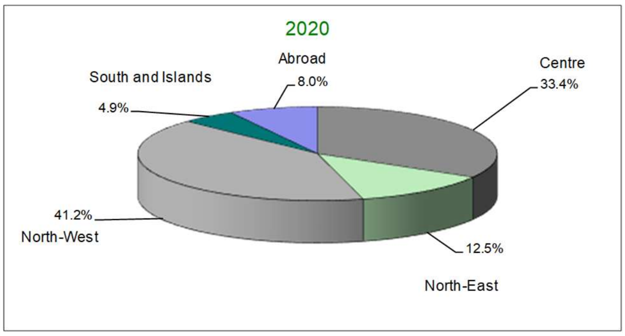
(in milions of €)

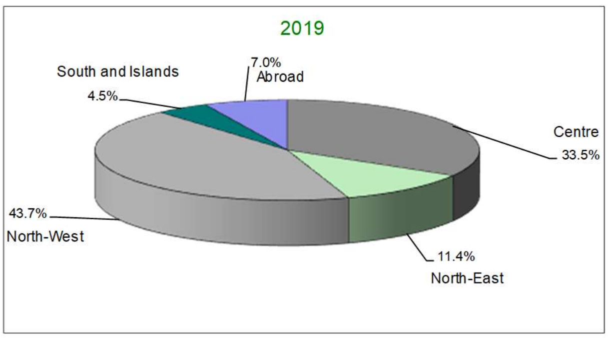
Product	Turnover 2020	Turnover 2019	Changes	%	Incidence % 2020
Without recourse	17.411	19.936	(2.526)	-12,7%	62,3%
Without recourse maturity	594	853	(259)	-30,4%	2,1%
Without recourse abroad	4.985	6.176	(1.191)	-19,3%	17,8%
Without recourse reverse	2.701	2.662	39	1,5%	9,7%
Total	**25.690**	**29.628**	**(3.937)**	**-13,3%**	**91,9%**
With recourse	1.441	1.738	(298)	-17,1%	5,2%
With recourse maturity	37	43	(6)	-13,9%	0,1%
With recourse abroad	566	606	(40)	-6,6%	2,0%
With recourse reverse	198	259	(61)	-23,6%	0,7%
With recourse by instalments	8	60	(52)	-87,0%	0,0%
Total	**2.249**	**2.706**	**(457)**	**-16,9%**	**8,1%**
TOTALE	**27.940**	**32.334**	**(4.394)**	**-13,6%**	**100%**

With regard to the geographic breakdown of the transferors, they were distributed as follows:

(in millions of €)

Areas	2020	% of the total	2019	% of the total
CENTRE	9,330	33.4%	10,831	33.5%
NORTH-EAST	3,500	12.5%	3,672	11.4%
NORTH-WEST	11,498	41.2%	14,116	43.7%
SOUTH AND ISLANDS	1,376	4.9%	1,442	4.5%
TOTAL FOR ITALY	25,703	92.0%	30,062	93.0%
ABROAD	2,237	8.0%	2,272	7.0%
TOTAL TURNOVER	**27,940**	**100.0%**	**32,334**	**100.0%**





With reference to the **sectors of economic activities**, 2020 turnover presented the following breakdown:

TURNOVER BY ECONOMIC SECTOR	YEAR 2020	YEAR 2019	DELTA
67 Commerce, recovery, repair services	18.73%	17.55%	6.69%
52 Energy products	16.62%	17.08%	-2.68%
00 Unclassified subjects	15.96%	17.47%	-8.67%
72 Communication services	8.26%	7.78%	6.23%
60 Means of transport	5.85%	7.00%	-16.55%
73 Other services for sale	5.33%	5.22%	1.97%
61 Foodstuff and tobacco products	5.26%	4.36%	20.57%
59 Electric materials and supplies	3.90%	2.95%	32.02%
56 Metal products excluding means of transport	2.70%	2.50%	8.19%
55 Chemicals	2.22%	2.34%	-4.84%
63 Paper, paper products, press products, publishing	2.02%	2.02%	-0.47%
66 Construction and public w orks	1.84%	1.76%	4.20%
64 Rubber and plastic products	1.79%	2.05%	-12.66%
57 Agricultural and industrial machines	1.42%	1.70%	-16.27%
69 Internal transport services	1.41%	1.59%	-11.27%
53 Minerals, ferrous and non ferrous metals	1.29%	1.70%	-24.32%
71 Services connected to transports	1.24%	1.28%	-2.64%
62 Textiles, footw ear and clothing	1.10%	1.01%	8.94%
65 Other industrial products	0.87%	0.75%	15.94%
58 Office machines, computers, precision tools, etc.	0.78%	0.66%	16.88%
51 Farming, forestry, fishery products	0.54%	0.39%	38.85%
54 Minerals and non-metallic mineral products	0.53%	0.34%	55.14%
68 Hotel and public services	0.36%	0.48%	-26.29%
Total	**100%**	**100%**	

This year, the industries that make the most use of factoring are "Commerce services" (18.7%; +6.7% compared to 2019), "Energy products" (16.6%; -2.7% compared to 2019), "Communication services" (8.3%; +6.2% compared to 2019) and "Means of transport" (5.9%; +16.5% compared to 2019).
The first ten sectors represent 84.8% of total turnover (84.3% in 2019).

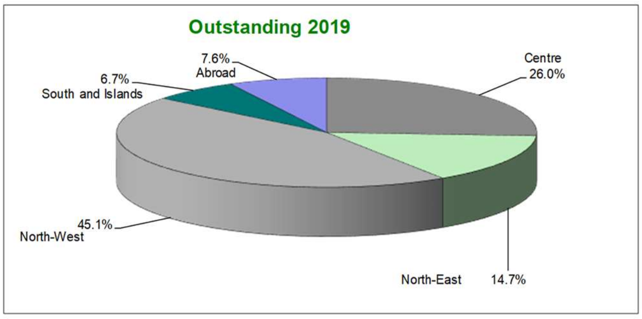
Outstanding positions

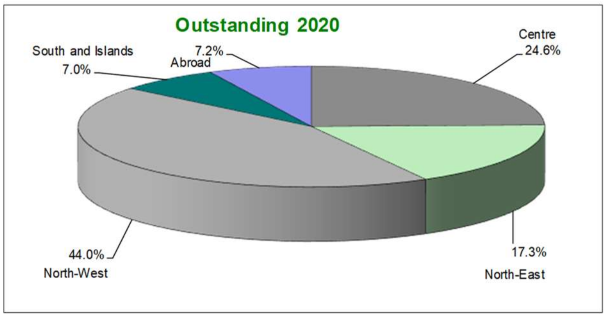
The stock of loans/receivables purchased for factoring amounted to EUR 7,112 million (EUR 8,489 in 2019, -16.23%), of which EUR 6,148 million (86.45% of total loans/receivables) refers to contracts factored without recourse, while EUR 964 million concerns with recourse contracts (13.55% of the total).
Within the amounts indicated above, total international factoring transactions amounted to EUR 1,326 million (18.64% of the total), of which EUR 1,194 million for export transactions (EUR 1,615 million in 2019) and EUR 132 million for import factoring transactions (EUR 188 million in 2019).

Outstanding positions in Italy came to EUR 6,603 million compared with EUR 7,846 million in the previous year and represent 92.8% of total outstanding positions (92.4% in 2019).

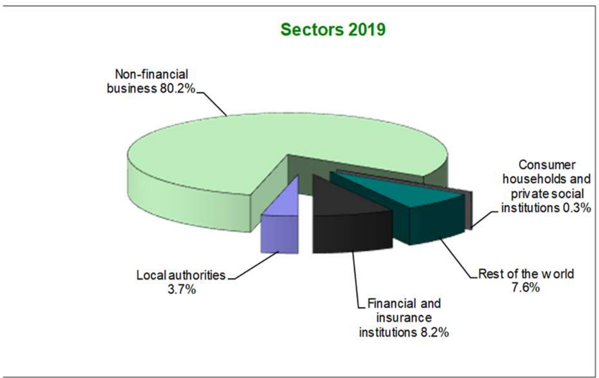
With regard to the geographic breakdown of the **transferor**, it was distributed as follows:

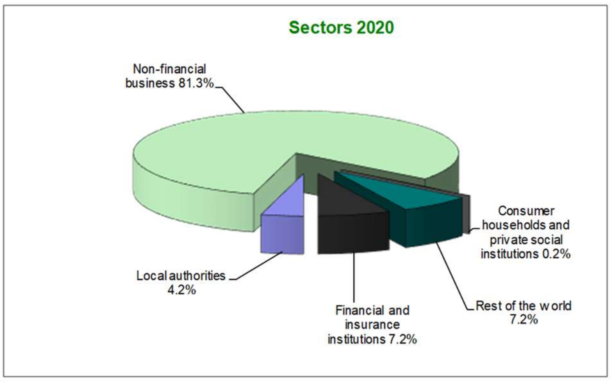
OUTSTANDING BALANCE				(millions of euro)
Areas	**2020**	**% of the total**	**2019**	**% of the total**
CENTRE	1,750	24.6%	2,207	26.0%
NORTH-EAST	1,228	17.3%	1,249	14.7%
NORTH-WEST	3,129	44.0%	3,825	45.1%
SOUTH AND ISLANDS	496	7.0%	567	6.7%
TOTAL FOR ITALY	6,603	92.8%	7,847	92.4%
ABROAD	509	7.2%	643	7.6%
TOTAL OUTSTANDING BALANCE	**7,112**	**100.0%**	**8,489**	**100.0%**





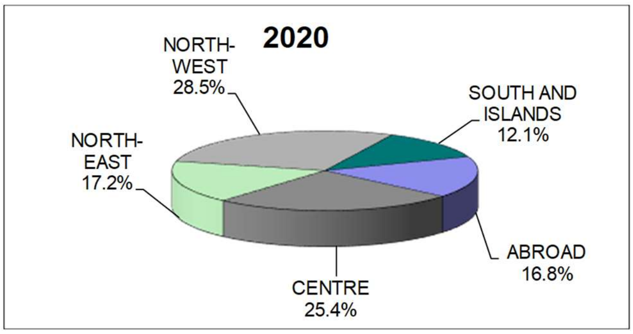
The breakdown of loans/receivables by segment confirms that in 2020, 81.3% of these amounts was attributable to transferors belonging to the category of non-financial businesses (80.2% in 2019).

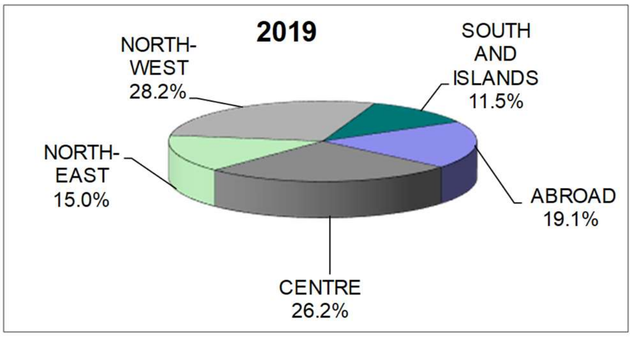




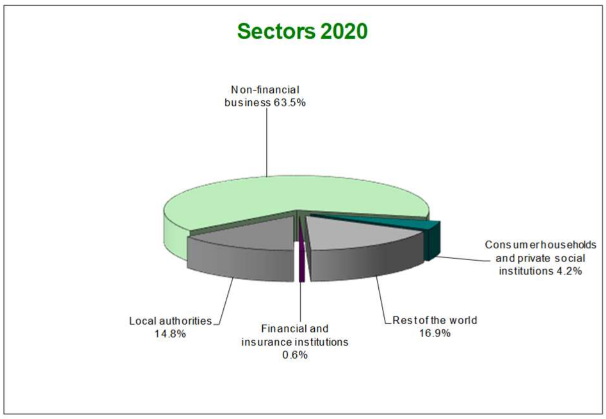
Following the previously analysed distribution of the outstanding transferor balances by geographic area, the same figure is now analysed seen from the **debtor side**:

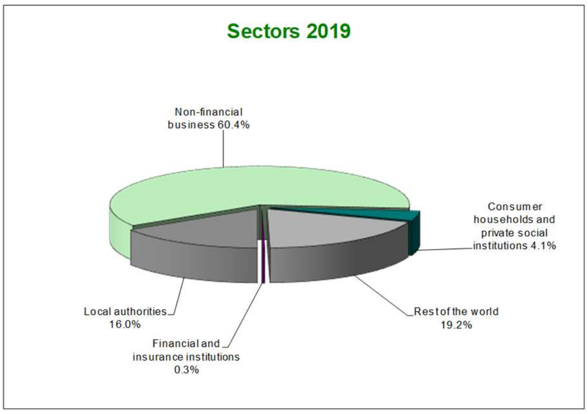
OUTSTANDING BALANCE				(millions di euro)
Areas	**2020**	**% of the total**	**2019**	**% of the total**
CENTRE	1,808	25.40%	2,222	26.20%
NORTH EAST	1,226	17.20%	1,277	15.00%
NORTH WEST	2,024	28.50%	2,390	28.20%
SOUTH AND ISLANDS	858	12.10%	975	11.50%
TOTAL ITALY	5,917	83.20%	6,864	80.90%
ABROAD	1,195	16.80%	1,625	19.10%
TOTAL OUTSTANDING BALANCE	**7,112**	**100.00%**	**8,489**	**100.00%**





Likewise, the breakdown by sectors of economic activities, again analysed from the **debtor side,** expressed the situation indicated below, which revealed substantial growth in the “Non-financial companies” segment from 60.4% in 2019 to 63.5% in 2020 and in the "Financial and insurance institutions" segment with a 0.3% increase, the "Public administration" segment went from 16% in 2019 to 14.8% in 2020 and finally the "Rest of the world" segment decreased by 2.3%.





Profit performance

Net banking income

Net banking income as a whole was strongly affected by the heavy impact of COVID-19 on business transaction volumes (loans and turnover); in order to more fully assess the performance of the single components, it is considered useful to analyse the breakdown of its individual items:

- **net interest** amounted to EUR 63.2 million versus EUR 70 million in 2019 (-9.8%). The reduction in net interest was mainly due to the decrease in the volume of average loans (-8%) and to a lesser extent to the reduction in the spread and lower interest on late payments from Public Entities.

(in millions of €)

	31/12/2020	31/12/2019	Var %
Net interest	**63.2**	**70.0**	**-9.8**

- **net commissions**, equalling EUR 36.3 million, decreased with respect to 2019 by EUR 6 million (-14.2%). The trend was affected by a decrease in fee and commission income; these equalled EUR 49.2 million in 2020 compared to EUR 55.3 million in 2019 (-6.1 million; -11.1%); this decrease is the result of the significant drop in turnover volumes (-13.6%); the average commission applied to customers remains in line with the previous year.

(in millions of €)

	31/12/2020	31/12/2019	Var %
Commission income			
Services for factoring transactions	49.2	55.3	-11.1
Commission income	**49.2**	**55.3**	**-11.1**
Commission expense			
Other services	-12.9	-13.0	-1.0
Commission expense	**-12.9**	**-13.0**	**-1.0**
Net commission	**36.3**	**42.3**	**-14.2**

The **net result from trading**, equating to a revenue of EUR 19 thousand (EUR 5 thousand in 2019), derives from the valuation at fair value (level 2) of derivatives entered into with BNL.

Moreover, **dividends** for EUR 90 thousand (EUR 38 thousand in 2019) were recorded, of which EUR 49 thousand relating to the Serfactoring holding and EUR 41 thousand relating to Bibi film.

Adding net commissions and the aforementioned components to net interest, **net banking income** totals EUR 100 million (EUR 112 million in 2019; -11.4%).

Net value adjustments for impairment of financial assets

(in millions of €)

	31/12/2019	31/12/2018	Var %
Net value adjustments/writebacks for impairment of loans and receivables			
Net value adjustments/writebacks for discounting interest	2.9	*2.3*	24.7%
Net value adjustments, analytical	7.1	9.3	-23.4%
non-performing loans	*-0.1*	*4.3*	-102.7%
problem loans	*0.1*	*0.1*	-19.8%
restructured receivables	*7.1*	*4.8*	48.2%
Total impairment	-2.1	0.7	-395.6%
Total net value adjustments/writebacks	**7.9**	**12.3**	**-35.8%**
	0.0	*0.0*	0.0%
Discounting interest	*0.0*	*0.0*	0.0%
Operational Risk	*6.2*	*-3.1*	-297.8%
Cost of Risk Total	**14.1**	**9.2**	**53.2%**

The **Cost of credit risk** decreased from EUR 12.3 million in 2019 to EUR 7.9 million as a result of reduced new additions to NPL and a significant write-back on the provision for performing loans.
On the other hand, significant provisions for operational risk (about EUR 6 million) were made as a result of transaction assumptions to settle ongoing disputes with transferor customers. These provisions are compared with a significant write-back in 2019 of approximately EUR 3 million.
The overall CoR in bps (cost of risk in relation to loans) rose from 12 bps in 2019 to 21 bps in 2020.

Administrative expenses

(in millions of €)

	31/12/2020	31/12/2019	Var %
Administrative expenses:	-41.7	-45.2	-7.7
personnel expenses	*-21.5*	*-23.1*	*-6.8*
others administrative expenses	*-20.2*	*-22.1*	*-8.8*
of which: indirect taxes and dues	*0.8*	*1.0*	*-21.5*
Administrative expenses	**-41.7**	**-45.2**	**-7.7**

As regards the year's performance for administrative expenses, it is noted that:

- **personnel expenses** decreased by 6.8% compared with 2019; this reduction is mainly attributable to the fact that in the previous year a provision was made for early termination of employment related to "quota 100" retirement scheme for approximately 950k; moreover, the lower cost is also due to the reduction in the average workforce;
- **other administrative expenses** decreased by 8.8% from 2019. This was mainly due to lower IT costs (some projects were postponed to the following year), lower legal costs and lower indirect taxes and duties.

The reduction in both expenditure categories was affected, in addition to the specific reasons mentioned above, by the savings that COVID-19 brought about on some cost items (lower costs related to tickets, internships and travel expenses).

Other income components

The **net value adjustments on tangible and intangible assets** were EUR 5.04 million, an increase of 4.13% compared with the EUR 4.84 million in 2019. Of these, EUR 1.40 million (EUR 1.18 million in 2019) refer to property, plant and equipment and EUR 3.64 million (EUR 3.66 million in 2019) to intangible assets.

In 2020, a revenue amounting to EUR 242 thousand was achieved as an adjustment (earn-out) on the capital gain achieved in 2019 (amounting to EUR 17.8 million), deriving from the sale of the property in Via Vittor Pisani, former headquarters of Ifitalia.

In light of the above, the **net operating income** and **profit (loss) from current operations before taxes** generated profit of EUR 41.6 million, EUR 31.7 million lower than in 2019; note that in 2019, the capital gain related to the sale of the property for 17.8 million was realised.

After income taxes, the **profit for the year** came to EUR 29 million (EUR 50.2 million in 2019, -42.3%).

(in millions of €)

	31/12/2020	31/12/2019	Var %
Net operation income	**41.6**	**73.4**	**-43.2**
Income taxes for the year on current operations	-12.7	-23.2	-45.3
Profit from current operations net of taxation	**29.0**	**50.2**	**-42.3**
Profit for the year	**29.0**	**50.2**	**-42.3**

Balance sheet items

Loans and receivables

(in millions of €)

	31/12/2020	31/12/2019	Var %
Due from customers	**6,260.2**	**7,520.6**	**-16.8**
- Factoring	6,260.2	7,520.6	-16.8
Due from banks	**2.0**	**2.6**	**0.0**
Loans and receivables	**6,262.2**	**7,523.2**	**-16.8**

Loans and receivables, net of value adjustments, totalled EUR 6,262 million, compared with EUR 7,523 million in the previous year, therefore with a decrease of 16.8%; this important decrease is mainly due to the negative effects of the COVID-19 pandemic.
This item, according to the IAS/IFRS international accounting standards, includes loans and receivables purchased without recourse, advances issued with recourse and for receivables acquired without recourse that have not transferred all the risks and benefits, and loans to debtors granted for conceded payment extensions.

Credit quality

Impaired loans and receivables decreased in 2020 from EUR 410 million in 2019 (EUR 126 million net; 1.7% of total loans and receivables) to EUR 357 million in 2020 (EUR 96 million net; 1.5% of total loans and receivables).

(in millions of €)

	Gross exposure	Value adjustments	Net exposure	% hedging	% incidence on due from customers
31/12/20					
Non-performing loans	277.1	221.7	55.4	80.0	0.9
Problem loans	78.0	38.9	39.0	49.9	0.6
Restructured receivables	2.4	0.5	1.9	19.4	0.0
Total impaired receivables	**357.4**	**261.1**	**96.3**	**73.0**	**1.5**
31/12/19					
Non-performing loans	305.1	242.1	63.0	79.4	0.8
Problem loans	84.9	39.8	45.1	46.9	0.6
Restructured receivables	20.5	2.5	18.0	12.2	0.2
Total impaired receivables	**410.5**	**284.4**	**126.1**	**69.3**	**1.7**

The total of **impaired loans and receivables**, net of value adjustments, amounted to EUR 96 million (126 million in 2019) with a comprehensive hedging of 73% (69.3% in 2019). These loans and receivables particularly concern:

- **non-performing loans** of EUR 277 million (EUR 305 million in 2019), 80% of which are hedged (79.4% in 2019), with a net value of EUR 55 million (EUR 63 million in 2019);

- **unlikely to pay**, totalling EUR 78 million (EUR 85 million in 2019) which, net of the related hedges of 49.9% (46.9% in 2019) present a net value of EUR 39 million (EUR 45.1 million in 2019). This category includes unlikely to pay loans, subject to postponement and not subject thereto;

  - **past due loans** amounted to EUR 2.4 million (EUR 20.5 million in 2019). This decrease can be associated with the exit of some important positions and to an important activity carried out in the last months of the year. The reduction in past due exposure results from a more active management of positions in the context of the transition process to the new European default framework activated by the Company as from 1 January 2021. In this context, the most relevant positions, both in the public and private segments, were analysed and the appropriate actions for the reconciliation of the past due were defined: inclusion of suspensive events in the presence of assessed technical impediments (including the presence of ongoing litigation processes), or reclassification to probable default of those entities that were found to be impaired.
    This category includes exposures continuously overdue for over 90 days (receivables from central authorities, central banks and local authorities) or 180 days (receivables from government agencies) whose total amount is at least 5 percent of the entire exposure to said debtor. The scope of observation excludes exposures to the Tax Authorities deriving from sales of tax credits (VAT, IRPEG, etc.); these loans and receivables have an undetermined maturity.

Liability provisions

(in millions of €)

	31/12/2020	31/12/2019	Var %
Provision for employee termination benefits	4.1	4.7	-12.8
Provision for risks and charges	11.1	6.9	59.6
b) other provisions	11.1	6.9	59.6
Total	**15.2**	**11.6**	**30.3**

As at 31 December 2020, **liability provisions** were EUR 15.2 million (+30.3% compared with 11.6 million in 2019) and represent the allocations needed to cover future outlays deemed likely with respect to outstanding events.

The **provision for employee termination benefits** refers, for each employee, to obligations of defined benefits regarding work done until the date that the "accruing" employee termination benefits are transferred to INPS or to external retirement benefits as set forth by the 2007 budget act. The liability is posted using the actuarial method considering the probable future date on which the effective financial outlay shall take place. As at 31 December 2020, the provision was EUR 4.1 million (EUR 4.7 million at the end of 2019).

The **other provisions**, equalling EUR 11.1 million, include:

- *provision for legal disputes,* of EUR 10.3 million (4.5 million at the end of 2019) for allocations against revocations and legal proceedings and disputes; the increase in this provision, amounting to EUR 5.8 million, is mainly attributable to provisions made in 2020 in consideration of possible settlements with certain transferors in order to settle outstanding disputes;
- *personnel expenses* are in line with the previous year.

Equity items

Equity as at 31 December 2020 amounted to EUR 790 million (EUR 761 million in 2019), up by 3.8% due to the following changes:

Equity as at 31 December 2019	**761.15**
2020 changes:	
- net profit as at 31 December 2020	28.98
- change in other reserves	-0.12
Equity as at 31 December 2020	**790.11**

With regard to the capital adequacy of Ifitalia as at 31 December 2020, Ifitalia closed with **Total regulatory own funds** of **EUR 756.2** million, up EUR 56.6 million, in the presence of total capital requirements of EUR 314.7 million with a capital surplus of EUR 441.5 million. The TIER 1 came to 14.42% and the Total Capital Ratio was 14.42%.
Own funds as at 31 December 2020 do not include the 2020 profit, which will be capitalised following approval of the financial statements by the Shareholders' Meeting.

	2020	2019	Var. %
Tier 1 capital	756.2	699.7	8.1
Tier 2 capital	0.0	0.0	0.0
Elements to be deducted	0.0	0.0	0.0
Transitional regime - impact of T2 (+/-)	0.0	0.0	0.0
SUPERVISORY CAPITAL	**756.2**	**699.7**	**8.1**
Risk Weighted Assets (*)	**5,245.8**	**5,808.1**	**(9.7)**
Total prudential requirements	**314.7**	**348.4**	**(9.7)**
Capital excess	**441.5**	**351.3**	**25.7**
Tier 1 capital ratio	14.42%	12.05%	19.7
Total capital ratio	14.42%	12.05%	19.7

(*) As from 2008, the above-mentioned aggregates have been calculated according to Basel II

Infra-group transactions and those "related parties"

Relations with the parent company and other companies belonging to the BNL-BNPP group, included in what is set forth pursuant to art. 2497 and following of the Italian Civil Code, include both financial and commercial relations.

The borrowing transactions with the Parent Company, regulated at market conditions, totalled EUR 4,468 million and represented the majority of amounts owed to banks; the remaining part is represented by exposures to BNL for an amount of EUR 454 million.

In relation to securitisation transactions, Ifitalia as at 31 December 2020 had a debt position to the SPV of EUR 206 million, which represents the portion of the securitised portfolio financed by other companies of the group. The related income transferred to other Group companies amounted to EUR 1.282 million.

With regard to the operating transactions with BNPP group companies, made up mainly of service agreements for providing IT services (mainframe use and use of data networks and software support and maintenance) and company vehicle hire, costs were incurred for EUR 6.454 million (EUR 6.330 million in 2019).

Expenses/profits were also recorded for staff seconded respectively from or to other Group companies for an annual total of EUR 4.106 million in 2020 (EUR 3.938 in 2019).

In 2020, income from Group companies for rents receivable of EUR 0.367 million (in line with 2019) and costs for rents payable of EUR 0.120 million in line with 2019 were also recorded.

Ifitalia uses external servicing provided by BNL Spa for the management of the following services:

- administrative, accounting and tax service (Musca)
- tax advisory service
- compliance activity management service

Moreover, BNL provides the following services supplied until 2018 by BPI Scpa (merged into BNL spa as from 31 December 2018)

- property management service
- HR management/administrative service
- purchase management service
- NPL management service
- Operation service and operational support
- Business continuity service

In 2020, costs totalling EUR 2.645 million were incurred for all the above activities (EUR 2.5 million for 2019).

In order to have operational support, Ifitalia contracted out some back office activities to the company ITP srl (company belonging to the BNPP group). The costs incurred for these activities amounted to EUR 840 thousand (EUR 768 thousand for 2019).

Furthermore, the company makes use of an internal audit service offered by BNL, based on the BNP Paribas guidance regarding Internal Control Systems. The total costs incurred were EUR 0.219 million (EUR 0.331 million in 2019).

Expenses for coordinating factoring activities at the group level, performed by the "Global Factoring Competence Centre", were incurred for EUR 0.448 million in 2020 (EUR 0.527 million in 2019).

Furthermore, for providing commercial services, Ifitalia made use of the collaboration of the BNL/BNPP branches to which it paid commercial commission charges of about EUR 1.550 million total (EUR 2.569 million in 2019).

With regard to the loans granted against factoring activity, it is specified that Ifitalia receives, disinvests and provides guarantees regarding the BNL Parent Company and some BNL-BNPP Group companies.
All transactions between the Bank and related parties are carried out at market conditions.

The summary of equity and economic relations for 2020 with the parent company and other companies belonging to the BNL-BNPP Group originating from financial or commercial relations are indicated on page 146 of the Notes to the Accounts.

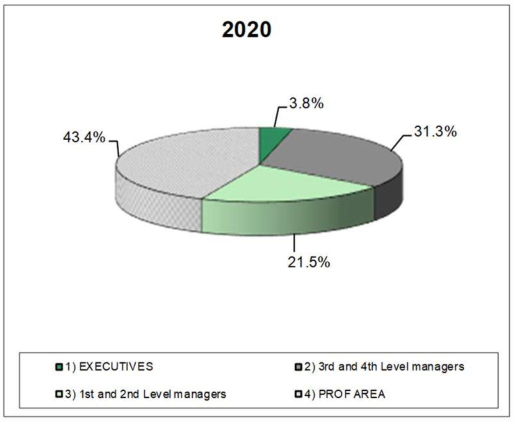
Human resources

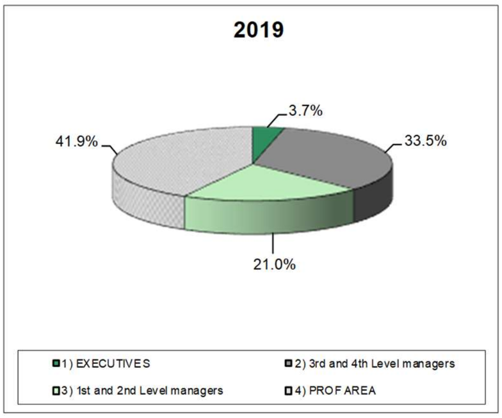
The personnel as at 31 December 2020 amounted to 265 individuals (-2.57% compared to 31 December 2019), the year-on-year reduction in the workforce is due to the efficiency policies adopted by the company in line with the strategic plans and implemented through the implementation of the Redundancy and Retirement Plan launched in 2018 and covering the three-year period 2019-2021.

The resources are broken down as shown in the tables below:

Distribution by grading

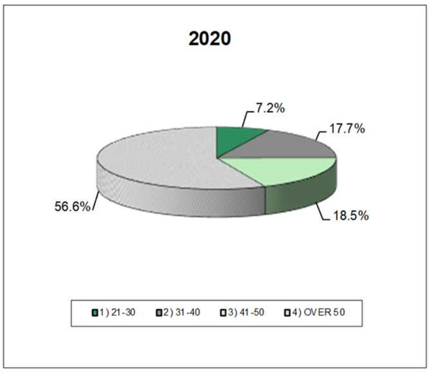
Category	31/12/2020	31/12/2019	2020 in %	2019 in %
1) EXECUTIVES	10	10	3.8%	3.7%
2) 3rd and 4th Level managers	83	91	31.3%	33.5%
3) 1st and 2nd Level managers	57	57	21.5%	21.0%
4) PROF AREA	115	114	43.4%	41.9%
Total	**265**	272	**100%**	100%

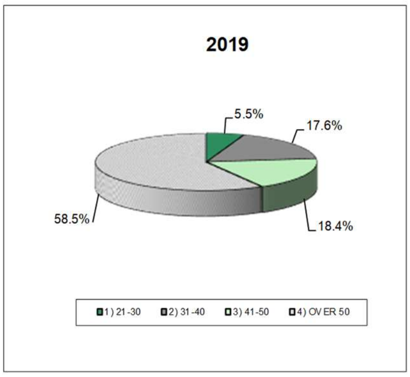




Distribution by age

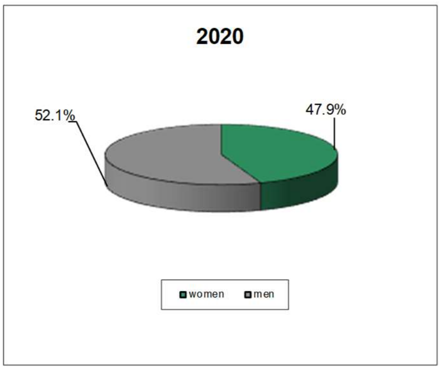
Age group	31/12/2020	31/12/2019	2020 in %	2019 in %
1) 21-30	19	15	7.2%	5.5%
2) 31-40	47	48	17.7%	17.6%
3) 41-50	49	50	18.5%	18.4%
4) OVER 50	150	159	56.6%	58.5%
Total	**265**	**272**	**100%**	100%

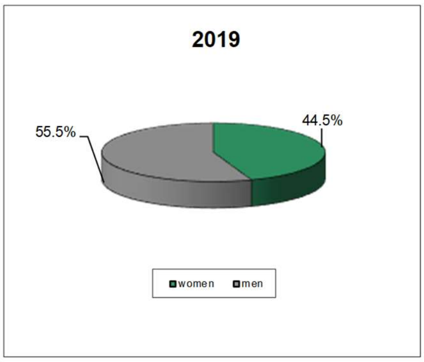




Distribution by gender

Category	31/12/2020	31/12/2019	2020 in %	2019 in %
women	127	121	47.9%	44.5%
men	138	151	52.1%	55.5%
Total	**265**	**272**	**100.0%**	100%





Management Policies and Human Resources Development

The procedures and related tools for managing and developing Human Resources in Ifitalia are designed and governed in close synergy with those adopted within BNP Paribas Group in Italy.

In 2020, we continued to invest in "ABOUT ME", the system for managing and developing performance and mobility within the Group. The improvements introduced are related both to new functions that make the system increasingly sophisticated and flexible, and to training and support for the business population in its increasingly effective use. "ABOUT ME" involved almost 100% of the business population in the assignment and assessment of objectives; more than 90% of feedback was exchanged between the manager and employees and an individual development plan was identified to ensure the constant updating of skills and therefore to ensure maximum future employability.

With regard to mobility, during 2020, professional development processes were activated for about 10% of the business population with the objective of offering people and, consequently, the organisation as a whole, opportunities for enrichment and skill development. In particular, about a dozen colleagues changed roles, two mobility schemes were activated with Group companies in Italy and, finally, six people were recruited from the external market. All the actions mentioned were aimed at further strengthening customer management and development activities.

Moreover, Ifitalia has taken an active part in the Group's X-Potential programme, which has taken place and is still in progress, in order to promote incisive cross-company mobility in Italy, with a view to promoting comparisons and synergies between the various businesses and enriching the Group's professional skills.

The management strategy is confirmed as being focused on the substantial involvement of direct managers in guiding employees as well as in identifying and preparing individual development plans.

Training

With a view to continuous evaluation and growth of the Company's human resources, investments continued to be made in training activities during 2020.
A total of approximately 1,700 hours of training were provided in 2020, equal to approximately 6 hours per capita, which, in consideration of the pandemic scenario, were mostly carried out remotely.

With regard to the offer, in addition to having a complete training catalogue, which concerns both behavioural/managerial and technical matters, in-house initiatives have been set up for both managerial and junior roles.

With reference to training topics, 16% were of a technical-specialist nature, 61% related to regulations and 23% were behavioural and linguistic. 23% was delivered in the classroom and 77% remotely.

The coverage of the business population was 100%.

Selection and Employer Branding

In collaboration with the other Group companies, the commitment to Employer Branding has grown, with the objective of increasing and expanding the presence of BNP Paribas Group and Ifitalia in the labour market.

The Employer Branding initiatives include the participation of Ifitalia, in collaboration with other BNP Paribas entities in Italy, in the "Campus Party" programme and a series of Business Games in collaboration with leading Italian universities.

During the year, 8 recruits were also hired.

Remuneration policies

Remuneration tools adopted in 2020 for personnel were divided into interventions to the fixed component of remuneration (raises and promotions) and to the variable component (bonuses, incentive plans, company bonuses, welfare), in line with defined standards and guidelines.

OTHER INFORMATION

Organisational structure

During 2020, the Company's organisational structure underwent some changes.

In particular, as from 1 June, the new Special Loans Structure was created, reporting to the General Manager, which brought together the following areas of activity:
- Special Affairs and Debtor Credits structures, previously allocated to the Sales Division;
- Monitoring of outsourced activities in Workout, previously allocated to the Risk Division

with the following responsibilities:
- managing doubtful transferor positions classified as Non-Arrears Unlikely to Pay;
- monitoring outsourced Workout activities;
- assuming non-recourse debtor risks as part of the delegated powers after obtaining a Risk Opinion.

Other significant organisational changes were made in the Sales and PAC Divisions:

<u>Sales Division:</u>
- establishment of the new Business Line Reverse organisational structure, effective as from 11 May 2020, with the aim of optimising the management of the customer portfolio from Reverse Agreements;
- establishment of the new Key Clients and Structured Products organisational structure, effective as from 1 November 2020, resulting from the aggregation of two other structures mainly dedicated to the acquisition of prospect customers in the CIB and Large Contributors segments; this new organisational unit also deals with structured products, for which it is responsible for the preliminary assessments, development and definition of the products in accordance with the regulations in force.

<u>PAC Division</u>

- establishment of the following two new organisational units:
  - Completion of Customer Lines and Committees
  - KYC Operations Team

  deriving from the aggregation of the Risk Office (transferred from the Risk Division) and the Credit Lines Office and Record file.

  The new Structures support the Business Functions for:
  - the preparation and control of the documentation needed to identify customers when entering into a relationship on the occasion of the start/change of an "ongoing relationship" (transferor or extended debtor) or when establishing an "occasional relationship";
  - the transferor and debtor approval procedures regarding the Credit Committee and the Board of Directors;
  - taking care of all related fulfilments and formalisation of the relationship.

Moreover, the Board of Directors resolved, on 21 December 2020 and effective as from 1 January 2021, to acquire from International Trade Partner S.r.l. (ITP) the business unit relating to the activities and persons who provided their services to the Company through specific outsourcing contracts. As a result of the aforementioned acquisition, a Back Office Support Team structure was created within the PAC Division effective as from 1 January 2021, into which these resources were allocated, carrying out the same activities previously carried out under outsourcing contracts.

Finally, effective as from 1 January 2021, in accordance with the outsourcing framework defined at the BNP Paribas Group level, the role of Outsourcing Coordinator was created within the Operational Management Division, with the aim of ensuring a more cross-sectional and integrated vision of the Company's outsourcing processes.

Management and coordination of Parent Company activities

The company is subject to the management and coordination of BNP Paribas activities.
The company has a traditional Governance and Control system that comprises the Shareholders' Meeting, Board of Directors, General Manager and Board of Statutory Auditors.

Treasury or parent company shares in the portfolio

The Company does not hold any treasury or parent company shares.

Use of the internal systems (AIRBA)

With regard to the use of internal models for the calculation of the capital requirement for Credit Risk, during the fourth quarter of 2019 the Company managed the validation activities by the Supervisor. The results of these assessments were formalised in October 2020 and the Company is in the process of defining its action plan to overcome the shortcomings and/or improvements identified by the regulator.

Supervisory review process

The enforcement of Circular No. 288 "Regulatory provisions for financial intermediaries" dated 3 April 2015 repealed Circular No. 216 and led to a harmonisation with the Banking Supervision rules and with the European legislation disciplined by Regulation (EU) no. 575/2013 (known as CRR) and directive 2013/36/EU (known as CRD IV).

As illustrated in Circular no. 288, the Supervisory Review Process (SRP) is divided into two integrated phases. The first is represented by the internal process for determining capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP) and refers to the intermediaries, which carry out an independent assessment of their capital adequacy, current and forecast, in relation to the risks undertaken and the business strategies.
The second involves the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the regulatory authority, which, also via the ICAAP review, formulates an overall opinion on the intermediary and activates, if necessary, corrective measures.

In line with the matters laid down by the Legislation, Ifitalia prepared the ICAAP document with reference to 31 December 2019 and is about to prepare the new ICAAP as at 31 December 2020 by 30 April 2021.

Business targets and policies regarding the handling of risks and the related hedging policies

Information concerning the policies for the handling of the risks and the related hedging policies has been dealt with in Part D: Other Information - Section 3 of the Notes to the Accounts.

The internal control system in relation to the financial disclosure process (Article 123-bis, Paragraph 2 b of the Consolidated Finance Act (TUF)

Article 123-bis of Legislative Decree no. 58 of 24 February 1998, (Consolidated Finance Act or TUF), amended and supplemented by Article 5 of Legislative Decree no. 173 of 3 November 2008, introduced, under paragraph 2, letter b, the obligation to describe the main characteristics of existing risk management and internal control systems in relation to the financial disclosure process.

The purpose of the internal accounting control system is to verify the completeness and correctness of accounting records, prevent and locate any errors as well as the quality of the data to be used to prepare the financial statements, produce supervisory reports and all other accounting and financial disclosure. The system complies with the standards set by the Parent Company BNP Paribas.
The methodological approach is based on ascertaining the existence of suitable governance systems, standards of conduct inspired to corporate ethics and integrity, disciplinary systems for the personnel, suitable organisational structures, a clear structure of delegations and responsibilities, effective codes of conduct and fraud prevention systems. It is consistent with the standards envisaged by the Parent Company BNP Paribas and was implemented with the preparation of appropriate internal procedures for an effective and efficient monitoring of accounting risks and financial disclosure.

Accounting risk monitoring is included in the broader context of permanent control, based on the continuous monitoring of risk identification and assessment, procedures and controls.

Checks reflect the current definition prescribed in the company's internal control system. Checks are classified as "first level" (carried out by operating personnel and hierarchical managers) and "second level" (carried out by specialised departments). The periodic auditing of the system is carried out by the Group Inspection Générale Department (third level check).

In assessing the accounting internal control system, special attention was devoted to verifying the adequacy and actual application of the accounting and administrative procedures as well as the rules of correct management of the technological infrastructure, applications and operating systems. Analyses were carried out with specific methodologies monitored through the Finance Division. Monitoring the accounting and financial reporting quality focuses on examining the organisational settings and the functionality of the internal controls through a test plan that continuously assesses the adequacy and actual application of the accounting and administrative procedures that play a role in preparing the accounting documents and any other financial communication.
The quality of the accounting reporting and the effectiveness of the related internal control system are formalised by issuing a Group Certificate every three months.

Business Continuity

Ifitalia defined a **Business Continuity** system to guarantee the continuity of the company's critical services.
In line with regulatory and BNP Paribas Group provisions, Ifitalia's **Business Continuity Management** system is comprised of:

- ✓ **a Governance organisation** to manage crisis scenarios;
- ✓ **a Business Continuity Plan** (BCP) for operational management of crisis scenarios.

Since 2020, Ifitalia has outsourced the Business Continuity framework management activities to BNL SpA; in this context, the Company retains, also through the figure of the Business Continuity Manager who remains appointed to it, overall responsibility for the Business Continuity arrangements; the Company also maintains at its own expense, through the Permanent Control Coordinator/Operational Risk (PCC/OR) structure, the carrying-out of specific permanent controls on the CB within its scope.

The Corporate Regulations specific of the Company include references to the responsibilities pertaining to the process of implementation, maintenance and governance of Business Continuity.

Particularly:

- ➢ **A Business Continuity Manager**, in charge of preparing and maintaining the Business Continuity system;
- ➢ **Corporate Functions**, which contribute to finding, sharing and validating the information required to guarantee the effectiveness and efficiency of the continuity solutions established in the BCP;
- ➢ **Crisis Committee**, which guarantees the management of particularly serious crisis situations that require immediate co-ordination to define continuity solutions;

- **Risk Monitoring Committee:** Supports the Business Continuity Manager in identifying, sharing and validating the information and initiatives designed to maintain the Business Continuity solutions.

Ifitalia's Business Continuity Plan is developed over a period comprising a time frame of **2 weeks** starting from the occurrence of the crisis event. In this reference timeframe, the goal is to guarantee the continuity of the services indicated as indispensable for the survival of the Business.

In order to guarantee the rapid implementation of the business continuity plans, the Company identified 70 resources who are assigned the responsibility, under the BCP, to reactivate the critical processes in emergency situations. These resources are part of the Critical Emergency Teams. The team is composed of about 25% of total resources.

In 2020, Business Continuity (BC) actions in Ifitalia were carried out in compliance with the main activities planned, which regarded:

- Review of the internal reference regulations for BC, consistent with the updates of the Parent Company's regulations (BCP and BCM update);
- Annual verification and update of the BIAs;
- Update of target sites for the critical team;
- Handling of "key" suppliers mapped for BC purposes;
- Acquisition of results of the related audit tests performed by critical suppliers;
- Update of the permanent controls plan consistent with the Group's Generic Control Plan;
- Execution of the operating continuity simulation tests;
- Delivery of BC training.

Financial Security – Anti-Money Laundering, Terrorist Financing Prevention, Economic and Financial Sanctions and Embargoes Unit

As part of the more general process that began in 2015 of centralising the Compliance function of Companies in the operational perimeter of the BNL Banking Group, during the fourth quarter of 2016, Ifitalia assigned the formal responsibility of the Anti-Money Laundering Department to the Head of the Financial Security Department within the BNL Compliance Division, which took charge of the full perimeter related to Financial Security. Also in 2020, the organisational model envisaged the presence of a Single Point of Contact (SPOC) who is part of the same Division, dedicated to ensuring the proper and timely provision of the services defined in the outsourcing contract. Again with the aim of monitoring the correct provision of services, a member of the Board of Directors was appointed as Outsourced Service Representative (RPE).

Thus, the BNL Anti-Money Laundering Department operationally coordinated or implemented the entire scope of activities, which include:

- Due diligence and profiling of customers/intermediaries;
- Checking the proper AUI registrations and bookkeeping;
- Identification, analysis and reporting of potentially suspicious transactions;
- Management of advisory and authorisation activities related to international sanctions and embargoes, combating terrorist financing and the proliferation of weapons of mass destruction.

For all these areas, the BNL Anti-Money Laundering Department, in addition to directly managing certain operational processes (e.g., reporting of suspicious transactions to the Supervisory Authority) has:

- ensured specialised advisory services on financial security issues;
- provided the necessary contributions in the Committees tasked with validating the Company's new measures;
- monitored the evolution of national and EU legislation on Financial Security, assessing its impact on operating processes and developing appropriate updates to ensure its full compliance;
- drafted or updated the body of procedures of the Policies relating to the scope, consistent with the provisions of the Parent Company and in compliance with current legislation;
- implemented a second-level control plan aimed at monitoring the proper performance of all relevant operational

processes;
- monitored any operational risk incidents as part of the Financial Security;
- completed the annual self-assessment of the risk of money laundering, terrorist financing and violation of sanctions and embargoes as well as the quarterly monitoring required by the Group model, analysing the results and defining the subsequent action plans for the areas for improvement that emerged;
- defined the specific training plan in the field of Financial Security and monitored the correct and complete use by impacted colleagues;
- monitored the proper registration of data into the Consolidated IT Archive (AUI) and ensured the timely delivery of information in SARA reports.

The scope of the Anti-Money Laundering Department has also formally included the monitoring of the risks of abuse of office and corruption, preparing a model that will be completed in the coming years.

In 2020, no inspections of the areas covered by Financial Security were carried out by BNPP Group bodies or external to the Group itself.

Finally, note that there were no operational incidents with anti-money laundering impacts.

Protection of Customers' Interests (PIC)

The Company's PIC risk profile was low in 2020. The "Compliance and Reputational Risk" was modest, thanks to the implemented control Framework and the generally satisfactory results of the controls themselves, even in a context characterised by a renewed attention of the Supervisory Authority to customer protection issues and an increasing trend in customer complaints.

The Risk Assessment on PIC issues that obtained a Low Residual Risk was assessed on the basis of four statements:
- adequacy/appropriateness: the products and services offered must conform to the needs and profile of the customer;
- customer disclosure: the information provided to the customer must be clear, accurate and not misleading and the price of products and services must be transparent and fair;
- conflicts of interest: any conflict of interest must be identified, managed and disclosed, where necessary, in order not to harm the customer;
- complaint management: adequate communication must be provided regarding the way in which the complaint is opened and the process for handling it; complaints must be handled effectively and at no cost to the customer and it is also necessary that Management and Control Functions are adequately informed about the causes of customer dissatisfaction.

The controls envisaged in the PIC Generic Control Plan, which is structured around five key monitoring points, corresponding to the main risks (Organisational issues, Adequacy/Appropriateness, Customer information, Conflicts of interest, Complaints) were carried out and specific controls were also carried out to monitor the risks related to non-compliance with the Law on usury no. 108 of 7 March 1996. These controls did not reveal any particular critical issues.

During 2020, as envisaged in the Training Plan for PIC issues, training activities were provided to employees identified as "target" with the support of the My Development platform.

Finally, note that in 2020 there were no incidents concerning issues related to the Protection of Customers' Interests.

Market Integrity & Professional Ethics

With regard to issues of Market Integrity & Professional Ethics, note that during 2020, continuing the activities carried out in previous months, the Company's internal body of regulations was kept updated, to ensure that it is aligned with the Group's procedural structure. These activities concerned both processes in the area of Professional Ethics and of Market Integrity although, in this last area, the adopted procedural and control system is simplified due to the limited exposure to these risks. With specific regard to issues of professional ethics, the following regulations were issued/updated:

- the "Operating Guide on the Ethical Alert Device - Whistleblowing" (update), which regulates the Internal Reporting Systems (known as Ethical Alert Device or Whistleblowing) adopted by the Company to allow employees to report acts or facts that may constitute a violation of external rules or ethical principles. The directive supplements the Whistleblowing Policy (called "Whistleblowing Procedure") already introduced last year. The changes concerned the insertion of references to the new WB Factoring Filière channel (email), the change in the period within which to present the annual report - from "first quarter" to "first half year" - in that there is no external regulatory constraint for Ifitalia, as there is for banks, and, finally, the updating of related procedures.
- the "Gifts and Invitations Policy" (extension), which describes the conditions under which gifts and invitations, received or offered, can be accepted, authorised or refused and the decision-making process to be followed. The Policy also specifies the criteria to be considered in order to evaluate the "reasonableness" of the four macro-categories of invitations (informational, representational, fostering relationships, and entertainment);
- the Policy on "Handling of personal transactions of relevant parties" (update/implementation), which defines, from a strictly operational point of view, the procedures for the management and analysis of transactions in financial instruments (known as Personal Transactions) carried out by Relevant Parties in order to highlight any unauthorised practices.
- The "Policy on personal transactions in financial instruments of external agents classified as Relevant Parties" (extension), which defines a process for the management and control of personal transactions of collaborators/agents of external Service providers, who are exposed to inside information and are therefore Relevant Parties. Since the Group Entities cannot directly lay down the applicable rules and restrictions - in that they can only be imposed by the employer of the Collaborators in question - in their relations with their Suppliers, they must ensure that such measures are adopted by the Suppliers themselves, under their own responsibility.

On the other hand, with reference to the issues of Market Integrity, during 2020 it was not necessary to carry out any activity of issuing/updating regulations, but the activity carried out resulted in the request for exemption - by forwarding to the Market Integrity Domain of Group Compliance - in relation to some procedures considered not applicable at local level.

As regards Market Integrity & Professional Ethics, ongoing consultancy was guaranteed to support Ifitalia's Structures/Divisions.

During 2020, the Compliance Division ensured the usual second-level oversight of ethics risks, as envisaged by the "Global Control Plan Professional Ethics" issued by the Company.
With reference, in particular, to ethical and deontological behaviour, the Division ensured the oversight of adopted systems and monitored compliance with policies.
Moreover, with reference to the ethical alert system, permanent monitoring of the overall regulatory plan adopted by the Parent Company was ensured and the system was strengthened through the implementation in 2020 of a specific Group tool (Wishbone), a tool that, in addition to facilitating the automatic reporting of the most critical alerts to higher hierarchical levels, facilitates the central production of reference reports and therefore quantitative and qualitative assessments of the alerts received.

Additional control regarding the supervision of gifts and invitations received/provided by collaborators, while, concerning conflicts of interest between collaborators and customers and/or collaborators and the Company, during the year there were no critical issues regarding any non-compliance conduct by collaborators.
Following the launch of the Sapin II Law in France, which provides that businesses define an anti-corruption programme to identify and mitigate corruption risks, BNP Paribas Group renewed the risk assessment process in all entities in France to identify emerging risks in this area.
A Risk Assessment was carried out on the Company in accordance with the RCSA method, which made it possible to assess the risks of non-compliance applicable to the Company relating to Compliance issues, with a special reference to the identification and classification of Relevant Parties, the recording and control of Personal Transactions carried out by Relevant Parties, the failure to manage conflicts of interest of personnel, the failure to identify incorrect behaviour due to the lack of a Whistleblowing framework and, finally, the failure to comply with laws and regulations on internal corruption. The assessment results showed, in relation to Inherent Risk and Control Framework, an overall "Low" residual risk for Professional Ethics area. With regard to Market Integrity, given that the Company is not considered particularly exposed to risks in this area, only the risk relating to "Non-compliance with market abuse regulations" was deemed applicable, for which a "Moderate" residual risk was identified.
During 2020, no incidents occurred pertaining to issues of market integrity or professional ethics.

Also for the year 2020, a specific annual report was prepared by the Head of Internal Reporting Systems to illustrate the progress of the Company's ethical alert system (known as whistleblowing).

Finally, specific training activities on Professional Ethics topics were carried out in e-learning mode for Newcomers through courses on “Conflicts of Interest”, “Professional Ethics” and “Code of Conduct”, while awareness-raising/communication in favour of all Collaborators were carried out with reference to the areas of Gifts and Invitations, Personal Transactions put in place by the Relevant Parties, the proper authorisation process to carry out personal external tasks and the presence and availability of an ethical alert system (Whistleblowing).
With regard to Market Integrity, both the awareness and advanced course on market abuse was delivered through e-learning, to exposed staff not yet trained, as well as the awareness course on MIFID II.

Banking Laws

With reference to Banking Laws, note that during the year, continuing the activities carried out in previous months, the Company - with the support of BNL Compliance - checked the updating of its internal body of regulations to ensure that it is aligned with the Group’s procedural structure.
In particular, the activity concerned the preparation of customised texts for subsequent implementation and led to the issue/updating of the following regulations:

- the "BNP Paribas Group Volcker Recordkeeping Policy" (update), which defines an internal regulatory framework, at a local level, referring to US banking regulations, in that Ifitalia, as well as BNL and the Entities of the BNL Banking Group as well as the companies of the BNL BC perimeter, regardless of the activity carried out, are subject to the requirements contained in the Volcker Rule.
- the “Volcker Rule Group Internal Certification Policy” (implementation), which aims to formalise the principles relating to the annual Volcker Rule Certification, which represents the extension of the provisions for the annual Certification provided by the Group to the US authorities in relation to compliance with the aforementioned Volcker Rule of the Group’s activities. This Certification activity was validated by the Board of Directors of BNP Paribas on 29 April 2015.
- the "Group Compliance Policy for French Banking Law" (extension), which describes the Compliance Program and internal control framework implemented in the BNP Paribas Group as from 1 July 2014 to comply with the obligations set forth in the French Banking Law (Law 2013-672 of 26 July 2013 on the separation and regulation of banking activities).
- the "BNP Paribas Group Volcker Policy" (update), which describes the principles, responsibilities and controls to be adopted at local level for the implementation of the Group Volcker Compliance Program.

Moreover, the activity carried out also resulted in the request for exemption of a procedure under the Volcker Rule and French Banking Law deemed not applicable locally was submitted to the Group Compliance Advisory Domain.

As regards Banking Laws, ongoing consultancy was guaranteed by the Compliance division of BNL to support Ifitalia’s Structures/Divisions. With specific reference to Banking Laws, support was provided to the Company for the drafting of the document set required by the Volcker Rule and French Banking Law (desk package and trader mandate).
Note that the Company carried out the annual Volcker Rule Compliance Certification, which highlighted the compliance of internal processes with the Volcker Rule Compliance Programme.
The updated Volcker Rule and French Banking Law inventory of assets in financial instruments with evidence of the Ifitalia Business Unit and assets in scope was transmitted to the Central Team according to the established deadlines.

During 2020, no incidents occurred pertaining to issues of Banking Laws.

With reference to Volcker Rule, training activities have been provided in e-learning mode according to the target identified following the instructions of the Parent Company.

Organisational measures

Introduction

During 2020, the activities planned as part of the Business Plan of the Company continued, with the aim of achieving greater efficiency of the company and its processes and, consequently, greater commercial competitiveness.

A special effort was dedicated to the digitalisation of processes and documents, also in consideration of the external health crisis situation that lasted for almost the entire year, and the considerable limitations that this situation imposed on all market operators.
In particular, the main projects with the greatest impact on internal operations and on customers carried out during the year or in the course of completion are reported below.

Digitalisation

ACTIONS CARRIED OUT AND INCREASE IN VOLUMES OF DEMATERIALISED DOCUMENTS

- Strengthening and reconversion of company and contractual forms for use in digital format.
- Increasing the use of the PEC (Poste Elettronica Certificata, Certified Electronic Mail) channel in the exchange of communications with customers, both as regards communications sent by the Company's structures as part of daily activities, and as regards the forwarding of massive communications to customers produced by the Company's application systems.
- Increasing the use of digital signatures in business processes.

APPLICATION DEVELOPMENTS IN THE FIELD OF DEMATERIALISATION

- Starting a project for the Dematerialisation of factoring contracts, which aims to create an Electronic file of Factoring Contracts (FECF), which will dematerialise the process of transmission and acquisition of documents relating to contracts entered into with customers. The application will make it possible to create an electronic file for each individual customer, upload the contractual documents to the relevant file, digitally sign and forward the documents to the parties involved, acquire the contract documents sent by customers through the web portal, submit to check and validate the documentation received and apply the digital storage processes in accordance with the law. The Electronic File of Factoring Contracts will enter into production in early 2021.

Mediana Portal

The Company's home factoring platform was completely redesigned in 2019; a number of activities continued in 2020, including the release of new operating sections dedicated to "IAS compliant transactions, which took place in January 2020, the creation of the Database of subjects with digital signature within the company IT system and the Mediana portal, which allows automatic checks to be carried out on credit granting transactions signed with digital signature, and the updating of the "debtor file" in the Mediana portal, containing information on the risk position and performance data.

New releases are also planned in 2021, again with the aim of allowing customers greater autonomy in daily operations and internal operators a more efficient use of the platform.

Automation of collection reconciliation activities

During 2020, the implementation of an IT tool was launched for the automatic reconciliation of collections received from customers, an activity that requires a considerable number of resources.

Once the feasibility analysis was completed, a test was carried out on a product made by a specialised external supplier and, following the positive outcome of the test, the development of the tool was started, with the support of the same supplier, which will allow the automation of the interchange of payment flows and their accounting.

The tool will be put into production in the first half of 2021.

Research & development activities

The following IT projects were implemented in **2020**:

1. *Update of IT Governance procedures* (Armonia, Financial Mng) following the introduction of new Group policies and controls
2. *Basel 2:* new Data Quality and Data Integrity controls were implemented.
3. *European default (past due):* the implementations started in the second half of 2019 were completed

   in order to allow, as from 30 June 2020, a parallel between the current definition of default in use at Ifitalia and that envisaged by the EBA/GL/2016/07 regulation and by the Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, which will enter into force as from 1 January 2021.
4. *Minerva Suite (Supervisory Reports):* upgraded the product by migrating it from the platform residing on Bank systems to that delivered on the DXC provider's cloud systems in SaaS (Software as a service) mode. The project was carried out in collaboration with BNL, which already used the new version
5. *KyC (Know your Customer)*: the SICRAT tool was implemented (already used by the BNPP Group Companies) to allow for
   - automatic feeding of the KyC cards with the data recovered from Cerved and Infocert
   - the management of the entire due diligence process through decision-making workflow carried out automatically by the system according to the customer's risk level.
6. *Anaconda (Anti-fraud tool)*: Following the decision of the factoring métier to adopt a single anti-fraud tool to be integrated with the core systems used by the individual BNPP Group Factoring Companies (FIS for Ifitalia), work was completed and the software was moved to the production environment.
7. *Mediana 2020:* the project for the creation of new functions of the web factoring portal based on the needs collected from customers was implemented. System adapted to the new security measures introduced by Group Policies.
8. *Starting new customers:* the FIS core system was set up to welcome new customers
9. *By instalments (SIRAT system):* the activities for the porting of the "By instalments" sales information system to the FIS (core) information system were completed.
10. *Automatic collections:* the project that allows to semi-automatically assign collections to the related invoices with the aim of improving efficiency was started. A tool (K-linx), already in use by the Bank, able to "read" the reason for the transfer, the details of the invoices and the name of the payer was identified in order to propose possible matches with different degrees of reliability.
11. *Purchasing cycle:* the Navision product was adjusted for the management of the Certificazione Unica 2020_Provvedimento AdE prot. no. 8932/2020, pro-rata VAT, processing of supplier master data for the purposes of Italian Legislative Decree 231
12. *Data logging on FIS:* logging procedures for obsolete data on FIS.
13. *Processing time efficiency:* optimisation of the batch procedures of the Core FIS system (MainFrame) with the aim of making processing times more efficient and containing the related costs.
14. *Revision and optimisation of MS Access applications (PAC Division - Production Commercial Assistance):* conversion for the purposes of optimisation (in terms of use and unification of features) of the applications used by the PAC Division from DB Access to the FIS and/or Mediana system.
15. *Office Automation products:* the office automation products were upgraded to the new market version with conversion of applications developed in access.
16. *CyberSecurity*: actions were carried out in line with what has been done by BNPP Group, in order to reach an adequate level of maturity for all Cyber areas identified as critical by BNPP Group.

17. *WorkSpace 2020:* the WorkSpace 2020 programme continued, assisted by the parent company BNPP (mandatory), concerning End User Computing (EUC) architectures. The programme consists of creating a common workspace for all BNP employees worldwide. As requested by BNP, the project is carried out in collaboration with BNL (identified as focal point country Italy) and concerns the insourcing in BNL of the workstations and the related authentication domain (active directory).

Securitisation transactions

Starting in 2016, Ifitalia began a programme of securitisation operations through the collaboration and coordination of BNPP CIB of Milan. As at 31 December 2020, there were 7 securitisations in place.
These multi-year transactions (with a duration of 5 years with a renewable commitment each year) allow the company to hold long-term relationships with the customer while maintaining satisfactory margins and, at the same time, providing the customer a more stable and structured working capital loan .
The transactions, structured by BNPP CIB of Milan, are developed as described below.
Trade receivables, originated by primary customers of Ifitalia, are sold by Ifitalia without recourse, pursuant to the Italian Factoring Law (Law 52/91). At the time of purchase, Ifitalia sells the entire portfolio of receivables, with recourse, to the vehicle company Tierre Securitization s.r.l. (SPV) based on the Italian Securitisation Law (Law 130/1999). The transaction is conducted on a revolving basis, i.e. on collection of the receivables, which have an average duration of 60 days, new receivables are gradually sold.
The trade receivables are sold (Ifitalia customer to Ifitalia and Ifitalia to the SPV) at a price equal to their nominal value (sale at par) or discount.
The SPV finances the purchase of the receivables through the issue of two classes of short-term ABS Notes - Class A1 and Class A2 - which have a different amortisation profile, but the same rights (pari passu rank). Class A1 Notes are subscribed by third parties, while Class A2 Notes are subscribed by Ifitalia.
Ifitalia fully guarantees the credit risk of the transaction through the mechanism of purchasing the receivables without recourse and selling them to the SPV with recourse. From an operational point of view, this occurs through Ifitalia's commitment to buy the unpaid receivable back from the SPV after a certain number of days of delay in payment. In turn, Ifitalia protects itself from credit risk by stipulating an insurance policy on debtor risk or by benefiting from existing policies on debtor risk on the securitised portfolio.
The transaction structured as above provides customers with a committed source of financing for working capital, while keeping its relationships with customers unchanged, and allows Ifitalia to construct a significant transaction with satisfactory profitability, whose funding may be allocated with third parties. It also increases the loyalty of a customer of high standing.
The transaction, as devised, does not add any specific risk for Ifitalia compared to a normal without recourse factoring transaction.
From an accounting/financial statements point of view, for the mechanism of purchasing without recourse receivables and their resale with recourse (which effectively keeps the credit risk on the entire portfolio with Ifitalia), at the time of the sale by Ifitalia to the SPV, the receivables are not derecognised from Ifitalia's financial statements, but continue to be represented under balance sheet assets. At the time of sale of the receivables by Ifitalia to the SPV, instead of derecognising the receivables, an item is recorded under payables in liabilities, limited to the portion not financed by Ifitalia.

Main aggregates for outstanding securitisation transactions as at 31 December 2020

As at 31 December 2020, Ifitalia had 7 securitisations in place, the main balance sheet aggregates of which are shown below:

(thousands of euro)

ITEMS	BALANCE AT 31/12/2020	BALANCE AT 31/12/2019
Loans in portfolio (included in item 40 of the balance sheet assets)	516,893	579,314
Other payables Item 10 (represents funding received from third parties)	-206,488	-286,108
Other payables	-1,097	-908
Portion of securitisation portfolio financed by Ifitalia equal to value of securities subscribed by Ifitalia	**309,308**	**292,298**

Significant events after year end

When drawing up the financial statements as at 31 December 2020, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors and no corporate events occurred such as to have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8).

Business outlook

The pandemic context, which resulted in the first lockdown in March 2020, had a significant impact on all the companies' business metrics, significantly downsizing the expected business outlook. The decrease affected the entire factoring segment, allowing at least the company's market share to be substantially maintained, similar to that of 2019.

On this basis, in 2020 the average loans of active customers decreased by 8% compared to the previous year. This decrease was more limited in relation to the specific reverse factoring product, which showed greater resistance, confirming the particular interest of the market. In order to be able to specifically monitor the Reverse product, a dedicated business line was set up in the first half of 2020, in order to ensure greater speed both in the lending process and in the involvement of suppliers affected by the agreements signed.

The year 2020 was marked by an increase in the number of active customers, thanks to commercial development activities carried out in partnership with the commercial network of BNL and the BNP Paribas Group, which enabled the company to enter into relations with more than 352 new companies.

The development of the customer base, through the acquisition of new relationships in all market segments, is one of the pillars of the company's growth plan. In fact, a more diversified mix of customers and a reduction in the concentration on the Large Customers segment are essential elements for giving greater stability and sustainability to the company's development.

The activity aimed at the SME segment launched in 2017 continued with the same inspiring principles of relative standardisation, always related to with-recourse and without-recourse transactions, favouring, in the latter case, intervention on public and private debtors with high creditworthiness.

There was also a continued focus on solutions with a high level of customisation and structuring according to customer needs. In a highly competitive environment, being able to interpret customer requirements in the best possible way represents an instrument for customer loyalty and diversification with respect to the rest of the market. In this area, reverse factoring, financial support to exporting and multi-localised companies, also thanks to the network of European Factoring companies of the BNPP Group, and securitisation solutions continue to constitute an important added value.

Although there is still uncertainty related to the effects of the pandemic, in consideration of the growth forecasts of Italian GDP of 4.8% in 2021 and in the light of the new opportunities offered by the regulations set out in the Rilancio Decree regarding tax credits known as Super and Ecobonus, Ifitalia expects to increase its turnover volumes in 2021 to an extent that is even greater than the growth in the country's GDP. The average level of spreads is estimated to be almost in line with 2020.

As already highlighted in previous years, the company continues to monitor the recommendation index by its customers (Net Promoter Score - NPS) very closely. In this regard, initiatives continue to progressively improve the indicator, by constantly listening to feedback from customers, which has led to action plans aimed at constantly improving the service as a founding element of one's own evolutionary process. The NPS figure recorded in 2020 showed a score of 33, in line (-1) with the flattering 2019 result, which is to be welcomed in relation to the particular context of provision of the service during 2020.

For what concerns operating costs, the company will continue to manage them carefully in order to obtain their stabilisation/containment to guarantee the continuity of investments associated with developing new relationships, new projects, organisational developments and changes in the reference regulations.

Commercial and credit development policies will continue to be directed towards the selectivity of credit and operational risks; the company also strengthened its insurance coverage for the risk of its domestic and foreign debtors portfolio, with a view to both risk mitigation and business development.

The trend in additions to NPL in 2021 could undergo an increase related to the deterioration of the economic fabric as a result of the negative effect of the “coronavirus” on the economy.

Dear Shareholders,

The financial statements that we submit for your attention closed with net profit of EUR 28,975,467.

We propose that you approve the financial statements in their entirety, as presented to you, as well as allocate the profit for the year as follows:

to the Statutory reserve	EUR 28,975,467

The statutory reserve shall, therefore, change in this way:

<u>Statutory reserve</u>

Opening balance	**EUR 634,443,778**
Profit for 2020	EUR 28,975,467
Closing balance	**EUR 663,419,245**

We would like to thank you for the confidence placed in us and for the support provided during the year; we would also like to thank the Board of Statutory Auditors for the support given to the Company during the year. In conclusion, particular thanks go to all the staff for the dedication, the acknowledged commitment and the valuable work carried out to achieve the Company's objectives, as well as, to the Parent Company BNP Paribas S.A. for the collaboration and assistance provided.

Milan, Italy, 24 March 2021

On behalf of the Board of Directors

IFITALIA FINANCIAL STATEMENT

IFITALIA GRUPPO BNP PARIBAS

Ifitalia Financial Statements as at 31 December 2020

Mandatory financial statements:

Notes to the accounts:

MANDATORY FINANCIAL STATEMENTS

Balance Sheet

(euro)

	ASSETS	31/12/2020	31/12/2019
10	Cash and cash equivalents	1,567	1,138
20	Financial assets at fair value through profit or loss:	4,781,557	4,565,961
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	4,781,557	4,565,961
30.	Financial assets at fair value through other comprehensive income	-	-
40.	Financial assets measured at amortised cost:	6,262,230,554	7,523,185,311
	a) loans to banks	86,982,276	77,139,087
	b) loans to financial company	55,190,125	21,087,283
	c) loans to customers	6,120,058,153	7,424,958,941
50.	Hedging derivatives	-	-
60.	Change in fair value of portfolio hedged items (+/-)	-	-
70.	Equity investments	-	-
80.	Property, plant and equipment	2,687,823	3,906,078
90.	Intangible assets	10,706,724	11,263,580
	of which: goodwill	-	-
100.	Tax assets	67,134,698	62,415,022
	a) current	*24,058,545*	*14,909,963*
	b) deferred	*43,076,153*	*47,505,059*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	67,633,795	56,569,540
	Total assets	**6,415,176,718**	**7,661,906,630**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2020	31/12/2019
10	Financial liabilities measured at amortised cost	5,477,633,448	6,652,937,074
	a) Deposits	5,477,633,448	6,652,937,074
	b) Debt securities issued	-	-
20	Financial liabilities held for trading	28,101	72,180
30	Financial liabilities designated at fair value	-	-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	8,779,719	23,589,191
	a) current	*8,229,874*	*23,056,101*
	b) deferred	*549,845*	*533,090*
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	121,551,202	210,911,678
90	Post-employment benefits	4,096,039	4,698,739
100	Provisions for risks and charges	12,975,772	8,549,123
	a) commitments and guarantees issued	*1,907,082*	*1,613,217*
	b) post-retirement benefit and similar obligations	-	-
	c) other provisions for risks and charges	*11,068,690*	*6,935,906*
110	Equity	55,900,000	55,900,000
120	Treasury shares (-)	-	-
130	Equity instruments	-	-
140	Share premium	61,798,643	61,798,643
150	Reserves	644,465,405	594,259,866
160	Valuation reserves	(1,027,078)	(1,015,403)
170	Profit (loss) for the year	28,975,467	50,205,539
	Total Liabilities and Shareholders' equity	**6,415,176,718**	**7,661,906,630**

Income Statement

(euro)

	P&L	2,020	2,019
10	Interest and similar income	67,461,854	77,630,154
	of which: interest income calculated using the effective interest rate method	63,470,221	73,202,394
20	Interest and similar expense	(4,288,103)	(7,584,232)
30	**Net interest income**	**63,173,751**	**70,045,922**
40	Fee and commission income	49,187,701	55,314,731
50	Fee and commission expense	(12,875,771)	(13,006,876)
60	**Net fee and commission income**	**36,311,930**	**42,307,855**
70	Dividends and similar income	89,850	37,800
80	Net result from trading	18,495	5,186
90	Net result from hedging	-	-
100	Profit (loss) from disposal or repurchase of:	-	-
	a) financial assets measured at amortised cost	-	-
	b) financial assets at fair value through other comprehensive income	-	-
	c) financial liabilities	-	-
110	Net result of other financial assets/liabilities at fair value through profit or loss:	**9,490**	**1,053**
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	9,490	1,053
120	**Net banking income**	**99,603,516**	**112,397,816**
130	Net value adjustments/write-backs for credit risk relating to:	(7,921,661)	(12,338,209)
	a) financial assets measured at amortised cost	(7,921,661)	(12,338,209)
	b) financial assets at fair value through other comprehensive income	-	-
140	Gains/losses on contract modifications without eliminations	-	-
150	**Net result of financial management**	**91,681,855**	**100,059,607**
160	Administrative expenses:	(41,716,527)	(45,218,901)
	a) personnel expenses	*(21,541,274)*	*(23,103,558)*
	b) other administrative expenses	*(20,175,253)*	*(22,115,343)*
170	Net provisions for risks and charges	(6,187,862)	3,128,864
	a) commitments and guarantees issued	*(294,354)*	*34,324*
	b) other net provisions	*(5,893,508)*	*3,094,540*
180	Net value adjustments/write-backs on property, plant and equipment	(1,403,404)	(1,181,099)
190	Net value adjustments/write-backs on intangible assets	(3,640,566)	(3,662,955)
200	Other operating expenses/income	2,664,337	2,486,573
210	**Operating expenses**	**(50,284,022)**	**(44,447,518)**
220	Profit (Loss) from equity investments	-	-
230	Net result of valuation at fair value of property, plant and equipment and intangible assets	-	-
240	Value adjustments to goodwill	-	-
250	Gains (Losses) on sale of investments	*241,916*	*17,756,956*
260	**Operating profit (loss) before taxes**	**41,639,749**	**73,369,045**
270	Income taxes for the year	(12,664,282)	(23,163,506)
280	**Operating profit (loss) net of taxes**	**28,975,467**	**50,205,539**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**28,975,467**	**50,205,539**

Statement of Comprehensive Income

(euro)

	Items	Year 2020	Year 2019
10	**Profit (loss) for the year**	**28,975,467**	**50,205,539**
	Other income components net of taxes without reversal to income statement connected with:		
20	Equity instruments measured at fair value through other comprehensive income		
30	Financial liabilities designated at fair value through profit or loss (change in the creditworthiness)		
40	Hedging of equity instruments measured at fair value through other comprehensive income		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	(11,675)	(105,125)
80	Non-current assets held for sale		
90	Share of reserves from valuation of investments carried at equity		
	Other income components net of taxes with reversal to income statement connected with:		
100	Hedging of foreign investments		
110	Exchange rate differences		
120	Cash flow hedges		
130	Hedging instruments [not-designated elements]		
140	Financial assets (other than equity instruments) at fair value through other comprehensive income		
150	Non-current assets and disposal groups held for sale		
160	Share of reserves from valuation of investments carried at equity		
170	**Total other income components net of taxes**	**(11,675)**	**(105,125)**
180	**Comprehensive income (Item 10+170)**	**28,963,792**	**50,100,414**

Statement of Changes in Equity as at 31 December 2020

(euro)

				Allocation of profit from previous year		Changes during the year							
							Equity transactions						
	Balances as at 31.12.2019	Change in opening balances	Balances as at 01.01.2020	Reserves	Dividends and other uses	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes	Comprehensive income as at 2020	Shareholders' Equity 31.12.2020
Share capital:	**55,900,000**		**55,900,000**										**55,900,000**
a) ordinary shares	55,900,000		55,900,000										55,900,000
b) other shares													
Share premium	**61,798,643**		**61,798,643**										**61,798,643**
Reserves:	**594,259,866**	**-**	**594,259,866**	**50,205,539**							**-**		**644,465,405**
a) profit-related	595,418,239		595,418,239	50,205,539									645,623,778
b) other	(1,158,373)		(1,158,373)								-		(1,158,373)
Valuation reserves	**(1,015,403)**		**(1,015,403)**									**(11,675)**	**(1,027,078)**
Equity instruments													
Treasury shares													
Profit (loss) for the year	**50,205,539**		**50,205,539**	**(50,205,539)**								**28,975,467**	**28,975,467**
Shareholders' Equity	**761,148,645**		**761,148,645**								**-**	**28,963,792**	**790,112,437**

Statement of Changes in Equity as at 31 December 2019

(euro)

				Allocation of profit from previous year		Changes during the year							
							Equity transactions						
	Balances as at 31.12.2018	Change in opening balances	Balances as at 01.01.2019	Reserves	Dividends and other uses	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes	Comprehensive income as at 2019	Shareholders' Equity 31.12.2019
Share capital:	**55,900,000**		**55,900,000**										**55,900,000**
a) ordinary shares	55,900,000		55,900,000										55,900,000
b) other shares			-										
Share premium	**61,798,643**		**61,798,643**										**61,798,643**
Reserves:	**555,288,570**		**555,288,570**	**33,101,167**		**5,870,128**							**594,259,866**
a) profit-related	562,317,072		562,317,072	33,101,167									595,418,239
b) other	(7,028,501)		(7,028,501)			5,870,128							(1,158,373)
Valuation reserves	**4,959,850**		**4,959,850**			**(5,870,128)**						**(105,125)**	**(1,015,403)**
Equity instruments			-										
Treasury shares			-										
Profit (loss) for the year	**33,101,167**		**33,101,167**	**(33,101,167)**								**50,205,539**	**50,205,539**
Shareholders' Equity	**711,048,231**		**711,048,231**								**-**	**50,100,414**	**761,148,645**

Statement of Cash Flows prepared using the indirect method

(euro)

A. OPERATING ACTIVITIES	31/12/2020	31/12/2019
1. Management	**53,085,191**	**84,661,766**
- profit (loss) for the year (+/-)	28,975,467	50,205,539
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	(53,569)	(71,136)
- gains/losses on hedging (+/-)	-	-
- net value adjustments/write-backs for credit risk (+/-)	4,286,620	8,729,887
- net value adjustments/write-backs on property, plant and equipment and and intangible assets (+/-)	5,043,970	4,844,054
- net allowances to provisions for risks and charges and other costs/revenues(+/-)	6,618,510	(2,613,607)
- taxes not settled (+/-)	8,214,193	23,567,029
- net value adjustments/write-backs on discontinued operations, net of taxes (+/-)		
- other adjustments (+/)	-	-
2. Cash flow generated/absorbed by financial assets	**1,240,678,100**	**209,201,387**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	(206,106)	615,984
- financial assets at fair value through other comprehensive income	-	-
- financial assets measured at amortised cost	1,256,668,137	215,265,945
- other assets	(15,783,931)	(6,680,542)
3. Cash flow generated/absorbed by financial liabilities	**(1,290,494,003)**	**(305,159,037)**
- financial liabilities measured at amortised cost	(1,175,303,626)	(316,525,391)
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(115,190,377)	11,366,354
Cash flow generated/absorbed by operating activities	**3,269,288**	**(11,295,884)**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**2,904,679**	**35,940,252**
- sale of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of property, plant and equipment	2,904,679	33,255,131
- sale of intangible assets	-	2,685,121
- sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:	**(6,173,538)**	**(24,649,099)**
- purchase of equity investments	-	-
- purchase of property, plant and equipment	(3,089,828)	(17,557,491)
- purchase of intangible assets	(3,083,710)	(7,091,608)
- purchase of subsidiaries and businesses	-	-
Net cash flow generated/absorbed by investing activities	**(3,268,859)**	**11,291,153**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other uses	-	-
Net cash flow generated/absorbed by funding activities	**-**	**-**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**429**	**(4,731)**

The approach used generated liquidity equal to item 10 Cash and cash equivalents.

Reconciliation

(euro)

Financial statement items	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	1,138	5,869
Total net cash flow generated/absorbed during the year	429	(4,731)
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	1,567	1,138

Notes to the accounts

INTRODUCTION

The notes to the accounts are divided into the following parts:
1) Part A – Accounting Policies;
2) Part B – Information on the Balance Sheet;
3) Part C – Information on the Income Statement;
4) Part D – Other Information.
Each part of the notes is divided into sections, each of which illustrates an individual aspect of the business operations. The sections contain both qualitative and quantitative information.
As a rule, the quantitative information comprises items and tables.

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL SECTION

Section 1 – Declaration of compliance with international accounting standards
Ifitalia S.p.A.'s financial statements as at 31 December 2020 comply with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, adopted by the European Commission, as well as the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005.
With regard to the layouts and the technical forms, the statutory financial statements have been drawn up in accordance with the Circular "IFRS Financial Statements of Brokers other than Banking Intermediaries", whose updated text was issued by the Bank of Italy on 30 November 2018 for financial statements starting from those closed or current on 31 December 2019 and revised with subsequent updates, and in accordance with Article 9 of Italian Legislative Decree no. 38/2005.
In order to guide the application and interpretation of the international accounting standards more clearly, reference was also made to the following sources:
- ✓ Framework for the Preparation and Presentation of Financial Statements issued by the IASB;
- ✓ Implementation Guidance, Basis for Conclusions and other interpretative documents for IAS/IFRS adopted by IASB or IFRSIC (International Financial Reporting Standards Interpretations Committee);
- ✓ documents drawn up by the Italian Chartered Accountants Association (Assirevi);
- ✓ documents drawn up by the Italian Standard Setter (OIC) and the Italian Banking Association (ABI);
- ✓ ESMA (European Securities and Markets Authority) and CONSOB documents that refer to the application of specific provisions in the IFRS.

Section 2 – General basis of presentation
The statutory financial statements, accompanied by the related Report on Operations, comprise:
- ✓ Balance Sheet and Income Statement;
- ✓ Statement of Comprehensive Income;
- ✓ Statement of Changes in Equity;
- ✓ Statement of Cash Flows;
- ✓ Notes to the Accounts.

The financial statements were prepared with a view to the business as a going concern, taking into account the current and projected profitability and the ease of access to financial resources. The Directors considered the going concern assumption appropriate because, in their judgement, no uncertainties linked to events or circumstances have emerged that, considered individually or as a whole, may lead to doubts about the viability of the business.
The accounting policies comply with the principles of accruals, relevance and significance of the accounting information and predominance of economic substance over legal form.
The financial statement accounts are consistent with the company's accounting records; furthermore, in compliance with the provisions of Article 5, Paragraph 2 of Italian Legislative Decree no. 38 dated 28 February 2005, the financial statements have been drawn up using the Euro as the reporting currency. Specifically, in line with the instructions issued by the Bank of Italy, the statements have been drawn up in units of Euro without decimal figures, the notes to the accounts are drawn up in thousands of Euro, and the Report on Operations is drawn up in millions of Euro.
In preparing the financial statements and related disclosure, reference was also made, where applicable, to documents published in

recent months by European regulatory and supervisory bodies and standard setters aimed at clarifying the application of IAS/IFRS in the current context (with particular reference to IFRS 9).

The following are mentioned, among others:

- the EBA Communication of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures";
- the ESMA Communication of 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- the IFRS Foundation document of 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- the ECB's letter of 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID 19) pandemic" addressed to all significant institutions;
- the EBA guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis";
- the ESMA Communication of 20 May 2020 "Implications of the COVID 19 outbreak on the half-yearly financial reports";
- the EBA guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis";
- the ESMA communication of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis";
- the ECB's letter of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic" addressed to all significant institutions.

On 27 January 2021, the Bank of Italy issued a Communication integrating the provisions governing the financial statements of non-banking intermediaries in order to provide the market with information on the effects that COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as on the economic and financial situation of intermediaries.

The Communication also refers to the disclosure required by the amendment to IFRS 16 regarding concessions on lease payments related to COVID-19 and finally, further amendments are made to take into account the new disclosure requirements of IFRS 7 in relation to the reform of interest rate benchmarks.
The provisions apply for financial statements ending on or after 31 December 2020, with the exception of comparative information referring to the previous year and those relating to write-offs, which will be provided for financial statements ending on or after 31 December 2021.
In relation to the temporary nature of the COVID-19 emergency and support measures, the additions to the related financial statement provisions remain in force until otherwise communicated by the Bank of Italy; those referring to the reform of the benchmarks will be implemented in Circular 262 on the occasion of future updates.

Section 3 – Events after the reporting period
When drawing up the financial statements as at 31 December 2020, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors and no corporate events occurred such as to have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8).

Section 4 – Other aspects
The Ifitalia financial statements have been audited by the auditing firm Mazars Italia S.p.A., which was granted the appointment for the period 2015 – 2023 by the Shareholders' Meeting held on 24 November 2015 in accordance with Legislative Decree no. 39 of 27 January 2010.

Legislative changes

During 2020, the following accounting standards or amendments to existing accounting standards came into force:

- Amendments to IFRS 3 Business combinations (Reg. EU 2020/551);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (Reg. EU 2020/34);
- Amendments to IAS1 and IAS8: Definition of material (Reg. EU 2019/2104);
- Amendments to references to the Conceptual Framework in IFRSs (Reg. EU 2019/2075).
- As at 31 December 2020, the European Commission had not endorsed any accounting standards applicable to reporting periods beginning on or after 1 January 2021.

- Finally, as at 31 December 2020, the IASB had issued the following accounting standards, interpretations or amendments to existing accounting standards, which will become effective after the approval process is completed by the competent bodies of the European Union:
- IFRS 17 Insurance Contracts (May 2017) including amendments to IFRS 17 (June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (January 2020);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvement Cycle (May 2020);
- Amendments to IFRS 16 COVID-19-Related Rent Concessions (May 2020);
- Amendments to IFRS 4 Insurance Contracts - deferral of effective date of IFRS 9 (June 2020).

Risks, uncertainties and impacts of the COVID-19 epidemic

The COVID-19 pandemic, which had a negative impact on the national and international economic system, produced significant reductions in business volumes in the Italian factoring market and also in Ifitalia (turnover -13%, average loans -8%), but the company's operations continued uninterrupted throughout the year (albeit partially remotely). The reduction in business volumes partially reduced overall revenues, but not to such an extent as to compromise good company profitability also for 2020, also in view of the stable operating costs and cost of risk. Therefore, business continuity is not in question.
In the assessment of assets, and in particular of NPL loans , there were no changes in criteria that continue to take into account the specific situation of each individual debtor; while with regard to the collective provision on performing loans, account was taken of the gradual deterioration in the economic fabric as a result of the pandemic by including in the calculation an adjustment factor to take account of this deterioration in the economic situation and in particular for certain economic sectors that were most affected.
Despite the pandemic, there were no increases in NPL positions in Ifitalia in 2020, also as a result of the actions to protect debtors put in place by the central government (extensions and loans guaranteed by the State).
An increase in the level of financial difficulty of debtors could occur during 2021 once the aid period is over; Ifitalia is protecting itself from the potential negative impact by implementing an increasingly careful lending and insurance cover policy for its receivables, as well as by increasing the collective provisioning mentioned above.
In the financial statements of Ifitalia, apart from receivables, there are no other significant valuation items that may be impacted by the COVID 19 pandemic.

Amendments to contracts resulting from COVID-19

1) *Amendments to contracts and derecognition (IFRS 9)*

In relation to the COVID-19 economic situation, the Company did not make any substantial amendments to contracts in its relations with its customers and consequently no changes were made to the derecognition criteria of receivables in the financial statements.

2) *Amendment to IFRS 16*

The Company did not apply the practical expedient envisaged by Regulation (EU) no. 1434/2020.

Foreign currency transactions

Assets and liabilities denominated in foreign currency (these being understood to be currencies other than the Euro, also including the transactions that envisage index-linking clauses to these currencies) are converted on the basis of the exchange rate as at year end.

Payment agreements based on own equity instruments
The Company has not put in place payment agreements based on own equity instruments.

Use of estimates in financial statements
The preparation of the financial statements required the use of estimates and assumptions that can have effects on the amounts in the balance sheet and income statement. The calculation of these estimates involves the use of the information available as of the date of preparation of the financial statements and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions in order to record management events.
The main cases for which the use of subjective evaluations is required the most by the company’s management are:

- ✓ the losses due to impairment of receivables and, generally, of other financial assets;
- ✓ the fair value of financial instruments to be used for the purpose of financial statement disclosure;
- ✓ the provisions for risks and charges;
- ✓ the recoverability of deferred tax assets;
- ✓ the portion of property held for investment purposes.

Impairment tests
As regards the tests provided for by IAS 36, no impairment indicators were found in the valuations made, in consideration of the book values and the specific nature of the assets in the accounts.

Important opinions formulated for the application of IFRS 15
Performance obligations (explicit or implicit promises to transfer distinct goods or services to the customer) are identified at the time of inception of the contract based on the contractual terms and usual business practices
For determining the consideration that the Company expects to receive for the supply of goods or services to the counterparty ("transaction price"), the following are considered:
- the effect of any reductions and discounts;
- the time value of money if significant terms of deferment are agreed;
- the variable price components.

The transaction price of each contract is allocated to each performance obligation on the basis of the relative stand-alone selling prices of the performance obligations.
Therefore, revenues are recorded in the income statement when the performance obligations are met through the transfer of the goods or services to the counterparty, which obtains control. In particular, revenue was recognised over time when the services are provided by the Company throughout the term of the contract and at a point in time when the performance obligation is met at a given time.
The following costs incurred to obtain the contracts and to provide the expected services are capitalised and amortised over the life of the reference contract if recovery is expected:
- incremental costs that the Company would not have incurred if the contract had not been signed
- costs that refer to a specific contract that generate resources that will be used to meet the performance obligation.

The residual amount of these costs recognised in the financial statements is periodically tested for impairment

A.2 – SECTION REGARDING THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting standards adopted for Ifitalia's 2020 financial statements are the same as those used for the 2019 financial statements.
Therefore, please find below:
a) the standards used for the preparation of the 2020 financial statements.

A) THE STANDARDS USED FOR THE PREPARATION OF THE 2020 FINANCIAL STATEMENTS

1. Financial assets at fair value through profit or loss

This item includes all financial assets not classified in the portfolio of financial assets at fair value through other comprehensive income and in the portfolio of financial assets measured at amortised cost.
More specifically, this item includes:
a) financial assets held for trading (debt securities, equities, loans, UCI units and derivatives);
b) assets mandatorily measured at fair value (debt securities and loans) with the valuation results recognised in the income statement on the basis of the option granted to companies (fair value option) by IFRS 9;
c) other financial assets mandatorily measured at fair value (debt securities, equities, UCI units and loans), i.e. financial assets, other than those designated at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or that are not held for trading.
The initial recognition takes place on the trading date for all financial assets. The initial recognition value is the fair value. Subsequent to initial recognition, the portfolio is measured at fair value, with the exception of equity instruments not listed on an active market and whose fair value cannot be reliably determined.
If the fair value of a financial asset becomes negative, this asset is recorded as a financial trading liability.

Financial assets at fair value through profit or loss conventionally include the balance arising from the offsetting of derivative contracts allocated to the trading portfolio and hedging derivatives in accordance with IAS 32, paragraph 42, if the absolute value of the fair value of the derivatives allocated to the trading portfolio is greater than the absolute value of the fair value of the hedging derivatives and is positive. This offset is recognised if the Group:
(a) currently has an exercisable right to offset the recognised amounts; and
(b) intends to pay the net amounts or to realise the asset and settle the liability at the same time.
Accrued interest is recorded in item 10 Interest income or 20 Interest expense, with the exception of differentials on non-hedging derivatives, which are recorded in net result from trading.
Realised gains and losses on sales or reimbursements and unrealised gains and losses deriving from fair value changes in the portfolio at issue are recorded in item “80. Net result from trading” with regard to financial assets held for trading and in item “110. Net result of other financial assets and liabilities at fair value through profit or loss” for assets designated at fair value and other financial assets mandatorily measured at fair value.
The determination of the fair value of trading assets is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
In relation to the provisions of the joint Bank of Italy/Consob/IVASS document of 8 March 2013 on the accounting treatment of "long-term structured repos", it should be noted that the Group does not carry out such transactions.

2. Financial assets at fair value through other comprehensive income

All financial assets that passed the SPPI test and may be sold for any reason, such as liquidity requirements or changes in interest rates, exchange rates or share prices, are classified as "Financial assets at fair value through other comprehensive income"; as well as equities that are held for strategic reasons or that are not contestable on the market.
Initial recognition takes place, for financial assets whose delivery is regulated on the basis of agreements envisaged by the reference market (regular way contracts), as of the settlement date, while the trading date is applied for the others.
The initial recognition value for all the assets is the fair value, inclusive of the transaction costs or income directly attributable to said instrument.
The Company measures these financial instruments at fair value, with the exception of investments in equity instruments not listed on active markets for which it is not possible to measure fair value reliably.
The determination of the fair value of securities measured at fair value through other comprehensive income is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
The expected loss recognised in the income statement under item "130. Net value adjustments for credit risk relating to: b) financial assets at fair value through other comprehensive income" is calculated on the non-equity instruments that have passed the SPPI test. Any value write-backs are recorded with a matching balance in the income statement.
The value of unlisted share investments is determined by applying recognised measurement techniques, including the method based on multiple market observations of similar companies. The value of listed share investments is determined based on the market price.
For investments in equity instruments, all positive and negative changes in fair value, even if the latter are significant or prolonged below cost, are recorded with a matching balance under equity.
Financial assets are cancelled when the asset is sold, transferring the essential nature of the associated risks and benefits, or when the contractual rights on the financial flows deriving from said assets cease.
Following the derecognition of an investment in bonds, the related cumulative and unrealised change in value recognised in equity is transferred to item "100. Profit/loss from disposal or repurchase of: b) financial assets at fair value through other comprehensive income" in the income statement.
In case of derecognition of an equity instrument, the related cumulative and unrealised change in value is reclassified to an available reserve within shareholders' equity.
Profits and losses from disposals are determined using the average cost method.

3. Financial assets measured at amortised cost
This item includes debt securities and loans allocated to the portfolio measured at amortised cost. Due from banks, including also due from central banks other than demand deposits included in "Cash and cash equivalents" and due from customers, including due from Post Offices and Cassa Depositi e Prestiti, as well as operating loans related to the provision of financial assets and services as defined by the consolidation act of banking and lending laws (TUB) and the Consolidated Finance Act (TUF) (e.g. servicing activities) are recognised.
Loans/receivables are recognised in the financial statements when the Company becomes a party to the contract and acquires unconditionally a right to payment of the agreed amounts and are initially recognised at their fair value, corresponding to the amount

disbursed, including transaction costs and initial revenues directly attributable. Where the net amount disbursed does not refer to its fair value, due to the lower interest rate applied compared to that of the reference market or to that normally applied to loans with similar characteristics, the initial recognition is made for an amount equal to the discounting of future cash flows at an appropriate rate.
After initial recognition, financial assets classified in the loans portfolio are recognised at amortised cost, using the effective interest method. The effective interest method is used to calculate the amortised cost and interest income of the loan over its entire duration. The effective interest rate is the rate that discounts the flow of estimated future payments over the expected life of the loan so as to obtain the net book value at initial recognition. Interest on loans/receivables is classified under interest and similar income deriving from amounts due from banks and loans to customers, and is recorded on an accrual basis.
In particular, with regard to factoring transactions, the transferee company can recognise a financial asset in its financial statements if and only if:
a) the financial asset is transferred along with essentially all the risks and contractual rights to the correlated cash flows (the transferor may maintain the rights to receive the cash flows of the asset but must have the obligation to pay the same to the transferee, and cannot sell or commit the financial asset);
b) the benefits associated with its ownership cease with regard to the transferor when transferred to the transferee.
The forms of transfer for loans/receivables subject to factoring can be broken down as follows:

- ✓ without recourse: a transaction that, irrespective of the contractual form, provides the factor with the full transfer of the risks and benefits associated with the assets forming the subject matter of the transaction as per IFRS 9;
- ✓ with recourse: a transaction that, irrespective of the contractual form, does not provide the factor with the full transfer of the risks and benefits associated with the assets forming the subject matter of the transaction as per IFRS 9.
- ✓ Ifitalia recorded the following in the financial statements, under item 40 of the balance sheet assets, “financial assets measured at amortised cost”, and in line with the afore-mentioned criteria:
- ✓ loans/receivables acquired without recourse. Classification envisages the recording of the loans/receivables due from the debtors for the portion of the amount paid (cash risk) and for the portion still to be paid (endorsement risk) net of impairment. In this case, the amount due to the transferor, for the portion of the amounts still to be paid, is recorded under Balance Sheet liability item 10. “Payables”;
- ✓ advances paid to the transferors for loans/receivables acquired with recourse, inclusive of the interest and other amounts accrued, and net of impairment;
- ✓ advances paid to the transferors for loans/receivables acquired without recourse with contractual clauses (as defined below) that limit the essential transfer of all the risks and benefits (formal without recourse);
- ✓ advances paid to the transferors for future loan/receivable factoring transactions, inclusive of the interest and other amounts accrued;
- ✓ advances paid to the transferors exceeding the total loans/receivables inclusive of the interest and other amounts accrued;
- ✓ exposure to the factored debtors in just guarantee-related without recourse transactions when on occurrence of default the payment is made under guarantee of said loan/receivable;
- ✓ amounts due for late payments;
- ✓ exposures to the factored debtors for payment extensions granted.
- ✓ Ifitalia recorded the following amounts under guarantees and commitments, in line with the above criteria:
- ✓ both the value of the loans/receivables acquired without recourse (just guarantee) and the guarantees given accessory to the factoring transactions;
- ✓ the value of the endorsement risk for the loans/receivables acquired without formal recourse and the value of the exposure for the unused amount of the committed credit facilities.

In order to assess whether transfer of the essential nature of the risks and benefits has taken place in acquiring the loans/receivables factored without recourse, it is necessary to identify and analyse, using qualitative and quantitative criteria, the contractual clauses capable of affecting the expected variability of the cash flows of the factored loans/receivables. For such purposes, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition/derecognition rules.
a) Maximum payable
This category of clauses is key for the purposes of the recognition/derecognition since it limits the undertaking of the credit risk by the Factor. In essence, while the “initial loss” remains the Factor’s, the losses exceeding the ceiling are the transferor’s.
In the presence of this clause, it is necessary to quantify and compare the amount of the ceiling with the risk exposure. If the maximum payable essentially covers the credit risk, then it means that the afore-mentioned risk has been transferred by the Transferor to the Factor.
With regard to the outstanding contracts, the latter point has been confirmed, therefore the clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.
b) Malus clause
The commission linked to the portfolio’s performance, with retroactive application (losses deriving from default of the factored debtors,

with regard to principal and/or interest), can be critical for the purpose of recognition/derecognition since it can indicate a limitation or an exclusion of the transfer of the risks by the transferor to the factor.
In the presence of quantitative and qualitative analysis carried out, the loans/receivables assisted by this clause in certain specific cases led to the retention of the credit risk by the transferor to an extent considered to be significant on the basis of materiality thresholds. In such cases, the clause was considered an impediment to recognition of the individual loans/receivables in the financial statements.
For the purpose of calculating the return within the sphere of factoring transactions, it is possible to identify, with regard to the nature, three categories of remuneration:
✓ Management commission
This commission takes the form of a fee for the provision of a plurality of services (for example, the dunning of the debtor, debt collection, etc.) provided by means of an unspecified number of activities within a specific time span. With regard to this type of commission, recognised irrespective of the duration of the loan/receivable, IAS 18 was applied, re-discounting the portion of commission relating to loans/receivables not expired to be credited as a matching balance to the item “other liabilities”.
✓ Guarantee commission (costs/revenues directly attributable to the transaction)
This commission takes the form of a fee for the undertaking by the Factor of all or part of the risk element inherent in the financial asset forming the subject matter of the transaction. With regard to this type of commission, steps were taken to apply IFRS 9, spreading the revenue equally over the duration of the loan/receivable and for loans/receivables due beyond 12 months deducting the unaccrued amount (deferred income) from said loan/receivable.
✓ Other types of commission
This category includes those cost/revenue items not falling within the above two categories and includes on-going, one-off commission recorded at the time when the one-off service is completed (very often coinciding with collection of the commission).
Loans/receivables are in turn classified as performing and impaired (non-performing). According to the Bank of Italy instructions, impaired assets are as follows:
✓ Non-performing loans: positions vis-à-vis parties in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. Therefore, the existence of any guarantees (secured or unsecured) to cover the receivables is left aside.
✓ Unlikely to pay: the classification in this category takes place on the basis of the improbability that, without recourse to action such as enforcement of the guarantees, the debtor fully meets his/her credit obligations (in terms of principal and/or interest). This assessment is made independently from the presence of any amounts (or instalments) past due and not paid.
Therefore, it is not necessary to await the explicit symptom of anomaly (non-payment), if elements exist that imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).
✓ Impaired past due positions: cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.
a) Past due positions with respect to individuals: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. Based on the Bank of Italy legislation, Ifitalia applies the notion of past due exposure at counterparty level.
The position is past due if there is at least one invoice past due by more than 90 days and the total of the past due invoices (including those by less than 90 days) exceeds 5 percent of the total loans/receivables.
b) Past due positions with respect to Public Administration parties: in accordance with a conservative interpretation of the Bank of Italy regulations the definition of “past due” includes those exposures for which the following conditions are met:
1) they have been past due on a continual basis for more than:
- 90 days in the case of exposures to central administrations, central banks, and local authorities;
- 180 days in the case of exposures to government agencies;
2) the total amount of the exposures indicated above and the other portions due by less than 90 or 180 days are at least equal to 5 percent of the entire exposure to this debtor.
3) they are different from exposures to the Tax Authorities deriving from sales of tax credits (VAT, IRPEG, etc.). These loans and receivables have

an undetermined maturity, as there is a minimum time before which they cannot be liquidated but not a maximum term by which they must be paid.

For these exposures, where the notion of past due receivable is applied at the counterparty level, the continual nature of the past due receivable is interrupted when the debtor has made a payment for at least one of the positions that became past due in the previous 90 days.

The classification of exposures subject to concession (forborne exposures) includes exposures that have been subject to concession vis-à-vis a debtor who is dealing with difficulties or is close to dealing with difficulties in terms of meeting its financial commitments. These exposures can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures"). As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IFRS 9.

Staging rules

Performing positions

The Stage classification for performing facilities is based on the outcome of the assessment of "significant increase in credit risk" (or "significant impairment").

The "significant increase in credit risk" is assessed at the individual facility level by comparing the rating determined at the reporting date with the rating in effect at the origination date (recognition date).

The rating, monitored and updated periodically according to Ifitalia's policies, represents the main parameter for expressing creditworthiness.

For the assessment of "significant impairment", Ifitalia uses the absolute and relative criteria defined at Group level.

✓ Absolute criteria:

The absolute criteria (or backstop) used to classify performing facilities in Stages 1 and 2 are based on the information available at the reporting date (e.g., rating, days past due). The thresholds used reflect absolute levels of high or low credit quality in order to classify:

• in Stage 1, all facilities that have a low credit risk;

• in Stage 2, all facilities that have a high underlying risk.

The absolute criteria (or backstop) defined are based on the assessment of the rating at the reporting date.

Furthermore, as required by the accounting standard and Group policy, Ifitalia adopts the "Rebuttable Presumption", according to which all facilities with contractual payments past due for more than 30 days are classified in Stage 2.

✓ Relative criteria:

For all performing facilities, which do not fall within the scope of the absolute criteria, relative criteria are applied, expressed in terms of the difference between ratings (known as the "delta notch").

Non-Performing Perimeter

All facilities that at the reporting date have a rating of 11 12 are classified in Stage 3.

Impairment rules

Following the classification in Stages, Ifitalia calculates the provisions, at the individual facility level, consistent with regulatory principles and Group guidelines.

The provision amount corresponds to the expected loss differentiated by Stage in order to take into account the different levels of risks:

✓ For facilities classified in Stage 1, an expected loss in relation to the maturity is calculated with a maximum value of one year;

✓ For facilities classified in Stage 2, a lifetime expected loss (EL Lifetime) is calculated, that is, until the facility's maturity date;

✓ For facilities classified in Stage 3, specific provisions are calculated, corresponding to an expected lifetime loss.

Performing positions

The impairment calculation is based on risk parameters (PD, LGD and EAD) consistent with the duration of the transaction.

The expected loss in Stage 1 represents the expected loss deriving from the possible occurrence of a facility entering default within one year of the reporting date.

The expected loss in Stage 2 is the present value of expected losses due to a facility entering default in the period between the reporting date and the facility's maturity.

To calculate the expected lifetime loss, cumulative PDs are therefore used.

For the portion of the portfolio for which the rating models are not available at the BNP Group level, Ifitalia, in line with Group guidelines, calculates the expected loss, at one year or over the lifetime, using a simplified method based on historical loss data (EL ratio).

In accordance with IFRS 9, the PD, LGD and EAD parameters used to calculate impairment are consistent with regulatory values (those used to calculate the IRBA capital requirements), in particular for the LGD parameter, the value is net of conservative margins, regulatory penalties, and downturn margins.

In addition, IFRS 9 provides for the adoption of a forward-looking, multi-scenario approach to risk parameters in order to incorporate current conditions as well as expectations for possible future events and conditions in the impairment calculation.
Non-Performing Perimeter
For facilities classified in Stage 3, Ifitalia calculates the expected lifetime loss through a forward-looking approach that incorporates future expectations of possible collections and losses, including possible sales scenarios.
For non-performing exposures, Ifitalia has adopted a unique, precise analytical valuation model for individual positions; thus, for these positions Ifitalia adopts a "Judgemental Approach";
The Judgemental Approach incorporates both the collection strategy and the expected value deriving from a possible sale of the portfolio.
The determination of the recoverable value of receivables takes into account the time value of money and any guarantees supporting the positions; for the purpose of calculating the current value of the flows, the fundamental elements are represented by the identification of estimated recoveries, the related timescales and the discount rate to be applied. For an estimate of the amount and the recovery timescale of the afore-mentioned problem loans/receivables, reference is made to specific calculations and, in the absence thereof, to estimated and forfeit values. These estimates are made taking into account both the specific solvency situation of debtors with payment difficulties and any difficulties in servicing debt by individual segments.
The write-down of problem loans/receivables is subsequently written back only when the quality of the amount due has improved to such an extent that reasonable certainty exists of a greater recovery of the principal and the interest and/or amounts have been collected to an extent greater than the value of the receivables recorded in the previous financial statements.
Recoveries of part or entire loans/receivables previously written down are booked to reduce the value of item “130. Net value adjustments/write-backs for credit risk relating to: a) financial assets measured at amortised cost”.
A derecognition occurs when there is no longer a reasonable likelihood of recovery. The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.
The Company writes off both partial and total credit. The timing of the write off takes account of the legal and judicial system, the different types of receivables and the average recovery times as well as the timing required for the full allocation of the receivables.

4. Property, plant and equipment

Property, plant and equipment are initially stated at cost, inclusive of all the charges directly associated with bringing the asset onto stream.
Item (80) “Property, plant and equipment” includes land and buildings used for business purposes, land and buildings for investment purposes, furniture, electronic systems and other tangible assets.
Assets used for business purposes are those held for the supply of services or for administrative purposes, while investment properties are those held for the purpose of collecting lease payments and/or held for appreciating the invested capital or in any event not occupied by the company or when they become as such.
Subsequent to initial recognition, property, plant and equipment are recorded at cost net of accumulated depreciation and impairment losses.
With reference to properties held for investment, the valuation at cost was opted for, providing the disclosure envisaged by IAS 40.
The depreciable value, equating to cost less the residual value (or rather the amount that is expected to be obtained from the asset at the end of its useful life, usually zero, after having deducted the sale costs), is divided up systematically over the useful life of the tangible asset, adopting a straight-line depreciation approach.
The residual value and the useful life of property, plant and equipment is reviewed at least once a year for financial statement purposes and, if the expectations differ from the previous estimates, the depreciation charge for the current and subsequent years is adjusted.
The useful life, subject to periodic review for the purpose of recording any estimates significantly different from the previous ones, is defined as:
– the period of time during which it is expected that an asset can be used by the company, or,
– the quantity of products or similar units that the company expects to obtain from the use of said asset.
In the property category, land and buildings are considered to be separable assets and treated independently for accounting purposes, even when acquired together, but only if the entire building is owned (detached property). As a rule, land has an unlimited life and therefore is not depreciated. Buildings have a limited life and, therefore, are depreciated. An increase in the value of the land on which a building stands does not influence the determination of the building’s useful life.
If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset with its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows that are expected to derive from the asset. Any value adjustments are recorded under item 180. “Value adjustments/write-backs on property, plant and equipment” in the income statement.
If the value of a previously written-down asset is written back, the new book value cannot exceed the net book

value that it would have had if no impairment loss had been recognised on the asset in previous years.

Depreciation is recorded in the income statement in item 180. “Net value adjustments/write-backs on property, plant and equipment”. The costs incurred subsequent to purchase are added to the book value of the assets or recorded as a separate asset if it is probable that future economic benefits exceeding those initially estimated will be achieved and the cost can be reliably determined. All the other costs incurred subsequently (e.g. ordinary maintenance measures) are recorded in the income statement, in the year they are incurred, under item: 160.b) “Other administrative expenses”, if they refer to assets for business use, or item 200. “Other operating income/expenses”, if referring to properties held for investment.
Property, plant and equipment are cancelled from the balance sheet when disposed of or when the asset is permanently withdrawn from use and future profits are not expected from its disposal and future economic benefits are not expected from its use. Any difference between the disposal value and the book value is recorded in the income statement under the item 250. Gains/losses on sale of investments.

In case of leases, the lease liability is recognised under the balance sheet liabilities, which consists of the present value of the payments that, at the valuation date, still have to be made to the lessor, while the Right of Use Asset (also known as "RoU Asset"), obtained as the sum of the following components, is recognised under the balance sheet assets:

- lease liability;
- initial direct costs;
- payments made at or before the commencement of the lease (less any lease incentives received);
- dismantling and restoring costs.

The term of the lease, the basis for calculating the Right of Use, is determined by taking into account the economic duration and not the legal duration, and also includes any renewal or early termination options if the exercise of such options is reasonably certain.
The asset recognised is subject to straight-line depreciation and the new liability is discounted using a discount rate defined at the effective date of the lease contract and reduced to the payment of the lease instalments. Interest expense accrued on the lease liability is recorded under "Interest and similar expense" and the depreciation charges of the right of use are recognised under "Net value adjustments/write-backs on property, plant and equipment/intangible assets".
For contracts involving low-value assets (less than EUR 5,000) and for short-term leases with a duration of equal to or less than 12 months, the introduction of IFRS 16 does not require the recognition of the financial liability and the related right of use, but lease payments continue to be recognised in the income statement on a straight-line basis for the term of the respective contracts.

5. Intangible assets

The Company made use of the option envisaged by the standard not to apply IFRS 16 to intangible assets.
An intangible asset is a non-monetary asset, identifiable even if lacking physical appearance, from which it is probable that future economic benefits will originate. The asset is identifiable if:
– it can be separated or spun-off and sold, transferred, granted under licence, leased or exchanged;
– it derives from contractual rights or other legal rights irrespective of the fact that these rights are transferable or separable from other rights or obligations.
The asset is controlled by the company if the company has the power to avail itself of the economic future benefits deriving from the resource in question and can, also, limit access by third parties to said benefits. They are therefore recorded among the balance sheet assets only if:
(a) future economic benefits attributable to the asset in question are likely to emerge; (b) the cost of the assets can be reliably measured.
If the conditions described above should occur, intangible assets are included among the balance sheet assets and recorded at cost, adjusted for any accessory charges. Otherwise, the cost of intangible assets is recorded in the income statement related to the year in which the cost was borne.
Intangible assets recorded in the financial statements are essentially represented by software. Furthermore, in accordance with the Group accounting standards and IAS/IFRS, the Company adopted the policy of capitalising the IT costs attributable to software development projects.
After initial recognition, software is recorded in the financial statements at cost net of total amortisation and accumulated losses in value.
The cost includes:
- the purchase price less trade discounts and allowances;
- any direct cost for preparing the asset for use.

Any expenses, determined and attributable to the asset reliably, subsequent to initial recognition, are capitalised only if they are able to generate future economic benefits.
Intangible assets with a definite useful life are amortised on the basis of the estimate made of their residual useful life and recorded at cost net of total amortisation (using the straight-line method) and any impairment losses applicable. At the end of each accounting period, this residual useful life is subject to appraisal so as to ascertain
the adequacy of the estimate. If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset and its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows that are expected to derive from the asset.
In the event that the book value is greater than the recoverable value, a loss equating to the difference between the two values is recorded under item 190. “Net value adjustments/write-backs on intangible assets”.
If the value of a previously written down intangible asset, other than goodwill, is reinstated, the new amounts cannot exceed the net book value that would have been determined if no loss had been recorded for the impairment of the asset in previous years.
Amortisation is recorded in the income statement in item 190. “Net value adjustments/write-backs on intangible assets”.
Intangible assets are eliminated from the balance sheet at the time of disposal or when future economic benefits from their use or disposal are no longer expected, and any difference between the disposal value and the book value is recorded in income statement item 250. Gains/losses on sale of investments.

6. Tax assets and liabilities

Income taxes are calculated in observance of current tax legislation. The tax liability (return) is the total amount of the current and deferred taxes included in the calculation of the net profit or loss for the year. Current taxes represent the amount of the income taxes payable (recoverable) referring to the taxable income (tax loss) for a year. Deferred taxes represent the amounts of the income taxes payable (recoverable) in future years, referable to taxable (deductible) timing differences.
Current tax assets include the advance payments and other tax credits for withholdings made or for tax credits for which a rebate has been requested from the competent tax authorities. By contrast, tax liabilities reflect the provisions necessary for covering the tax charges for taxation on the basis of current legislation. Deferred taxation is calculated by applying the “balance sheet liability method”, taking into account the tax effects associated with the timing differences between the book value of the assets and the liabilities and their value for tax purposes, which determine taxable or deductible amounts in future periods.
Timing differences can be:

- ✓ taxable, i.e. timing differences which, when determining the taxable income (tax loss) for future years, will translate into taxable amounts when the book value of the asset or the liability will be realised or discharged; a deferred tax liability is recorded for these differences.
- ✓ deductible, in other words timing differences that, when determining the taxable income (tax loss) for future years, will translate into deductible amounts when the book value of the asset or the liability will be realised or discharged.

A deferred tax asset is recorded for all the deductible timing differences if it will be probable that taxable income will be generated against which the deductible timing difference can be used.
Deferred tax assets and liabilities are calculated using the tax rate envisaged in the periods when the assets will be realised or the liability will be discharged and will be offset when they are due to the same tax authority and when the right to offsetting is recognised by law.
Current and deferred taxes are recorded in the income statement with the exception of those relating to items whose value adjustment is recorded as a matching balance to the equity and for which the tax effects are also recorded
among the equity reserves. Deferred tax assets and deferred tax liabilities are not discounted back or offset.

7. Financial liabilities measured at amortised cost

Initial recognition takes place at the fair value of the liabilities, equating to the face value increased by any additional costs/income directly attributable to the individual transaction and not reimbursed by the creditor. Internal administrative costs are excluded.
Financial liabilities measured at amortised cost (item 10) include all the forms of funding vis-à-vis the system as well as amounts due to transferors. Payables include all the debt liabilities, other than trading liabilities.

The item mainly comprises payables due to banks for loans received, current account overdrafts and payables to transferors for loans/receivables acquired without recourse, in relation to the portion for which the price has not been paid to the transferor or all the risks and benefits have not been transferred.
After initial recognition, subsequent measurement follows the amortised cost approach, using the effective interest rate method.
The related interest is recorded in the income statement under item 20. "Interest and similar expense".
Payables are cancelled from the financial statements when the related contractual obligations expire or are discharged.

8. Employee termination benefits

Employee Termination Benefits, disbursed by the employer to the employee when the employment relationship terminates, are one of the worker's rights regulated by Article 2120 of the Italian Civil Code and by Italian Laws no. 297/1982 and 296/2006. The provision has been recorded as a benefit subsequent to the employment relationship with defined benefits. The related liability is recorded in the financial statements on the basis of the amount to be paid to each employee and is valued using the actuarial method as a "defined benefit obligation", taking into account future due dates when the financial disbursement will actually occur.
In particular, following Italian Law no. 296/2006 (2007 Budget Act), the amount recorded under the item "Employee termination benefits" refers solely to the defined benefit obligations connected with the benefits accrued up to a specific date within the first half of 2007, which may be different for every employee, valued by an independent actuary without applying the "pro-rata" of the service supplied. As a result, costs relating to work performed after said date are not considered for valuation purposes.
The actuarial method for calculating the Employee Termination Benefits starts from the detailed situation, at the moment of recording, of each worker and envisages year after year, for each individual worker up until his/her departure, the development of this situation due to:
✓ the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
✓ for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9. Provision for risks and charges

A provision is recorded under "Provisions for risks and charges" (item 100) only when:
- a current obligation (legal or implicit) exists as the result of a past event;
- it is probable that the use of resources will be necessary for meeting the obligation;
- a reliable estimate can be made of the amount of the obligation.

The provision is represented by the liabilities that are expected to be incurred in order to discharge the obligation.
The provisions for risks and charges include:
- provisions for revocation disputes and third party disputes (including therein those made by staff and former employees);
- any other provision with a specific purpose;
- the provision for the 25th year of service bonus for employees;
- provision for a redundancy incentive for employees.

No provision is made against potential and improbable liabilities.
The amount set aside to the provision for risks and charges is recorded in the income statement under item 170 "Net provisions for risks and charges".
The afore-mentioned item includes the balance, positive or negative, between the provisions and any re-allocations to the income statement of the provisions deemed in excess.
If the provisions concern charges for employees, the income statement item concerned is item 160.a) "Administrative expenses: personnel expenses".
The provisions made are reviewed at the end of each reporting period and adjusted to reflect the best current estimate. If it is no longer likely that the use of resources for producing economic benefits will be necessary to meet the obligation, the provision is reversed.

A.3 – DISCLOSURE ON THE TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS
The company has not carried out any portfolio transfers during 2020.

A.4 – FAIR VALUE DISCLOSURE

Qualitative information

A.4.1 Fair value levels 2 and 3: measurement techniques and input used

The fair value is the price that would be perceived for the sale of an asset, or that would be paid for the transfer of a liability in a regular transaction between market operators as of the measurements date (*IFRS 13; § 9*). In the event of financial instruments listed on active markets (fair value level 1), the fair value is determined as from the official prices of the most advantageous market to which the Company has access (Mark to Market). A financial instrument is considered as listed on an active market if the listed prices are readily and duly available in a price list and these prices represent effective market transactions that regularly take place in normal transactions.

For the purpose of classification in fair value level 2, if the official listing on an active market does not exist for a financial instrument in its entirety, but active markets exist for the parts it is comprised of, the fair value is determined on the basis of the pertinent market prices for the parts it is comprised of. If the market listings are not available, the Company resorts to measurement models (Mark to Model) in line with the methods generally accepted and used by the market. The measurement models include techniques based on the discounting of the future cash flows and on the estimate of the volatility and are subject to review both during their development and periodically, for the purpose of ensuring their full coherence with the objectives of the measurement.

These methods use inputs based on prices formed in recent transactions in the instrument subject to measurement and/or prices/listings of instruments with similar features in terms of risk profile. These prices/listings are, in fact, important for the purpose of determining the significant parameters, in terms of credit risk, liquidity risk, price risk and any other significant risk, relating to the instrument being measured.

The reference to these “market” parameters makes it possible to limit the discretion used in the measurement, at the same time ensuring the verifiability of the resulting fair value.

If, due to one or more risk factors, it is not possible to refer to market data, and therefore the financial instruments are classified in fair value level 3, the measurement models employed use estimates based on historical data as inputs.

The parameters that cannot be observed on the markets used for the measurement of the equity instruments that give rise to FV adjustments in the determination of the estimates, refer to the Net Asset Value (with the exclusion of any intangible fixed assets) whose calculation is based on data communicated directly by the Company (financial statements, reports, etc.).

Specifically, as at 31 December 2020, the Company recorded both unlisted equity investments that are carried at cost, since these are capital instruments whose fair value cannot be measured reliably, as well as unlisted equity investments measured at fair value on equity figures under “Financial assets mandatorily measured at fair value”.

During 2020, no changes took place in the measurement techniques used for estimating the fair value of Levels 2 and 3 of the financial assets and liabilities measured at fair value.

With regard to the financial instruments recognised at amortised cost, with regard to the estimate of the fair value indicated in the Notes to the accounts, the following methods and assumptions have been applied:

- for cash and cash equivalents, the fair value is represented by the nominal or face value;
- for properties, the fair value was determined on the basis of the analysis of the market values of similar properties;
- with regard to the impaired financial assets, the fair value was adopted as equal to the estimated realisable value used for financial statement purposes;
- with regard to financial assets, as well as for other asset and liability items without a specific maturity, the book value essentially approximates the fair value.

A.4.2 Processes and sensitivity of the measurements

The unobservable parameters capable of influencing the measurement of the instruments classified as level 3 are represented by the estimates and the assumptions underlying the models used for measuring the investments in equities.

With regard to these investments, no quantitative sensitivity analysis of the fair value with respect to the change in the non-observable inputs has been drawn up, since either the fair value has been obtained from third party sources without making any adjustment or it is the result of a model whose inputs are specific to the entity subject to measurements (e.g., equity values of the company) and in relation to which it is not reasonably possible to hypothesise alternative values.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in relation to the degree of observability of the inputs of the valuation techniques adopted. In detail, the following levels are identified:

Level 1: valuations (without adjustments) taken from the active markets of the listings;

Level 2: inputs other than the listed prices as per the previous point, but in any event referring to parameters or prices that can be observed directly or indirectly on the market;

Level 3: inputs that are not based on market observations.

The classification of financial instruments measured at fair value and assets and liabilities not measured at fair value or measured at fair value on a non-current basis is carried out with reference to the aforementioned indications. These parameters are also used for the transfer between the various levels that might become necessary during the year.

There were no transfers between the fair value levels during 2020.

A.4.4 Other information

The Company has not availed itself of the possibility envisaged by IFRS 13, § 48 that makes it possible to "measure the fair value of a group of financial assets and liabilities based on the price that would be received from the sale of a long net position (or rather an asset) for a specific exposure to risk or from a transfer of a short net position (or rather a liability) for a particular exposure to risk in a regular transaction between market operators as of the measurement date, under current market conditions."

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

(thousands of €)

	Total 31/12/2020			Total 31/12/2019		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets 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 measured at fair value	50	-	4,732	-	-	4,566
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**50**	**-**	**4,732**	**-**	**-**	**4,566**
1. Financial liabilities held for trading	-	28	-	-	72	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**28**	**-**	**-**	**72**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

(thousands of €)

		Financial assets at fair value through profit or loss				Financial assets at fair value through comprehensive income	Hedging derivatives	Property, plant 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**	**4,566**	**-**	**-**	**4,566**		**-**	**-**	**-**
2.	**Increases**	**251**	**-**	**-**	**251**	**-**	**-**	**-**	**-**
2.1.	Purchases	241	-	-	241	-	-	-	-
2.2.	Profits charged to:	9	-	-	9	-	-	-	-
2.2.1	Income statement	9	-	-	9	-	-	-	-
	- of which gains	9	-	-	9	-	-	-	-
2.2.2.	Shareholders' equity	-	X	X	X	-	-	-	-
2.3	Transfers to other levels	-	-	-	-	-	-	-	-
2.4.	Other increases	-	-	-		-	-	-	-
3.	**Decreases**	**35**	**-**	**-**	**35**	**-**	**-**	**-**	**-**
3.1	Sales	-	-	-	-	-	-	-	-
3.2	Reimbursements	35	-	-	35	-	-	-	-
3.3	Losses charged to:	-	-	-	-	-	-	-	-
3.3.1	Income statement	-	-	-	-	-	-	-	-
	- of which losses	-	-	-		-	-	-	-
3.3.2	Shareholders' Equity	-	X	X	X	-	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-	-	-
3.5	Other decreases	-	-	-	-		-	-	-
4.	**Closing balance**	**4,782**	**-**	**-**	**4,782**	**-**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

There were no amounts in this section.

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

(thousands of €)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/2020				Total 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	6,262,231	-	-	6,262,231	7,523,185	-	-	7,523,185
2. Property, plant and equipment held for investment purposes	1,200	-	1,200	-	1,285	-	1,285	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**6,263,431**	**-**	**1,200**	**6,262,231**	**7,524,470**	**-**	**1,285**	**7,523,185**
1. Financial liabilities measured at amortised cost	5,477,633	-	-	5,477,633	6,652,937	-	-	6,652,937
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**5,477,633**	**-**	**-**	**5,477,633**	**6,652,937**	**-**	**-**	**6,652,937**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

The company did not carry out any transactions that generated the "day one profit/loss".

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PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
a) Cash	2	1
b) Demand deposits with Central Banks	-	-
Total	**2**	**1**

The item comprises cash and cash equivalents and revenue stamps at company headquarters.

Section 2 – Financial assets at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by product
There were no amounts in this section.

2.2 Derivative financial instruments
There were no amounts in this section.

2.3 Financial assets held for trading: breakdown by debtor/issuer/counterparties
There were no amounts in this section.

2.4 Financial assets designated at fair value: breakdown by product
There were no amounts in this section.

2.5 Financial assets designated at fair value: breakdown by debtor/issuer
There were no amounts in this section.

2.6 Other financial assets mandatorily measured at fair value: breakdown by product

(thousands of €)

Items	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Others debt securities	-	-	-	-	-	-
2. Equity securities	**50**	**-**	**4,541**	**-**	**-**	**4,566**
3. Units of CIUs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**191**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	191	-	-	-
Total	**50**	**-**	**4,732**	**-**	**-**	**4,566**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.7 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euros)

	Total 31/12/2020	Total 31/12/2019
1. Equity instruments	**4,591**	**4,566**
of which: banks	-	-
of which: other financial companies	4,250	4,240
of which: non-financial companies	341	326
2. Debt securities	**-**	**-**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
3. UCI units	**-**	**-**
4. Loans	**191**	**-**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	191	-
e) Household	-	-
Total	**4,782**	**4,566**

Section 3 – Financial assets at fair value through other comprehensive income – Item 30

There were no amounts in this section.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by product of due from banks

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Deposits and current accounts	1,123					1,123	704					704
2. Loans	85,860	-	-	-	-	85,860	76,415	20	-	-	-	76,435
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	85,860	-	-	-	-	85,860	76,415	20	-	-	-	76,435
- with recourse	72,801					72,801	60,022					60,022
- without recourse	13,059					13,059	16,393	20				16,413
2.4 Other loans												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. Other assets												
Total	**86,983**	**-**	**-**	**-**	**-**	**86,983**	**77,119**	**20**	**-**	**-**	**-**	**77,139**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of due from financial companies

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3
1. Loans	**55,190**	**-**	**-**	**-**	**-**	**55,190**	**21,087**	**-**	**-**	**-**	**-**	**21,087**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	55,190	-	-	-	-	55,190	21,087	-	-	-	-	21,087
- with recourse	6,721					6,721	6,794					6,794
- without recourse	48,469					48,469	14,293					14,293
1.4 Other loans												
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**55,190**	**-**	**-**	**-**	**-**	**55,190**	**21,087**	**-**	**-**	**-**	**-**	**21,087**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

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4.3 Financial assets measured at amortised cost: breakdown by product of due from customers

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Loans	6,023,728	96,330	-	-	-	6,120,058	7,298,876	126,083	-	-	-	7,424,959
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	5,681,109	88,002	-	-	-	5,769,111	6,848,567	117,656	-	-	-	6,966,223
- with recourse	530,475	54,510				584,985	755,546	64,074				819,620
- without recourse	5,150,634	33,492				5,184,126	6,093,021	53,582				6,146,603
1.3 Consumer credit												
1.4 Credit cards												
1.5 Loans on pledge												
1.6. Loans granted in relation to the payment services performed												
1.7 Other loans	342,619	8,328				350,947	450,309	8,427				458,736
of which: from enforcement of guarantees and commitments												
2. Debt securities	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**6,023,728**	**96,330**	**-**	**-**	**-**	**6,120,058**	**7,298,876**	**126,083**	**-**	**-**	**-**	**7,424,959**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "Financial assets measured at amortised cost" includes deferred income relating to the spreading of revenue, falling within the scope of IFRS 9, in line with the duration of the credit to which they refer.
Deferred income relating to guarantee commissions within the scope of IFRS 9 amounted to EUR 7,513 as at 31 December 2020, while the same item as at 31 December 2019 amounted to EUR 24,059.

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of due from customers

(thousands of €)

Breakdown	Total 31/12/2020			Total 31/12/2019		
	First and second level	Third level	of which: impaired financial assets purchased or originated	First and second level	Third level	of which: impaired financial assets purchased or originated
1. Debt securities	-	-	-	-	-	-
a) Public Administration						
b) Other financial companies						
2. Loans to:	6,023,728	96,330	-	7,298,876	126,083	-
a) Public Administration	735,391	19,703		931,261	34,972	
b) Other financial companies	5,181,828	75,056		6,222,947	88,910	
c) Households	106,509	1,571		144,668	2,201	
3. Other assets						
Total	**6,023,728**	**96,330**	-	**7,298,876**	**126,083**	-

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

(thousands of €)

	Gross value				Value adjustments			Overall partial write-off *
	First level	*of which: instruments with low credit risk*	Second stage	Third stage	First level	Second level	Third level	
Debt securities								
Loans	5,572,038		603,477	357,423	6,248	3,367	261,093	
Other assets								
Total 2020	**5,572,038**	**-**	**603,477**	**357,423**	**6,248**	**3,367**	**261,093**	-
Total 2019	**6,489,013**	**-**	**919,815**	**410,494**	**6,933**	**4,812**	**284,392**	-
of which: impaired financial assets purchased or originated	X	X			X			

* Value to be shown for information purposes

4.5a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

(thousands of €)

	Gross value				Total value adjustments			Overall partial write-offs*
	First stage	*of which: Low credit risk instruments*	Second stage	Third stage	First stage	Second stage	Third stage	
Financing granted in accordance with the GL								
Loans granted under other concession measures	1,795		1,173	6,551	(5)	(1)	(1,447)	
New loans								
Total 2020	**1,795**	**-**	**1,173**	**6,551**	**(5)**	**(1)**	**(1,447)**	**-**
Total 2019								

* Value to be shown for information purposes

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Due from banks		Due from financial companies		Due from customers		Due from banks		Due from financial companies		Due from customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:	65,833	65,833	-	-	1,739,112	1,735,556	59,636	59,635	-	-	2,458,423	2,098,115
- Leased assets												
- Factoring receivables	65,833	65,833			583,805	580,556	59,636	59,635	-	-	942,482	852,767
- Mortgages												
- Pledges												
- Unsecured guarantees					1,155,307	1,155,000					1,515,941	1,245,348
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	182,352	51,585	-	-	-	-	72,700	67,455
- Leased assets												
- Factoring receivables					133,260	41,633					72,328	67,206
- Mortgages												
- Pledges												
- Unsecured guarantees					49,092	9,952					372	249
- Derivatives on receivables												
Total	**65,833**	**65,833**	**-**	**-**	**1,921,464**	**1,787,141**	**59,636**	**59,635**	**-**	**-**	**2,531,123**	**2,165,570**

VE = book value of exposures
VG = fair value of the guarantees

Section 5 – Hedging derivatives – Item 50

There were no amounts in this section.

Section 6 – Change in fair value of portfolio hedged items – Item 60

There were no amounts in this section.

Section 7 – Equity investments – Item 70

There were no amounts in this section.

Section 8 – Property, plant and equipment – Item 80

8.1 Property, plant and equipment for business use: breakdown of assets measured at cost

(thousands of euros)

Activities/Values	Total 31/12/2020	Total 31/12/2019
1. Owned assets	**383**	**374**
a) land		
b) buildings		
c) furniture	8	15
d) electronic equipment	375	359
e) other		
2. Rights of use acquired through leasing	**1,105**	**2,247**
a) land	-	-
b) buildings	1,105	2,247
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**1,488**	**2,621**
of which: obtained through enforcement of guarantees received	-	-

8.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

(thousands of euros)

Activities/Values	Total 31/12/2020				Total 31/12/2019			
	Balance sheet value	Fair Value			Balance sheet value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Property assets	**1,200**	**-**	**1,200**	**-**	**1,286**	**-**	**1,286**	**-**
a) land		-		-				-
b) buildings	1,200	-	1,200	-	1,286	-	1,286	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,200**	**-**	**1,200**	**-**	**1,286**	**-**	**1,286**	**-**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-	-	-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Assets held for investment" are represented by the building in Rome, via Vittorio Veneto 7, entirely leased to third parties.

8.3 Property, plant and equipment for business use: breakdown of revalued assets

There were no amounts in this section.

8.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

There were no amounts in this section.

8.5 Inventories of property, plant and equipment regulated by IAS 2: breakdown

There were no amounts in this section.

8.6 Property, plant and equipment for business use: changes during the year

(thousands of euros)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**2,902**	**1,756**	**2,389**		**7,047**
A.1 Total net impairments	-	(655)	(1,741)	(2,030)		**(4,426)**
A.2 **Net opening balances**	-	**2,247**	**15**	**359**	-	**2,621**
Abis. First-time adoption of IFRS 16						
B. Increases	-	**2,843**	**2**	**238**		**3,083**
B.1 Purchases		1,105		238		**1,343**
B.2 Capitalised improvement expenditure						-
B.3 Write-backs						-
B.4 Positive changes in fair value charged to :	-					-
a) equity						-
b) income statement						-
B.5 Exchange gains						-
B.6 Transfers from property held for investment purposes			X	X	X	-
B.7 Other changes		1,738	2	-		**1,740**
C. Decreases	-	**3,985**	**9**	**222**	-	**4,216**
C.1 Sales			2	1		**3**
C.2 Depreciation		1,083	7	221		**1,311**
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) equity						-
b) income statement						-
C.4 Negative changes in fair value charged to:	-	-	-	-	-	-
a) equity						-
b) income statement						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes			X	X	X	-
b) non-current assets and disposal groups held for sale						-
C.7 Other changes		2,902				**2,902**
D. Net closing balance	-	**1,105**	**8**	**375**	-	**1,488**
D.1 Total net impairments	-	-	(1,746)	(2,252)	-	(3,998)
D.2 **Gross closing balance**	-	**1,105**	**1,754**	**2,626**	-	**5,485**
E. Valuation at cost	-	**1,105**	**8**	**375**	-	**1,488**

The property, plant and equipment for business use of the company are all measured at cost.
A table showing the rights of use acquired in the lease of property, plant and equipment is shown below.

(thousands of euros)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**2,902**				**2,902**
A.1 Total net impairments		(655)				(655)
A.2 **Net opening balances**		**2,247**				**2,247**
Abis. First-time adoption of IFRS 16						
B. Increases	-	**2,843**				**2,843**
B.1 Purchases		1,105				**1,105**
B.2 Capitalised improvement expenditure						-
B.3 Write-backs						-
B.4 Positive changes in fair value charged to :	-					-
a) equity						-
b) income statement						-
B.5 Exchange gains						-
B.6 Transfers from property held for investment purposes			X	X	X	-
B.7 Other changes		1,738				**1,738**
C. Decreases	-	**3,985**			-	**3,985**
C.1 Sales						-
C.2 Depreciation		1,083				**1,083**
C.3 Impairment losses charged to:	-	-	-	-	-	-
a) equity						-
b) income statement						-
C.4 Negative changes in fair value charged to:	-	-	-	-	-	-
a) equity						-
b) income statement						-
C.5 Negative exchange differences						-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes			X	X	X	-
b) non-current assets and disposal groups held for sale						-
C.7 Other changes		2,902				**2,902**
D. Net closing balance	-	**1,105**	-	-	-	**1,105**
D.1 Total net impairments	-	0	0	0	-	0
D.2 **Gross closing balance**	-	**1,105**	-	-	-	**1,105**
E. Valuation at cost	-	**1,105**	-	-	-	**1,105**

The rights of use acquired in a finance lease refer to the lease contracts of the properties located in Via Deruta, which are used by the company as work premises. The contracts are signed with the company BNL Spa.

8.7 Property, plant and equipment held for investment: changes during the year

(thousands of euros)

			Total	
			Land	Buildings
A.	**Opening balances**			**1,286**
B.	**Increases**		**-**	**6**
	B.1	Purchases		6
	B.2	Capitalised improvement expenses		
	B.3	Net positive fair value changes		
	B.4	Reversals of impairment losses		
	B.5	Positive exchange rate differences		
	B.6	Transfers from operating properties		
	B.7	Other changes		
C.	**Decreases**		**-**	**92**
	C.1	Sales		
	C.2	Depreciation		92
	C.3	Negative changes in fair value		
	C.4	Impairment losses		
	C.5	Exchange rate losses		
	C.6	Transfers to:		
		(a) operating properties		
		b) non-current assets and disposal groups held for sale		
	C.7	Other changes		
D	**Closing balance**		**-**	**1,200**
E.	Measurement at fair value			**1,200**

The property, plant and equipment held for investment of the company are all measured at cost.
The value of the land for the property located in Rome (Via V. Veneto) has not been spun-off, since Ifitalia does not own the entire building.

8.7.1 Property, plant and equipment held for investment for rights of use acquired: changes during the year
There were no amounts in this section.

8.8 Inventories of property, plant and equipment regulated by IAS 2: changes during the year
There were no amounts in this section.

8.9 Commitments to purchase property, plant and equipment
There were no amounts in this section.

Property, plant and equipment: depreciation

Category	Depreciation percentage
Land	no depreciation
Buildings	from 1.25% a 10%
Furniture	12%
IT equipment	from 11.11% to 33.33%
Other	from 14.29% to 25%
Other : works of art	no depreciation

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

(thousands of euros)

Items/Valuation	Total 31/12/2020		Total 31/12/2019	
	Assets carried at cost	Assets carried at fair value	Assets carried at cost	Assets carried at fair value
1. Goodwill				
2. Other intangible assets				
2.1 owned	**10,707**	**-**	**11,264**	**-**
-internally generated	1,954		1,879	
- other	8,753		9,385	
2.2 rights of use acquired under leases				
Total 2	**10,707**	-	**11,264**	-
3. Assets related to financial leasing:				
3.1 unexercised assets				
3.2 assets withdrawn as a result of termination				
3.3 other assets				
Total 3	**-**	-	**-**	-
Total (1+2+3)	**10,707**	**-**	**11,264**	**-**
Total 31/12/2019	**10,707**	**-**	**11,264**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,954 thousand.

The intangible fixed assets also include “software licenses” for EUR 1,540 thousand (EUR 1,689 thousand in 2019) and “software development” for EUR 7,213 thousand (EUR 7,696 thousand in 2019).

9.2 Intangible assets: changes during the year

(thousands of euros)

	Total
A. Opening balances	**11,264**
B. Increases	**3,084**
B.1 Purchases	3,084
B.2 Reversals of impairment losses	
B.3 Positive changes in fair value	-
- to equity	
- in income statement	
B.4 Other changes	
C. Decreases	**3,641**
C.1 Sales	
C.2 Amortisation	3,641
C.3 Value adjustments	-
- to equity	
- in income statement	
C.4 Negative changes in fair value	-
- in equity	
- in income statement	
C.5 Other changes	
D. Net closing balance	**10,707**

KEY
DEF: with definite life
INDEF: with indefinite life

The purchases during the year, amounting to EUR 3,084 thousand, refer to capitalisations of IT costs, of which EUR 804 thousand (670 thousand in 2019) referring to capitalisation of internal effort.

9.3 Intangible assets: other information

There were no amounts in this section.

Value adjustments to intangible assets: amortisation

Category	amortisation percentage
Software	from 12.5% to 33.3%
Costs of conversion	12.5%
Cost of implementation	33.3%
Costs for regulatory constraints	directly charged to the income statement

Section 10 – Tax assets and tax liabilities - Asset item 100 and liability item 60

10.1 Tax assets: current and deferred: breakdown

(thousands of €)

	31/12/2020				31/12/2019			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	18,630	4,405	- 57	22,978	11,113	2,703	12	13,828
- Amounts withheld	3			3	4			4
- Tax credits pending rebate by the tax authorities	1,078			1,078	1,078			1,078
	19,711	**4,405**	**- 57**	**24,059**	**12,195**	**2,703**	**12**	**14,910**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	33,987	4,360		38,347	39,173	5,007		44,180
- Provisions for risks and charges	4,263	76		4,339	2,864	76		2,940
- Other	390			390	385			385
	38,640	**4,436**	**-**	**43,076**	**42,422**	**5,083**	**-**	**47,505**
Total	**58,351**	**8,841**	**- 57**	**67,135**	**54,617**	**7,786**	**12**	**62,415**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	6,145	2,085	8,230	18,642	4,414	23,056
	6,145	**2,085**	**8,230**	**18,642**	**4,414**	**23,056**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets			-			-
- Capital Gain on participations	44	198	242	44	198	242
- Others	308		308	291		291
	352	**198**	**550**	**335**	**198**	**533**
Total	**6,497**	**2,283**	**8,780**	**18,977**	**4,612**	**23,589**

10.3 Change in deferred tax assets (matching balance in income statement)

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**47,120**	**48,576**
2. Increases	**2,254**	**963**
2.1 Deferred tax assets recognized during the year	2,253	963
a) related to previous years		380
b) due to change in accounting policies		
c) write-backs		
d) other	2,253	583
2.2 New taxes or increases in tax rates		
2.3 Other increases	1	
3. Decreases	**6,688**	**2,419**
3.1 Deferred tax assets eliminated during the year	6,688	2,419
a) reversals	6,688	2,419
b) written down as now considered irrecoverable		
c) change in accounting policies		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law 214/2011		
b) other	-	-
4. Closing balance	**42,686**	**47,120**

Deferred tax assets have been recorded in the financial statements based on the assumption that taxable income will be generated against which the deductible timing differences can be used.

The increase of EUR 2,254 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 6,688 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 5,833 thousand) and the use of provisions for risk and charges (EUR 855 thousand).

10.3.1 Change in deferred tax assets pursuant to Law 214/2011 (matching balance in income statement)

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**34,478**	**34,478**
2. Increases		
3. Decreases	**4,756**	**-**
3.1 Amounts reversed	4,756	
3.2 Transformation into tax credits	-	-
a) from losses for the year		
b) from tax losses		
3.3 Other decreases	-	-
4. Closing balance	**29,722**	**34,478**

10.4 Changes in deferred tax liabilities (matching balance in income statement)

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
1. Opening balances	**533**	**2,393**
2. Increases	**17**	**5**
2.1 Deferred taxes recognized during the year	17	5
a) related to previous years		
b) due to change in accounting policies		
c) other	17	5
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**1,865**
3.1 Deferred tax liabilities eliminated during the year	-	1,865
a) reversals		1,860
b) due to change in accounting policies		
c) other		5
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing balance	**550**	**533**

10.5 Changes in deferred tax assets (matching balance under equity)

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**385**	**345**
2. Increases	**5**	**40**
2.1 Deferred tax assets recognized during the year	5	40
a) related to previous years		
b) due to changes in accounting policies		
c) other	5	40
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	-	
3.1 Deferred tax assets eliminated during the year	-	
a) reversals		
b) written down as now considered irrecoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing balance	**390**	**385**

10.6 Changes in deferred tax liabilities (matching balance under equity)
There were no amounts in this section.

Section 11 – Non-current assets and disposal groups held for sale and associated liabilities – Asset item 110 and liability item 70
There were no amounts in this section.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

(thousand of €)

	31/12/2020	31/12/2019
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	7	22
Items in transit	145	178
Securities credited to customers subject to collection services awaiting collection from the bank	39,134	47,698
Other amounts receivable	28,345	8,669
Total	**67,634**	**56,570**

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of payables

(thousands of €)

Items	Total 31/12/2020			Total 31/12/2019		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Loans	4,652,873	206,388	675	5,790,566	286,509	-
1.1. Reverse repurchase agreements						
1.2 other	4,652,873	206,388	675	5,790,566	286,509	
2. Leasing payables	1,105			2,323		
3. Other payables	262,316	1,167	353,109	267,163	1,366	305,010
Total	**4,916,294**	**207,555**	**353,784**	**6,060,052**	**287,875**	**305,010**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	4,916,294	207,555	353,784	6,060,052	287,875	305,010
Total fair value	4,916,294	207,555	353,784	6,060,052	287,875	305,010

1.2 Financial liabilities measured at amortised cost: breakdown by product of securities issued
There were no amounts in this section.

1.3 Subordinated payables and securities

There were no amounts in this section.

1.4 Structured securities

There were no amounts in this section.

1.5 Lease payables

Cash outflows for leases are shown in the table below.

					(thousands of €)
	Maturity bands for leasing cash flows				
	within 1 month	from 1 month to 6 months	from six months to one year	from 1 year to 2 years	**Total**
Leasing debts		184	368	369	921
Total	**-**	**184**	**368**	**369**	**921**

The duration of the payables derives from the term of the lease contracts for the premises in Via Deruta, which are likely to expire early on 30 June 2022 due to the relocation of the offices to another building. Given the limited term of this financial liability, no specific hedging has been activated.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

(thousands of €)

Liabilities	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Deposits										
2. Debt securities	-	-	-	-	-	-	-	-	-	-
2.1 Bonds	-	-	-	-	-	-	-	-	-	-
2.1.1 Structured					X					X
2.1.2 Other bonds					X					X
2.2 Other securities	-	-	-	-	-	-	-	-	-	-
2.2.1 Structured					X					X
2.2.2 Other					X					X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	-	28	-	-	-	-	72	-
1.1 Trading	X			28	X	X			72	X
1.2 Fair value option	X				X	X				X
1.3 Other	X				X	X				X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X				X	X				X
2.2 Fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	X	-	-	28	X	X	-	-	72	X
Total (A + B)	X	-	-	28	X	X	-	-	72	X

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3
NV = Nominal/notional value
FV* = Fair value calculated excluding the changes on variation of the creditworthiness of the issuer with respect to the issue date

2.2 Breakdown of financial liabilities held for trading: subordinated liabilities

There were no amounts in this section.

2.3 Breakdown of financial liabilities held for trading: structured securities

There were no amounts in this section.

2.4 Breakdown of financial liabilities held for trading: derivative financial instruments

(thousands of €)

Underlying assets/Derivatives Type	Total 2020				Total 2019			
	Over the counter			Organised Markets	Over the counter			Organised Markets
	Central counterparts	without central counterparts			Central counterparts	without central counterparts		
		with compensatory agreements	without compensatory agreements			with compensatory agreements	without compensatory agreements	
1. Debt securities and interest rates								
- Notional value			773		-	-	1,319	-
- Fair value			28		-	-	72	-
2. Equity securities and equity indices								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
3. Currencies and gold								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
4. Receivables								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
5. Goods								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
6. Other								
- Notional value					-	-	-	-
- Fair value					-	-		-
Total	-	-	28	-	-	-	72	-

Section 3 – Financial liabilities designated at fair value – Item 30

There were no amounts in this section.

Section 4 – Hedging derivatives – Item 40

There were no amounts in this section.

Section 5 – Change in fair value of portfolio hedged items – Item 50

There were no amounts in this section.

Section 6 – Tax liabilities – Item 60

See section 10 under assets

Section 7 – Liabilities associated with discontinued operations – Item 70

See section 11 under assets

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(thousands of €)

DESCRIPTION	Total 31/12/2020	Total 31/12/2019
Collections being registered	76,257	104,035
Amounts due to employees	1,328	1,811
Amounts due to the tax authorities	692	642
Amounts due to social security and welfare institutions	1,343	1,238
Payables and invoices to be received from suppliers and professionals	16,572	21,027
Liabilities due to transferors	5,074	5,853
Other payables	4,220	4,444
Advances from customers	15,580	71,388
Residual holiday entitlement fund	486	473
Total	**121,551**	**210,912**

The decrease in the item Advances from customers is related to a customer receivable position as at 31 December 2019 amounting to EUR 46 million which is no longer present as at 31 December 2020.

Section 9 − Employee termination benefits − Item 90

9.1 "Employee termination benefits": changes during the year

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
A. Opening balance	**4,699**	**4,073**
B. Increases	**88**	**1,445**
B.1 Provision for the year	4	51
B.2 Other changes	84	1,394
C. Decreases	**691**	**819**
C.1 Liquidations	678	427
C.2 Other changes	13	392
D. Closing balance	**4,096**	**4,699**

(*) The provision for employment termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,703,904 and represents the effective obligation towards employees. The allocation for the year is EUR 65,275.

9.2 Other information

9.2.1 Description of the provision and related risks

Employee termination benefits, disbursed by the employer to the employee when the employment relationship terminates, are one of the worker's rights regulated by Article 2120 of the Italian Civil Code and by Italian Laws no. 297/1982 and 296/2006. The provision has been recorded as a benefit subsequent to the employment relationship with defined benefits. The related liability is recorded in financial statements based on the amount to be paid to each employee and is valued using the actuarial method as a "defined benefit obligation", taking into account future due dates when the financial disbursement will actually occur.

More specifically, Italian Law No. 296/2006 (2007 Budget Act) essentially states that the portion of employee termination benefits:
- accrued through the beginning of 2007 will remain in-house and must be disbursed to employees in accordance with statutory regulations, creating a liability to be recorded in the financial statements;
- accrued from the beginning of 2007 must, according to the employee's choice: a) be transferred to supplementary welfare funds; or b) be transferred to the INPS Treasury Fund.

Therefore, the amount recorded under the item "Employee termination benefits" refers solely to the defined benefit obligations connected with the benefits accrued up to a specific date within the first half of 2007 that is different for every employee, valued by an independent actuary without applying the "pro-rata" of the service supplied. As a result, costs relating to future work provided are not considered for valuation purposes.

The current method for calculating employee termination benefits starts from the detailed situation, at the moment of entry, of each worker and envisages each year, for each individual worker up until his/her departure, the development of the provision due to:
1. the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
2. for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9.2.2 Changes during the year of net defined benefit liabilities (assets) and reimbursement rights

The change in the provision for employee termination benefits is shown in Section 9 "Employee termination benefits – Item 90 – table 9.1 "Employee termination benefits: changes during the year". The allocation for the year represents the change due to the passage of time and is equivalent to EUR 4 thousand.

The social security cost related to employment benefits, as illustrated above, is not set aside, but recorded directly in the income statement following the supplementary welfare reform, which provides for the allocation of accrued employee termination benefits to supplementary funds or the INPS Treasury Fund (Legislative Decree no. 252/2005 and Law no. 296/2006). The allocation for the year is recorded in the income statement under personnel costs.

9.2.3 Information on the fair value of assets serving the plan

Employee termination benefits are fully paid by the Company and there are no assets serving the plan.

9.2.4 Description of the principal actuarial assumptions

The liability recognised in the balance sheet is equal to the present value of the defined benefit obligations accrued as at 31 December 2020 estimated by an independent actuary.

The benefits owed by the Company were estimated based on developmental assumptions for the population of relevant personnel (forecast of length of employment with company, probability of early disbursements), in addition to the use of appropriate demographic and economic financial bases (mortality tables, monetary inflation). For 2020, the following parameters were used: discount rate of 1.5%; inflation rate of 1.3%; 2% salary increase; estimated employment duration of 10 years.

Section 10 – Provisions for risks and charges − Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
1. Provisions for credit risk relating to commitments and guarantees issued	1,907	1,613
2. Provisions on other commitments and other guarantees issued		-
3. Post retirement benefit obligations		-
4. Other provisions for risks and charges	11,069	6,936
4.1 legal and tax disputes	8,635	4,508
4.2 personnel expenses	2,434	2,428
4.3 other		-
Total	**12,976**	**8,549**

10.2 Provisions for risks and charges: changes during the year

(thousands of €)

		Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A.	**Opening balance**	**-**	**-**	**6,936**	**6,936**
B.	**Increases**	**-**	**-**	**7,097**	**7,097**
B.1	Provision for the year			7,097	7,097
B.2	Changes due to the passing of time				-
B.3	Changes due to the changes in the discount rate				-
B.4	Other changes				-
C.	**Decreases**	**-**	**-**	**2,964**	**2,964**
C.1	Utilisations for the year			2,964	2,964
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	**-**	**-**	**11,069**	**11,069**

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

(thousands of €)

	Provisions for credit risk relating to commitments and guarantees issued			
	First level	Second level	Third Level	**Total**
1. Commitments to disburse funds				**-**
2. Financial guarantees issued	460	211	1236	**1,907**
Total	**460**	**211**	**1,236**	**1,907**

10.4 Provisions on other commitments and other guarantees given

There were no amounts in this section.

10.5 Defined benefit in-house pension funds

There were no amounts in this section.

10.6 Provisions for risks and charges - other provisions

(thousands of €)

	Total 31/12/2020	**Total 31/12/2019**
Personnel provisions:		
- redundancy incentive		-
- other employee benefits	2,434	2,428
Total	**2,434**	**2,428**

Provisions for employee benefits, referred to as "other employee benefits", represent the provisions that the Company has recorded in the financial statements in relation to employee incentive plans.

These plans are related to the achievement of results both at company level and at the level of the individual employee, therefore the related provisions reflect the estimate that management has prepared on the basis of the company's strategic objectives for the year 2020.

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

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		Total 31/12/2020	Total 31/12/2019
110.	Share capital	55,900	55,900
140.	Share premium	61,799	61,799
150.	Reserves	644,465	594,260
	a) income reserves	645,623	595,418
	b) other reserves	-1,158	-1,158
160.	Valuation reserves	-1,027	-1,015
180	*Profit (loss) for the year*	28,975	50,206
	Total shareholders' equity	**790,112**	**761,149**

11.1 Share Capital: breakdown

(thousands of €)

Type	Amount
1. Share capital	
1.1 Ordinary shares	55,900
1.2 Other shares	-

The share capital amounts to EUR 55,900 thousand and is made up of 55,900,000 shares with a par value of EUR 1 each. The ordinary shares totalling 55,900,000 have been fully subscribed and paid up.

11.2 Treasury shares: breakdown
There were no amounts in this section.

11.3 Equity instruments: breakdown
There were no amounts in this section.

11.4 Share premium: breakdown

(thousands of €)

Type	Amount
Share premium	
Share premium from ordinary shares	61,799

The share premium has not changed with respect to 31 December 2019.

11.5 Other information

Breakdown and changes in Reserves

(thousands of €)

	Legal reserve	Statutory reserve	Other	Total
A. Opening balance	**11,180**	**584,238**	**(1,158)**	**594,260**
B. Increases	**-**	**50,205**	**-**	**50,205**
B.1 Allocations of profits		50,205		50,205
B.2 Other changes				-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Utilisations	-	-	-	-
hedging of losses				-
distribution				-
transfer to capital				-
C.1 Other changes				-
D. Closing balance	**11,180**	**634,443**	**(1,158)**	**644,465**

The increase in the Statutory Reserve of EUR 50,205 thousand is due to the allocation of the 2019 profit.

Breakdown and changes in Valuation Reserves

(thousands of €)

	Financial assets at fair value through other comprehensive income	Tangible assets	Intangible assets	Hedging of financial flows	Special revaluation laws	Financial liabilities at fair value with an impact on income statement (changes of creditworthiness)	Other	**Total**
A. Opening balances	-	-	-	-		-	(1,015)	(1,015)
B. Increases	-	-	-	-	-	-	-	-
B.1 Positive fair value changes								-
B.2 Other increases								-
C. Decreases	-	-	-	-	-	-	12	12
C.1 Negative fair value changes								-
C.1 Other decreases							12	12
D. Closing balances	-	-	-	-	-	-	(1,027)	(1,027)

With regards to the provisions of Article 2427 no. 7-bis of the Italian Civil Code, the following table provides an analytical breakdown of equity items by origin, potential use and distribution.

No use was made in the last three years.

(thousands of €)

Ifitalia S.p.A. - Financial Statements as at 31 December 2020

	Amount	Potential use		Amount available
Share capital	55,900	-		-
Capital reserve:				
Share premium reserve	61,799	A-B-C		61,799
Profit reserve:				
Legal reserve	11,180	B		
Statutory reserve	634,443	A-B-C		634,443
Other reserve:				
Stock options/Dspp/Freeshares reserve	102	A-B-C		102
FTA Reserve and Goodwill	(8,159)	A-B-C		(8,159)
Merger surplus	1,029	A-B-C		1,029
	5,870	A-B-C		5,870
Valuation reserve				
	(1,027)	-	(1)	-
Profit for the year				
	28,975	A-B-C		28,975
Total	**790,112**	**-**		**724,059**
Non-distributable share	**66,053**			
Residual distributable share	**724,059**			**724,059**

Key:

A: share capital increase

B: coverage of losses

C: distributable to shareholders

(1) As provided for by art. 6 of Legislative Decree no. 38 of 28 February 2005, the valuation reserves formed in accordance with IAS cannot be distributed and are unavailable for allocation to capital, coverage of losses and the uses provided for by articles 2350 third section, 2357 first section, 2358 third section, 2359-bis first section, 2342,2478-bis fourth section of the Italian Civil Code

Other information

1. Commitments and financial guarantees given (other than those designated at fair value)

(thousand of €)

	Notional value on commitments and financial guarantees issued			Total 31/12/2020	Total 31/12/2019
	First stage	Second stage	Third stage		
1. Commitments to disburse funds	**198,863**	**67,484**	**419**	**266,766**	**181,880**
a) Public Administrations	7,561	34,540	-	42,101	
b) Banks	733	-	-	733	
c) Other financial institutions				-	
d) Non-financial institutions	190,550	32,944	419	223,913	181,880
e) Families	19	-	-	19	
2. Financial guarantees issued	**86,594**	**4,437**	**3,390**	**94,421**	**118,931**
a) Public Administrations	3	-	-	3	6
b) Banks	3,419	-	-	3,419	4,716
c) Other financial institutions				-	-
d) Non-financial institutions	80,900	4,115	3,377	88,392	111,420
e) Families	2,272	322	13	2,607	2,789

2. Other commitments and other guarantees given

There were no amounts in this section.

3. Financial assets subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

4. Financial liabilities subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial assets 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 measured at fair value				-	-
2. Financial assets at fair value through other comprehensive			X	-	-
3. Financial assets measured at amortised cost:	-	**56,978**	-	**56,978**	**67,532**
3.1 Loans to banks		285	X	285	536
3.2 Loans to financial companies		1,535	X	1,535	3,490
3.2 Loans to customers		55,158	X	55,158	63,506
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**10,484**	**10,098**
Total	**-**	**56,978**	**-**	**67,462**	**77,630**
of which: interest income on impaired financial assets		4,392			
of which: interest income on leasing					-

1.2 Interest and similar income: other information

The interest in item “Financial assets measured at amortised cost” essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.
Interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2020, this item amounted to EUR 10,484 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 3,845 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of euro)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial liabilities measured at amortised cost:	4,288	-	-	4,288	7,584
1.1 Deposits from banks	2,528	X	X	2,528	5,063
1.2 Deposits from financial companies	1,760	X	X	1,760	2,521
1.3 Deposits from customers		X	X	-	-
1.4 Securities issued	X		X	-	-
2. Financial liabilities held for trading				-	-
3. Financial liabilities designated at fair value				-	-
4. Other liabilities	X	X		-	-
5. Hedging derivatives	X	X		-	-
6. Financial assets	X	X	X	-	-
Total	**4,288**	**-**	**-**	**4,288**	**7,584**
of which: interest expense related to leasing debts	*5*			*5*	*4*

1.4 Interest and similar expense: other information

Interest paid to banks consists of interest paid on funding received.
Interest paid to financial businesses is related to securitisation activities.

1.4.1 Interest expense on foreign currency liabilities

Interest expense on foreign currency liabilities amounted to EUR 2,064 thousand and refers mainly to foreign currency funding transactions.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

(thousands of €)

	Types of service/Amounts	Total 31/12/2020	Total 31/12/2019
a)	financial lease transactions	-	-
b)	factoring transactions	49,188	55,315
c)	consumer credit	-	-
d)	guarantees given	-	-
e)	services:	-	-
	- fund management for third parties	-	-
	- exchange brokerage	-	-
	- distribution of products	-	-
	- other	-	-
f)	collection and payment services	-	-
g)	servicing in securitisation transactions	-	-
h)	other commission	-	-
	Total	49,188	55,315

2.2 Fee and commission expense: breakdown

(thousands of €

	Detail/Sectors	Total 31/12/2020	Total 31/12/2019
a)	guarantees received	1,079	882
b)	distribution of services to third parties		
c)	collection and payment services	641	645
d)	other commissions of brokerage	11,156	11,480
	Total	**12,876**	**13,007**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of €)

	Items/Income	Total 31/12/2020		Total 31/12/2019	
		Dividends	Similar Income	Dividends	Similar Income
A.	Financial assets held for trading				
B.	Other financial assets mandatorily measured at fair value	90		38	
C.	Financial assets at fair value through other comprehensive income				
D.	Equity investments				
	Total	**90**	**-**	**38**	**-**

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

(thousands of €)

Transactions/Income components	Capital gains (A)	Profit on trade (B)	Capital losses (C)	Loss on trade (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					-
1.2 Equity instruments					-
1.3 UCI units					-
1.4 Loans					-
1.5 Other					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities					-
2.2 Deposits					-
2.3 Other					-
3. Financial assets and liabilities: exchange differences	X	X	X	X	(26)
4. Derivative instruments	**44**	**-**	**-**	**-**	**44**
4.1 Financial derivatives	44				44
4.2 Credit derivatives					-
of which: natural hedging related to the fair value	X	X	X	X	
Total	**44**	**-**	**-**	**-**	**18**

Section 5 – Net result from hedging – Item 90

There were no amounts in this section.

Section 6 – Profit (loss) from disposal or repurchase – Item 100

There were no amounts in this section.

Section 7 – Net result of other financial assets and liabilities at fair value through profit or loss – Item 110

7.1 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

There were no amounts in this section.

7.2 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

(thousands of €)

Transactions/Income components	Capital Gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	**Net Result [(A+B) − (C+D)]**
1. Financial assets	**9**	**-**	**-**	**-**	**9**
1.1 Debt securities					**-**
1.2 Equity instruments	9				**9**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	9	-	-	-	9

Section 8 – Net value adjustments/write-backs for credit risk – Item 130

8.1 Net value adjustments/write-backs for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of €)

Transactions/Income components	Value adjustments (1)			Writebacks (2)		Total	Total
	First and second level	Third level		First and second level	Third level	31/12/2020	31/12/2019
		Write-off	Other				
1. Loans to banks	(3)	-	-	-	-	(3)	135
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- other loans						-	-
Other loans	(3)	-	-	-	-	(3)	135
- for leasing						-	-
- for factoring	(3)	-	-		-	(3)	135
- other loans	-	-	-	-	-	-	-
2. Loans to financial companies	-	-	-	43	8	51	**(138)**
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- other loans						-	-
Other loans	-	-	-	43	8	51	(138)
- for leasing						-	-
- for factoring			-	43	8	51	(138)
- other loans	-	-	-	-	-	-	-
3. Loans to consumers	-	(1,593)	(18,936)	2,068	10,491	(7,970)	**(12,335)**
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- for consumer credit						-	-
- other loans						-	-
Other loans	-	(1,593)	(18,936)	2,068	10,491	(7,970)	(12,335)
- for leasing						-	-
- for factoring		(1,593)	(18,936)	2,068	10,491	(7,970)	(12,335)
- for consumer credit						-	-
- loans on pledge						-	-
- other loans	-	-	-	-	-	-	-
Total	(3)	(1,593)	(18,936)	2,111	10,499	(7,922)	(12,338)

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

(thousands of €)

Transactions/Income components	Net value adjustments			Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage			
		Write-off	Others		
Financing granted in accordance with the GL					
Loans granted under other concession measures				-	
New loans	(6)		(1,394)	(1,400)	
Total 2020	**-**				
Total 2019	**(6)**	**-**	**(1,394)**	**(1,400)**	

8.2 Net value adjustments/write-backs for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

There were no amounts in this section.

8.2.a Net value adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

There were no amounts in this section.

Section 9 – Gains/losses on contract modifications without eliminations – Item 140

9.1 Gains (losses) on contract modifications: breakdown

There were no amounts in this section.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

(thousands of €)

Type of expense/Amounts		Total 31/12/2020	Total 31/12/2019
1)	Employees	16,981	18,656
	a) salaries and wages	11,454	13,064
	b) social security contributions	3,582	3,616
	c) leaving indemnity		-
	d) social security and welfare costs		-
	e) provision for termination benefits	4	51
	f) provisions for post-retirement benefits and similar obligations:	426	465
	- defined contribution	426	465
	- defined benefit		-
	g) payments to external supplementary pension funds:	936	809
	- defined contribution	936	809
	- defined benefit		-
	h) other expenses (net)	579	651
2)	Other active employees	312	369
3)	Directors and Statutory Auditors	142	141
4)	Staff retirement		-
5)	Recovery of expenses for employees seconded to other companies	(165)	(150)
6)	Expense reimbursements for employees of third parties seconded to the company	4,271	4,088
	Total	**21,541**	**23,104**

10.2 Average number of employees by category

	Total 31/12/2020	Total 31/12/2019
a) Employees	**233**	**236**
1) Managers	5	5
2) Middle managers	121	127
3) Remaining employees	107	104
b) Other personnel	**39**	**40**
Total	**272**	**276**

10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2020	Total 31/12/2019
Indirect duties and taxes	781	1,016
Sundry services rendered by third parties	8,820	9,267
Sundry services rendered by third parties (IT)	8,601	8,932
Sundry services rendered by third parties (Internal Auditing)	219	335
Fees for professionals	2,847	3,523
Fees for consultancy	646	733
Fees for legal and notarial costs	1,580	2,282
Fees for debt collection	524	387
Compensation to independent Auditors	97	121
Costs relating to properties/furniture	335	871
Postal, printed matter, surveillance of premises and stock values	1,104	1,409
Management expenses GFCC	448	527
Advertising and entertainment	189	231
Searches and information	1,360	1,262
Other expenses	4,291	4,009
TOTAL	**20,175**	**22,115**

The compensation for services rendered by the audit company in 2020, net of VAT, is EUR 75 thousand (EUR 75 thousand in 2019).

Section 11 – Net provisions for risks and charges – Item 170

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

(thousands of €)

Operations/Income components	Value adjustments		Writebacks		Total 31/12/2020	Total 31/12/2019
	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(34)	(319)	59		**(294)**	**35**
B. Derivatives on receivables					**-**	
C. Commitments to grant loans					**-**	
D. Other transactions					**-**	
E. Total	**(34)**	**(319)**	**59**		**(294)**	**35**

11.2 Net provisions relating to other commitments and other guarantees given: breakdown

There were no amounts in this section.

11.3 Other net provisions for risks and charges: breakdown

(thousands of €)

Analysis	Total 31/12/2020	Total 31/12/2019
PROVISIONS	**(6,670)**	**(480)**
Legal disputes	**(6,670)**	**(480)**
Revocation actions		
Pending disputes	(6,670)	(480)
Personnel charges	-	-
Other provisions	**-**	**-**
USES	**776**	**3,570**
Legal disputes	**776**	**3,570**
Revocation actions	-	2,500
Pending disputes	776	1,070
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**5**
Legal disputes	**-**	**5**
Revocation actions	-	1
Pending disputes	-	4
Total	**(5,894)**	**3,095**

Section 12 – Net value adjustments/write-backs on property, plant and equipment – Item 180

12.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

(thousands of €)

Assets/Income component	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A+B)-C**
A. Property, plant and equipment				
A.1 Owned	**1,311**	**-**	**-**	**1,311**
- for business use	228			228
- granted under operating lease	1,083			1,083
				-
A.2 For investment	**92**	**-**	**-**	92
- for business use	92			92
- granted under operating lease				-
A.3 Inventories	X			
				-
Total	**1,403**	**-**	**-**	**1,403**

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Section 13 – Net value adjustments/write-backs on intangible assets – Item 190

13.1 Net value adjustments/write-backs on intangible assets: breakdown

(thousands of €)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	3,641	-	-	3,641
1.1 owned	3,641			3,641
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,641**	**-**	**-**	**3,641**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of €)

Analysis	**Total 31/12/2020**	**Total 31/12/2019**
Other charges		
Losses for sundry causes		
Other charges	(666)	(1,269)
Total	**(666)**	**(1,269)**

14.2 Other operating income: breakdown

(thousands of €)

Analysis	**Total 31/12/2020**	**Total 31/12/2019**
Other income		
Rental income	367	370
Other income	2,963	3,386
Total	**3,330**	**3,756**

Section 15 – Profit (Loss) from equity investments – Item 220

There were no amounts in this section.

Section 16 – Net result of valuation at fair value of property, plant and equipment and intangible assets – Item 230

There were no amounts in this section.

Section 17 – Goodwill impairment – Item 240

There were no amounts in this section.

Section 18 – Gains/losses on sale of investments – Item 250

18.1 Gains/losses on sale of investments: breakdown

(thousands of Euro)

Income component/value	Total 31/12/2020	Total 31/12/2019
A. Properties	**242**	**17,757**
- Gains on sale	242	17,757
- Losses on sale		
B. Other assets	**-**	**-**
- Gains on sale		
- Losses on sale		
Net result	**242**	**17,757**

Section 19 – Income taxes for the year on current operations – Item 270

19.1 Income taxes for the year on current operations: breakdown

(thousands of €)

		Total 31/12/2020	Total 31/12/2019
1.	Current taxes (-)	(8,230)	(23,062)
2.	Changes in current taxes of previous years (+/-)	16	(505)
3.	Reduction in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for tax credits		-
	of which under Law no. 214/2011 (+)		-
4.	Change in deferred taxes (+/-)	(4,433)	(1,457)
5.	Change in deferred taxes (+/-)	(17)	1,860
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(12,664)**	**(23,164)**

19.2 Reconciliation between the theoretical tax liability and the effective tax liability in the financial statements

(thousands of €)

Analysis	IRES	IRAP
Economic result useful for calculating taxation	41,640	41,640
Permanent, undeductible differences	642	7,572
Permanent, untaxable differences	(6,102)	
Total taxable income	36,180	49,212
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(9,950)	(2,731)
Other differences	96	(79)
Effective tax liability as per financial statements	**(9,854)**	**(2,810)**

Section 20 – Profit (loss) from discontinued operations, net of taxes – Item 290
There were no amounts in this section.

Section 21 – Income statement: other information

21.1 - Detailed breakdown of interest income and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2020	Total 31/12/2019
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leasing	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. Factoring	**309**	**1,834**	**54,835**	**157**	**1,585**	**47,446**	**106,166**	**122,847**
- on current receivables	*307*	*1,834*	*52,634*	*157*	*1,585*	*47,446*	103,963	123,935
- on future receivables			*172*				172	353
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*2*		*2,029*				2,031	(1,441)
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. Loans on pledge							-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**309**	**1,834**	**54,835**	**157**	**1,585**	**47,446**	**106,166**	**122,847**

The table does not show any interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2020, this item amounted to EUR 10,484 thousand.

21.2 - Other information
There were no amounts in this section.

PART D – OTHER INFORMATION

Section 1 – Specific references to transactions carried out

A. LEASES (LESSOR)
There were no amounts in this section.

B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Amount	Total 31/12/2020			Total 31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**5,831,756**	**8,977**	**5,822,779**	**6,957,802**	**11,733**	**6,946,069**
- exposures to transferors (with recourse):	613,435	3,031	610,404	825,967	3,605	822,362
- factoring of future receivables	3,130	6	3,124	25,142	62	25,080
- other	610,305	3,025	607,280	800,825	3,543	797,282
- exposures to transferred debtors transferors (without recourse)	5 .218.321	5,946	5,212,375	6,131,835	8,128	6,123,707
2. Impaired assets	**343,298**	**255,916**	**87,382**	**395,384**	**277,708**	**117,676**
2.1 Non-performing	**264,255**	**216,897**	**47,358**	**291,249**	**236,198**	**55,051**
- exposures to transferors (with recourse)	172,037	137,562	34,475	183,439	143,207	40,232
- factoring of future receivables	4,096	805	3,291	10,732	6,462	4,270
- other	167,941	136,757	31,184	172,707	136,745	35,962
- exposures to transferred debtors (without recourse)	167,941	79,335	88,606	107,810	92,991	14,819
- purchases below nominal value			-			-
- other	**92,218**	79,335	12,883	107,810	92,991	14,819
2.2 Unlikely to pay	76,675	**38,637**	**38,038**	**83,653**	**39,010**	**44,643**
- exposures to transferors (with recourse)	40,037	20,716	19,321	42,056	20,998	21,058
- factoring of future receivables				-	-	-
- other	40,037	20,716	19,321	42,056	20,998	21,058
- exposures to transferred debtors (without recourse)	36,638	17,921	18,717	41,597	18,012	23,585
- purchases below nominal value			-			-
- other	36,638	17,921	18,717	41,597	18,012	23,585
2.3 Past due positions	**2,368**	**382**	**1,986**	**20,482**	**2,500**	**17,982**
- exposures to transferors (with recourse)	608	301	307	2,961	178	2,783
- factoring of future receivables	-	-	-	-	-	-
- other	608	301	307	2,961	178	2,783
- exposures to transferred debtors (without recourse)	1,760	81	1,679	17,521	2,322	15,199
- purchases below nominal value			-			-
- other	1,760	81	1,679	17,521	2,322	15,199
Total	**6,175,054**	**264,893**	**5,910,161**	**7,353,186**	**289,441**	**7,063,745**

B.1.2 Purchase transactions for impaired receivables other than factoring
There were no amounts in this section.

B.2 – Breakdown by residual life

B.2.1 – With recourse factoring transactions: advances and "total loans/receivables"

(migliaia di euro)

Maturity	Advances		Total loans/receivables	
	2020	2019	2020	2019
- on demand	94,814	160,007	1,475,406	1,867,216
- up to 3 months	290,463	370,375	4,118,386	4,940,195
- 3 to 6 months	65,092	83,001	1,116,379	1,164,825
- 6 months to 1 year	58,674	74,817	314,356	478,499
- beyond 1 year	155,464	198,234	161,073	246,599
- unspecified duration	-	-		-
Total	**664,507**	**886,434**	**7,185,600**	**8,697,334**

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Time bands	Exposures	
	2020	2019
- at sight	349,019	448,085
- up to 3 months	3,381,114	4,125,563
- over 3 months	916,558	987,069
- 6 months to 1	246,038	357,664
- over 1 year	40,206	2,945
- indefinite	312,719	255,983
Total	**5,245,654**	**6,177,309**

B.2.3 – Purchase transactions for impaired receivables other than factoring

There were no amounts in this section.

B.3 – Other information

B.3.1 – Turnover of factored loans/receivables

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
1. ***Without-recourse transactions***	25,690,373	29,627,602
of which: purchases below the nominal value		
2. ***With-recourse transactions***	2,249,354	2,706,404
Total	**27,939,727**	**32,334,007**

Table drawn up in accordance with the standards illustrated in section A.2.3. "Loans/receivables – Classification".

B.3.2 – Collection services

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
Loans and receivables collected in the year	405,951	408,316
Amount of loans and receivables at year end	111,666	116,904

B.3.3 – Nominal value of factoring contracts for future loans/receivables

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
Flow of factoring contracts for future in the year	29,332	46,326
Amount of the contracts at year end	160,146	305,833

The unused margin intended as the difference between the maximum amount of loans/receivables that can be purchased and the amount of loans/receivables purchased, as at 31 December 2020, amounted to EUR 2,034 thousand (EUR 7,358 thousand at the end of 2019).

C. CONSUMER CREDIT

There were no amounts in this section.

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of guarantees (secured or unsecured) given and commitments

(thousands of €)

	Transactions	Amount 31/12/2020	Amount 31/12/2019
1)	Financial guarantees given upon first request	**94,421**	**118,931**
	a) Banks	3,419	4,716
	b) Financial Companies	-	-
	c) Costumers	91,002	114,215
2)	Other financial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
3)	Commercial guarantees issued	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
4)	Irrevocable commitments to reimburse funds	**266,766**	**181,880**
	a) Banks	733	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	733	-
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	266,033	181,880
	i) certain to be called on	-	-
	ii) uncertain to be called on	266,033	181,880
5)	Commitments underlying credit derivatives: protection sales	-	-
6)	Assets made to guarantee third party obligations	-	-
7)	Other irrevocable commitments	-	-
	a) to give guarantees	-	-
	b) others	-	-
	Total	**361,187**	**300,811**

D.2 Loans recorded in the financial statements due to enforcement

(thousands of €)

Exposures	31/12/2020			31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
-financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**125,076**	**(89,502)**	**35,575**	**144,344**	**(103,784)**	**40,560**
- commercial				-	-	-
-financial	125,076	(89,502)	35,575	144,344	(103,784)	40,560
Total	**125,076**	**(89,502)**	**35,575**	**144,344**	**(103,784)**	**40,560**

D.3 Guarantees given (secured or unsecured): status of risk undertaken and quality

(thousands of €)

Type of assumed risk	Not impaired guarantees issued				Impaired guarantees issued: non-performing				Other impaired guarantees			
	Counterguaranteed		Other		Counterguaranteed		Other		Counterguaranteed		Other	
	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions
Guarantees issued with assumption of risk of initial loss	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees issued with assumption of mezzanine type risk	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Pro rata guarantees issued	-	-	**91,031**	**(269)**	-	-	-	-	-	-	**3,390**	**(1,243)**
- financial guarantees upon first request			91,031	(269)							3,390	(1,243)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**91,031**	**(269)**	-	-	-	-	-	-	**3,390**	**(1,243)**

D.4 Guarantees given (secured or unsecured): amount of counter-guarantees

There were no amounts in this section.

D.5 Number of guarantees given (secured or unsecured): status of risk undertaken

There were no amounts in this section.

D.6 Guarantees given (secured or unsecured): with risk-taking on the first losses and mezzanine type: amount of underlying assets

There were no amounts in this section.

D.7 Guarantees given (secured or unsecured) in the process of being enforced: stock data

There were no amounts in this section.

D.8 Guarantees given (secured or unsecured) in the process of being enforced: flow data

There were no amounts in this section.

D.9 Changes in impaired guarantees given (secured or unsecured): non-performing

There were no amounts in this section.

D.10 Changes in impaired guarantees given (secured or unsecured): other

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	3,895	-	-	-	-
(B) Increases:	-	226	-	-	-	-
- (b1) transfers from performing guarantees	-	107	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	119	-	-	-	-
(C) Decreases:	-	(731)	-	-	-	-
- (c1) outgoings to performing guarantees	-	(167)	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(564)	-	-	-	-
(D) Gross final value	-	3,390	-	-	-	-

D.11 Changes in unimpaired guarantees given (secured or unsecured)

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	115,036	-	-	-	-
(B) Increases:	-	31,500	-	-	-	-
- (b1) Guarantees given	-	15,604	-	-	-	-
- (b2) other increases	-	15,896	-	-	-	-
(C) Decreases:	-	(55,505)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(107)	-	-	-	-
- (c3) other decreases	-	(55,398)	-	-	-	-
(D) Gross final value	-	91,031	-	-	-	-

D.12 Changes in value adjustments / total provisions

There were no amounts in this section.

D.13 Assets pledged as guarantee for own liabilities and commitments

There were no amounts in this section.

D.14 Commission income and expenses on guarantees given (secured or unsecured) during the year: total value

There were no amounts in this section.

D.15 Distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (amount guaranteed and underlying asset)

(thousands of €)

Type of risk assumed	Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantees pro-quota
	Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- Subgroup 1: SAE 430 - Non financial institutions - Production companies	-	-	-	-	79,991
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	3,419
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	4,712
- Subgroup : Others	-	-	-	-	6,299
Total	**-**	**-**	**-**	**-**	**94,421**

D.16 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (amount guaranteed and underlying asset)

(thousands of €)

Type of risk assumed		Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantees pro-quota
		Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- 'Region 1	North-West Italy	-	-	-	-	28,931
- 'Region 2	Centre Italy	-	-	-	-	26,452
- 'Region 3	North-East Italy	-	-	-	-	22,468
- 'Region 4	South Italy and islands	-	-	-	-	16,172
- 'Region 5	Others	-	-	-	-	398
Total		**-**	**-**	**-**	**-**	**94,421**

D.17 Geographic distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.18 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.19 Stock and trend of the number of associates
There were no amounts in this section.

E. PAYMENT SERVICES AND ISSUING OF ELECTRONIC MONEY
There were no amounts in this section.

F. OPERATIONS WITH THIRD-PARTY FUNDS
There were no amounts in this section.

G. LOAN TRANSACTIONS SECURED BY PLEDGE
There were no amounts in this section.

H. COVERED BONDS
There were no amounts in this section.

I. OTHER ASSETS

There were no amounts in this section.

Section 2 – Securitisation transactions, disclosure on the structured entities not consolidated in the accounts (other than vehicle companies not for securitisations) and sales of assets.

A. Securitisation transactions
There were no amounts in this section.

B. Disclosure on the structured entities not consolidated in the accounts (other than vehicle companies for securitisations)
There were no amounts in this section.

C. Sale transactions
There were no amounts in this section.

Section 3 – Information on risks and related hedging policies

3.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Factoring activities involve numerous services that can be structured in various ways by means of the with- and without-recourse factoring of commercial loans and receivables.
A peculiar feature of factoring transactions is the correlated involvement for various reasons of three parties, which can be classified, in brief, as:

- The Factor (transferee);
- The Client (transferor);
- The Debtor (transferred party).

If observed from the standpoint of the underlying services, it is therefore a composite product, where the credit management, the guarantee of the debtor's solvency and the disbursement of advances on loans/receivables accepted under factoring can be combined in various ways.
Therefore, the risk assessment of factoring transactions must be carried out by means of preliminary analysis of numerous factors such as: the solvency of the transferred debtors, the degree of fragmentation of the risk, the characteristics of the underlying commercial relationship, the transferor's ability to repay – in the event of disbursement of advances – also in light of the figures of the Bank of Italy's Credit Reference Bureau and the financial statements, ratings – internal or ECAI – on the party and/or associated companies, connections or simple dependence on Groups, supply difficulties, technological innovation that could place a product out of the market, etc.
Clearly, these are appraisals that can only partly overlap with lending activities carried out by banks, indispensable for permitting an adequate control of the credit risk that partly expresses itself in aspects[1] not present in banking activities.
With regard to the provision of the above services, the factor may undertake the credit risks in different ways, which can be, in turn, broken down into certain elementary types:

- credit risk in the strictest sense, represented by the risk of loss due to default of the debtors[2];

[1] Measurement of the asset risk: a wider concept of the measurement of creditworthiness of the individual debtors factored, since it refers to the interaction of the individual names within the factored portfolio, whose risk profile is determined by the concentration of the debtors and their domestic-export nature, the ageing, DSO and payments terms, payment methods, statistics on bad debt, etc.;
Measurements of the "factorability" risk, associated with the nature and the characteristics of the supply relationship being factored, which influences the tendency of the transferred receivables to self-liquidate, especially with reference to a hypothetical terminal phase of said relationship. This risk is appreciable from the analysis of the subject matter of the supply and the type of debtors involved, the invoicing process and the statistics relating to the invoices (number, amounts...), the contracts, etc.
Measurement of the concentration risk of the relationship, falls between the asset risk and the factorability risk, since in the factoring transaction one of the most significant risk mitigation factors is represented by the large number of commercial relationships with the party granted credit that can be placed under observation and on which it is possible to intervene. In fact, adequate diversification not only permits the portfolio factored to "survive" the default of one or more debtors, but also contributes towards isolating and containing any problematic issues linked to the commercial transactions underlying the factored receivables and limits the impact of potential fraud.
Measurement of the facility risk, associated with the contractual and operating features of the factoring transaction that contribute to determining the related risk profile. It requires the assessment of the reason for the technical form proposed and the opinion on the ongoing operations (e.g., global transfer vs. spot transfer, confidential vs. disclosed, QN vs. recognition, invoice forwarding method, accompanying documents, dunning).
Where several products are offered and/or several transactions for which the customer undertakes the dual role of transferor and transferred debtor, these situations may give rise - from a conceptual standpoint - to a correlation risk between the transactions, understood as the possibility of unexpected changes in the overall risk of the transaction due to correlation between the risks deriving from the characteristics of the various transactions offered to the customer (the latter being particularly complex to identify and quantify).

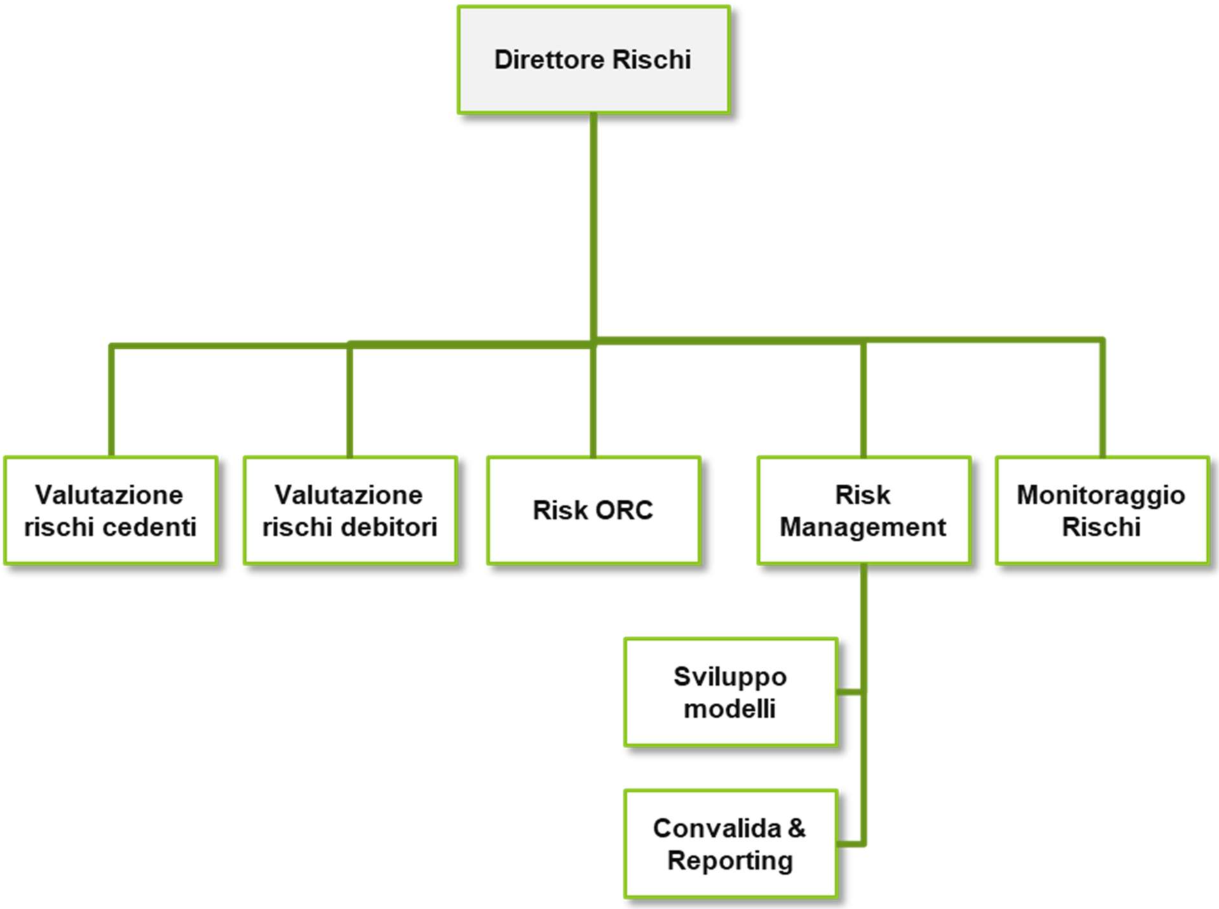
[2] I.e., those with whom the factor has risks that must be discharged by those counterparties; therefore, these also include transferors for advances received.

- dilution risk is the risk that the amount of a receivable decreases through the granting of receivables, in cash or another form, in favour of the debtor;
- commingling risk, which emerges in loan/receivable acquisition transactions each time the funds due to the factor may be confused with those of the transferor;
- late payment risk, which may occur if the without-recourse guarantee is also extended to the payment by the debtor as at a pre-established date (known as conventional expiry).

The internal control system set up by the company proposes to mitigate the manifestation of the above risks, which could lead to losses should they arise.
The planned progressive integration towards the Parent Company's credit risk control model, in addition to the scenario, in recent years, of exceptional macro-economic factors that have required and will require measures to be taken, including legislative, by the Regulators, who have facilitated the introduction of a gradual implementation of the credit risk control process.

2. Credit risk management policies

2.1 Organisational aspects
The Division's organisational structure is as follows:



The Head of the Risk Division holds the position of Head of the Risk Control Unit and, in this capacity, reports hierarchically to the Board of Directors; the Risk Division is integrated into the RISK organisational model of the BNP Paribas Group, with the consequent close link and reporting of the Head to the Factoring Global CRO of BNPP, with which it acts in close coordination.
The Operational Risk Point of Contact functionally reports to the Head of the Risk Division, to whom he/she sends suitable information flows on pertinent risks, their recording and periodic monitoring and the mitigation actions implemented with the related Risk Owners.

The Permanent Controls are present in three units and are carried out by RISK ORC, the Risk Monitoring Department and the Risk Management Department. The Risk Division Office unit gathers together the secretarial activities, in the Risk Manager's staff. The remaining units of the Division are at line level.

Risk Division

- oversees the processes relating to the assumption of credit risk and ensures the maintenance of the customer portfolio quality over time in keeping with the corporate and BNP Paribas Group objectives and strategies
- expresses a credit opinion on proposals for the change of status to impaired risk where envisaged by the delegations of authority in force
- ensures constant monitoring of credit risks and those envisaged as part of the ICAAP process for the relevant areas of responsibility.
- ensures, in co-ordination with the competent BNP Paribas Group Units, the definition and maintenance of the methods and instruments aimed at identifying, measuring, assessing and handling the credit risks.
- ensures, in coordination with the responsible Units of the BNP Paribas Group, the monitoring of the Company's operational risks in its role as second line of defence and the coordination of the activities carried out by the first line of defence.
- It oversees the internal audit activities outsourced of the Internal Rating System, carried out in outsourcing by BNL SpA – DR – B2C

During 2020, the Company's organisational structure underwent a number of changes that also had an impact on the structure of the Risk Division.
In particular, as from 1 June, a new Special Loans Structure was created, reporting to the General Manager, to which the activities previously allocated to the Risk Division relating to the management of outsourced activities in the Workout area were transferred.
The Special Loans Structure assumed the following responsibilities:

- managing doubtful transferor positions classified as Non-Arrears Unlikely to Pay;
- monitoring outsourced Workout activities;
- assuming non-recourse debtor risks as part of the delegated powers after obtaining a Risk Opinion.

On the other hand, the Risk Office, which was previously in the CRO staff, is now part of the PAC Division and, together with the Credit Lines Office, constitutes two new organisational units:

- Completion of Customer Lines and Committees
- KYC Operations Team

The new structures support the Business Functions for:

- the preparation and control of the documentation needed to identify customers when entering into a relationship on the occasion of the start/change of an "ongoing relationship" (transferor or extended debtor) or when establishing an "occasional relationship";
- the transferor and debtor approval procedures regarding the Credit Committee and the Board of Directors;
- taking care of all related fulfilments and formalisation of the relationship.

Risk Operational Risk & Control / RISK ORC
The function was established as an internal structure in the last quarter of 2018.
The Risk Division is responsible for defining and supervising the overall operational risk management framework in its role as "second line of defence" together with Compliance, Legal, Tax and Finance to the extent of their direct concern.
Risk ORC is the structure in charge of this role that is carried out, in summary, in the following activities:

- ensure the dissemination and monitoring of compliance with the regulations, directives and methods of the Group in the field of Operational Risks, the assessment of the consequent choices regarding the methods and tools used and the assistance/consultancy on the matter to all company structures;
- supervise the qualification/quantification of historical operational risk incidents (HI Quality Review) by proposing any mitigation actions;
- ensure the definition of the mapping of the Company's operational risks (RCSA Risk & Control Self-Assessment), by supervising the activities carried out by OPC (Operational Permanent Controllers) and by Divisions/Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the definition of the Company's control plan, by supervising the activities carried out by the Risk Owner Company Structures for the relevant areas of responsibility and guaranteeing methodological support;

- ensure the supervision of the finding monitoring activities and recommendations issued by the periodic inspections (Inspection Générale), by the Regulator, by the Control Bodies and of the relevant corrective actions;
- ensure the effective implementation of strategies, frameworks and risk mitigation actions with the 1st line of defence, through the follow-up of action plans and the independent control of the activities carried out, either through tests of the controls carried out by the first line of defence or, if deemed relevant, any other type of controls;
- contribute to the dissemination of the culture and awareness of operational risk and to the formation of the risk mitigation framework;
- express an independent and alert view of the level of risk and the status of the operational risk mitigation framework;
- ensure internal management reporting to the Company's Control Bodies, to BNL SpA and to the Parent Company for matters falling within its competence;
- ensure the implementation of the outsourcing device by taking care of the implementation of the first line of defence on it;
- ensure, for the part of any activities allocated to BNL, the definition of Service Level Agreement/SLA and monitoring of the activities carried out.
- With reference to the internal and external fraud protection device:
  - ensure, in accordance with the Group guidelines, the coordination of initiatives for the management of fraud reports as well as assistance/consultancy on the matter;
  - ensure the implementation of the systems required for the prevention, identification, control and monitoring of the internal and external fraud protection system, as well as the coordination or direct management of investigations;
  - contribute, together with the first line of defence, to the training of personnel on the culture of prevention and defence against the risk of fraud.

In 2020, it was decided to outsource to BNL S.p.A. - Risk Division the permanent second-level control activity RISK ORC ICT; the outsourcer will ensure the correct application of the BNPP permanent control framework in the risk perimeter of competence (ICT), by carrying out periodic checks on the application of the ICT permanent control framework by the Company's first line of defence; the position of Point of Contact for Outsourced Activities (R.P.E.) has been assigned to the Head of the Risk Division.

Risk Monitoring Department
The purpose of the structure is to see to the definition, planning and implementation of controls aimed at monitoring credit risk. Specifically:
1) it defines, plans and implements credit control activities. In this area, the Department:
- carries out checks regarding the lending process and the management of the relationship and collections based on internal regulations;
- monitors the process and the merits of the assignment and revisions of ratings and reports periodic worsening in statistical ratings for the purpose of suitable management/review of the positions;
- makes sure that the facilities granted are regularly used with respect to the resolution reached at the time and the progression of the risk elements expressed by the development of the relationship;
- checks the process of allocating for impaired accounts; monitors the achievement of lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Divisions concerned;
- controls the consistency of the risk status classifications of the positions according to the guidelines of BNP Paribas Group and the Banking System, reporting any misalignment to the competent Divisions;

2) it ensures, working with the Business Lines, the effectiveness of the process of watchlist management to define and implement the corrective actions on positions subject to systematic supervision;
3) it contributes, in line with the rules of the BNP Paribas Group and together with the competent Divisions, to the planning, application and maintenance of the procedures aimed at overseeing the credit risks;
4) it ensures a periodic flow of information towards BNL to allow the consolidation - at BNP Paribas Group level - of the data regarding credit monitoring;
5) it ensures that specific reports regarding the results of the control activities carried out and the corrective actions for the identified anomalies are prepared for the Senior Management and/or the boards;
6) it reports any operational risk found as part of its permanent control activities to the Operational Risks Department and PCC.
The structure carries out these activities on a monthly or quarterly basis, based on the type of control to be carried out.
The activities are carried out based on the Operational Plan of Controls (OPC), which includes both controls on performance and on merits and correctness of form, broken down by type of process:
- Assumption and Review of credit risk;
- Credit risk management;
- Collection of impaired loans.

Risk Management Department

The organisational unit is divided up into two spheres with separate teams and responsibilities.

The Pillar 2 Product and Controls / Models Development Sphere sees to the activities associated with the development of the risk measures (PD, LGD, Dilution) and support in the implementation of models with regard to Ifitalia while, for the part developed by the BNL skill centre, it performs a support function for the implementation, application, applicative monitoring and periodic updating of said analysis as well as support for the issue of the regulations relating to its sphere.

This sphere's mission also includes the control on the Second Pillar risks, where considered significant by Senior Management, as well as the analysis with regard to the development on new products in terms of impact on the level of risk and support for the achievement insofar as it is responsible.

In conclusion, it works together with the Finance Division in the ICAAP process insofar as this falls under the responsibility of the Risk Division.

The Reporting and Model Validation Sphere, in co-ordination with the corresponding units of DR BNL,

- with regard to Model Validation, defines the validation guidelines for the credit risk models on a consistent basis with the guidelines of the BNP Paribas Group, follows the development of analysis methods for the validation of the aforementioned models and performs the second level validation/qualification (initial and periodic) of the local/central risk parameters for the purpose of checking the reliability of the results and the persistence of the consistency with legislative requirements and changes in the reference market. It ensures the monitoring of performance and the accuracy of estimates produced by local models following the resolution of any critical aspects found within its activities. A specific periodic disclosure is prepared to report on these activities to the Company's Governance and Control Bodies. In conclusion, it collaborates within the sphere of the above activities for the correct implementation of the algebra underlying the local estimation models with respect to the validated versions. Lastly, it oversees data quality control in the area of models, to the extent of its remit.
- with regard to reporting activities, it implements a control reporting system intended for Senior and Top Management on the performance of asset quality (e.g. changes in asset quality, shortcuts/excesses on LGD with respect to the coverages in NPL, changes in the distribution of EL by product/responsibility centre, significant changes in the granularity of the portfolio risk, analysis with focus on the change of significant sector risks, drafting of information sent to the Risk Policy Committees, etc.), provides the necessary disclosure support to management so that it can carry out its functions as part of the budgeting and periodic audit process (forecast), as well as disclosure support for the performance of the risk cost control activities carried out by management (Action Plan), performs second-level data quality controls for its area of responsibility on the internal rating system and on the information forwarded to central application software for calculating requirements, and, in conclusion, ensures its support for the consolidation process for the country risk limits of BNP Paribas in co-ordination with the Brussels GFCC.

Both the spheres of activities direct and collaborate with the IT Division, insofar as they are responsible, in relation to the development and maintenance of the databases necessary for the implementation of their analysis objectives.

Transferor Risk Assessment

- analyses the transferor and related with-recourse debtor approval procedures established by the Sales Division according to the methods envisaged by the "4Eyes" process, in particular:
- provides risk opinions on the without recourse debtor and transferor risks assessing the consistency with the lending policies of the Company and the BNP Paribas Group, as well as with the internal regulations in force;
- expresses a fairness opinion on the rating automatically calculated by the software as part of the transferor credit proposals;
- validates the changes in the without-recourse transferor and debtor ratings triggered by the override requests submitted by the Sales Division or the Debtor Assessment Department of the statistical ratings automatically assigned by the system (local models);
- validates the risk measures (rating and GRR) assigned in judgemental mode (central models) for both without-recourse transferors and debtors;
- validates the rating values calculated by the engines as part of the process of renewing debtors without recourse for a reduced amount;
- supports the Default Committee in applying deviations from the Company Allocation Standards, expressing the Risk Opinion on the departure proposals put forward.

Debtor Risk Assessment

- prepares and assesses without-recourse Debtor files and oversees the quality of these risks over time, in particular:
    - resolves within the authorised limits or submits without-recourse risks to the competent bodies;
    - assesses the consistency of the rating assigned by the software with the general risk profiles of the without-recourse Debtor, activating override processes, if necessary;

  - formulates proposals for assigning risk measures (rating and GRR SU) in judgemental mode for without-recourse debtors and submits them for validation to the Risk Assessment Department.
  - sees to, directly or via the use of services, the entry of the results of the resolutions relating to without-recourse limits and any reinsurance of the same in the Electronic Procedure or in the FIS company information system;
  - manages, with the credit insurance companies, the requests for granting, renewal or revocation of the individual insurance coverage;
  - sees to the review of outstanding without-recourse risks;
  - manages the limits subordinated to the acquisition of accessory guarantees in co-ordination with the Management Division (responsibility of VAL.DE)
  - examines the prepayment plans proposed or the requests for related extensions, submitting them to the competent bodies for authorisation;
  - adopts restrictive measures aimed at safeguarding the risk undertaken by means of decreases, changes and revocations of without-recourse limits;
  - handles the updates of the map of the Associated Customer Groups and their composition in a co-ordinated manner with the other company structures and the other entities of BNP Paribas Group;
  - sees to the main without-recourse debtor risk concentration, including by assigning portions of Major Debtor Limits or Debtor Group Limits, entering in the FIS company information system the results of the related resolutions and carrying out the appropriate controls in observance of the limits approved;
  - analyses the periodic downgrades of internal ratings of risks under its responsibility for case-by-case decisions;
- as part of managing counterparty risk:
  - supports the Head of the Division in identifying new credit insurance policies or reviewing the ones in place;
  - verifies the calculation and authorises the payment of the reassurance policy premiums, the services provided by external providers and information agencies
  - draws up suitable disclosure for the Owners with regard to the requirements of pro tempore policies in force so as to permit the correct operational handling; monitors the suitability of the CPAs resolved for foreign correspondents and insurance companies, handling the Annual Review process in collaboration with GFCC.

In 2021, an organisational review was launched that considers, among other things, the merging of the two risk assessment structures (transferors and debtors) into a single new "Credit Risk Analysis" unit, with a view to synergising skills and optimising delivery times.

2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)

The Ifitalia IRS, established since 2005, underwent a progressive change. The Probability of Default (PD) models that apply to the Large Corporate and Small Mid Corporate segments adopt a methodology that is in line with Group standards for the portion locally implemented. The Large Corporate portion uses a process implemented by the parent company BNP Paribas and applied on a transnational basis to determine the value of the internal rating and the GRR (Global Recovery Rate=1-LGD). The Small Mid Corporate section applies the rating models developed internally by the BNL domestic bank to ensure consistency in the assignment of risk parameters. On the other hand, based on the peculiarities of the factoring product, Ifitalia developed its own internal models for the estimation of the Loss Given Default and the observation of the Dilution risk.
All releases safeguard the principle of the uniqueness of the rating value by supplementing these values with those expressed by the BNP Paribas banking network, which are used, each time they are present, as a driver in the loan process. In line with the other entities of BNP Paribas Group, a single master scale is used to assess the one-year PD of counterparties included in the application scope of the models; these PD models are a management control instrument and compliant with IFRS 9 requirements.
For portfolios belonging to the "Financial Institutions/Supervised Intermediaries and Local Authorities" asset classes, the development of internal models for the measurement of credit risk is not envisaged.
The internal rating system as a whole is subject to a general governance process and a set of application rules that guarantee the utmost reliability over time of the process to estimate and input the risk measures and their correct application in company processes.
The master scale adopted ranks the customers into 10 classes for the performing part and two classes for the default part, which includes past due, unlikely to pay and non-performing positions.
The risk managers and the principals of the approval process are allowed to request a review of the internal rating in accordance with a regulated process that entrusts the risk department with the authority to accept or refuse the related requests, each of which must be duly and promptly justified. The rating value is updated at the time the approval process begins and periodically, on the occurrence of specific events or at deadlines defined by the risk department.

The statuses expressed by the Parent Company on shared customers have effects on the internal classification, with particular reference to the various degrees of impairment. As regards other risk measures, which, together with the PD, make up the IRS, note that the Loss Given Default (LGD) is used in management reporting, particularly in reference to analyses highlighting the distribution of expected loss and consistency with coverage levels (shortcut/excess), as well as for IFRS 9 purposes.

2.3 Credit risk management policies

Reporting

The reporting process drawn up by the Risk Management Dept. takes the form of periodic disclosure to the Risk Policy Committee (RPC)[3] of BNP Paribas Group, Senior Management, and the first level of responsibility of business management, and contains, among other things, qualitative-quantitative information on portfolio risk and the level of sector concentration. In compliance with the credit policies expressed by the Group, periodic disclosure has also been prepared for the process Owners, with the aim of facilitating observance of the indicated limits and permitting periodic reporting. Additional reports are drawn up by the Risk Monitoring Dept. and intended for Senior Management – subject to discussion if necessary with the process Owners – with the aim of informing Senior Management on observance of certain aspects of the credit process deemed to be particularly critical, also in relation to the indications received from the Parent Company.
The reporting process was further enhanced as a result of the gradual expansion of the use of risk measures with views dedicated to the trend of coverage, the distribution of ratings and the related migration matrices, as well as a better visibility of capital absorption and expected loss / RWA on credit risk, both for the performing and non-performing components, with a focus on the impact of dilution risk.

Delegation system

The system of lending powers systematically supplements the use of the rating in the credit authorisation process with depth in the structure for exercising the authorisation in relation to the expected loss levels.
The decision-making process, taking into account Ifitalia's merger within the BNP Paribas Group, has adopted the Group model.
This model entails the involvement of two organisation chains in the credit granting process: a "commercial chain[4]" and a "risk chain[5]".
According to this process, all lending resolutions relating to the transferor and debtor risk are made by the commercial chain, which avails itself of the support of a team of specialised credit risk analysts, who express credit opinions (known as risk opinions) on the credit proposals developed.
By means of this constant and joint assessment of the transferor proposal, by the commercial chain and the risk chain, the credit process has been defined as "4 Eyes".
The 4 Eyes organisational process applies at every decision-making level, from the lowest (Local areas) up to the General Management and, in the event of disagreement between the commercial opinion and the risk opinion, the concept of resolution escalation applies at all levels, on the basis of which the decision is referred to the higher decision-making body.
Resolution escalation applies each time the risk opinions express a more restrictive (or negative) lending opinion with respect to the proposed transaction and the decision-making body identified by the lending powers does not intend to comply with the risk opinion expressed.
For both the without-recourse debtor and transferor role, the power delegations take into account not only the absolute amounts but also the internal rating values expressed by the Group and by the internal rating system for the customers and debtors that are not shared.
The presence of insurance coverage on without-recourse debtor risk influences the lending process and the application of the delegation system.
In any event, the collective Decision-Making Bodies (Credit Committee and Board of Directors) are entrusted all the risks involving greater amounts, which are also subject to review by the Parent Company for the largest amounts or that, due to lender type, are reserved for the exclusive competence of the Board of Directors.

Lending policies

A set of "Specific Credit Policies", approved by the Board of Directors, supplements the strategic guidelines formulated by the Parent Company's Risk Policy Committee (RPC) as regards specific local aspects, aimed at supporting and guiding the factoring activities at Group level.
The "Specific Credit Policies" concern aspects such as:

[3] Credit Policy Committee
[4] "Commercial chain" means the business units of the Sales Division tasked with initial approval/decision-making activities.
[5] "Risk chain" means the business units of the Risk Division tasked with credit risk assessment activities in the initial approval process.

- coordination at Group level of the risk assumption methods, taking account of sector performance, default risk of the counterparty, and the aspects inherent in managing the relationship;
- methods of assumption and review of without-recourse debtor risk for specific brackets of amounts and segments;
- methods of assumption of transferor risk with regard to specific types of products and/or credit underlyings.

The implementation of strategies as well as the implementation of the "Specific Credit Policies" are subject to verification and reporting to the company governance bodies, according to specifically defined processes.

<u>Supervision of performing and past due loans/receivables</u>
"Systematic Supervision" is the set of management rules and processes for the individual risk positions of transferor and debtor counterparties, hereinafter referred to as "customers", aimed at ensuring constant reporting and assessment of risk, the consequent classification and the timely and effective application of management strategies designed to minimise the impact from risk increase, with a view to preserving the quality of these credit assets. Anticipatory management is envisaged, both in Basel regulations and in Bank of Italy supervisory instructions, as one of the fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements. These rules promote the constant strengthening of the ability to prospectively assess risk profiles, defining the following, inter alia:

- Measurement criteria based on "internal ratings" as the predictive nature of those models allows for the definition of guidelines for governing credit risk, for the purpose of managing in advance possible impairment of assets;
- The fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting of risk exposures, which also assessed the way in which the changing risk profile of the institution could influence its need for capital.

The Systematic Supervision process is organised into 3 pillars:

- On-going classification of Customers, by virtue of which the customer base must be permanently classified in relation to the current and forecast risk, making a distinction between low risk customers and high risk ones;
- Focus on customers subject to increasing risk, whose main objective is the early management of the deterioration of loan quality as well as its permanent and on-going monitoring;
- Action plans, focused on the reduction/reclassification of the risk vis-à-vis high risk customers.

These pillars are strictly linked to the Monitoring process, which constitutes the final phase of the broader process of Systematic Supervision and Monitoring. The Customer enters the Systematic Supervision process when:

- it is possible to apply a risk assessment and consequent management action to the same;
- a limit is granted or resolved or when an exposure emerges;
- it is reclassified as performing or unlikely to pay (excluding arrears and composition with creditors).

Conversely, the Customer leaves the process when:

- he/she no longer has dealings with Ifitalia;
- the position is classified as Arrears Unlikely to Pay, Non-Performing or Agreed Unlikely to Pay.

Positions that, due to the significance of the level of risk and/or performance or management anomalies detected, must be subject to specific monitoring, are classified as Watch List and periodically subject to examination by the Risk Monitoring Committee.
The Watchlist is broken down into:

- Ordinary: includes all positions in accounting status Performing, Past Due and those in accounting status Unlikely to Pay but defined as Non-Arrears Unlikely to Pay in the management accounts, which have a counterparty risk higher than or equal to the threshold of EUR 200,000 and are marked red or orange.
- Doubtful: includes all positions in management status Management Unlikely to Pay, Restructured Unlikely to Pay, Unlikely to Pay with forborne flag, with counterparty risk >0 and/or transferor credit line and/or debtor credit limit.

The process is being fully reviewed as part of the process to implement the new IFIPEG 2.0 tool. -

<u>Organisation of the Committees</u>
For the purpose of ensuring an integrated management of the processes, the Company has established an organisational structure that envisages the meeting of Committees where the relevant business units are occasionally called to provide their contribution through an integrated approach.
In particular:

<u>Credit Committee</u>

It decides on the granting of loans and authorises their disbursements, within the limits of the powers granted.
It expresses opinions regarding lending in line with the delegated powers and approves, upon the proposal of the General Manager and within the maximum limits established by the Board of Directors, the decision-making and administrative sub-delegation and use of the credit facilities, including registered by name, to be assigned to certain defined business roles.
The Credit Committee meets in "ordinary" and "integrated" sessions. In the "integrated" session, the Credit Committee resolves solely on granting loans that exceed the powers of the "ordinary" session, without prejudice to the powers reserved exclusively to the Board of Directors.

Non-Standard Product Validation Committee
It authorises all the “non-standard products”, understood as those that cannot be activated, marketed, controlled, handled or registered for reputational, accounting, tax-related, supervisory and risk and management control purposes, in accordance with current practices and legislation.
The name of the Committee was changed to Product, Activities, Exceptional Transactions (COPAT) Committee as from December 2018 together with the entry of RISK ORC as a reference on aspects related to operational risk.
The Committee is responsible for assessing the impacts:

- on the components of credit risk, operational risk, market risk, ALM risk (interest rate risk and liquidity risk), risk of non-compliance, reputation risk and image risk;
- on the control system;
- on accounting and administrative processes/systems and on commercial, financial and supervisory reporting;
- on tax aspects;
- on legal aspects;
- on IT systems and/or infrastructure components;
- on distribution processes;
- on organisational aspects;
- on data, in terms of their quality compared to the different purposes of use.

Risk Monitoring Committee
The Risk Monitoring Committee, consistent with the Group model, is an analysis and decision-making body that ensures the integrated supervision of significant risks, also with a view to valuation of the level of adequacy of the available capital.
This Committee is the venue in which business management discusses the valuation of risks carried out by the competent units and assesses the mitigation action proposed by the responsible units, individually or jointly.
Furthermore, the company control units share the results of the respective activities within said Committee.
The Committee therefore represents one of the main venues in which - for its areas of responsibility - control is exercised by the Risk Control Units and represents a point of business synthesis that ensures a single view of risks.
The Committee is organised in multiple issue-based sessions, and its composition varies in relation to the issues handled in each session.
Specifically, the Committee is responsible for:

- examining the trends in impairment on the performing portfolio;
- validating the Operational Plans for Control of the risks, prepared by the responsible units, to be submitted for the approval of the Board of Directors;
- assessing the corrective action plans proposed by the competent units for the positions included on the watchlists, consistent with the processes defined at BNP Paribas Group level;
- assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and RWAs;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk;
- intervening, in a dedicated session and in an anticipatory logic, on relations that present a relevant fraud scoring with decisions that can lead
  - to the maintenance of the relationship without any change compared to the existing situation;
  - to the maintenance of the relationship with a restructuring of the operations where necessary, also requiring the activation of a new investigation process;
  - to the inclusion of the name in the Watchlist;
  - to the request for an amicable exit from the relationship;
  - to status changeover, referring the valuation of the relevant provisions to the competent bodies.
- analysing and acquiring collective decisions with regard to the permanent control system and operational risks;

- supporting the Business Continuity manager in reporting, sharing and validating the information and initiatives aimed at maintaining Business Continuity solutions;
- in implementation of the governance of Internal Rating System:
  - ensuring a joint examination on initial application, as well as in the subsequent evolutions of risk measures that are applied in the business;
  - ensuring a joint examination on initial application, as well as in the subsequent evolutions of the tools for using the risk measures to govern credit and dilution risk;
  - ensuring an integrated view of the results of data quality and data integrity controls relating to the use of the internal rating system;
- ensuring an integrated communication flow on significant risks: collecting and reviewing reports on trends in the adequacy of the available capital (ICAAP) and of the significant risks drawn up by the competent business units; communicating the outcome of the discussions to the BoD, formalised in specific reports;
- supervising, in an integrated manner, the current and forecast trend of the risk profile and the level of capital adequacy of the Company, assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and the RWAs;
- ensuring the supervision of supplier risk so as to efficiently manage any issues deriving from the commercial dealings with suppliers, ensuring the quality and continuity of the related activities.

Default Committee

The Default Committee is the body that analyses and resolves on lending disputes and the collection or loss forecasts.
This Committee works through two internal sessions:

- *Ordinary* (Counterparty status changeovers, Global Impairment, Judgmental Impairment): examines and resolves on the congruity and review of impaired positions with suitable provisions equal to or exceeding EUR 600,000)
- *Stock*: examines impaired positions presenting a risk amounting to EUR 3 million or more and reports its decisions to the Risk Division of BNL, in the case of joint customers, or the BNPP Factoring Chain GFTC Committee.

Techniques for mitigating the credit risk

The mitigation of credit risk in the factoring transaction is essentially entrusted to an efficient and effective process for checking the ability of the debtor to pay the trade receivable acquired on maturity, which, since 2016 has been increasingly accompanied by insurance on without-recourse debtor risk, previously contracted essentially on foreign transactions and for transactions with specific customers. This choice is consistent with the strategies implemented within the factoring hub of BNP Paribas Group, where normally the assumption of without-recourse debtor risk is accompanied by an insurance guarantee or a guarantee from a foreign correspondent.
The compliance of correspondents and insurers is subject to periodic assessment.
Nevertheless, as regards unsecured and secured guarantees, the Company has already organised itself, defining tasks and responsibilities inherent to the definition of:

- standard forms for the types of guarantees normally assumed;
- processes for gathering the subscription of guarantees;
- processes for the control, custody and registration of the guarantees.

The organisational and technological processes take into due account the necessary functional distinction that must be assigned among the party that defines the standard texts, the party that collects the guarantees, and the party that checks/holds/validates them.
The credit protection usually undertaken is unsecured (unfunded), while the use of secured (funded) credit protection instruments is typically associated with protection of already impaired loans/receivables and, therefore – contrary to banking activities - is more of an exception than a usual risk mitigation instrument.

COVID 19 impacts in the measurement of expected losses

The calculation of the expected loss is based on risk measures consistent with regulatory parameters, net of conservative prudential margins, and includes a forward-looking component to account for possible future developments.
In particular, the probability of default (PD) includes a forward-looking component based on various macroeconomic scenarios updated periodically to incorporate any changes in the economic cycle, both positive and negative, in advance.
Following the economic context caused by the COVID 19 pandemic, the forward-looking approach was strengthened by differentiating macroeconomic expectations by individual sector, taking into account the heterogeneous impact of the pandemic on the various sectors and the different reactivity and speed of recovery of each sector in the Italian context.
The use of macroeconomic indicators calibrated on the trend and expectations of sectoral GDP and not only linked to the overall trend of the national economy allows a better understanding of the peculiarities of the economic fabric of reference.

In addition, a medium-term approach was adopted to bring forward in 2020 the strengthening of hedges against macroeconomic scenarios expected in 2021 and 2022 still at levels below pre-crisis levels.

2.4 Projects underway that will be realised as from 2021
Following the Bank of Italy Audit regarding the request to apply the advanced approach for the calculation of Credit Risk on the "Sovereign" and "Corporate" portfolios, in October 2020 the Company received the results of the audit activity carried out by the Bank of Italy during the last quarter of 2019. Analyses of remedial actions are underway in order to define strengthening actions to address areas of improvement or deficiency identified by the Regulator. Monitoring of the action plan on audit findings is envisaged every six months.
Ifitalia also has a project underway to revise its monitoring and early warning system (IFIPEG), which envisages:
- the revision of the indicators used to calculate the colour;
- a process of analysis and validation of the calculated colours aimed at defining a "Strategy" for the positions most at risk (colour and amount matrix) that includes the assignment of a "management class" and accurate action plans;
- a process of regular monitoring of the most relevant positions by the Watchlist Committee.

The release of the upgrades is expected during 2021.

3. Impaired credit exposures

Classification of impaired assets
The definition of impaired credit exposures is described by the company in a procedure that identifies the detection methods/criteria of the status of the counterparty.
This identification may be automatic (subjects in impaired past due status) or evaluated (arrears unlikely to pay and non-performing loans).

Subjects defined in past due/impaired status
Starting from 1 January 2021, Ifitalia adopted the new European default criteria outlined in the EBA GL 2016/07 guidelines.

The adoption of these criteria led to a revision of the overdue detection rules for both "transferor" and "debtor" customers and in particular:

- in the case of “transferor” customers, the days past due are calculated from the day on which there is an overrun, i.e. the exposure to the customer is greater than the amount of receivables transferred with recourse and the amount of this overrun exceeds the thresholds of relevance established by the regulator. If this condition persists for 90 days, the customer is automatically reclassified to Past Due.
- in the case of “debtor” customers, the days past due are calculated from the 90th day on which the amounts due for principal, interest and commissions have not been paid and their amount has exceeded the relevance thresholds established by the regulator. In the payments defined in the credit agreement have been suspended and the due dates have been changed subject to a specific agreement formalised with the Company, the counting of the days past due follows the new repayment plan.

The relevance thresholds defined by the Regulator distinguish the exceeding of two different limits:
- relative threshold: equal to 1% of the past due exposure of the total risk exposure of the counterparty;
- absolute threshold: equal to EUR 100 for SMEs and EUR 500 for companies, Bodies or other Institutions.

The adoption of the new default criteria was communicated with an information letter to the contractualised customers.

Therefore, for factoring transactions, the exposures recognised on parties pursuant to IAS/IFRS are "past due assets" when both conditions of persistence and materiality are met at the same time.

Subjects defined as arrears unlikely to pay and non-performing loans
- Unlikely to pay: the classification of counterparties in this category is the result of the company's opinion as to the unlikelihood that, without recourse to actions such as enforcement of the guarantees, the debtor/transferor fully meets his/her credit obligations (in terms of principal and/or interest). This assessment is made independently from the presence of any amounts (or instalments) past due and not paid. Therefore, it is not necessary to await the explicit symptom of anomaly (non-payment), if elements exist that imply a situation of counterparty default risk (for example, a crisis in the industrial sector in which it operates). All cash and off-balance-sheet exposures to a counterparty in this situation are referred to as "unlikely to pay", unless the conditions for classification as non-performing are met.

- Non-performing loans: this category includes all cash and off-balance-sheet exposures vis-à-vis a party in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. The exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.

Return to performing

The counterparty can leave the non-performing status:
- when the exposures are fully discharged, including interest on arrears;
- if, once the conditions for maintaining the position as Non-performing no longer exist, it is returned to performing/Unlikely to pay by means of a specific resolution passed by the Positions delegated for this purpose;
- in case of full loss transfer of the position not recovered in whole or in part.

The counterparty can leave the unlikely to pay status:
- when the entire exposure classified as Unlikely to pay has been discharged;
- if the status of Unlikely to Pay is among those that required an automatic placement, the position can be relocated to a different status only by resolution of the decision-making body granted the right to do so.

The counterparty can leave the impaired past due status:
- the automatic positions do not require a resolution for the return to performing (BON/Bonis), in that the exit from this status is managed directly by the information system that checks on a monthly basis the absence of the conditions of materiality and persistence of the past due positions that determined the placement or the end of the "cure period".

Procedures for defining, managing and controlling anomalous items at Group level

The status coordination activity is transversal to all the entities of the BNPP group in order to achieve a homogeneous reclassification of the status of the customer. Alignment is a process that needs to be coordinated from the moment the state changeover is prepared for all the statuses being assessed. The status alignment process is not automatic but always subject to coordinated evaluation by the Group entities.

Management and recovery process for impaired loans not yet due

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The supervision of the recovery process for impaired loans within the workout area (status other than past due and unlikely to pay that does not require the activation of legal and/or judicial recovery actions) is entrusted to the external structures BNL - Workout and MB Credit Solutions SpA/Mediobanca Group.

These structures operate for different perimeters of impaired loans, identified on the basis of the size of the counterparty risk (GBV), which is defined ranging from EUR 0 to 150K inclusive (known as Small Ticket) and in a range of higher amounts (known as Big Ticket).

As this activity is outsourced, its internal point of contact is the Workout Control Unit within the Special Loans Structure.

As part of this process, these Structures implement collection strategies that consider:
- the status of the position and counterparties resulting from the data in its possession at the time the documentation is received and subsequently acquired;
- the effective amount to be recovered;
- the presence of external sources of reimbursement that may be considered.

In relation to the above, it periodically takes steps to formulate collection forecasts and to quantify the amount of provisions deemed adequate in light of the status of the position when the forecasts are formulated and each time there are new elements that allow to change it.

The activity of the above-mentioned external Structures is mainly focused on relations requiring legal/judicial actions, although some positions are also managed out of court when the amounts and the cost/benefit assessments suggest it.

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

Exposures falling under the categories of "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined in the ITS are credit exposures subject to concessions (forbearance).

Credit exposures subject to concessions (forbearance) can fall both under the categories of "Non-performing forborne exposures (with forbearance measures)" and "Performing forborne exposures" as defined in the ITS.

Forbearance measures are represented by concessions/rescheduling with counterparties that are, or are expected to be, in difficulty in meeting the originally agreed deadlines (financial difficulties).
Exposures must not be treated as forborne when the debtor is not in financial difficulty (no subjective requirement).
The valuation component from which the opinion of state of difficulty at the time of the request for concession/rescheduling arises is necessary to determine whether the measures put in place are to be understood as forbearance measures.
A concession/rescheduling can be referred to any of the following actions:
a) a change in the previous contractual terms and conditions that the counterparty had to comply with and that counterparty is considered unable to comply with in the absence of the previous contractual terms and conditions due to financial difficulties (debt management problems) and that would not have been granted had the counterparty not been in such difficulties;
b) a total or partial refinancing/rescheduling of debt that would not have been granted had the counterparty not been in financial difficulty.
A concession/rescheduling can result in a loss for the bank/intermediary but this is not an absolute precondition. Therefore, a forbearance measure does not necessarily involve a loss.
In the business application, the focus is placed on the subjective assessment of the state of difficulty of the counterparty requesting the changes in due dates (forbearance measures) from which can derive - together with the existence of certain objective assumptions - the requirement of placing the counterparty among the NPE forborne exposures.
In particular, to ensure the above, the following guidelines are defined:
1 Changes in deadlines must be due to two distinct and alternative circumstances:
    1.1 commercial reasons (trade concessions), i.e. problems related to the underlying supply and/or commercial policies of the purchaser and/or sector specificity in the absence of a state of difficulty and therefore of the counterparty;
    1.2 change in deadlines resulting from a lack of funds in the presence of a state of difficulty of the counterparty (non-commercial concessions).
2 Some reasons constitute rebuttable presumption or absolute presumption of the case under 1.2.
3 The treatment must be differentiated between the debtor role (without recourse) and the transferor role (with recourse), meaning that
    3.1 the debtor role without recourse is a debtor counterparty where there are receivables without recourse;
    3.2 the transferor role with recourse is a transferor counterparty where there are exposures with recourse.

QUANTITATIVE INFORMATION

1. Distribution of financial assets by portfolio and loan quality (book values)

(thousands of €)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	**Total**
1. Financial assets measured at amortised cost	55,394	39,029	1,908	724,505	5,441,395	**6,262,231**
2. Financial assets at fair value through other comprehensive income						**-**
3. Financial assets designated at fair value						**-**
4. Other financial assets mandatorily measured at fair					4,782	**4,782**
5. Discontinued operations						**-**
Total 31/12/2020	55,394	39,029	1,908	724,505	5,446,177	6,267,013
Total 31/12/2019	62,992	45,129	17,981	1,102,515	6,299,134	7,527,751

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

(thousands of €)

Portfolios/quality	Impaired				Performing			Total (net exposure)
	Gross Exposure	Total value adjustment	Net exposure	Overall partial write-off *	Gross Exposure	Total value adjustment	Net exposure	
1. Financial assets measured at amortised cost	357,423	(261,092)	96,331		6,175,515	(9,615)	6,165,900	6,262,231
2. Financial assets at fair value through other comprehensive income			-				-	-
3. Financial assets designated at fair value			-		X	X	-	-
4. Other financial assets mandatorily measured at fair value			-		X	X	4,782	4,782
5. Discontinued operations			-				-	-
Total 31/12/2020	**357,423**	**(261,092)**	**96,331**	**-**	**6,175,515**	**(9,615)**	**6,170,682**	**6,267,013**
Total 31/12/2019	**410,494**	**(284,392)**	**126,102**	**-**	**7,408,828**	**(11,745)**	**7,401,649**	**7,527,751**

* Value to be shown for information purposes

(thousands of €)

Portfolios/quality	**Low creditworthiness assets**		**Other assets**
	Capital Losses Cumulative	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total 31/12/2020	-	-	-
Total 31/12/2019			

3. Distribution of financial assets by overdue bands (book values)

(thousands of €)

Portfolios/quality	First level			Second level			Third level		
	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	292,491	101,976	222,533	44,920	16,688	46,605	5,788	1,365	350,270
2. Financial assets at fair value through other comprehensive income									
3. Financial assets held for sale									
Total 31/12/2020	292,491	101,976	222,533	44,920	16,688	46,605	5,788	1,365	350,270
Total 31/12/2019	552,065	108,966	249,696	108,930	20,878	61,980	1,863	662	407,970

4. Financial assets, commitments to grant funds and financial guarantees given: changes in total value adjustments and in total provisions

(thousands of €)

Causes/Risk status	Total value adjustments																Total provisions on commitments to disburse funds and financial			Total
	Assets in the first status					Assets in the second status					Assets in the third status									
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: single write-downs	of which: collective write-downs	of which: impaired financial assets acquired or originated	First Level	Second Level	Third Level	
Opening Balance	6,934				6,934	4,811				4,811	284,392			284,392			273	78	1,262	297,750
Increases in financial assets acquired or originated	-				-	-				-	-			-			-	-	-	-
Eliminations other than write-offs	-				-	-				-	-			-						-
Net value adjustments/writebacks for credit risk (+/-)	453				453	332				332	11,262			11,262			140	110	14	12,311
Contract modifications without eliminations	-				-	-				-				-			-	-	-	-
Changes in estimation method					-					-				-						-
Write-off	-				-	-				-	(30,760)			(30,760)			-	-	-	(30,760)
Other changes	(1,139)				(1,139)	(1,776)				(1,776)	(3,801)			(3,801)			47	16	(33)	(6,686)
Closing balance	6,248				6,248	3,367				3,367	261,093			261,093			460	204	1,243	272,615
Recoveries from collections on financial assets written off	-				-	-				-	794			794						794
Write-offs recognised directly to the income statement	-				-	-				-	(1,593)			(1,593)						(1,593)

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

(thousands of €)

Portfolios/quality	Gross Value / Nominal Value					
	Transfer from first stage to second stage		Transfer from first stage to third stage		Transfer from second stage to third stage	
	From first status to second status	From second status to first status	From second status to third status	From third status to second status	From first status to third status	From third status to first status
1. Financial assets measured at amortised cost	107,026	66,070	1,353	406	1,054	4,215
2. Financial assets at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to grant loans and financial guarantees issued	7,349	12,276	39	-	76	6
Total 31/12/2020	114,375	78,346	1,392	406	1,130	4,221
Total 31/12/2019	944,559	574,266	10,501	4,131	24,735	20,822

5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross values)

(thousands of euros)

Portfolios/risk stages	Gross values					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	From first stage to third stage	From first stage to third stage
A. Loans valued at amortised cost						
A.1 Loans granted in accordance with the GLs						
A.2 Financing covered by other concessionary measures	1,055	479	6,356	-	195	26
A.3 New funding						
B. Loans measured at fair value with impact on						
B.1 Loans granted in accordance with the GLs						
B.2 Financing covered by other granting measures						
A.3 New funding						
Total 31/12/2020	1,055	479	6,356	-	195	26
Total 31/12/2019						

6. Credit exposures to customers, banks and financial businesses

6.1 Off-balance sheet credit exposures to banks and financial businesses: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure - Impaired	Gross Exposure - Performing	Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
A. CASH EXPOSURES					
a) Doubtful loans	460	X	(460)	-	
-of which forborne exposures		X		-	
b) Unlikely to pay		X		-	
-of which forborne exposures		X		-	
c) Impaired past due loans	-	X	-	-	
-of which forborne exposures	-	X		-	
d) Performing Past due loans	X	7,380	(2)	7,378	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	134,924	(130)	134,795	
-of which forborne exposures	X			-	
TOTAL A	**460**	**142,304**	**(592)**	**142,173**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets				-	
b) Performing assets	X	4,152	-	4,152	
TOTAL B	**-**	**4,152**	**-**	**4,152**	**-**
TOTAL (A+)B	**460**	**146,456**	**(592)**	**146,325**	**-**

* Value to be shown for information purposes

6.2 Cash credit exposures to banks and financial businesses: changes in gross non-performing exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**1,648**	**19**	**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**-**	**-**
B.1	entries from performing exposures	-	-	-
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	-	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	-	-	-
C.	***Decreases***	**(1,188)**	**(19)**	**-**
C.1	exits to performing exposures	-	(19)	-
C.2	write-offs	-	-	-
C.3	collections	-	-	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	-	-
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	(1,188)	-	-
D.	***Gross final exposure***	**460**	**-**	**-**
	of which: exposures sold, but not eliminated	-	-	-

6.2bis Cash credit exposures to banks and financial businesses: changes in gross forborne exposures broken down by credit quality

There were no amounts in this section.

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

(thousands of €

	Cause/Categories	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**1,648**	-	-	-		-
	- of which: exposures sold, but not eliminated						
B.	***Increases***	-	-	-	-	-	-
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments		-	-	-		-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	-	-	-	-	-	-
B.5	contract modifications without eliminations		X		X		X
B.6	other increases	-	-	-	-	-	-
C.	***Decreases***	**(1,188)**	-	-	-	-	-
C.1	write-backs from valuation						
C.2	write-backs from collection	-	-	-	-	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	-	-	-	-	-	-
C.5	transfers from other categories of impaired exposures	-	-	-	-	-	-
C.6	contract modifications without eliminations	-	X		X		X
C.7	other decreases	(1,188)	-	-	-	-	-
D.	***Final total adjustments***	**460**	-	-	-	-	-
	- of which: exposures sold, but not eliminated						

6.4 Off-balance sheet credit exposures to customers: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	276,638	X	(221,244)	55,394	
-of which forborne exposures	19,457	X	(17,319)	2,138	
b) Unlikely to pay	77,957	X	(38,928)	39,029	
-of which forborne exposures	21,035	X	(10,772)	10,263	
c) Impaired past due loans	2,368	X	(460)	1,908	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	717,833	(706)	717,127	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	5,315,377	(8,777)	5,306,600	
-of which forborne exposures	X	626	(2)	624	
TOTAL A	**356,963**	**6,033,210**	**(270,115)**	**6,120,058**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets	3,809		(1,243)	2,566	
b) Performing assets	X	353,226	(664)	352,562	
TOTAL B	**3,809**	**353,226**	**(1,907)**	**355,128**	**-**
TOTAL (A+)B	**360,772**	**6,386,436**	**(272,022)**	**6,475,186**	**-**

* Value to be shown for information purposes.

6.4a Loans subject to Covid-19 support measures: gross and net values

(thousands of euros)

Exposure types/values	Gross exposure	Total value adjustments and provisions	Net exposure	Write-off partials overall*
A. Non-performing credit exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
B. Credit exposures in probable default:	6,551	(1,447)	5,104	
a) Object of concession in accordance with GL				
b) Object of other concession measures	6,551	(1,447)	5,104	
c) New funding				
C. Impaired past due credit exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
D. Non-impaired past due exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
E. Other non-impaired exposures:	2,968	(6)	2,962	
a) Object of concession in accordance with GL				
b) Object of other concession measures	2,968	(6)	2,962	
c) New funding				
TOTAL (A+B+C+D+E)	**9,519**	**(1,453)**	**8,066**	

* Values to be displayed for information purposes

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**303,431**	**84,914**	**20,482**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**7,753**	**45,457**	**1,741**
B.1	entries from performing exposures	269	45,429	1,741
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	7,455	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	29	28	-
C.	***Decreases***	**(34,546)**	**(52,414)**	**(19,855)**
C.1	exits to performing exposures	(9,129)	(37,320)	(15,096)
C.2	write-offs	(26,605)	(5,463)	(4,731)
C.3	collections	-	-	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(7,455)	-
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	1,188	(2,176)	(28)
D.	***Gross final exposure***	**276,638**	**77,957**	**2,368**
	of which: exposures sold, but not eliminated			

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6.5bis Cash credit exposures to customers: changes in gross forborne exposures broken down by credit quality

(thousands of €)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**43,687**	**362**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**6,920**	**432**
B.1	entries from performing not forborne exposures	5,335	
B.2	entries from performing forborne exposures	111	X
B.3	entries from impaired forborne exposures	X	
B.4	entries from non impaired forborne	1,255	432
B.5	other increases	219	-
C.	***Decreases***	**(10,115)**	**(168)**
C.1	exits to performing not forborne exposures		
C.2	exits to performing forborne exposures		X
C.3	exits to impaired forborne exposures	X	(111)
C.4	write-offs	(3,723)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(6,392)	(57)
D.	***Gross final exposure***	**40,492**	**626**
	of which: exposures sold, but not eliminated		

6.6 Impaired cash credit exposures to customers: changes in total value adjustments

(thousands of €)

	Cause/Categories	Doubtful loans		Unlikely to pay		Impaired past due loans	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**240,439**	**18,313**	**39,804**	**10,728**	**2,501**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**14,776**	**1,831**	**8,679**	**1,670**	**206**	**-**
B.1	value adjustments from impaired financial assets acquired or originated						X
B.2	other value adjustments	7,070	1,831	8,679	1,670	206	
B.3	losses on sale						-
B.4	transfers from other categories of impaired exposures	7,113					-
B.5	contract modifications without eliminations						X
B.6	other increases	593					-
C.	***Decreases***	**(33,971)**	**(2,825)**	**(9,555)**	**(1626)**	**(2,247)**	**-**
C.1	write-backs from valuation	(2,872)	(686)	(225)		(2,247)	
C.2	write-backs from collection	(1,259)		(549)	(66)	-	
C.3	gains on sale					-	-
C.4	write-offs	(29,840)	(2,142)	(920)	(812)	-	
C.5	transfers from other categories of impaired exposures			(7,113)			
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases			(748)	(748)		
D.	***Final total adjustments***	**221,244**	**17,319**	**38,928**	**10,772**	**460**	**-**
	- of which: exposures sold, but not eliminated						

7. Classification of financial assets, commitments to grant funds and financial guarantees given based on internal and external ratings

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

(thousands of €)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**422,315**	**1,343,087**	**864,491**	**265,448**	**94,284**	**3,412**	**3,539,901**	**6,532,938**
- First level	422,234	1,312,130	840,062	245,848	86,307	3,412	2,662,045	**5,572,038**
- Second level	81	30,957	24,429	15,334	7,977		524,699	**603,477**
- Third level				4,266			353,157	**357,423**
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First level								**-**
- Second level								**-**
- Third level								**-**
C. Financial assets held for sale								
- First level								
- Second level								
- Third level								
Total (A + B)	**422,315**	**1,343,087**	**864,491**	**265,448**	**94,284**	**3,412**	**3,539,901**	**6,532,938**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees issued	**2,014**	**84,328**	**18,895**	**5,337**	**-**	**-**	**250,613**	**361,187**
- First level	2,014	81,676	18,808	5,266			177,693	**285,457**
- Second level		2,652	87	71			69,111	**71,921**
- Third level							3,809	**3,809**
Total (C)	**2,014**	**84,328**	**18,895**	**5,337**	**-**	**-**	**250,613**	**361,187**
Total (A + B + C)	**424,329**	**1,427,415**	**883,386**	**270,785**	**94,284**	**3,412**	**3,790,514**	**6,894,125**

Ifitalia, for the Exposures in the Central Administrations and Central Banks portfolio, uses the external ratings of the following ECAI:

	1	2	3	4	5	6
CERVED	A1.1, A1.2, A.1.3	A.2.1, A.2.2, A.3.1	B.1.1, B.1.2	B.2.1, B.2.2	C.1.1	C.1.2, C.2.1

7.2 Distribution of financial assets, commitments to grant funds and financial guarantees given by internal rating class (gross values)

There were no amounts in this section.

8. Financial and non-financial assets obtained through the enforcement of guarantees received

There were no amounts in this section.

9. Lending concentration

9.1 Distribution of cash and off-balance sheet credit exposures by sector of economic activities of the counterparty

(thousands of €)

Exposure types/Balances	Public administration		Financial companies and banks		Financial companies (of which: OTHER INSURANCE COMPANIES)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	9,445	(6,147)		(460)			45,514	(210,599)	435	(4,498)
-of which forborne exposures	275	(726)					1,289	(16,172)	53	(352)
A.2 Unlikely to pay	8,913	(1,041)		-			28,978	(36,439)	1,138	(1,448)
-of which forborne exposures	238	(29)					5,618	(6,416)	347	(110)
A.3 Impaired past due positions	1,344	(11)		-			564	(417)	-	(32)
-of which forborne exposures	-	-						-	-	
A.4 Performing exposures	735,390	(179)	142,172	(132)	26,277	(118)	5,181,829	(9,043)	106,509	(261)
-of which forborne exposures	340	(29)					4,865	(4,259)		-
TOTAL A	**755,092**	**(7,378)**	**142,172**	**(592)**	**26,277**	**(118)**	**5,256,885**	**(256,498)**	**108,082**	**(6,239)**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-			2,555	(1,240)	11	(3)
B.2 Performing assets	42,041	(64)	4,152	-	-		307,922	(587)	2,599	- 13
TOTAL B	**42,041**	**(64)**	**4,152**	**-**	**-**	**-**	**310,477 -**	**1,827**	**2,610**	**(16)**
TOTAL (A+B) 31.12.2020	**797,133**	**(7,442)**	**146,324**	**(592)**	**26,277**	**(118)**	**5,567,362**	**(258,325)**	**110,692**	**(6,255)**
TOTAL (A+B) 31.12.2019	**966,239**	**(9,097)**	**103,302**	**(1,812)**	**3,271**	**-**	**6,603,565**	**(277,201)**	**149,637**	**(9,640)**

9.2 Distribution of cash and off-balance sheet credit exposures by counterparty's geographic area

(thousands of €)

Exposure types/Balances		ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**CASH EXPOSURES**										
A1	Non performing	55,394	(218,805)	-	(2,899)	-	-	-	-	-	-
A2	Unlikely to pay	36,751	(35,495)	1,944	(3,128)	-	-	314	(226)	20	(79)
A3	Past due positions	1,908	(460)	-	-	-	-	-	-	-	-
A4	Performing positions	5,038,457	(8,896)	889,861	(441)	141,839	(61)	54,772	(188)	40,971	(29)
	TOTAL (A)	**5,132,510**	**(263,656)**	**891,805**	**(6,468)**	**141,839**	**(61)**	**55,086**	**(414)**	**40,991**	**(108)**
B.	**OFF BALANCE SHEET EXPOSURES**										
B.1	Impaired assets	2,147	(1,243)	419	-	-	-	-	-	-	-
B.2	Performing positions	323,176	(614)	32,064	- 49	1,432	- 1	42		-	-
	TOTAL (B)	**325,323**	**(1,857)**	**32,483**	**(49)**	**1,432**	**(1)**	**42**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2020	**5,457,833**	**(265,513)**	**924,288**	**(6,517)**	**143,271**	**(62)**	**55,128**	**(414)**	**40,991**	**(108)**
	TOTAL (A + B) 31/12/2019	**6,318,915**	**(289,747)**	**1,093,228**	**(7,397)**	**300,175**	**(252)**	**85,083**	**(244)**	**24,982**	**(110)**

9.2.1 Distribution of cash and off-balance sheet credit exposures by geographic area of counterparty resident in Italy

(thousands of €)

	Exposure types/Balances	North-West		North-East		Centre		South and Islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**CASH EXPOSURES**								
A.1	Non performing	9,264	(58,930)	4,011	(28,968)	23,326	(63,497)	18,793	(67,410)
A.2	Unlikely to pay	3,753	(9,491)	1,806	(3,541)	15,457	(11,135)	15,735	(11,328)
A.3	Past due positions	397	(361)	74	(24)	1,349	(28)	88	(47)
A.4	Performing positions	1,989,555	(2,811)	961,978	(1,874)	1,458,727	(2,913)	628,197	(1,298)
	TOTAL (A)	**2,002,969**	**(71,593)**	**967,869**	**(34,407)**	**1,498,859**	**(77,573)**	**662,813**	**(80,083)**
B.	**OFF BALANCE SHEET EXPOSURES**								
B.1	Impaired assets	2,018	(1,211)	40	(10)	70	(17)	19	(5)
B.2	Performing positions	147,065	(194)	74,268	(139)	65,021	(201)	36,822	(80)
	TOTAL (B)	**149,083**	**(1,405)**	**74,308**	**(149)**	**65,091**	**(218)**	**36,841**	**(85)**
	TOTAL (A+B) 31.12.2020	**2,152,052**	**(72,998)**	**1,042,177**	**(34,556)**	**1,563,950**	**(77,791)**	**699,654**	**(80,168)**
	TOTAL (A+B) 31.12.2019	**2,510,170**	**(78,641)**	**1,101,745**	**(40,904)**	**1,968,027**	**(82,254)**	**738,973**	**(87,948)**

9.3 Significant exposures

(thousands of €)

	Significant Exposures	Book value	Weighted value
a	Amount	2,115,274	1,449,033
b	Number	15	15

10. Models and other methods for gauging and handling the credit risk

The company does not use internal models for gauging credit risk

11. Other quantitative information

Not applicable to the company

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

1. General aspects

The interest rate risk deriving from the timing mismatch between asset and liability items associated with funding and lending transactions is handled by the Finance Division.
As part of its core activities, due to company policy, funding reflects the same market parameters to which the structure of the loans is linked.
In consideration of the types of lending and funding that characterise Ifitalia's activities, the risk of a change in the market rates has a marginal impact on the value of assets and liabilities.

QUANTITATIVE INFORMATION

Given that all funding is currently provided to the company by the Parent Company, the mismatch by maturity band with respect to the amount of the funding is marginal as at 31 December 2020.

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

Currency: euro (thousands of euros)

Remaining items/duration	on demand	within 3 months	from 3 to 6 months	from 6 to 1 year	from 1 year to 5 years	from 5 years to 10 years	over 10 years	unspecified life
1. Assets	**865,922**	**4,171,135**	**509,322**	**100,370**	**84,662**	**13,709**	**-**	**317,501**
1.1 Government bonds								
1.2 Credits	865,922	4,171,135	509,322	100,370	84,662	13,709		312,719
1.3 Other assets								4,782
2. Liabilities	**198,998**	**4,666,503**	**12,222**	**9,302**	**30,216**	**-**	**-**	**356,057**
2.1 Debts	198,998	4,666,503	12,222	9,302	30,216	-		356,057
2.2 Bonds issued								
2.3 Oher liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	28
3.2 Long positions								28
3.4 Short positions								

Currency: other currencies (thousands of euros)

Remaining items/duration	on demand	within 3 months	from 3 to 6 months	from 6 to 1 year	from 1 year to 5 years	from 5 years to 10 years	over 10 years	unspecified life
1. Assets	**15,754**	**181,046**	**7,592**	**-**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	15,754	181,046	7,592	-	-	-		
1.3 Other assets								
2. Liabilities	**89,078**	**106,636**	**7,476**	**1,145**	**-**	**-**	**-**	**-**
2.1 Debts	89,078	106,636	7,476	1,145	-	-		
2.2 Bonds issued								
2.3 Oher liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	-
3.2 Long positions								
3.4 Short positions								

2. Models and other methods for gauging and handling the interest rate risk

The interest rate risk is monitored on a quarterly basis by the Financial Division – Treasury Dept. The model used by Ifitalia to monitor interest rate risk is that indicated in the provisions contained in Bank of Italy Circular no. 288, whose model is based on the principle of a 200 bp shock.

At the end of 2020, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 7,548 million, equal to 0.998% of the supervisory capital, below the 20% threshold.

3. Other quantitative information on interest rate risk
There were no amounts in this section.

3.2.2 PRICE RISK
The Company does not purchase or sell financial instruments other than trade receivables and therefore is not exposed to the market risks associated with the price volatility of said instruments.

3.2.3 EXCHANGE RISK

QUALITATIVE INFORMATION

1. General aspects
Exchange risk is negligible within the scope of core business activities since all assets acquired are matched by identical liabilities in the same currency and with the same duration features.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

Entries		Currencies					
		USA dollars	Pounds	Yen	Canadian dollars	Swiss francs	Other currencies
1.	**Financial assets**	**177,129**	**9,143**	**2**	**-**	**622**	**22,401**
1.1	government bonds	-	-	-	-	-	-
1.2	equity securities	-	-	-	-	-	-
1.3	credits	177,129	9,143	2	-	622	22,401
1.4	other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**177,256**	**9,011**	2	-	622	**22,357**
3.1	debts	177,256	9,011	2	-	622	22,357
3.2	bonds issued	-	-	-	-	-	-
3.3	other financial labilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	long positions	-	-	-	-	-	-
5.2	short positions	-	-	-	-	-	-
	Total assets	177,129	9,143	2	-	622	22,401
	Total liabilities	177,256	9,011	2	-	622	22,357
	Unbalances (-/+)	- 127	132	-	-	-	44

2. Models and other methods for gauging and handling the exchange risk
As stated above, exchange risk is negligible since all assets acquired are matched by identical liabilities in the same currency and with the same duration features.

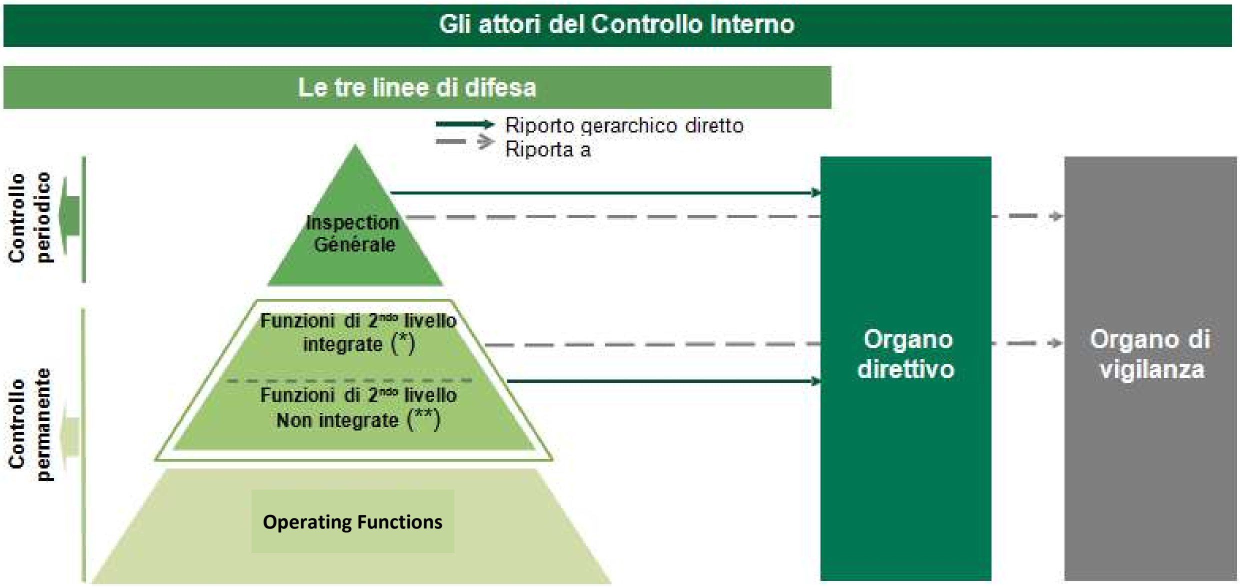
3. Other quantitative information on exchange risk
There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the operational risk

The control model defined by the BNP Paribas Group allocates the Operational Risk tasks among three lines of defence and, limited to Permanent Controls, between the first and second lines of defence as summarised below.



(*) Compliance, LEGAL, RISK
(**) Group Tax and Group Finance for the purposes of organisational responsibilities and supervision of the risk management framework for accounting and financial reporting

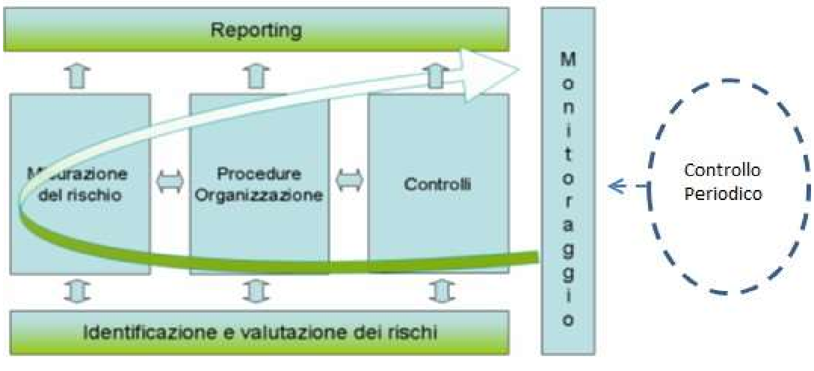
The distinction, operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the permanent second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out line activities and hierarchical controls and by the OPC structure that carries out the role of permanent first level control (first line of defence). OPC is represented by the Operational Risk and Permanent Controls Department.

The <u>permanent controls of the first line of defence</u> are entrusted to the structure called **"Operational Permanent Control" / OPC** that consists in Ifitalia of personnel independent of the operating functions that are responsible for:

- identifying and assessing the risks to which the assets are exposed;
- defining adequate control methods and ensuring their execution;
- identifying and implementing risk mitigation actions.

The **permanent control system,** whose framework is defined by the Risk Division that contributes to its application through its role of permanent second-level control, implements continuous risk control and monitoring of the effective implementation of strategic actions. The regulatory part is based on procedures that apply the Group's framework at the local level and are translated into policies, operational implementation procedures, control plans and a reporting system for appropriate internal and Group stakeholders in coordination with the Group functions of the Business Line Factoring.

The diagram below represents the overall breakdown of the components of the permanent monitoring device:



Within the Ifitalia internal control framework, the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale is the responsibility of the Operational Risk and Permanent Controls Department, due to its proximity to operational processes, with periodic reporting of its results to the RISK function as the second line of defence. Inspection Générale is responsible for the final decision on the correct implementation of the corrective action resulting from the issue of specific recommendations.
OPC oversees the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORC (RISK Operational Risk & Controls).

The supervision, management and monitoring activities (also with reference to the ICAAP process) are carried out by the already mentioned Operational Risk and Permanent Controls Department (OPC) in coordination with the Risk Division in accordance with the operational risk governance model defined by the Parent Company BNP Paribas. OPC is part of the Operational Management Division.
The complementariness of the "Operational Risks" and "Permanent Controls" areas carries out its synergistic action in the identification, assessment and monitoring phase of the actual risk (the risk that takes into account the coverage of the procedures and the effectiveness of the controls) and in the definition phase of the corrective actions and the relative priorities, following the adoption of shared and common metrics and measurements.
The staff of the OPC Unit, who do not participate in specific operating activities of the other departments, are dedicated to executing Permanent Controls according to the formalities and the deadlines defined in the Plan of Controls and prepared “day by day” operational disclosure on the checks carried out, emerging issues, and any mitigation activities carried out. This information is sent to the operational management (Heads of the Units).

The Risk Division, in line with the guidelines of the BNP Paribas Group, is responsible for organising and supervising the global risk management system to which Ifitalia is exposed and, more specifically, the following risks: credit, dilution, counterparty, market, financing and liquidity, interest rate and exchange rate in the banking book, insurance and operational.
The RISK manager is also responsible for the Permanent control system and for the consistency and operation of the RISK manager in accordance with the Group's permanent control device.
In this way, RISK guarantees Ifitalia a single and integrated view of the various types of risk.

The second line of defence in the Risk Management area implemented by *RISK ORC*, on the Risk Manager's recommendation, has the mission of ensuring the correct application at local level of the Group's framework with reference to regulations, the way in which the risks to which the company is exposed are assessed (through the **Check & Challenge process on RCSA/Risk Control & Self Assessment**), the way in which the control plan is implemented (through the **Independent Testing** process), the examination (through the **Quality Review** process) of the way in which operational incidents are assessed by the first line of defence and, last but not least, the effectiveness of the system of defence against the risk of fraud.

The Operational Risk and Permanent Controls Department (OPC) operates based on the guidelines defined by the Risk Division and coordinates for this purpose with RISK ORC.

Information and coordination with management at the corporate level is carried out through Inter-functional Committees, the main one being the Risk Monitoring Committee during the Operational Risk and Permanent Controls session and that are envisaged by the pro tempore Company Regulations in force.

More in detail, always with regard to 2019, the organisation was completed by:

- ✓ **Risk Monitoring Committee - Permanent Control Operational Risk Session** that, consistently with the Parent Company model, assures the coordination and decision-making process supporting the permanent control and operational risk organisation. The Committee is responsible for:
  - approving the Operational Plans for Permanent Control of risks, prepared by the responsible divisions;
  - providing a global, organic vision of the permanent control and operational risk system;
  - analysing and acquiring collective decisions on the permanent control and operational risk framework;
  - generating an alarm and escalation level on recurring critical issues;
  - determining the involvement of operational units responsible for managing these issues and activating the monitoring of mitigating actions.

  Committee meetings, organised by RISK ORC, are attended by the Heads of the Company Divisions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the Contact Persons for Essential Outsourced

Services and the relevant BNL SpA functions (Compliance and RISK ORC Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy (as a permanent guest) participate in the meetings.

- ✓ Finance Division, which is responsible for ensuring that incidents generating a significant financial impact are properly reported in the Company's financial documents; this Division also works with the Operational Risk and Permanent Control Unit to perform an accounting reconciliation of operating incidents. It is also responsible for calculating the capital requirements to be established in relation to the operational risks.

Method
Management of operational risk, in the definition adopted by BNP Paribas, is based on an alignment of cause analysis (internal process or external fact), event (incident), and effect (risk of economic loss). In particular, the BNP Group defined as an incident a real event that has actually taken place, of which it is possible to effectively describe the real causes and consequences, as well as to measure its economic impacts. Analysis of the frequency/impacts of the historic incidents and their evolution in perspective represents an underlying element for the development of the map of the risks.

The Operational Risk Management Model within Ifitalia concerns the following processes:

- **Loss Data Collection Process**: activities for the identification, entry, and registration of historic incidents of Operational Risk through input to the BNP Group tool; FORECAST was the Group tool used until October, later replaced by the new RISK 360° application. The new tool was designed to allow the integrated management of all activities related to the operational risk framework and will gradually become available in all modules by 2021. The management of historical incidents has already been guaranteed after FORECAST has been discontinued from the 360°HI module.
  The process, implemented by the first line of defence, is subject to a second level control process called Quality Review with the aim of ascertaining the correct identification of the causes and effects of the incident and the adequacy of the action plans identified. The application of the second level control is implemented with a risk sensitive logic that takes into account the type of incident and its amount.
  Following the examination, if necessary, RISK ORC could agree with the first line of defence of the requests for correction.
- **RCSA/Risk Control & Self Assessment Process**: valuation of the exposure to operational and non-compliance risks within Ifitalia; the mapping of the risks has been one of the qualifying elements for the adoption of the TSA model. It is essentially based on a self-assessment process to identify, classify and measure in advance the risks that business operations are potentially exposed to and as such, is a managerial operating tool useful for planning the most appropriate mitigation measures for said risk.
  The process, implemented by the first line of defence, is subject to a second level control process called Check&Challenge that aims to ensure the correct identification of the relevant risks, their relevance before and after the application of the control system, as well as the identification of action plans, where mandatory for the Group's control system, or where deemed appropriate in coordination with the management concerned. The process has its own formalised governance, coordinated by the Risk Division, and ends with final approval by the Board of Directors.
- **Permanent Control Plan**: activation of permanent control procedures on areas at greatest operational risk identified in the RCSA Process; the outcomes of the controls are reported through the Ve.Re.Co. (Control Reports) Group application;
  The process, implemented by the first line of defence, is subject to a second level control process called Independent Testing where the controls implemented are subject to controls according to a risk sensitive priority logic. The purpose of the second level control is to verify the consistency of the scope of application of each control, the way in which it is formalised and its reperformability. Following the examination, if necessary, RISK ORC could agree with the first line of defence of the requests for correction.
- **Issue Resolution Activities**: adoption of suitable corrective measures in relation to the critical areas indicated, to ensure the efficiency of the company procedures and processes (in terms of integration, variation or support).
  This action can be activated directly from the first line of defence (known as self-identified action plans) or derives from the activity carried out by the second line of defence as described above.
  The corrective actions are carried out according to two different operating methods: definition of short-term corrective actions and structuring of medium/long-term action plans.
  Actions to correct the most significant critical points identified by the controls and incident analysis are recorded and monitored through the Aurora application in order to give greater structuring to the interventions in terms of finding, corrective action, minimum evidence for the closure of the action, deadlines and exact identification of those responsible for the termination. The use of a Group application offers the possibility of visibility to the management concerned and, at the same time, to the Group.
- **Reporting**:

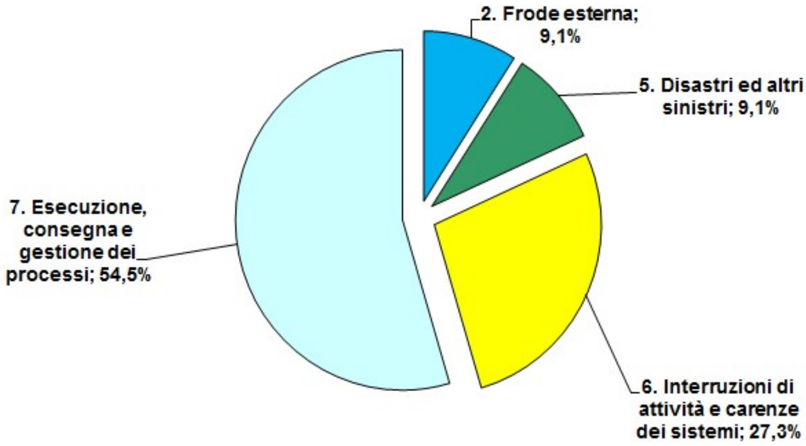
Reporting activities assure operational risk monitoring and enable to assess the efficacy of the controls and hedging procedures.
Reports are produced by the first and second lines of defence.
With reference to the first line of defence, the main report produced, is the Permanent Controls and Operational Risks Report that guarantees the presence of information on the outcomes of the permanent controls and the results of the Loss Data Collection process. This report, on a quarterly basis, is intended for the management in the Risk Monitoring Committee and the Board of Directors.
With reference to the second line of defence, the main report produced is the OR&C Report submitted for validation by the General Manager and Risk Manager, which guarantees the Board of Directors and, through the Business Line, the Group a general view of the company's internal control system. This is an annual report. Other reports of greater detail and frequency are intended for management in the Risk Monitoring Committee and the Board of Directors.

QUANTITATIVE INFORMATION

Assessment of the main sources and nature of risk events
The breakdown by percentage of operational risk events recorded in 2020 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. In 2020, 18 risk events occurred, involving:

- **phenomena related to process execution, delivery and management (ET 7**): these events are due to deficiencies in the completion of the transaction or in the management of processes, as well as events deriving from transactions with commercial counterparties (sellers and suppliers); these events constitute the main source of operational risk, as they account for 54.5% of the total number of events recorded in 2020 (versus 72% in 2019);
- **phenomena related to interruptions of activities and system malfunctions (ET 6**): these events derive from activity interruptions or from system malfunctions; they represent 27.3% of the total events recorded in 2020 (compared to 16.7% in 2019);
- **phenomena related to disasters and other events (ET 5**): these are events deriving from damage to properties, movable assets and people deriving from disasters or other accidents; these events account for 9.1% of the total events recorded in 2020 (no event was recorded in 2019);
- **phenomena related to external frauds (ET 2):** these are events due to fraud, embezzlement or violation of laws by persons outside the Company and account for 9.1% of the total events in 2020 (versus 5.6% in 2019).

Percentage composition by each type of event:



3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the liquidity risk

The policies for managing liquidity risk, i.e. the ability to fulfil, at any time, one's payment obligations at the set due dates, are an expression of the strategy defined by the Parent Company BNP Paribas, which is essentially based on centralised liquidity management for all Group companies.

QUANTITATIVE INFORMATION

1. Time distribution by residual maturity of financial assets and liabilities - Euro

Euro (thousands of €)

	Items/Timeframe	On demand	Within 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 5 years	Beyond 5 years	Unspecified life
	Cash assets	**781,230**	**-**	**-**	**1,507,701**	**2,000,776**	**958,850**	**301,160**	**177,747**	**17,657**	**317,500**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	781,230			1,507,701	2,000,776	958,850	301,160	177,747	17,657	312,718
A.4	Other assets										4,782
	Cash liabilities	**199,306**	**574,484**	**820,540**	**689,322**	**720,900**	**372,015**	**1,510,457**	**30,216**	**-**	**356,058**
B.1	Deposits and current accounts	199,306	574,484	820,540	689,322	720,900	372,015	1,510,457	30,216	-	356,058
	- Banks	172,805	568,570	803,599	666,805	613,812	350,959	1,510,274	30,216		2,949
	- Financial institutions	26,501	5,914	16,941	22,517	107,088	21,056	183	-	-	
	- Customers										353,109
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,502**
C.1	Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.2	Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
	Long positions										
	Short positions										
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.4	Irrevocable commitments to grant funds	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.5.	Financial guarantees issued										1,502
C.6	Financial guarantees received										

1. Time distribution by residual maturity of financial assets and liabilities – Other currencies

Other currencies *(thousands of €)*

	Items/Timeframe	On demand	Within 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 5 years	Beyond 5 years	Unspecified life
	Cash assets	**14,673**	**-**	**-**	**47,216**	**115,883**	**22,801**	**3,553**	**266**	**-**	**-**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	14,673			47,216	115,883	22,801	3,553	266		
A.4	Other assets										
	Cash liabilities	**88,772**	**7,443**	**169**	**45,886**	**54,109**	**7,956**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	88,772	7,443	169	45,886	54,109	7,956	-	-	-	-
-	Banks	88,466	6,611	- 2,006	43,893	53,227	7,956				
-	Financial institutions	306	832	2,175	1,993	882	-	-	-	-	
-	Customers										
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
C.1	Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.2	Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
	Long positions										
	Short positions										
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.4	Irrevocable commitments to grant funds	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.5.	Financial guarantees issued										10
C.6	Financial guarantees received										

3.5 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

There were no amounts in this section.

SECTION 4 EQUITY INFORMATION

4. 1 Company equity

4.1.1 Qualitative information

The Company's equity is made up of the aggregation of share capital, share premium reserve, reserves, valuation reserves and profit for the period.
For supervisory purposes, the capital aggregate significant for this purpose is determined based on the current provisions envisaged by the Bank of Italy and represents the reference oversight for prudential supervisory provisions.
In accordance with said provisions, the Company is obliged to maintain a comprehensive capital requirement, which is calculated as the sum of the requirements relating to the single risk types (known as "building block").

4.1.2 Quantitative information

4.1.2.1 Company equity: breakdown

The Company's equity as at 31 December 2020 amounted to EUR 790,112 thousand.

(thousands of €)

Items/Balances	Total 31/12/2020	Total 31/12/2019
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	644,465	594,260
- profit	645,623	595,418
a) legal reserve	11,180	11,180
b) statutory reserve	634,443	584,238
c) treasury shares	-	-
d) other		-
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(1,027)	(1,015)
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedging of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments (elements not designated)	-	-
- Exchange differences	-	-
- Non current assets and disposal group held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains (losses) relating to defined benefit pension plans	(1,027)	(1,015)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	28,975	50,206
Total	**790,112**	**761,150**

4.1.2.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown
There were no amounts in this section.

4.1.2.3 Valuation reserves of financial assets at fair value through other comprehensive income: changes during the year
There were no amounts in this section.

4.2 Own Funds and supervisory ratios

4.2.1 Own Funds

With the recent reform of Title V of the Consolidated Banking Law, which came into force on 11 July 2015, financial intermediaries are authorised by the Bank of Italy to carry out lending activities under any form and enrolled in the specific register envisaged by Article 106 of the consolidation act of banking and lending laws (TUB) (known as “consolidated register”, as amended by Italian Legislative Decree no. 141/2010).
These intermediaries are subject to a prudential supervisory regime equivalent to that of the banks, aimed at pursuing objectives of financial stability and safeguarding sound and prudent management, structured according to the principle of proportionality, so as to take into account the operational, size-related and organisational complexity of the operators as well as the nature of the activities carried out. The quantitative information on supervisory capital and risk assets presented below has been calculated based on instructions issued to take into account the application of IAS/IFRS accounting standards (“Prudential Filters” discipline).

4.2.1.1 Qualitative information

The regulatory provision ("Basel 3"), which became operational as from 1 January 2014 through the issue of Regulation EU no. 575/2013 of 26 June 2013 (CRR) and Directive 2013/36/EU of 26 June 2013 (CRD IV), governs first and second pillar prudential requirements for credit institutions and investment firms, disclosure to the public (Pillar III), conditions for access to banking activity, the freedom of establishment and the freedom to provide services, as well as the prudential control processes and additional capital reserves.

The matter is implemented by means of implementing provisions codified in European Commission Regulations, the preparation of which is entrusted to the European Banking Authority (EBA).

At national level, these provisions, harmonised at European level, were initially implemented by the Bank of Italy with Circulars No. 285 of 17 December 2013 and No. 286 of 17 December 2013, which contain the prudential rules applicable to Italian banks and banking groups, and then extended to financial intermediaries registered in a special register provided for in Article 106 of the consolidation act of banking and lending laws (TUB), through Circular No. 288 of 3 April 2015.

During 2019, the regulations (CRR and CRDIV) were amended by Regulation (EU) no. 876/2019 (CRR2) and Directive (EU) no. 878/2019 (CRD V), with a view to further strengthening the resilience of the banking system while increasing its ability to sustainably support the productive fabric. In line with the decision to extend from time to time the requirements of the prudential regime for banks to financial intermediaries, the Bank of Italy updated Circular No. 288/2015 in December 2020, implementing the CRR2 prudential regulation of banks and taking into account, at the same time, the changes made to counter the economic shock caused by the Covid-19 pandemic.

The reference to EU initiatives to facilitate post-pandemic recovery was reflected in Regulation (EU) 873/2020 (Quick-Fix) of 26 June 2020, containing amendments to Regulations (EU) No. 575/2013 (CRR) and No. 876/2019 (CRR2).

The measures adopted were mainly intended to anticipate rules that mitigate certain capital requirements, such as the more favourable treatment of software assets that, under certain conditions, are no longer deducted from equity, as well as loans backed by pensions and salaries, which benefit from subsidised risk weights and, last but not least, loans granted to small and medium-sized enterprises (SMEs), for which the support measures have been extended, broadening the scope of cases that may result in reduced capital absorption by the borrowing institution.

With regard to regulatory contents, the regulatory structure requires that Own Funds (or Regulatory Capital) be comprised of the following levels of capital:

1. Tier 1 Capital, which, in turn, is composed of:
   - Common Equity Tier 1 (CET1);
   - Additional Tier 1 (AT1);
2. Tier 2 capital (T2).

4.2.1.2 Quantitative information

(thousands of €)

	Total al 31/12/2020	Total al 31/12/2019
A. Tier 1 capital ((Common Equity Tier 1) before application of prudential filters	**756,234**	**699,675**
B. Prudential filters applied to tier 1 capital :	-	-
B.1 Positive prudential filters IAS/IFRS (+)		
B.2 Negative prudential filters IAS/IFRS (-)		
C. Tier 1 capital gross of elements to be deducted (A+B)	**756,234**	**699,675**
D. Elements to be deducted from Tier 1 capital		
E. Tier 1 capital (C-D)	**756,234**	**699,675**
F. Additional Tier 1 capital (Additional Tier 1 - AT1) before application of prudential filters		
G. Prudential filters of Tier 2 capital:	-	-
G.1 Positive prudential filters IAS/IFRS (+)		
G.1 Negative prudential filters IAS/IFRS (-)		
H. Additional Tier 1 capital (Additional Tier 1 - AT1) gross of elements to be deducted (F+G)	**-**	**-**
I. Elements to be deducted from Additional Tier 1 capital		
L. Total Tier 2 (TIER 2) (H-I)	**-**	**-**
M. Elements to be deducted of T1 and T2		
N. Regulatory Capital (E+L-M)	**756,234**	**699,675**

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

Within the Company, the Finance Division carries out constant monitoring of the evolution of the aggregate useful for supervisory purposes with respect to the performance of the various risk profiles for the purpose of achieving an adequate balance in the overall structure, taking into account an effective composition between the components of Own Funds.

4.2.2.2 Quantitative information

The elements indicated above are subject to the following limits:

– Common Equity Tier 1 must be equal, at all times, to at least 4.5% of risk-weighted assets;

– Total Regulatory Capital (or Own Funds), equal to Tier 1 Capital plus Tier 2 Capital must be equal, at all times, to at least 6% of risk-weighted assets.

As at 31 December 2020, the company's capitalisation level was in line with the requirements:

- CET 1 and Tier 1 capital ratios equal 14.42%;
- Total capital ratio came to 14.42%.

(thousands of euros)

Categories/Balances	Unweighted amounts		Weighted amounts / requirements	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS				
A.1 Credit and counterpart risk	6,654,169	7,805,181	4,990,743	5,547,446
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			299,385	332,780
B.2 Payment services requirement				-
B.3 Issuance of electronic money requirement				-
B.4 Specific prudential requirements			15,301	15,636
B.5 Total prudential requirements			314,686	348,416
C. RISK ASSETS AND SUPERVISORY RATIOS				
C1 Risk-weighted assets			5,245,816	5,808,095
C2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			14.42%	12.05%
C3 Capital/Risk-weighted assets (Total capital ratio)			14.42%	12.05%

SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

(thousands of €)

	ITEMS	Total 31/12/2020	Total 31/12/2019
10.	**Profit (Loss) for the year**	28,975	50,205
	Other income components without reversal to income statement connected with:		
20.	Equity instruments measured at fair value through other comprehensive income:	-	-
	a) fair value changes		
	b) transfer to other components of equity		
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):	-	-
	a) fair value changes		
	b) transfer to other components of equity		
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge instrument)		
	b) fair value changes (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(16)	(105)
80.	Non current assets held for sale		
90.	Share of reserves from valuation of investments carried at equity		
100.	Income taxes relating at other income components without reversal to profit or loss	4	
	Other income components with reversal to income statement connected with:		
110.	Hedging of foreign investments:	-	-
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
120.	Exchange differences:	-	-
	a) value changes		
	b) transfer to income statement		
	c) other changes		
130.	Cash flows hedges:	-	-
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments (elements not designated):	-	-
	a) value changes		
	b) transfer to income statement		
	c) other changes		
150.	Financial assets (other then equity securities) at fair value through other comprehensive income:	-	-
	a) fair value changes		
	b) transfer to income statement	-	-
	- adjustments from impairment		
	- profit/ loss from realisation		
	c) Other changes		
160.	Non-current assets and disposal groups held for sale	-	-
	a) changes in fair value		
	b) reclassification to profit or loss		
	c) other changes		
170.	Portion of valuation reserves of equity-accounted investees	-	-
	a) changes in fair value		
	b) reversal to income statement	-	-
	- impairment adjustments		
	- realised gains/losses		
	c) other changes		
180.	Income taxes relating at other income components with reversal to profit or loss		
190.	**Total other income components**	**(12)**	**(105)**
200.	**Comprehensive income (Item 10+190)**	**28,963**	**50,100**

SECTION 6 – TRANSACTIONS WITH RELATED PARTIES

The introduction of the international accounting standards involves the application of the provisions relating to disclosure on transactions with related parties established by IAS 24.

6.1 Information on the remuneration of executives with strategic responsibilities

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
Directors	46	46
Auditors	96	95
Total	**142**	**141**

6.2 Loans and guarantees given in favour of directors and statutory auditors

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
Directors		-
Auditors		-
Total	**-**	**-**

6.3 Information on transactions with related parties

Reference should be made to the comments in the corresponding item of the Report on Operations – intercompany transactions and those with “related parties”.

Income statement transactions for the period and balance sheet balances as at 31 December 2020 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of €)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**16,457**	**4,469,166**	**7**	**157,185**	**-**	**-**
BNP PARIBAS PARIS	16,457	4,468,451	7	157,185		
BNP PARIBAS SUCC. MILANO	-	715				
B) BNPP GROUP COMPANIES	**2,976**	**661,325**	**42,382**	**51,332**	**3,765**	**28**
ARTIGIANCASSA SPA						
ARVAL SERVICE LEASE		164				
ARVAL SERVICE LEASE ITALIA SPA		104	31,467			
AXEPTA SPA (EX- BNL POSITIVITY SRL)			6			
BANCA NAZIONALE DEL LAVORO SPA	1,305	453,794	7,567	51,332	3,765	28
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA			4			
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR		367	225			
BNPP FORTIS	3	400				
BNPP REAL ESTATE			1,542			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			15			
FINDOMESTIC BANCA SPA			1,552		12	
SERFACTORING SPA		-				
TIERRE SECURITISATION SRL		206,472				
TURK EKONOMI BANKASI AS						
BNPP REAL ESTATE ADVISORY ITALY SPA						
DIAMANTE RE SRL	61	24				
SVILUPPO HQ TIBURTINA SRL	1,607					
SNC NATIOCREDIMURS						
INTERNATIONAL TRADE PARTNER		150				
BNP PARIBAS SGR SPA	-					
C) ASSOCIATED COMPANIES	**-**	**-**	**-**	**-**	**-**	**-**
Total	**19,433**	**5,130,491**	**42,389**	**208,517**	**3,765**	**28**

(*) Including guarantees provided to cover the exceeding of risk concentration limits.

(thousands of €)

Counterpart	Interest and similar income	Interest and similar expense	Commission income	Commission expense	Dividends	Derivatives	Administrative expenses	Other operating income and charges	Gains on disposal of investments
A) PARENT COMPANY	10,484	(313)	-	(707)	-	-	(871)	-	
B) BNPP GROUP COMPANIES	18	(3,976)	70	(3,333)	49	44	(9,703)	(150)	242
C) ASSOCIATED COMPANIES							(840)		
Total	10,502	(4,289)	70	(4,040)	49	44	(11,414)	(150)	242

Section 7 – Leases (Lessee)

Qualitative disclosure

On first-time adoption of IFRS 16, Ifitalia considered it applicable only in relation to the lease contracts for the buildings located in Milan in Corso Italia and Via Deruta signed with the company BNL Spa - spaces used by the company as the headquarters of its business activities.

In December 2020, the Company decided to centralise the headquarters of its business in a single location, so from January 2021 the offices in Corso Italia were moved to the business centre in Via Deruta. At the same time as this decision, the lease contracts with BNL SPA were reviewed and maintained for a duration of 6 years + 6.

Therefore, the impact of IFRS 16 was recalculated based on the new contracts, taking into account, however, the actual lease term that was calculated on the basis of the presumed early release date for moving the company offices to a new building. The early release date of the properties is scheduled for July 2022.

Therefore, the right of use and the lease liabilities were calculated considering the period January 2021 and July 2022.

Ifitalia has other lease contracts in place with the company BNL Spa for the sales outlets located in the various Italian regions; however, in consideration of the insignificant amounts and ongoing organisational changes that require them to be closed or restructured, these contracts were excluded from IFRS 16.

Qualitative disclosure

1. Annual changes of rights of use for leases

(thousands of €)

	Total
A. Gross opening balances	**2,902**
A.1 Total net impairments	-655
A.2 Net opening balances	2,247
B. Increases	**2,843**
B.1 Purchases	1,105
B.2 Capitalised improvement expenditure	
B.3 Write-backs	
B.4 4 Positive changes in fair value booked to:	
B.5 Positive exchange rate differences	
B.6 Transfers from real estate held for investment purposes	
B.7 Other variations	1,738
C. Decreases	**3,985**
C.1 Sales	
C.2 Depreciation	1,083
C.3 Imputed losses booked to:	
C.4 Negative changes in fair value booked to:	
C.5 Negative exchange rate differences	
C.6 Relocation to:	
C.7 Other variations	2,902
D. Net closing balances	**1,105**
D.1 Net impairment	
D.2 Gross closing balances	
E. Cost Evaluation	**1,105**

2. Cash flows by maturity bands of lease payables

(thousands of €)

	Leasing cash flow maturity bands				
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from one year to 2 years	**Total**
Lease liabilities	-	184	368	369	**921**
Total	**-**	**184**	**368**	**369**	**921**

SECTION 8 – OTHER DISCLOSURE

8.1 Contributions received from the Public Administration

Companies that receive grants, contributions, paid assignments and economic advantages of any kind from public administrations, or in any case from public resources, are required to publish these amounts in the notes to the accounts of the financial statements and consolidated financial statements, if any. This is what the annual law for the market and competition provides in compliance with a series of disclosure and transparency obligations (Article 1, paragraph 125 et seq., Law no. 124/2017).
Following the Assonime Circular of 11 February 2019, in particular, with reference to the type of disbursements covered by the obligation to publish them in the notes to the financial statements and the way in which they are reported, the Company decided to refer to the National Register of State Aid, in the presence of numerous interpretational issues that lead to the conclusion that further action at the regulatory level is desirable.
Here is the web address to access the information:
https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx

As reported by the National Register of State Aid, in 2020 Ifitalia did not request contributions.
Ifitalia received reimbursements for financed training amounting to EUR 33,175.22.
It also had contributions in the field of human resources management amounting to EUR 87,766.06, broken down as follows:

- Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 6,000.00;
- Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 23,436.77;
- Article 8 of Italian Law Decree no. 203 of 30 September 2005, converted, with amendments, by Italian Law no. 248 of 2 December 2005. Compensating measures for companies that contribute the Employment Termination Benefits to supplementary pensions of EUR 57,329.29.

7.2 Financial Statement Data for the Parent Company BNP Paribas

With reference to the matters envisaged by Article 2497-bis, paragraph 4 of the Italian Civil Code, regarding disclosure on management and co-ordination activities, tables are presented below containing a summary of the highlights taken from the last set of financial statements at 31 December 2019 approved by BNP Paribas S.A. in its capacity as direct parent company.

BNP Paribas Group

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

		Year to 31 Dec. 2019	Year to 31 Dec. 2018
Interest income	3.a	37,327	35,723
Interest expense	3.a	(16,200)	(14,661)
Commission income	3.b	13,265	12,925
Commission expense	3.b	(3,900)	(3,718)
Net gain on financial instruments at fair value through profit or loss	3.c	7,111	5,808
Net gain on financial instruments at fair value through equity	3.d	350	315
Net gain on derecognised financial assets at amortised cost		3	(5)
Net income from insurance activities	3.e	4,437	4,064
Income from other activities	3.f	13,502	12,324
Expense on other activities	3.f	(11,298)	(10,259)
REVENUES		**44,597**	**42,516**
Salary and employee benefit expense	7.a	(17,553)	(16,617)
Other operating expenses	3.g	(11,339)	(12,290)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.n	(2,445)	(1,676)
GROSS OPERATING INCOME		**13,260**	**11,933**
Cost of risk	3.h	(3,203)	(2,764)
OPERATING INCOME		**10,057**	**9,169**
Share of earnings of equity-method entities	5.m	586	628
Net gain on non-current assets		1,569	358
Goodwill	5.o	(818)	53
PRE-TAX INCOME		**11,394**	**10,208**
Corporate income tax	3.i	(2,811)	(2,203)
NET INCOME		**8,583**	**8,005**
Net income attributable to minority interests		410	479
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**8,173**	**7,526**
Basic earnings per share	8.a	6.21	5.73
Diluted earnings per share	8.a	6.21	5.73

BALANCE SHEET AT 31 DECEMBER 2019

In millions of euros	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and balances at central banks		155,135	185,119
Financial instruments at fair value through profit or loss			
Securities	5.a	131,935	121,954
Loans and repurchase agreements	5.a	196,927	183,716
Derivative financial instruments	5.a	247,287	232,895
Derivatives used for hedging purposes	5.b	12,452	9,810
Financial assets at fair value through equity			
Debt securities	5.c	50,403	53,838
Equity securities	5.c	2,266	2,151
Financial assets at amortised cost			
Loans and advances to credit institutions	5.e	21,692	19,556
Loans and advances to customers	5.e	805,777	765,871
Debt securities	5.e	108,454	75,073
Remeasurement adjustment on interest-rate risk hedged portfolios		4,303	2,787
Financial investments of insurance activities	5.i	257,818	232,308
Current and deferred tax assets	5.k	6,813	7,220
Accrued income and other assets	5.l	113,535	103,346
Equity-method investments	5.m	5,952	5,772
Property, plant and equipment and investment property	5.n	32,295	26,652
Intangible assets	5.n	3,852	3,783
Goodwill	5.o	7,817	8,487
Non-current assets held for sale	8.c		498
TOTAL ASSETS		**2,164,713**	**2,040,836**
LIABILITIES			
Deposits from central banks		2,985	1,354
Financial instruments at fair value through profit or loss			
Securities	5.a	65,490	75,189
Deposits and repurchase agreements	5.a	215,093	204,039
Issued debt securities	5.a	63,758	54,908
Derivative financial instruments	5.a	237,885	225,804
Derivatives used for hedging purposes		14,116	11,677
Financial liabilities at amortised cost			
Deposits from credit institutions	5.g	84,566	78,915
Deposits from customers	5.g	834,667	796,548
Debt securities	5.h	157,578	151,451
Subordinated debt	5.h	20,003	17,627
Remeasurement adjustment on interest-rate risk hedged portfolios		3,989	2,470
Current and deferred tax liabilities	5.k	3,566	2,255
Accrued expenses and other liabilities	5.l	102,749	89,562
Technical reserves and other insurance liabilities	5.j	236,937	213,691
Provisions for contingencies and charges	5.p	9,486	9,620
TOTAL LIABILITIES		**2,052,868**	**1,935,110**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*97,135*	*93,431*
Net income for the period attributable to shareholders		*8,173*	*7,526*
Total capital, retained earnings and net income for the period attributable to shareholders		**105,308**	**100,957**
Changes in assets and liabilities recognised directly in equity		*2,145*	*510*
Shareholders' equity		**107,453**	**101,467**
Minority interests	8.d	**4,392**	**4,259**
TOTAL EQUITY		**111,845**	**105,726**
TOTAL LIABILITIES AND EQUITY		**2,164,713**	**2,040,836**

IFITALIA CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statements as at 31 December 2020

Mandatory financial statements:

Notes to the accounts:

IFITALIA
GRUPPO BNP PARIBAS

MANDATORY FINANCIAL STATEMENTS

Consolidated Balance Sheet

(euro)

	ASSETS	CONSOLIDATED 2020	CONSOLIDATED 2019
10.	Cash and cash equivalents	1,567	1,138
			-
20.	Financial assets at fair value through profit or loss	4,781,557	4,565,961
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	*4,781,557*	*4,565,961*
			-
30.	Financial assets measured at fair value with impact on comprehensive income	-	-
			-
40.	Financial assets measured at amortised cost	6,262,457,939	7,523,545,444
	a) due from banks	*87,209,661*	*77,499,220*
	b) due from financial companies	*55,190,125*	*21,087,283*
	c) due from customers	*6,120,058,153*	*7,424,958,941*
			-
50.	Hedging derivatives	-	-
			-
60.	Value adjustment of financial assets subject to macro-hedging (+/-)	-	-
			-
70.	Equity investments	-	-
			-
80.	Tangible assets	2,687,823	3,906,078
			-
90.	Intangible assets	10,706,724	11,263,580
	of which: goodwill	-	-
			-
100.	Tax assets	67,134,882	62,415,202
	a) current	*24,058,729*	*14,910,143*
	b) prepaid	*43,076,153*	*47,505,059*
			-
110.	Non-current assets and groups of assets held for sale	-	-
			-
120.	Other assets	67,636,941	56,574,383
	Total assets	**6,415,407,433**	**7,662,271,786**

(euro)

	LIABILITIES AND EQUITY	CONSOLIDATED 2020	CONSOLIDATED 2019
10.	Financial liabilities valued at amortised cost	5,477,633,448	6,652,937,074
	(a) payables	*5,271,145,432*	*6,366,829,428*
	(b) securities issued	*206,488,016*	*286,107,646*
20.	Financial liabilities held for trading	28,101	72,180
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	-	-
50.	Value adjustment of macro-hedged financial liabilities (+/-)	-	-
60.	Tax liabilities	8,782,782	23,589,191
	a) current	*8,232,937*	*23,056,101*
	b) deferred	*549,845*	*533,090*
70.	Liabilities associated with discontinued operations	-	-
80.	Other liabilities	120,464,719	210,036,091
90.	Employee severance indemnities	4,096,039	4,698,739
100.	Provisions for risks and charges	12,975,772	8,549,123
	(a) commitments and guarantees given	*1,907,082*	*1,613,217*
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	*11,068,690*	*6,935,906*
110.	Capital	55,900,000	55,900,000
120.	Treasury shares (-)	-	-
130.	Equity instruments	-	-
140.	Additional paid-in capital	61,798,643	61,798,643
150.	Reserves	645,696,053	595,116,508
160.	Valuation reserves	(1,027,078)	(1,015,403)
170.	Profit/(loss) for the year (+/-)	29,048,955	50,579,640
180.	Minority interests	10,000	10,000
	Total liabilities and equity	**6,415,407,433**	**7,662,271,786**

Consolidated Income Statement

(euro)

	PROFIT AND LOSS ACCOUNT	CONSOLIDATED 2020	CONSOLIDATED 2019
10.	Interest income and similar revenues	67,461,870	77,630,792
	of which: interest income calculated using the effective interest method	*63,470,221*	*73,202,394*
20.	Interest expense and similar charges	(4,106,790)	(7,149,977)
30.	**Interest margin**	**63,355,079**	**70,480,815**
40.	Commission income	49,168,113	55,298,631
50.	Commission expense	(12,322,486)	(12,587,598)
60.	**Net fee and commission income**	**36,845,626**	**42,711,033**
70.	Dividends and similar income	89,850	37,800
80.	Net trading income	18,495	5,186
90.	Net result from hedging activities	-	-
100.	Gains (losses) on disposal or repurchase of	-	-
	(a) financial assets measured at amortised cost	-	-
	a) financial assets measured at amortised cost b) financial assets measured at fair value with impact on comprehensive income	-	-
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities at fair value through profit or loss	9,490	1,053
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets designated at fair value through profit or loss	*9,490*	*1,053*
120.	**Net interest and other banking income**	**100,318,541**	**113,235,887**
130.	Net value adjustments/write-backs for credit risk of	(7,921,661)	(12,338,209)
	(a) financial assets measured at amortised cost	*(7,921,661)*	*(12,338,209)*
	b) financial assets measured at fair value with impact on comprehensive income	*0*	-
140.	**Gains/losses from contractual modifications without cancellations**	0	-
150.	**Net result from financial operations**	**92,396,880**	**100,897,678**
160.	Administrative expenses:	(42,353,246)	(45,678,337)
	(a) personnel expenses	*(21,547,724)*	*(23,109,053)*
	b) other administrative expenses	*(20,805,522)*	*(22,569,284)*
170.	Net provisions for risks and charges	(6,187,862)	3,128,864
	a) commitments and guarantees given	*(294,354)*	*34,324*
	b) other net provisions	*(5,893,508)*	*3,094,540*
180.	Net value adjustments/reversals on tangible assets	(1,403,404)	(1,181,099)
190.	Net impairment losses on intangible assets	(3,640,566)	(3,662,955)
200.	Other operating income and expenses	2,664,337	2,486,573
210.	**Operating expenses**	**(50,920,741)**	**(44,906,954)**
220.	Gains (losses) on equity investments	-	-
230.	Net result of fair value measurement of tangible and intangible assets	-	-
240.	Impairment losses on goodwill	-	
250.	Gains (losses) on disposal of investments	241,916	17,756,956
260.	**Profit (loss) before tax from continuing operations**	**41,718,055**	**73,747,680**
270.	Taxes on income for the year from continuing operations	(12,669,101)	(23,168,039)
280.	**Profit (loss) after tax from continuing operations**	**29,048,955**	**50,579,641**
290.	Profit (loss) after tax from discontinued operations	-	-
300.	**Profit (loss) for the year**	**29,048,955**	**50,579,641**
310.	**Profit (loss) for the year attributable to minority interests**	-	-
320.	**Profit (loss) for the year attributable to the parent company**	**29,048,955**	**50,579,641**

Consolidated statement of comprehensive income

(euro)

	Entries	YEAR 2020	YEAR 2019
10.	**Profit (loss) for the year**	**29,048,955**	**50,579,641**
	Other income components net of taxes without reclassification to profit or loss:		
20.	Equity securities designated at fair value with impact on comprehensive income		
30.	Financial liabilities designated at fair value with impact on profit or loss (changes in own creditworthiness)		
40.	Hedges of equity securities designated at fair value with impact on comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(11,675)	(105,125)
80.	Non-current assets and disposal groups held for sale		
90.	Share of valuation reserves of equity-accounted investees		
	Other income components net of taxes with reversal to profit or loss:		
100.	Hedges of foreign investments		
110.	Exchange rate differences		
120.	Cash flow hedges		
130.	Hedging instruments [undesignated items]		
140.	Financial assets (other than equity securities) measured at fair value with impact on comprehensive income		
150.	Non-current assets and disposal groups held for sale		
160.	Share of valuation reserves of equity-accounted investees		
170.	**Total other income components net of taxes**	(11,675)	(105,125)
180.	**Comprehensive income (item 10+170)**	**29,037,280**	**50,474,516**
190.	Total consolidated comprehensive income attributable to minority interests	0	0
200.	**Consolidated comprehensive income attributable to the parent company**	**29,037,280**	**50,474,516**

Statement of Changes in Equity as at 31 December 2020

(euro)

	Balances as at 31.12.2019	Change in opening balances	Balances as at 01.01.2020	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other uses	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Other changes	Comprehensive income as at 2020	Shareholders' Equity 01.01.2020	Minority interests as at 31.12.2020
Share capital:	**55,910,000**		**55,910,000**										**55,900,000**	10,000
a) ordinary shares	55,910,000		55,910,000										55,900,000	
b) other shares														
Share premium	**61,798,643**		**61,798,643**										**61,798,643**	
Reserves:	**595,116,506**	**-**	**595,116,506**	**50,579,641**							**-**		**645,696,052**	
a) profit-related	596,274,879		596,274,879	50,579,641									646,854,520	
b) other	(1,158,373)		(1,158,373)								-		(1,158,373)	
Valuation reserves	**- 1,015,403**		**- 1,015,403**									**(11,675)**	**(1,027,078)**	
Equity instruments														
Treasury shares														
Profit (loss) for the year	**50,579,641**		**50,579,641**	**(50,579,641)**								**29,048,955**	**29,048,955**	
Shareholders' Equity	**762,389,387**		**762,389,387**								**-**	**29,037,280**	**791,416,572**	X
Net assets of third parties	10,000		10,000										X	10,000

Statement of Changes in Equity as at 31 December 2019

(euro)

	Balances as at 31.12.2018	Change in opening balances	Balances as at 01.01.2019	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other uses	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Other changes	Comprehensive income as at 2019	Shareholders' Equity 01.01.2019	Minority interests as at 31.12.2019
Share capital:	**55,910,000**		**55,910,000**										**55,900,000**	10,000
a) ordinary shares	55,910,000		55,910,000										55,900,000	
b) other shares	-		-										-	
Share premium	**61,798,643**		**61,798,643**										**61,798,643**	
Reserves:	**555,673,146**		**555,673,146**	**33,573,232**		**5,870,128**							**595,116,506**	
a) profit-related	562,701,647		562,701,647	33,573,232		-							596,274,879	
b) other	(7,028,501)		(7,028,501)	-		5,870,128							(1,158,373)	
Valuation reserves	**4,959,850**		**4,959,850**			**(5,870,128)**						**(105,125)**	**(1,015,403)**	
Equity instruments	-		-										-	
Treasury shares	-		-										-	
Profit (loss) for the year	**33,573,232**		**33,573,232**	**(33,573,232)**								**50,579,641**	**50,579,641**	
Shareholders' Equity	**711,914,871**		**711,914,871**								**-**	**50,474,516**	**762,369,387**	X
Net assets of third parties	**10,000**		**10,000**										**X**	10,000

Statement of Cash Flows classified using the indirect method

(euro)

A. OPERATING ACTIVITIES	31/12/2020	31/12/2019 (*)
1. Management	**53,158,679**	**85,035,868**
- result for the year (+/-)	29,048,955	50,579,641
- gains/losses on financial assets held for trading and on other financial assets/liabilities designated at fair value through profit or loss (-/+)	(53,569)	(71,136)
- gains/losses on hedging activities (-/+)	-	-
- net adjustments/reversals for credit risk (+/-)	4,286,620	8,729,887
- net impairment losses on property, plant and equipment and intangible assets (+/-)	5,043,970	4,844,054
- net provisions for risks and charges and other costs/revenues (+/-)	6,618,510	(2,613,607)
- unpaid taxes, duties and tax credits (+/-)	8,214,193	23,567,029
- net impairment losses/reversals of impairment losses on discontinued operations, net of tax (	0	
- other adjustments (+/)	-	-
2. Liquidity generated/absorbed by financial assets	**1,240,812,541**	**209,152,743**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other assets required to be measured at fair value	(206,106)	615,984
- financial assets measured at fair value with impact on comprehensive income	-	-
- financial assets measured at amortised cost	1,256,800,885	215,219,925
- other assets	(15,782,238)	(6,683,166)
3. Liquidity generated/absorbed by financial liabilities	**(1,290,701,931)**	**(305,484,495)**
- financial liabilities measured at amortised cost	(1,175,303,626)	(316,525,391)
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(115,398,305)	11,040,896
Net cash generated/absorbed by operating activities	**3,269,288**	**(11,295,884)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**2,904,679**	**35,940,252**
- Sales of equity investments	-	-
- Dividends received on equity investments	-	-
- sales of tangible assets	2,904,679	33,255,131
- sales of intangible assets	-	2,685,121
- sales of businesses	-	-
2. Liquidity absorbed by	**(6,173,538)**	**(24,649,099)**
- purchases of equity investments	-	-
- purchase of tangible assets	(3,089,828)	(17,557,491)
- purchase of intangible assets	(3,083,710)	(7,091,608)
- Purchase of business units	-	-
Net cash generated/absorbed by investing activities	**(3,268,859)**	**11,291,153**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	-	-
Net liquidity generated/absorbed by funding activities	**-**	**-**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**429**	**(4,731)**

The approach used generated liquidity equal to item 10. Cash and cash equivalents.

Reconciliation

(euro)

Balance sheet items	31/12/2020	31/12/2019
Cash and cash equivalents	1,138	5,869
Total net cash generated/absorbed during the year	429	(4,731)
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the year	1,567	1,138

Notes to the accounts

INTRODUCTION

The notes to the accounts are divided into the following parts:
1) Part A – Accounting Policies;
2) Part B – Information on the Balance Sheet;
3) Part C – Information on the Income Statement;
4) Part D – Other Information.
Each part of the notes is divided into sections, each of which illustrates an individual aspect of the business operations. The sections contain both qualitative and quantitative information.
As a rule, the quantitative information comprises items and tables.

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL SECTION

Section 1 – Declaration of compliance with international accounting standards

Ifitalia S.p.A.'s consolidated financial statements as at 31 December 2020 comply with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, adopted by the European Commission, as well as the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005.
With regard to the layouts and the technical forms, the consolidated financial statements have been drawn up in accordance with the Circular "IFRS Financial Statements of Brokers other than Banking Intermediaries", whose updated text was issued by the Bank of Italy on 30 November 2018 for financial statements starting from those closed or current on 31 December 2019 and revised with subsequent updates, and in accordance with Article 9 of Italian Legislative Decree no. 38/2005.
In order to guide the application and interpretation of the international accounting standards more clearly, reference was also made to the following sources:

- ✓ Framework for the Preparation and Presentation of Financial Statements issued by the IASB;
- ✓ Implementation Guidance, Basis for Conclusions and other interpretative documents for IAS/IFRS adopted by IASB or IFRSIC (International Financial Reporting Standards Interpretations Committee);
- ✓ documents drawn up by the Italian Chartered Accountants Association (Assirevi);
- ✓ documents drawn up by the Italian Standard Setter (OIC) and the Italian Banking Association (ABI);
- ✓ ESMA (European Securities and Markets Authority) and CONSOB documents that refer to the application of specific provisions in the IFRS.

Section 2 – General basis of presentation

The consolidated financial statements, accompanied by the related Report on Operations, comprise:

- ✓ Consolidated Balance Sheet and Consolidated Income Statement;
- ✓ Consolidated statement of comprehensive income;
- ✓ Consolidated Statement of changes in equity;
- ✓ Consolidated Statement of cash flows;
- ✓ Notes to the Accounts.

The financial statements were prepared with a view to the business as a going concern, taking into account the current and projected profitability and the ease of access to financial resources. The Directors considered the going concern assumption appropriate because, in their judgement, no uncertainties linked to events or circumstances have emerged that, considered individually or as a whole, may lead to doubts about the viability of the business.
The accounting policies comply with the principles of accruals, relevance and significance of the accounting information and predominance of economic substance over legal form.
The financial statement accounts are consistent with the company's accounting records; furthermore, in compliance with the provisions of Article 5, Paragraph 2 of Italian Legislative Decree no. 38 dated 28 February 2005, the financial statements have been drawn up using the Euro as the reporting currency. Specifically, in line with the instructions issued by the Bank of Italy, the statements have been drawn up in units of Euro without decimal figures, the notes to the accounts are drawn up in thousands of Euro, and the Report on Operations is drawn up in millions of Euro.

In preparing the financial statements and related disclosure, reference was also made, where applicable, to documents

published in recent months by European regulatory and supervisory bodies and standard setters aimed at clarifying the application of IAS/IFRS in the current context (with particular reference to IFRS 9).
The following are mentioned, among others:
- the EBA Communication of 25 March 2020 “Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures”;
- the ESMA Communication of 25 March 2020 “Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”;
- the IFRS Foundation document of 27 March 2020 “IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic”;
- the ECB's letter of 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID 19) pandemic" addressed to all significant institutions;
- the EBA guidelines of 2 April 2020 “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”;
- the ESMA Communication of 20 May 2020 “Implications of the COVID 19 outbreak on the half-yearly financial reports”;
- the EBA guidelines of 2 June 2020 “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis”;
- the ESMA communication of 28 October 2020 “European common enforcement priorities for 2020 annual financial reports”;
- the EBA guidelines of 2 December 2020 “Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”;
- the ECB's letter of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic" addressed to all significant institutions.

On 27 January 2021, the Bank of Italy issued a Communication integrating the provisions governing the financial statements of non-banking intermediaries in order to provide the market with information on the effects that COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as on the economic and financial situation of intermediaries.

The Communication also refers to the disclosure required by the amendment to IFRS 16 regarding concessions on lease payments related to COVID-19 and finally, further amendments are made to take into account the new disclosure requirements of IFRS 7 in relation to the reform of interest rate benchmarks.
The provisions apply for financial statements ending on or after 31 December 2020, with the exception of comparative information referring to the previous year and those relating to write-offs, which will be provided for financial statements ending on or after 31 December 2021.
In relation to the temporary nature of the COVID-19 emergency and support measures, the additions to the related financial statement provisions remain in force until otherwise communicated by the Bank of Italy; those referring to the reform of the benchmarks will be implemented in Circular 262 on the occasion of future updates.

Section 3 – Events after the reporting period
When drawing up the financial statements as at 31 December 2020, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors and no corporate events occurred such as to have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8).

Section 4 – Other aspects
The Ifitalia consolidated financial statements have been audited by the auditing firm Mazars Italia S.p.A., which was granted the appointment for the period 2015-2023 by the Shareholders’ Meeting held on 24 November 2015 in accordance with Legislative Decree no. 39 of 27 January 2010.

Legislative changes

During 2020, the following accounting standards or amendments to existing accounting standards came into force:
- Amendments to IFRS 3 Business combinations (Reg. EU 2020/551);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (Reg. EU 2020/34);
- Amendments to IAS1 and IAS8: Definition of material (Reg. EU 2019/2104);
- Amendments to references to the Conceptual Framework in IFRSs (Reg. EU 2019/2075).

- As at 31 December 2020, the European Commission had not endorsed any accounting standards applicable to reporting periods beginning on or after 1 January 2021.
- Finally, as at 31 December 2020, the IASB had issued the following accounting standards, interpretations or amendments to existing accounting standards, which will become effective after the approval process is completed by the competent bodies of the European Union:
- IFRS 17 Insurance Contracts (May 2017) including amendments to IFRS 17 (June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (January 2020);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvement Cycle (May 2020);
- Amendments to IFRS 16 COVID-19-Related Rent Concessions (May 2020);
- Amendments to IFRS 4 Insurance Contracts - deferral of effective date of IFRS 9 (June 2020).

Risks, uncertainties and impacts of the COVID-19 epidemic

The COVID-19 pandemic, which had a negative impact on the national and international economic system, produced significant reductions in business volumes in the Italian factoring market and also in Ifitalia (turnover -13%, average loans -8%), but the company's operations continued uninterrupted throughout the year (albeit partially remotely). The reduction in business volumes partially reduced overall revenues, but not to such an extent as to compromise good company profitability also for 2020, also in view of the stable operating costs and cost of risk. Therefore, business continuity is not in question.
In the assessment of assets, and in particular of NPL loans, there were no changes in criteria that continue to take into account the specific situation of each individual debtor; while with regard to the collective provision on performing loans, account was taken of the gradual deterioration in the economic fabric as a result of the pandemic by including in the calculation an adjustment factor to take account of this deterioration in the economic situation and in particular for certain economic sectors that were most affected.
Despite the pandemic, there were no increases in NPL positions in Ifitalia in 2020, also as a result of the actions to protect debtors put in place by the central government (extensions and loans guaranteed by the State).
An increase in the level of financial difficulty of debtors could occur during 2021 once the aid period is over; Ifitalia is protecting itself from the potential negative impact by implementing an increasingly careful lending and insurance cover policy for its receivables, as well as by increasing the collective provisioning mentioned above.
In the financial statements of Ifitalia, apart from receivables, there are no other significant valuation items that may be impacted by the COVID 19 pandemic.

Amendments to contracts resulting from COVID-19

1) *Amendments to contracts and derecognition (IFRS 9)*

In relation to the COVID-19 economic situation, the Company did not make any substantial amendments to contracts in its relations with its customers and consequently no changes were made to the derecognition criteria of receivables in the financial statements.

2) *Amendment to IFRS 16*

The Company did not apply the practical expedient envisaged by Regulation (EU) no. 1434/2020.

Foreign currency transactions
Assets and liabilities denominated in foreign currency (these being understood to be currencies other than the Euro, also including the transactions that envisage index-linking clauses to these currencies) are converted on the basis of the exchange rate as at year end.

Payment agreements based on own equity instruments
The Company has not put in place payment agreements based on own equity instruments.

Use of estimates in financial statements

The preparation of the financial statements required the use of estimates and assumptions that can have effects on the amounts in the balance sheet and income statement. The calculation of these estimates involves the use of the information available as of the date of preparation of the financial statements and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions in order to record management events.

The main cases for which the use of subjective evaluations is required the most by the company's management are:

- ✓ the losses due to impairment of receivables and, generally, of other financial assets;
- ✓ the fair value of financial instruments to be used for the purpose of financial statement disclosure;
- ✓ the provisions for risks and charges;
- ✓ the recoverability of deferred tax assets;
- ✓ the portion of property held for investment purposes.

Impairment tests

As regards the tests provided for by IAS 36, no impairment indicators were found in the valuations made, in consideration of the book values and the specific nature of the assets in the accounts.

Important opinions formulated for the application of IFRS 15

Performance obligations (explicit or implicit promises to transfer distinct goods or services to the customer) are identified at the time of inception of the contract based on the contractual terms and usual business practices.

For determining the consideration that the Company expects to receive for the supply of goods or services to the counterparty ("transaction price"), the following are considered:

- the effect of any reductions and discounts;
- the time value of money if significant terms of deferment are agreed;
- the variable price component.

The transaction price of each contract is allocated to each performance obligation on the basis of the relative stand-alone selling prices of the performance obligations.

Therefore, revenues are recorded in the income statement when the performance obligations are met through the transfer of the goods or services to the counterparty, which obtains control. In particular, revenue was recognised over time when the services are provided by the Company throughout the term of the contract and at a point in time when the performance obligation is met at a given time

The following costs incurred to obtain the contracts and to provide the expected services are capitalised and amortised over the life of the reference contract if recovery is expected:

- incremental costs that the Company would not have incurred if the contract had not been signed
- costs that refer to a specific contract that generate resources that will be used to meet the performance obligation.

The residual amount of these costs recognised in the financial statements is periodically tested for impairment.

Section 5 - Scope and methods of consolidation

The scope of line-by-line consolidation includes a vehicle company for which Ifitalia is exposed to the majority of risks and obtains the majority of benefits (SPE/SPV).

The financial statements used as the basis for the line-by-line consolidation process are those as at 31 December 2020, as approved by the competent bodies of the consolidated company.

1. Equity investments in subsidiaries

The scope of line-by-line consolidation includes the vehicle company Tierre Securitisation s.r.l. (SPV), with registered office in via V. Alfieri 1 Conegliano (TV).

Ifitalia holds no share in the capital of the SPV but, based on the reference accounting standards (IFRS 10), it can be deemed that it controls the vehicle as it is the main party that determines its flows and, furthermore, is exposed to the variable returns of the SPV (both as a result of data protection on credit risk and through the notes subscribed).

2. Significant valuations and assumptions for determining the scope of consolidation
The entities in which Ifitalia has direct or indirect control are subsidiaries. Control over an entity is shown by its ability to exercise power in order to influence the variable returns to which Ifitalia is exposed as a result of its relationship with it. "Structured entities" (SPVs), for which voting rights are not significant for control assessment, are considered subsidiaries where:

- Ifitalia has power through contractual rights that allow it to control the relevant activities;
- Ifitalia is exposed to the variable returns resulting from these activities.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well as profits and losses between entities included in the scope of consolidation are eliminated on a line-by-line basis.
The costs and revenues of a subsidiary are included in the consolidated financial statements as from the date of acquisition of control.
The portion of minority interests is shown in the Balance sheet under item 180. "Minority interests", separately from liabilities and shareholders' equity attributable to the Group. In the Income statement, the portion attributable to minority interests is shown separately under item 310. "Profit (loss) for the year attributable to minority interests".
For companies included in the scope of consolidation for the first time, the fair value of the cost incurred to obtain control of this investment, including incidental expenses, is measured at the acquisition date.
The difference between the consideration for the sale of a stake held in a subsidiary and the related book value of the net assets is recorded as a matching balance in Shareholders' Equity, if the sale does not entail loss of control.
In this case, Ifitalia did not incur any cost to obtain control in that the production of the consolidated financial statements is determined by the fact that the requirements for exemption set out in the regulations no longer apply (Italian Legislative Decree 136 of 2015, Article 40).

3. Equity investments in subsidiaries with significant minority interests
The consolidated financial statements do not include subsidiaries with significant minority interests.

4. Significant restrictions
During 2020, Ifitalia was not significantly restricted in its capacity to access or use assets and extinguish Group liabilities.

5. Other information
The Group does not include Consolidated companies the separate financial statements of which refer to a date or period other than that of the consolidated financial statements.

A.2 – SECTION REGARDING THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting standards adopted for Ifitalia's 2020 consolidated financial statements are the same as those used for the 2019 financial statements.

Therefore, please find below:

a) the standards used for the preparation of the 2020 financial statements;

a) STANDARDS USED FOR THE PREPARATION OF THE 2020 FINANCIAL STATEMENTS

1. Financial assets at fair value through profit or loss

This item includes all financial assets not classified in the portfolio of financial assets at fair value through other comprehensive income and in the portfolio of financial assets measured at amortised cost.
More specifically, this item includes:
a) financial assets held for trading (debt securities, equities, loans, UCI units and derivatives);
b) assets mandatorily measured at fair value (debt securities and loans) with the valuation results recognised in the income statement on the basis of the option granted to companies (fair value option) by IFRS 9;
c) other financial assets mandatorily measured at fair value (debt securities, equities, UCI units and loans), i.e. financial assets, other than those designated at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or that are not held for trading.
The initial recognition takes place on the trading date for all financial assets. The initial recognition value is the fair value. Subsequent to initial recognition, the portfolio is measured at fair value, with the exception of equity instruments not listed

on an active market and whose fair value cannot be reliably determined.
If the fair value of a financial asset becomes negative, this asset is recorded as a financial trading liability.
Financial assets at fair value through profit or loss conventionally include the balance arising from the offsetting of derivative contracts allocated to the trading portfolio and hedging derivatives in accordance with IAS 32, paragraph 42, if the absolute value of the fair value of the derivatives allocated to the trading portfolio is greater than the absolute value of the fair value of the hedging derivatives and is positive. This offset is recognised if the Company:
(a) currently has an exercisable right to offset the recognised amounts; and
(b) intends to pay the net amounts or to realise the asset and settle the liability at the same time.
Accrued interest is recorded in item 10. Interest income or item 20. Interest expense, with the exception of differentials on non-hedging derivatives, which are recorded in net result from trading.
Realised gains and losses on sales or reimbursements and unrealised gains and losses deriving from fair value changes in the portfolio at issue are recorded in item “80. Net result from trading” with regard to financial assets held for trading and in item “110. Net result of other financial assets and liabilities at fair value through profit or loss” for assets designated at fair value and other financial assets mandatorily measured at fair value.
The determination of the fair value of trading assets is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
In relation to the provisions of the joint Bank of Italy/Consob/IVASS document of 8 March 2013 on the accounting treatment of "long-term structured repos", it should be noted that the Company does not carry out such transactions.

2. Financial assets at fair value through other comprehensive income

All financial assets that passed the SPPI test and may be sold for any reason, such as liquidity requirements or changes in interest rates, exchange rates or share prices, are classified as "Financial assets at fair value through other comprehensive income"; as well as equities that are held for strategic reasons or that are not contestable on the market.
Initial recognition takes place, for financial assets whose delivery is regulated on the basis of agreements envisaged by the reference market (regular way contracts), as of the settlement date, while the trading date is applied for the others.
The initial recognition value for all the assets is the fair value, inclusive of the transaction costs or income directly attributable to said instrument.
The Company measures these financial instruments at fair value, with the exception of investments in equity instruments not listed on active markets for which it is not possible to measure fair value reliably.
The determination of the fair value of securities measured at fair value through other comprehensive income is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
The expected loss recognised in the income statement under item "130. Net value adjustments for credit risk relating to: b) financial assets at fair value through other comprehensive income" is calculated on the non-equity instruments that have passed the SPPI test. Any value write-backs are recorded with a matching balance in the income statement.
The value of unlisted share investments is determined by applying recognised measurement techniques, including the method based on multiple market observations of similar companies. The value of listed share investments is determined based on the market price.
For investments in equity instruments, all positive and negative changes in fair value, even if the latter are significant or prolonged below cost, are recorded with a matching balance under equity.
Financial assets are cancelled when the asset is sold, transferring the essential nature of the associated risks and benefits, or when the contractual rights on the financial flows deriving from said assets cease.
Following the derecognition of an investment in bonds, the related cumulative and unrealised change in value recognised in equity is transferred to item "100. Profit/loss from disposal or repurchase of: b) financial assets at fair value through other comprehensive income" in the income statement.
In case of derecognition of an equity instrument, the related cumulative and unrealised change in value is reclassified to an available reserve within Shareholders' Equity.
Profits and losses from disposals are determined using the average cost method.

3. Financial assets measured at amortised cost

This item includes debt securities and loans allocated to the portfolio measured at amortised cost. Due from banks, including also due from central banks other than demand deposits included in "Cash and cash equivalents" and due from customers, including due from Post Offices and Cassa Depositi e Prestiti, as well as operating loans related to the provision of financial assets and services as defined by the consolidation act of banking and lending laws (TUB) and the Consolidated Finance Act (TUF) (e.g. servicing activities) are recognised.

Loans/receivables are recognised in the financial statements when the Company becomes a party to the contract and acquires unconditionally a right to payment of the agreed amounts and are initially recognised at their fair value, corresponding to the amount disbursed, including transaction costs and initial revenues directly attributable. Where the net amount disbursed does not refer to its fair value, due to the lower interest rate applied compared to that of the reference market or to that normally applied to loans with similar characteristics, the initial recognition is made for an amount equal to the discounting of future cash flows at an appropriate rate.

After initial recognition, financial assets classified in the loans portfolio are recognised at amortised cost, using the effective interest method. The effective interest method is used to calculate the amortised cost and interest income of the loan over its entire duration. The effective interest rate is the rate that discounts the flow of estimated future payments over the expected life of the loan so as to obtain the net book value at initial recognition. Interest on loans/receivables is classified under interest and similar income deriving from amounts due from banks and loans to customers, and is recorded on an accrual basis.

In particular, with regard to factoring transactions, the transferee company can recognise a financial asset in its financial statements if and only if:

a) the financial asset is transferred along with essentially all the risks and contractual rights to the correlated cash flows (the transferor may maintain the rights to receive the cash flows of the asset but must have the obligation to pay the same to the transferee, and cannot sell or commit the financial asset);

b) the benefits associated with its ownership cease with regard to the transferor when transferred to the transferee.

The forms of transfer for loans/receivables subject to factoring can be broken down as follows:

✓ without recourse: a transaction that, irrespective of the contractual form, provides the factor with the full transfer of the risks and benefits associated with the assets forming the subject matter of the transaction as per IFRS 9;

✓ with recourse: a transaction that, irrespective of the contractual form, does not provide the factor with the full transfer of the risks and benefits associated with the assets forming the subject matter of the transaction as per IFRS 9.

✓ Ifitalia recorded the following in the financial statements, under item 40 of the balance sheet assets, “financial assets measured at amortised cost”, and in line with the afore-mentioned criteria:

✓ loans/receivables acquired without recourse. Classification envisages the recording of the loans/receivables due from the debtors for the portion of the amount paid (cash risk) and for the portion still to be paid (endorsement risk) net of impairment. In this case, the amount due to the transferor, for the portion of the amounts still to be paid, is recorded under Balance Sheet liability item 10. “Payables”;

✓ advances paid to the transferors for loans/receivables acquired with recourse, inclusive of the interest and other amounts accrued, and net of impairment;

✓ advances paid to the transferors for loans/receivables acquired without recourse with contractual clauses (as defined below) that limit the essential transfer of all the risks and benefits (formal without recourse);

✓ advances paid to the transferors for future loan/receivable factoring transactions, inclusive of the interest and other amounts accrued;

✓ advances paid to the transferors exceeding the total loans/receivables inclusive of the interest and other amounts accrued;

✓ exposure to the factored debtors in just guarantee-related without recourse transactions when on occurrence of default the payment is made under guarantee of said loan/receivable;

✓ amounts due for late payments;

✓ exposures to the factored debtors for payment extensions granted.

✓ Ifitalia recorded the following amounts under guarantees and commitments, in line with the above criteria:

✓ both the value of the loans/receivables acquired without recourse (just guarantee) and the guarantees given accessory to the factoring transactions;

✓ the value of the endorsement risk for the loans/receivables acquired without formal recourse and the value of the exposure for the unused amount of the committed credit facilities.

In order to assess whether transfer of the essential nature of the risks and benefits has taken place in acquiring the loans/receivables factored without recourse, it is necessary to identify and analyse, using qualitative and quantitative criteria, the contractual

clauses capable of affecting the expected variability of the cash flows of the factored loans/receivables. For such purposes, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition/derecognition rules.

a) Maximum payable

This category of clauses is key for the purposes of the recognition/derecognition since it limits the undertaking of the credit

risk by the Factor. In essence, while the “initial loss” remains the Factor’s, the losses exceeding the ceiling are the transferor’s.
In the presence of this clause, it is necessary to quantify and compare the amount of the ceiling with the risk exposure. If the maximum payable essentially covers the credit risk, then it means that the afore-mentioned risk has been transferred by the Transferor to the Factor.
With regard to the outstanding contracts, the latter point has been confirmed, therefore the clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.
b) Malus clause
The commission linked to the portfolio’s performance, with retroactive application (losses deriving from default of the factored debtors, with regard to principal and/or interest), can be critical for the purpose of recognition/derecognition since it can indicate a limitation or an exclusion of the transfer of the risks by the transferor to the factor.
In the presence of quantitative and qualitative analysis carried out, the loans/receivables assisted by this clause in certain specific cases led to the retention of the credit risk by the transferor to an extent considered to be significant on the basis of materiality thresholds. In such cases, the clause was considered an impediment to recognition of the individual loans/receivables in the financial statements.
For the purpose of calculating the return within the sphere of factoring transactions, it is possible to identify, with regard to the nature, three categories of remuneration:
✓ Management commission
This commission takes the form of a fee for the provision of a plurality of services (for example, the dunning of the debtor, debt collection, etc.) provided by means of an unspecified number of activities within a specific time span. With regard to this type of commission, recognised irrespective of the duration of the loan/receivable, IAS 18 was applied, re-discounting the portion of commission relating to loans/receivables not expired to be credited as a matching balance to the item “other liabilities”.
✓ Guarantee commission (costs/revenues directly attributable to the transaction)
This commission takes the form of a fee for the undertaking by the Factor of all or part of the risk element inherent in the financial asset forming the subject matter of the transaction. With regard to this type of commission, steps were taken to apply IAS 39, spreading the revenue equally over the duration of the loan/receivable and for loans/receivables due beyond 12 months deducting the unaccrued amount (deferred income) from said loan/receivable.
✓ Other types of commission
This category includes those cost/revenue items not falling within the above two categories and includes on-going, one-off commission recorded at the time when the one-off service is completed (very often coinciding with collection of the commission).
Loans/receivables are in turn classified as performing and impaired (non-performing). According to the Bank of Italy instructions, impaired assets are as follows:
✓ Non-performing loans: positions vis-à-vis parties in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. Therefore, the existence of any guarantees (secured or unsecured) to cover the receivables is left aside.
✓ Unlikely to pay: the classification in this category takes place on the basis of the improbability that, without recourse to action such as enforcement of the guarantees, the debtor fully meets his/her credit obligations (in terms of principal and/or interest). This assessment is made independently from the presence of any amounts (or instalments) past due and not paid.
Therefore, it is not necessary to await the explicit symptom of anomaly (non-payment), if elements exist that imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).
✓ Impaired past due positions: cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.
a) Past due positions with respect to individuals: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. Based on the Bank of Italy legislation, Ifitalia applies the notion of past due exposure at counterparty level.
The position is past due if there is at least one invoice past due by more than 90 days and the total of the past due invoices (including those by less than 90 days) exceeds 5 percent of the total loans/receivables.
b) Past due positions with respect to Public Administration parties: in accordance with a conservative interpretation of the Bank of Italy regulations the definition of “past due” includes those exposures for which the following conditions are met:
1) they have been past due on a continual basis for more than:
- 90 days in the case of exposures to central administrations, central banks, and local authorities;

- 180 days in the case of exposures to government agencies;
2) the total amount of the exposures indicated above and the other portions due by less than 90 or 180 days are at least equal to 5 percent of the entire exposure to this debtor.
3) they are different from exposures to the Tax Authorities deriving from sales of tax credits (VAT, IRPEG, etc.). These loans and receivables have
an undetermined maturity, as there is a minimum time before which they cannot be liquidated but not a maximum term by which they must be paid.
For these exposures, where the notion of past due receivable is applied at the counterparty level, the continual nature of the past due receivable is interrupted when the debtor has made a payment for at least one of the positions that became past due in the previous 90 days.

The classification of exposures subject to concession (forborne exposures) includes exposures that have been subject to concession vis-à-vis a debtor who is dealing with difficulties or is close to dealing with difficulties in terms of meeting its financial commitments. These exposures can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures"). As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IFRS 9.

<u>Staging rules</u>

Performing positions
The Stage classification for performing facilities is based on the outcome of the assessment of "significant increase in credit risk" (or "significant impairment").
The "significant increase in credit risk" is assessed at the individual facility level by comparing the rating determined at the reporting date with the rating in effect at the origination date (recognition date).
The rating, monitored and updated periodically according to Ifitalia's policies, represents the main parameter for expressing creditworthiness.
For the assessment of "significant impairment", Ifitalia uses the absolute and relative criteria defined at Group level.
✓ Absolute criteria:
The absolute criteria (or backstop) used to classify performing facilities in Stages 1 and 2 are based on the information available at the reporting date (e.g., rating, days past due). The thresholds used reflect absolute levels of high or low credit quality in order to classify:
• in Stage 1, all facilities that have a low credit risk;
• in Stage 2, all facilities that have a high underlying risk.
The absolute criteria (or backstop) defined are based on the assessment of the rating at the reporting date.
Furthermore, as required by the accounting standard and Group policy, Ifitalia adopts the "Rebuttable Presumption", according to which all facilities with contractual payments past due for more than 30 days are classified in Stage 2.
✓ Relative criteria:
For all performing facilities, which do not fall within the scope of the absolute criteria, relative criteria are applied, expressed in terms of the difference between ratings (known as the "delta notch").

Non-Performing Perimeter
All facilities that at the reporting date have a rating of 11 12 are classified in Stage 3.

<u>Impairment rules</u>

Following the classification in Stages, Ifitalia calculates the provisions, at the individual facility level, consistent with regulatory principles and Group guidelines.
The provision amount corresponds to the expected loss differentiated by Stage in order to take into account the different levels of risks:
- For facilities classified in Stage 1, an expected loss in relation to the maturity is calculated with a maximum value of one year;
- For facilities classified in Stage 2, a lifetime expected loss (EL Lifetime) is calculated, that is, until the facility's maturity date;
- For facilities classified in Stage 3, specific provisions are calculated, corresponding to an expected lifetime loss.

Performing positions

The impairment calculation is based on risk parameters (PD, LGD and EAD) consistent with the duration of the transaction.
The expected loss in Stage 1 represents the expected loss deriving from the possible occurrence of a facility entering default within one year of the reporting date.
The expected loss in Stage 2 is the present value of expected losses due to a facility entering default in the period between the reporting date and the facility's maturity.
To calculate the expected lifetime loss, cumulative PDs are therefore used.
For the portion of the portfolio for which the rating models are not available at the BNP Group level, Ifitalia, in line with Group guidelines, calculates the expected loss, at one year or over the lifetime, using a simplified method based on historical loss data (EL ratio).

Non-Performing Perimeter

For facilities classified in Stage 3, Ifitalia calculates the expected lifetime loss through a forward-looking approach that incorporates future expectations of possible collections and losses, including possible sales scenarios.
For non-performing exposures, Ifitalia has adopted a unique, precise analytical valuation model for individual positions; thus, for these positions Ifitalia adopts a "Judgemental Approach";
The Judgemental Approach incorporates both the collection strategy and the expected value deriving from a possible sale of the portfolio.
The determination of the recoverable value of receivables takes into account the time value of money and any guarantees supporting the positions; for the purpose of calculating the current value of the flows, the fundamental elements are represented by the identification of estimated recoveries, the related timescales and the discount rate to be applied. For an estimate of the amount and the recovery timescale of the afore-mentioned problem loans/receivables, reference is made to specific calculations and, in the absence thereof, to estimated and forfeit values. These estimates are made taking into account both the specific solvency situation of debtors with payment difficulties and any difficulties in servicing debt by individual segments.
The write-down of problem loans/receivables is subsequently written back only when the quality of the amount due has improved to such an extent that reasonable certainty exists of a greater recovery of the principal and the interest and/or amounts have been collected to an extent greater than the value of the receivables recorded in the previous financial statements.
Recoveries of part or entire loans/receivables previously written down are booked to reduce the value of item "130. Net value adjustments/write-backs for credit risk relating to: a) financial assets measured at amortised cost".
A derecognition occurs when there is no longer a reasonable likelihood of recovery. The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.
The Company writes off both partial and total credit. The timing of the write off takes account of the legal and judicial system, the different types of receivables and the average recovery times as well as the timing required for the full allocation of the receivables.

4. Property, plant and equipment

Property, plant and equipment are initially stated at cost, inclusive of all the charges directly associated with bringing the asset onto stream.
Item (80) "Property, plant and equipment" includes land and buildings used for business purposes, land and buildings for investment purposes, furniture, electronic systems and other tangible assets.
Assets used for business purposes are those held for the supply of services or for administrative purposes, while investment properties are those held for the purpose of collecting lease payments and/or held for appreciating the invested capital or in any event not occupied by the company or when they become as such.
Subsequent to initial recognition, property, plant and equipment are recorded at cost net of accumulated depreciation and impairment losses.
With reference to properties held for investment, the valuation at cost was opted for, providing the disclosure envisaged by IAS 40.
The depreciable value, equating to cost less the residual value (or rather the amount that is expected to be obtained from the asset at the end of its useful life, usually zero, after having deducted the sale costs), is divided up systematically over the useful life of the tangible asset, adopting a straight-line depreciation approach.
The residual value and the useful life of properties, plant and machinery is reviewed at least once a year for financial

statement purposes and, if the expectations differ from the previous estimates, the depreciation charge for the current and subsequent years is adjusted.
The useful life, subject to periodic review for the purpose of recording any estimates significantly different from the previous ones, is defined as:
– the period of time during which it is expected that an asset can be used by the company, or,
– the quantity of products or similar units that the company expects to obtain from the use of said asset.
In the property category, land and buildings are considered to be separable assets and treated independently for accounting purposes, even when acquired together, but only if the entire building is owned (detached property). As a rule, land has an unlimited life and therefore is not depreciated. Buildings have a limited life and, therefore, are depreciated. An increase in the value of the land on which a building stands does not influence the determination of the building's useful life.
If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset with its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows that are expected to derive from the asset. Any value adjustments are recorded under item 180. "Value adjustments/write-backs on property, plant and equipment" in the income statement.
If the value of an asset previously written down is reinstated, the new book value cannot exceed the net book value that would have been determined if no impairment loss on the
asset had been recorded in previous years.

Depreciation is recorded in the income statement in item 180. "Net value adjustments/write-backs on property, plant and equipment".
The costs incurred subsequent to purchase are added to the book value of the assets or recorded as a separate asset if it is probable that future economic benefits exceeding those initially estimated will be achieved and the cost can be reliably determined. All the other costs incurred subsequently (e.g. ordinary maintenance measures) are recorded in the income statement, in the year they are incurred, under item: 160.b) "Other administrative expenses", if they refer to assets for business use, or item 200. "Other operating income/expenses", if referring to properties held for investment.
Property, plant and equipment are cancelled from the balance sheet when disposed of or when the asset is permanently withdrawn from use and future profits are not expected from its disposal and future economic benefits are not expected from its use. Any difference between the disposal value and the book value is recorded in the income statement under the item 250. Gains/losses on sale of investments.

In case of leases, the lease liability is recognised under the balance sheet liabilities, which consists of the present value of the payments that, at the valuation date, still have to be made to the lessor, while the Right of Use Asset (also known as "RoU Asset"), obtained as the sum of the following components, is recognised under the balance sheet assets:
- lease liability;
- initial direct costs;
- payments made at or before the commencement of the lease (less any lease incentives received);
- dismantling and restoring costs.

The term of the lease, the basis for calculating the Right of Use, is determined by taking into account the economic duration and not the legal duration, and also includes any renewal or early termination options if the exercise of such options is reasonably certain.
The asset recognised is subject to straight-line depreciation and the new liability is discounted using a discount rate defined at the effective date of the lease contract and reduced to the payment of the lease instalments. Interest expense accrued on the lease liability is recorded under "Interest and similar expense" and the depreciation charges of the right of use are recognised under "Net value adjustments/write-backs on property, plant and equipment/intangible assets".
For contracts involving low-value assets (less than EUR 5,000) and for short-term leases with a duration of equal to or less than 12 months, the introduction of IFRS 16 does not require the recognition of the financial liability and the related right of use, but lease payments continue to be recognised in the income statement on a straight-line basis for the term of the respective contracts.

5. Intangible assets

The Group made use of the option envisaged by the standard not to apply IFRS 16 to intangible assets.
An intangible asset is a non-monetary asset, identifiable even if lacking physical appearance, from which it is probable that future economic benefits will originate. The asset is identifiable if:
- it can be separated or spun-off and sold, transferred, granted under licence, leased or exchanged;

- it derives from contractual rights or other legal rights irrespective of the fact that these rights are transferable or separable from other rights or obligations.

The asset is controlled by the company if the company has the power to avail itself of the economic future benefits deriving from the resource in question and can, also, limit access by third parties to said benefits. They are therefore recorded among the balance sheet assets only if:

a) future economic benefits attributable to the asset in question are likely to emerge;
b) the cost of the assets can be reliably measured.

If the conditions described above should occur, intangible assets are included among the balance sheet assets and recorded at cost, adjusted for any accessory charges. Otherwise, the cost of intangible assets is recorded in the income statement related to the year in which the cost was borne.
Intangible assets recorded in the financial statements are essentially represented by software. Furthermore, in compliance with IAS/IFRS, the Group adopted the policy of capitalising the IT costs attributable to software development projects.
After initial recognition, software is recorded in the financial statements at cost net of total amortisation and accumulated losses in value.
The cost includes:

- the purchase price less trade discounts and allowances;
- any direct cost for preparing the asset for use.

Any expenses, determined and attributable to the asset reliably, subsequent to initial recognition, are capitalised only if they are able to generate future economic benefits.
Intangible assets with a definite useful life are amortised on the basis of the estimate made of their residual useful life and recorded at cost net of total amortisation (using the straight-line method) and any impairment losses applicable. At the end of each accounting period, this residual useful life is subject to appraisal so as to ascertain the adequacy of the estimate. If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset and its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows that are expected to derive from the asset.
In the event that the book value is greater than the recoverable value, a loss equating to the difference between the two values is recorded under item 190. “Net value adjustments/write-backs on intangible assets”.
If the value of a previously written down intangible asset, other than goodwill, is reinstated, the new amounts cannot exceed the net book value that would have been determined if no loss had been recorded for the impairment of the asset in previous years.
Amortisation is recorded in the income statement in item 190. “Net value adjustments/write-backs on intangible assets”.
Intangible assets are eliminated from the balance sheet at the time of disposal or when future economic benefits from their use or disposal are no longer expected, and any difference between the disposal value and the book value is recorded in income statement item 250. Gains/losses on sale of investments.

6. Tax assets and liabilities

Income taxes are calculated in observance of current tax legislation. The tax liability (return) is the total amount of the current and deferred taxes included in the calculation of the net profit or loss for the year. Current taxes represent the amount of the income taxes payable (recoverable) referring to the taxable income (tax loss) for a year. Deferred taxes represent the amounts of the income taxes payable (recoverable) in future years, referable to taxable (deductible) timing differences.
Current tax assets include the advance payments and other tax credits for withholdings made or for tax credits for which a rebate has been requested from the competent tax authorities. By contrast, tax liabilities reflect the provisions necessary for covering the tax charges for taxation on the basis of current legislation. Deferred taxation is calculated by applying the “balance sheet liability method”, taking into account the tax effects associated with the timing differences between the book value of the assets and the liabilities and their value for tax purposes, which determine taxable or deductible amounts in future periods.
Timing differences can be:

✓ taxable, i.e. timing differences which, when determining the taxable income (tax loss) for future years, will translate into taxable amounts when the book value of the asset or the liability will be realised or discharged; a deferred tax liability is recorded for these differences.

✓ deductible, in other words timing differences that, when determining the taxable income (tax loss) for future

years, will translate into deductible amounts when the book value of the asset or the liability will be realised or discharged. A deferred tax asset is recorded for all the deductible timing differences if it will be probable that taxable income will be generated against which the deductible timing difference can be used.
Deferred tax assets and liabilities are calculated using the tax rate envisaged in the periods when the assets will be realised or the liability will be discharged and will be offset when they are due to the same tax authority and when the right to offsetting is recognised by law.
Current and deferred taxes are recorded in the income statement with the exception of those relating to items whose value adjustment is recorded as a matching balance to the equity and for which the tax effects are also recorded among the equity reserves. Deferred tax assets and deferred tax liabilities are not discounted back or offset.

7. Financial liabilities measured at amortised cost

Initial recognition takes place at the fair value of the liabilities, equating to the face value increased by any additional costs/income directly attributable to the individual transaction and not reimbursed by the creditor. Internal administrative costs are excluded.
Financial liabilities measured at amortised cost (item 10) include all the forms of funding vis-à-vis the system as well as amounts due to transferors. Payables include all the debt liabilities, other than trading liabilities.
The item mainly comprises payables due to banks for loans received, current account overdrafts and payables to transferors for loans/receivables acquired without recourse, in relation to the portion for which the price has not been paid to the transferor or all the risks and benefits have not been transferred.
After initial recognition, subsequent measurement follows the amortised cost approach, using the effective interest rate method.
The related interest is recorded in the income statement under item 20. “Interest and similar expense”.
Payables are cancelled from the financial statements when the related contractual obligations expire or are discharged.

8. Employee termination benefits

Employee Termination Benefits, disbursed by the employer to the employee when the employment relationship terminates, are one of the worker’s rights regulated by Article 2120 of the Italian Civil Code and by Italian Laws no. 297/1982 and 296/2006. The provision has been recorded as a benefit subsequent to the employment relationship with defined benefits. The related liability is recorded in the financial statements on the basis of the amount to be paid to each employee and is valued using the actuarial method as a “defined benefit obligation”, taking into account future due dates when the financial disbursement will actually occur.
In particular, following Italian Law no. 296/2006 (2007 Budget Act), the amount recorded under the item “Employee termination benefits” refers solely to the defined benefit obligations connected with the benefits accrued up to a specific date within the first half of 2007, which may be different for every employee, valued by an independent actuary without applying the “pro-rata” of the service supplied. As a result, costs relating to work performed after said date are not considered for valuation purposes.
The actuarial method for calculating the Employee Termination Benefits starts from the detailed situation, at the moment of recording, of each worker and envisages year after year, for each individual worker up until his/her departure, the development of this situation due to:

- the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
- for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9. Provision for risks and charges

A provision is recorded under “Provisions for risks and charges” (item 100) only when:

- a current obligation (legal or implicit) exists as the result of a past event;
- it is probable that the use of resources will be necessary for meeting the obligation;
- a reliable estimate can be made of the amount of the obligation.

The provision is represented by the liabilities that are expected to be incurred in order to discharge the obligation.
The provisions for risks and charges include:

- provisions for revocation disputes and third party disputes (including therein those made by staff and former employees);
- any other provision with a specific purpose;
- the provision for the 25th year of service bonus for employees;
- provision for a redundancy incentive for employees.

No provision is made against potential and improbable liabilities.
The amount set aside to the provision for risks and charges is recorded in the income statement under item 170 "Net provisions for risks and charges".
The afore-mentioned item includes the balance, positive or negative, between the provisions and any re-allocations to the income statement of the provisions deemed in excess.
If the provisions concern charges for employees, the income statement item concerned is item 160.a) "Administrative expenses: personnel expenses".
The provisions made are reviewed at the end of each reporting period and adjusted to reflect the best current estimate. If it is no longer likely that the use of resources for producing economic benefits will be necessary to meet the obligation, the provision is reversed.

A.3 – DISCLOSURE ON THE TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS
The Company has not carried out any portfolio transfers during 2020.

A.4 – FAIR VALUE DISCLOSURE

Qualitative information

A.4.1 Fair value levels 2 and 3: measurement techniques and input used
The fair value is the price that would be perceived for the sale of an asset, or that would be paid for the transfer of a liability in a regular transaction between market operators as of the measurements date (IFRS 13; § 9).
In the event of financial instruments listed on active markets (fair value level 1), the fair value is determined as from the official prices of the most advantageous market to which the Group has access (Mark to Market). A financial instrument is considered as listed on an active market if the listed prices are readily and duly available in a price list and these prices represent effective market transactions that regularly take place in normal transactions.
For the purpose of classification in fair value level 2, if the official listing on an active market does not exist for a financial instrument in its entirety, but active markets exist for the parts it is comprised of, the fair value is determined on the basis of the pertinent market prices for the parts it is comprised of. If the market listings are not available, the Group resorts to measurement models (Mark to Model) in line with the methods generally accepted and used by the market. The measurement models include techniques based on the discounting of the future cash flows and on the estimate of the volatility and are subject to review both during their development and periodically, for the purpose of ensuring their full coherence with the objectives of the measurement.
These methods use inputs based on prices formed in recent transactions in the instrument subject to measurement and/or prices/listings of instruments with similar features in terms of risk profile. These prices/listings are, in fact, important for the purpose of determining the significant parameters, in terms of credit risk, liquidity risk, price risk and any other significant risk, relating to the instrument being measured.
The reference to these "market" parameters makes it possible to limit the discretion used in the measurement, at the same time ensuring the verifiability of the resulting fair value.
If, due to one or more risk factors, it is not possible to refer to market data, and therefore the financial instruments are classified in fair value level 3, the measurement models employed use estimates based on historical data as inputs.
The parameters that cannot be observed on the markets used for the measurement of the equity instruments that give rise to FV adjustments in the determination of the estimates, refer to the Net Asset Value (with the exclusion of any intangible fixed assets) whose calculation is based on data communicated directly by the Company (financial statements, reports, etc.).
Specifically, as at 31 December 2020, the Group recorded both unlisted equity investments that are carried at cost, since these are capital instruments whose fair value cannot be measured reliably, as well as unlisted equity investments measured at fair value on equity figures under "Financial assets mandatorily measured at fair value".
During 2020, no changes took place in the measurement techniques used for estimating the fair value of Levels 2 and 3 of the financial assets and liabilities measured at fair value.

With regard to the financial instruments recognised at amortised cost, with regard to the estimate of the fair value indicated in the Notes to the accounts, the following methods and assumptions have been applied:
- for cash and cash equivalents, the fair value is represented by the nominal or face value;
- for properties, the fair value was determined on the basis of the analysis of the market values of similar properties;
- with regard to the impaired financial assets, the fair value was adopted as equal to the estimated realisable value used for financial statement purposes;
- with regard to financial assets, as well as for other asset and liability items without a specific maturity, the book value essentially approximates the fair value.

A.4.2 Processes and sensitivity of the measurements

The unobservable parameters capable of influencing the measurement of the instruments classified as level 3 are represented by the estimates and the assumptions underlying the models used for measuring the investments in equities. With regard to these investments, no quantitative sensitivity analysis of the fair value with respect to the change in the non-observable inputs has been drawn up, since either the fair value has been obtained from third party sources without making any adjustment or it is the result of a model whose inputs are specific to the entity subject to measurements (e.g., equity values of the company) and in relation to which it is not reasonably possible to hypothesise alternative values.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in relation to the degree of observability of the inputs of the valuation techniques adopted. In detail, the following levels are identified:
Level 1: valuations (without adjustments) taken from the active markets of the listings;
Level 2: inputs other than the listed prices as per the previous point, but in any event referring to parameters or prices that can be observed directly or indirectly on the market;
Level 3: inputs that are not based on market observations.
The classification of financial instruments measured at fair value and assets and liabilities not measured at fair value or measured at fair value on a non-current basis is carried out with reference to the aforementioned indications. These parameters are also used for the transfer between the various levels that might become necessary during the year.
There were no transfers between the fair value levels during 2020.

A.4.4 Other information

The Group has not availed itself of the possibility envisaged by IFRS 13, § 48 that makes it possible to “measure the fair value of a group of financial assets and liabilities based on the price that would be received from the sale of a long net position (or rather an asset) for a specific exposure to risk or from a transfer of a short net position (or rather a liability) for a particular exposure to risk in a regular transaction between market operators as of the measurement date, under current market conditions.”

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

(thousands of €)

	Total 31/12/2020			**Total 31/12/2019**		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets 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 measured at fair value	50	-	4,732	-	-	4,566
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**50**	**-**	**4,732**	**-**	**-**	**4,566**
1. Financial liabilities held for trading	-	28	-	-	72	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**28**	**-**	**-**	**72**	**-**

L1 = Level 1
L2 = Level 2
L3 = Level 3

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

(thousands of €)

		Financial assets at fair value through profit or loss				Financial assets at fair value through comprehensive income	Hedging derivatives	Property, plant 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**	**4,566**	**-**	**-**	**4,566**		**-**	**-**	**-**
2.	**Increases**	**251**	**-**	**-**	**251**	**-**	**-**	**-**	**-**
2.1.	Purchases	241	-	-	241	-	-	-	-
2.2.	Profits charged to:	9	-	-	9	-	-	-	-
2.2.1	Income statement	9	-	-	9	-	-	-	-
	- of which gains	9	-	-	9	-	-	-	-
2.2.2.	Shareholders' equity	-	X	X	X	-	-	-	-
2.3	Transfers to other levels	-	-	-	-	-	-	-	-
2.4.	Other increases	-	-	-		-	-	-	-
3.	**Decreases**	**35**	**-**	**-**	**35**	**-**	**-**	**-**	**-**
3.1	Sales	-	-	-	-	-	-	-	-
3.2	Reimbursements	35	-	-	35	-	-	-	-
3.3	Losses charged to:	-	-	-	-	-	-	-	-
3.3.1	Income statement	-	-	-	-	-	-	-	-
	- of which losses	-	-	-		-	-	-	-
3.3.2	Shareholders' Equity	-	X	X	X	-	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-	-	-
3.5	Other decreases	-	-	-	-		-	-	-
4.	**Closing balance**	**4,782**	**-**	**-**	**4,782**	**-**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

There were no amounts in this section.

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

(thousands of €)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/2020				Total 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	6,262,231	-	-	6,262,231	7,523,185	-	-	7,523,185
2. Property, plant and equipment held for investment purposes	1,200	-	1,200	-	1,285	-	1,285	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**6,263,431**	**-**	**1,200**	**6,262,231**	**7,524,470**	**-**	**1,285**	**7,523,185**
1. Financial liabilities measured at amortised cost	5,477,633	-	-	5,477,633	6,652,937	-	-	6,652,937
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**5,477,633**	**-**	**-**	**5,477,633**	**6,652,937**	**-**	**-**	**6,652,937**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 DISCLOSURE ON “DAY ONE PROFIT/LOSS”.

The Company did not carry out any transactions that generated the “day one profit/loss”.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
a) Cash	2	1
b) Demand deposits with Central Banks	-	-
Total	**2**	**1**

The item comprises cash and cash equivalents and revenue stamps at company headquarters.

Section 2 – Financial assets at fair value through profit or loss – Item 20

2.1 Financial assets held for trading: breakdown by product

There were no amounts in this section.

2.2 Derivative financial instruments

There were no amounts in this section.

2.3 Financial assets held for trading: breakdown by debtor/issuer/counterparties

There were no amounts in this section.

2.4 Financial assets designated at fair value: breakdown by product

There were no amounts in this section.

2.5 Financial assets designated at fair value: breakdown by debtor/issuer

There were no amounts in this section.

2.6 Other financial assets mandatorily measured at fair value: breakdown by product

(thousands of €)

Items	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Others debt securities	-	-	-	-	-	-
2. Equity securities	**50**	**-**	**4,541**	**-**	**-**	**4,566**
3. Units of CIUs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**191**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	191	-	-	-
Total	**50**	**-**	**4,732**	**-**	**-**	**4,566**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.7 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euros)

	Total 31/12/2020	Total 31/12/2019
1. Equity instruments	**4,591**	**4,566**
of which: banks	-	-
of which: other financial companies	4,250	4,240
of which: non-financial companies	341	326
2. Debt securities	**-**	**-**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
3. UCI units	**-**	**-**
4. Loans	**191**	**-**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	191	-
e) Household	-	-
Total	**4,782**	**4,566**

Section 3 – Financial assets at fair value through other comprehensive income – Item 30

There were no amounts in this section.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by product of due from banks

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Deposits and current accounts	1,350					1,350	1064					1064
2. Loans	85,860	-	-	-	-	85,860	76,415	20	-	-	-	76,435
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	85,860	-	-	-	-	85,860	76,415	20	-	-	-	76,435
- with recourse	72,801					72,801	60,022					60,022
- without recourse	13,059					13,059	16,393	20				16,413
2.4 Other loans												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. Other assets												
Total	**87,210**	**-**	**-**	**-**	**-**	**87,210**	**77,479**	**20**	**-**	**-**	**-**	**77,499**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of due from financial companies

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3
1. Loans	**55,190**	**-**	**-**	**-**	**-**	**55,190**	**21,087**	**-**	**-**	**-**	**-**	**21,087**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	55,190	-	-	-	-	55,190	21,087	-	-	-	-	21,087
- with recourse	6,721					6,721	6,794					6,794
- without recourse	48,469					48,469	14,293					14,293
1.4 Other loans												
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities												
2.2 other debt securities												
3. Other assets												
Total	**55,190**	**-**	**-**	**-**	**-**	**55,190**	**21,087**	**-**	**-**	**-**	**-**	**21,087**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.3 Financial assets measured at amortised cost: breakdown by product of due from customers

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. **Loans**	6,023,728	96,330	-	-	-	6,120,058	7,298,876	126,083	-	-	-	7,424,959
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	5,681,109	88,002	-	-	-	5,769,111	6,848,567	117,656	-	-	-	6,966,223
- with recourse	530,475	54,510				584,985	755,546	64,074				819,620
- without recourse	5,150,634	33,492				5,184,126	6,093,021	53,582				6,146,603
1.3 Consumer credit												
1.4 Credit cards												
1.5 Loans on pledge												
1.6. Loans granted in relation to the payment services performed												
1.7 Other loans	342,619	8,328				350,947	450,309	8,427				458,736
of which: from enforcement of guarantees and commitments												
2. **Debt securities**	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. **Other assets**												
Total	**6,023,728**	**96,330**	**-**	**-**	**-**	**6,120,058**	**7,298,876**	**126,083**	**-**	**-**	**-**	**7,424,959**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "Financial assets measured at amortised cost" includes deferred income relating to the spreading of revenue, falling within the scope of IFRS 9, in line with the duration of the credit to which they refer.
Deferred income relating to guarantee commissions within the scope of IFRS 9 amounted to EUR 7,513 as at 31 December 2020, while the same item as at 31 December 2019 amounted to EUR 24,059.

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of due from customers

(thousands of €)

Breakdown	Total 31/12/2020			Total 31/12/2019		
	First and second level	Third level	of which: impaired financial assets purchased or originated	First and second level	Third level	of which: impaired financial assets purchased or originated
1. Debt securities	-	-	-	-	-	-
a) Public Administration						
b) Other financial companies						
2. Loans to:	6,023,728	96,330	-	7,298,876	126,083	-
a) Public Administration	735,391	19,703		931,261	34,972	
b) Other financial companies	5,181,828	75,056		6,222,947	88,910	
c) Households	106,509	1,571		144,668	2,201	
3. Other assets						
Total	**6,023,728**	**96,330**	**-**	**7,298,876**	**126,083**	**-**

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

(thousands of €)

	Gross value				Value adjustments			Overall partial write-off *
	First level	*of which: instruments with low credit risk*	Second stage	Third stage	First level	Second level	Third level	
Debt securities								
Loans	5,572,266		603,477	357,423	6,248	3,367	261,093	
Other assets								
Total 2020	**5,572,266**	**-**	**603,477**	**357,423**	**6,248**	**3,367**	**261,093**	-
Total 2019	**6,489,013**	**-**	**919,815**	**410,494**	**6,933**	**4,812**	**284,392**	-
of which: impaired financial assets purchased or originated	X	X			X			

4.5a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

(thousands of €)

	Gross value				Total value adjustments			Overall partial write-offs*
	First stage	*of which: Low credit risk instruments*	Second stage	Third stage	First stage	Second stage	Third stage	
Financing granted in accordance with the GL								
Loans granted under other concession measures	1,795		1,173	6,551	(5)	(1)	(1,447)	
New loans								
Total 2020	**1,795**	**-**	**1,173**	**6,551**	**(5)**	**(1)**	**(1,447)**	**-**
Total 2019								

* Value to be displayed for information purposes

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Due from banks		Due from financial companies		Due from customers		Due from banks		Due from financial companies		Due from customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:	65,833	65,833	-	-	1,739,112	1,735,556	59,636	59,635	-	-	2,458,423	2,098,115
- Leased assets												
- Factoring receivables	65,833	65,833			583,805	580,556	59,636	59,635	-	-	942,482	852,767
- Mortgages												
- Pledges												
- Unsecured guarantees					1,155,307	1,155,000					1,515,941	1,245,348
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	182,352	51,585	-	-	-	-	72,700	67,455
- Leased assets												
- Factoring receivables					133,260	41,633					72,328	67,206
- Mortgages												
- Pledges												
- Unsecured guarantees					49,092	9,952					372	249
- Derivatives on receivables												
Total	**65,833**	**65,833**	**-**	**-**	**1,921,464**	**1,787,141**	**59,636**	**59,635**	**-**	**-**	**2,531,123**	**2,165,570**

VE = book value of exposures
VG = fair value of the guarantees

Section 5 – Hedging derivatives – Item 50

There were no amounts in this section.

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Section 6 – Change in fair value of portfolio hedged assets – Item 60

There were no amounts in this section.

Section 7 – Equity investments – Item 70

There were no amounts in this section.

Section 8 – Property, plant and equipment – Item 80

8.1 Property, plant and equipment for business use: breakdown of assets measured at cost

(thousands of euros)

Activities/Values		Total 31/12/2020	Total 31/12/2019
1.	**Owned assets**	**383**	**374**
a)	land		
b)	buildings		
c)	furniture	8	15
d)	electronic equipment	375	359
e)	other		
2.	**Rights of use acquired through leasing**	**1,105**	**2,247**
a)	land	-	-
b)	buildings	1,105	2,247
c)	furniture	-	-
d)	electronic equipment	-	-
e)	other	-	-
	Total	**1,488**	**2,621**
	of which: obtained through enforcement of guarantees received	-	-

8.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

(thousands of euros)

Activities/Values		Total 31/12/2020				Total 31/12/2019			
		Balance sheet value	Fair Value			Balance sheet value	Fair Value		
			L1	L2	L3		L1	L2	L3
1.	**Owned assets**	**1,200**	**-**	**1,200**	**-**	**1,286**	**-**	**1,286**	**-**
a)	land		-		-				-
b)	buildings	1,200	_	1,200	-	1,286	-	1,286	-
2.	**Rights of use acquired through leasing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	land	-	-	-	-	-	-	-	-
b)	buildings	-	-	-	-	-	-	-	-
	Total	**1,200**	**-**	**1,200**	**-**	**1,286**	**-**	**1,286**	**-**
	of which: obtained through enforcement of guarantees received	-	-	-	-	-	-	-	-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Assets held for investment" are represented by the leased portion of the building in Rome, via Vittorio Veneto 7.

8.3 Property, plant and equipment for business use: breakdown of revalued assets

There were no amounts in this section.

8.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

There were no amounts in this section.

8.5 Inventories of property, plant and equipment regulated by IAS 2: breakdown

There were no amounts in this section.

8.6 Property, plant and equipment for business use: changes during the year

(thousands of euros)

		Land	Buildings	Furniture	Electronic systems	Others	Total
A.	**Gross opening balances**		**2,902**	**1,756**	**2,389**		**7,047**
	A.1 Total net impairments	-	(655)	(1,741)	(2,030)		**(4,426)**
	A.2 **Net opening balances**	**-**	**2,247**	**15**	**359**	**-**	**2,621**
	Abis. First-time adoption of IFRS 16						
B.	Increases	**-**	**2,843**	**2**	**238**		**3,083**
	B.1 Purchases		1,105		238		**1,343**
	B.2 Capitalised improvement expenditure						**-**
	B.3 Write-backs						**-**
	B.4 Positive changes in fair value charged to :	-					**-**
	a) equity						**-**
	b) income statement						**-**
	B.5 Exchange gains						**-**
	B.6 Transfers from property held for investment purposes			X	X	X	**-**
	B.7 Other changes		1,738	2	-		**1,740**
C.	**Decreases**	**-**	**3,985**	**9**	**222**	**-**	**4,216**
	C.1 Sales			2	1		**3**
	C.2 Depreciation		1,083	7	221		**1,311**
	C.3 Impairment losses charged to:	**-**	**-**	**-**	**-**	**-**	**-**
	a) equity						**-**
	b) income statement						**-**
	C.4 Negative changes in fair value charged to:	**-**	**-**	**-**	**-**	**-**	**-**
	a) equity						**-**
	b) income statement						**-**
	C.5 Negative exchange differences						**-**
	C.6 Transfers to:	**-**	**-**	**-**	**-**	**-**	**-**
	a) tangible assets held for investment purposes			X	X	X	**-**
	b) non-current assets and disposal groups held for sale						**-**
	C.7 Other changes		2,902				**2,902**
D.	**Net closing balance**	**-**	**1,105**	**8**	**375**	**-**	**1,488**
	D.1 Total net impairments	-	-	(1,746)	(2,252)	-	(3,998)
	D.2 **Gross closing balance**	**-**	**1,105**	**1,754**	**2,626**	**-**	**5,485**
E.	Valuation at cost	**-**	**1,105**	**8**	**375**	**-**	**1,488**

The property, plant and equipment for business use are all measured at cost.

A table showing the rights of use acquired in the lease of property, plant and equipment is shown below.

(thousands of euros)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**2,902**				**2,902**
A.1 Total net impairments		(655)				(655)
A.2 **Net opening balances**		**2,247**				**2,247**
Abis. First-time adoption of IFRS 16						
B. Increases	**-**	**2,843**				**2,843**
B.1 Purchases		1,105				**1,105**
B.2 Capitalised improvement expenditure						**-**
B.3 Write-backs						**-**
B.4 Positive changes in fair value charged to :	-					**-**
a) equity						**-**
b) income statement						**-**
B.5 Exchange gains						**-**
B.6 Transfers from property held for investment purposes			X	X	X	**-**
B.7 Other changes		1,738				**1,738**
C. Decreases	**-**	**3,985**			**-**	**3,985**
C.1 Sales						**-**
C.2 Depreciation		1,083				**1,083**
C.3 Impairment losses charged to:	**-**	**-**	**-**	**-**	**-**	**-**
a) equity						**-**
b) income statement						**-**
C.4 Negative changes in fair value charged to:	**-**	**-**	**-**	**-**	**-**	**-**
a) equity						**-**
b) income statement						**-**
C.5 Negative exchange differences						**-**
C.6 Transfers to:	**-**	**-**	**-**	**-**	**-**	**-**
a) tangible assets held for investment purposes			X	X	X	**-**
b) non-current assets and disposal groups held for sale						**-**
C.7 Other changes		2,902				**2,902**
D. Net closing balance	**-**	**1,105**	**-**	**-**	**-**	**1,105**
D.1 Total net impairments	-	0	0	0	-	0
D.2 **Gross closing balance**	**-**	**1,105**	**-**	**-**	**-**	**1,105**
E. Valuation at cost	**-**	**1,105**	**-**	**-**	**-**	**1,105**

The rights of use acquired in a finance lease refer to the lease contracts of the properties located in Via Deruta, Milan, which are used by the company as work premises. The contracts are signed with the company BNL Spa.

8.7 Property, plant and equipment held for investment: changes during the year

(thousands of euros)

		Total	
		Land	Buildings
A.	**Opening balances**		**1,286**
B.	**Increases**	**-**	**6**
B.1	Purchases		6
B.2	Capitalised improvement expenses		
B.3	Net positive fair value changes		
B.4	Reversals of impairment losses		
B.5	Positive exchange rate differences		
B.6	Transfers from operating properties		
B.7	Other changes		
C.	**Decreases**	**-**	**92**
C.1	Sales		
C.2	Depreciation		92
C.3	Negative changes in fair value		
C.4	Impairment losses		
C.5	Exchange rate losses		
C.6	Transfers to:		
	(a) operating properties		
	b) non-current assets and disposal groups held for sale		
C.7	Other changes		
D	**Closing balance**	**-**	**1,200**
E.	Measurement at fair value		**1,200**

The property, plant and equipment held for investment are all measured at cost.
The value of the land for the property located in Rome (Via V. Veneto) has not been spun-off, since Ifitalia does not own the entire building.

8.7.1 Property, plant and equipment held for investment for rights of use acquired: changes during the year

There were no amounts in this section.

8.8 Inventories of property, plant and equipment regulated by IAS 2: changes during the year

There were no amounts in this section.

8.9 Commitments to purchase property, plant and equipment

There were no amounts in this section.

Property, plant and equipment: depreciation

Category	Depreciation percentage
Land	no depreciation
Buildings	from 1.25% a 10%
Furniture	12%
IT equipment	from 11.11% to 33.33%
Other	from 14.29% to 25%
Other : works of art	no depreciation

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

(thousands of euros)

Items/Valuation	Total 31/12/2020		Total 31/12/2019	
	Assets carried at cost	Assets carried at fair value	Assets carried at cost	Assets carried at fair value
1. Start				
2. Other intangible assets				
2.1 owned	**10,707**	**-**	**11,264**	**-**
-internally generated	1,954		1,879	
- other	8,753		9,385	
2.2 rights of use acquired under leases				
Total 2	**10,707**	-	**11,264**	-
3. Assets related to financial leasing:				
3.1 unexercised assets				
3.2 assets withdrawn as a result of termination				
3.3 other assets				
Total 3	**-**	-	**-**	-
Total (1+2+3)	**10,707**	**-**	**11,264**	**-**
Total 31/12/2019	**10,707**	**-**	**11,264**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,954 thousand.

The intangible fixed assets also include “software licenses” for EUR 1,540 thousand (EUR 1,689 thousand in 2019) and “software development” for EUR 7,213 thousand (EUR 7,696 thousand in 2019).

9.2 Intangible assets: changes during the year

(thousands of euros)

		Total
A.	**Opening balances**	**11,264**
B.	**Increases**	**3,084**
	B.1 Purchases	3,084
	B.2 Reversals of impairment losses	
	B.3 Positive changes in fair value	-
	- to equity	
	- in income statement	
	B.4 Other changes	
C.	**Decreases**	**3,641**
	C.1 Sales	
	C.2 Depreciation	3,641
	C.3 Value adjustments	-
	- to equity	
	- in income statement	
	C.4 Negative changes in fair value	-
	- in equity	
	- in income statement	
	C.5 Other changes	
D.	**Net closing balance**	**10,707**

KEY
DEF: with definite life
INDEF: with indefinite life

The purchases during the year, amounting to EUR 3,084 thousand, refer to capitalisations of IT costs, of which EUR 804 thousand (670 thousand in 2019) referring to capitalisation of internal effort.

9.3 Intangible assets: other information

There were no amounts in this section.

Value adjustments to intangible assets: amortisation

Category	amortisation percentage
Software	from 12.5% to 33.3%
Costs of conversion	12.5%
Cost of implementation	33.3%
Costs for regulatory constraints	directly charged to the income statement

Section 10 – Tax assets and tax liabilities - Asset item 100 and liability item 60

10.1 Tax assets: current and deferred: breakdown

(thousands of €)

	31/12/2020				31/12/2019			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	18,630	4,405	- 57	22,978	11,113	2,703	12	13,828
- Amounts withheld	3			3	4			4
- Tax credits pending rebate by the tax authorities	1,078			1,078	1,078			1,078
	19,711	**4,405**	**- 57**	**24,059**	**12,195**	**2,703**	**12**	**14,910**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	33,987	4,360		38,347	39,173	5,007		44,180
- Provisions for risks and charges	4,263	76		4,339	2,864	76		2,940
- Other	390			390	385			385
	38,640	**4,436**	**-**	**43,076**	**42,422**	**5,083**	**-**	**47,505**
Total	**58,351**	**8,841**	**- 57**	**67,135**	**54,617**	**7,786**	**12**	**62,415**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2020			31/12/2019		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	6,148	2,085	8,233	18,642	4,414	23,056
	6,148	**2,085**	**8,233**	**18,642**	**4,414**	**23,056**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets			-			-
- Capital Gain on participations	44	198	242	44	198	242
- Others	308		308	291		291
	352	**198**	**550**	**335**	**198**	**533**
Total	**6,500**	**2,283**	**8,783**	**18,977**	**4,612**	**23,589**

10.3 Change in deferred tax assets (matching balance in income statement)

(thousands of €)

1. Opening balance	**47,120**	**48,576**
2. Increases	**2,254**	**963**
2.1 Deferred tax assets recognized during the year	2,253	963
a) related to previous years		380
b) due to change in accounting policies		
c) write-backs		
d) other	2,253	583
2.2 New taxes or increases in tax rates		
2.3 Other increases	1	
3. Decreases	**6,688**	**2,419**
3.1 Deferred tax assets eliminated during the year	6,688	2,419
a) reversals	6,688	2,419
b) written down as now considered irrecoverable		
c) change in accounting policies		
d) other		
3.2 Reductions in tax rates		
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law 214/2011		
b) other	-	-
4. Closing balance	**42,686**	**47,120**

Deferred tax assets have been recorded in the financial statements based on the assumption that taxable income will be generated against which the deductible timing differences can be used.
The increase of EUR 2,254 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 6,688 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 5,833 thousand) and the use of provisions for risk and charges (EUR 855 thousand).

10.3.1 Change in deferred tax assets pursuant to Law 214/2011 (matching balance in income statement)

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**34,478**	**34,478**
2. Increases		
3. Decreases	**4,756**	**-**
3.1 Amounts reversed	4,756	
3.2 Transformation into tax credits	-	-
a) from losses for the year		
b) from tax losses		
3.3 Other decreases	-	-
4. Closing balance	**29,722**	**34,478**

10.4 Changes in deferred tax liabilities (matching balance in income statement)

(thousands of €)

		Total 31/12/2020	Total 31/12/2019
1.	**Opening balances**	**533**	**2,393**
2.	**Increases**	**17**	**5**
2.1	Deferred taxes recognized during the year	17	5
	a) related to previous years		
	b) due to change in accounting policies		
	c) other	17	5
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**	**-**	**1,865**
3.1	Deferred tax liabilities eliminated during the year	-	1,865
	a) reversals		1,860
	b) due to change in accounting policies		
	c) other		5
3.2	Reductions in tax rates		
3.3	Other decreases		
4.	**Closing balance**	**550**	**533**

10.5 Changes in deferred tax assets (matching balance under equity)

(thousands of €)

		Total 31/12/2020	Total 31/12/2019
1.	**Opening balance**	**385**	**345**
2.	**Increases**	**5**	**40**
2.1	Deferred tax assets recognized during the year	5	40
	a) related to previous years		
	b) due to changes in accounting policies		
	c) other	5	40
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**	-	
3.1	Deferred tax assets eliminated during the year	-	
	a) reversals		
	b) written down as now considered irrecoverable		
	c) due to changes in accounting policies		
	d) other		
3.2	Reductions in tax rates		
3.3	Other decreases		
4.	**Closing balance**	**390**	**385**

10.6 Changes in deferred tax liabilities (matching balance under equity)

There were no amounts in this section.

Section 11 – Non-current assets and disposal groups held for sale and associated liabilities – Asset item 110 and liability item 70

There were no amounts in this section.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

(thousand of €)

	31/12/2020	31/12/2019
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	7	22
Items in transit	145	178
Securities credited to customers subject to collection services awaiting collection from the bank	39,134	47,698
Other amounts receivable	28,348	8,673
Total	**67,637**	**56,574**

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of payables

(thousands of €)

Items	Total 31/12/2020			Total 31/12/2019		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Loans	4,652,773	-	675	5,790,566	401	-
1.1. Reverse repurchase agreements						
1.2 other	4,652,773	-	675	5,790,566	401	
2. Leasing payables	1,105			2,323		
3. Other payables	262,316	1,167	353,109	267,163	1,366	305,010
Total	**4,916,194**	**1,167**	**353,784**	**6,060,052**	**1,767**	**305,010**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	4,916,194	1,167	353,784	6,060,052	1,767	305,010
Total fair value	4,916,194	1,167	353,784	6,060,052	1,767	305,010

1.2 Financial liabilities measured at amortised cost: breakdown by product of securities issued

(thousands of €)

Type of securities/values	Total 31/12/2020				Total 31/12/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 structured								
1.2 other								
2. other securities	**206,488**	-	-	**206,488**	**286,108**	-	-	**286,108**
2.1 structured								
2.2 other	206,488			206,488	286,108			286,108
Total	**206,488**	-	-	**206,488**	**286,108**	-	-	**286,108**

The table shows the securities issued as part of the securitisation transactions, limited to the part not financed by Ifitalia (see part D section 2).

1.3 Subordinated payables and securities

There were no amounts in this section.

1.4 Structured securities

There were no amounts in this section.

1.5 Lease payables

Cash outflows for leases are shown in the table below.

					(thousands of €)
	Maturity bands for leasing cash flows				
	within 1 month	from 1 month to 6 months	from six months to one year	from 1 year to 2 years	Total
Leasing debts		184	368	369	921
Total	**-**	**184**	**368**	**369**	**921**

The duration of the payables derives from the term of the lease contracts for the premises in Via Deruta, which are likely to expire early on 30 June 2022 due to the relocation of the offices to another building. Given the limited term of this financial liability, no specific hedging has been activated.

Section 2 – Financial liabilities held for trading – Item 20
2.1 Financial liabilities held for trading: breakdown by product

(thousands of €)

Liabilities	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Deposits										
2. Debt securities	-	-	-	-	-	-	-	-	-	-
2.1 Bonds	-	-	-	-	-	-	-	-	-	-
2.1.1 Structured					X					X
2.1.2 Other bonds					X					X
2.2 Other securities	-	-	-	-	-	-	-	-	-	-
2.2.1 Structured					X					X
2.2.2 Other					X					X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	-	28	-	-	-	-	72	-
1.1 Trading	X			28	X	X			72	X
1.2 Fair value option	X				X	X				X
1.3 Other	X				X	X				X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X				X	X				X
2.2 Fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	X	-	-	28	X	X	-	-	72	X
Total (A + B)	X	-	-	28	X	X	-	-	72	X

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3
NV = Nominal/notional value
FV* = Fair value calculated excluding the changes on variation of the creditworthiness of the issuer with respect to the issue date

2.2 Breakdown of financial liabilities held for trading: subordinated liabilities

There were no amounts in this section.

2.3 Breakdown of financial liabilities held for trading: structured securities

There were no amounts in this section.

2.4 Breakdown of financial liabilities held for trading: derivative financial instruments

(thousands of €)

Underlying assets/Derivatives Type	Total 2020				Total 2019			
	Over the counter			Organised Markets	Over the counter			Organised Markets
	Central counterparts	without central counterparts			Central counterparts	without central counterparts		
		with compensatory agreements	without compensatory agreements			with compensatory agreements	without compensatory agreements	
1. Debt securities and interest rates								
- Notional value			773		-	-	1,319	-
- Fair value			28		-	-	72	-
2. Equity securities and equity indices								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
3. Currencies and gold								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
4. Receivables								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
5. Goods								
- Notional value					-	-	-	-
- Fair value					-	-	-	-
6. Other								
- Notional value					-	-	-	-
- Fair value					-	-		-
Total	-	-	28	-	-	-	72	-

Section 3 – Financial liabilities designated at fair value – Item 30

There were no amounts in this section.

Section 4 – Hedging derivatives – Item 40

There were no amounts in this section.

Section 5 – Change in fair value of portfolio hedged items – Item 50

There were no amounts in this section.

Section 6 – Tax liabilities – Item 60

See section 10 under assets

Section 7 – Liabilities associated with discontinued operations – Item 70

See section 11 under assets

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(thousands of €)

DESCRIPTION	Total 31/12/2020	Total 31/12/2019
Collections being registered	76,257	104,035
Amounts due to employees	1,328	1,811
Amounts due to the tax authorities	692	642
Amounts due to social security and welfare institutions	1,343	1,238
Payables and invoices to be received from suppliers and professionals	15,485	20,152
Liabilities due to transferors	5,074	5,853
Other payables	4,220	4,444
Advances from customers	15,580	71,388
Residual holiday entitlement fund	486	473
Total	**120,465**	**210,036**

The decrease in the item Advances from customers is related to a customer receivable position as at 31 December 2019 amounting to EUR 46 million which was no longer present as at 31 December 2020.

Section 9 − Employee termination benefits − Item 90

9.1 “Employee termination benefits”: changes during the year

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
A. Opening balance	**4,699**	**4,073**
B. Increases	**88**	**1,445**
B.1 Provision for the year	4	51
B.2 Other changes	84	1,394
C. Decreases	**691**	**819**
C.1 Liquidations	678	427
C.2 Other changes	13	392
D. Closing balance	**4,096**	**4,699**

(*) The provision for employment termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,703,904 and represents the effective obligation towards employees. The allocation for the year is EUR 65,275.

9.2 Other information

9.2.1 Description of the provision and related risks

Employee termination benefits, disbursed by the employer to the employee when the employment relationship terminates, are one of the worker’s rights regulated by Article 2120 of the Italian Civil Code and by Italian Laws no. 297/1982 and 296/2006. The provision has been recorded as a benefit subsequent to the employment relationship with defined benefits.

The related liability is recorded in financial statements based on the amount to be paid to each employee and is valued using the actuarial method as a "defined benefit obligation", taking into account future due dates when the financial disbursement will actually occur.
More specifically, Italian Law No. 296/2006 (2007 Budget Act) essentially states that the portion of employee termination benefits:
- accrued through the beginning of 2007 will remain in-house and must be disbursed to employees in accordance with statutory regulations, creating a liability to be recorded in the financial statements;
- accrued from the beginning of 2007 must, according to the employee's choice: a) be transferred to supplementary welfare funds; or b) be transferred to the INPS Treasury Fund.

Therefore, the amount recorded under the item "Employee termination benefits" refers solely to the defined benefit obligations connected with the benefits accrued up to a specific date within the first half of 2007 that is different for every employee, valued by an independent actuary without applying the "pro-rata" of the service supplied. As a result, costs relating to future work provided are not considered for valuation purposes.
The current method for calculating employee termination benefits starts from the detailed situation, at the moment of entry, of each worker and envisages each year, for each individual worker up until his/her departure, the development of the provision due to:
1. the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
2. for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9.2.2 Changes during the year of net defined benefit liabilities (assets) and reimbursement rights

The change in the provision for employee termination benefits is shown in Section 9 "Employee termination benefits – Item 90 – table 9.1 "Employee termination benefits: changes during the year". The allocation for the year represents the change due to the passage of time and is equivalent to EUR 4 thousand.
The social security cost related to employment benefits, as illustrated above, is not set aside, but recorded directly in the income statement following the supplementary welfare reform, which provides for the allocation of accrued employee termination benefits to supplementary funds or the INPS Treasury Fund (Legislative Decree no. 252/2005 and Law no. 296/2006). The allocation for the year is recorded in the income statement under personnel costs.

9.2.3 Information on the fair value of assets serving the plan

Employee termination benefits are fully paid by the Company and there are no assets serving the plan.

9.2.4 Description of the principal actuarial assumptions

The liability recognised in the balance sheet is equal to the present value of the defined benefit obligations accrued as at 31 December 2020 estimated by an independent actuary.
The benefits owed by the Company were estimated based on developmental assumptions for the population of relevant personnel (forecast of length of employment with company, probability of early disbursements), in addition to the use of appropriate demographic and economic financial bases (mortality tables, monetary inflation). For 2020, the following parameters were used: discount rate of 1.5%; inflation rate of 1.3%; 2% salary increase; estimated employment duration of 10 years.

Section 10 – Provisions for risks and charges − Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
1. Provisions for credit risk relating to commitments and guarantees issued	1,907	1,613
2. Provisions on other commitments and other guarantees issued		-
3. Post retirement benefit obligations		-
4. Other provisions for risks and charges	11,069	6,936
4.1 legal and tax disputes	8,635	4,508
4.2 personnel expenses	2,434	2,428
4.3 other		-
Total	**12,976**	**8,549**

10.2 Provisions for risks and charges: changes during the year

(thousands of €)

		Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A.	**Opening balance**	-	-	6,936	6,936
B.	**Increases**	-	-	7,097	7,097
B.1	Provision for the year			7,097	7,097
B.2	Changes due to the passing of time				-
B.3	Changes due to the changes in the discount rate				-
B.4	Other changes				-
C.	**Decreases**	-	-	2,964	2,964
C.1	Utilisations for the year			2,964	2,964
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	-	-	11,069	11,069

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

(thousands of €)

	Provisions for credit risk relating to commitments and guarantees issued			
	First level	Second level	Third Level	Total
1. Commitments to disburse funds				-
2. Financial guarantees issued	460	211	1236	**1,907**
Total	**460**	**211**	**1,236**	**1,907**

10.4 Provisions on other commitments and other guarantees given

There were no amounts in this section.

10.5 Defined benefit in-house pension funds

There were no amounts in this section.

10.6 Provisions for risks and charges - other provisions

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
Personnel provisions:		
- redundancy incentive		-
- other employee benefits	2,434	2,428
Total	**2,434**	**2,428**

Provisions for employee benefits, referred to as "other employee benefits", represent the provisions that the Company has recorded in the financial statements in relation to employee incentive plans.
These plans are related to the achievement of results both at company level and at the level of the individual employee, therefore the related provisions reflect the estimate that management has prepared on the basis of the company's strategic objectives for the year 2020.

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

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		Total 31/12/2020	Total 31/12/2019
110.	Share capital	55,900	55,900
140.	Share premium	61,799	61,799
150.	Reserves	645,696	595,117
	a) income reserves	646,854	596,275
	b) other reserves	- 1,158	- 1,158
160.	Valuation reserves	- 1,027	- 1,015
180	*Profit (loss) for the year*	29,049	50,580
	Total shareholders' equity	**791,417**	**762,379**

11.1 Share Capital: breakdown

(thousands of €)

Type	Amount
1. Share capital	
1.1 Ordinary shares	55,900
1.2 Other shares	-

The share capital amounts to EUR 55,900 thousand and is made up of 55,900,000 shares with a par value of EUR 1 each. The ordinary shares totalling 55,900,000 have been fully subscribed and paid up.

11.2 Treasury shares: breakdown

There were no amounts in this section.

11.3 Equity instruments: breakdown

There were no amounts in this section.

11.4 Share premium: breakdown

(thousands of €)

Type	Amount
Share premium	
Share premium from ordinary shares	61,799

The share premium has not changed with respect to 31 December 2019.

11.5 Other information

Breakdown and changes in Reserves

(thousands of €)

	Legal reserve	Statutory reserve	Other	Total
A. Opening balance	**11,180**	**584,238**	**(301)**	**595,117**
B. Increases	**-**	**50,580**	**-**	**50,580**
B.1 Allocations of profits		50,580	-	50,580
B.2 Other changes				-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Utilisations	-	-	-	-
hedging of losses				-
distribution				-
transfer to capital				-
C.1 Other changes				-
D. Closing balance	**11,180**	**634,818**	**(301)**	**645,696**

The increase in the Statutory Reserve of EUR 50,580 thousand is due to the allocation of the 2019 profit.

Breakdown and changes in Valuation Reserves

(thousands of €)

	Financial assets at fair value through other comprehensive income	Tangible assets	Intangible assets	Hedging of financial flows	Special revaluation laws	Financial liabilities at fair value with an impact on income statement (changes of creditworthiness)	Other	Total
A. Opening balances	-	-	-	-		-	(1,015)	(1,015)
B. Increases	-	-	-	-	-	-	-	-
B.1 Positive fair value changes								-
B.2 Other increases								-
C. Decreases	-	-	-	-	-	-	12	12
C.1 Negative fair value changes								-
C.1 Other decreases							12	12
D. Closing balances	-	-	-	-	-	-	(1,027)	(1,027)

With regards to the provisions of Article 2427 no. 7-bis of the Italian Civil Code, the following table provides an analytical breakdown of equity items by origin, potential use and distributable nature.
No use was made in the last three years.

(thousands of €)

Ifitalia S.p.A. - Financial Statements as at 31 December 2020				
	Amount	**Potential use**		**Amount available**
Capital stock	55,900		-	-
Capital reserve:				
Share premium reserve	61,799	A-B-C		61,799
Profit reserve:				
Legal reserve	11,180	B		
Statutory reserve	635,674	A-B-C		635,674
Other reserves:				
Stock options/Dspp/Freeshare reserve	102	A-B-C		102
Fta and Goodwill reserve	(8,159)	A-B-C		(8,159)
Merger surplus	1,029	A-B-C		1,029
Property revaluation reserve	5,870	A-B-C		5,870
Revaluation reserve	(1,027)	-	(1)	-
Profit for the year	29,049	A-B-C		29,049
Total	**791,417**		**-**	**725,364**
Non-distributable share	**66,053**			
Minority interests	**10**			
Residual distributable share	**725,374**			**725,364**

Key:
A: share capital increase
B: coverage of losses
C: distributable to shareholders
(1) As provided for by art. 6 of Legislative Decree no. 38 of 28 February 2005, the valuation reserves formed in accordance with
be distributed and are unavailable for allocation to capital, coverage of losses and the uses provided for by
articles 2350 third section, 2357 first section, 2358 third section, 2359-bis first section, 2342,2478-bis fourth section of the Italian

Section 12 – Minority interests

12.1 Breakdown of item 180 “Minority interests”

(thousands of €)

Items/value	Total 2020	Total 2019
1. Capital	10	10
2. Own shares		
3. Equity instruments		
4. Additional paid-in capital		
5. Reserves		
6. Valuation reserves		
7. Profit (loss) for the year		
Total	10	10

Other information

1. Commitments and financial guarantees given (other than those designated at fair value)

(thousand of €)

	Notional value on commitments and financial guarantees issued			Total 31/12/2020	Total 31/12/2019
	First stage	Second stage	Third stage		
1. Commitments to disburse funds	**198,863**	**67,484**	**419**	**266,766**	**181,880**
a) Public Administrations	7,561	34,540	-	42,101	
b) Banks	733	-	-	733	
c) Other financial institutions				-	
d) Non-financial institutions	190,550	32,944	419	223,913	181,880
e) Families	19	-	-	19	
2. Financial guarantees issued	**86,594**	**4,437**	**3,390**	**94,421**	**118,931**
a) Public Administrations	3	-	-	3	6
b) Banks	3,419	-	-	3,419	4,716
c) Other financial institutions				-	-
d) Non-financial institutions	80,900	4,115	3,377	88,392	111,420
e) Families	2,272	322	13	2,607	2,789

2. Other commitments and other guarantees given

There were no amounts in this section.

3. Financial assets subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

4. Financial liabilities subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

(thousands of €)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial assets 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 measured at fair value				-	-
2. Financial assets at fair value through other comprehensive income:			X	-	-
3. Financial assets measured at amortised cost:	-	**56,978**	**-**	**56,978**	**67,532**
3.1 Loans to banks		285	X	285	536
3.2 Loans to financial companies		1,535	X	1,535	3,490
3.3 Loans to customers		55,158	X	55,158	63,506
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**10,484**	**10,098**
Total	**-**	**56,978**	**-**	**67,462**	**77,630**
of which: interest income on impaired financial assets		4,392		4,392	3,575
of which: interest income on leasing					-

1.2 Interest and similar income: other information

The interest in item “Financial assets measured at amortised cost” essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.
Interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2020, this item amounted to EUR 10,484 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 3,845 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of €)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial liabilities measured at amortised cost:	4,107	-	-	4,107	7,150
1.1 Deposits from banks	2,528	X	X	2,528	5,063
1.2 Deposits from financial companies	1,579	X	X	1,579	2,087
1.3 Deposits from customers		X	X	-	-
1.4 Securities issued	X		X	-	-
2. Financial liabilities held for trading				-	-
3. Financial liabilities designated at fair value				-	-
4. Other liabilities	X	X		-	-
5. Hedging derivatives	X	X		-	-
6. Financial assets	X	X	X	-	-
Total	**4,107**	**-**	**-**	**4,107**	**7,150**
of which: interest expense related to leasing debts	*5*			*5*	*4*

1.4 Interest and similar expense: other information

Interest paid to banks consists of interest paid on funding received.
Interest paid to financial businesses is related to securitisation activities.

1.4.1 Interest expense on foreign currency liabilities

Interest expense on foreign currency liabilities amounted to EUR 2,064 thousand and refers mainly to foreign currency funding transactions.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

(thousands of €)

Types of service/Amounts	Total 31/12/2020	Total 31/12/2019
a) financial lease transactions	-	-
b) factoring transactions	49,168	55,299
c) consumer credit	-	-
d) guarantees given	-	-
e) services:	-	-
- fund management for third parties	-	-
- exchange brokerage	-	-
- distribution of products	-	-
- other	-	-
f) collection and payment services	-	-
g) servicing in securitisation transactions	-	-
h) other commission	-	-
Total	49,168	55,299

2.2 Fee and commission expense: breakdown

(thousands of €)

Detail/Sectors	Total 31/12/2020	Total 31/12/2019
a) guarantees received	1,079	882
b) distribution of services to third parties		
c) collection and payment services	641	645
d) other commissions of brokerage	10,602	11,061
Total	**12,322**	**12,588**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of €)

Items/Income	Total 31/12/2020		Total 31/12/2019	
	Dividends	Similar Income	Dividends	Similar Income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value	90		38	
C. Financial assets at fair value through other comprehensive income				
D. Equity investments				
Total	**90**	**-**	**38**	**-**

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

(thousands of €)

Transactions/Income components	Capital gains (A)	Profit on trade (B)	Capital losses (C)	Loss on trade (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					-
1.2 Equity instruments					-
1.3 UCI units					-
1.4 Loans					-
1.5 Other					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities					-
2.2 Deposits					-
2.3 Other					-
3. Financial assets and liabilities: exchange differences	X	X	X	X	(26)
4. Derivative instruments	**44**	**-**	**-**	**-**	**44**
4.1 Financial derivatives	44				44
4.2 Credit derivatives					-
of which: natural hedging related to the fair value option	X	X	X	X	
Total	**44**	**-**	**-**	**-**	**18**

Section 5 – Net result from hedging – Item 90

There were no amounts in this section.

Section 6 – Profit (loss) from disposal or repurchase – Item 100

There were no amounts in this section.

Section 7 – Net result of other financial assets and liabilities at fair value through profit or loss – Item 110

7.1 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

There were no amounts in this section.

7.2 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

(thousands of €)

Transactions/Income components	Capital Gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	**Net Result [(A+B) − (C+D)]**
1. Financial assets	**9**	**-**	**-**	**-**	**9**
1.1 Debt securities					**-**
1.2 Equity instruments	9				**9**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	9	-	-	-	9

Section 8 – Net value adjustments/write-backs for credit risk – Item 130

8.1 Net value adjustments/write-backs for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of €)

Transactions/Income components	Value adjustments (1)			Writebacks (2)		Total	Total
	First and second level	Third level		First and second level	Third level	31/12/2020	31/12/2019
		Write-off	Other				
1. Loans to banks	(3)	-	-	-	-	(3)	135
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- other loans						-	-
Other loans	(3)	-	-	-	-	(3)	135
- for leasing						-	-
- for factoring	(3)	-	-		-	(3)	135
- other loans	-	-	-	-	-	-	-
2. Loans to financial companies	-	-	-	43	8	51	**(138)**
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- other loans						-	-
Other loans	-	-	-	43	8	51	(138)
- for leasing						-	-
- for factoring			-	43	8	51	(138)
- other loans	-	-	-	-	-	-	-
3. Loans to consumers	-	(1,593)	(18,936)	2,068	10,491	(7,970)	**(12,335)**
impaired loans acquired or originated	-	-	-	-	-	-	-
- for leasing						-	-
- for factoring						-	-
- for consumer credit						-	-
- other loans						-	-
Other loans	-	(1,593)	(18,936)	2,068	10,491	(7,970)	(12,335)
- for leasing						-	-
- for factoring		(1,593)	(18,936)	2,068	10,491	(7,970)	(12,335)
- for consumer credit						-	-
- loans on pledge						-	-
- other loans	-	-	-	-	-	-	-
Total	(3)	(1,593)	(18,936)	2,111	10,499	(7,922)	(12,338)

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

(thousands of €)

Transactions/Income components	Net value adjustments			Total	Total
	First and second stage	Third stage		31/12/2020	31/12/2019
		Write-off	Others		
Financing granted in accordance with the GL				-	
Loans granted under other concession measures	(6)		(1,394)	(1,400)	
New loans	-				
Total 2020	**(6)**	**-**	**(1,394)**	**(1,400)**	
Total 2019					

8.2 Net value adjustments/write-backs for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

There were no amounts in this section.

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8.2.a Net value adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

There were no amounts in this section.

Section 9 – Gains/losses on contract modifications without eliminations – Item 140

9.1 Gains (losses) on contract modifications: breakdown

There were no amounts in this section.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

(thousands of €)

Type of expense/Amounts	Total 31/12/2020	Total 31/12/2019
1) **Employees**	16,981	18,656
a) salaries and wages	11,454	13,064
b) social security contributions	3,582	3,616
c) leaving indemnity		-
d) social security and welfare costs		-
e) provision for termination benefits	4	51
f) provisions for post-retirement benefits and similar obligations:	426	465
- defined contribution	426	465
- defined benefit		-
g) payments to external supplementary pension funds:	936	809
- defined contribution	936	809
- defined benefit		-
h) other expenses (net)	579	651
2) Other active employees	312	369
3) Directors and Statutory Auditors	149	146
4) Staff retirement		-
5) Recovery of expenses for employees seconded to other companies	(165)	(150)
6) Expense reimbursements for employees of third parties seconded to the company	4,271	4,088
Total	**21,548**	**23,109**

10.2 Average number of employees by category

	Total 31/12/2020	Total 31/12/2019
a) Employees	**233**	**236**
1) Managers	5	5
2) Middle managers	121	127
3) Remaining employees	107	104
b) Other personnel	**39**	**40**
Total	**272**	**276**

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10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2020	Total 31/12/2019
Indirect duties and taxes	781	1,016
Sundry services rendered by third parties	8,820	9,267
Sundry services rendered by third parties (IT)	8,601	8,932
Sundry services rendered by third parties (Internal Auditing)	219	335
Fees for professionals	2,847	3,523
Fees for consultancy	646	733
Fees for legal and notarial costs	1,580	2,282
Fees for debt collection	524	387
Compensation to independent Auditors	97	121
Costs relating to properties/furniture	335	871
Postal, printed matter, surveillance of premises and stock values	1,104	1,409
Management expenses GFCC	448	527
Advertising and entertainment	189	231
Searches and information	1,360	1,262
Other expenses	4,922	4,463
TOTAL	**20,806**	**22,569**

The compensation for services rendered by the audit company in 2020, net of VAT, is EUR 75 thousand (EUR 75 thousand in 2019).

Section 11 – Net provisions for risks and charges – Item 170

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

(thousands of €)

Operations/Income components	Value adjustments		Writebacks		Total 31/12/2020	Total 31/12/2019
	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(34)	(319)	59		**(294)**	**35**
B. Derivatives on receivables					**-**	
C. Commitments to grant loans					**-**	
D. Other transactions					**-**	
E. Total	**(34)**	**(319)**	**59**		**(294)**	**35**

11.2 Net provisions relating to other commitments and other guarantees given: breakdown

There were no amounts in this section.

11.3 Other net provisions for risks and charges: breakdown

(thousands of €)

Analysis	Total 31/12/2020	Total 31/12/2019
PROVISIONS	**(6,670)**	**(480)**
Legal disputes	**(6,670)**	**(480)**
Revocation actions		
Pending disputes	(6,670)	(480)
Personnel charges	-	-
Other provisions	**-**	**-**
USES	**776**	**3,570**
Legal disputes	**776**	**3,570**
Revocation actions	-	2,500
Pending disputes	776	1,070
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**5**
Legal disputes	**-**	**5**
Revocation actions	-	1
Pending disputes	-	4
Total	**(5,894)**	**3,095**

Section 12 – Net value adjustments/write-backs on property, plant and equipment – Item 180

12.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

(thousands of €)

Assets/Income component	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A+B)-C**
A. Property, plant and equipment				
A.1 Owned	**1,311**	**-**	**-**	**1,311**
- for business use	228			228
-granted under operating lease	1,083			1,083
				-
A.2 For investment	**92**	**-**	**-**	92
- for business use	92			92
-granted under operating lease				-
A.3 Inventories	X			-
Total	**1,403**	**-**	**-**	**1,403**

Section 13 – Net value adjustments/write-backs on intangible assets – Item 190

13.1 Net value adjustments/write-backs on intangible assets: breakdown

(thousands of €)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	3,641	-	-	3,641
1.1 owned	3,641			3,641
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,641**	**-**	**-**	**3,641**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of €)

Analysis	**Total 31/12/2020**	**Total 31/12/2019**
Other charges		
Losses for sundry causes		
Other charges	(666)	(1,269)
Total	**(666)**	**(1,269)**

14.2 Other operating income: breakdown

(thousands of €)

Analysis	**Total 31/12/2020**	**Total 31/12/2019**
Other income		
Rental income	367	370
Other income	2,963	3,386
Total	**3,330**	**3,756**

Section 15 – Profit (Loss) from equity investments – Item 220

There were no amounts in this section.

Section 16 – Net result of valuation at fair value of property, plant and equipment and intangible assets – Item 230

There were no amounts in this section.

Section 17 – Goodwill impairment – Item 240

There were no amounts in this section.

Section 18 – Gains/losses on sale of investments – Item 250

18.1 Gains/losses on sale of investments: breakdown

(thousands of €)

Income component/value	Total 31/12/2020	Total 31/12/2019
A. Proprieties	**242**	**17,757**
- Gains on disposal	242	17,757
- Losses from sale		
B. Other activities	**-**	**-**
- Gains on disposal		
- Losses from sale		
Net result	**242**	**17,757**

Section 19 – Income taxes for the year on current operations – Item 270

19.1 Income taxes for the year on current operations: breakdown

(thousands of €)

		Total 31/12/2020	Total 31/12/2019
1.	Current taxes (-)	(8,235)	(23,067)
2.	Changes in current taxes of previous years (+/-)	16	(505)
3.	Reduction in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for tax credits		-
	of which under Law no. 214/2011 (+)		-
4.	Change in deferred taxes (+/-)	(4,433)	(1,458)
5.	Change in deferred taxes (+/-)	(17)	1,860
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(12,669)**	**(23,170)**

19.2 Reconciliation between the theoretical tax liability and the effective tax liability in the financial statements

(thousands of €)

Analysis	IRES	IRAP
Economic result useful for calculating taxation	41,640	41,640
Permanent, undeductible differences	642	7,572
Permanent, untaxable differences	(6,102)	
Total taxable income	36,180	49,212
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(9,950)	(2,731)
Other differences	91	(79)
Effective tax liability as per financial statements	**(9,859)**	**(2,810)**

Section 20 – Profit (loss) from discontinued operations, net of taxes – Item 290

There were no amounts in this section.

Section 21 – Income statement: other information

21.1 - Detailed breakdown of interest income and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2020	Total 31/12/2019
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leasing	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. Factoring	**309**	**1,834**	**54,835**	**157**	**1,565**	**47,446**	**106,146**	**122,830**
- on current receivables	*307*	*1,834*	*52,634*	*157*	*1,565*	*47,446*	103,943	123,918
- on future receivables			*172*				172	353
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*2*		*2,029*				2,031	(1,441)
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. Loans on pledge							-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**309**	**1,834**	**54,835**	**157**	**1,565**	**47,446**	**106,146**	**122,830**

The table does not show any interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2020, this item amounted to EUR 10,484 thousand.

21.2 - Other information

There were no amounts in this section.

Section 22 - Profit or loss for the year attributable to minority interests

There were no amounts in this section.

PART D – OTHER INFORMATION

Section 1 – Specific references to transactions carried out

A. LEASES (LESSOR)

There were no amounts in this section.

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B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Amount	Total 31/12/2020			Total 31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**5,831,756**	**8,977**	**5,822,779**	**6,957,802**	**11,733**	**6,946,069**
- exposures to transferors (with recourse):	613,435	3,031	610,404	825,967	3,605	822,362
- factoring of future receivables	3,130	6	3,124	25,142	62	25,080
- other	610,305	3,025	607,280	800,825	3,543	797,282
- exposures to transferred debtors transferors (without recourse)	5 .218.321	5,946	5,212,375	6,131,835	8,128	6,123,707
2. Impaired assets	**343,298**	**255,916**	**87,382**	**395,384**	**277,708**	**117,676**
2.1 Non-performing	**264,255**	**216,897**	**47,358**	**291,249**	**236,198**	**55,051**
- exposures to transferors (with recourse)	172,037	137,562	34,475	183,439	143,207	40,232
- factoring of future receivables	4,096	805	3,291	10,732	6,462	4,270
- other	167,941	136,757	31,184	172,707	136,745	35,962
- exposures to transferred debtors (without recourse)	167,941	79,335	88,606	107,810	92,991	14,819
- purchases below nominal value			-			-
- other	**92,218**	79,335	12,883	107,810	92,991	14,819
2.2 Unlikely to pay	76,675	**38,637**	**38,038**	**83,653**	**39,010**	**44,643**
- exposures to transferors (with recourse)	40,037	20,716	19,321	42,056	20,998	21,058
- factoring of future receivables				-	-	-
- other	40,037	20,716	19,321	42,056	20,998	21,058
- exposures to transferred debtors (without recourse)	36,638	17,921	18,717	41,597	18,012	23,585
- purchases below nominal value			-			-
- other	36,638	17,921	18,717	41,597	18,012	23,585
2.3 Past due positions	**2,368**	**382**	**1,986**	**20,482**	**2,500**	**17,982**
- exposures to transferors (with recourse)	608	301	307	2,961	178	2,783
- factoring of future receivables	-	-	-	-	-	-
- other	608	301	307	2,961	178	2,783
- exposures to transferred debtors (without recourse)	1,760	81	1,679	17,521	2,322	15,199
- purchases below nominal value			-			-
- other	1,760	81	1,679	17,521	2,322	15,199
Total	**6,175,054**	**264,893**	**5,910,161**	**7,353,186**	**289,441**	**7,063,745**

B.1.2 Purchase transactions for impaired receivables other than factoring

There were no amounts in this section.

B.2 – Breakdown by residual life

B.2.1 – With recourse factoring transactions: advances and "total loans/receivables"

(thousands of €)

Maturity	Advances		Total loans/receivables	
	2020	2019	2020	2019
- on demand	94,814	160,007	1,475,406	1,867,216
- up to 3 months	290,463	370,375	4,118,386	4,940,195
- 3 to 6 months	65,092	83,001	1,116,379	1,164,825
- 6 months to 1 year	58,674	74,817	314,356	478,499
- beyond 1 year	155,464	198,234	161,073	246,599
- unspecified duration	-	-		-
Total	664,507	886,434	7,185,600	8,697,334

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Time bands	Exposures	
	2020	2019
- at sight	349,019	448,085
- up to 3 months	3,381,114	4,125,563
- over 3 months	916,558	987,069
- 6 months to 1	246,038	357,664
- over 1 year	40,206	2,945
- indefinite	312,719	255,983
Total	5,245,654	6,177,309

B.2.3 – Purchase transactions for impaired receivables other than factoring

There were no amounts in this section.

B.3 – Other information

B.3.1 – Turnover of factored loans/receivables

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
1. Without-recourse transactions	25,690,373	29,627,602
of which: purchases below the nominal value		
2. With-recourse transactions	2,249,354	2,706,404
Total	**27,939,727**	**32,334,007**

The table was drawn up in accordance with the standards illustrated in section A.2.3. "Loans/receivables – Classification".

B.3.2 – Collection services

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
Loans and receivables collected in the year	405,951	408,316
Amount of loans and receivables at year end	111,666	116,904

B.3.3 – Nominal value of factoring contracts for future loans/receivables

(thousands of €)

Items	Total 31/12/2020	Total 31/12/2019
Flow of factoring contracts for future in the year	29,332	46,326
Amount of the contracts at year end	160,146	305,833

The unused margin intended as the difference between the maximum amount of loans/receivables that can be purchased and the amount of loans/receivables purchased, as at 31 December 2020, amounted to EUR 2,034 thousand (EUR 7,358 thousand at the end of 2019).

C. CONSUMER CREDIT

There were no amounts in this section.

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of guarantees (secured or unsecured) given and commitments

(thousands of €)

	Transactions	Amount 31/12/2020	Amount 31/12/2019
1)	Financial guarantees given upon first request	**94,421**	**118,931**
	a) Banks	3,419	4,716
	b) Financial Companies	-	-
	c) Costumers	91,002	114,215
2)	Other financial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
3)	Commercial guarantees issued	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
4)	Irrevocable commitments to reimburse funds	**266,766**	**181,880**
	a) Banks	733	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	733	-
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	266,033	181,880
	i) certain to be called on	-	-
	ii) uncertain to be called on	266,033	181,880
5)	Commitments underlying credit derivatives: protection sales	-	-
6)	Assets made to guarantee third party obligations	-	-
7)	Other irrevocable commitments	-	-
	a) to give guarantees	-	-
	b) others	-	-
	Total	**361,187**	**300,811**

D.2 Loans recorded in the financial statements due to enforcement

(thousands of €)

Exposures	31/12/2020			31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
-financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**125,076**	**(89,502)**	**35,575**	**144,344**	**(103,784)**	**40,560**
- commercial				-	-	-
-financial	125,076	(89,502)	35,575	144,344	(103,784)	40,560
Total	**125,076**	**(89,502)**	**35,575**	**144,344**	**(103,784)**	**40,560**

D.3 Guarantees given (secured or unsecured): status of risk undertaken and quality

(thousands of €)

Type of assumed risk	Not impaired guarantees issued				Impaired guarantees issued: non-performing				Other impaired guarantees			
	Counterguaranteed		Other		Counterguaranteed		Other		Counterguaranteed		Other	
	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions
Guarantees issued with assumption of risk of initial loss	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees issued with assumption of mezzanine type risk	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Pro rata guarantees issued	-	-	**91,031**	**(269)**	-	-	-	-	-	-	**3,390**	**(1,243)**
- financial guarantees upon first request			91,031	(269)							3,390	(1,243)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	91,031	(269)	-	-	-	-	-	-	3,390	(1,243)

D.4 Guarantees given (secured or unsecured): amount of counter-guarantees

There were no amounts in this section.

D.5 Number of guarantees given (secured or unsecured): status of risk undertaken

There were no amounts in this section.

D.6 Guarantees given (secured or unsecured): with risk-taking on the first losses and mezzanine type: amount of underlying assets

There were no amounts in this section.

D.7 Guarantees given (secured or unsecured) in the process of being enforced: stock data

There were no amounts in this section.

D.8 Guarantees given (secured or unsecured) in the process of being enforced: flow data

There were no amounts in this section.

D.9 Changes in impaired guarantees given (secured or unsecured): non-performing

There were no amounts in this section.

D.10 Changes in impaired guarantees given (secured or unsecured): other

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	3,895	-	-	-	-
(B) Increases:	-	226	-	-	-	-
- (b1) transfers from performing guarantees	-	107	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	119	-	-	-	-
(C) Decreases:	-	(731)	-	-	-	-
- (c1) outgoings to performing guarantees	-	(167)	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(564)	-	-	-	-
(D) Gross final value	-	3,390	-	-	-	-

D.11 Changes in unimpaired guarantees given (secured or unsecured)

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	115,036	-	-	-	-
(B) Increases:	-	31,500	-	-	-	-
- (b1) Guarantees given	-	15,604	-	-	-	-
- (b2) other increases	-	15,896	-	-	-	-
(C) Decreases:	-	(55,505)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(107)	-	-	-	-
- (c3) other decreases	-	(55,398)	-	-	-	-
(D) Gross final value	-	91,031	-	-	-	-

D.12 Changes in value adjustments / total provisions

There were no amounts in this section.

D.13 Assets pledged as guarantee for own liabilities and commitments

There were no amounts in this section.

D.14 Commission income and expenses on guarantees given (secured or unsecured) during the year: total value

There were no amounts in this section.

D.15 Distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (amount guaranteed and underlying asset)

(thousands of €)

Type of risk assumed	Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantees pro-quota
	Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- Subgroup 1: SAE 430 - Non financial institutions - Production companies	-	-	-	-	79,991
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	3,419
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	4,712
- Subgroup : Others	-	-	-	-	6,299
Total	**-**	**-**	**-**	**-**	**94,421**

D.16 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (amount guaranteed and underlying asset)

(thousands of €)

Type of risk assumed		Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantees pro-quota
		Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- 'Region 1	North-West Italy	-	-	-	-	28,931
- 'Region 2	Centre Italy	-	-	-	-	26,452
- 'Region 3	North-East Italy	-	-	-	-	22,468
- 'Region 4	South Italy and islands	-	-	-	-	16,172
- 'Region 5	Others	-	-	-	-	398
Total		**-**	**-**	**-**	**-**	**94,421**

D.17 Geographic distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.18 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.19 Stock and trend of the number of associates

There were no amounts in this section.

E. PAYMENT SERVICES AND ISSUING OF ELECTRONIC MONEY

There were no amounts in this section.

F. OPERATIONS WITH THIRD-PARTY FUNDS

There were no amounts in this section.

G. LOAN TRANSACTIONS SECURED BY PLEDGE

There were no amounts in this section.

H. COVERED BONDS

There were no amounts in this section.

I. OTHER ASSETS

There were no amounts in this section.

Section 2 – Securitisation transactions, disclosure on the structured entities not consolidated in the accounts (other than vehicle companies not for securitisations) and sales of assets.

A. Securitisation transactions
There were no amounts in this section.
B. Disclosure on the structured entities not consolidated in the accounts (other than vehicle companies for securitisations)
There were no amounts in this section.

C. Sale transactions
There were no amounts in this section.

Section 3 – Information on risks and related hedging policies

Credit Risk

QUALITATIVE INFORMATION

1. General aspects

Factoring activities involve numerous services that can be structured in various ways by means of the with- and without-recourse factoring of commercial loans and receivables.
A peculiar feature of factoring transactions is the correlated involvement for various reasons of three parties, which can be classified, in brief, as:
- The Factor (transferee);
- The Client (transferor);
- The Debtor (transferred party).

If observed from the standpoint of the underlying services, it is therefore a composite product, where the credit management, the guarantee of the debtor's solvency and the disbursement of advances on loans/receivables accepted under factoring can be combined in various ways.
Therefore, the risk assessment of factoring transactions must be carried out by means of preliminary analysis of numerous factors such as: the solvency of the transferred debtors, the degree of fragmentation of the risk, the characteristics of the underlying commercial relationship, the transferor's ability to repay – in the event of disbursement of advances – also in light of the figures of the Bank of Italy's Credit Reference Bureau and the financial statements, ratings – internal or ECAI – on the party and/or associated companies, connections or simple dependence on Groups, supply difficulties, technological innovation that could place a product out of the market, etc.
Clearly, these are appraisals that can only partly overlap with lending activities carried out by banks, indispensable for permitting an adequate control of the credit risk that partly expresses itself in aspects[1] not present in banking activities.

[1] Measurement of the asset risk: a wider concept of the measurement of creditworthiness of the individual debtors factored, since it refers to the interaction of the individual names within the factored portfolio, whose risk profile is determined by the concentration of the debtors and their domestic-export nature, the ageing, DSO and payments terms, payment methods, statistics on bad debt, etc.;
Measurements of the "factorability" risk, associated with the nature and the characteristics of the supply relationship being factored, which influences the tendency of the transferred receivables to self-liquidate, especially with reference to a hypothetical terminal phase of said relationship. This risk

With regard to the provision of the above services, the factor may undertake the credit risks in different ways, which can be, in turn, broken down into certain elementary types:

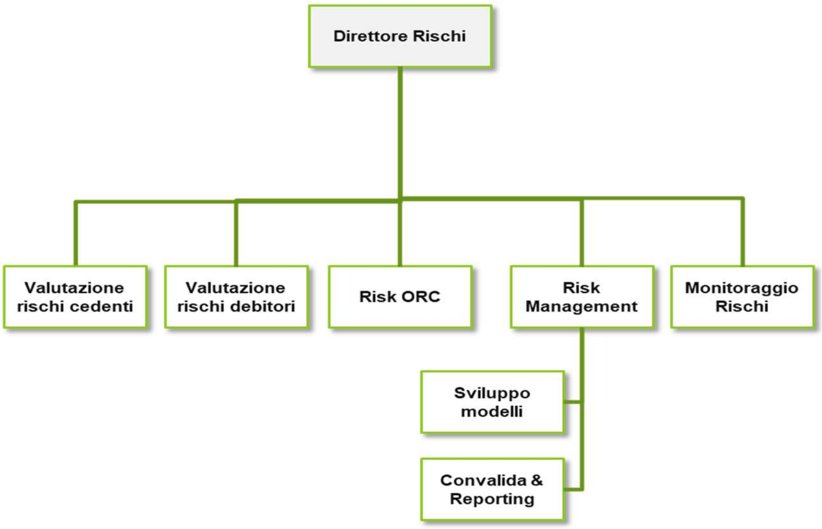
- credit risk in the strictest sense, represented by the risk of loss due to default of the debtors[2];
- dilution risk is the risk that the amount of a receivable decreases through the granting of receivables, in cash or another form, in favour of the debtor;
- commingling risk, which emerges in loan/receivable acquisition transactions each time the funds due to the factor may be confused with those of the transferor;
- late payment risk, which may occur if the without-recourse guarantee is also extended to the payment by the debtor as at a pre-established date (known as conventional expiry).

The internal control system set up by the company proposes to mitigate the manifestation of the above risks, which could lead to losses should they arise. The planned progressive integration towards the Parent Company's credit risk control model, in addition to the scenario, in recent years, of exceptional macro-economic factors that have required and will require measures to be taken, including legislative, by the Regulators, who have facilitated the introduction of a gradual implementation of the credit risk control process.

2. Credit risk management policies

2.1 Organisational aspects

The Division's organisational structure is as follows:



is appreciable from the analysis of the subject matter of the supply and the type of debtors involved, the invoicing process and the statistics relating to the invoices (number, amounts...), the contracts, etc.
Measurement of the concentration risk of the relationship, falls between the asset risk and the factorability risk, since in the factoring transaction one of the most significant risk mitigation factors is represented by the large number of commercial relationships with the party granted credit that can be placed under observation and on which it is possible to intervene. In fact, adequate diversification not only permits the portfolio factored to "survive" the default of one or more debtors, but also contributes towards isolating and containing any problematic issues linked to the commercial transactions underlying the factored receivables and limits the impact of potential fraud.
Measurement of the facility risk, associated with the contractual and operating features of the factoring transaction that contribute to determining the related risk profile. It requires the assessment of the reason for the technical form proposed and the opinion on the ongoing operations (e.g., global transfer vs. spot transfer, confidential vs. disclosed, QN vs. recognition, invoice forwarding method, accompanying documents, dunning).
Where several products are offered and/or several transactions for which the customer undertakes the dual role of transferor and transferred debtor, these situations may give rise - from a conceptual standpoint - to a correlation risk between the transactions, understood as the possibility of unexpected changes in the overall risk of the transaction due to correlation between the risks deriving from the characteristics of the various transactions offered to the customer (the latter being particularly complex to identify and quantify).

[2] I.e., those with whom the factor has risks that must be discharged by those counterparties; therefore, these also include transferors for advances received.

The Head of the Risk Division holds the position of Head of the Risk Control Unit and, in this capacity, reports hierarchically to the Board of Directors; the Risk Division is integrated into the RISK organisational model of the BNP Paribas Group, with the consequent close link and reporting of the Head to the Factoring Global CRO of BNPP, with which it acts in close coordination.
The Operational Risk Point of Contact functionally reports to the Head of the Risk Division, to whom he/she sends suitable information flows on pertinent risks, their recording and periodic monitoring and the mitigation actions implemented with the related Risk Owners.
The Permanent Controls are present in three units and are carried out by RISK ORC, the Risk Monitoring Department and the Risk Management Department. The Risk Division Office unit gathers together the secretarial activities, in the Risk Manager's staff. The remaining units of the Division are at line level.

Risk Division

- oversees the processes relating to the assumption of credit risk and ensures the maintenance of the customer portfolio quality over time in keeping with the corporate and BNP Paribas Group objectives and strategies
- expresses a credit opinion on proposals for the change of status to impaired risk where envisaged by the delegations of authority in force
- ensures constant monitoring of credit risks and those envisaged as part of the ICAAP process for the relevant areas of responsibility.
- ensures, in co-ordination with the competent BNP Paribas Group Units, the definition and maintenance of the methods and instruments aimed at identifying, measuring, assessing and handling the credit risks.
- ensures, in coordination with the responsible Units of the BNP Paribas Group, the monitoring of the Company's operational risks in its role as second line of defence and the coordination of the activities carried out by the first line of defence.
- It oversees the internal audit activities outsourced of the Internal Rating System, carried out in outsourcing by BNL SpA – DR – B2C

During 2020, the Company's organisational structure underwent a number of changes that also had an impact on the structure of the Risk Division.
In particular, as from 1 June, a new Special Loans Structure was created, reporting to the General Manager, to which the activities previously allocated to the Risk Division relating to the management of outsourced activities in the Workout area were transferred.
The Special Loans Structure assumed the following responsibilities:

- managing doubtful transferor positions classified as Non-Arrears Unlikely to Pay;
- monitoring outsourced Workout activities;
- assuming non-recourse debtor risks as part of the delegated powers after obtaining a Risk Opinion.

On the other hand, the Risk Office, which was previously in the CRO staff, is now part of the PAC Division and, together with the Credit Lines Office, constitutes two new organisational units:

- Completion of Customer Lines and Committees;
- KYC Operations Team.

The new structures support the Business Functions for:

- the preparation and control of the documentation needed to identify customers when entering into a relationship on the occasion of the start/change of an "ongoing relationship" (transferor or extended debtor) or when establishing an "occasional relationship";
- the transferor and debtor approval procedures regarding the Credit Committee and the Board of Directors;
- taking care of all related fulfilments and formalisation of the relationship.

Risk Operational Risk & Control / RISK ORC
The function was established as an internal structure in the last quarter of 2018.
The Risk Division is responsible for defining and supervising the overall operational risk management framework in its role as "second line of defence" together with Compliance, Legal, Tax and Finance to the extent of their direct concern.
Risk ORC is the structure in charge of this role that is carried out, in summary, in the following activities:

- ensure the dissemination and monitoring of compliance with the regulations, directives and methods of the Group in the field of Operational Risks, the assessment of the consequent choices regarding the methods and tools used and the assistance/consultancy on the matter to all company structures;
- supervise the qualification/quantification of historical operational risk incidents (HI Quality Review) by proposing any mitigation actions;
- ensure the definition of the mapping of the Company's operational risks (RCSA Risk & Control Self-Assessment), by supervising the activities carried out by OPC (Operational Permanent Controllers) and by Divisions/Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the definition of the Company's control plan, by supervising the activities carried out by the Risk Owner Company Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the supervision of the finding monitoring activities and recommendations issued by the periodic inspections (Inspection Générale), by the Regulator, by the Control Bodies and of the relevant corrective actions;
- ensure the effective implementation of strategies, frameworks and risk mitigation actions with the 1st line of defence, through the follow-up of action plans and the independent control of the activities carried out, either through tests of the controls carried out by the first line of defence or, if deemed relevant, any other type of controls;
- contribute to the dissemination of the culture and awareness of operational risk and to the formation of the risk mitigation framework;
- express an independent and alert view of the level of risk and the status of the operational risk mitigation framework;
- ensure internal management reporting to the Company's Control Bodies, to BNL SpA and to the Parent Company for matters falling within its competence;
- ensure the implementation of the outsourcing device by taking care of the implementation of the first line of defence on it;
- ensure, for the part of any activities allocated to BNL, the definition of Service Level Agreement/SLA and monitoring of the activities carried out.
- With reference to the internal and external fraud protection device:
    - ensure, in accordance with the Group guidelines, the coordination of initiatives for the management of fraud reports as well as assistance/consultancy on the matter;
    - ensure the implementation of the systems required for the prevention, identification, control and monitoring of the internal and external fraud protection system, as well as the coordination or direct management of investigations;
    - contribute, together with the first line of defence, to the training of personnel on the culture of prevention and defence against the risk of fraud.

In 2020, it was decided to outsource to BNL S.p.A. - Risk Division the permanent second-level control activity RISK ORC ICT; the outsourcer will ensure the correct application of the BNPP permanent control framework in the risk perimeter of competence (ICT), by carrying out periodic checks on the application of the ICT permanent control framework by the Company's first line of defence; the position of Point of Contact for Outsourced Activities (R.P.E.) has been assigned to the Head of the Risk Division.

Risk Monitoring Department
The purpose of the structure is to see to the definition, planning and implementation of controls aimed at monitoring credit risk. Specifically:

1) it defines, plans and implements credit control activities. In this area, the Department:
- carries out checks regarding the lending process and the management of the relationship and collections based on internal regulations;
- monitors the process and the merits of the assignment and revisions of ratings and reports periodic worsening in statistical ratings for the purpose of suitable management/review of the positions;
- makes sure that the facilities granted are regularly used with respect to the resolution reached at the time and the progression of the risk elements expressed by the development of the relationship;
- checks the process of allocating for impaired accounts; monitors the achievement of lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Divisions concerned;
- controls the consistency of the risk status classifications of the positions according to the guidelines of BNP Paribas Group and the Banking System, reporting any misalignment to the competent Divisions;

2) it ensures, working with the Business Lines, the effectiveness of the process of watchlist management to define and implement the corrective actions on positions subject to systematic supervision;
3) it contributes, in line with the rules of the BNP Paribas Group and together with the competent Divisions, to the planning, application and maintenance of the procedures aimed at overseeing the credit risks;
4) it ensures a periodic flow of information towards BNL to allow the consolidation - at BNP Paribas Group level - of the data regarding credit monitoring;
5) it ensures that specific reports regarding the results of the control activities carried out and the corrective actions for the identified anomalies are prepared for the Senior Management and/or the boards;
6) it reports any operational risk found as part of its permanent control activities to the Operational Risks Department and PCC.
The structure carries out these activities on a monthly or quarterly basis, based on the type of control to be carried out.
The activities are carried out based on the Operational Plan of Controls (OPC), which includes both controls on performance and on merits and correctness of form, broken down by type of process:

- Assumption and Review of credit risk;
- Credit risk management;
- Collection of impaired loans.

Risk Management Department
The organisational unit is divided up into two spheres with separate teams and responsibilities.
The Pillar 2 Product and Controls / Models Development Sphere sees to the activities associated with the development of the risk measures (PD, LGD, Dilution) and support in the implementation of models with regard to Ifitalia while, for the part developed by the BNL skill centre, it performs a support function for the implementation, application, applicative monitoring and periodic updating of said analysis as well as support for the issue of the regulations relating to its sphere.
This sphere's mission also includes the control on the Second Pillar risks, where considered significant by Senior Management, as well as the analysis with regard to the development on new products in terms of impact on the level of risk and support for the achievement insofar as it is responsible.
In conclusion, it works together with the Finance Division in the ICAAP process insofar as this falls under the responsibility of the Risk Division.
The Reporting and Model Validation Sphere, in co-ordination with the corresponding units of DR BNL,

- with regard to Model Validation, defines the validation guidelines for the credit risk models on a consistent basis with the guidelines of the BNP Paribas Group, follows the development of analysis methods for the validation of the aforementioned models and performs the second level validation/qualification (initial and periodic) of the local/central risk parameters for the purpose of checking the reliability of the results and the persistence of the consistency with legislative requirements and changes in the reference market. It ensures the monitoring of performance and the accuracy of estimates produced by local models following the resolution of any critical aspects found within its activities. A specific periodic disclosure is prepared to report on these activities to the Company's Governance and Control Bodies. In conclusion, it collaborates within the sphere of the above activities for the correct implementation of the algebra underlying the local estimation models with respect to the validated versions. Lastly, it oversees data quality control in the area of models, to the extent of its remit.
- with regard to reporting activities, it implements a control reporting system intended for Senior and Top Management on the performance of asset quality (e.g. changes in asset quality, shortcuts/excesses on LGD with respect to the coverages in NPL, changes in the distribution of EL by product/responsibility centre, significant changes in the granularity of the portfolio risk, analysis with focus on the change of significant sector risks, drafting of information sent to the Risk Policy Committees, etc.), provides the necessary disclosure support to management so that it can carry out its functions as part of the budgeting and periodic audit process (forecast), as well as disclosure support for the performance of the risk cost control activities carried out by management (Action Plan), performs second-level data quality controls for its area of responsibility on the internal rating system and on the information forwarded to central application software for calculating requirements, and, in conclusion, ensures its support for the consolidation process for the country risk limits of BNP Paribas in co-ordination with the Brussels GFCC.

Both the spheres of activities direct and collaborate with the IT Division, insofar as they are responsible, in relation to the development and maintenance of the databases necessary for the implementation of their analysis objectives.

Transferor Risk Assessment

- analyses the transferor and related with-recourse debtor approval procedures established by the Sales Division according to the methods envisaged by the "4Eyes" process, in particular:
- provides risk opinions on the without recourse debtor and transferor risks assessing the consistency with the lending policies of the Company and the BNP Paribas Group, as well as with the internal regulations in force;
- expresses a fairness opinion on the rating automatically calculated by the software as part of the transferor credit proposals;
- validates the changes in the without-recourse transferor and debtor ratings triggered by the override requests submitted by the Sales Division or the Debtor Assessment Department of the statistical ratings automatically assigned by the system (local models);
- validates the risk measures (rating and GRR) assigned in judgemental mode (central models) for both without-recourse transferors and debtors;
- validates the rating values calculated by the engines as part of the process of renewing debtors without recourse for a reduced amount;
- supports the Default Committee in applying deviations from the Company Allocation Standards, expressing the Risk Opinion on the departure proposals put forward.

Debtor Risk Assessment

- prepares and assesses without-recourse Debtor files and oversees the quality of these risks over time, in particular:
  - resolves within the authorised limits or submits without-recourse risks to the competent bodies;
  - assesses the consistency of the rating assigned by the software with the general risk profiles of the without-recourse Debtor, activating override processes, if necessary;
  - formulates proposals for assigning risk measures (rating and GRR SU) in judgemental mode for without-recourse debtors and submits them for validation to the Risk Assessment Department;
  - sees to, directly or via the use of services, the entry of the results of the resolutions relating to without-recourse limits and any reinsurance of the same in the Electronic Procedure or in the FIS company information system;
  - manages, with the credit insurance companies, the requests for granting, renewal or revocation of the individual insurance coverage;
  - sees to the review of outstanding without-recourse risks;
  - manages the limits subordinated to the acquisition of accessory guarantees in co-ordination with the Management Division (responsibility of VAL.DE);
  - examines the prepayment plans proposed or the requests for related extensions, submitting them to the competent bodies for authorisation;
  - adopts restrictive measures aimed at safeguarding the risk undertaken by means of decreases, changes and revocations of without-recourse limits;
  - handles the updates of the map of the Associated Customer Groups and their composition in a co-ordinated manner with the other company structures and the other entities of BNP Paribas Group;
  - sees to the main without-recourse debtor risk concentration, including by assigning portions of Major Debtor Limits or Debtor Group Limits, entering in the FIS company information system the results of the related resolutions and carrying out the appropriate controls in observance of the limits approved;
  - analyses the periodic downgrades of internal ratings of risks under its responsibility for case-by-case decisions.
- As part of managing counterparty risk:
  - supports the Head of the Division in identifying new credit insurance policies or reviewing the ones in place;
  - verifies the calculation and authorises the payment of the reassurance policy premiums, the services provided by external providers and information agencies;
  - draws up suitable disclosure for the Owners with regard to the requirements of pro tempore policies in force so as to permit the correct operational handling; monitors the suitability of the CPAs resolved for foreign correspondents and insurance companies, handling the Annual Review process in collaboration with GFCC.

In 2021, an organisational review was launched that considers, among other things, the merging of the two risk assessment structures (transferors and debtors) into a single new "Credit Risk Analysis" unit, with a view to synergising skills and optimising delivery times.

2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)

The Ifitalia IRS, established since 2005, underwent a progressive change. The Probability of Default (PD) models that apply to the Large Corporate and Small Mid Corporate segments adopt a methodology that is in line with Group standards for the portion locally implemented. The Large Corporate portion uses a process implemented by the parent company BNP Paribas and applied on a transnational basis to determine the value of the internal rating and the GRR (Global Recovery Rate=1-LGD). The Small Mid Corporate section applies the rating models developed internally by the BNL domestic bank to ensure consistency in the assignment of risk parameters. On the other hand, based on the peculiarities of the factoring product, Ifitalia developed its own internal models for the estimation of the Loss Given Default and the observation of the Dilution risk.

All releases safeguard the principle of the uniqueness of the rating value by supplementing these values with those expressed by the BNP Paribas banking network, which are used, each time they are present, as a driver in the loan process.

In line with the other entities of BNP Paribas Group, a single master scale is used to assess the one-year PD of counterparties included in the application scope of the models; these PD models are a management control instrument and compliant with IFRS 9 requirements.

For portfolios belonging to the "Financial Institutions/Supervised Intermediaries and Local Authorities" asset classes, the development of internal models for the measurement of credit risk is not envisaged.

The internal rating system as a whole is subject to a general governance process and a set of application rules that guarantee the utmost reliability over time of the process to estimate and input the risk measures and their correct application in company processes.

The master scale adopted ranks the customers into 10 classes for the performing part and two classes for the default part, which includes past due, unlikely to pay and non-performing positions.

The risk managers and the principals of the approval process are allowed to request a review of the internal rating in accordance with a regulated process that entrusts the risk department with the authority to accept or refuse the related requests, each of which must be duly and promptly justified. The rating value is updated at the time the approval process begins and periodically, on the occurrence of specific events or at deadlines defined by the risk department.

The statuses expressed by the Parent Company on shared customers have effects on the internal classification, with particular reference to the various degrees of impairment. As regards other risk measures, which, together with the PD, make up the IRS, note that the Loss Given Default (LGD) is used in management reporting, particularly in reference to analyses highlighting the distribution of expected loss and consistency with coverage levels (shortcut/excess), as well as for IFRS 9 purposes.

2.3 Credit risk management policies

Reporting

The reporting process drawn up by the Risk Management Dept. takes the form of periodic disclosure to the Risk Policy Committee (RPC)[3] of BNP Paribas Group, Senior Management, and the first level of responsibility of business management, and contains, among other things, qualitative-quantitative information on portfolio risk and the level of sector concentration. In compliance with the credit policies expressed by the Group, periodic disclosure has also been prepared for the process Owners, with the aim of facilitating observance of the indicated limits and permitting periodic reporting. Additional reports are drawn up by the Risk Monitoring Dept. and intended for Senior Management – subject to discussion if necessary with the process Owners – with the aim of informing Senior Management on observance of certain aspects of the credit process deemed to be particularly critical, also in relation to the indications received from the Parent Company.

The reporting process was further enhanced as a result of the gradual expansion of the use of risk measures with views dedicated to the trend of coverage, the distribution of ratings and the related migration matrices, as well as a better visibility of capital absorption and expected loss / RWA on credit risk, both for the performing and non-performing components, with a focus on the impact of dilution risk.

Delegation system

The system of lending powers systematically supplements the use of the rating in the credit authorisation process with depth in the structure for exercising the authorisation in relation to the expected loss levels.

[3] Credit Policy Committee

The decision-making process, taking into account Ifitalia's merger within the BNP Paribas Group, has adopted the Group model.
This model entails the involvement of two organisation chains in the credit granting process: a "commercial chain[4]" and a "risk chain[5]". According to this process, all lending resolutions relating to the transferor and debtor risk are made by the commercial chain, which avails itself of the support of a team of specialised credit risk analysts, who express credit opinions (known as risk opinions) on the credit proposals developed.
By means of this constant and joint assessment of the transferor proposal, by the commercial chain and the risk chain, the credit process has been defined as "4 Eyes".
The 4 Eyes organisational process applies at every decision-making level, from the lowest (Local areas) up to the General Management and, in the event of disagreement between the commercial opinion and the risk opinion, the concept of resolution escalation applies at all levels, on the basis of which the decision is referred to the higher decision-making body. Resolution escalation applies each time the risk opinions express a more restrictive (or negative) lending opinion with respect to the proposed transaction and the decision-making body identified by the lending powers does not intend to comply with the risk opinion expressed.
For both the without-recourse debtor and transferor role, the power delegations take into account not only the absolute amounts but also the internal rating values expressed by the Group and by the internal rating system for the customers and debtors that are not shared.
The presence of insurance coverage on without-recourse debtor risk influences the lending process and the application of the delegation system.
In any event, the collective Decision-Making Bodies (Credit Committee and Board of Directors) are entrusted all the risks involving greater amounts, which are also subject to review by the Parent Company for the largest amounts or that, due to lender type, are reserved for the exclusive competence of the Board of Directors.

Lending policies
A set of "Specific Credit Policies", approved by the Board of Directors, supplements the strategic guidelines formulated by the Parent Company's Risk Policy Committee (RPC) as regards specific local aspects, aimed at supporting and guiding the factoring activities at Group level.
The "Specific Credit Policies" concern aspects such as:
- coordination at Group level of the risk assumption methods, taking account of sector performance, default risk of the counterparty, and the aspects inherent in managing the relationship;
- methods of assumption and review of without-recourse debtor risk for specific brackets of amounts and segments;
- methods of assumption of transferor risk with regard to specific types of products and/or credit underlyings.

The implementation of strategies as well as the implementation of the "Specific Credit Policies" are subject to verification and reporting to the company governance bodies, according to specifically defined processes.

Supervision of performing and past due loans/receivables
"Systematic Supervision" is the set of management rules and processes for the individual risk positions of transferor and debtor counterparties, hereinafter referred to as "customers", aimed at ensuring constant reporting and assessment of risk, the consequent classification and the timely and effective application of management strategies designed to minimise the impact from risk increase, with a view to preserving the quality of these credit assets. Anticipatory management is envisaged, both in Basel regulations and in Bank of Italy supervisory instructions, as one of the fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements. These rules promote the constant strengthening of the ability to prospectively assess risk profiles, defining the following, inter alia:
- Measurement criteria based on "internal ratings" as the predictive nature of those models allows for the definition of guidelines for governing credit risk, for the purpose of managing in advance possible impairment of assets;
- The fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting of risk exposures, which also assessed the way in which the changing risk profile of the institution could influence its need for capital.

The Systematic Supervision process is organised into 3 pillars:

[4] "Commercial chain" means the business units of the Sales Division tasked with initial approval/decision-making activities.
[5] "Risk chain" means the business units of the Risk Division tasked with credit risk assessment activities in the initial approval process.

- On-going classification of Customers, by virtue of which the customer base must be permanently classified in relation to the current and forecast risk, making a distinction between low risk customers and high risk ones;
- Focus on customers subject to increasing risk, whose main objective is the early management of the deterioration of loan quality as well as its permanent and on-going monitoring;
- Action plans, focused on the reduction/reclassification of the risk vis-à-vis high risk customers.

These pillars are strictly linked to the Monitoring process, which constitutes the final phase of the broader process of Systematic Supervision and Monitoring. The Customer enters the Systematic Supervision process when:

- it is possible to apply a risk assessment and consequent management action to the same;
- a limit is granted or resolved or when an exposure emerges;
- it is reclassified as performing or unlikely to pay (excluding arrears and composition with creditors).

Conversely, the Customer leaves the process when:

- he/she no longer has dealings with Ifitalia;
- the position is classified as Arrears Unlikely to Pay, Non-Performing or Agreed Unlikely to Pay.

Positions that, due to the significance of the level of risk and/or performance or management anomalies detected, must be subject to specific monitoring, are classified as Watch List and periodically subject to examination by the Risk Monitoring Committee.
The Watchlist is broken down into:

- Ordinary: includes all positions in accounting status Performing, Past Due and those in accounting status Unlikely to Pay but defined as Non-Arrears Unlikely to Pay in the management accounts, which have a counterparty risk higher than or equal to the threshold of EUR 200,000 and are marked red or orange.
- Doubtful: includes all positions in management status Management Unlikely to Pay, Restructured Unlikely to Pay, Unlikely to Pay with forborne flag, with counterparty risk >0 and/or transferor credit line and/or debtor credit limit.

The process is being fully reviewed as part of the process to implement the new IFIPEG 2.0 tool. -

Organisation of the Committees

For the purpose of ensuring an integrated management of the processes, the Company has established an organisational structure that envisages the meeting of Committees where the relevant business units are occasionally called to provide their contribution through an integrated approach.
In particular:

Credit Committee

It decides on the granting of loans and authorises their disbursements, within the limits of the powers granted.
It expresses opinions regarding lending in line with the delegated powers and approves, upon the proposal of the General Manager and within the maximum limits established by the Board of Directors, the decision-making and administrative sub-delegation and use of the credit facilities, including registered by name, to be assigned to certain defined business roles.
The Credit Committee meets in "ordinary" and "integrated" sessions. In the "integrated" session, the Credit Committee resolves solely on granting loans that exceed the powers of the "ordinary" session, without prejudice to the powers reserved exclusively to the Board of Directors.

Non-Standard Product Validation Committee

It authorises all the “non-standard products”, understood as those that cannot be activated, marketed, controlled, handled or registered for reputational, accounting, tax-related, supervisory and risk and management control purposes, in accordance with current practices and legislation.
The name of the Committee was changed to Product, Activities, Exceptional Transactions (COPAT) Committee as from December 2018 together with the entry of RISK ORC as a reference on aspects related to operational risk.
The Committee is responsible for assessing the impacts:

- on the components of credit risk, operational risk, market risk, ALM risk (interest rate risk and liquidity risk), risk of non-compliance, reputation risk and image risk;
- on the control system;
- on accounting and administrative processes/systems and on commercial, financial and supervisory reporting;
- on tax aspects;
- on legal aspects;
- on IT systems and/or infrastructure components;

- on distribution processes;
- on organisational aspects;
- on data, in terms of their quality compared to the different purposes of use.

Risk Monitoring Committee

The Risk Monitoring Committee, consistent with the Group model, is an analysis and decision-making body that ensures the integrated supervision of significant risks, also with a view to valuation of the level of adequacy of the available capital. This Committee is the venue in which business management discusses the valuation of risks carried out by the competent units and assesses the mitigation action proposed by the responsible units, individually or jointly.
Furthermore, the company control units share the results of the respective activities within said Committee.
The Committee therefore represents one of the main venues in which - for its areas of responsibility - control is exercised by the Risk Control Units and represents a point of business synthesis that ensures a single view of risks.
The Committee is organised in multiple issue-based sessions, and its composition varies in relation to the issues handled in each session.
Specifically, the Committee is responsible for:

- examining the trends in impairment on the performing portfolio;
- validating the Operational Plans for Control of the risks, prepared by the responsible units, to be submitted for the approval of the Board of Directors;
- assessing the corrective action plans proposed by the competent units for the positions included on the watchlists, consistent with the processes defined at BNP Paribas Group level;
- assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and RWAs;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk;
- intervening, in a dedicated session and in an anticipatory logic, on relations that present a relevant fraud scoring with decisions that can lead
  - to the maintenance of the relationship without any change compared to the existing situation;
  - to the maintenance of the relationship with a restructuring of the operations where necessary, also requiring the activation of a new investigation process;
  - to the inclusion of the name in the Watchlist;
  - to the request for an amicable exit from the relationship;
  - to status changeover, referring the valuation of the relevant provisions to the competent bodies.
- analysing and acquiring collective decisions with regard to the permanent control system and operational risks;
- supporting the Business Continuity manager in reporting, sharing and validating the information and initiatives aimed at maintaining Business Continuity solutions;
- in implementation of the governance of Internal Rating System:
  - ensuring a joint examination on initial application, as well as in the subsequent evolutions of risk measures that are applied in the business;
  - ensuring a joint examination on initial application, as well as in the subsequent evolutions of the tools for using the risk measures to govern credit and dilution risk;
  - ensuring an integrated view of the results of data quality and data integrity controls relating to the use of the internal rating system;
- ensuring an integrated communication flow on significant risks: collecting and reviewing reports on trends in the adequacy of the available capital (ICAAP) and of the significant risks drawn up by the competent business units; communicating the outcome of the discussions to the BoD, formalised in specific reports;
- supervising, in an integrated manner, the current and forecast trend of the risk profile and the level of capital adequacy of the Company, assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and the RWAs;
- ensuring the supervision of supplier risk so as to efficiently manage any issues deriving from the commercial dealings with suppliers, ensuring the quality and continuity of the related activities.

Default Committee

The Default Committee is the body that analyses and resolves on lending disputes and the collection or loss forecasts. This Committee works through two internal sessions:

- *Ordinary* (Counterparty status changeovers, Global Impairment, Judgmental Impairment): examines and resolves on the congruity and review of impaired positions with suitable provisions equal to or exceeding EUR 600,000)
- *Stock*: examines impaired positions presenting a risk amounting to EUR 3 million or more and reports its decisions to the Risk Division of BNL, in the case of joint customers, or the BNPP Factoring Chain GFTC Committee.

Techniques for mitigating the credit risk

The mitigation of credit risk in the factoring transaction is essentially entrusted to an efficient and effective process for checking the ability of the debtor to pay the trade receivable acquired on maturity, which, since 2016 has been increasingly accompanied by insurance on without-recourse debtor risk, previously contracted essentially on foreign transactions and for transactions with specific customers. This choice is consistent with the strategies implemented within the factoring hub of BNP Paribas Group, where normally the assumption of without-recourse debtor risk is accompanied by an insurance guarantee or a guarantee from a foreign correspondent.

The compliance of correspondents and insurers is subject to periodic assessment.

Nevertheless, as regards unsecured and secured guarantees, the Company has already organised itself, defining tasks and responsibilities inherent to the definition of:

- standard forms for the types of guarantees normally assumed;
- processes for gathering the subscription of guarantees;
- processes for the control, custody and registration of the guarantees.

The organisational and technological processes take into due account the necessary functional distinction that must be assigned among the party that defines the standard texts, the party that collects the guarantees, and the party that checks/holds/validates them.

The credit protection usually undertaken is unsecured (unfunded), while the use of secured (funded) credit protection instruments is typically associated with protection of already impaired loans/receivables and, therefore – contrary to banking activities - is more of an exception than a usual risk mitigation instrument.

COVID 19 impacts in the measurement of expected losses

The calculation of the expected loss is based on risk measures consistent with regulatory parameters, net of conservative prudential margins, and includes a forward-looking component to account for possible future developments.

In particular, the probability of default (PD) includes a forward-looking component based on various macroeconomic scenarios updated periodically to incorporate any changes in the economic cycle, both positive and negative, in advance.

Following the economic context caused by the COVID 19 pandemic, the forward-looking approach was strengthened by differentiating macroeconomic expectations by individual sector, taking into account the heterogeneous impact of the pandemic on the various sectors and the different reactivity and speed of recovery of each sector in the Italian context.

The use of macroeconomic indicators calibrated on the trend and expectations of sectoral GDP and not only linked to the overall trend of the national economy allows a better understanding of the peculiarities of the economic fabric of reference.

In addition, a medium-term approach was adopted to bring forward in 2020 the strengthening of hedges against macroeconomic scenarios expected in 2021 and 2022 still at levels below pre-crisis levels.

2.4 Projects underway that will be realised as from 2021

Following the Bank of Italy Audit regarding the request to apply the advanced approach for the calculation of Credit Risk on the "Sovereign" and "Corporate" portfolios, in October 2020 the Company received the results of the audit activity carried out by the Bank of Italy during the last quarter of 2019. Analyses of remedial actions are underway in order to define strengthening actions to address areas of improvement or deficiency identified by the Regulator. Monitoring of the action plan on audit findings is envisaged every six months.

Ifitalia also has a project underway to revise its monitoring and early warning system (IFIPEG), which envisages:

- the revision of the indicators used to calculate the colour;
- a process of analysis and validation of the calculated colours aimed at defining a "Strategy" for the positions most at risk (colour and amount matrix) that includes the assignment of a "management class" and accurate action plans;
- a process of regular monitoring of the most relevant positions by the Watchlist Committee.

The release of the upgrades is expected during 2021.

3. Impaired credit exposures

Classification of impaired assets

The definition of impaired credit exposures is described by the company in a procedure that identifies the detection methods/criteria of the status of the counterparty.

This identification may be automatic (subjects in impaired past due status) or evaluated (arrears unlikely to pay and non-performing loans).

Subjects defined in past due/impaired status

Starting from 1 January 2021, the Group adopted the new European default criteria outlined in the EBA GL 2016/07 guidelines.

The adoption of these criteria led to a revision of the overdue detection rules for both "transferor" and "debtor" customers and in particular:

- in the case of “transferor” customers, the days past due are calculated from the day on which there is an overrun, i.e. the exposure to the customer is greater than the amount of receivables transferred with recourse and the amount of this overrun exceeds the thresholds of relevance established by the regulator. If this condition persists for 90 days, the customer is automatically reclassified to Past Due.
- in the case of “debtor” customers, the days past due are calculated from the 90th day on which the amounts due for principal, interest and commissions have not been paid and their amount has exceeded the relevance thresholds established by the regulator. In the payments defined in the credit agreement have been suspended and the due dates have been changed subject to a specific agreement formalised with the Company, the counting of the days past due follows the new repayment plan.

The relevance thresholds defined by the Regulator distinguish the exceeding of two different limits:

- relative threshold: equal to 1% of the past due exposure of the total risk exposure of the counterparty;
- absolute threshold: equal to EUR 100 for SMEs and EUR 500 for companies, Bodies or other Institutions.

The adoption of the new default criteria was communicated with an information letter to the contractualised customers.

Therefore, for factoring transactions, the exposures recognised on parties pursuant to IAS/IFRS are "past due assets" when both conditions of persistence and materiality are met at the same time.

Subjects defined as arrears unlikely to pay and non-performing loans

- Unlikely to pay: the classification of counterparties in this category is the result of the company's opinion as to the unlikelihood that, without recourse to actions such as enforcement of the guarantees, the debtor/transferor fully meets his/her credit obligations (in terms of principal and/or interest). This assessment is made independently from the presence of any amounts (or instalments) past due and not paid. Therefore, it is not necessary to await the explicit symptom of anomaly (non-payment), if elements exist that imply a situation of counterparty default risk (for example, a crisis in the industrial sector in which it operates). All cash and off-balance-sheet exposures to a counterparty in this situation are referred to as "unlikely to pay", unless the conditions for classification as non-performing are met.
- Non-performing loans: this category includes all cash and off-balance-sheet exposures vis-à-vis a party in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. The exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.

Return to performing

The counterparty can leave the non-performing status:

- when the exposures are fully discharged, including interest on arrears;
- if, once the conditions for maintaining the position as Non-performing no longer exist, it is returned to performing/Unlikely to pay by means of a specific resolution passed by the Positions delegated for this purpose;
- in case of full loss transfer of the position not recovered in whole or in part.

The counterparty can leave the unlikely to pay status:

- when the entire exposure classified as Unlikely to pay has been discharged;
- if the status of Unlikely to Pay is among those that required an automatic placement, the position can be relocated to a different status only by resolution of the decision-making body granted the right to do so.

The counterparty can leave the impaired past due status:

- the automatic positions do not require a resolution for the return to performing (BON/Bonis), in that the exit from this status is managed directly by the information system that checks on a monthly basis the absence of the conditions of materiality and persistence of the past due positions that determined the placement or the end of the "cure period".

Procedures for defining, managing and controlling anomalous items at Group level

The status coordination activity is transversal to all the entities of the BNPP group in order to achieve a homogeneous reclassification of the status of the customer. Alignment is a process that needs to be coordinated from the moment the state changeover is prepared for all the statuses being assessed. The status alignment process is not automatic but always subject to coordinated evaluation by the Group entities.

Management and recovery process for impaired loans not yet due

The supervision of the recovery process for impaired loans within the workout area (status other than past due and unlikely to pay that does not require the activation of legal and/or judicial recovery actions) is entrusted to the external structures BNL - Workout and MB Credit Solutions SpA/Mediobanca Group.

These structures operate for different perimeters of impaired loans, identified on the basis of the size of the counterparty risk (GBV), which is defined ranging from EUR 0 to 150K inclusive (known as Small Ticket) and in a range of higher amounts (known as Big Ticket). As this activity is outsourced, its internal point of contact is the Workout Control Unit within the Special Loans Structure.

As part of this process, these Structures implement collection strategies that consider:

- the status of the position and counterparties resulting from the data in its possession at the time the documentation is received and subsequently acquired;
- the effective amount to be recovered;
- the presence of external sources of reimbursement that may be considered.

In relation to the above, it periodically takes steps to formulate collection forecasts and to quantify the amount of provisions deemed adequate in light of the status of the position when the forecasts are formulated and each time there are new elements that allow to change it.

The activity of the above-mentioned external Structures is mainly focused on relations requiring legal/judicial actions, although some positions are also managed out of court when the amounts and the cost/benefit assessments suggest it.

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

Exposures falling under the categories of "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined in the ITS are credit exposures subject to concessions (forbearance).

Credit exposures subject to concessions (forbearance) can fall both under the categories of "Non-performing forborne exposures (with forbearance measures)" and "Performing forborne exposures" as defined in the ITS.

Forbearance measures are represented by concessions/rescheduling with counterparties that are, or are expected to be, in difficulty in meeting the originally agreed deadlines (financial difficulties).

Exposures must not be treated as forborne when the debtor is not in financial difficulty (no subjective requirement).
The valuation component from which the opinion of state of difficulty at the time of the request for concession/rescheduling arises is necessary to determine whether the measures put in place are to be understood as forbearance measures.
A concession/rescheduling can be referred to any of the following actions:
a) a change in the previous contractual terms and conditions that the counterparty had to comply with and that counterparty is considered unable to comply with in the absence of the previous contractual terms and conditions due to financial difficulties (debt management problems) and that would not have been granted had the counterparty not been in such difficulties;
b) a total or partial refinancing/rescheduling of debt that would not have been granted had the counterparty not been in financial difficulty.
A concession/rescheduling can result in a loss for the bank/intermediary but this is not an absolute precondition. Therefore, a forbearance measure does not necessarily involve a loss.
In the business application, the focus is placed on the subjective assessment of the state of difficulty of the counterparty requesting the changes in due dates (forbearance measures) from which can derive - together with the existence of certain objective assumptions - the requirement of placing the counterparty among the NPE forborne exposures.
In particular, to ensure the above, the following guidelines are defined:
1 Changes in deadlines must be due to two distinct and alternative circumstances:

1.1 commercial reasons (trade concessions), i.e. problems related to the underlying supply and/or commercial policies of the purchaser and/or sector specificity in the absence of a state of difficulty and therefore of the counterparty;
1.2 change in deadlines resulting from a lack of funds in the presence of a state of difficulty of the counterparty (non-commercial concessions).

2 Some reasons constitute rebuttable presumption or absolute presumption of the case under 1.2.
3 The treatment must be differentiated between the debtor role (without recourse) and the transferor role (with recourse), meaning that

3.1 the debtor role without recourse is a debtor counterparty where there are receivables without recourse;
3.2 the transferor role with recourse is a transferor counterparty where there are exposures with recourse.

QUANTITATIVE INFORMATION

1. Distribution of financial assets by portfolio and loan quality (book values)

(thousands of €)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	Total
1. Financial assets measured at amortised cost	55,394	39,029	1,908	724,505	5,441,622	**6,262,458**
2. Financial assets at fair value through other comprehensive income						**-**
3. Financial assets designated at fair value						**-**
4. Other financial assets mandatorily measured at fair value					4,782	**4,782**
5. Discontinues operations						**-**
Total 31/12/2020	55,394	39,029	1,908	724,505	5,446,404	6,267,240
Total 31/12/2019	62,992	45,129	17,981	1,102,515	6,299,494	7,528,111

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

(thousands of €)

Portfolios/quality	Impaired				Performing			Total (net exposure)
	Gross Exposure	Total value adjustment	Net exposure	Overall partial write-off *	Gross Exposure	Total value adjustment	Net exposure	
1. Financial assets measured at amortised cost	357,423	(261,092)	96,331		6,175,742	(9,615)	6,166,127	6,262,458
2. Financial assets at fair value through other comprehensive income			-				-	-
3. Financial assets designated at fair value			-		X	X	-	-
4. Other financial assets mandatorily measured at fair value			-		X	X	4,782	4,782
5. Discontinued operations			-				-	-
Total 31/12/2020	357,423	(261,092)	96,331	-	6,175,742	(9,615)	6,170,909	6,267,240
Total 31/12/2019	410,494	(284,392)	126,102	-	7,409,188	(11,745)	7,402,009	7,528,111

* Value to be shown for information purposes

(thousands of €)

Portfolios/quality	Low creditworthiness assets		Other assets
	Capital Losses Cumulative	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total 31/12/2020	-	-	-
Total 31/12/2019			

3. Distribution of financial assets by overdue bands (book values)

(thousands of €

Portfolios/quality	First level			Second level			Third level		
	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	292,491	101,976	222,533	44,920	16,688	46,605	5,788	1,365	350,270
2. Financial assets at fair value through other comprehensive income									
3. Financial assets held for sale									
Total 31/12/2020	292,491	101,976	222,533	44,920	16,688	46,605	5,788	1,365	350,270
Total 31/12/2019	552,065	108,966	249,696	108,930	20,878	61,980	1,863	662	407,970

4. Financial assets, commitments to grant funds and financial guarantees given: changes in total value adjustments and in total provisions

(thousands of €)

Causes/Risk status	Total value adjustments																Total provisions on			Total
	Assets in the first status					Assets in the second status					Assets in the third status									
	Financial assets measure at amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held fo sale	of which: single write-dowr	of which: collective write-downs	Financial assets measure at amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held fo sale	of which: single write-dowr	of which: collective write-downs	Financial assets measure at amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held fo sale	of which: single write-dowr	of which: collective write-downs	of which: impaired financial assets acquired or originated	First Level	Second Level	Third Level	
Opening Balance	6,934				6,934	4,811				4,811	284,392			284,392			273	78	1,262	297,750
Increases in financial assets acquired or originated	-				-	-				-	-			-			-	-	-	-
Eliminations other than write-offs	-				-	-				-	-			-						-
Net value adjustments/writebacks for credit risk (+/-)	453				453	332				332	11,262			11,262			140	110	14	12,311
Contract modifications without eliminations	-				-	-				-				-			-	-	-	-
Changes in estimation method					-					-				-						-
Write-off	-				-	-				-	(30,760)			(30,760)			-	-	-	(30,760)
Other changes	(1,139)				(1,139)	(1,776)				(1,776)	(3,801)			(3,801)			47	16	(33)	(6,686)
Closing balance	6,248				6,248	3,367				3,367	261,093			261,093			460	204	1,243	272,615
Recoveries from collections on financial assets written off	-				-	-				-	794			794						794
Write-offs recognised directly to the income statement	-				-	-				-	(1,593)			(1,593)						(1,593)

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

(thousands of €)

Portfolios/quality	Gross Value / Nominal Value					
	Transfer from first stage to second stage		Transfer from first stage to third stage		Transfer from second stage to third stage	
	From first status to second status	From second status to first status	From second status to third status	From third status to second status	From first status to third status	From third status to first status
1. Financial assets measured at amortised cost	107,026	66,070	1,353	406	1,054	4,215
2. Financial assets at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to grant loans and financial guarantees issued	7,349	12,276	39	-	76	6
Total 31/12/2020	114,375	78,346	1,392	406	1,130	4,221
Total 31/12/2019	944,559	574,266	10,501	4,131	24,735	20,822

5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk (gross values)

(thousands of euros)

Portfolios/risk stages	Gross values					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	From first stage to third stage	From first stage to third stage
A. Loans valued at amortised cost						
A.1 Loans granted in accordance with the GLs						
A.2 Financing covered by other concessionary measures	1,055	479	6,356	-	195	26
A.3 New funding						
B. Loans measured at fair value with impact on						
B.1 Loans granted in accordance with the GLs						
B.2 Financing covered by other granting measures						
A.3 New funding						
Total 31/12/2020	1,055	479	6,356	-	195	26
Total 31/12/2019						

6. Credit exposures to customers, banks and financial businesses

6.1 Off-balance sheet credit exposures to banks and financial businesses: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		**Total value adjustments and total provisions**	**Net Exposure**	**Overall partial write-off***
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	460	X	(460)	-	
-of which forborne exposures		X		-	
b) Unlikely to pay		X		-	
-of which forborne exposures		X		-	
c) Impaired past due loans	-	X	-	-	
-of which forborne exposures	-	X		-	
d) Performing Past due loans	X	7,380	(2)	7,378	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	135,151	(130)	135,021	
-of which forborne exposures	X			-	
TOTAL A	**460**	**142,531**	**(592)**	**142,399**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets				-	
b) Performing assets	X	4,152	-	4,152	
TOTAL B	**-**	**4,152**	**-**	**4,152**	**-**
TOTAL (A+)B	**460**	**146,683**	**(592)**	**146,551**	**-**

* Value to be shown for information purposes

6.2 Cash credit exposures to banks and financial businesses: changes in gross non-performing exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**1,648**	**19**	**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**-**	**-**
B.1	entries from performing exposures	-	-	-
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	-	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	-	-	-
C.	***Decreases***	**(1,188)**	**(19)**	**-**
C.1	exits to performing exposures	-	(19)	-
C.2	write-offs	-	-	-
C.3	collections	-	-	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	-	-
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	(1,188)	-	-
D.	***Gross final exposure***	**460**	**-**	**-**
	of which: exposures sold, but not eliminated	-	-	-

6.2bis Cash credit exposures to banks and financial businesses: changes in gross forborne exposures broken down by credit quality

There were no amounts in this section.

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

(thousands of €)

	Cause/Categories	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**1,648**	**-**	**-**	**-**		**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**-**	**-**	**-**	**-**	**-**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments		-	-	-		-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	-	-	-	-	-	-
B.5	contract modifications without eliminations		X		X		X
B.6	other increases	-	-	-	-	-	-
C.	***Decreases***	**(1,188)**	**-**	**-**	**-**	**-**	**-**
C.1	write-backs from valuation						
C.2	write-backs from collection	-	-	-	-	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	-	-	-	-	-	-
C.5	transfers from other categories of impaired exposures	-	-	-	-	-	-
C.6	contract modifications without eliminations	-	X		X		X
C.7	other decreases	(1,188)	-	-	-	-	-
D.	***Final total adjustments***	**460**	**-**	**-**	**-**	**-**	**-**
	- of which: exposures sold, but not eliminated						

6.4 Off-balance sheet credit exposures to customers: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	276,638	X	(221,244)	55,394	
-of which forborne exposures	18,867	X	(17,250)	1,617	
b) Unlikely to pay	77,957	X	(38,928)	39,029	
-of which forborne exposures	12,758	X	(6,555)	6,203	
c) Impaired past due loans	2,368	X	(460)	1,908	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	717,833	(706)	717,127	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	5,315,378	(8,777)	5,306,601	
-of which forborne exposures	X	9,493	(4,288)	5,205	
TOTAL A	**356,963**	**6,033,211**	**(270,115)**	**6,120,059**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets	3,809		(1,243)	2,566	
b) Performing assets	X	353,226	(664)	352,562	
TOTAL B	**3,809**	**353,226**	**(1,907)**	**355,128**	**-**
TOTAL A+B	**360,772**	**6,386,437**	**(272,022)**	**6,475,187**	**-**

* Value to be shown for information purposes.

6.4a Loans subject to Covid-19 support measures: gross and net values

(thousands of euros)

Exposure types/values	Gross exposure	Total value adjustments and provisions	Net exposure	Write-off partials overall*
A. Non-performing credit exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
B. Credit exposures in probable default:	6,551	(1,447)	5,104	
a) Object of concession in accordance with GL				
b) Object of other concession measures	6,551	(1,447)	5,104	
c) New funding				
C. Impaired past due credit exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
D. Non-impaired past due exposures:				
a) Object of concession in accordance with GL				
b) Object of other concession measures				
c) New funding				
E. Other non-impaired exposures:	2,968	(6)	2,962	
a) Object of concession in accordance with GL				
b) Object of other concession measures	2,968	(6)	2,962	
c) New funding				
TOTAL (A+B+C+D+E)	**9,519**	**(1,453)**	**8,066**	

* Values to be displayed for information purposes

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**303,431**	**84,914**	**20,482**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**7,753**	**45,457**	**1,741**
B.1	entries from performing exposures	269	45,429	1,741
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	7,455	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	29	28	-
C.	***Decreases***	**(34,546)**	**(52,414)**	**(19,855)**
C.1	exits to performing exposures	(9,129)	(37,320)	(15,096)
C.2	write-offs	(26,605)	(5,463)	(4,731)
C.3	collections	-	-	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(7,455)	-
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	1,188	(2,176)	(28)
D.	***Gross final exposure***	**276,638**	**77,957**	**2,368**
	of which: exposures sold, but not eliminated			

6.5bis Cash credit exposures to customers: changes in gross forborne exposures broken down by credit quality

(thousands of €)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**43,687**	**362**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**6,920**	**432**
B.1	entries from performing not forborne exposures	5,335	
B.2	entries from performing forborne exposures	111	X
B.3	entries from impaired forborne exposures	X	
B.4	entries from non impaired forborne	1,255	432
B.5	other increases	219	-
C.	***Decreases***	**(10,115)**	**(168)**
C.1	exits to performing not forborne exposures		
C.2	exits to performing forborne exposures		X
C.3	exits to impaired forborne exposures	X	(111)
C.4	write-offs	(3,723)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(6,392)	(57)
D.	***Gross final exposure***	**40,492**	**626**
	of which: exposures sold, but not eliminated		

6.6 Impaired cash credit exposures to customers: changes in total value adjustments

(thousands of €)

	Cause/Categories	**Doubtful loans**		**Unlikely to pay**		**Impaired past due loans**	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**240,439**	**18,313**	**39,804**	**10,728**	**2,501**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**14,776**	**1,831**	**8,679**	**1,670**	**206**	**-**
B.1	value adjustments from impaired financial assets acquired or originated						X
B.2	other value adjustments	7,070	1,831	8,679	1,670	206	
B.3	losses on sale						-
B.4	transfers from other categories of impaired exposures	7,113					-
B.5	contract modifications without eliminations						X
B.6	other increases	593					-
C.	***Decreases***	**(33,971)**	**(2,825)**	**(9,555)**	**(1626)**	**(2,247)**	**-**
C.1	write-backs from valuation	(2,872)	(686)	(225)		(2,247)	
C.2	write-backs from collection	(1,259)		(549)	(66)	-	
C.3	gains on sale					-	-
C.4	write-offs	(29,840)	(2,142)	(920)	(812)	-	
C.5	transfers from other categories of impaired exposures			(7,113)			
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases			(748)	(748)		
D.	***Final total adjustments***	**221,244**	**17,319**	**38,928**	**10,772**	**460**	**-**
	- of which: exposures sold, but not eliminated						

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7. Classification of financial assets, commitments to grant funds and financial guarantees given based on internal and external ratings

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

(thousands of €)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**422,542**	**1,343,087**	**864,491**	**265,448**	**94,284**	**3,412**	**3,539,901**	**6,533,165**
- First level	422,461	1,312,130	840,062	245,848	86,307	3,412	2,662,045	**5,572,265**
- Second level	81	30,957	24,429	15,334	7,977		524,699	**603,477**
- Third level				4,266			353,157	**357,423**
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
- First level								-
- Second level								-
- Third level								-
C. Commitments to disburse funds and financial guarantees issued								
- First level								
- Second level								
- Third level								
Total (A + B)	**422,542**	**1,343,087**	**864,491**	**265,448**	**94,284**	**3,412**	**3,539,901**	**6,533,165**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees issued	**2,014**	**84,328**	**18,895**	**5,337**	**-**	**-**	**250,613**	**361,187**
- First level	2,014	81,676	18,808	5,266			177,693	**285,457**
- Second level		2,652	87	71			69,111	**71,921**
- Third level							3,809	**3,809**
Total (C)	**2,014**	**84,328**	**18,895**	**5,337**	**-**	**-**	**250,613**	**361,187**
Total (A + B + C)	**424,556**	**1,427,415**	**883,386**	**270,785**	**94,284**	**3,412**	**3,790,514**	**6,894,352**

Ifitalia, for the Exposures in the Central Administrations and Central Banks portfolio, uses the external ratings of the following ECAI:

	1	2	3	4	5	6
CERVED	A1.1, A1.2, A.1.3	A.2.1, A.2.2, A.3.1	B.1.1, B.1.2	B.2.1, B.2.2	C.1.1	C.1.2, C.2.1

7.2 Distribution of financial assets, commitments to grant funds and financial guarantees given by internal rating class (gross values)

There were no amounts in this section.

8. Financial and non-financial assets obtained through the enforcement of guarantees received

There were no amounts in this section.

9. Lending concentration

9.1 Distribution of cash and off-balance sheet credit exposures by sector of economic activities of the counterparty

(thousands of €)

Exposure types/Balances	Public administration		Financial companies and banks		Financial companies (of which: OTHER INSURANCE COMPANIES)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	9,445	(6,147)		(460)			45,514	(210,599)	435	(4,498)
-of which forborne exposures	275	(726)					1,810	(16,241)	53	(352)
A.2 Unlikely to pay	8,913	(1,041)		-			28,978	(36,439)	1,138	(1,448)
-of which forborne exposures	380	(58)					9,536	(10,604)	347	(110)
A.3 Impaired past due positions	1,344	(11)		-			564	(417)	-	(32)
-of which forborne exposures	-	-						-	-	
A.4 Performing exposures	735,390	(179)	142,399	(132)	26,277	(118)	5,181,829	(9,043)	106,509	(261)
-of which forborne exposures	198						426	(2)		-
TOTAL A	**755,092**	**(7,378)**	**142,399**	**(592)**	**26,277**	**(118)**	**5,256,885**	**(256,498)**	**108,082**	**(6,239)**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-			2,555	(1,240)	11	(3)
B.2 Performing assets	42,041	(64)	4,152	-	-		307,922	(587)	2,599	(13)
TOTAL B	**42,041**	**(64)**	**4,152**	**-**	**-**	**-**	**310,477**	**- 1,827**	**2,610**	**(16)**
TOTAL (A+B) 31.12.2020	**797,133**	**(7,442)**	**146,551**	**(592)**	**26,277**	**(118)**	**5,567,362**	**(258,325)**	**110,692**	**(6,255)**
TOTAL (A+B) 31.12.2019	**966,239**	**(9,097)**	**102,942**	**(1,812)**	**3,271**	**-**	**6,603,565**	**(277,201)**	**149,637**	**(9,640)**

9.2 Distribution of cash and off-balance sheet credit exposures by counterparty's geographic area

(thousands of €)

Exposure types/Balances		ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**CASH EXPOSURES**										
A.1	Non performing	55,394	(218,805)	-	(2,899)	-	-	-	-	-	-
A.2	Unlikely to pay	36,751	(35,495)	1,944	(3,128)	-	-	314	(226)	20	(79)
A.3	Past due positions	1,908	(460)	-	-	-	-	-	-	-	-
A.4	Performing positions	5,038,684	(8,896)	889,861	(441)	141,839	(61)	54,772	(188)	40,971	(29)
	TOTAL (A)	**5,132,737**	**(263,656)**	**891,805**	**(6,468)**	**141,839**	**(61)**	**55,086**	**(414)**	**40,991**	**(108)**
B.	**OFF BALANCE SHEET EXPOSURES**										
B.1	Impaired assets	2,147	(1,243)	419	-	-	-	-	-	-	-
B.2	Performing positions	323,176	(614)	32,064	- 49	1,432	- 1	42		-	-
	TOTAL (B)	**325,323**	**(1,857)**	**32,483**	**(49)**	**1,432**	**(1)**	**42**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2020	**5,458,060**	**(265,513)**	**924,288**	**(6,517)**	**143,271**	**(62)**	**55,128**	**(414)**	**40,991**	**(108)**
	TOTAL (A + B) 31/12/2019	**6,319,275**	**(289,747)**	**1,093,228**	**(7,397)**	**300,175**	**(252)**	**85,083**	**(244)**	**24,982**	**(110)**

9.2.1 Distribution of cash and off-balance sheet credit exposures by geographic area of counterparty resident in Italy

(thousands of €)

Exposure types/Balances		North-West		North-East		Centre		South and Islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	CASH EXPOSURES								
A.1	Non performing	9,264	(58,930)	4,011	(28,968)	23,326	(63,497)	18,793	(67,410)
A.2	Unlikely to pay	3,753	(9,491)	1,806	(3,541)	15,457	(11,135)	15,735	(11,328)
A.3	Past due positions	397	(361)	74	(24)	1,349	(28)	88	(47)
A.4	Performing positions	1,989,782	(2,811)	961,978	(1,874)	1,458,727	(2,913)	628,197	(1,298)
	TOTAL (A)	2,003,196	(71,593)	967,869	(34,407)	1,498,859	(77,573)	662,813	(80,083)
B.	OFF BALANCE SHEET EXPOSURES								
B.1	Impaired assets	2,018	(1,211)	40	(10)	70	(17)	19	(5)
B.2	Performing positions	147,065	(194)	74,268	(139)	65,021	(201)	36,822	(80)
	TOTAL (B)	149,083	(1,405)	74,308	(149)	65,091	(218)	36,841	(85)
	TOTAL (A+B) 31.12.2020	2,152,279	(72,998)	1,042,177	(34,556)	1,563,950	(77,791)	699,654	(80,168)
	TOTAL (A+B) 31.12.2019	2,510,530	(78,641)	1,101,745	(40,904)	1,968,027	(82,254)	738,973	(87,948)

9.3 Significant exposures

(thousands of €)

SIGNIFICANT EXPOSURES		Book value	Weighted value
a	Amount	2,115,274	1,449,033
b	Number	15	15

10. Models and other methods for gauging and handling the credit risk

The Group does not use internal models for gauging credit risk

11. Other quantitative information

Not applicable for the Group

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

1. General aspects

The interest rate risk deriving from the timing mismatch between asset and liability items associated with funding and lending transactions is handled by the Finance Division.
As part of its core activities, due to company policy, funding reflects the same market parameters to which the structure of the loans is linked.
In consideration of the types of lending and funding that characterise the Group's activities, the risk of a change in the market rates has a marginal impact on the value of assets and liabilities.

QUANTITATIVE INFORMATION

Given that all funding is currently provided to the company by the Parent Company, the mismatch by maturity band with respect to the amount of the funding is marginal as at 31 December 2020.

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

Currency: euro *(thousands of euros)*

Remaining items/duration	on demand	within 3 months	from 3 to 6 months	from 6 to 1 year	from 1 year to 5 years	from 5 years to 10 years	over 10 years	unspecified life
1. Assets	**865,922**	**4,171,135**	**509,322**	**100,370**	**84,662**	**13,709**	**-**	**317,501**
1.1 Government bonds								
1.2 Credits	865,922	4,171,135	509,322	100,370	84,662	13,709		312,719
1.3 Other assets								4,782
2. Liabilities	**198,998**	**4,666,503**	**12,222**	**9,302**	**30,216**	**-**	**-**	**356,057**
2.1 Debts	198,998	4,666,503	12,222	9,302	30,216	-		356,057
2.2 Bonds issued								
2.3 Oher liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	28
3.2 Long positions								28
3.4 Short positions								

Currency: other currencies *(thousands of euros)*

Remaining items/duration	on demand	within 3 months	from 3 to 6 months	from 6 to 1 year	from 1 year to 5 years	from 5 years to 10 years	over 10 years	unspecified life
1. Assets	**15,754**	**181,046**	**7,592**	**-**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	15,754	181,046	7,592	-	-	-		
1.3 Other assets								
2. Liabilities	**89,078**	**106,636**	**7,476**	**1,145**	**-**	**-**	**-**	**-**
2.1 Debts	89,078	106,636	7,476	1,145	-	-		
2.2 Bonds issued								
2.3 Oher liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	-
3.2 Long positions								
3.4 Short positions								

2. Models and other methods for gauging and handling the interest rate risk

The interest rate risk is monitored on a quarterly basis by the Financial Division – Treasury Dept. The model used by Ifitalia to monitor interest rate risk is that indicated in the provisions contained in Bank of Italy Circular no. 288, whose model is based on the principle of a 200 bp shock.

At the end of 2020, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 7,548 million, equal to 0.998% of the supervisory capital, below the 20% threshold.

3. Other quantitative information on interest rate risk

There were no amounts in this section.

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3.2.2 PRICE RISK

The Group does not purchase or sell financial instruments other than trade receivables and therefore is not exposed to the market risks associated with the price volatility of said instruments.

3.2.3 EXCHANGE RISK

QUALITATIVE INFORMATION

1. General aspects
Exchange risk is negligible within the scope of core business activities since all assets acquired are matched by identical liabilities in the same currency and with the same duration features.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

Entries		Currencies					
		USA dollars	Pounds	Yen	Canadian dollars	Swiss francs	Other currencies
1.	**Financial assets**	**177,129**	**9,143**	**2**	**-**	**622**	**22,401**
1.1	government bonds	-	-	-	-	-	-
1.2	equity securities	-	-	-	-	-	-
1.3	credits	177,129	9,143	2	-	622	22,401
1.4	other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**177,256**	**9,011**	2	-	622	**22,357**
3.1	debts	177,256	9,011	2	-	622	22,357
3.2	bonds issued	-	-	-	-	-	-
3.3	other financial labilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	long positions	-	-	-	-	-	-
5.2	short positions	-	-	-	-	-	-
	Total assets	177,129	9,143	2	-	622	22,401
	Total liabilities	177,256	9,011	2	-	622	22,357
	Unbalances (-/+)	- 127	132	-	-	-	44

2. Models and other methods for gauging and handling the exchange risk

As stated above, exchange risk is negligible since all assets acquired are matched by identical liabilities in the same currency and with the same duration features.

3. Other quantitative information on exchange risk

There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the operational risk

The control model defined by the BNP Paribas Group allocates the Operational Risk tasks among three lines of defence and, limited to Permanent Controls, between the first and second lines of defence as summarised below.

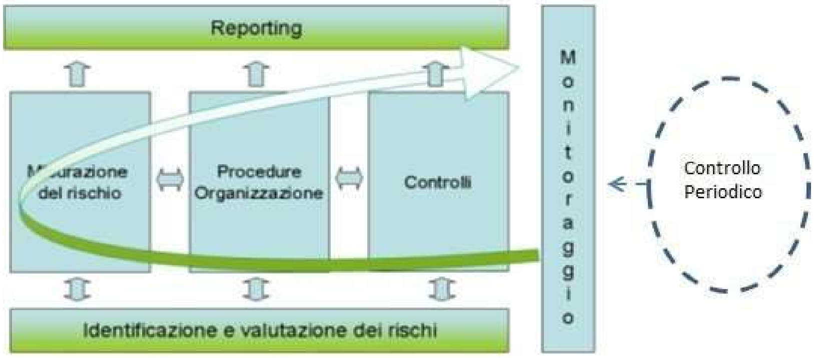
(*) Compliance, LEGAL, RISK
(**) Group Tax and Group Finance for the purposes of organisational responsibilities and supervision of the risk management framework for accounting and financial reporting

The distinction, operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the permanent second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out line activities and hierarchical controls and by the OPC structure that carries out the role of permanent first level control (first line of defence). OPC is represented by the Operational Risk and Permanent Controls Department.

The permanent controls of the first line of defence are entrusted to the structure called **"Operational Permanent Control" / OPC** that consists in Ifitalia of personnel independent of the operating functions that are responsible for:
- identifying and assessing the risks to which the assets are exposed;
- defining adequate control methods and ensuring their execution;
- identifying and implementing risk mitigation actions.

The **permanent control system,** whose framework is defined by the Risk Division that contributes to its application through its role of permanent second-level control, implements continuous risk control and monitoring of the effective implementation of strategic actions. The regulatory part is based on procedures that apply the Group's framework at the local level and are translated into policies, operational implementation procedures, control plans and a reporting system for appropriate internal and Group stakeholders in coordination with the Group functions of the Business Line Factoring.

The diagram below represents the overall breakdown of the components of the permanent monitoring device:



Within the Ifitalia internal control framework, the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale is the responsibility of the Operational Risk and Permanent Controls Department, due to its proximity to operational processes, with periodic reporting of its results to the RISK function as the second line of defence. Inspection Générale is responsible for the final decision on the correct implementation of the corrective action resulting from the issue of specific recommendations.
OPC oversees the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORC (RISK Operational Risk & Controls).

The supervision, management and monitoring activities (also with reference to the ICAAP process) are carried out by the already mentioned Operational Risk and Permanent Controls Department (OPC) in coordination with the Risk Division in accordance with the operational risk governance model defined by the Parent Company BNP Paribas. OPC is part of the Operational Management Division.
The complementariness of the "Operational Risks" and "Permanent Controls" areas carries out its synergistic action in the identification, assessment and monitoring phase of the actual risk (the risk that takes into account the coverage of the procedures and the effectiveness of the controls) and in the definition phase of the corrective actions and the relative priorities, following the adoption of shared and common metrics and measurements.
The staff of the OPC Unit, who do not participate in specific operating activities of the other departments, are dedicated to executing Permanent Controls according to the formalities and the deadlines defined in the Plan of Controls and prepared “day by day” operational disclosure on the checks carried out, emerging issues, and any mitigation activities carried out. This information is sent to the operational management (Heads of the Units).

The Risk Division, in line with the guidelines of the BNP Paribas Group, is responsible for organising and supervising the global risk management system to which Ifitalia is exposed and, more specifically, the following risks: credit, dilution, counterparty, market, financing and liquidity, interest rate and exchange rate in the banking book, insurance and operational.
The RISK manager is also responsible for the Permanent control system and for the consistency and operation of the RISK manager in accordance with the Group's permanent control device.
In this way, RISK guarantees Ifitalia a single and integrated view of the various types of risk.

The second line of defence in the Risk Management area implemented by *RISK ORC*, on the Risk Manager's recommendation, has the mission of ensuring the correct application at local level of the Group's framework with reference to regulations, the way in which the risks to which the company is exposed are assessed (through the **Check & Challenge process on RCSA/Risk Control & Self Assessment**), the way in which the control plan is implemented (through the **Independent Testing** process), the examination (through the **Quality Review** process) of the way in which operational incidents are assessed by the first line of defence and, last but not least, the effectiveness of the system of defence against the risk of fraud.

The Operational Risk and Permanent Controls Department (OPC) operates based on the guidelines defined by the Risk Division and coordinates for this purpose with RISK ORC.

Information and coordination with management at the corporate level is carried out through Inter-functional Committees, the main one being the Risk Monitoring Committee during the Operational Risk and Permanent Controls session and that are envisaged by the pro tempore Company Regulations in force.

More in detail, always with regard to 2019, the organisation was completed by:

- ✓ **Risk Monitoring Committee - Permanent Control Operational Risk Session** that, consistently with the Parent Company model, assures the coordination and decision-making process supporting the permanent control and operational risk organisation. The Committee is responsible for:
  - approving the Operational Plans for Permanent Control of risks, prepared by the responsible divisions;
  - providing a global, organic vision of the permanent control and operational risk system;
  - analysing and acquiring collective decisions on the permanent control and operational risk framework;
  - generating an alarm and escalation level on recurring critical issues;
  - determining the involvement of operational units responsible for managing these issues and activating the monitoring of mitigating actions.

  Committee meetings, organised by RISK ORC, are attended by the Heads of the Company Divisions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the Contact Persons for Essential Outsourced Services and the relevant BNL SpA functions (Compliance and RISK ORC Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy (as a permanent guest) participate in the meetings.

- ✓ Finance Division, which is responsible for ensuring that incidents generating a significant financial impact are properly reported in the Company's financial documents; this Division also works with the Operational Risk and Permanent Control Unit to perform an accounting reconciliation of operating incidents. It is also responsible for calculating the capital requirements to be established in relation to the operational risks.

Method

Management of operational risk, in the definition adopted by BNP Paribas, is based on an alignment of cause analysis (internal process or external fact), event (incident), and effect (risk of economic loss). In particular, the BNP Group defined as an incident a real event that has actually taken place, of which it is possible to effectively describe the real causes and consequences, as well as to measure its economic impacts. Analysis of the frequency/impacts of the historic incidents and their evolution in perspective represents an underlying element for the development of the map of the risks.

The Operational Risk Management Model within Ifitalia concerns the following processes:

- **Loss Data Collection Process**: activities for the identification, entry, and registration of historic incidents of Operational Risk through input to the BNP Group tool; FORECAST was the Group tool used until October, later replaced by the new RISK 360° application. The new tool was designed to allow the integrated management of all activities related to the operational risk framework and will gradually become available in all modules by 2021. The management of historical incidents has already been guaranteed after FORECAST has been discontinued from the 360°HI module.

  The process, implemented by the first line of defence, is subject to a second level control process called Quality Review with the aim of ascertaining the correct identification of the causes and effects of the incident and the adequacy of the action plans identified. The application of the second level control is implemented with a risk sensitive logic that takes into account the type of incident and its amount.

  Following the examination, if necessary, RISK ORC could agree with the first line of defence of the requests for correction.
- **RCSA/Risk Control & Self Assessment Process**: valuation of the exposure to operational and non-compliance risks within Ifitalia; the mapping of the risks has been one of the qualifying elements for the adoption of the TSA model. It is essentially based on a self-assessment process to identify, classify and measure in advance the risks that business operations are potentially exposed to and as such, is a managerial operating tool useful for planning the most appropriate mitigation measures for said risk.

  The process, implemented by the first line of defence, is subject to a second level control process called Check&Challenge that aims to ensure the correct identification of the relevant risks, their relevance before and after the application of the control system, as well as the identification of action plans, where mandatory for the Group's control system, or where deemed appropriate in coordination with the management concerned. The process has its own formalised governance, coordinated by the Risk Division, and ends with final approval by the Board of Directors.

- **Permanent Control Plan**: activation of permanent control procedures on areas at greatest operational risk identified in the RCSA Process; the outcomes of the controls are reported through the Ve.Re.Co. (Control Reports) Group application;
  The process, implemented by the first line of defence, is subject to a second level control process called Independent Testing where the controls implemented are subject to controls according to a risk sensitive priority logic. The purpose of the second level control is to verify the consistency of the scope of application of each control, the way in which it is formalised and its reperformability. Following the examination, if necessary, RISK ORC could agree with the first line of defence of the requests for correction.
- **Issue Resolution Activities**: adoption of suitable corrective measures in relation to the critical areas indicated, to ensure the efficiency of the company procedures and processes (in terms of integration, variation or support). This action can be activated directly from the first line of defence (known as self-identified action plans) or derives from the activity carried out by the second line of defence as described above.
  The corrective actions are carried out according to two different operating methods: definition of short-term corrective actions and structuring of medium/long-term action plans.
  Actions to correct the most significant critical points identified by the controls and incident analysis are recorded and monitored through the Aurora application in order to give greater structuring to the interventions in terms of finding, corrective action, minimum evidence for the closure of the action, deadlines and exact identification of those responsible for the termination. The use of a Group application offers the possibility of visibility to the management concerned and, at the same time, to the Group.
- **Reporting**:
  Reporting activities assure operational risk monitoring and enable to assess the efficacy of the controls and hedging procedures.
  Reports are produced by the first and second lines of defence.
  With reference to the first line of defence, the main report produced, is the Permanent Controls and Operational Risks Report that guarantees the presence of information on the outcomes of the permanent controls and the results of the Loss Data Collection process. This report, on a quarterly basis, is intended for the management in the Risk Monitoring Committee and the Board of Directors.
  With reference to the second line of defence, the main report produced is the OR&C Report submitted for validation by the General Manager and Risk Manager, which guarantees the Board of Directors and, through the Business Line, the Group a general view of the company's internal control system. This is an annual report. Other reports of greater detail and frequency are intended for management in the Risk Monitoring Committee and the Board of Directors.

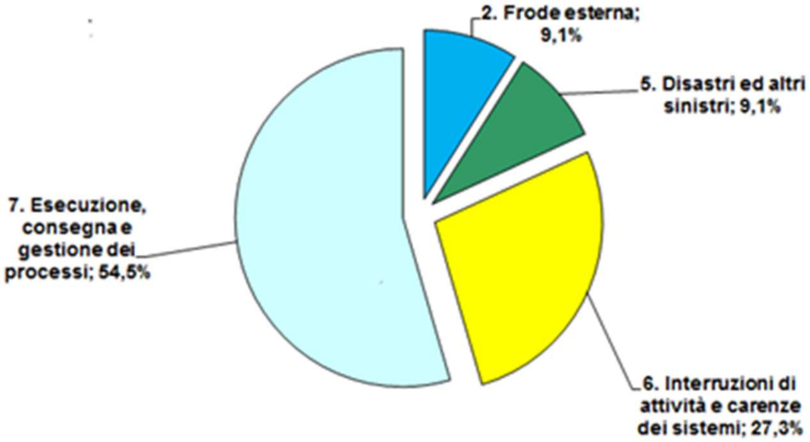
QUANTITATIVE INFORMATION

Assessment of the main sources and nature of risk events

The breakdown by percentage of operational risk events recorded in 2020 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. In 2020, 18 risk events occurred, involving:

- **phenomena related to process execution, delivery and management (ET 7**): these events are due to deficiencies in the completion of the transaction or in the management of processes, as well as events deriving from transactions with commercial counterparties (sellers and suppliers); these events constitute the main source of operational risk, as they account for 54.5% of the total number of events recorded in 2020 (versus 72% in 2019);
- **phenomena related to interruptions of activities and system malfunctions (ET 6**): these events derive from activity interruptions or from system malfunctions; they represent 27.3% of the total events recorded in 2020 (compared to 16.7% in 2019);
- **phenomena related to disasters and other events (ET 5**): these are events deriving from damage to properties, movable assets and people deriving from disasters or other accidents; these events account for 9.1% of the total events recorded in 2020 (no event was recorded in 2019);
- **phenomena related to external frauds (ET 2):** these are events due to fraud, embezzlement or violation of laws by persons outside the Company and account for 9.1% of the total events in 2020 (versus 5.6% in 2019).

Percentage composition by each type of event:



3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the liquidity risk

The policies for managing liquidity risk, i.e. the ability to fulfil, at any time, one's payment obligations at the set due dates, are an expression of the strategy defined by the Parent Company BNP Paribas, which is essentially based on centralised liquidity management for all Group companies.

QUANTITATIVE INFORMATION

1. Time distribution by residual maturity of financial assets and liabilities - Euro

Euro *(thousands of €)*

	Items/Timeframe	On demand	Within 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 5 years	Beyond 5 years	Unspecified life
	Cash assets	**781,457**	**-**	**-**	**1,507,701**	**2,000,776**	**958,850**	**301,160**	**177,747**	**17,657**	**317,500**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	781,457			1,507,701	2,000,776	958,850	301,160	177,747	17,657	312,718
A.4	Other assets										4,782
	Cash liabilities	**226,213**	**581,230**	**839,655**	**725,984**	**816,718**	**393,071**	**1,510,640**	**30,216**	**-**	**149,570**
B.1	Deposits and current accounts	199,306	574,484	820,540	689,322	720,900	372,015	1,510,457	30,216	-	149,570
	- Banks	172,805	568,570	803,599	666,805	613,812	350,959	1,510,274	30,216		2,949
	- Financial institutions	26,501	5,914	16,941	22,517	107,088	21,056	183	-	-	
	- Customers										146,621
B.2	Debt securities	26,907	6,746	19,115	36,662	95,818	21,056	183	-	-	-
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,502**
C.1	Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.2	Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
	Long positions										
	Short positions										
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.4	Irrevocable commitments to grant funds	-	-	-	-	-	-	-	-	-	-
	- Long positions										
	- Short positions										
C.5.	Financial guarantees issued										1,502
C.6	Financial guarantees received										

1. Time distribution by residual maturity of financial assets and liabilities – Other currencies

Other currencies *(thousands of €)*

	Items/Timeframe	On demand	Within 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 5 years	Beyond 5 years	Unspecified life
	Cash assets	**14,673**	**-**	**-**	**47,216**	**115,883**	**22,801**	**3,553**	**266**	**-**	**-**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	14,673			47,216	115,883	22,801	3,553	266		
A.4	Other assets										
	Cash liabilities	**88,772**	**7,443**	**169**	**45,886**	**54,109**	**7,956**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	88,772	7,443	169	45,886	54,109	7,956	-	-	-	-
-	Banks	88,466	6,611	- 2,006	43,893	53,227	7,956				
-	Financial institutions	306	832	2,175	1,993	882	-	-	-	-	
-	Customers										
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
C.1	Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.2	Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
	Long positions										
	Short positions										
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.4	Irrevocable commitments to grant funds	-	-	-	-	-	-	-	-	-	-
-	Long positions										
-	Short positions										
C.5.	Financial guarantees issued										10
C.6	Financial guarantees received										

3.5 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

There were no amounts in this section.

SECTION 4 EQUITY INFORMATION

4.1 The consolidated equity

4.1.1 Qualitative information

The Group's equity is made up of the aggregation of share capital, share premium reserve, reserves, valuation reserves and profit for the period.
For supervisory purposes, the capital aggregate significant for this purpose is determined based on the current provisions envisaged by the Bank of Italy and represents the reference oversight for prudential supervisory provisions.
In accordance with said provisions, the Company is obliged to maintain a comprehensive capital requirement, which is calculated as the sum of the requirements relating to the single risk types (known as "building block").

4.1.2 Quantitative information

4.1.2.1 Group equity: breakdown

The Group's equity as at 31 December 2020 amounted to EUR 791,427 thousand.

(thousands of €)

Items/Balances	Total 31/12/2020	Total 31/12/2019
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	645,696	595,116
- profit	646,854	596,274
a) legal reserve	11,180	11,180
b) statutory reserve	635,674	584,237
c) treasury shares	-	-
d) other		857
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(1,027)	(1,015)
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedging of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments (elements not designated)	-	-
- Exchange differences	-	-
- Non current assets and disposal group held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains (losses) relating to defined benefit pension plans	(1,027)	(1,015)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	29,049	50,580
Total Group equity	**791,417**	**762,379**
Minority interests	**10**	**10**
Total Group equity	**791,427**	**762,389**

4.1.2.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown

There were no amounts in this section.

4.1.2.3 Valuation reserves of financial assets at fair value through other comprehensive income: changes during the year

There were no amounts in this section.

4.2 Own Funds and supervisory ratios

Bank of Italy Circular no. 288 "Supervisory Provisions for Financial Intermediaries" in Title I "Subjects and activities", Chapter 2 "Financial Group", Section II "Financial Group", 1 "Composition of the Financial Group" states that the financial companies that make up the group also include:
— corporate bodies with a corporate purpose limited to the carrying-out of certain transactions of a financial nature, whose activity is essentially carried out in the interest of the group."
However, Circular 288 also specifies that "Vehicles set up in Italy or abroad for the sole purpose of giving corporate form to individual funding or lending transactions and intended to be liquidated once the transaction is concluded, in which the intermediary or a company of the financial group holds an interest that does not qualify as an equity investment for supervisory purposes, are not included in the financial group on condition that they are consolidated on a line-by-line basis in the consolidated financial statements of the parent company".

Therefore, since Ifitalia has no equity investments in the capital of the vehicle and since it has prepared this document relating to the consolidated financial statements, the vehicle should not be included in the financial group.
Moreover, as long as the vehicle is the only entity controlled by Ifitalia (and, as stated above, should not be included in the financial group), it is considered that the preconditions for the creation of the financial group itself and the application of the relevant legislation no longer exist.

Therefore, on the basis of the above regulations, the Financial Group is not set up in accordance with Circular 288 with the consequent exemption from all administrative/accounting obligations for the purposes of Supervision for the Financial Groups.

SECTION 5 – ANALYTICAL STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of €)

	ITEMS	Total 31/12/2020	Total 31/12/2019
10.	**Profit (Loss) for the year**	29,049	50,580
	Other income components without reversal to income statement connected with:		
20.	Equity instruments measured at fair value through other comprehensive income:	-	-
	a) fair value changes		
	b) transfer to other components of equity		
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):	-	-
	a) fair value changes		
	b) transfer to other components of equity		
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge instrument)		
	b) fair value changes (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(16)	(105)
80.	Non current assets held for sale		
90.	Share of reserves from valuation of investments carried at equity		
100.	Income taxes relating at other income components without reversal to profit or loss	4	
	Other income components with reversal to income statement connected with:		
110.	Hedging of foreign investments:	-	-
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
120.	Exchange differences:	-	-
	a) value changes		
	b) transfer to income statement		
	c) other changes		
130.	Cash flows hedges:	-	-
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments (elements not designated):	-	-
	a) value changes		
	b) transfer to income statement		
	c) other changes		
150.	Financial assets (other then equity securities) at fair value through other comprehensive income:	-	-
	a) fair value changes		
	b) transfer to income statement	-	-
	- adjustments from impairment		
	- profit/ loss from realisation		
	c) Other changes		
160.	Non-current assets and disposal groups held for sale	-	-
	a) changes in fair value		
	b) reclassification to profit or loss		
	c) other changes		
170.	Portion of valuation reserves of equity-accounted investees	-	-
	a) changes in fair value		
	b) reversal to income statement	-	-
	- impairment adjustments		
	- realised gains/losses		
	c) other changes		
180.	Income taxes relating at other income components with reversal to profit or loss		
190.	**Total other income components**	**(12)**	**(105)**
200.	**Comprehensive income (item 10+190)**	**29,037**	**50,475**
210.	**Total consolidated comprehensive income attributable to minority interests**	0	0
220.	**Total consolidated comprehensive income attributable to the Parent Company**	**29,037**	**50,475**

SECTION 6 – TRANSACTIONS WITH RELATED PARTIES

The introduction of the international accounting standards involves the application of the provisions relating to disclosure on transactions with related parties established by IAS 24.

6.1 Information on the remuneration of executives with strategic responsibilities

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
Directors	46	46
Auditors	96	95
Total	**142**	**141**

6.2 Loans and guarantees given in favour of directors and statutory auditors

(thousands of €)

	Total 31/12/2020	Total 31/12/2019
Directors		-
Auditors		-
Total	**-**	**-**

6.3 Information on transactions with related parties

Reference should be made to the comments in the corresponding item of the Report on Operations – intercompany transactions and those with “related parties”.

Income statement transactions for the period and balance sheet balances as at 31 December 2020 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of €)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**16,457**	**4,469,166**	**7**	**157,185**	**-**	**-**
BNP PARIBAS PARIS	16,457	4,468,451	7	157,185		
BNP PARIBAS SUCC. MILANO	-	715				
B) BNPP GROUP COMPANIES	**2,976**	**661,325**	**42,382**	**51,332**	**3,765**	**28**
ARTIGIANCASSA SPA						
ARVAL SERVICE LEASE		164				
ARVAL SERVICE LEASE ITALIA SPA		104	31,467			
AXEPTA SPA (EX- BNL POSITIVITY SRL)			6			
BANCA NAZIONALE DEL LAVORO SPA	1,305	453,794	7,567	51,332	3,765	28
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA			4			
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR		367	225			
BNPP FORTIS	3	400				
BNPP REAL ESTATE			1,542			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			15			
FINDOMESTIC BANCA SPA			1,552		12	
SERFACTORING SPA		-				
TIERRE SECURITISATION SRL		206,472				
TURK EKONOMI BANKASI AS						
BNPP REAL ESTATE ADVISORY ITALY SPA						
DIAMANTE RE SRL	61	24				
SVILUPPO HQ TIBURTINA SRL	1,607					
SNC NATIOCREDIMURS						
INTERNATIONAL TRADE PARTNER		150				
BNP PARIBAS SGR SPA	-					
C) ASSOCIATED COMPANIES	**-**	**-**	**-**	**-**	**-**	**-**
Total	**19,433**	**5,130,491**	**42,389**	**208,517**	**3,765**	**28**

(thousands of €)

Counterpart	Interest and similar income	Interest and similar expense	Commission income	Commission expense	Dividends	Derivatives	Administrative expenses	Other operating income and charges	Gains on disposal of investments
A) PARENT COMPANY	10,484	(313)	-	(707)	-	-	(871)	-	
B) BNPP GROUP COMPANIES	18	(3,794)	50	(2,649)	49	44	(9,703)	(150)	242
C) ASSOCIATED COMPANIES							(840)		
Total	**10,502**	**(4,107)**	**50**	**(3,356)**	**49**	**44**	**(11,414)**	**(150)**	**242**

SECTION 7 – LEASES (Lessee)

QUALITATIVE DISCLOSURE

On first-time adoption of IFRS 16, Ifitalia considered it applicable only in relation to the lease contracts for the buildings located in Milan in Corso Italia and Via Deruta signed with the company BNL Spa - spaces used by Ifitalia as the headquarters of its business activities.
In December 2020, Ifitalia decided to centralise the headquarters of its business in a single location, so from January 2021 the offices in Corso Italia were moved to the business centre in Via Deruta. At the same time as this decision, the lease contracts with BNL SPA were reviewed and maintained for a duration of 6 years + 6.
Therefore, the impact of IFRS 16 was recalculated based on the new contracts, taking into account, however, the actual lease term that was calculated on the basis of the presumed early release date for moving the company offices to a new building. The early release date of the properties is scheduled for July 2022.
Therefore, the right of use and the lease liabilities were calculated considering the period January 2021 and July 2022.
Ifitalia has other lease contracts in place with the company BNL Spa for the sales outlets located in the various Italian regions; however, in consideration of the insignificant amounts and ongoing organisational changes that require them to be closed or restructured, these contracts were excluded from IFRS 16.

QUALITATIVE DISCLOSURE

1. ANNUAL CHANGES OF RIGHTS OF USE FOR LEASES

(thousands of €)

	Total
A. Gross opening balances	**2,902**
A.1 Total net impairments	-655
A.2 Net opening balances	2,247
B. Increases	**2,843**
B.1 Purchases	1,105
B.2 Capitalised improvement expenditure	
B.3 Write-backs	
B.4 4 Positive changes in fair value booked to:	
B.5 Positive exchange rate differences	
B.6 Transfers from real estate held for investment purposes	
B.7 Other variations	1,738
C. Decreases	**3,985**
C.1 Sales	
C.2 Depreciation	1,083
C.3 Imputed losses booked to:	
C.4 Negative changes in fair value booked to:	
C.5 Negative exchange rate differences	
C.6 Relocation to:	
C.7 Other variations	2,902
D. Net closing balances	**1,105**
D.1 Net impairment	
D.2 Gross closing balances	
E. Cost Evaluation	**1,105**

2. CASH FLOWS BY MATURITY BANDS OF LEASE PAYABLES

(thousands of €)

	Leasing cash flow maturity bands				
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from one year to 2 years	**Total**
Lease liabilities	-	184	368	369	**921**
Total	**-**	**184**	**368**	**369**	**921**

SECTION 8 – OTHER DISCLOSURE

8.1 Contributions received from the Public Administration

Companies that receive grants, contributions, paid assignments and economic advantages of any kind from public administrations, or in any case from public resources, are required to publish these amounts in the notes to the accounts of the financial statements and consolidated financial statements, if any. This is what the annual law for the market and competition provides in compliance with a series of disclosure and transparency obligations (Article 1, paragraph 125 et seq., Law no. 124/2017).
Following the Assonime Circular of 11 February 2019, in particular, with reference to the type of disbursements covered by the obligation to publish them in the notes to the financial statements and the way in which they are reported, the Company decided to refer to the National Register of State Aid, in the presence of numerous interpretational issues that lead to the conclusion that further action at the regulatory level is desirable.
Here is the web address to access the information:
https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx

As reported by the National Register of State Aid, in 2020 Ifitalia did not request contributions.
Ifitalia received reimbursements for financed training amounting to EUR 33,175.22.
It also had contributions in the field of human resources management amounting to EUR 87,766.06, broken down as follows:

- Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 6,000.00;
- Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 23,436.77;
- Article 8 of Italian Law Decree no. 203 of 30 September 2005, converted, with amendments, by Italian Law no. 248 of 2 December 2005. Compensating measures for companies that contribute the Employment Termination Benefits to supplementary pensions of EUR 57,329.29.

8.2 Financial Statement Data for the Parent Company BNP Paribas

With reference to the matters envisaged by Article 2497-bis, paragraph 4 of the Italian Civil Code, regarding disclosure on management and co-ordination activities, tables are presented below containing a summary of the highlights taken from the last set of financial statements at 31 December 2019 approved by BNP Paribas S.A. in its capacity as direct parent company.

BNP PARIBAS GROUP

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of euros	Notes	Year to 31 Dec. 2019	Year to 31 Dec
Interest income	3.a	37,327	35,723
Interest expense	3.a	(16,200)	(14,661)
Commission income	3.b	13,265	12,925
Commission expense	3.b	(3,900)	(3,718)
Net gain on financial instruments at fair value through profit or loss	3.c	7,111	5,808
Net gain on financial instruments at fair value through equity	3.d	350	315
Net gain on derecognised financial assets at amortised cost		3	(5)
Net income from insurance activities	3.e	4,437	4,064
Income from other activities	3.f	13,502	12,324
Expense on other activities	3.f	(11,298)	(10,259)
REVENUES		**44,597**	**42,516**
Salary and employee benefit expense	7.a	(17,553)	(16,617)
Other operating expenses	3.g	(11,339)	(12,290)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.n	(2,445)	(1,676)
GROSS OPERATING INCOME		**13,260**	**11,933**
Cost of risk	3.h	(3,203)	(2,764)
OPERATING INCOME		**10,057**	**9,169**
Share of earnings of equity-method entities	5.m	586	628
Net gain on non-current assets		1,569	358
Goodwill	5.o	(818)	53
PRE-TAX INCOME		**11,394**	**10,208**
Corporate income tax	3.i	(2,811)	(2,203)
NET INCOME		**8,583**	**8,005**
Net income attributable to minority interests		410	479
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**8,173**	**7,526**
Basic earnings per share	8.a	6.21	5.73
Diluted earnings per share	8.a	6.21	5.73

BALANCE SHEET AT 31 DECEMBER 2019

In millions of euros	Notes	31 December 2019	31 December 20
ASSETS			
Cash and balances at central banks		155,135	185,119
Financial instruments at fair value through profit or loss			
Securities	5.a	131,935	121,954
Loans and repurchase agreements	5.a	196,927	183,716
Derivative financial instruments	5.a	247,287	232,895
Derivatives used for hedging purposes	5.b	12,452	9,810
Financial assets at fair value through equity			
Debt securities	5.c	50,403	53,838
Equity securities	5.c	2,266	2,151
Financial assets at amortised cost			
Loans and advances to credit institutions	5.e	21,692	19,556
Loans and advances to customers	5.e	805,777	765,871
Debt securities	5.e	108,454	75,073
Remeasurement adjustment on interest-rate risk hedged portfolios		4,303	2,787
Financial investments of insurance activities	5.i	257,818	232,308
Current and deferred tax assets	5.k	6,813	7,220
Accrued income and other assets	5.l	113,535	103,346
Equity-method investments	5.m	5,952	5,772
Property, plant and equipment and investment property	5.n	32,295	26,652
Intangible assets	5.n	3,852	3,783
Goodwill	5.o	7,817	8,487
Non-current assets held for sale	8.c		498
TOTAL ASSETS		**2,164,713**	**2,040,836**
LIABILITIES			
Deposits from central banks		2,985	1,354
Financial instruments at fair value through profit or loss			
Securities	5.a	65,490	75,189
Deposits and repurchase agreements	5.a	215,093	204,039
Issued debt securities	5.a	63,758	54,908
Derivative financial instruments	5.a	237,885	225,804
Derivatives used for hedging purposes		14,116	11,677
Financial liabilities at amortised cost			
Deposits from credit institutions	5.g	84,566	78,915
Deposits from customers	5.g	834,667	796,548
Debt securities	5.h	157,578	151,451
Subordinated debt	5.h	20,003	17,627
Remeasurement adjustment on interest-rate risk hedged portfolios		3,989	2,470
Current and deferred tax liabilities	5.k	3,566	2,255
Accrued expenses and other liabilities	5.l	102,749	89,562
Technical reserves and other insurance liabilities	5.j	236,937	213,691
Provisions for contingencies and charges	5.p	9,486	9,620
TOTAL LIABILITIES		**2,052,868**	**1,935,110**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*97,135*	*93,431*
Net income for the period attributable to shareholders		*8,173*	*7,526*
Total capital, retained earnings and net income for the period attributable to shareholders		**105,308**	**100,957**
Changes in assets and liabilities recognised directly in equity		*2,145*	*510*
Shareholders' equity		**107,453**	**101,467**
Minority interests	8.d	**4,392**	**4,259**
TOTAL EQUITY		**111,845**	**105,726**
TOTAL LIABILITIES AND EQUITY		**2,164,713**	**2,040,836**

AUDITORS' REPORT

mazars

International Factors Italia S.p.A.

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)

Financial statements as of 31 December 2020

mazars

Via Ceresio, 7
20154 Milano
Tel: +39 02 32 16 93 00
www.mazars.it

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of International Factors Italia S.p.A. (the Company), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flows statement for the year then ended and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

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 section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors 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 for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain a 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 performed 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 obtained an understanding of the internal control relevant to the audit in order to design the 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 evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director’s 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. Where 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we 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 such a manner as to give a true and fair view.

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

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of International Factors Italia S.p.A. are responsible for preparing a directors’ report of International Factors Italia S.p.A. as of 31 December 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors’ report with the financial statements of International Factors Italia S.p.A. as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of International Factors Italia S.p.A. as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 13 April 2021

Mazars Italia S.p.A.

Olivier Rombaut
Partner – Registered auditor

Signed on the original. This report has been translated into English from the Italian original solely for the convenience of international readers.

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International Factors Italia S.p.A.

Independent auditor’s report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)

Consolidated financial statements as of 31 December 2020

mazars

Via Ceresio, 7
20154 Milano

Tel: +39 02 32 16 93 00
www.mazars.it

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of International Factors Italia Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flows statement for the year then ended and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated result of its operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

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 section of this report titled *Auditor's responsibilities for the audit of the consolidated financial statements*. We are independent of International Factors Italia S.p.A. (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements, and for appropriate disclosure thereof. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the parent company International Factors Italia S.p.A. or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Group's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain a reasonable assurance about whether the consolidated 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 performed 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base 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 obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- we concluded on the appropriateness of the 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 Group’s ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor’s report, to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, subsequent events or conditions may cause the Group to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a manner as to give a true and fair view;

- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of International Factors Italia S.p.A. are responsible for preparing a directors’ report of International Factors Italia S.p.A. as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors’ report with the consolidated financial statements of International Factors Italia S.p.A. as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors’ report is consistent with the consolidated financial statements of International Factors Italia S.p.A. as at 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 13 April 2021

Mazars Italia S.p.A.

Olivier Rombaut
Partner – Registered auditor

Signed on the original. This report has been translated into English from the Italian original solely for the convenience of international readers.

BOARD OF STATUTORY AUDITORS' REPORT

IFITALIA S.p.A.
INTERNATIONAL FACTORS ITALIA S.p.A.
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
Registered office in Via Deruta, 19 – 20132 Milan
Share capital: EUR 55,900,000 fully paid-in
Milan Monza Brianza Lodi Companies' Register No. and Tax Code 00455820589
Economic & Administrative Roster No. 683665
Register of Financial Brokers - mechanised code No. 19016

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING pursuant to Article 2429, par. 2 of the Italian Civil Code and Article 19 of Italian Legislative Decree No. 39/2010

“”Dear Shareholders,

During the year ended 31 December 2020, we carried out the supervisory activities envisaged by the law, in observance of the provisions of Article 2403, par. 1 of the Italian Civil Code, Article 19 bis and 19-ter of Italian Legislative Decree No. 39 dated 27 January 2010 and subsequent amendments as well as the Supervisory Instructions for financial brokers issued by means of Bank of Italy circular No. 288/2015, for brokers enrolled in the Register as per Article 106 of the consolidation act of the consolidation act of banking and lending laws (TUB) Italian Legislative Decree No. 385/1993 and according to the standards of conduct recommended by the Italian Accounting Profession.

The Board of Statutory Auditors currently in office was appointed by resolution of the Shareholders' Meeting of 29 April 2019 and will remain in office until approval of the financial statements for the 2021 financial year.

The Board of Statutory Auditors points out that the Financial statements for the year ended 31 December 2020:

- have been drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, adopted by the European Commission, as well as the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;

- take into account the provisions of the Bank of Italy on 22 December 2017 "IFRS Financial Statements of Brokers other than Banking Intermediaries" and measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;

- have been audited by Mazars Italia S.p.A., to whose report, issued without findings, reference should be made;

- closed with a profit of EUR 28,975,467 and equity of EUR 790,112,437.

The draft Financial Statements were approved by the Board of Directors during the meeting of 24 March 2021.

The Board of Statutory Auditors sets out below the results of its activities.

Standards of correct administration

The Board of Statutory Auditors oversaw, to the extent of its remit, the adequacy of the company’s organisational structure and its evolution within the sphere of the BNP Paribas Group, as well as the observance of the standards of correct administration, by means of direct observations, gathering information from the heads of the various divisions and meetings with the heads of the Independent Auditors Mazars S.p.A. for the purpose of a reciprocal exchange of significant data and information without having to make any observations about it.

The Board of Statutory Auditors has constantly attended the meetings of the Board of Directors and obtained quarterly information from the Directors on the activities carried out and on the most important economic, financial and equity transactions carried out by the Company.

Intercompany and related party transactions of an ordinary nature have been adequately described in the directors’ report and are deemed suitable and compliant with the interests of the Company; where applicable, the regulations laid down by Article 2497-ter of the Italian Civil Code have been observed.

In compliance with the Group instructions and IAS/IFRS international accounting standards, the Board of Directors took steps to draw up and forward the quarterly and interim data for the purposes of the consolidated reports.

Based on the information thus obtained, the Board of Statutory Auditors is in a position to state that no transactions were carried out that are unrelated to the corporate purpose or in conflict with the resolutions passed by the Shareholders' Meeting and the Board of Directors or with the Articles of Association.

Checking outsourced functions

It is noted that during 2020 the company maintained the outsourcing of important operating functions already in progress in previous years to Banca Nazionale del Lavoro.

The Board oversaw that activity through meetings and information obtained from the single Heads of the Outsourced Activities as well as through the examination of the specific report on the important operating functions in relation to which it also drew up the considerations set out in Circular no. 288 of 3 April 2015 issued by the Supervisory Authority.

The Board of Statutory Auditors assessed and oversaw the adequacy of the internal audit system and the administrative accounting system as well as the reliability of the latter to correctly represent the operating events, by means of obtaining information from the heads of the respective divisions, the examination of the corporate documents and the analysis of the results of the work carried out by the independent auditors, overseeing the activities of those in charge of internal auditing, in observance of the Supervisory Provisions for Financial Brokers pursuant to Article

106 of the consolidation act of banking and lending laws (TUB) set forth in Bank of Italy Circular no. 288/2015, Title III regarding administrative and accounting organisation and internal audits.

Accordingly, the Board of Statutory Auditors - both during board meetings and meetings with the outsourced Compliance, Anti-money laundering and Internal Audit divisions - received information on the annual plans of the aforesaid divisions and on the reports issued by them, assessing the results and monitoring the implementation of the corrective actions.

In general, the Board of Statutory Auditors noted the results of the Internal Audit reports as well as suitable compliance bases on conclusion of the activities of the Compliance division: there are no significant observations in this respect.

Note that the year 2020 marked important management changes for the company with the appointment of new figures in the position of General Manager and Head of Risk Division.

The Board of Statutory Auditors recommended and monitored that the appropriate handover and legal requirements to make public required by law were met.

Lastly, the Board of Statutory Auditors reports that during 2020, the Company resolved to acquire, effective as from 1 January 2021, the business unit relating to the activities it had previously outsourced to International Trade Partner S.r.l., a company belonging to the BNP Paribas Group. The business unit being acquired consists of 14 employees and a set of activities relating to the offer of back office and soft collection services previously outsourced by the Company to International Trade Partner S.r.l. This business unit consists of all the legal relationships (including contracts with suppliers) and resources organised for the purpose of processing collection accounts, managing master data, and out-of-court managing and recovering receivables assigned to the Company by its customers. The Board of Statutory Auditors notes that the price of the acquisition of the business unit was determined as a result of an appraisal prepared by an independent expert, also pursuant to and for the purposes of Article 2497-ter of the Italian Civil Code, and therefore it does not believe that this transaction would be prejudicial to the Company.

Supervisory activities on the adequacy of risk management systems

The Board of Statutory Auditors, as part of the general audit of the business risk management process, received reports from the Internal Auditing, Risk Management, Compliance and Anti-Money Laundering Divisions in 2020.

The reports document the results of the follow-up activities on the various corrective actions required, as well as the adequacy and effectiveness of the controls adopted by the Company to manage the risk of non-compliance with the regulations, with regard to the checks carried out, the assessment of reputational risk, the results that have emerged and the critical issues found.

With regard to credit risk management, the Board of Statutory Auditors was able to note the work carried out to improve the tools that can guarantee credit risk control and that the Risk Department maintains its resoluteness in the selection of customers. The Board of Statutory Auditors can confirm the particular and significant activities carried out in this area by the Risk Management division. This division prepared the documentation for the ICAAP reporting process to certify Ifitalia's capital adequacy to the potential risks to which a bank is exposed.

On 16 October 2020, the Bank of Italy communication was received regarding the outcome of the Bank of Italy's assessments on the request to apply the internal model methodology for calculating the capital requirement for credit risk (the IRBA approach) for exposure classes to "Administrations and Central Banks" and "Businesses".

The Board of Statutory Auditors examined the contents of the disclosure that the company's Risk Division provided to the Board of Directors. Following the analysis carried out by the Working Group composed of Ifitalia, BNL Risk Division and the competent Risk structures of the Parent Company BNP Paribas, the Company defined the approach to resolve the issues raised by the Regulator on both qualitative and quantitative aspects.

This approach, as indicated in this disclosure, must be shared with the Bank of Italy.

With regard to the management of self-money laundering risk, the Board of Statutory Auditors oversaw the observance of the Supervisory Instructions and the observance of the anti-money laundering and terrorist financing prevention legislation, with particular regard to the obligations to report suspicious transactions and the other obligations as per Italian Legislative Decree No. 231 dated 21 November 2007, regarding the implementation of Directive 2005/60/EC and subsequent amendments, with particular reference to the establishment and activities of the anti-money laundering division in observance of the Bank of Italy Instruction of 10 March 2011 as amended containing “Implementing provisions regarding organisation, procedures and internal audits aimed at preventing use of intermediaries and other persons who carry out financial activities for money laundering and terrorist financing purposes, pursuant to Article 7, par. 2 of Italian Legislative Decree No. 231”.

The Board of Statutory Auditors also monitored compliance with the obligations introduced by Italian Legislative Decree No. 90 of 25 May 2017 implementing Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and amending Directives 2005/60/EC and 2006/70/EC and implementing Regulation (EU) No. 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No. 1781/2006.

Other activities

The Board of Statutory Auditors carried out its supervisory activities during the year, taking part in all 9 meetings of the Board of Directors, 1 Shareholders’ Meeting and holding 7 audit meetings.

No reports were received from shareholders pursuant to Article 2408 of the Italian Civil Code.

In continuity with the activities already undertaken in the first quarter of 2020, the Board of Statutory Auditors periodically requested and obtained updates from the General Management on the activities promptly implemented by the company to deal with the COVID 19 emergency both in terms of safety at work and in terms of operations: these activities shall be deemed to comply with the directives of the authorities and shall be continuously monitored.

The Board of Statutory Auditors maintained constant communication with the Independent Auditors, and no acts or facts deemed reprehensible or worthy of reporting have emerged from these meetings.

With a special reference to the 2020 Financial Statements, the auditing carried out did not reveal any significant findings with regard to the compliance procedures on the internal control system or the validity procedures planned during the final audit of the areas of the analysed Financial statements.

In the opinion of the Independent Auditors, the financial statements give a true and fair view of the financial position, the results of the operations and of the cash flows of the Company as at 31 December 2020 for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of Article 43 of Italian Legislative Decree No. 136/2015.

Opinions issued by the Board of Statutory Auditors during the 2020 financial year

The Board of Statutory Auditors did not issue opinions during the year.

Activities as Supervisory Body

In compliance with the matters envisaged by Italian Legislative Decree No. 231/2001, the Company has an Organisation and Management Model for the prevention of the offences envisaged therein, which was also updated during the 2020 financial year.

The Board of Statutory Auditors was also appointed to serve as Supervisory Body.

In order to carry out its tasks, the Board of Statutory Auditors must necessarily have suitable information flows provided by corporate bodies and control functions. This flow of information is correctly carried out within the company and allows the Supervisory Body to be correctly informed about corporate events affecting these activities.

With regard to the Organisation, Management and Control Model, the Supervisory Body is operational in carrying out the various activities necessary for the implementation and ongoing management of IFITALIA's organisation, management and control model pursuant to Italian Legislative Decree 231/2001, and in supervising the operation of and compliance with the Model in accordance with the provisions of Italian Legislative Decree 231/2001;

In particular, as part of the checks/tests concerning the correct application of the 231 Model, the company Protiviti was commissioned to provide operational support for:

• checking the application and maintenance of the audit principles contained in the special parts of the Model, which envisages an initial test plan - over a multi-year period (2020/2022) - of the fundamental principles present in the main Special Parts of the Model by virtue of the need to focus on the most sensitive areas;

• carrying out tests on 6 business processes (approximately 3 per financial year) selected by the Supervisory Body based on the "231 Audit Plan", in order to check the effectiveness and operation of key audits and to identify any potential illegal behaviour.

The Supervisory Body provided the Board of Directors with the prescribed periodic report on the activities carried out.

Conclusions

IFITALIA S.p.A.
INTERNATIONAL FACTORS ITALIA S.p.A.
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
Registered office in Via Deruta, 19 – 20132 Milan
Share capital: EUR 55,900,000 fully paid-in
Milan Monza Brianza Lodi Companies' Register No. and Tax Code 00455820589
Economic & Administrative Roster No. 683665
Register of Financial Brokers - mechanised code No. 19016

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING pursuant to Article 2429, par. 2 of the Italian Civil Code and Article 19 of Italian Legislative Decree No. 39/2010

“”Dear Shareholders,

Ifitalia has prepared the consolidated financial statements, which include in the scope of consolidation, other than Ifitalia, only Tierre Securitization srl, the SPV used for securitisation transactions and a de facto subsidiary of Ifitalia.

In fact, although Ifitalia does not hold any share in its capital, based on the reference accounting standards, it can be deemed that, from a substantial point of view, it controls the SPV since it is the main party that determines its flows and is also exposed to its variable returns.

Thus, having at least one subsidiary, Ifitalia is required to prepare the consolidated financial statements as at 31 December 2020, in accordance with the regulations governing the preparation of financial statements of banks and financial companies as well as international accounting standards.

Given the structure of the securitisation transactions that do not allow the receivables assigned to the SPV to be derecognised from Ifitalia's balance sheet assets, the values of the various items of the consolidated financial statements do not differ substantially from those of Ifitalia's separate financial statements. Therefore, the Company took advantage of the option to prepare a single Report on Operations to accompany both the separate and consolidated financial statements.

The Board of Statutory Auditors points out that the consolidated financial statements for the year ended 31 December 2020:

- have been drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the Procedure pursuant to Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of the European Union dated 19 July 2002;
- take into account the provisions of the Bank of Italy on 22 December 2017 "IFRS Financial Statements of Brokers other than Banking Intermediaries" and measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;
- have been audited by Mazars Italia S.p.A., to whose report, issued without findings, reference should be made;
- closed with a profit of EUR 29,048,955 and equity of EUR 791,416,572;
- the accounting standards applied in preparing the consolidated financial statements are shown in the Notes to the Consolidated Financial Statements, Part A - accounting policies A.1 - general part.

In the opinion of the Independent Auditors, the consolidated financial statements give a true and fair view of the financial position, the results of the operations and of the cash flows of the Group as at 31 December 2020 for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union as well as with the provisions issued in implementation of Article 43 of Italian Legislative Decree No. 136/2015.

For all other information relating to the activities carried on by Ifitalia, reference should be made to the report of the Board of Statutory Auditors to the 2020 separate financial statements of Ifitalia.

The Board of Statutory Auditors, to the extent of its remit, in addition to the above, did not find any significant facts that required mentioning in this report.””

Milan, 13 April 2021

For the Board of Statutory Auditors

The Chairman

Mr. Roberto Santagostino

ORDINARY SHAREHOLDERS' MEETING HELD ON 29 APRIL 2021

Resolutions: (EXTRACT)

The shareholders' meeting, chaired by Mario Girotti, met on 29 April 2021 and resolved:

- a) to approve the separate and consolidated financial statements for the year ended 31 December 2020 as presented by the management body, as well as the report accompanying it;
- b) to allocate the profit of EUR 28,975,467 to the reserve fund since the legal reserve has already reached one fifth of the share capital.