Financial Report 2021

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: 20132 Milano Via Deruta 19, C.P. 10732 Italy
Tel. No. +39 (02) 67781
Fax No. +39 (02) 6671.3190
Ifitalia.it – info@ifitalia.it – Ifitalia@pec-ifitalia.it

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 2021

REPORT ON OPERATIONS

2021 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 – ending on 06/09/2021)

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 2021

Board of Directors	MARIO GIROTTI		*Chairman*
	PATRICK PIERRE MARIE GALOUZEAU DE VILLEPIN	(resigned from office effective as from 22 July 2021)	*Vice Chairman*
	REGINA CORRADINI D'ARIENZO	(from 29 April 2019 and from 22 July 2021)	*Vice Chairman*
	MASSIMO MACCIONI	(from 29 April 2019)	*Director*
	VETTA PAOLO	(from 29 April 2021)	*Director*
	GIUSEPPE CRESCENTI	(resigned on 22 December 2021)	*Director*
	CARLO BOVERO	(in office as from 27 January 2022)	*Director*
Board of Statutory Auditors	ROBERTO SANTAGOSTINO		*Chairman*
	ROBERTO SERRENTINO	(from 29 April 2019)	*Acting Auditor*
	PIER PAOLO PICCINELLI	(from 29 April 2021)	*Acting Auditor*
	LORENZO THEODOLI CICCOLINI	(terminated on 29 April 2021)	*Acting Auditor*
	ROBERTO D'AYALA VALVA	(from 29 April 2019)	*Alternate Auditor*
	LORENZO THEODOLI CICCOLINI	(from 29 April 2021)	*Alternate Auditor*
General Manager	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 41 and 42 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	2021	2020	Var. %
VOLUMES			
Turnover	29,892	27,940	7.0%
- without recourse	27,422	25,690	6.7%
- with recourse	2,470	2,249	9.8%
ECONOMIC DATA			
Net interest	58	63	-8.7%
Net commissions	47	36	28.6%
Net banking income	105	100	5.0%
Administrative expenses	44	42	6.3%
- personnel expenses	*22*	*22*	1.9%
Net adjustments for impairment of tangible and intangible assets	5	5	-9.9%
Net adjustments for impairment of financial assets	12	8	57.7%
Net provisions for risks and charges	7	6	18.9%
Net operating income	38	42	-9.3%
Profit for the year	26	29	-9.1%
BALANCE SHEET DATA			
Total assets	7,150	*6,415*	11.5%
Total Risk Weighted Assets (RWA)	5,716	*5,246*	9.0%
Loans to lending and financial institutions	119	*142*	-16.5%
Available-for-sale assets	1	*5*	-88.4%
Financial liabilities measured at amortised cost	6,132	*5,478*	12.0%
Equity	816	*790*	3.3%
Tier 1 capital	786	*756*	4.0%
Supervisory capital	786	*756*	4.0%
PROFITABILITY, EFFICIENCY AND DIVERSIFICATION INDICES			
R.O.E.	3.3%	3.7%	-10.6%
(*)Cost / income (with amortisation/depreciation)	46.8%	46.9%	-0.4%
Net commissions/Earnings margin	44.7%	36.5%	22.5%

Ifitalia S.p.A. - Highlights

	2021	2020	Var. %
ASSET QUALITY			
Total problem positions	**341**	**357**	**-4.6%**
- in relation to customer receivables	4.92%	5.71%	-13.8%
- coverage percentage	74.81%	73.05%	2.4%
Non-performing positions	**267**	**277**	**-3.8%**
- in relation to customer receivables	3.85%	4.42%	*-13.0%*
- coverage percentage	81.43%	80.01%	*1.8%*
Unlikely to pay	**71**	**78**	**-8.3%**
- in relation to customer receivables	1.03%	1.24%	*-17.1%*
- coverage percentage	52.49%	49.94%	*5.1%*
Past due positions	**3**	**2**	**21.3%**
- in relation to customer receivables	0.04%	0.04%	*9.6%*
- coverage percentage	15.11%	19.44%	*-22.3%*
CAPITALISATION RATIOS			
Tier 1 ratio	13.75%	14.42%	-4.6%
Solvency ratio	13.75%	14.42%	-4.6%
STRUCTURAL DATA			
Employees at year end	270	265	1.9%
No. of commercial offices	13	14	-7.1%
- of which in Italy	13	14	-7.1%
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) (*)	14.60	14.13	3.3%

(*) Effective Equity/total number of shares

Results overview

During the current year, the overall economic conditions improved and made it possible to partially recover the reductions in volumes resulting from the drastic measures introduced in 2020 to stop the spread of the COVID 19 virus, which had a heavy effect on the real economy, also negatively affecting factoring activities.

In this economic scenario, national GDP increased by 6.5%. Consistently, the factoring market saw significant growth in terms of turnover volumes (+10%), while the level of receivables recovered more slowly; in particular, average annual loans remained at a lower level than in 2020.
The trend in Ifitalia was similar to that of the market, with a 7% increase in turnover (+12% net of a significant relationship ending in 2021) and a 3.7% reduction in average loans.

Net banking income increased by 5% from EUR 99.6 million in 2020 to EUR 104.6 million in 2021, mainly as a result of the increase in turnover volumes and new trading operations in "ecobonus" credits. Particularly:

- **net interest** amounted to EUR 57.7 million versus EUR 63.2 million in 2020 (-8.7%).
  The reduction in net interest is attributable to the decrease in average loans volumes (-3.7%) - this decrease was conditioned by lower volumes in the first 5 months of 2021 compared to 2020 where volumes in the first months of the year were still without pandemic effect - to lower collections of interest on tax credits and late payment interest from EEPP.

- **net commissions**, equalling EUR 46.7 million, increased compared to EUR 10 million in 2020 (+28.6%). This increase is mainly due to the new trading operations of "ecobonus" credits that started in 2021 with a positive impact on commissions of 6.8 million, as well as to the growth in turnover volumes.
  These increases were accompanied by a reduction in commission expense (-6.7%).
  The average commission charged to customers remained in line with the previous year.

The **Cost of credit risk** increased from EUR 7.9 million in 2020 to EUR 12.5 million mainly as a result of higher provisions on the NPL portfolio in stock. On the other hand, the level of new NPL entries in 2021 remains low and in line with 2020.

The **provisions for operational risk** were mainly made considering transaction assumptions to settle ongoing disputes with transferor customers.

On the ***cost*** side, there was an increase in administrative expenses (+6.33%) mainly due to
- expenses related to the new Ecobonus operations (starting in 2021);
- new costs related to services centralised by the parent company
- costs related to the Transformation_One Factoring project (see page 40)

The value adjustments on tangible and intangible assets decreased by 9.9%.

From a financial point of view, **loans to customers** rose from EUR 6,262 million in 2020 to EUR 6,929 million in 2021 (+10.7%).

In defining administrative expenses and depreciation and amortisation expenses compared with the net banking income, the cost to income ratio equalled 46.8% in 2021 against 46.9% in 2020.

Other operating income and expenses amounted to EUR 2 million (EUR 2.7 million in 2020).

Net operating income stood at EUR 37.8 million(-9.3%; vs 41.6 million in 2020).

After direct taxes, which were EUR 12 million, the **profit for the year** was EUR 26 million (EUR 29 million in 2020, -9.1%).

*   *   *

Equity, including the profit for the year, stood at EUR 816 million (790 million in 2020; +3.3%).

As at 31 December 2021, the level of capitalisation for Supervisory purposes was expressed by a Tier 1 Capital Ratio of 13.75% (14.42% in 2020) and by a Total Capital Ratio of 13.75% (14.42% at the end of December 2020).

Market in which the company operates

Macroeconomic scenario

The world economy and the Eurozone

During 2021, the global economy largely recovered from the heavy losses incurred during the 2020 recession. However, over the last few months of the year, the emergence of new variants of the Sars Cov 2 virus, the rise in energy prices (with the expectation that upward inflation will be a phenomenon that will last longer than expected), persistent problems in supply chains and, finally, geopolitical tensions led to a slowdown that resulted in a downward revision of previous growth estimates for 2022. World trade, after a sharp fall in 2020, maintained a very strong growth rate in the first part of 2021. However, starting from the summer months, volume growth has slowed down, although it remains on average higher than in the pre-pandemic period. However, in terms of value, international trade showed higher trends, reflecting the generalised increase in prices.
In China, the strict policy of containing the epidemic, together with problems related to frequent interruptions in energy distribution, had a negative impact on production. This factor, combined with the drop in investment in real estate, stagnation in consumption and the early withdrawal of some public support for the economy led to a slowdown in the second half of 2021, which nevertheless ended with growth of around 8%.
In the United States, the strong GDP growth during the first half of the year made it possible to recover the losses of 2020, while the recovery in the labour market was slower. In the country, the rise in prices (to levels not experienced since the Eighties) and wages led the Fed to bring forward the reduction in bond purchases and to envisage an anticipated increase in rates compared to what was previously expected.
In the United Kingdom, some difficulties related to the spread of the Omicron variant and supply-side bottlenecks (especially in the labour and energy markets) prevented the full recovery of the pre-pandemic product level and led to a moderate worsening of the growth estimates for 2022.
In the Eurozone, the recurrence in the spread of the virus at the end of 2021 and supply problems with intermediate products led to a downward revision of growth for 2022, particularly for Germany, the economy most affected by shocks in global production chains. Inflation, considered to be a temporary phenomenon until mid-2021, has taken on a more lasting character. At the end of 2021, the ECB announced the end of the net purchase of securities under the PEPP programme by March 2022.
In Italy, in 2021, GDP increased by about 6.5%. Growth accelerated in the middle of the year, benefiting from the improvement in the epidemiological context, and then slowed down in the final months, affected by the recurrence of the pandemic and continuing international tensions.
The recovery of disposable income boosted consumption, although households remained cautious in their behaviour. In the labour market, employment increased more gradually than the recovery in economic activity.
Italian companies showed a widespread ability to adapt to the new scenario, benefiting from the recovery of world production activity, with positive effects in the intermediate goods sectors, in particular. Supported by favourable financial conditions and tax incentives introduced to support the economy, investment grew rapidly, reaching levels higher than before the crisis.
The development of the pandemic has driven the development of economic activity at sector level. The recovery started with manufacturing. Production has fully recovered what was lost in the most acute phase of the crisis, benefiting from the recovery of exports. Construction accelerated rapidly, while growth in services was concentrated in the middle part of the year, helped by the recovery in tourism.

Lending activities in Italy

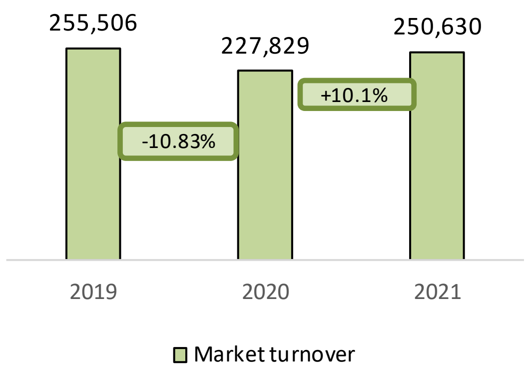
During 2021, the trend in lending activities in Italy gradually lost intensity. The growth in loans to the non-financial private sector (adjusted for the accounting effect of securitisations), which was around 5% at the beginning of the year, gradually slowed down to close to 2.5% in December. Loans to the main economic sectors followed diverging trends: loans to non-financial companies declined (+1.8% in December) due to a normalisation of demand after the extensive use of credit recorded in 2020, while loans to households accelerated (+3.6% in December). Among companies, the increase in loans was less intense for those operating in the manufacturing and construction sectors. On the other hand, loans to households were

supported by a robust expansion of mortgages for home purchase (4.8% in December), against a still weak trend in consumer credit (+2.8% in December).
Credit risk indicators remained at historically low levels, although some signs of concern are beginning to emerge. In the third quarter of 2021, the ratio of impaired loans to total loans fell to 3.6%; net of write-downs, the share of total loans was 1.7%. On the other hand, the flow of new impaired loans stood at 1.1%, up 20 basis points from the same quarter of the previous year. The increase in the indicator for companies operating in services and manufacturing contributed to this result, while the construction sector decreased. On the other hand, the quality of credit to consumer households improved, with the indicator falling to 0.8%, 10 basis points lower than in the same period last year. Compared to mid-2020, the portion of performing loans for which banks identified a significant increase in credit risk (i.e. those classified in stage 2 according to IFRS 9) increased by 1.4 p.p. to 14.3%.
After the exceptional growth rates recorded in 2020 due to the climate of uncertainty caused by the pandemic, the trend of funding also gradually eased in 2021 (5% in December), reflecting the slowdown in both household (5.1%) and business (11%) deposits. The stock of bank bonds continued to decline (-3.4% in December) following a negative balance of net issues (-EUR 5.1 billion in the first 11 months).
The asset management business closed 2021 with a new all-time high in assets under management of nearly EUR 2.6 trillion, which is EUR 191 billion more than in 2020. Annual net funding amounted to EUR 92 billion, the highest figure in four years.

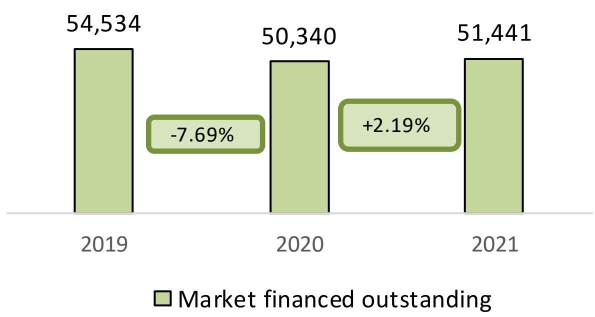
The factoring market

The factoring market in Italy in 2021 recorded a turnover of almost EUR 251 billion, an increase of 10.01% compared to 2020, almost entirely recovering the reduction in turnover in 2020 compared to 2019 (-10.8%) following the impact of the pandemic. On the other hand, average loans decreased by 1.44%.
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, 2021 stands at 14.4% compared to 2020 (or 13.8%).



In terms of **loans**, the market stood at EUR 51,441 million at the end of 2021, an increase of 2.19% compared to the previous year, with a still significant gap to make up compared to the reduction in 2020 to 2019 (-7.7%). In line with the end-of-period trend, **average loans** of EUR 36,824 million decreased by 1.44%.



Ifitalia's competitive positioning

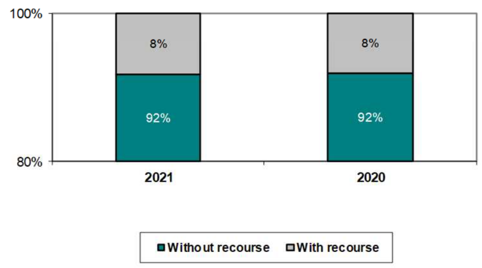
Turnover

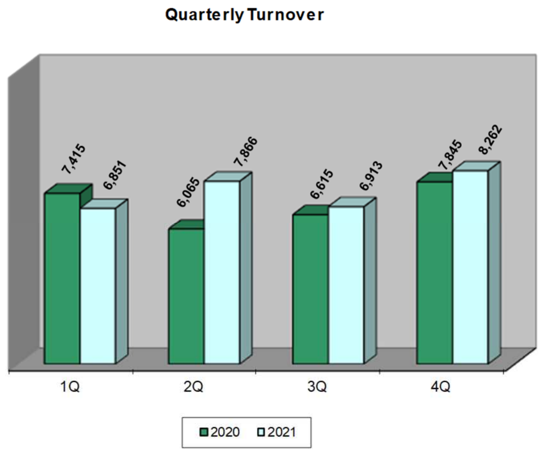
Ifitalia's turnover, flow of loans/receivables acquired by the Company during 2021, reached EUR 29,892 million (EUR 27,940 million in 2020) reporting an increase of 7%.
In mid-2021, a commercial relationship whose monthly turnover was particularly high (albeit with limited profitability) came to an end. In 2020, this ratio provided turnover for the whole year. Net of this ratio, the 2021 turnover increases against 2020 by about 12.4%, almost entirely recovering the -13.6% reduction in 2020 turnover against 2019 as a result of the pandemic.

With regard to the breakdown of products by contractual form, without-recourse factoring represented 92% of total turnover while with-recourse factoring represented 8% (in line with 2020).

(in millions of €)

TURNOVER	31/12/2021	31/12/2020	Changes	%
Without recourse	27,422	25,690	1,732	6.7%
With recourse	2,470	2,249	220	9.8%
Total	**29,892**	**27,940**	**1,952**	**7.0%**





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

(in millions of €)

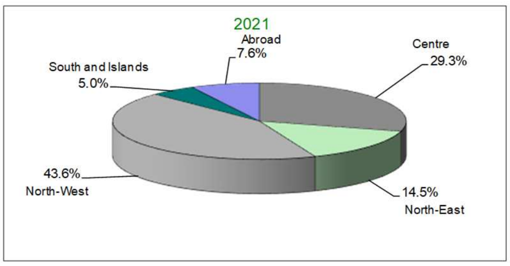
Product	Turnover 2021	Turnover 2020	Changes	%	Incidence % 2021
Without recourse	18,051	17,411	640	3.7%	60.4%
Without recourse maturity	697	594	103	17.3%	2.3%
Without recourse abroad	5,453	4,985	468	9.4%	18.2%
Without recourse reverse	3,223	2,701	522	19.3%	10.8%
Total	**27,422**	**25,690**	**1,732**	**6.7%**	**91.7%**
With recourse	1,756	1,448	308	21.2%	5.9%
With recourse maturity	34	37	(3)	-7.9%	0.1%
With recourse abroad	558	566	(8)	-1.4%	1.9%
With recourse reverse	121	198	(76)	-38.7%	0.4%
Total	**2,470**	**2,249**	**220**	**9.8%**	**8.3%**
TOTAL	**29,892**	**27,940**	**1,952**	**7.0%**	**100%**

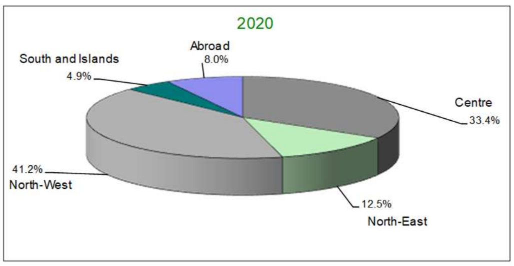
With regard to the geographic breakdown of the transferors, they were distributed as follows:

Turnover

(in millions of €)

Areas	2021	% of the total	2020	% of the total
CENTRE	8,770	29.3%	9,330	33.4%
NORTH-EAST	4,329	14.5%	3,500	12.5%
NORTH-WEST	13,032	43.6%	11,498	41.2%
SOUTH AND ISLANDS	1,487	5.0%	1,376	4.9%
TOTAL FOR ITALY	27,617	92.4%	25,703	92.0%
ABROAD	2,275	7.6%	2,237	8.0%
TOTAL TURNOVER	**29,892**	**100.0%**	**27,940**	**100.0%**





With reference to the **sectors of economic activities**, 2021 turnover presented the following breakdown:

TURNOVER BY ECONOMIC SECTOR	YEAR 2021	YEAR 2020	DELTA
67 Commerce, recovery, repair services	20.29%	18.73%	8.34%
52 Energy products	15.58%	16.62%	-6.28%
00 Unclassified subjects	15.21%	15.96%	-4.71%
72 Communication services	6.59%	8.26%	-20.32%
73 Other services for sale	5.25%	5.33%	-1.51%
61 Foodstuff and tobacco products	5.13%	5.26%	-2.46%
59 Electric materials and supplies	5.01%	3.90%	28.40%
60 Means of transport	4.87%	5.85%	-16.69%
56 Metal products excluding means of transport	2.91%	2.70%	7.88%
53 Minerals, ferrous and non ferrous metals	2.30%	1.29%	78.58%
55 Chemicals	2.22%	2.22%	-0.28%
66 Construction and public w orks	2.03%	1.84%	10.67%
63 Paper, paper products, press products, publishing	1.98%	2.02%	-1.96%
57 Agricultural and industrial machines	1.69%	1.42%	18.54%
64 Rubber and plastic products	1.56%	1.79%	-13.02%
69 Internal transport services	1.40%	1.41%	-0.95%
71 Services connected to transports	1.35%	1.24%	8.90%
62 Textiles, footw ear and clothing	1.28%	1.10%	16.76%
65 Other industrial products	0.82%	0.87%	-5.95%
54 Minerals and non-metallic mineral products	0.72%	0.53%	35.64%
58 Office machines, computers, precision tools, etc.	0.70%	0.78%	-9.60%
51 Farming, forestry, fishery products	0.64%	0.54%	18.68%
68 Hotel and public services	0.50%	0.36%	39.47%
Total	**100%**	**100%**	

This year, the industries that made the most use of factoring were “Commerce services” (20.3%; +8.3% compared to 2020), “Energy products” (15.6%; -6.3% compared to 2020), “Communication services” (6.6%; -20.3% compared to 2020) and “Other services for sale” (5.3%; -1.5% compared to 2020).
The first ten sectors represent 83.1% of total turnover (83.9% in 2020).

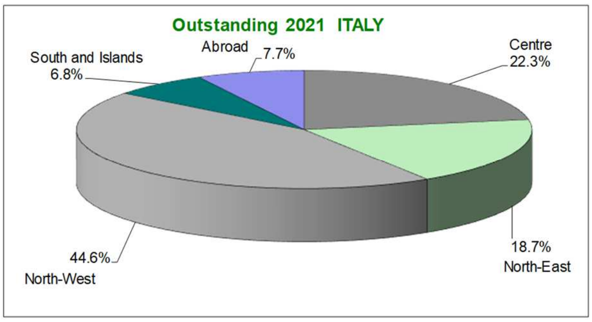
Outstanding positions

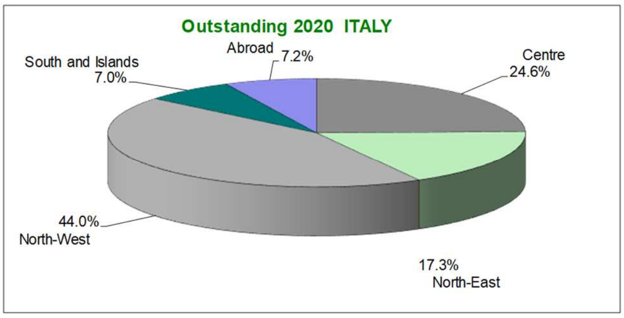
The stock of loans/receivables purchased for factoring amounted to EUR 8,030 million (EUR 7,112 in 2020, +12.91%), of which EUR 6,998 million (87.15% of total loans/receivables) refers to contracts factored without recourse, while EUR 1,032 million concerns with-recourse contracts (12.85% of the total).
Within the amounts indicated above, total international factoring transactions amounted to EUR 1,473 million (18.34% of the total), of which EUR 1,326 million for export transactions (EUR 1,194 million in 2020) and EUR 146 million for import factoring transactions (EUR 132 million in 2020).

Outstanding positions in Italy came to EUR 7,415 million compared with EUR 6,603 million in the previous year and represent 92.3% of total outstanding positions (92.8% in 2020).

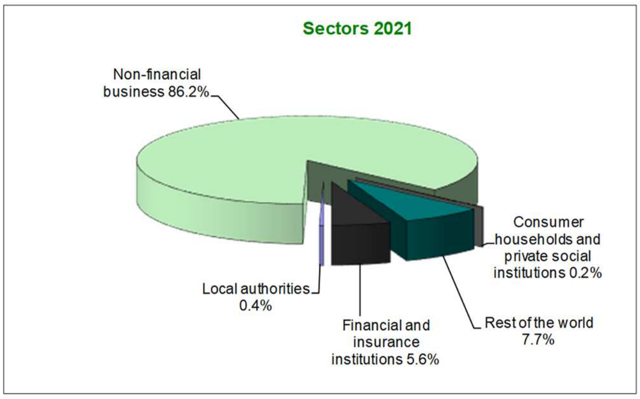
With regard to the geographic breakdown of the **transferor**, it was distributed as follows:

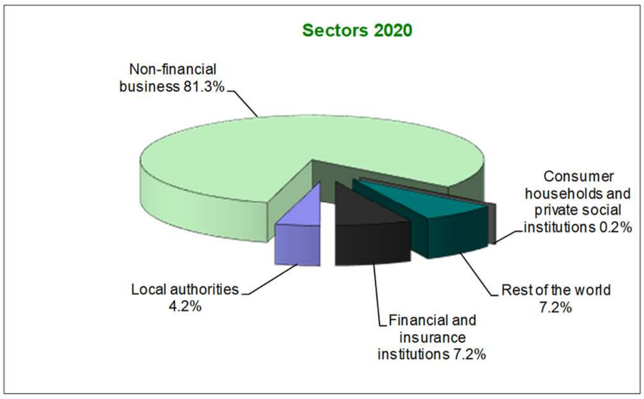
OUTSTANDING BALANCE				(millions of euros)
Areas	**2021**	**% of the total**	**2020**	**% of the total**
CENTRE	1,788	22.3%	1,750	24.6%
NORTH-EAST	1,500	18.7%	1,228	17.3%
NORTH-WEST	3,579	44.6%	3,129	44.0%
SOUTH AND ISLANDS	548	6.8%	496	7.0%
TOTAL FOR ITALY	7,415	92.3%	6,603	92.8%
ABROAD	615	7.7%	509	7.2%
TOTAL OUTSTANDING BALANCE	**8,030**	**100.0%**	**7,112**	**100.0%**





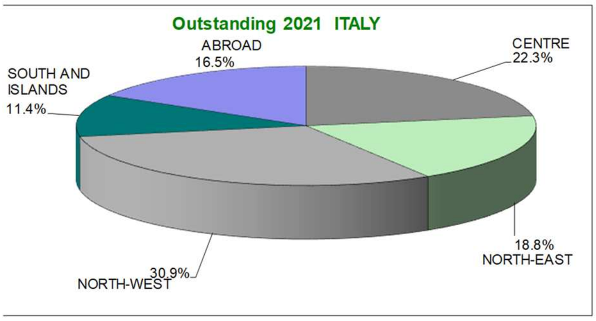
The breakdown of loans/receivables by segment confirms that in 2021, 86.2% of these amounts was attributable to transferors belonging to the category of non-financial businesses (81.3% in 2020).

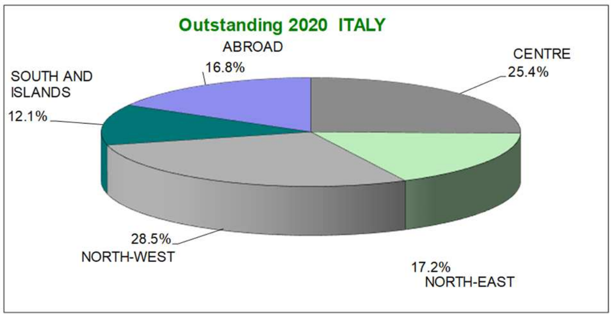




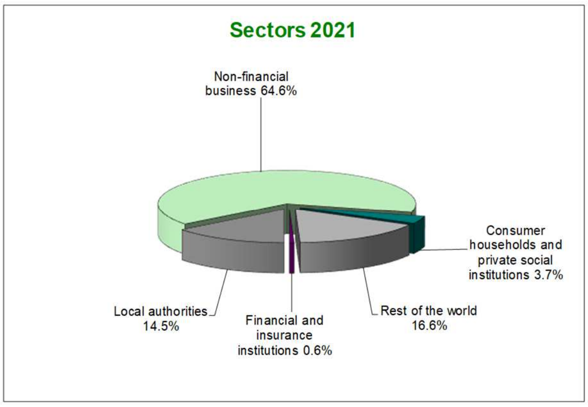
Following the previously analysed distribution of the outstanding transferor balances by geographic area, the same figure is now analysed seen from the **debtor side**:

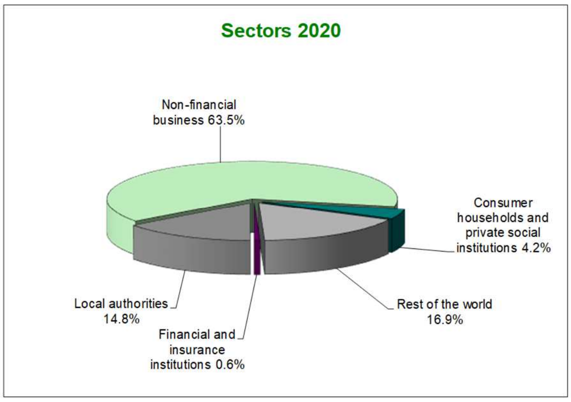
OUTSTANDING BALANCE				(millions of euros)
Areas	**2021**	**% of the total**	**2020**	**% of the total**
CENTRE	1,793	22.3%	1,808	25.4%
NORTH-EAST	1,509	18.8%	1,226	17.2%
NORTH-EAST	2,482	30.9%	2,024	28.5%
SOUTH AND ISLANDS	918	11.4%	858	12.1%
TOTAL FOR ITALY	6,702	83.5%	5,917	83.2%
ABROAD	1,327	16.5%	1,195	16.8%
TOTAL OUTSTANDING BALANCE	**8,030**	**100.0%**	**7,112**	**100.0%**





Likewise, the breakdown by sectors of economic activities, again analysed from the **debtor side**, expressed the situation indicated below, which revealed substantial growth in debtors belonging to the "Non-financial businesses" segment, which went from 63.5% in 2020 to 64.6% in 2021. The "Financial and insurance institutions" segment remained unchanged, whereas "Consumer households and private social institutions" decreased by 0.5%, followed by "Public administration" and "Rest of the world", which decreased by 0.3%.





Profit performance

Net banking income

Net banking income of EUR 105 million partly recovered the reduction suffered in 2020 due to 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 57.7 million versus EUR 63.2 million in 2020 (-8.7%).
  The reduction in net interest is attributable to the decrease in average loans volumes (-3.7%; this decrease was conditioned by lower volumes in the first 5 months of 2021 compared to 2020 where volumes in the first months of the year were still without pandemic effect) to lower collections of interest on tax credits and late payment interest from EEPP.

(in millions of €)

	31/12/2021	31/12/2020	Var %
Net interest	**57.7**	**63.2**	**-8.7**

- **net commissions**, equalling EUR 46.7 million, increased compared to EUR 10 million in 2020 (+28.6%). This increase is mainly due to the new trading operations of "ecobonus" credits that started in 2021 with a positive impact on commissions of 6.8 million, as well as to the growth in turnover volumes.
  These increases were accompanied by a reduction in commission expense (-6.7%).
  The average commission charged to customers remained in line with the previous year.

(in millions of €)

	31/12/2021	31/12/2020	Var %
Commission income			
Services for factoring transactions	52.0	49.2	5.6
Ecobonus operations	6.7	0.0	100.0
Commission income	**58.7**	**49.2**	**19.3**
Commission expense	-12.0	-12.9	-6.7
Net commission	**46.7**	**36.3**	**28.6**

The **net result from trading**, equating to a revenue of EUR 7 thousand (EUR 19 thousand in 2020), derives from the valuation at fair value (level 2) of derivatives entered into with BNL.

Moreover, **dividends** for EUR 90 thousand were recorded, in line with 2020, 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 105 million (EUR 100 million in 2020; +5%).

Net value adjustments for impairment of financial assets

(in millions of €)

	31/12/2021	31/12/2020	Var
Net value adjustments/writebacks for impairment of loans and receivables			
Net value adjustments/writebacks for discounting interest	0.9	2.9	-2.0
Net value adjustments, analytical	12.8	7.1	5.7
non-performing loans	*8.0*	*-0.1*	*8.1*
past due loans	*0.4*	*0.1*	*0.3*
unlikely to pay	*4.5*	*7.1*	*-2.6*
Total impairment	-1.3	-2.1	0.8
Total net value adjustments/writebacks	**12.5**	**7.9**	**4.6**
Discounting interest	*0.0*	*0.0*	*0.0*
Operational Risk	*6.7*	*6.2*	*0.5*
Cost of Risk Total	**19.2**	**14.1**	**0.4**

The **Cost of credit risk** increased from EUR 7.9 million in 2020 to EUR 12.5 million mainly as a result of higher provisions on the NPL portfolio in stock (net allocations 6.5 million in 2021 vs 1.3 million in 2020).
On the other hand, the level of new NPL additions in 2021 remains low and in line with 2020: the related provisions amount to approximately EUR 4.3 million in 2021 and EUR 8.2 million in 2020.
On the other hand, adjustments for discounting interest decreased mainly as a result of higher provisions made on the NPL stock.
The provisions for operational risk were mainly made considering transaction assumptions to settle ongoing disputes with transferor customers.

The overall CoR in bps (cost of risk in relation to loans) rose from 21 bps in 2020 to 30 bps in 2021.

Administrative expenses

(in millions of €)

	31/12/2021	31/12/2020	Var %
Administrative expenses:	-44.4	-41.7	6.3
personnel expenses	*-22.0*	*-21.5*	*1.9*
other administrative expenses	*-22.4*	*-20.2*	*11.1*
of which: indirect taxes and dues	*1.0*	*0.8*	*25.5*
Administrative expenses:	**-44.4**	**-41.7**	**6.3**

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

- **personnel expenses** increased by 1.9% compared to 2020; this growth is mainly due to the acquisition of ITP personnel on 1 January 2021;
- the **other administrative expenses** increased by 11% compared to last year. The increase in these costs is mainly due to expenses related to ECOBONUS operations and new costs invoiced by the parent company as from 2021 and related to centralised activities within the risk, compliance and HR division.

Other income components

The **net value adjustments on tangible and intangible assets** were EUR 4.56 million, a decrease of 9.9% compared with the EUR 5.04 million in 2020. Of these, EUR 1 million (EUR 1.40 million in 2020) refer to property, plant and equipment and EUR 3.55 million (EUR 3.64 million in 2020) to intangible assets.
Note also that a provision of EUR 0.7 million was allocated to the provision for risks and charges in 2021 to cover the presumed reduced future use of certain software following the Transformation _One Factoring project (see page 40).

The **net operating income** and **profit from current operations before taxes** generated profit of EUR 37.8 million, EUR 3.9 million lower than 2020.

After income taxes, the **profit for the year** came to EUR 26 million (EUR 29 million in 2020, -9.14%).

(in millions of €)

	31/12/2021	31/12/2020	Var %
Net operation income	**37.8**	**41.6**	**-9.3**
Income taxes for the year on current operations	-11.5	-12.7	-9.6
Profit from current operations net of taxation	**26.3**	**29.0**	**-9.1**
Profit for the year	**26.3**	**29.0**	**-9.1**

Balance sheet items

Loans and receivables

(in millions of €)

	31/12/2021	31/12/2020	Var %
Due from customers	**6,914.7**	**6,175.2**	**12.0**
- Factoring	6,914.7	6,175.2	12.0
Due from banks	**14.2**	**85.9**	**0.0**
Loans and receivables	**6,928.9**	**6,261.1**	**10.7**

Loans and receivables, net of value adjustments, totalled EUR 6,929 million, compared with EUR 6,262 million in the previous year, therefore with an increase of 10.6%.
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 slightly in 2021 from EUR 357 million in 2020 (EUR 96 million net; 1.5% of total loans and receivables) to EUR 341 million in 2021 (EUR 86 million net; 1.2% of total loans and receivables).

(in millions of €)

	Gross exposure	Value adjustments	Net exposure	% hedging	% incidence on due from customers
31/12/21					
Non-performing loans	266.7	217.2	49.5	81.4	0.7
Unlikely to pay	71.5	37.5	34.0	52.5	0.5
Past due loans	2.9	0.4	2.4	15.1	0.0
Total impaired receivables	**341.0**	**255.1**	**85.9**	**74.8**	**1.2**
31/12/20					
Non-performing loans	277.1	221.7	55.4	80.0	0.9
Unlikely to pay	78.0	38.9	39.0	49.9	0.6
Past due loans	2.4	0.5	1.9	19.4	0.0
Total impaired receivables	**357.4**	**261.1**	**96.3**	**73.0**	**1.5**

The total of **impaired loans and receivables**, net of value adjustments, amounted to EUR 86 million (96 million in 2020) with a comprehensive hedging of 75% (73% in 2019). These loans and receivables particularly concern:

- **non-performing loans** of EUR 267 million (EUR 277 million in 2020), 81% of which are hedged (80% in 2020), with a net value of EUR 49 million (EUR 55 million in 2020);

- **unlikely to pay**, totalling EUR 71 million (EUR 78 million in 2020) which, net of the related hedges of 52% (50% in 2020) present a net value of EUR 34 million (EUR 39 million in 2020). This category includes unlikely to pay loans, subject to postponement and not subject thereto;

  - **past due loans** amounted to EUR 2.9 million (EUR 2.4 million in 2020) recognised according to the new definition of default that came into force in January 2021.
    This category includes exposures continuously overdue for over 90 days or 180 days (receivables from government agencies) whose total amount is at least 1% of the entire exposure to said debtor or more than EUR 100 or EUR 500 if they belong to the Retail or Corporate segment, respectively. 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 €)

	31/12/2021	31/12/2020	Var %
Provision for employee termination benefits	4.0	4.1	-1.5
Provision for risks and charges	17.8	11.1	61.2
b) other provisions	17.8	11.1	61.2
Total	**21.9**	**15.2**	**44.3**

As at 31 December 2021, **liability provisions** were EUR 21.9 million (+44.3% compared with 15.2 million in 2020) 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 2021, the provision was EUR 4 million (EUR 4.1 million at the end of 2020).

The **other provisions**, equalling EUR 17.8 million, include:

- *provision for legal disputes,* of EUR 15.7 million (8.6 million at the end of 2020) for allocations against revocations and legal proceedings and disputes; the increase in this provision, amounting to EUR 7 million, is mainly attributable to provisions made in 2021 in consideration of possible settlements with certain transferors in order to settle outstanding disputes;
- *personnel expenses*, of EUR 2.2 million, are in line with the previous year.

Equity items

Equity as at 31 December 2021 amounted to EUR 816 million (EUR 790 million in 2020), up by 3.3% due to the following changes:

Equity as at 31 December 2020	**790.11**
2021 changes:	
- net profit as at 31 December 2021	26.33
- change in other reserves	-0.10
Equity as at 31 December 2021	**816.34**

With regard to the capital adequacy of Ifitalia as at 31 December 2021, Ifitalia closed with **Total regulatory own funds** of **EUR 786.2** million, up EUR 30 million, in the presence of total capital requirements of EUR 342.9 million with a capital surplus of EUR 443.3 million. The Tier 1 came to 13.75% and the Total Capital Ratio was 13.75%.
Own funds as at 31 December 2021 do not include the 2021 profit, which will be capitalised following approval of the financial statements by the Shareholders' Meeting.

	2021	2020	Var. %
Tier 1 capital	786.2	756.2	*4.0*
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	**786.2**	**756.2**	***4.0***
Risk Weighted Assets (*)	**5,716.3**	**5,245.8**	***9.0***
Total prudential requirements	**342.9**	**314.7**	***9.0***
Capital excess	**443.3**	**441.5**	***0.4***
Tier 1 capital ratio	13.75%	14.42%	*(4.6)*
Total capital ratio	13.75%	14.42%	*(4.6)*

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

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 4,947 million and represented the majority of amounts owed to banks; the remaining part is represented by exposures to BNL for an amount of EUR 572 million.

In relation to securitisation transactions, Ifitalia as at 31 December 2021 had a debt position to the SPV of EUR 236 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 1.149 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 6.714 million (EUR 6.454 million in 2020).
As from 2021, BNPP centralised certain services on HR, Risk and Compliance issues, the costs of which have been invoiced to Ifitalia.
The costs of the services implemented for various group companies are allocated firstly to the Business Lines on the basis of the services received and subsequently on the basis of the following parameters: Risk Weighted Assets (RWA) with regard to RISK services, Full Time Equivalent (FTE) with regard to HR services and Net Banking Income (NBI) with regard to Compliance. The total cost of these services for Ifitalia amounts to EUR 823 thousand.

Expenses/profits were also recorded for staff seconded respectively from or to other Group companies for an annual total of EUR 3.927 million in 2021 (EUR 4.106 in 2020).

In 2021, income from Group companies for rents receivable of EUR 0.367 million (in line with 2020) and costs for rents payable of EUR 0.802 million (EUR 1.288 million in 2020) 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
- property management service
- HR management/administrative service
- purchase management service
- NPL management service
- Operation service and operational support
- Business Continuity Service

In 2021, costs totalling EUR 2.099 million were incurred for all the above activities (EUR 2.267 million for 2020).

Following the acquisition of the ITP business unit on 1 January 2021, the back office costs incurred with it are no longer present, but the related costs are included in personnel costs as a result of the 13 resources added to the workforce.

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 0.206 million (EUR 0.219 million in 2020).

Expenses for coordinating factoring activities at the group level, performed by the "Global Factoring Competence Centre", were incurred for EUR 0.836 million in 2021 (EUR 0.448 million in 2020). The increase in the cost for the year 2021 is justified by the preparatory activities for the Transformation project managed by the Chain.

Furthermore, for providing commercial services, Ifitalia made use of the collaboration of the BNL/BNPP branches to which it paid commercial commission charges totalling EUR 1.502 million (EUR 2.461 million in 2020).

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 2021 with the parent company and other companies belonging to the BNL-BNPP Group originating from financial or commercial relations are indicated on page 148 of the Notes to the Accounts.

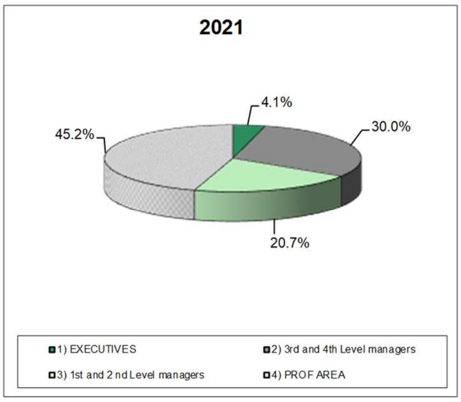
Human resources

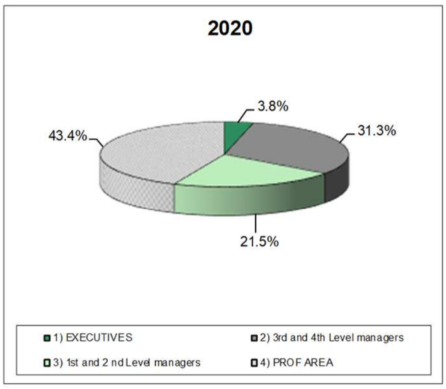
The personnel as at 31 December 2021 amounted to 270 employees (+5 employees compared to 31 December 2020); this increase is due to the acquisition of the ITP business unit on 1 January 2021, which brought in 13 employees who were already performing outsourced activities for Ifitalia. Excluding this change in the scope of consolidation, resources were reduced by 8 employees as a result of the company's efficiency policies.

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

Distribution by grading

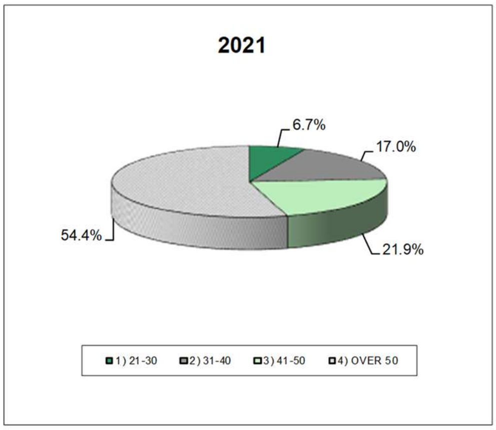
Category	31/12/2021	31/12/2020	2021 in %	2020 in %
1) EXECUTIVES	11	10	4.1%	3.8%
2) 3rd and 4th Level managers	81	83	30.0%	31.3%
3) 1st and 2nd Level managers	56	57	20.7%	21.5%
4) PROF AREA	122	115	45.2%	43.4%
Total	**270**	**265**	**100%**	100%
Acquisition of ITP business unit (effective 1/1/21)		13		
Total proforma	**270**	**278**		

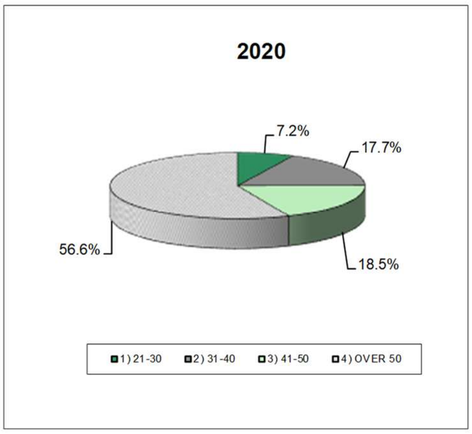




Distribution by age

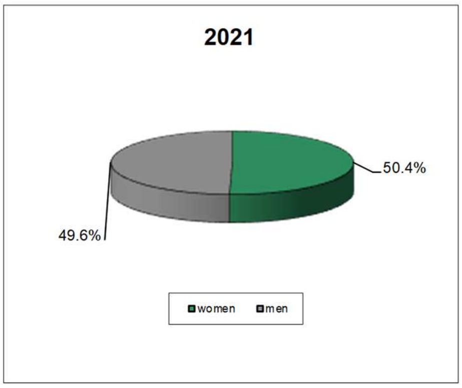
Age group	31/12/2021	31/12/2020	2021 in %	2020 in %
1) 21-30	18	19	6.7%	7.2%
2) 31-40	46	47	17.0%	17.7%
3) 41-50	59	49	21.9%	18.5%
4) OVER 50	147	150	54.4%	56.6%
Total	**270**	**265**	**100%**	100%

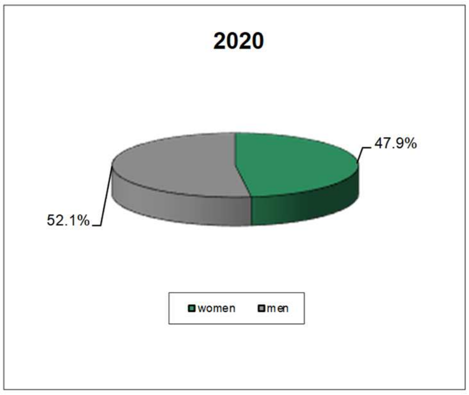




Distribution by gender

Category	31/12/2021	31/12/2020	2021 in %	2020 in %
women	136	127	50.4%	47.9%
men	134	138	49.6%	52.1%
Total	**270**	**265**	**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.

ABOUT ME, the BNPP Group's performance management system, confirms its central role in continuing to act in terms of continuous improvement, development and enhancement of the intra-group mobility "ABOUT ME". Almost 100% of the business population was involved in the assignment and assessment of objectives; more than 90% of feedback was exchanged between the manager and employees and individual development plans were identified to ensure the constant updating of skills and therefore to ensure maximum future employability.

Effective January 2021, there is a corporate transaction for the transfer of the business unit of International Trade Partners S.r.l. (ITP S.r.l.) from BNP Paribas Factor France to Ifitalia S.p.A. The transferred branch consists of the activities carried out by ITP S.r.l. for Ifitalia S.p.A., relating to the management of collections, support in taking the Ifitalia S.p.A. customer debtors to court, reminders to debtors and management of master data managed on behalf of Ifitalia S.p.A. The operation involved all the people of ITP S.r.l. (13 HC) who were transferred at the same time as the transfer of assets.

Net of new resources as a result of the corporate transaction described above, during 2021, 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 twenty colleagues changed roles, three mobility schemes were activated with Group companies in Italy and, finally, three people were recruited from the external market. All the actions mentioned were aimed at further strengthening customer management and development activities.

Ifitalia has also taken an active part in talent management programmes through its participation in the "Leaders for tomorrow (LFT)" projects and, for Italy, in "X-Potential". The first is aimed at cultivating the management of the future and the second at promoting 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 2021.
A total of approximately 2,400 hours of training were provided in 2021, equal to approximately 8 hours per capita, which, in consideration of the pandemic scenario, were mostly carried out remotely, in virtual rooms or e-learning.
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 professional roles.

With reference to training topics, 24% were of a technical-specialist nature, 60% related to regulations and 16% were behavioural and linguistic. 12% was delivered in the classroom and 88% remotely.

The coverage of the business population was 100%.

Selection and Employer Branding

In collaboration with other Group companies, the commitment to Employer Branding has grown, with the aim of increasing and expanding the presence of the BNP Paribas Group and Ifitalia on the labour market, including through a strategy of digital presence in the main professional social networks and at events organised at major Italian universities.

Remuneration policies

Remuneration tools adopted in 2021 for personnel were divided into interventions to the fixed component of remuneration (raises and promotions) and to the variable component (both managerial and one-off bonuses, incentive plans, company bonuses, welfare), in line with standards and guidelines defined by the Group.

OTHER INFORMATION

Organisational structure

During 2021, the Company's organisational structure evolved through the following actions:

- creation of the role of Vice General Manager in charge of the Commercial Chain (Vice General Manager - Commercial, with the direct responsibility of the Sales Division), and modification of the powers of the role of Vice General Manager in charge of the Company's Operations Chain (Vice General Manager - Operations, with the direct responsibility of the new Operations Division);
- allocation reporting to the General Manager of the Business Strategy & Marketing structure (formerly Performance Management and Marketing), to support the definition and implementation of the most appropriate business strategies;
- allocation reporting to the General Manager of the Human Resources structure, who is also responsible for General Services;

- revision of the mission of the Sales Division by:
  - repositioning the Client Management structure (formerly Customer Management) from the Management Division to foster closer synergy with the Sales Network
  - transferring the Special Loans structure, focused on the management of problem loans/receivables
  - creating the Loans structure, to which the transferor and debtor resolution processes have been assigned
  - creating the Sales Network structure;
- establishment of the Operations Division into which the following structures have been merged: IT, Organisation (formerly Operations Management), Credit & Debtor Management (into which the activities previously carried out by the Debtor Management structure of the Management Division and the Back Office Assignment and Post structure of the PAC Division have been merged) and Credit Lines & KYC Office;
- creation in the Risk Division of the Credit Risk Analysis structure, through the unification of the Transferor Risk Assessment and Debtor Risk Assessment structures, with a view to synergising skills;
- as a result of the transfers of activities and related structures described above, termination of the Management and PAC Divisions.

Therefore, the Central Structures into which the Company is currently divided are:

- Business Strategy & Marketing
- Legal and Corporate
- Human Resources
- Sales Division
  - Sales Network
  - Client Management
  - Loans
  - Special Loans
- Finance Division
- Operations Division
  - Credit Lines & KYC Office
  - Credit & Debtor Management
  - IT
  - Organisation
- Risk Division
  - Credit Risk Analysis

The Sales Director and the Operations Manager also hold the position of Vice General Manager for their areas of responsibility.

The Head of the Risk Division holds the position of Head of the Risk Control Function 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 Legal and Corporate structure is integrated into the Legal organisational model of the BNP Paribas Group, with the consequent close relation and reporting of the Head to the Legal and Corporate Manager of BNL.

The Head of Special Loans, with reference to the control unit of the outsourced activities in the Workout area and in the Small Ticket Problem Loans area, reports to the General Manager.

The Compliance Function is outsourced to BNL SpA - Compliance Division, which reports to the Board of Directors in the performance of this task. The positions of Head of the Compliance Function and Head of the Anti-Money Laundering Function are held - within the Compliance Division of BNL SpA - by the Compliance Manager of BNL and the Head of BNL's Financial Security structure, respectively.

The Internal Auditing Function is outsourced to BNL S.p.A. - Inspection Générale - Hub Italy, which reports to the Board of Directors in the performance of this task.

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)

During 2021, following the assessments carried out by the Company regarding the use of the Internal Rating System, Ifitalia decided to continue using the risk parameters for management purposes, maintaining the Standard approach for the calculation of capital requirements and giving formal notice to the Supervisor on 16 June 2021 of the Company's choices regarding the measure received in October 2020.
In a formal letter dated 10 March 2022, the Bank of Italy informed Ifitalia that it had decided not to use the advanced approach (IRBA) for the calculation of capital requirements and to maintain the standard approach (currently in use). In this context, it confirmed its interest in receiving an update on the state of completion of the action plan requested from the Company concerning corrective actions not related to equity claims.

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 2020 and is about to prepare the new ICAAP as at 31 December 2021 by 30 April 2022.

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

Information concerning the policies for the handling of the risk 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.

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

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 BC 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 77 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 26% of total resources.

In 2021, 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

The Bank of Italy regulations require each intermediary to set up a specific function in charge of supervising the commitment to prevent and manage money laundering and terrorist financing risks, with the possibility of outsourcing company control functions in accordance with specific regulatory requirements.

As part of the more general process in BNL of centralising the Compliance function (herein including the Anti-Money Laundering function) of the companies of the BNL Banking Group that began in 2015, during the fourth quarter of 2016, Ifitalia assigned the formal responsibility of the Anti-Money Laundering Function to the Head of the Financial Security Department within the BNL Compliance Division, which took charge of the full perimeter related to Financial Security. With the aim of monitoring the correct provision of services, the Chairman of the Board of Directors was appointed as Outsourced Service Point of Contact (RPE).

Thus, in 2021, the Anti-Money Laundering Function operationally supervised, coordinated or implemented the entire scope of activities, which includes:

- due diligence and profiling of customers/intermediaries;
- checking the proper AUI registrations and bookkeeping, and the delivery of information to the FIU;
- 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 Anti-Money Laundering Function, 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, as envisaged by the regulatory watch process introduced at Group level in 2019, 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;
- carried out a reperforming activity on the first line control activities as part of due diligence and AML, carried out in accordance with the provisions of the respective Generic Control Plans specific to the factoring market;
- monitored any operational risk incidents as part of the Financial Security;
- completed the annual money laundering risk self-assessment exercise, as well as the quarterly monitoring required by the Group model, analysing the results and defining the subsequent action plans for the areas of improvement that emerged; in this context, note that the process of convergence of the risk models of the Group's various Control Functions was implemented in 2021 in compliance with the principles laid down by the Supervisory Authority;
- defined the specific training plan in the field of Financial Security and monitored the correct and complete use by impacted colleagues.

During 2021, the overall monitoring of the risks of abuse of office and corruption was included in the Regulatory Compliance structure of the Compliance Division.

In 2021, 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 2021. 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 2021, 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 2021 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 2021, 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.

For the Professional Ethics issue, note that during 2021, 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. In particular, activities were carried out to issue/update the following regulations:

- The Whistleblowing Procedure, which sets out the rules and methods of using the ethical alert device (or Whistleblowing), the various channels of which it is composed, as well as the protections that it guarantees to the whistleblower when certain conditions occur. This procedure is an integral part of the anti-corruption plan set out in the "Global Policy against Corruption" (CPL0183) under Law no. 1691/2016 of 9 December 2016 on transparency, anti-corruption and modernisation of economic life (known as the "Sapin 2" Law). The main changes introduced with this version concern: the updating of the role assigned to the Local Whistleblowing Point of Contact function, the deletion of the references to the Domestic Market Whistleblowing channel following its discontinuation, the updating of the naming of the Compliance Structure in charge of managing the Ethical Alert System - Whistleblowing, the updating of the traditional mail address for the Entity Whistleblowing channel.
- The Policy on corporate offices and external activities carried out in a personal capacity by BNP Paribas Group Employees focuses more specifically on three types of situations that may involve private conflicts of interest:
  (a) Corporate offices held in a personal capacity, (b) Appointments held in a personal capacity in non-profit organisations,
  (c) Other personal Interests (OBI) that employees may carry out in a personal capacity in parallel with their activities in BNP Paribas. This Policy is drawn up considering the development of the regulatory landscape on personal conflicts of interest and the update of the Group Conflicts of Interest Policy (CPL0057). It includes concepts and principles applicable to personal conflicts of interest dealt with in this procedure. More specifically, the concept of prevailing interest was introduced and defined. Moreover, the standard envisages an analysis and decision-making grid to help employees understand and assess the conflict of interest risks covered by this regulation. The Policy details the processes for declaring and registering corporate offices held in a personal capacity, other personal appointments in non-profit organisations and OBIs, as well as the processes for identifying and managing potential conflicts of interest. Moreover, the controls are defined.
- The Corruption Policy, which defines principles, roles and responsibilities of the first and second line of defence, to be applied by all Group entities to prevent, find and report cases of corruption. This document updates the previous version of this regulation to bring it into line with the new provisions of Group procedure CPL0183 v3, which has been revised and reorganised with different objectives: organising the procedure following the pillars of the Sapin II law in line with the strategy adopted to implement ABC standards and controls (ABC framework) throughout the Group; highlighting the existing rules and controls of the compliance domains and Group functions that contribute to the identification and prevention of corruption; aligning standards and controls with the recommendations of the Agence Française Anticorruption (AFA) where relevant to BNP Paribas' organisation and risk profile, introducing operational instructions to support BNP Paribas' employees who contribute to the implementation of the ABC framework; clarify the roles and responsibilities of the corresponding LoD1, LoD2 and LoD3 and of the corresponding ABCs, in particular.
- General Policy for the Control of Personal Transactions of the BNP Paribas Group, which aims to define a system of rules, obligations and prohibitions that apply to personal transactions involving persons identified as "Relevant Parties". The purpose of this system is to contain potential situations of conflict of interest and undue use of privileged and/or confidential information, in compliance with the external regulations in force and the principles of behaviour of the BNP Paribas Group. With version V1.2, the Group introduced the following additional changes with respect to previous versions: Chapter 2, Scope and Personal Transactions excluded from the scope of this Policy, Chapter 3, in-depth reorganisation and revision of general rules, prohibitions and reporting obligations, Chapter 4, inclusion of the specific chapter on G100 members, and other minor changes.

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

During 2021, the Compliance Function 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 Function ensured the oversight of adopted systems and monitored compliance with policies.
In fact, in relation to the activities of the "Professional Ethics" domain, in order to prevent the occurrence of a conflict of interest and protect the Company from the occurrence of a potential reputational risk, the management of Gifts and Invitations received/offered by collaborators was supported not only by a regulatory framework governing the conditions under which they may be accepted, authorised or refused, but also by a Register dedicated to their identification.
The activities related to the process of authorising assignments and activities that Employees wish to carry out in a personal capacity outside working hours were also ensured on an ongoing basis. To this end, during the year under review, the Compliance Function maintained a special register of names in which all requests by employees to take on assignments or carry out external activities in a personal capacity are constantly recorded.
The proper operation of the company's Ethics Alert system was continuously supported by the maintenance of a Register in which all reports received through the channels made available to employees are tracked, as well as by the formalisation, through the issue of specific internal regulations, of a structured process aimed at ensuring, among other things, the confidentiality of the identity of both the Whistleblower and the person reported.
In the last part of the year, the Compliance Function also supported the checking activities pursuant to Legislative Decree 231/2001 concerning the "management of gifts" envisaged for the year 2021, as per the check plan of the Supervisory Body pursuant to Italian Legislative Decree 231/2001.

During 2021, no incidents occurred pertaining to issues of professional ethics.

Also for the year 2021, 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", "Code of Conduct" and "Fight against corruption - Awareness-raising" and, for all employees belonging to the "exposed" target, by means of the "ABC Anti Bribery and Corruption - Fight against corruption" course, 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).

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:

- General Policy for the Control of Personal Transactions of the BNP Paribas Group, which aims to define a system of rules, obligations and prohibitions that apply to personal transactions involving persons identified as "Relevant Parties". The purpose of this system is to contain potential situations of conflict of interest and undue use of privileged and/or confidential information, in compliance with the external regulations in force and the principles of behaviour of the BNP Paribas Group. With version V1.2, the Group introduced the following additional changes with respect to previous versions: Chapter 2, Scope and Personal Transactions excluded from the scope of this Policy, Chapter 3, in-depth reorganisation and revision of general rules, prohibitions and reporting obligations, Chapter 4, inclusion of the specific chapter on G100 members, and other minor changes.
- Operational Principles on the Volcker Rule Management Framework Pillar and Application for French Banking Law (implementation), which defines governance principles by favouring strong monitoring systems to ensure compliance with the BNPP Group's Volcker Rule, defines the flow of management information and ensures an appropriate escalation process within the Bank;

- CFTC US Swap Dealer Group Policy (implementation), which describes in general the requirements of the CFTC regulations applicable to registered Swap Dealers (such as BNP PARIBAS SA) and in more detail the prohibitions arising therefrom;
- Volcker Rule Governance Policy (Update), which describes the requirements of the Bank's Compliance Program pursuant to article 13 of the Bank Holding Company Act of 1956 ("the BHC Act") and the final implementing regulations (collectively referred to as the "Volcker Rule").

As regards Banking Laws, ongoing consultancy was guaranteed by the Compliance function of BNL to support the Company. In particular, support was provided to the Company for the annual review of the document set required by the Volcker Rule and French Banking Law (desk package and trader mandate).
Half-yearly inventories of financial instruments and in-scope assets were also completed and submitted to the Parent Company.
In Q1 2021, the Volcker Rule Certification process for Ifitalia's activities during 2020 was completed. Activity concluded without specific critical issues emerging. In Q4 2021, a similar certification activity began with reference to 2021.
With regard to the CFTC US Swap Dealer issue, in Q3 2021 the Company took part, at the Group's request, in the annual certification known as CFTC Commitment Letter for 2020.

During 2021, 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 2021, the activities planned 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 continued also in 2021.

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

- Increasing the use of the PEC (Poste Elettronica Certificata, Certified Electronic Mail) channel in the exchange of communications with customers, especially with reference to the forwarding of massive communications to customers produced by the Company's application systems.
- Increasing the use of digital signatures in business processes, both through structured customer awareness initiatives and process changes.

APPLICATION DEVELOPMENTS IN THE FIELD OF DEMATERIALISATION

- Continuation of the project launched in 2020 for the Dematerialisation of factoring contracts, which envisages the creation of an Electronic file of Factoring Contracts (FECF), which make it possible to partially automate the process of transmission and acquisition of documents relating to contracts entered into with customers. The application will go into production in early 2022.

Mediana Portal

The Company's home factoring platform was totally redesigned during 2019; in 2021, a number of activities continued, including the preparation of an application for the automatic control of digitally signed credit granting transactions, which is currently being completed and awaiting release.

New releases are also planned in the current year, 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 2021, the implementation of an IT tool was completed for the automatic reconciliation of collections received from customers, an activity that requires a considerable number of resources, which enabled the automation of the interchange of payment flows and their accounting.

One Factoring project

At the end of 2020, the BNP Paribas Group launched the One Factoring project involving Ifitalia together with the Group's other factoring entities.
The project was launched with the aim of creating synergies between all factoring entities, defining common processes and products, also through the creation of a single IT platform.
The overall time horizon is up to mid-2024, by which time all participants are expected to have migrated to the new platform.
During 2021, the activities focused on analysing the processes/products of the individual entities, choosing the IT platform and estimating the activities and costs to be incurred for migrating to it.
These estimates will be completed in the first half of 2022 and, once approved by the Group and the individual entities, the actual migration work will begin in parallel with the process standardisation.
The current plan is that Ifitalia will be the last country to move its operations to the new platform, with migration activities starting in 2023.

Research & development activities

The following IT projects were implemented in **2021**:

1. *Update of IT Governance procedures* (Cyber, IT Risk Management) following the introduction of new Group and ECB policies and controls.
2. *Starting new customers:* the FIS core system was set up to welcome new customers
3. *KyC (Know your Customer)*: the SICRAT tool was adapted (already used by the BNPP Group Companies) to allow for new requirements.
4. *Mediana:* the project for the creation of new functions of the web factoring portal based on the needs collected from customers was implemented and the CMF management (Massive Management of Future Loans) was introduced. System adapted to the new security measures introduced by *Group Policies.*
5. *By instalments (SIRAT system):* the activities for the disposal of the "By instalments" sales information system were completed, which was replaced by the FIS (core) information system.
6. *Automatic collections:* a tool (K-linx), already in use by BNL, able to “read” the reason for the transfer, the details of the invoices and the name of the payer was introduced in order to propose possible matches with different degrees of reliability. The completion of the project to semi-automatically allocate collections to the relevant invoices led to operational efficiencies in the back office.
7. *Data logging on FIS:* logging procedures for obsolete data on FIS for storage cost containment.

8. *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.
9. *CyberSecurity: actions were carried out in line with what was required by the BNPP Group.*
10. *WorkSpace 2020:* the WorkSpace 2020 programme was concluded, assisted by the parent company BNPP (mandatory), concerning End User Computing (EUC) architectures, which aims to create a common working space for all BNPP employees. The project was carried out in collaboration with BNL (identified as focal point country Italy) by carrying out also the insourcing in BNL of the workstations and the related authentication domain (active directory).
11. *Diamante Data Room:* the study was completed and the work plan (activities, costs) for the adaptation to the security policies and technological upgrade to reduce the obsolescence of the resident products of Diamante Data Room was approved by the competent bodies. The activities to be carried out will be grouped into several projects to be launched starting from the year 2022.
12. *Transformation:* following a request from the BNPP Group concerning factoring companies, the "One Factoring" project was launched to identify Group synergies in technological, operational and process terms. The BNPP Group's Factoring Sector is responsible for the programme.
13. *Bank of Italy Follow-up:* the implementations required by the Bank of Italy on IT applications for the management of the Lending process was completed.
14. *Central Risk Management:* the project to adapt to the new platform was launched.
15. *ECB adjustments:* gap analysis was carried out on Ifitalia systems with respect to the IT Continuity requirements of the ECB. The adjustment project activities were started in cooperation with BNL.
16. *Workout - Dispute handling:* introduction of automation on the EPC product for the management of small ticket customers (dispute up to EUR 150 thousand)
17. *IAS:* improvement of the FIS (core) system in terms of flexibility, usability.

Sale of the Serfactoring investment

During the second half of 2021, the ENI Group spa, already the main shareholder (with 49% of the shares) of the company Serfactoring spa, in which Ifitalia held an 18% stake, expressed its interest in purchasing the entire share capital of the company and consequently made a binding purchase offer to all the other shareholders (including Ifitalia and BNL)
The offer envisages the attribution to Serfactoring of an overall economic value of EUR 24,053,000 against a total number of shares of 1,000,000 equivalent to EUR 24.053 per share (the valuation was carried out using an equity method and was subject to a fairness opinion by a leading advisory firm).
Since the equity investment in Serfactoring S.p.A. was considered no longer strategic for the management of the business, on 23 December 2021 Ifitalia sold this investment at a price of EUR 4,329,540, realising a capital gain of EUR 80,036.

Securitisation transactions

Starting in 2016, Ifitalia began a programme of securitisation transactions through the collaboration and coordination of BNPP CIB of Milan. As at 31 December 2021, 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 financing.
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 taking out specific insurance policies on debtor risk or by benefiting from existing policies on portfolio factored on the debtors of securitised receivables.

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 2021

As at 31 December 2021, Ifitalia had 7 securitisations in place, the main balance sheet aggregates of which are shown below:

(thousands of €)

ITEMS	BALANCE AT 31/12/2021	BALANCE AT 31/12/2020
Loans in portfolio (included in item 40 of the balance sheet assets)	591,331	516,893
Other payables Item 10 (represents funding received from third parties)	-236,204	-206,488
Other payables	-1,375	-1,097
Portion of securitisation portfolio financed by Ifitalia equal to value of securities subscribed by Ifitalia	**353,752**	**309,308**

New commercial operations: Trading of Ecobonus and Superbonus tax credits

During 2021, the activity of purchasing tax credits in relation to the "Rilancio" Decree (Italian Law Decree 34 of 19 May 2020 as amended and supplemented) was started.

The operation was aimed at companies operating in the field of energy requalification with the benefit of the superbonus and ecobonus concessions.

The purchase concerned both credits directly from the transferors and subsequent transferees.

The business model implemented by Ifitalia in 2021 is that of trading, i.e. acquiring and then reselling the credit to BNPP group companies on the basis of limits made available by those group companies formalised in specific contracts.

With regard to the limits made available by the companies of the group, there is no distinction between limits for credits acquired directly by the beneficiaries and limits for credits acquired by persons who did not directly qualify for the tax relief.

As mentioned above, Ifitalia's customer is not the individual person or the individual condominium, but the corporate companies that carry out the bonus works applying the discount on the invoice and/or the general contractor.

For each customer, a credit assessment is defined and a specific credit line is approved on the basis of the powers envisaged by the company's internal regulations; purchases are made as part of the resolution

In managing this activity, Ifitalia made use of collaboration agreements with third-party partners, specialised in technical and tax certifications, of which E&Y and Protos are particularly noteworthy.

In terms of the financial statements, the acquired credits remain under the company's financial statement assets only for the time necessary for their re-assignment (about 1 month). The credits existing as at 31 December 2021 amounting to approximately EUR 85 million are recognised as other assets in the Financial Statement assets (as required by the Measure of 29 October 2021 "Financial statements of IFRS intermediaries other than banking intermediaries").

In January/February 2022, these credits were fully re-assigned.

Commissions received from customers for trading activities are recorded under commission income in the income statement.

Therefore, Ifitalia has made products and services available to its customers in order to fully benefit from the tax advantages contained in the "Rilancio" Decree.

This initiative has brought people and businesses closer to the redevelopment of buildings, and is another concrete example of support for our business strategy,

which increasingly combines business with environmental, economic and social sustainability issues.

Significant events after year end

When drawing up the financial statements as at 31 December 2021, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors that could have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8), which can be summarised as follows:

<u>Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies:</u>

Article 42 of Italian Law Decree no. 17/2022 "Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies", (published in the Official Gazette General Series no. 50 of 1 March 2022) postpones the 2021 reversal of the 12% portion of pre-2015 non-deducted impairment losses on loans. In particular, this portion is deferred, on a straight-line basis, to the 2022 tax period and to the following three tax periods. This new regulation in the form of a law decree entered into force with its publication in the Official Gazette on 1 March 2022 and is valid for 60 days, after which it is either converted into law by the Parliament or it automatically expires with ex tunc effect, i.e. as if it had never existed.
Paragraph 47 of IAS 12 Income Taxes states that deferred tax assets and liabilities must be calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is discharged, based on tax rates (and tax laws) in force or essentially in force at the end of the reporting period.
This new regulation was not applied to these financial statements as at 31 December 2021 as it is considered a "non adjusting event"; its application would have had the following effects:

- in economic terms: neutral; this results in a lower reversal of deferred tax assets and a higher provision for current taxes of approximately EUR 5 million;
- in financial terms: a taxable income higher than estimated last January of the amounts no longer deductible with a higher tax liability of EUR 5 million (IRES + EUR 4.3 million; IRAP + EUR 0.5 million), respectively;
- RWA: non-discharge of DTAs amounting to EUR 5 million weighed at 100%.

Conflict in Ukraine.

Following the escalation of the crisis in Eastern Europe, which later resulted in the Russian-Ukrainian conflict, the Company promptly launched an analysis of the potential related risks:

Credit Risk:
At the date of the preparation of the draft financial statements, the Ifitalia Risk Division - in collaboration with the sales division and other structures involved - carried out an initial assessment of the credit portfolio in order to identify potential material impacts resulting from the conflict:

- direct exposures held by the company to Russia and Ukraine are not impacted, considering that there are no outstanding exposures to counterparties in these countries; moreover, the Company's exposure to the Rouble currency is 0;
- with regard to the indirect impacts relating to the relationships held by Ifitalia customers with countries at risk - taking into account the elements of absolute uncertainty regarding the development of the conflict and its consequences on macro-economic scenarios that are currently difficult to foresee - the potential economic and financial statement impacts can be taken into account during the 2022 financial year, in the light of the information that will become available.

Interest Rate Risk
With regard to interest rates, the crisis in Ukraine could have two opposite effects: a negative impact on economic growth with potentially lower expectations of interest rate hikes; a further impact of inflation (increase in oil and gas prices) pushing up rates. Christine Lagarde's speech in early March confirmed the second option for financial markets, namely an ECB rate hike by the end of 2022.

Liquidity Risk
The Ukrainian crisis has a potential impact on credit spreads and thus on the cost of bank liquidity. However, the trend in the cost of liquidity will be carefully monitored by the Company in relation to the evolution of the crisis situation.

Cybersecurity
Ifitalia together with BNL, in accordance with the indications provided by the BNP Paribas Group's Anti-Cyber Fraud Steering Committee, raised the level of alert regarding possible new scenarios of ransomware/malware/phishing attacks, blocking internet traffic from Russia and activating the Crisis Unit.

Business outlook

In 2021, the pandemic continued to affect the company's metrics, albeit with a less severe impact than in 2020.
The gradual improvement in the scenario combined with incisive commercial action enabled the 2021 results to recover compared to 2020.
In fact, after a marked decline in the first quarter, 2021, compared to the previous year, was characterised by a gradual recovery and a positive closing of brokered turnover, up 7%. This figure, although slightly lower than the overall market figure (+9.7%), enabled the market share for turnover to be substantially maintained (12%, or - 0.2%).

On the other hand, the trend in average loans was also affected by the severe contraction of the previous year in terms of average loans; 2021 ended with a figure 3.7% lower than 2020, a trend that is also consistent with the lower responsiveness in time of this figure compared to the turnover figure. On the other hand, if we consider the data relating to timely use, we can see that at the end of 2021 the trend was better than that of competitors (+11.2% compared to +2%) - and that there was appreciable growth in market share (12.3%, or + 1%).

A more detailed analysis confirms the positive development of the Reverse Factoring product, which continued its positive trend in terms of both volume and income, achieving a 19.55% increase in turnover compared to 2020, and a 19% increase in average loans. This figure confirms the decidedly positive market trend for this specific product and the company's ability to effectively seize the opportunities it offers, thanks also to the dedicated Business Line set up in 2020.

The year 2021 was also marked by a good trend in the acquisition of new customers: 422 new customers were acquired, an increase of about 20% compared to origination in 2020, demonstrating the good teamwork carried out in concert with the Sales Network of BNL and BNP Paribas Group.

Finally, it is worth noting the contribution of the product dedicated to the purchase of Super/Ecobonus tax credits as defined by the "Rilancio" Law Decree et seq., which made it possible to broker more than EUR 400 million of credits in 2021, which will then be transferred within the Group. Commercial distribution efforts for this product will continue in 2022.

The results under review were achieved in line with the confirmed strategic guidelines aimed at cultivating, with adequate service levels, the different market segments covered by our Group on the Italian market: from Large Customers, to the Corporate segment, to the SME segment. This strategy will ensure an organic and diversified growth of the company's customer base, a stable and sustainable development and a reduced dependence on a small number of counterparties.

Finally, an even greater interaction is envisaged with the BNPP Group's network of European factoring companies, which serve multinational companies in particular, and a further joint origination drive towards securitisation solutions, which continue to be well received on the market and make a significant contribution to the company's results by building customer loyalty over several years.

Against a macroeconomic scenario that appears to be still expansive thanks to the expected exit from the pandemic scenario but influenced by geopolitical threats, turnover volumes are expected to grow more than the expected figure for Italian GDP (estimated at +4.5%) and spread and commission levels are expected to remain stable.

As already pointed out in previous years, in the belief that the company's results are closely related to the levels of customer satisfaction, the company continues to monitor very carefully its customer recommendation index (Net Promoter Score - NPS), intensifying interactions with its customers aimed at continually improving this value.

In this regard, the NPS figure recorded in 2021 - with a score of 45, up 12 points on the already flattering 2020 figure, testifying to the increasing customer focus of all company functions - was welcomed.

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 of additions to NPL in 2022 may increase as the public support measures effectively operated in the pandemic context come to an end.

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 26,327,156

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

Statutory reserve

Opening balance	**EUR 663,419,245**
from 2021 Profit	EUR 26,327,156
Closing balance	**EUR 689,746,401**

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, 25 March 2022

On behalf of the Board of Directors

IFITALIA FINANCIAL STATEMENT

Ifitalia Financial Statements as at 31 December 2021

Mandatory financial statements:

Notes to the accounts:

MANDATORY FINANCIAL STATEMENTS

Balance Sheet

(euro)

	ASSETS	31/12/2021	31/12/2020
10	Cash and cash equivalents	9,277,331	1,124,254
20	Financial assets at fair value through profit or loss:	553,532	4,781,557
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	553,532	4,781,557
30.	Financial assets at fair value through other comprehensive income	-	-
40.	Financial assets measured at amortised cost:	6,928,940,548	6,261,107,867
	a) loans to banks	14,241,230	85,859,589
	b) loans to financial company	104,464,324	55,190,125
	c) loans to customers	6,810,234,994	6,120,058,153
50.	Hedging derivatives	-	-
60.	Change in fair value of portfolio hedged items (+/-)	-	-
70.	Equity investments	-	-
80.	Property, plant and equipment	1,723,484	2,687,823
		-	
90.	Intangible assets	9,831,712	10,706,724
	of which: goodwill	-	-
100.	Tax assets	54,321,144	67,134,698
	a) current	*15,537,212*	*24,058,545*
	b) deferred	*38,783,932*	*43,076,153*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	145,569,035	67,633,795
	Total assets	**7,150,216,786**	**6,415,176,718**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2021	31/12/2020
10	Financial liabilities measured at amortised cost:	6,132,269,671	5,477,633,448
	a) deposits	6,132,269,671	5,477,633,448
	b) debt securities issued	-	-
20	Financial liabilities held for trading	1,963	28,101
30	Financial liabilities designated at fair value	-	-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	7,562,997	8,779,719
	a) current	*7,216,203*	*8,229,874*
	b) deferred	*346,794*	*549,845*
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	171,738,038	121,551,202
		0	
90	Post-employment benefits	4,035,039	4,096,039
100	Provisions for risks and charges	18,271,511	12,975,772
	a) commitments and guarantees issued	*424,675*	*1,907,082*
	b) post-retirement benefit and similar obligations	-	-
	c) other provisions for risks and charges	*17,846,836*	*11,068,690*
		0	
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	673,440,872	644,465,405
160	Valuation reserves	(1,129,104)	(1,027,078)
170	Profit (loss) for the year	26,327,156	28,975,467
	Total Liabilities and Shareholders' equity	**7,150,216,786**	**6,415,176,718**

Income Statement

(euro)

	P&L	2021	2020
10	Interest and similar income	60,149,448	67,461,854
	of which: interest income calculated using the effective interest rate method	58,980,523	63,470,221
20	Interest and similar expense	(2,445,286)	(4,288,103)
30	**Net interest income**	**57,704,162**	**63,173,751**
40	Fee and commission income	58,703,412	49,187,701
50	Fee and commission expense	(12,007,828)	(12,875,771)
60	**Net fee and commission income**	**46,695,584**	**36,311,930**
70	Dividends and similar income	90,360	89,850
80	Net result from trading	6,692	18,495
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:	**80,036**	**9,490**
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	80,036	9,490
120	**Net banking income**	**104,576,834**	**99,603,516**
130	Net value adjustments/write-backs for credit risk relating to:	(12,493,009)	(7,921,661)
	a) financial assets measured at amortised cost	(12,493,009)	(7,921,661)
	b) financial assets at fair value through other comprehensive income	-	-
140	**Gains/losses on contract modifications without eliminations**	-	-
150	**Net result of financial management**	**92,083,825**	**91,681,855**
160	Administrative expenses:	(44,358,594)	(41,716,527)
	a) personnel expenses	*(21,952,198)*	*(21,541,274)*
	b) other administrative expenses	*(22,406,396)*	*(20,175,253)*
170	Net provisions for risks and charges	(7,354,296)	(6,187,862)
	a) commitments and guarantees issued	*1,483,023*	*(294,354)*
	b) other net provisions	*(8,837,319)*	*(5,893,508)*
180	Net value adjustments/write-backs on property, plant and equipment	(999,772)	(1,403,404)
190	Net value adjustments/write-backs on intangible assets	(3,546,010)	(3,640,566)
200	Other operating expenses/income	1,953,870	2,664,337
210	**Operating expenses**	**(54,304,802)**	**(50,284,022)**
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*
260	**Operating profit (loss) before taxes**	**37,779,023**	**41,639,749**
270	Income taxes for the year	(11,451,867)	(12,664,282)
280	**Operating profit (loss) net of taxes**	**26,327,156**	**28,975,467**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**26,327,156**	**28,975,467**

IFITALIA
GRUPPO BNP PARIBAS

Statement of Comprehensive Income

(euro)

	Items	2021	2020
10	**Profit (loss) for the year**	**26,327,156**	**28,975,467**
	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	(102,026)	(11,675)
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**	**(102,026)**	

Statement of Changes in Equity as at 31 December 2021

(euro)

	Balances as at 31.12.2020	Change in opening balances	Balances as at 01.01.2021	Allocation of profit from previous year		Changes during the year							Comprehensive income as at 2021	Shareholders' Equity 31.12.2021
							Equity transactions							
				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			
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:	**644,465,405**	**-**	**644,465,405**	**28,975,467**							**-**			**673,440,872**
a) profit-related	645,623,778		645,623,778	28,975,467										674,599,245
b) other	(1,158,373)		(1,158,373)								-			(1,158,373)
Valuation reserves	**(1,027,078)**		**(1,027,078)**										**(102,026)**	**(1,129,104)**
Equity instruments														
Treasury shares														
Profit (loss) for the year	**28,975,467**		**28,975,467**	**(28,975,467)**									**26,327,156**	**26,327,156**
Shareholders' Equity	**790,112,437**		**790,112,437**								**-**		**26,225,130**	**816,337,567**

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		Changes during the year							Comprehensive income as at 2020	Shareholders' Equity 31.12.2020
							Equity transactions							
				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			
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 Cash Flows prepared using the indirect method

(euro)

A. OPERATING ACTIVITIES	31/12/2021	31/12/2020
1. Management	**53,860,773**	**53,085,191**
- profit (loss) for the year (+/-)	26,327,156	28,975,467
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	(106,174)	(53,569)
- gains/losses on hedging (+/-)	-	-
- net value adjustments/write-backs for credit risk (+/-)	8,415,716	4,286,620
- net value adjustments/write-backs on property, plant and equipment and and intangible assets (+/-)	4,545,782	5,043,970
- net allowances to provisions for risks and charges and other costs/revenues(+/-)	7,354,296	6,618,510
- taxes not settled (+/-)	7,323,997	8,214,193
- net value adjustments/write-backs on discontinued operations, net of taxes (+/-)	0	0
- other adjustments (+/)	-	-
2. Cash flow generated/absorbed by financial assets	**(737,062,022)**	**1,241,800,787**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	4,308,061	(206,106)
- financial assets at fair value through other comprehensive income	-	-
- financial assets measured at amortised cost	(676,248,397)	1,257,790,824
- other assets	(65,121,686)	(15,783,931)
3. Cash flow generated/absorbed by financial liabilities	**694,060,757**	**(1,290,494,003)**
- financial liabilities measured at amortised cost	654,636,223	(1,175,303,626)
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	39,424,534	(115,190,377)
Cash flow generated/absorbed by operating activities	**10,859,508**	**4,391,975**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**1,252,711**	**2,904,679**
- sale of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of property, plant and equipment	1,252,711	2,904,679
- sale of intangible assets	-	-
- sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:	**(3,959,142)**	**(6,173,538)**
- purchase of equity investments	-	-
- purchase of property, plant and equipment	(1,288,144)	(3,089,828)
- purchase of intangible assets	(2,670,998)	(3,083,710)
- purchase of subsidiaries and businesses	-	-
Net cash flow generated/absorbed by investing activities	**(2,706,431)**	**(3,268,859)**
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	**8,153,077**	**1,123,116**

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

Reconciliation

(euro)

Financial statement items	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	1,124,254	1,138
Total net cash flow generated/absorbed during the year	8,153,077	1,123,116
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	9,277,331	1,124,254

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 2021 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 "Financial statements of IFRS intermediaries other than banking intermediaries", whose updated text was issued by the Bank of Italy on 29 October 2021 for financial statements closed or current on 31 December 2021 and revised with the provisions of the Bank of Italy Communication of 21 December 2021, 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;
- the ESMA communication of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

On 21 December 2021, the Bank of Italy issued a Communication that, repealing and replacing the previous one of 27 January, updated the additions to the provisions of the Measure "Financial statements of IFRS intermediaries other than 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 update to the additions took into account the changes in the EU regulations on the treatment of moratoria, recent updates to the reporting and financial statement circulars and changes to IFRS 16 "Leases" related to Covid-19.

With regard to the tables, the main changes concern the presentation in the financial statements:

- of on-demand receivables due from banks and Central banks, which are now included under "Cash and cash equivalents", whereas last year they were included under "Financial assets measured at amortised cost";
- of acquired and originated impaired loans that are shown separately;
- of intangible assets for which specific evidence of software that is not an integral part of hardware is required;
- of detailed information on fee and commission income and expense;

In all the tables affected by the above changes, the amounts relating to the previous year were restated on the basis of the new criteria in order to make the comparison uniform.

Section 3 – Events after the reporting period

When drawing up the financial statements as at 31 December 2021, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors that could have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8), which can be summarised as follows:

Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies:

Article 42 of Italian Law Decree no. 17/2022 "Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies", (published in the Official Gazette General Series no. 50 of 1 March 2022) postpones the 2021 reversal of the 12% portion of pre-2015 non-deducted impairment losses on loans. In particular, this portion is deferred, on a straight-line basis, to the 2022 tax period and to the following three tax periods. This new regulation in the form of a law decree entered into force with its publication in the Official Gazette on 1 March 2022 and is valid for 60 days, after which it is either converted into law by the Parliament or it automatically expires with ex tunc effect, i.e. as if it had never existed.
Paragraph 47 of IAS 12 Income Taxes states that deferred tax assets and liabilities must be calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is discharged, based on tax rates (and tax laws) in force or essentially in force at the end of the reporting period.
This new regulation was not applied to these financial statements as at 31 December 2021 as it is considered a "non adjusting event"; its application would have had the following effects:

- in economic terms: neutral; this results in a lower reversal of deferred tax assets and a higher provision for current taxes of approximately EUR 5 million;
- in financial terms: a taxable income higher than estimated last January of the amounts no longer deductible with a higher tax liability of EUR 5 million (IRES + EUR 4.3 million; IRAP + EUR 0.5 million), respectively;
- RWA: non-discharge of DTAs amounting to EUR 5 million weighed at 100%.

Conflict in Ukraine.

Following the escalation of the crisis in Eastern Europe, which later resulted in the Russian-Ukrainian conflict, the Company promptly launched an analysis of the potential related risks:

Credit Risk:
At the date of the preparation of the draft financial statements, the Ifitalia Risk Division - in collaboration with the sales division and other structures involved - carried out an initial assessment of the credit portfolio in order to identify potential material impacts resulting from the conflict:

- direct exposures held by the company to Russia and Ukraine are not impacted, considering that there are no outstanding exposures to counterparties in these countries; moreover, the Company's exposure to the Rouble currency is 0;
- with regard to the indirect impacts relating to the relationships held by Ifitalia customers with countries at risk - taking into account the elements of absolute uncertainty regarding the development of the conflict and its consequences on macro-economic scenarios that are currently difficult to foresee - the potential economic and financial statement impacts can be taken into account during the 2022 financial year, in the light of the information that will become available.

Interest Rate Risk
With regard to interest rates, the crisis in Ukraine could have two opposite effects: a negative impact on economic growth with potentially lower expectations of interest rate hikes; a further impact of inflation (increase in oil and gas prices) pushing up rates. Christine Lagarde's speech in early March confirmed the second option for financial markets, namely an ECB rate hike by the end of 2022.

Liquidity Risk
The Ukrainian crisis has a potential impact on credit spreads and thus on the cost of bank liquidity. However, the trend in the cost of liquidity will be carefully monitored by the Company in relation to the evolution of the crisis situation.

Cybersecurity
Ifitalia together with BNL, in accordance with the indications provided by the BNP Paribas Group's Anti-Cyber Fraud Steering Committee, raised the level of alert regarding possible new scenarios of ransomware/malware/phishing attacks, blocking internet traffic from Russia and activating the Crisis Unit.

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 2021, the following accounting standards or amendments to existing accounting standards came into force:
• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform - Phase 2 (Regulation (EU) 2021/25);
• Amendments to IFRS 4 Insurance Contracts - deferral of effective date of IFRS 9 (Regulation (EU) 2020/2097).

On 31 December 2021, the European Commission endorsed the "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" (Reg. (EU) 2021/1080), applicable to reports effective on or after 1 January 2022.

Moreover, as at 31 December 2021, 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:
• Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (January and July 2020, respectively);
• Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (February 2021);
• Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates (February 2021);
• Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (March 2021);
• Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021);
• IFRS 17 Insurance Contracts: provisions effective beginning on or after 1 January 2023 (Regulation (EU) 2021/2036 of 19 November 2021).

Moreover:
- On 16 December 2020, Regulation (EU) 2020/2097 was published endorsing the document "Extension of the Temporary Exemption From Applying IFRS 9" - Amendments to IFRS 4 "Insurance Contracts" issued by the IASB on 25 June 2020.
- On 13 January 2021, Regulation (EU) no. 2021/25 was published, endorsing the document "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leases"), issued by the IASB on 27 August 2020, regarding issues related to phase two of the project on rate review.
- On 31 August 2021, Regulation (EU) 2021/1421 was published endorsing the document "Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16" to extend by one year the period of application of the original amendment to IFRS 16 "Covid-19-Related Rent Concessions", issued and endorsed in 2020, which introduced an exemption for the lessee from having to assess whether or not the concessions obtained as a result of the economic crisis due to COVID-19 meet the definition of a lease modification.

Risks, uncertainties, impacts of the COVID-19 epidemic

During 2021, the global economy largely recovered from the heavy losses incurred during the 2020 recession. However, over the last few months of the year, the emergence of new variants of the Sars Cov 2 virus, the rise in energy prices (with the expectation that upward inflation will be a phenomenon that will last longer than expected), persistent problems in supply chains and, finally, geopolitical tensions led to a slowdown that resulted in a downward revision of previous growth estimates for 2022.

In Italy, in 2021, GDP increased by about 6.5%. Growth accelerated in the middle of the year, benefiting from the improvement in the epidemiological context, and then slowed down in the final months, affected by the recurrence of the pandemic and continuing international tensions.
The company's operations increased during 2021 in line with market growth and also took all actions required to ensure business continuity, such as extensive use of remote working.
The company's profitability level was good, also in view of the level of costs and the cost of risk incurred. Therefore, no business continuity issue is under discussion.

In the assessment of assets, and in particular of NPLs, there were no changes in criteria that continue to take into account the specific situation of each individual debtor.
With regard to the collective provision on performing risks, 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. During 2021, the econometric projection model of Forward-looking PDs was recalibrated at the Central level and the update was released into production starting from Q2 2021. 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.

During 2021, credit risk indicators remained at historically low levels (although some warning signs are starting to emerge) and in particular the level of additions to NPL in Ifitalia remained at historically low levels. In 2022, the trend of additions to NPL may increase as the public and banking/financial system support measures effectively operated in the pandemic context come to an end. For its part, Ifitalia will constantly monitor the situation, implementing an increasingly careful credit policy and insurance coverage of its receivables.

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.

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 2021 financial statements are the same as those used for the 2020 financial statements. Therefore, please find below:
a) the standards used for the preparation of the 2021 financial statements.

A) THE STANDARDS USED FOR THE PREPARATION OF THE 2021 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 under the "Hold to Collect" business model and therefore 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 context of quantitative and qualitative analyses 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: 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.

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 Perimeter

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 Perimeter

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. “Net 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 had 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 date 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;
- 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 2021.

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 2021, the Company recorded unlisted equity investments that are carried at cost under “Financial assets mandatorily measured at fair value” since these are capital instruments whose fair value cannot be measured reliably~~.~~
During 2021, 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-recurring 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 2021.

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 financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at 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 31/12/2021			Total 31/12/2020		
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	72	-	482	50	-	4,732
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**72**	**-**	**482**	**50**	**-**	**4,732**
1. Financial liabilities held for trading	-	2	-	-	28	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**2**	**-**	**-**	**28**	**-**

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**	**4,732**	**-**	**-**	**4,732**		**-**	**-**	**-**
2.	**Increases**	**80**	**-**	**-**	**80**	**-**	**-**	**-**	**-**
2.1.	Purchases	-	-	-		-	-	-	-
2.2.	Profits charged to:	80	-	-	80	-	-	-	-
2.2.1	Income statement	80	-	-	80	-	-	-	-
	- of which gains	80	-	-	80	-	-	-	-
2.2.2.	Shareholders' equity	-	X	X	X	-	-	-	-
2.3	Transfers to other levels	-	-	-	-	-	-	-	-
2.4.	Other increases	-	-	-	-	-	-	-	-
3.	**Decreases**	**4,330**	**-**	**-**	**4,330**	**-**	**-**	**-**	**-**
3.1	Sales	4,330	-	-	4,330	-	-	-	-
3.2	Reimbursements	-	-	-		-	-	-	-
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**	**482**	**-**	**-**	**482**	**-**	**-**	**-**	**-**

In December 2021, Ifitalia sold its equity investment in Serfactoring Spa.

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 31/12/2021				Total 31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	6,928,941	-	-	6,928,941	6,261,108	-	-	6,261,108
2. Property, plant and equipment held for investment purposes	1,110		1,110	-	1,200	-	1,200	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**6,930,051**	**-**	**1,110**	**6,928,941**	**6,262,308**	**-**	**1,200**	**6,261,108**
1. Financial liabilities measured at amortised cost	6,132,270	-	-	6,132,270	5,477,633	-	-	5,477,633
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**6,132,270**	**-**	**-**	**6,132,270**	**5,477,633**	**-**	**-**	**5,477,633**

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 – Item 10

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
a) Cash	2	1
b) Current accounts and demand deposits to banks	9,275	1,123
c) Demand deposits with Central Banks	-	-
Total	**9,277**	**1,124**

The item comprises cash and cash equivalents and revenue stamps at company headquarters. It implements the reclassification of on-demand receivables due from banks and Central banks, which are now included under "Cash and cash equivalents", whereas last year they were included under "Financial assets measured at amortised cost".

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 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Others debt securities	-	-	-	-	-	-
2. Equity securities	**72**	**-**	**291**	**50**	**-**	**4,541**
3. Units of CIUs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**191**	**-**	**-**	**191**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	191	-	-	191
Total	**72**	**-**	**482**	**50**	**-**	**4,732**

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 31/12/2021	Total 31/12/2020
1. Equity instruments	**363**	**4,591**
of which: banks	-	-
of which: other financial companies	-	4,250
of which: non-financial companies	363	341
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**	**191**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	191	191
e) Household	-	-
Total	**554**	**4,782**

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 31/12/2021						Total 31/12/2020					
	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						-						
2. Current accounts												
3. Loans	14,241	-	-	-	-	14,241	85,860	-	-	-	-	85,860
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	14,241	-	-	-	-	14,241	85,860	-	-	-	-	85,860
- with recourse	364					364	72,801					72,801
- without recourse	13,877					13,877	13,059					13,059
2.4 Other loans												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. Other assets												
Total	**14,241**	**-**	**-**	**-**	**-**	**14,241**	**85,860**	**-**	**-**	**-**	**-**	**85,860**

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 31/12/2021						Total 31/12/2020					
	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	**104,464**	**-**	**-**	**-**	**-**	**104,464**	**55,190**	**-**	**-**	**-**	**-**	**55,190**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	104,464	-	-	-	-	104,464	55,190	-	-	-	-	55,190
- with recourse	71,882					71,882	6,721					6,721
- without recourse	32,582					32,582	48,469					48,469
1.4 Other loans												
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities												
2.2 other debt securities												
3. Other assets												
Total	**104,464**	**-**	**-**	**-**	**-**	**104,464**	**55,190**	**-**	**-**	**-**	**-**	**55,190**

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 31/12/2021						Total 31/12/2020					
	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	6,724,324	85,911	-	-	-	6,810,235	6,023,728	96,330	-	-	-	6,120,058
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	6,340,187	77,679	-	-	-	6,417,866	5,681,109	88,002	-	-	-	5,769,111
- with recourse	697,439	42,426				739,865	530,475	54,510				584,985
- without recourse	5,642,748	35,253				5,678,001	5,150,634	33,492				5,184,126
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	384,137	8,232				392,369	342,619	8,328				350,947
of which: from enforcement of guarantees and commitments												
2. Debt securities	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**6,724,324**	**85,911**	**-**	**-**	**-**	**6,810,235**	**6,023,728**	**96,330**	**-**	**-**	**-**	**6,120,058**

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 1,939,886 as at 31 December 2021, while the same item as at 31 December 2020 amounted to EUR 7,513.

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

(thousands of €)

Breakdown	Total 31/12/2021			Total 31/12/2020		
	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:	6,724,324	85,911	-	6,023,728	96,330	-
a) Public Administration	729,830	18,864		735,391	19,703	
b) Other financial companies	5,897,850	66,091		5,181,828	75,056	
c) Households	96,644	956		106,509	1,571	
3. Other assets						
Total	**6,724,324**	**85,911**	**-**	**6,023,728**	**96,330**	**-**

4.5 Financial assets measured at amortised cost: 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	
Debt securities								
Loans	6,242,676		608,549	341,018	6,179	2,016	255,107	
Other assets								
Total 2021	**6,242,676**	**-**	**608,549**	**341,018**	**6,179**	**2,016**	**255,107**	-
Total 2020	5,570,915		603,477	357,423	6,248	3,367	261,093	-
of which: impaired financial assets purchased or originated	X	X			X			

* Value to be displayed 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	
Loans granted in accordance with GL								
Loans subject to moratorium measures in place no longer compliant with GL and not valued as being granted								
Financing covered by other granting measures	170		2,874	182	(3)	(7)	(136)	
New funding								
Total 2021	**170**	**-**	**2,874**	**182**	**(3)**	**(7)**	**(136)**	**-**
Total 2020	1,795	-	1,173	6,551	(5)	(1)	(1,447)	

* Value to be displayed for information purposes

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2021						Total 31/12/2020					
	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:	96	96	64,622	64,619	2,133,409	2,127,027	65,833	65,833	-	-	1,739,112	1,735,556
- Leased assets												
- Factoring receivables	96	96	64,622	64,619	638,711	635,358	65,833	65,833			583,805	580,556
- Mortgages												
- Pledges												
- Unsecured guarantees	-	-	-	-	1,494,698	1,491,669					1,155,307	1,155,000
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	159,530	41,234	-	-	-	-	182,352	51,585
- Leased assets												
- Factoring receivables					135,850	36,167					133,260	41,633
- Mortgages												
- Pledges												
- Unsecured guarantees					23,680	5,067					49,092	9,952
- Derivatives on receivables												
Total	**96**	**96**	**64,622**	**64,619**	**2,292,939**	**2,168,261**	**65,833**	**65,833**	**-**	**-**	**1,921,464**	**1,787,141**

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 31/12/2021	Total 31/12/2020
1. Owned assets	**267**	**383**
a) land		
b) buildings		
c) furniture	7	8
d) electronic equipment	260	375
e) other		
2. Rights of use acquired through leasing	**346**	**1,105**
a) land	-	-
b) buildings	346	1,105
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**613**	**1,488**
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 31/12/2021				Total 31/12/2020			
		Balance sheet value	Fair Value			Balance sheet value	Fair Value		
			L1	L2	L3		L1	L2	L3
1.	**Property assets**	**1,110**	**-**	**1,110**	**-**	**1,200**	**-**	**1,200**	**-**
a)	land		-		-				-
b)	buildings	1,110		1,110	-	1,200	-	1,200	-
2.	**Rights of use acquired through leasing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	land	-	-	-	-	-	-	-	-
b)	buildings	-	-	-	-	-	-	-	-
	Total	**1,110**	**-**	**1,110**	**-**	**1,200**	**-**	**1,200**	**-**
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**		**1,105**	**1,754**	**2,626**		**5,485**
	A.1 Total net impairments	-		(1,746)	(2,252)		(3,998)
	A.2 **Net opening balances**	**-**	**1,105**	**8**	**375**	**-**	**1,488**
B.	Increases	**-**	**1,043**	**98**	**147**		**1,287**
	B.1 Purchases		1,043	33	121		**1,197**
	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			64	26		**90**
C.	**Decreases**	**-**	**1,802**	**98**	**261**	**-**	**2,162**
	C.1 Sales			66	26		**92**
	C.2 Depreciation		697	3	209		**909**
	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		1,105	29	26		**1,161**
D.	**Net closing balance**	**-**	**346**	**7**	**260**	**-**	**613**
	D.1 Total net impairments	-	(697)	(1,713)	(2,461)	-	(4,872)
	D.2 **Gross closing balance**	**-**	**1,043**	**1,721**	**2,721**	**-**	**5,485**
E.	Valuation at cost	**-**	**346**	**7**	**260**	**-**	**613**

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		**1,105**				**1,105**
A.1 Total net impairments		-				0
A.2 **Net opening balances**		**1,105**				**1,105**
B. Increases	**-**	**1,043**				**1,043**
B.1 Purchases		1,043				**1,043**
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						
C. Decreases	**-**	**1,802**			**-**	**1,802**
C.1 Sales						
C.2 Depreciation		697				**697**
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		1,105				**1,105**
D. Net closing balance	**-**	**346**	**-**	**-**	**-**	**346**
D.1 Total net impairments	-	(697)	0	0	-	(697)
D.2 **Gross closing balance**	**-**	**1,043**	**-**	**-**	**-**	**1,043**
E. Valuation at cost	**-**	**346**	**-**	**-**	**-**	**346**

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		**1,200**
B. Increases	**-**	**1**
B.1 Purchases		1
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	**-**	**91**
C.1 Sales		
C.2 Depreciation		91
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	**-**	**1,110**
E. Measurement at fair value		**1,110**

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% to 10%
Furniture	20%
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 31/12/2021		Total 31/12/2020	
	Assets carried at cost	Assets carried at fair value	Assets carried at cost	Assets carried at fair value
1. Goodwill				
2. Other intangible assets				
of which: software	**9,832**		**10,707**	
2.1 owned	**9,832**	**-**	**10,707**	**-**
-internally generated	2,059		1,954	
- other	7,773		8,753	
2.2 rights of use acquired under leases				
Total 2	**9,832**	-	**10,707**	-
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)	**9,832**	**-**	**10,707**	**-**
Total 31/12/2021	**9,832**	**-**	**10,707**	**-**

The IT costs attributable to internal software development projects amount to EUR 2,059 thousand.

The internally generated intangible fixed assets also include “software licenses” for EUR 1,303 thousand (EUR 1,540 thousand in 2020) and “software development” for EUR 6,470 thousand (EUR 7,213 thousand in 2020).

9.2 Intangible assets: changes during the year

(thousands of euros)

		Total
A.	**Opening balances**	**10,707**
B.	**Increases**	**2,671**
	B.1 Purchases	2,671
	B.2 Reversals of impairment losses	
	B.3 Positive changes in fair value	-
	- to equity	
	- in income statement	
	B.4 Other changes	
C.	**Decreases**	**3,546**
	C.1 Sales	
	C.2 Depreciation	3,546
	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**	**9,832**

The purchases during the year, amounting to EUR 2,671 thousand, refer to capitalisations of IT costs, of which EUR 841 thousand (804 thousand in 2020) 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	depreciation 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 €)

	31/12/2021				31/12/2020			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	12,432	2,270	- 54	14,648	18,630	4,405	- 57	22,978
- Amounts withheld	10			10	3			3
- Tax credits pending rebate by the tax authorities	879			879	1,078			1,078
	13,321	**2,270**	**- 54**	**15,537**	**19,711**	**4,405**	**- 57**	**24,059**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	28,812	3,716		32,528	33,987	4,360		38,347
- Provisions for risks and charges	5,759	69		5,828	4,263	76		4,339
- Other	428			428	390			390
	34,999	**3,785**	**-**	**38,784**	**38,640**	**4,436**	**-**	**43,076**
Total	**48,320**	**6,055**	**- 54**	**54,321**	**58,351**	**8,841**	**- 57**	**67,135**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2021			31/12/2020		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	5,022	2,194	7,216	6,145	2,085	8,230
	5,022	**2,194**	**7,216**	**6,145**	**2,085**	**8,230**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets			-			-
- Capital Gain on participations			-	44	198	242
- Others	347		347	308		308
	347	**-**	**347**	**352**	**198**	**550**
Total	**5,369**	**2,194**	**7,563**	**6,497**	**2,283**	**8,780**

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

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.

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**42,686**	**47,120**
2. Increases	**2,632**	**2,254**
2.1 Deferred tax assets recognized during the year	2,632	2,253
a) related to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other	2,632	2,230
2.2 New taxes or increases in tax rates		
2.3 Other increases		1
3. Decreases	**6,962**	**6,688**
3.1 Deferred tax assets eliminated during the year	6,962	6,688
a) reversals	6,962	6,688
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	**38,356**	**42,686**

The increase of EUR 2,632 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 6,962 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 5,826 thousand) and the use of provisions for risks and charges (EUR 1,136 thousand).

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**29,722**	**34,478**
2. Increases		
3. Decreases	**4,756**	**4,756**
3.1 Amounts reversed	4,756	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	**24,966**	**29,722**

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
1. Opening balances	**550**	**533**
2. Increases	**39**	**17**
2.1 Deferred taxes recognized during the year	39	17
a) related to previous years		
b) due to change in accounting policies		
c) other	39	17
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**242**	**-**
3.1 Deferred tax liabilities eliminated during the year	242	-
a) reversals	242	
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing balance	**347**	**550**

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**390**	**385**
2. Increases	**38**	**5**
2.1 Deferred tax assets recognized during the year	38	5
a) related to previous years		
b) due to changes in accounting policies		
c) other	38	5
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	**428**	**390**

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 €)

	31/12/2021	31/12/2020
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	6	7
Items in transit	511	145
Securities credited to customers subject to collection services awaiting collection from the bank	47,018	39,134
Ecobonus credits	84,806	
Other amounts receivable	13,225	28,345
Total	**145,569**	**67,634**

Ecobonus credits represent tax credits acquired by Ifitalia and waiting to be sold again to Group companies. The sale then took place by February 2022.

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 31/12/2021			Total 31/12/2020		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Loans	5,223,708	236,195	-	4,652,873	206,388	675
1.1. Reverse repurchase agreements						
1.2 other	5,223,708	236,195	-	4,652,873	206,388	675
2. Leasing payables	369	-	-	1,105		
3. Other payables	289,683	-	382,315	262,316	1,167	353,109
Total	**5,513,760**	**236,195**	**382,315**	**4,916,294**	**207,555**	**353,784**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	5,513,760	236,195	382,315	4,916,294	207,555	353,784
Total fair value	5,513,760	236,195	382,315	4,916,294	207,555	353,784

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		369	-	-	369
Total	**-**	**369**	**-**	**-**	**369**

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 31/12/2021					Total 31/12/2020				
	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	-	-	-	2	-	-	-	-	28	-
1.1 Trading	X			2	X	X			28	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	-	-	2	X	X	-	-	28	X
Total (A + B)	X	-	-	2	X	X	-	-	28	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 2021				Total 2020			
	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			251		-	-	773	-
- Fair value			2		-	-	28	-
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					-	-	-	-
Totale	-	-	2	-	-	-	28	-

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 31/12/2021	Total 31/12/2020
Collections being registered	116,037	76,257
Amounts due to employees	1,216	1,328
Amounts due to the tax authorities	931	692
Amounts due to social security and welfare institutions	1,493	1,343
Payables and invoices to be received from suppliers and professionals	16,991	16,572
Liabilities due to transferors	5,890	5,074
Other payables	4,526	4,220
Advances from customers	24,207	15,580
Residual holiday entitlement fund	447	486
Total	**171,738**	**121,551**

The increase in the item "collections being registered" from EUR 76,257 thousand in 2020 to EUR 116,037 thousand in 2021 is due to the increase in collections being registered related to an increase in operations at the end of the year.

Section 9 − Employee termination benefits − Item 90

9.1 “Employee termination benefits”: changes during the year

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
A. Opening balance	**4,096**	**4,699**
B. Increases	**316**	**88**
B.1 Provision for the year	-	4
B.2 Other changes	316	84
C. Decreases	**377**	**691**
C.1 Liquidations	368	678
C.2 Other changes	9	13
D. Closing balance	**4,035**	**4,096**

(*) The provision for employee termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,644,078 and represents the effective obligation towards employees. The allocation for the year is EUR 141,899.

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 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 2021 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 2021, the following parameters were used: discount rate of 0.3%; inflation rate of 1.6%; 1.9% salary increase; estimated employment duration of 11 years.

IFITALIA GRUPPO BNP PARIBAS

Section 10 – Provisions for risks and charges − Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Total 31/12/2021	Total 31/12/2020
1. Provisions for credit risk relating to commitments and guarantees issued	425	1,907
2. Provisions on other commitments and other guarantees issued		
3. Post retirement benefit obligations		
4. Other provisions for risks and charges	17,847	11,069
4.1 legal and tax disputes	14,981	8,635
4.2 personnel expenses	2,193	2,434
4.3 other	673	-
Total	**18,272**	**12,976**

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**	**-**	**-**	**11,069**	**11,069**
B.	**Increases**	**-**	**-**	**9,304**	**9,304**
B.1	Provision for the year			9,304	9,304
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**	**-**	**-**	**2,526**	**2,526**
C.1	Utilisations for the year			2,526	2,526
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	**-**	**-**	**17,847**	**17,847**

Significant provisions for operational risk were mainly made considering transaction assumptions with transferor customers to settle ongoing disputes.

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	impaired acquired or originated	**Total**
1. Commitments to disburse funds					**-**
2. Financial guarantees issued	354	70	1	**-**	**425**
Total	**354**	**70**	**1**	**-**	**425**

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 31/12/2021	Total 31/12/2020
Personnel provisions:		
- redundancy incentive		-
- other employee benefits	2,193	2,434
Total	**2,193**	**2,434**

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 at both company and individual employee level.

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

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		Total 31/12/2021	Total 31/12/2020
110.	Share capital	55,900	55,900
140.	Share premium	61,799	61,799
150.	Reserves	673,441	644,465
	a) income reserves	674,599	645,623
	b) other reserves	(1,158)	(1,158)
160.	Valuation reserves	(1,129)	(1,027)
180	*Profit (loss) for the year*	26,327	28,975
	Total shareholders' equity	**816,338**	**790,112**

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 compared to 31 December 2020.

11.5 Other information

Breakdown and changes in Reserves

(thousands of €)

		Legal reserve	Statutory reserve	Other	Total
A.	**Opening balance**	**11,180**	**634,443**	**(1,158)**	**644,465**
B.	**Increases**	**-**	**28,976**	**-**	**28,976**
	B.1 Allocations of profits		28,976		28,976
	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**	**663,419**	**(1,158)**	**673,441**

The increase in the Statutory Reserve of EUR 28,976 thousand is due to the allocation of the 2020 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**	**-**	**-**	**-**	**-**		**-**	**(1,027)**	**(1,027)**
B.	**Increases**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	B.1 Positive fair value changes								-
	B.2 Other increases								-
C.	**Decreases**	**-**	**-**	**-**	**-**	**-**	**-**	**102**	**102**
	C.1 Negative fair value changes								-
	C.1 Other decreases							102	102
D.	**Closing balances**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,129)**	**(1,129)**

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 2021

	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	663,419	A-B-C		663,419
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	(1,129)	-	(1)	-
Profit for the year	26,327	A-B-C		26,327
Total	**816,338**	**-**		**750,387**
Non-distributable share	**65,951**			
Residual distributable share	**750,387**			**750,387**

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 31/12/2021	Total 31/12/2020
	First stage	Second stage	Third stage	Impaired acquired or originated		
1. Commitments to disburse funds	**109,860**	**51,864**	**-**	**-**	**161,724**	**266,766**
a) Public Administrations	17,016	40,652	-	-	57,668	42,101
b) Banks	-	-	-	-	-	733
c) Other financial institutions				-	-	-
d) Non-financial institutions	92,844	11,212	-	-	104,056	223,913
e) Families	-	-	-	-	-	19
2. Financial guarantees issued	**96,965**	**4,848**	**4**	**-**	**101,817**	**94,421**
a) Public Administrations	612	315	-	-	927	3
b) Banks	2,802	-	-	-	2,802	3,419
c) Other financial institutions				-	-	-
d) Non-financial institutions	91,553	4,320	-	-	95,873	88,392
e) Families	1,998	213	4	-	2,215	2,607

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 31/12/2021	Total 31/12/2020
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:	-	**44,944**	-	**44,944**	**56,978**
3.1 Loans to banks		236	X	236	285
3.2 Loans to financial companies		1,292	X	1,292	1,535
3.2 Loans to customers		43,416	X	43,416	55,158
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**15,205**	**10,484**
Total	**-**	**44,944**	**-**	**60,149**	**67,462**
of which: interest income on impaired financial assets		2,883		2,883	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 2021, this item amounted to EUR 15,205 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 1,848 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of €)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2021	Total 31/12/2020
1. Financial liabilities measured at amortised cost:	2,445	-	-	2,445	4,288
1.1 Deposits from banks	777	X	X	777	2,528
1.2 Deposits from financial companies	1,668	X	X	1,668	1,760
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	**2,445**	**-**	**-**	**2,445**	**4,288**
of which: interest expense related to leasing debts	*2*			*2*	*5*

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 440 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 31/12/2021	Total 31/12/2020
a)	financial lease transactions	-	-
b)	factoring transactions	51,956	49,188
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	6,747	-
	Total	58,703	49,188

2.2 Fee and commission expense: breakdown

(thousands of €)

	Detail/Sectors	Total 31/12/2021	Total 31/12/2020
a)	guarantees received	530	1,079
b)	distribution of services to third parties		
c)	collection and payment services	684	641
d)	other commissions of brokerage	10,794	11,156
	Total	**12,008**	**12,876**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of €)

Items/Income	Total 31/12/2021		Total 31/12/2020	
	Dividends	Similar Income	Dividends	Similar Income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value	90		90	
C. Financial assets at fair value through other comprehensive income				
D. Equity investments				
Total	**90**	**-**	**90**	**-**

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	(19)
4. Derivative instruments	**26**	**-**	**-**	**-**	**26**
4.1 Financial derivatives	26				26
4.2 Credit derivatives					-
of which: natural hedging related to the fair value option	X	X	X	X	
Total	**26**	**-**	**-**	**-**	**7**

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	**-**	**80**	**-**	**-**	**80**
1.1 Debt securities					**-**
1.2 Equity instruments		80			**80**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	-	80	-	-	80

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 level	Second level	Third level		Impaired acquired or originated		First level	Second level	Third level	Impaired acquired or originated	31/12/2021	31/12/2020
			Write-off	Other	Write-off	Other						
1. Loans to banks			-	-			**4**		-		**4**	**(3)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans			-	-			**4**		-		**4**	**(3)**
- for leasing												-
- for factoring			-	-			4		-		4	**(3)**
- other loans			-	-			-		-			-
2. C Loans to financial istitutions	**(71)**							**119**			**48**	**51**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans	**(71)**							**119**			**48**	**51**
- for leasing											-	-
- for factoring	(71)							119			**48**	**51**
- other loans		-	-	-			-		-		-	-
3. Loans to consumers			**(223)**	- **19,675**			**287**	**961**	**6,105**		**(12,545)**	**(7,970)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- for consumer credit											-	-
- other loans											-	-
Other loans			**(223)**	**(19,675)**			**287**	**961**	**6,105**		**(12,545)**	**(7,970)**
- for leasing											-	-
- for factoring			(223)	(19,675)			287	961	6,105		**(12,545)**	**(7,970)**
- for consumer credit											-	-
- loans on pledge											-	-
- other loans		-	-	-			-		-		-	-
Totale	(71)		(223)	(19,675)			291	1,080	6,105		(12,493)	(7,922)

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 level	Second level	Third level		Impaired acquired or originated		31/12/2021	31/12/2020
			Write-off	Other	Write-off	Other		
Financing granted in accordance with the GL							-	
Loans granted under other concession measures		(7)		(5)			(12)	(1,400)
New loans	-						-	
Total 2021	-	(7)	-	(5)			(12)	
Total 2020	(6)			(1,394)				(1,400)

IFITALIA GRUPPO BNP PARIBAS

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 31/12/2021	Total 31/12/2020
1)	Employees	17,458	16,981
	a) salaries and wages	11,881	11,454
	b) social security contributions	3,752	3,582
	c) leaving indemnity		
	d) social security and welfare costs		
	e) provision for termination benefits	0	4
	f) provisions for post-retirement benefits and similar obligations:	-	-
	- defined contribution	-	
	- defined benefit		-
	g) payments to external supplementary pension funds:	1,283	1,362
	- defined contribution	1,283	1,362
	- defined benefit		-
	h) other expenses (net)	543	579
2)	Other active employees	418	312
3)	Directors and Statutory Auditors	149	142
4)	Staff retirement		
5)	Recovery of expenses for employees seconded to other companies	(173)	(165)
6)	Expense reimbursements for employees of third parties seconded to the company	4,100	4,271
	Total	**21,952**	**21,541**

10.2 Average number of employees by category

	Total 31/12/2021	Total 31/12/2020
a) Employees	**239**	**233**
1) Managers	6	5
2) Middle managers	119	121
3) Remaining employees	114	107
b) Other personnel	**37**	**39**
Total	**276**	**272**

10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2021	Total 31/12/2020
Indirect duties and taxes	990	781
Sundry services rendered by third parties	8,947	8,820
Sundry services rendered by third parties (IT)	8,899	8,601
Sundry services rendered by third parties (Internal Auditing)	48	219
Fees for professionals	2,947	2,847
Fees for consultancy	592	646
Fees for legal and notarial costs	1,914	1,580
Fees for debt collection	344	524
Compensation to independent Auditors	97	97
Costs relating to properties/furniture	427	335
Postal, printed matter, surveillance of premises and stock values	911	1,104
Management expenses GFCC	836	448
Advertising and entertainment	192	189
Searches and information	1,189	1,360
Other expenses	5,967	4,291
TOTAL	**22,406**	**20,175**

The compensation for services rendered by the audit company in 2021, net of VAT, is EUR 75 thousand (EUR 75 thousand in 2020).

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 31/12/2021	Total 31/12/2020
	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(1)		1,236	248	**1,483**	**(294)**
B. Derivatives on receivables					**-**	
C. Commitments to grant loans					**-**	
D. Other transactions					**-**	
E. Total	**(1)**		**1,236**	**248**	**1,483**	**(294)**

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 31/12/2021	Total 31/12/2020
PROVISIONS	**(8,845)**	**(6,670)**
Legal disputes	**(8,172)**	**(6,670)**
Revocation actions		
Pending disputes	(8,172)	(6,670)
Personnel charges	-	-
Other provisions	**(673)**	**-**
USES	**8**	**776**
Legal disputes	**8**	**776**
Revocation actions	-	
Pending disputes	8	776
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**-**
Legal disputes	**-**	**-**
Revocation actions	-	
Pending disputes	-	
Total	**(8,837)**	**(5,894)**

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	**909**	**-**	**-**	**909**
- for business use	212			212
- granted under operating lease	697			697
				-
A.2 For investment	**91**	**-**	**-**	91
- for business use	91			91
- granted under operating lease				-
A.3 Inventories	X			-
Total	**1,000**	**-**	**-**	**1,000**

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:	3,546	-	-	3,546
1.1 owned	3,546			3,546
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,546**	**-**	**-**	**3,546**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of €)

Analysis	Total 31/12/2021	Total 31/12/2020
Other charges		
Losses for sundry causes		
Other charges	(692)	(666)
Total	**(692)**	**(666)**

14.2 Other operating income: breakdown

(thousands of €)

Analysis	Total 31/12/2021	Total 31/12/2020
Other income		
Rental income	367	367
Other income	2,279	2,963
Total	**2,646**	**3,330**

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 31/12/2021	Total 31/12/2020
A. Proprieties	**-**	**242**
- Gains on disposal		242
- Losses from sale		
B. Other activities	**-**	**-**
- Gains on disposal		
- Losses from sale		
Net result	**-**	**242**

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 31/12/2021	Total 31/12/2020
1.	Current taxes (-)	(7,216)	(8,230)
2.	Changes in current taxes of previous years (+/-)	(108)	16
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 (+/-)	(4,331)	(4,433)
5.	Change in deferred taxes (+/-)	203	(17)
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(11,452)**	**(12,664)**

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	37,779	37,779
Permanent, undeductible differences	431	9,963
Permanent, untaxable differences	(6,570)	
Total taxable income	31,640	47,742
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(8,701)	(2,650)
Other differences	(52)	(49)
Effective tax liability as per financial statements	**(8,753)**	**(2,699)**

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 fee and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2021	Total 31/12/2020
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leasing	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. Factoring	**144**	**1,354**	**43,446**	**89**	**819**	**57,795**	**103,647**	**106,166**
- on current receivables	*141*	*1,320*	*41,877*	*89*	*819*	*51,764*	96,010	103,963
- on future receivables			*92*				92	172
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*3*	*34*	*1,477*			*6,031*	7,545	2,031
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. Loans on pledge							-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**144**	**1,354**	**43,446**	**89**	**819**	**57,795**	**103,647**	**106,166**

The table does not show 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 2021, this item amounted to EUR 15,205 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 31/12/2021			Total 31/12/2020		
		Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1.	**Performing assets**	**6,467,037**	**8,145**	**6,458,892**	**5,831,756**	**8,977**	**5,822,779**
	- exposures to transferors (with recourse):	772,852	3,167	769,685	613,435	3,031	610,404
	- factoring of future receivables	3,218	5	3,213	3,130	6	3,124
	- other	769,634	3,162	766,472	610,305	3,025	607,280
	- exposures to transferred debtors transferors (without recourse)	5,694,185	4,978	5,689,207	5,218,321	5,946	5,212,375
2.	**Impaired assets**	**327,476**	**249,797**	**77,679**	**343,298**	**255,916**	**87,382**
2.1	**Non-performing**	**254,417**	**212,631**	**41,786**	**264,255**	**216,897**	**47,358**
	- exposures to transferors (with recourse)	167,783	138,608	29,175	172,037	137,562	34,475
	- factoring of future receivables	2,796	5	2,791	4,096	805	3,291
	- other	164,987	138,603	26,384	167,941	136,757	31,184
	- exposures to transferred debtors (without recourse)	86,634	74,023	12,611	92,218	79,335	12,883
	- purchases below nominal value						-
	- other	86,634	74,023	12,611	92,218	79,335	12,883
2.2	**Unlikely to pay**	**70,187**	**36,733**	**33,454**	**76,675**	**38,637**	**38,038**
	- exposures to transferors (with recourse)	32,258	19,019	13,239	40,037	20,716	19,321
	- factoring of future receivables			-	-	-	-
	- other	32,258	19,019	13,239	40,037	20,716	19,321
	- exposures to transferred debtors (without recourse)	37,929	17,714	20,215	36,638	17,921	18,717
	- purchases below nominal value			-			-
	- other	37,929	17,714	20,215	36,638	17,921	18,717
2.3	**Past due positions**	**2,872**	**433**	**2,439**	**2,368**	**382**	**1,986**
	- exposures to transferors (with recourse)	15	3	12	608	301	307
	- factoring of future receivables	-	-	-	-	-	-
	- other	15	3	12	608	301	307
	- exposures to transferred debtors (without recourse)	2,857	430	2,427	1,760	81	1,679
	- purchases below nominal value			-			-
	- other	2,857	430	2,427	1,760	81	1,679
	Total	**6,794,513**	**257,942**	**6,536,571**	**6,175,054**	**264,893**	**5,910,161**

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	
	2021	2020	2021	2020
- on demand	155,326	163,942	334,963	343,231
- up to 3 months	421,532	261,935	868,549	593,951
- 3 to 6 months	111,279	65,699	222,489	147,040
- 6 months to 1 year	62,900	96,642	89,682	116,946
- beyond 1 year	61,074	76,289	87,113	81,018
- unspecified duration				
Total	812,111	664,507	1,602,796	1,282,186

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Time bands	Exhibitions	
	2021	2,020
- at sight	326,635	349,019
- up to 3 months	3,695,631	3,381,114
- over 3 months up to 6 months	1,040,295	916,558
- 6 months to 1 year	268,871	246,038
- over 1 year	52,661	40,206
- indefinite duration	340,367	312,719
Total	5,724,460	5,245,654

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 31/12/2021	Total 31/12/2020
1. Without-recourse transactions	27,422,460	25,690,373
of which: purchases below the nominal value		
2. With-recourse transactions	2,469,715	2,249,354
Total	**29,892,175**	**27,939,727**

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 31/12/2021	Total 31/12/2020
Loans and receivables collected in the year	306,730	405,951
Amount of loans and receivables at year end	73,450	111,666

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

(thousands of €)

Items	Total 31/12/2021	Total 31/12/2020
Flow of factoring contracts for future in the year	35,565	29,332
Amount of the contracts at year end	123,530	160,146

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 2021, amounted to EUR 1,887 thousand (EUR 2,034 thousand at the end of 2020).

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 31/12/2021	Amount 31/12/2020
1)	Financial guarantees given upon first request	**101,817**	**94,421**
	a) Banks	2,802	3,419
	b) Financial Companies	-	-
	c) Costumers	99,015	91,002
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	**161,724**	**266,766**
	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	161,724	266,033
	i) certain to be called on	-	-
	ii) uncertain to be called on	161,724	266,033
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	**263,541**	**361,187**

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

(thousands of €)

Exposures	31/12/2021			31/12/2020		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
- financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**114,520**	**(84,916)**	**29,604**	**125,076**	**(89,502)**	**35,575**
- commercial				-	-	-
- financial	114,520	(84,916)	29,604	125,076	(89,502)	35,575
Total	**114,520**	**(84,916)**	**29,604**	**125,076**	**(89,502)**	**35,575**

IFITALIA
GRUPPO BNP PARIBAS

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	-	-	**101,813**	**(258)**	-	-	-	-	-	-	**4**	**(1)**
- financial guarantees upon first request			101,813	(258)							4	(1)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**101,813**	**(258)**	-	-	-	-	-	-	**4**	**(1)**

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	-	**3,390**	-	-	-	-
(B) Increases:	-	**4**	-	-	-	-
- (b1) transfers from performing guarantees	-	4	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	**(3,390)**	-	-	-	-
- (c1) outgoings to performing guarantees	-	(11)	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	(3,211)	-	-	-	-
- (c4) other decreases	-	(168)	-	-	-	-
(D) Gross final value	-	**4**	-	-	-	-

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	**-**	**91,031**	**-**	**-**	**-**	**-**
(B) Increases:	**-**	**40,956**	**-**	**-**	**-**	**-**
- (b1) Guarantees given	-	15,480	-	-	-	-
- (b2) other increases	-	25,476	-	-	-	-
(C) Decreases:	**-**	**(30,174)**	**-**	**-**	**-**	**-**
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(4)	-	-	-	-
- (c3) other decreases	-	(30,170)	-	-	-	-
(D) Gross final value	**-**	**101,813**	**-**	**-**	**-**	**-**

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 Fee and commission income and expense 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	-	-	-	-	85,609
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	2,802
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	4,048
- Subgroup : Others	-	-	-	-	9,358
Total	**-**	**-**	**-**	**-**	**101,817**

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	-	-	-	-	29,680
- Region 2	Centre Italy	-	-	-	-	26,280
- Region 3	North-East Italy	-	-	-	-	24,885
- Region 4	South Italy and islands	-	-	-	-	16,101
- Region 5	Others	-	-	-	-	4,871
Total		**-**	**-**	**-**	**-**	**101,817**

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];
- 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;

[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.

- 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 Head of the Risk Division holds the position of Head of the Risk Control Function 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 Risk Regulatory and Transversal Project point of contact, who follows project management activities concerning internal and external regulatory adjustments/changes and management activities in the field of IT planning and cost control, reports to the Risk Manager. 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 credit proposals, change of status to impaired risk, adequacy of provisions where envisaged by the delegations of authority and procedures 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 coordination with the competent BNP Paribas Group Functions, the definition and maintenance of the methods and instruments aimed at identifying, measuring, assessing and handling the credit risks.
- ensures, in coordination with the competent BNP Paribas Group Functions, 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.
- monitors outsourced risk activities.

During 2021, the Company's organisational structure underwent a number of changes that also had an impact on the structure of the Risk Division. In particular, a new "Credit Risk Analysis" structure was created within the Risk Division, resulting from the unification of the Transferor Risk Assessment and Debtor Risk Assessment Units, with a view to synergising skills and optimising delivery times.

The structures of the Risk Division are shown below.

Risk Operational Risk & Control / RISK ORM – Operational Risk Management

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 ORM 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.

No outsourced activities are currently operational, although an outsourcing project is being implemented on BNL for the part concerning the ICT risk perimeter. The preliminary report on the project was submitted to the Bank of Italy in February 2022.

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 Functions concerned;
   - it monitors the achievement of the lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Functions 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 Functions;

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 Functions, to the planning, application and maintenance of the procedures aimed at overseeing the credit risks;

4) 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;

5) 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 Structure is divided into two areas. The model development area for the models developed by Ifitalia takes care of the estimation, maintenance and development of the methods aimed at measuring credit risk, ensuring the correct local implementation and acknowledgement, where applicable, of the guidelines of the Parent Company BNP Paribas. For Models developed by BNL and adopted by Ifitalia, it performs analyses on the performance of the models on the specific Ifitalia portfolios, both during first-time adoption and in case of changes or updates by the BNL tasked functions, checking whether any adaptations are required to ensure correct implementation at entity level.
As part of the ICAAP controls, it collaborates with the Finance Division for the part under the responsibility of the Risk Division in carrying out the stress tests required by the regulations as well as ensuring control during the year of the second pillar risks falling within the Risk Division perimeter considered significant for the company.
The performance analysis and reporting area ensures the monitoring of the performance and estimates produced by the local models used for management purposes within the credit process.
It sees to the rationale of the quality control system for the relevant areas of responsibility (internal risk models); it receives the results of the checks carried out and, in coordination with the Risk Monitoring function, directs and manages the follow-up of the anomalies found.
It prepares periodic reports for the Company's Governance and Control Bodies on the control activities carried out (performance and data quality).
Asset Quality Monitoring: analyses the quality of assets through a system of reports at various levels of detail to allow Senior Management and Top Management to see changes in the main risk variables under their control or affected by their actions.
Provides information support to management to enable: the tasked functions to implement the process of controlling the size of the impairment and flat-rate provisions (known as Action Plan); an aid to the latter's formulation of budget forecasts for the cost of credit risk; to define/set credit policies decided at local level.
It provides quarterly reporting on the Risk Appetite Framework, which defines the risk profile considered acceptable by the Company in the medium to long term. In particular, for each type of risk to be assumed, risk objectives, early warnings and operating limits are established under both normal and stress conditions.

Both 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.

Credit Risk Analysis

The Credit Risk Analysis structure, through its Transferor Risk Assessment and Debtor Risk Assessment structures, has the following responsibilities:

- seeing to the independent and autonomous assessment of the credit proposal, through the formulation of Risk Opinions, in accordance with the policies, procedures and processes of the company and of the BNP Paribas Group, taking into account the risk profile of the loan portfolio concerned;
- seeing to the independent assessment of the ESG (Environmental, Social and Governance) risk profile, in accordance with the relevant sector policies, BNP Paribas Group procedures and dedicated exclusion and monitoring lists;
- ensuring the consistency and quality of risk measures for both the counterparties and the relevant credit lines with recourse;
- assessing proposals for status changes to impaired risk, as well as intervention plans (requests for extensions, repayment plans, settlements, etc.) formulated by the Business Lines and BNL Workout, issuing the related Risk Opinion;
- assessing the adequacy of the proposed provisions on impaired risks and the departure proposals put forward compared to the Company Allocation Standards;
- ensuring the compliance of operations and the correct application of internal rules in the decision-making process (delegated powers, classification of exposures and guarantees, consistency of assessment tools, company relationships, etc.);

- participating in the systematic supervision process and in the identification of risk deterioration situations (WL) as well as in the WL, Doubtful and Workout committees;
- collaborating in the periodic assessment of the quality of Ifitalia's credit portfolio;
- collaborating in the definition of credit policies and portfolio strategies useful for controlling the cost of risk;
- collaborating in the improvement of credit procedures and processes and in the validation of new relevant products and/or activities;
- ensuring the dissemination as part of the Business Lines and the Risk Division of the tools and notions developed by the corresponding structure of BNL, GFCC or BNP Paribas.

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 framework of controls described in the application rules that support 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 function 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 function.
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.

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 first levels of responsibility of business management, to the Strategic Supervision and Control Bodies and to the BNP Paribas Group's RISK function 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.

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[3]” and a “risk chain[4]”. 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. In the presence of specific characteristics of the operation accurately detailed in the relevant internal procedures (type of product, risk profile of the transferor and counterparty, presence of specific "supports", etc.), simplified procedures for assessing the transferor/debtor have also been defined.
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.
Both with regard to the without recourse debtor and transferor role, the power delegations take into account not only the absolute amounts but also the internal rating values and the characteristics of the transaction (risk category).
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.
The Systematic Supervision process - whose general principles have been approved by the Board of Directors in a specific Policy - entails:
- 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.

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.

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

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 company functions 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 on proposals pertaining to the higher decision-making bodies.
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.

Debtor Committee
It is a body that analyses and resolves with competence over all matters relating to problem loans/receivables with the exclusion of active operations.
In this context, within the limits of the powers granted by the Board of Directors, the Committee resolves, at the suggestion of the structure managing the relation, on:
- status changes with regard to transferor customers and debtors without recourse,
- risk provisions made on a judgemental basis,
- operations referring to positions classified as "Restructured Unlikely to Pay", "Arrears Unlikely to Pay", "Agreed Unlikely to Pay" or "Non-performing" as better defined in the Delegation System
- deviation from global allocations compared to the standard on those classified as Past Due (PD) Forborne Unlikely to Pay (IPA).

The Committee also expresses opinions on proposals pertaining to the higher decision-making bodies.

Product, Activities, Exceptional Transactions Committee
This is an analysis and decision-making body that operates with the aim of assessing, validating and authorising new products, including services and agreements, and the implementation of exceptional activities and transactions, including operations that, although based on "Standard Products", due to the extraordinary size of the volumes involved (whether receivables, total number of invoices and/or per debtor, number of debtors, etc.) cannot be managed according to current practice and require organisational, operational or system adjustments/implementations.
The Committee also assesses and expresses an opinion on outsourcing projects concerning Essential Services Provision (ESP) with critical level 4 (Critical Arrangements according to the Group classification) as well as on outsourcing projects with even lower critical level if at least one of the members of the Pre-Validation Workshop (Pre-NAC) deems it appropriate. However, the Board of Directors must pass the outsourcing project before it is launched.

Risk Monitoring Committee
It 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 Functions and assesses the mitigation action proposed by the responsible Functions, individually or jointly.
Furthermore, the company control Functions 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 Functions and represents a point of business synthesis that ensures a single view of risks.
The Committee is structured into internal Sessions with different areas of responsibility and composition. For each session, the attendees are identified in relation to the topics covered and their respective expertise. As part of each Session, the members of the Committee invite representatives of the relevant structures in relation to the topics discussed.
Each structure can identify the names of persons who have the right to replace the attendees in the Sessions.

Specifically, the Committee is responsible for:

- examining the trends in the quality of assets in the portfolio and assessing the action/initiatives for the mitigation of the risks and for the amendment of the developmental trends of the activities for the containment of the risks and the RWAs;
- as part of the internal rating system, it ensures the examination of the changes in the risk measures applied in the company, as well as a periodic integrated view of the outcome of the data quality and data integrity controls related to the use of the system;
- assessing the corrective action plans proposed by the competent functions for the positions included on the watchlists on a consistent basis with the processes defined at BNP Paribas Group level;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk, including "RISK ICT and Cyber";
- validating the Operational Plans for Control of the risks, prepared by the responsible functions, to be submitted for the approval of the Board of Directors;
- ensuring, through a dedicated session, the coordination and monitoring of the system of defence against the risk of fraud;
- ensuring, through a dedicated session, the coordination and monitoring of the outsourcing risk management system;
- supporting the Business Continuity manager in the recognition, sharing and validation of the information and the initiatives aimed at the maintenance of the Business Continuity solutions;
- supervising, in an integrated manner, the current and forecast trend of the risk profile by monitoring the metrics of the Risk Appetite Framework;
- 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 company Functions; communicating the outcome of the discussions to the BoD, formalised in specific reports.

Techniques for mitigating the credit risk

The mitigation of credit risk in the factoring transactions 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 management 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 cycle, both positive and negative, in advance, allowing for variations related to the pandemic 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.

2.4 2021 Projects

During 2021, Ifitalia continued its analysis of the actions required by the Bank of Italy as a result of the IRBA audit completed in December 2019. In particular, the Company assessed the sustainability of the Corrective Actions Plan required by the Regulator, in

the light of the initiatives underway and to be launched both at Local - Domestic Market and Group level. In this area, the impacts of two key projects were analysed:
- the programme launched with the Governance of the BNP Paribas Group, concerning the standardisation, rationalisation and reduction of internal models;
- the initiatives of the 2022-2025 Business Plan and, among these, the request to converge on a common IT platform for all entities of the Factoring Chain.
Following the analysis of the action plan required by the Regulator to make the transition to IRBA effective and in consideration of the projects mentioned above, the Company decided not to carry out the resolution of the corrective actions relating to capital measures (known as "conditions" and "floor" remedial actions). The actions required to overcome these areas showed significant impacts on the projects indicated, requiring them to reconsider costs, efforts and deadlines.
This led to the determination to propose the discontinuation of the IRBA project. However, given the importance of the Internal Rating System and its role in Ifitalia's credit architecture, the Company decided to address the corrective actions required under "remedial actions other than conditionality and floors" with the aim of further improving its risk management framework in line with Bank of Italy recommendations.
Considering the above, the Company continues to calculate the capital requirement under the Standardised Approach, using the Internal Rating System within the credit process and risk management framework.

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;
- 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 the requirement of placing the counterparty among the NPE forborne exposures can derive - together with the existence of certain objective assumptions.
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	49,516	33,956	2,439	412,140	6,430,890	**6,928,941**
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		191			363	**554**
5. Discontinues operations						**-**
Total 31/12/2021	49,516	34,147	2,439	412,140	6,431,253	**6,929,495**
Total 31/12/2020	55,394	39,029	1,908	724,505	5,445,054	**6,265,890**

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	341,018	(255,107)	85,911		6,851,225	(8,195)	6,843,030	6,928,941
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	191		191		X	X	363	554
5. Discontinued operations			-				-	-
Total 31/12/2021	**341,209**	**(255,107)**	**86,102**	**-**	**6,851,225**	**(8,195)**	**6,843,393**	**6,929,495**
Total 31/12/2020	**357,423**	**(261,092)**	**96,331**	**-**	**6,174,392**	**(9,615)**	**6,164,777**	**6,265,890**

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

(thousands of €)

Portfolios/quality	First level			Second level			Third level			Impaired acquired or originated		
	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	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	299,861	50,354	8,770	37,312	9,387	6,868	785	2,307	337,926			
2. Financial assets at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2021	299,861	50,354	8,770	37,312	9,387	6,868	785	2,307	337,926	-	-	-
Total 31/12/2020	292,491	101,976	222,533	44,920	16,688	46,605	5,788	1,365	350,270			

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 guarantees given				Total
	Assets in the first status						Assets in the second status						Assets in the third status						Of which financial assets impaired acquired or originated					
	Loans to banks on demand	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	Loans to banks on demand	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	Loans to banks on demand	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		First level	Second level	Third level	Commitments to grant loans and financial guarantees issued	
Opening Balance		**6,248**	**-**		**-**	**6,248**		**3,367**	**-**		**-**	**3,367**		**261,093**	**-**		**261,093**	**-**	**-**	**460**	**204**	**1,243**		**272,615**
Increases in financial assets acquired or originated		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-		-
Eliminations other than write-offs		-	-		-	-		-	-		-	-		-	-		-	-	-					-
Net value adjustments/writebacks for credit risk (+/-)		- 180	-		-	- 180		- 1,261	-		-	- 1,261		14,647	-		14,647	-	-	- 127	- 64	- 1,216		11,799
Contract modifications without eliminations		-	-		-	-		-	-		-	-			-		-	-	-	-	-	-		-
Changes in estimation method			-		-	-			-		-	-			-		-	-	-					-
Write-off		-	-		-	-		-	-		-	-		- 18,349	-		- 18,349	-	-	-	-	-		- 18,349
Other changes		111	-		-	111		- 90	-		-	- 90		- 2,284	-		- 2,284	-	-	21	- 70	- 26		- 2,338
Closing balance		**6,179**	**-**		**-**	**6,179**		**2,016**	**-**		**-**	**2,016**		**255,107**	**-**		**255,107**	**-**	**-**	**354**	**70**	**1**		**263,727**
Recoveries from collections on financial assets written off		-	-		-	-		-	-		-	-		107	-		107	-	-					107
Write-offs recognised directly to the income statement		-	-		-	-		-	-		-	-		- 223	-		- 223	-	-					- 223

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	104,452	3,577	310	407	1,891	219
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	25,448	28,859	82	17	75	458
Total 31/12/2021	129,900	32,436	392	424	1,966	677
Total 31/12/2020	114,375	78,346	1,392	406	1,130	4,221

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						
A 3 Subject to other concession measures	1	-	44	-	1	-
A 4 New funding						
B. Loans measured at fair value with impact on comprehensive income						
B.1 Loans granted in accordance with the GLs						
B.2 Financing covered by other granting measures						
B 3 Subject to other concession measures						
B 4 New funding						
Total 31/12/2021	1	-	44	-	1	-
Total 31/12/2020	1,055	479	6,356	-	195	26

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*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. CASH EXPOSURES										
A1 On demand	9,275	-	-	-	-	-	-		9,275	
a) Impaired assets	X				X				-	
b) Performing assets	9,275		X		-		X		9,275	
A2 Other	113,530	5,193	461		(17)	(1)	(461)		118,705	
a) Doubtful loans	X		461		X		(461)		-	
-of which forborne exposures	X	-			X				-	
b) Unlikely to pay	X				X				-	
-of which forborne exposures	X				X				-	
c) Impaired past due loans	X				X				-	
-of which forborne exposures	X				X				-	
d) Performing Past due loans	10,985	585	X		(2)	-	X		11,568	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	102,545	4,608	X		(15)	(1)	X		107,137	
-of which forborne exposures			X				X		-	
TOTAL A	**122,805**	**5,193**	**461**	**-**	**(17)**	**(1)**	**(461)**	**-**	**127,980**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X				X				-	
b) Performing assets	2,802		X		-		X		2,802	
TOTAL B	**2,802**	**-**			**-**	**-**	**-**	**-**	**2,802**	**-**
TOTAL A+B	**125,607**	**5,193**	**461**	**-**	**(17)**	**(1)**	**(461)**	**-**	**130,782**	**-**

6.2 Cash credit exposures to banks and financial businesses: changes in gross impaired exposures

(thousands of €

	Cause/Categories	Impaired	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**460**		**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**1**	**-**	**-**
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	1	-	-
C.	***Decreases***	**-**	**-**	**-**
C.1	exits to performing exposures	-		-
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		-	-
D.	***Gross final exposure***	**461**	**-**	**-**
	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.

IFITALIA
GRUPPO BNP PARIBAS

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

(thousands of €)

Cause/Categories		Impaired		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***	**460**	-	-	-		-
	- 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	1	-	-	-	-	-
C.	***Decreases***	-	-	-	-	-	-
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	-	-	-	-	-	-
D.	***Final total adjustments***	**461**	-	-	-	-	-
	- 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*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. CASH EXPOSURES										
a) Doubtful loans	X		266,216		X		(216,700)		49,516	
-of which forborne exposures	X		23,884		X		(19,297)		4,587	
b) Unlikely to pay	X		71,468		X		(37,512)		33,956	
-of which forborne exposures	X		28,874		X		(14,424)		14,450	
c) Impaired past due loans	X		2,873		X		(434)		2,439	
-of which forborne exposures	X		54		X		-		54	
d) Performing Past due loans	348,001	52,982	X		(222)	(189)	X		400,572	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	5,781,145	550,373	X		(5,940)	(1,826)	X		6,323,752	
-of which forborne exposures		2,491	X			(5)	X		2,486	
TOTAL A	**6,129,146**	**603,355**	**340,557**		**(6,162)**	**(2,015)**	**(254,646)**		**6,810,235**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X		4		X		-1		3	
b) Performing assets	204,023	56,712	X		(354)	(70)	X		260,311	
TOTAL B	**204,023**	**56,712**	**4**	**-**	**(354)**	**(70)**	**(1)**	**-**	**260,314**	**-**
TOTAL A+B	**6,333,169**	**660,067**	**340,561**	**-**	**(6,516)**	**(2,085)**	**(254,647)**	**-**	**7,070,549**	**-**

* 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 total provisions				Net exposure	Write-off partials overall*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. Non-performing credit exposures:	-	-	-	-	-	-	-	-		
a) Object of concession in accordance with GL						-		-	-	-
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession						-		-	-	-
c) Subject to other concession measures						-		-	-	-
d) New funding										
B. Credit exposures in probable default:	-	-	182	-	-		(136)	-	46	-
a) Object of concession in accordance with GL	-						-	-	-	-
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession										
c) Subject to other concession measures			182		-		(136)	-	46	-
d) New funding						-		-	-	-
C. Impaired past due credit exposures:	-	-	-	-	-	-	-	-	-	-
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession						-		-	-	-
c) Subject to other concession measures						-		-	-	-
d) New funding						-		-	-	-
D. Non-impaired past due exposures:										
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession	-	-	-	-	-	-	-	-		
c) Subject to other concession measures						-		-	-	-
d) New funding						-		-	-	-
E. Other non-impaired exposures:	170	2,674	-	-	(3)	(7)	-	-	3,034	-
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession	170	2,674	-	-	(3)	(7)	-	-	3,034	
c) Subject to other concession measures						-		-	-	-
d) New funding					-	-		-	-	-
TOTAL (A+B+C+D+E)	**170**	**2,674**	**182**	**-**	**(3)**	**(7)**	**(136)**	**-**	**3,080**	**-**

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***	**276,638**	**77,957**	**2,368**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**12,078**	**9,760**	**2,862**
B.1	entries from performing exposures	2,525	4,057	1,053
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	9,503	-	149
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	50	5,703	1,660
C.	***Decreases***	**(22,500)**	**(16,249)**	**(2,357)**
C.1	exits to performing exposures	(5,738)	(4,724)	(1,478)
C.2	write-offs	(16,658)	(1,412)	(13)
C.3	collections	(104)	(610)	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(9,503)	(182)
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	-	-	(684)
D.	***Gross final exposure***	**266,216**	**71,468**	**2,873**
	of which: exposures sold, but not eliminated			

IFITALIA GRUPPO BNP PARIBAS

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***	**40,492**	**626**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**16,869**	**2,347**
B.1	entries from performing not forborne exposures	7,032	
B.2	entries from performing forborne exposures	207	X
B.3	entries from impaired forborne exposures	X	2,346
B.4	entries from impaired not forborne exposures	4,988	1
B.5	other increases	4,642	-
C.	***Decreases***	**(4,549)**	**(482)**
C.1	exits to performing not forborne exposures	(204)	
C.2	exits to performing forborne exposures	(939)	X
C.3	exits to impaired forborne exposures	X	(319)
C.4	write-offs	(741)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(2,665)	(163)
D.	***Gross final exposure***	**52,812**	**2,491**
	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***	**221,244**	**17,319**	**38,928**	**10,772**	**460**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**16,685**	**2,564**	**6,127**	**4,189**	**350**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments	11,948	2,564	6,127	4,189	350	
B.3	losses on sale	-	-	-	-	-	
B.4	transfers from other categories of impaired exposures	4,737	-	-	-	-	
B.5	contract modifications without eliminations	-	X	-	X	-	X
B.6	other increases		-	-	-	-	
C.	***Decreases***	**(21,228)**	**(586)**	**(7,543)**	**(537)**	**(376)**	**-**
C.1	write-backs from valuation	(2,000)	(281)	(946)	(537)	(376)	
C.2	write-backs from collection	(1,298)		(518)		-	
C.3	gains on sale	-		-	-	-	
C.4	write-offs	(17,007)	(305)	(1,342)		-	
C.5	transfers from other categories of impaired exposures	-	-	(4,737)	-	-	
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases	(923)	-			-	
D.	***Final total adjustments***	**216,701**	**19,297**	**37,512**	**14,424**	**434**	**-**
	- 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	**100,142**	**859,032**	**551,387**	**329,121**	**40,731**	**-**	**5,311,829**	**7,192,242**
- First level	98,758	828,708	532,306	289,330	35,638		4,457,936	**6,242,676**
- Second level	1,384	30,324	19,081	39,791	5,093		512,875	**608,548**
- Third level				-			341,018	**341,018**
- Impaired acquired or originated								
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First level								**-**
- Second level								**-**
- Third level								**-**
- Impaired acquired or originated								
C. Financial assets held for sale								
- First level								
- Second level								
- Third level								
- Impaired acquired or originated								
Total (A + B + C)	**100,142**	**859,032**	**551,387**	**329,121**	**40,731**	**-**	**5,311,829**	**7,192,242**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees issued	**158**	**2,321**	**7,769**	**987**	**-**	**-**	**252,306**	**263,541**
- First level	158	2,321	7,345	987			196,014	**206,825**
- Second level		-	424	-			56,288	**56,712**
- Third level							4	**4**
- Impaired acquired or originated								
Total (D)	**158**	**2,321**	**7,769**	**987**	**-**	**-**	**252,306**	**263,541**
Total (A + B + C + D)	**100,300**	**861,353**	**559,156**	**330,108**	**40,731**	**-**	**5,564,135**	**7,455,783**

Ifitalia uses the external ratings of the following ECAIs:

	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	10,418	(8,282)		(461)			38,737	(204,105)	361	(4,313)
-of which forborne exposures	386	(774)					4,167	(18,193)	34	(330)
A.2 Unlikely to pay	7,743	(1,138)		-			25,706	(34,537)	507	(1,837)
-of which forborne exposures	1,981	(68)					12,191	(14,114)	278	(242)
A.3 Impaired past due positions	703	-		-			1,648	(412)	88	(22)
-of which forborne exposures	54	-								
A.4 Performing exposures	729,831	(311)	127,980	(18)	26,600	(12)	5,897,850	(7,692)	96,644	(174)
-of which forborne exposures	37						2,449	(4)		(1)
TOTAL A	**748,695**	**(9,731)**	**127,980**	**(479)**	**26,600**	**(12)**	**5,963,941**	**(246,746)**	**97,600**	**(6,346)**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-				-	3	(1)
B.2 Performing assets	58,572	(24)	2,802	-	-		199,542	(386)	2,197	(14)
TOTAL B	**58,572**	**(24)**	**2,802**	**-**	**-**	**-**	**199,542**	**(386)**	**2,200**	**(15)**
TOTAL (A+B) 31.12.2021	**807,267**	**(9,755)**	**130,782**	**(479)**	**26,600**	**(12)**	**6,163,483**	**(247,132)**	**99,800**	**(6,361)**
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)**

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	49,448	(215,024)	68	(2,137)	-	-	-	-	-	-
A.2	Unlikely to pay	26,291	(33,705)	2,039	(3,119)	-	-	5,612	(624)	14	(64)
A.3	Past due positions	2,147	(361)	201	(50)	91	(23)	-	-	-	-
A.4	Performing positions	5,481,059	(7,084)	993,405	(560)	271,186	(267)	89,735	(278)	16,920	(6)
	TOTAL (A)	**5,558,945**	**(256,174)**	**995,713**	**(5,866)**	**271,277**	**(290)**	**95,347**	**(902)**	**16,934**	**(70)**
B.	**OFF BALANCE SHEET EXPOSURES**										
B.1	Impaired assets	3	(1)	-	-	-	-	-	-	-	-
B.2	Performing positions	242,376	(357)	20,300	- 65	431	- 2	6		-	-
	TOTAL (B)	**242,379**	**(358)**	**20,300**	**(65)**	**431**	**(2)**	**6**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2021	**5,801,324**	**(256,532)**	**1,016,013**	**(5,931)**	**271,708**	**(292)**	**95,353**	**(902)**	**16,934**	**(70)**
	TOTAL (A + B) 31/12/2020	**5,457,833**	**(265,513)**	**924,288**	**(6,517)**	**143,271**	**(62)**	**55,128**	**(414)**	**40,991**	**(108)**

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	7,067	(61,236)	3,144	(22,784)	20,472	(61,177)	18,765	(69,827)
A.2	Unlikely to pay	2,026	(7,875)	532	(3,038)	12,571	(13,491)	11,162	(9,301)
A.3	Past due positions	356	(89)	768	(50)	405	(99)	618	(123)
A.4	Performing positions	2,286,488	(2,225)	1,160,310	(1,089)	1,340,304	(2,530)	693,957	(1,240)
	TOTAL (A)	2,295,937	(71,425)	1,164,754	(26,961)	1,373,752	(77,297)	724,502	(80,491)
B.	OFF BALANCE SHEET EXPOSURES								
B.1	Impaired assets							3	(1)
B.2	Performing positions	100,571	(132)	37,177	(76)	65,424	(78)	39,204	(71)
	TOTAL (B)	100,571	(132)	37,177	(76)	65,424	(78)	39,207	(72)
	TOTAL (A+B) 31.12.2021	2,396,508	(71,557)	1,201,931	(27,037)	1,439,176	(77,375)	763,709	(80,563)
	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)

9.3 Significant exposures

(thousands of €)

SIGNIFICANT EXPOSURES		Book value	Weighted value
a	Amount	1,846,181	1,288,020
b	Number	13	13

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 2021.

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	**956,781**	**4,531,260**	**471,802**	**161,805**	**138,824**	**16,838**	**-**	**340,921**
1.1 Government bonds								
1.2 Credits	956,781	4,531,260	471,802	161,805	138,824	16,838		340,368
1.3 Other assets								554
2. Liabilities	**215,680**	**5,076,972**	**9,374**	**54,517**	**73,075**	**6,938**	**-**	**382,685**
2.1 Debts	215,680	5,076,972	9,374	54,517	73,075	6,938		382,685
2.2 Bonds issued								
2.3 Other liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	2
3.1 Long positions								2
3.2 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	**25,263**	**277,777**	**17,219**	**279**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	25,263	277,777	17,219	279	-	-		
1.3 Other assets								
2. Liabilities	**149,124**	**143,488**	**19,541**	**876**	**-**	**-**	**-**	**-**
2.1 Debts	149,124	143,488	19,541	876	-	-		
2.2 Bonds issued								
2.3 Other liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 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 Finance 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 2021, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 9.5 million, equal to 1.22% 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**	**217,245**	**67,428**	**3**	**758**	**499**	**39,575**
1.1	government bonds	-	-	-	-	-	-
1.2	equity securities	-	-	-	-	-	-
1.3	credits	217,245	67,428	3	758	499	39,575
1.4	other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**216,932**	**67,282**	2	756	499	**39,415**
3.1	debts	216,932	67,282	2	756	499	39,415
3.2	bonds issued	-	-	-	-	-	-
3.3	other financial labilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	long positions	-	-	-	-	-	-
5.2	short position	-	-	-	-	-	-
	Total assets	217,245	67,428	3	758	499	39,575
	Total liabilities	216,932	67,282	2	756	499	39,415
	Unbalances (-/+)	313	146	1	2	-	160

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

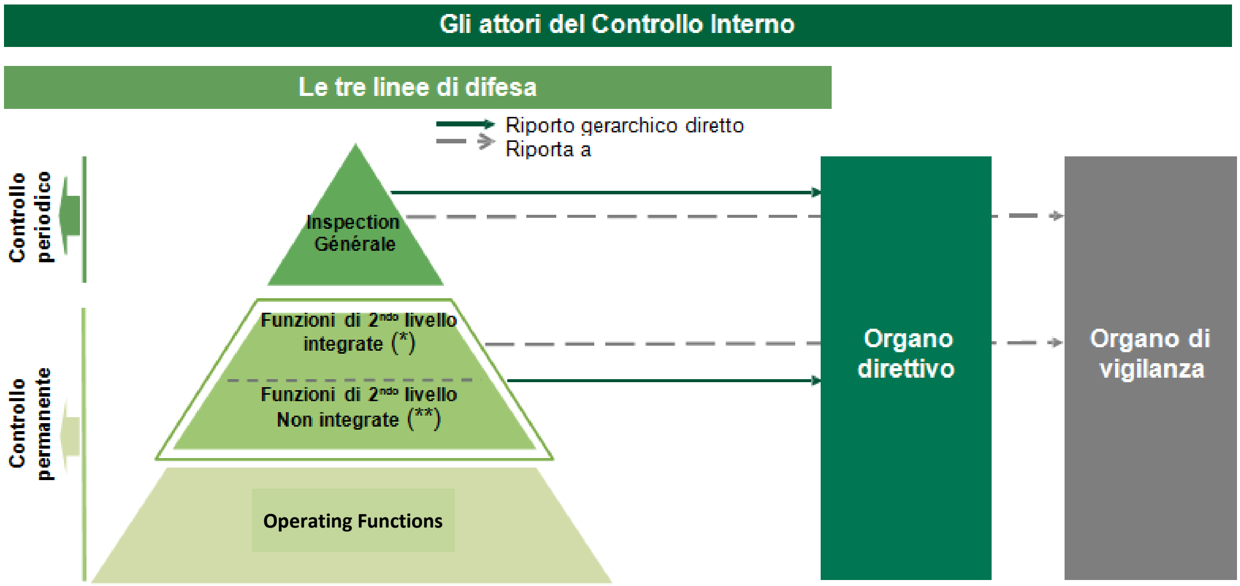
There were no amounts in this section.

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

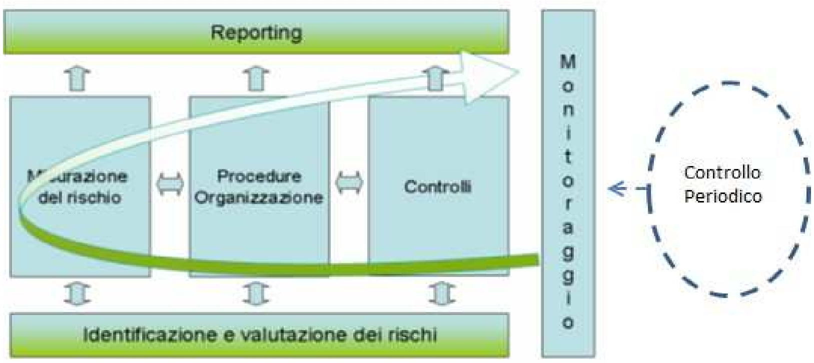
The distinction, fully operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the permanent second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out line activities and hierarchical controls and by the OPC (Operational Permanent Controllers) 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 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 consistently with the framework of the Parent Company BNP Paribas, where the Risk Division is responsible for ensuring its application through its role of permanent second-level control, where it also implements its own control activities on an ongoing basis, risk control within its scope and monitoring the effective implementation of strategic actions. With reference to the regulatory framework, the activity is carried out 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 Division 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 implements the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORM (RISK Operational Risk Management).

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 Operations 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 Functions, 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 Head of the Risk Division is 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, the Risk Manager guarantees Ifitalia a single and integrated view of the various types of risk.

The second line of defence in the Risk Division area implemented by RISK ORM, 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: the regulations, the way in which the risks to which the company is exposed are assessed.
Second-level control activities are carried out on the basis of a control plan (POC), which is revised annually in a risk-oriented logic, with reference to the verification of the method of identification and execution of controls implemented by OPC (**Independent Testing**).
In addition to the above planned activities, there are others related to:

- the **supervision** (Check & Challenge) of the implementation methods with respect to Group standards and the consistency of the assessments carried out as part of the process of assessing the risks generated by company processes known as **RCSA/Risk Control & Self Assessment;**
- **the supervision** (Check & Challenge) of the implementation methods with respect to Group standards of the information reported and the decisions taken by management with regard to all major **operational incidents** and, on a sample basis, those of lesser importance;
- **the supervision of the implementation of the anti-fraud defence system** through active participation in defining and setting up the defence framework in terms of regulations and tools in collaboration with the first line of defence;
- **the supervision of the implementation of the outsourcing risk management framework** in collaboration with the first line of defence.

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 ORM.

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, the Outsourcing session and the Fraud session.
The members and mission of the individual sessions of the Risk Monitoring Committee are set out in the Company Regulations in force at the time.

More in detail, always with regard to 2021, the organisation was completed by:

- ✓ **Risk Monitoring Committee**

  Operational Risk Permanent Control Session that, consistently with the Parent Company model, assures the coordination and decision-making process supporting the permanent control and operational risk organisation.
  The above-mentioned Session of the Committee is responsible for:
  - approving the Operational Plans for Permanent Control of risks, prepared by the competent Functions;
  - 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 ORM, are attended by the Heads of the Company Functions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the relevant BNL SpA Functions (Compliance and RISK ORM Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy (as a permanent guest) participate in the meetings.

  Outsourcing Session that, in line with the Parent Company's model, ensures the coordination and control of the outsourcing risk management system.
  The above-mentioned Session of the Committee is responsible for:
  - supervising the outsourcing framework by making sure that it is adequate and meets the Group's standards for outsourcing risk management with regard to: strategies adopted, coordination of committees validating new projects (or renewals of existing ones), the level of concentration risk achieved and monitoring of operational risk indicators relevant to concentration risk);
  - supervising the development of costs in relation to the defined objectives;
  - - ensuring that an accurate inventory of all outsourced services is maintained;
  - - providing management with the necessary visibility on any critical supplier issues reported by BNL's Supplier Risk Committee;
  - - sharing mitigation plans for the identified/reported supplier risk;
  - - examining the main management feedbacks related to outsourced relationships.

  The Heads of the Company Functions attend the Committee, organised by the first line of defence (Outsourcing Coordinator). Moreover, the relevant BNL SpA Functions (Compliance and RISK ORM Division to the extent of their authority).

  Fraud Session that, in line with the Parent Company's model, ensures the coordination and control of the defence against the risk of fraud.
  The session is where management is
  - informed about the development of external fraud and considers taking any initiatives consistent with the development of the external environment;
  - approves corrective actions that the first line of defence intends to propose with regard to the risk of fraud;
  - is informed of the analyses carried out by the second level of defence on fraud perimeter incidents and the feedback obtained from the anti-fraud tools, evaluating any proposed corrections in the triggers used.

  The Commercial Managers (to which the Fraud Manager also belongs) and Risk Managers (the Risk Manager, Risk ORM and the points of contact for credit assessments) attend the Committee, organised by RISK ORM.

- ✓ Finance Division 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:

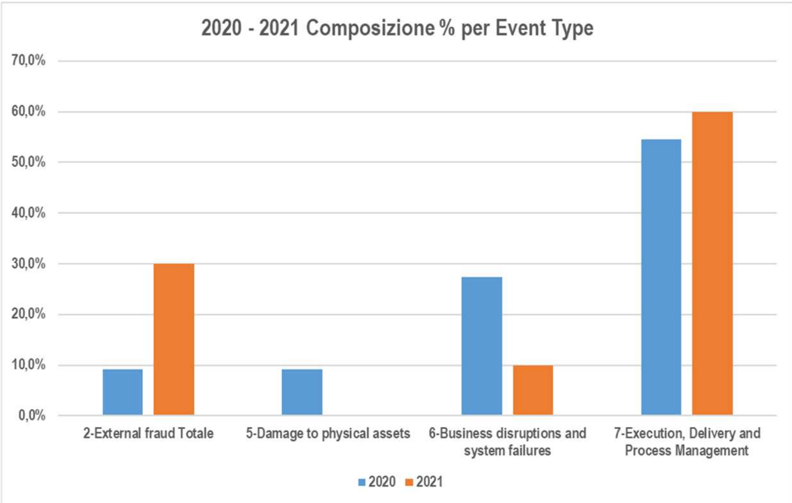
- **Loss Data Collection Process**: activities for the identification, entry, and registration of historic incidents of Operational Risk through input to the BNP Group tool; FORECAST was the Group tool used until October, later replaced by the new RISK 360° application. The new tool was designed to allow 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 of the first level of defence**: 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.
- **Permanent Control Plan of the second level of defence:** activated on the basis of the evaluation of several parameters such as, by way of example: the historicity of the incidents with respect to the processes, indications of the business line, the results of the risk maps, new areas of activity, variations in the regulatory environment in which the company operates, etc.
  The analysis process called Independent Testing targets a sample of processes and associated controls determined by risk-sensitive sampling. 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 ORM 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 derive 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 Group platforms dedicated to this purpose in order to support the mapping and monitoring of the correction actions in terms of: finding, corrective action, minimum evidence for the closure of the action, deadlines and exact identification of those responsible for the termination.
- **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 line of defence in line with their scopes of responsibility.
  With reference to the first line of defence, the main report produced, is the Permanent Controls and Operational Risks Report that provides information on the outcomes of the controls carried out by the first level of defence and the results of the Loss Data Collection process. This report, issued every six months, is intended for the management present in the Risk Monitoring Committee - Operational Risks and Permanent Controls Session and the Board of Directors.
  With regard to the second line of defence, two main reports are produced:
  - The half-yearly report on the performance of the permanent second level control activity with reference to the results of the independent tests, quality review, follow up of the action plans self-determined by the management and of the corrective actions defined in the context of the independent testing activities as well as the main key issues that may be relevant in the operational risk area on which the management may need to be updated;

- The annual report called OR&C Report submitted for validation by the General Manager and Risk Manager, and intended for the Business Line, provides the Group with a general view of the company's internal control system.

QUANTITATIVE INFORMATION

Assessment of the main sources and nature of risk events

The breakdown by percentage of operational risk events recorded in 2021 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. During 2021, 10 risk events were recorded compared to 11 in the previous year, which are summarised below year on year:



The type of fraud incidents that occurred in 2021 refers to cyber-related fraud perpetrated by third parties other than transferors.

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 euros)*

	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 3 years	From 3 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**837,649**	**-**	**-**	**1,399,587**	**2,389,210**	**1,078,412**	**334,605**	**155,467**	**65,205**	**17,174**	**340,923**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	837,649			1,399,587	2,389,210	1,078,412	334,605	155,467	65,205	17,174	340,369
A.4	Other assets											554
	Cash liabilities	**187,287**	**510,065**	**736,573**	**1,184,675**	**826,101**	**383,799**	**1,533,663**	**36,613**	**30,850**	**6,930**	**382,685**
B.1	Deposits and current accounts	187,287	510,065	736,573	1,184,675	826,101	383,799	1,533,663	36,613	30,850	6,930	382,685
	- Banks	137,932	507,608	714,349	1,159,422	728,287	350,950	1,533,512	36,613	30,850	6,930	370
	- Financial institutions	49,355	2,457	22,224	25,253	97,814	32,849	151	-	-	-	
	- Customers											382,315
B.2	Debt securities											
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**252**
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											252
C.6	Financial guarantees received											

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

Other currencies *(thousands of euros)*

	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 3 years	From 3 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**23,619**	**-**	**-**	**78,973**	**174,117**	**39,479**	**4,210**	**140**	**-**	**-**	**-**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	23,619			78,973	174,117	39,479	4,210	140	-		
A.4	Other assets											
	Cash liabilities	**149,125**	**18,498**	**1,686**	**12,156**	**111,385**	**19,304**	**876**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	149,125	18,498	1,686	12,156	111,385	19,304	876	-	-	-	-
-	Banks	148,625	17,215	1,686	9,464	109,768	19,304	876				
-	Financial institutions	500	1,283	-	2,692	1,617	-	-	-	-	-	
-	Customers											
B.2	Debt securities											
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**8**
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											8
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 2021 amounted to EUR 816 thousand.

(thousands of €)

Items/Balances	Total 31/12/2021	Total 31/12/2020
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	673,441	644,465
- profit	674,599	645,623
a) legal reserve	11,180	11,180
b) statutory reserve	663,419	634,443
c) treasury shares	-	-
d) other		
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(1,129)	(1,027)
- 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	(1,129)	(1,027)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	26,327	28,975
Total	**816,338**	**790,112**

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 as at 31/12/2021	Total as at 31/12/2020
A. Tier 1 capital (Common Equity Tier 1) before application of prudential filters	**786,195**	**756,234**
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)	**786,195**	**756,234**
D. Elements to be deducted from Tier 1 capital		
E. Tier 1 capital (C-D)	**786,195**	**756,234**
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)	**786,195**	**756,234**

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 2021, the company's capitalisation level was in line with the requirements:

- CET 1 and Tier 1 capital ratios equal 13.75%;
- Total capital ratio came to 13.75%.

(thousands of euros)

Categories/Balances	Unweighted amounts		Weighted amounts / requirements	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. RISK ASSETS				
A.1 Credit and counterpart risk	7,372,231	6,654,169	5,454,207	4,990,743
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			327,187	299,385
B.2 Payment services requirement			-	
B.3 Issuance of electronic money requirement			-	
B.4 Specific prudential requirements			15,721	15,301
B.5 Total prudential requirements			342,908	314,686
C. RISK ASSETS AND SUPERVISORY RATIOS				
C1 Risk-weighted assets			5,716,276	5,245,816
C2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			13.75%	14.42%
C3 Capital/Risk-weighted assets (Total capital ratio)			13.75%	14.42%

SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

(thousands of €)

	ITEMS	Total 31/12/2021	Total 31/12/2020
10.	**Profit (Loss) for the year**	26,327	28,975
	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	(141)	(16)
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	39	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**	**(102)**	**(12)**
200.	**Comprehensive income (Item 10+190)**	**26,225**	**28,963**

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 31/12/2021	Total 31/12/2020
Directors	56	46
Auditors	93	96
Total	**149**	**142**

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
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 2021 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	**11,081**	**4,948,031**	**13**	**16,419**	**-**	**-**
BNP PARIBAS SUCC. MILANO	11,081	4,946,654	13	16,419		
BNP PARIBAS PARIS	-	1,377				
B) BNPP GROUP COMPANIES	**11,322**	**809,712**	**33,046**	**132,955**	**2,802**	**2**
ARTIGIANCASSA SPA			48			
ARVAL SERVICE LEASE		-				
ARVAL SERVICE LEASE ITALIA SPA		163	22,230			
AXEPTA SPA (EX- BNL POSITIVITY SRL)			12			
BANCA NAZIONALE DEL LAVORO SPA	9,493	572,248	8,309	132,955	2,802	2
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA						
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR	219	337	4			
BNPP FORTIS	3	688	-			
BNPP REAL ESTATE	-	-	3			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			10			
FINDOMESTIC BANCA SPA			1,228		-	
SERFACTORING SPA						
TIERRE SECURITISATION SRL		236,265				
TURK EKONOMI BANKASI AS						
BNPP Real Estate Advisory Italy SPA						
Diamante Re SRL		11	15			
Sviluppo HQ Tiburtina SRL	1,607		11			
SNC Natiocredimurs						
Servizio Italia SPA			3			
TEB Faktoring AS			1			
BNPP Lease Group Leasing Solutions SPA			142			
BNPP SA Dublin Branch - IE			98			
BNPP Partners for Innovation Italia SRL			892			
Financit SPA			36			
International Trade Partner						
BNP Paribas SGR SPA						
C) ASSOCIATED COMPANIES	**-**	**-**	**-**	**-**	**-**	**-**
Total	**22,403**	**5,757,743**	**33,059**	**149,374**	**2,802**	**2**

(*) 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	15,205	(250)	-	(359)	-	-	(1,681)	-	
B) BNPP GROUP COMPANIES	11	(2,188)	52	(2,376)	90	26	(13,018)	(685)	
C) ASSOCIATED COMPANIES									
Total	**15,216**	**(2,438)**	**52**	**(2,735)**	**90**	**26**	**(14,699)**	**(685)**	**-**

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 the first half of 2022.

Therefore, the right of use and the lease liabilities were calculated considering the period January 2021 and the first half of 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	1,105
A.1 Total net impairments	
A.2 Net opening balances	1,105
B. Increases	1,043
B.1 Purchases	1,043
B.2 Capitalised improvement expenditure	
B.3 Reversals	
B.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	
C. Decreases	1,802
C.1 Sales	
C.2 Depreciation	697
C.3 Impairment 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	1,105
D. Net closing balances	346
D.1 Net impairment	697
D.2 Gross closing balances	1,043

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		369			**369**
Total	-	**369**	-	-	**369**

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 2021 Ifitalia did not request contributions; moreover, it did not receive any reimbursements for financed training.
Ifitalia had contributions in the field of human resources management amounting to EUR 89,378.43, 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 23,961.26;
- 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 59,417.17.

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 2020 approved by BNP Paribas S.A. in its capacity as direct parent company.

IFITALIA
GRUPPO BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS
Prepared in accordance with IFRS as adopted by the European Union

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2020 and 31 December 2019. In accordance with Article 20.1 of Annex I of European Commission Regulation (EC) 809/2004, the consolidated financial statements for the year ended 31 December 2018 are provided in the Universal Registration Document filed with the Autorité des marchés financiers on 3 March 2020 under number D.20-0097.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of euros	Notes	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Interest income	2.a	33,589	37,327
Interest expense	2.a	(12,277)	(16,200)
Commission income	2.b	13,599	13,265
Commission expense	2.b	(3,737)	(3,900)
Net gain on financial instruments at fair value through profit or loss	2.c	6,861	7,111
Net gain on financial instruments at fair value through equity	2.d	249	350
Net gain on derecognised financial assets at amortised cost		36	3
Net income from insurance activities	2.e	4,114	4,437
Income from other activities	2.f	13,194	13,502
Expense on other activities	2.f	(11,353)	(11,298)
REVENUES		44,275	44,597
Salary and employee benefit expense	6.a	(16,946)	(17,553)
Other operating expenses	2.g	(10,809)	(11,339)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.n	(2,439)	(2,445)
GROSS OPERATING INCOME		14,081	13,260
Cost of risk	2.h	(5,717)	(3,203)
OPERATING INCOME		8,364	10,057
Share of earnings of equity-method entities	4.m	423	586
Net gain on non-current assets		1,030	1,569
Goodwill	4.o	5	(818)
PRE-TAX INCOME		9,822	11,394
Corporate income tax	2.i	(2,407)	(2,811)
NET INCOME		7,415	8,583
Net income attributable to minority interests		348	410
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		7,067	8,173
Basic earnings per share	7.a	5.31	6.21
Diluted earnings per share	7.a	5.31	6.21

BALANCE SHEET AT 31 DECEMBER 2020

In millions of euros	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances at central banks		308,703	155,135
Financial instruments at fair value through profit or loss			
Securities	4.a	167,927	131,935
Loans and repurchase agreements	4.a	244,878	196,927
Derivative financial instruments	4.a	276,779	247,287
Derivatives used for hedging purposes	4.b	15,600	12,452
Financial assets at fair value through equity			
Debt securities	4.c	55,981	50,403
Equity securities	4.c	2,209	2,266
Financial assets at amortised cost			
Loans and advances to credit institutions	4.e	18,982	21,692
Loans and advances to customers	4.e	809,533	805,777
Debt securities	4.e	118,316	108,454
Remeasurement adjustment on interest-rate risk hedged portfolios		5,477	4,303
Financial investments of insurance activities	4.i	265,356	257,818
Current and deferred tax assets	4.k	6,559	6,813
Accrued income and other assets	4.l	140,904	113,535
Equity-method investments	4.m	6,396	5,952
Property, plant and equipment and investment property	4.n	33,499	32,295
Intangible assets	4.n	3,899	3,852
Goodwill	4.o	7,493	7,817
TOTAL ASSETS		**2,488,491**	**2,164,713**
LIABILITIES			
Deposits from central banks		1,594	2,985
Financial instruments at fair value through profit or loss			
Securities	4.a	94,263	65,490
Deposits and repurchase agreements	4.a	288,595	215,093
Issued debt securities	4.a	64,048	63,758
Derivative financial instruments	4.a	282,608	237,885
Derivatives used for hedging purposes	4.b	13,320	14,116
Financial liabilities at amortised cost			
Deposits from credit institutions	4.g	147,657	84,566
Deposits from customers	4.g	940,991	834,667
Debt securities	4.h	148,303	157,578
Subordinated debt	4.h	22,474	20,003
Remeasurement adjustment on interest-rate risk hedged portfolios		6,153	3,989
Current and deferred tax liabilities	4.k	3,001	3,566
Accrued expenses and other liabilities	4.l	107,846	102,749
Technical reserves and other insurance liabilities	4.i	240,741	236,937
Provisions for contingencies and charges	4.p	9,548	9,486
TOTAL LIABILITIES		**2,371,142**	**2,052,868**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*106,228*	*97,135*
Net income for the period attributable to shareholders		*7,067*	*8,173*
Total capital, retained earnings and net income for the period attributable to shareholders		**113,295**	**105,308**
Changes in assets and liabilities recognised directly in equity		(496)	2,145
Shareholders' equity		**112,799**	**107,453**
Minority interests	7.d	**4,550**	**4,392**
TOTAL EQUITY		**117,349**	**111,845**
TOTAL LIABILITIES AND EQUITY		**2,488,491**	**2,164,713**

IFITALIA CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statements as at 31 December 2021

Mandatory financial statements:

Notes to the accounts:

IFITALIA
GRUPPO BNP PARIBAS

MANDATORY FINANCIAL STATEMENTS

Consolidated Balance Sheet

(euro)

	ASSETS	31/12/2021	31/12/2020
10	Cash and cash equivalents	9,504,945	1,351,639
20	Financial assets at fair value through profit or loss:	553,532	4,781,557
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	*553,532*	*4,781,557*
30.	Financial assets at fair value through other comprehensive income	-	-
40.	Financial assets measured at amortised cost:	6,928,940,548	6,261,107,867
	a) loans to banks	*14,241,230*	*85,859,589*
	b) loans to financial company	*104,464,324*	*55,190,125*
	c) loans to customers	*6,810,234,994*	6,120,058,153
50.	Hedging derivatives	-	-
60.	Change in fair value of portfolio hedged items (+/-)	-	-
70.	Equity investments	-	-
80.	Property, plant and equipment	1,723,484	2,687,823
90.	Intangible assets	9,831,712	10,706,724
	of which: goodwill	-	-
100.	Tax assets	54,321,330	67,134,882
	a) current	*15,537,398*	*24,058,729*
	b) deferred	*38,783,932*	*43,076,153*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	145,572,632	67,636,941
	Total assets	**7,150,448,183**	**6,415,407,433**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2021	31/12/2020
10	Financial liabilities measured at amortised cost	6,132,269,671	5,477,633,448
	a) Deposits	5,896,065,757	5,271,145,432
	b) Debt securities issued	236,203,914	206,488,016
20	Financial liabilities held for trading	1,963	28,101
30	Financial liabilities designated at fair value	-	-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	7,568,799	8,782,782
	a) current	7,222,005	8,232,937
	b) deferred	346,794	549,845
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	170,374,086	120,464,719
90	Post-employment benefits	4,035,039	4,096,039
100	Provisions for risks and charges	18,271,511	12,975,772
	a) commitments and guarantees issued	424,675	1,907,082
	b) post-retirement benefit and similar obligations	-	-
	c) other provisions for risks and charges	17,846,836	11,068,690
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	674,745,007	645,696,053
160	Valuation reserves	(1,129,104)	(1,027,078)
170	Profit (loss) for the year	26,602,568	29,048,955
180	Minority interests	10,000	10,000
	Total Liabilities and Shareholders' equity	**7,150,448,183**	**6,415,407,433**

Consolidated Income Statement

(euro)

	P&L	Year 2021	Year 2020
10	Interest and similar income	60,149,448	67,461,854
	of which: interest income calculated using the effective interest rate method	58,980,523	63,470,221
20	Interest and similar expense	(2,445,286)	(4,288,103)
30	**Net interest income**	**57,704,162**	**63,173,751**
40	Fee and commission income	58,703,412	49,187,701
50	Fee and commission expense	(12,007,828)	(12,875,771)
60	**Net fee and commission income**	**46,695,584**	**36,311,930**
70	Dividends and similar income	90,360	89,850
80	Net result from trading	6,692	18,495
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:	80,036	9,490
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	80,036	9,490
120	**Net banking income**	**104,576,834**	**99,603,516**
130	Net value adjustments/write-backs for credit risk relating to:	(12,493,009)	(7,921,661)
	a) financial assets measured at amortised cost	(12,493,009)	(7,921,661)
	b) financial assets at fair value through other comprehensive income	-	-
140	Gains/losses on contract modifications without eliminations	-	-
150	**Net result of financial management**	**92,988,748**	**92,396,880**
160	Administrative expenses:	(44,987,241)	(42,353,246)
	a) personnel expenses	*(21,959,943)*	(21,547,724)
	b) other administrative expenses	*(23,027,298)*	(20,805,522)
170	Net provisions for risks and charges	*(7,354,296)*	(6,187,862)
	a) commitments and guarantees issued	*1,483,023*	(294,354)
	b) other net provisions	*(8,837,319)*	(5,893,508)
180	Net value adjustments/write-backs on property, plant and equipment	(999,772)	(1,403,404)
190	Net value adjustments/write-backs on intangible assets	(3,546,010)	(3,640,566)
200	Other operating expenses/income	1,953,870	2,664,337
210	**Operating expenses**	**(54,933,449)**	**(50,920,741)**
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
260	**Operating profit (loss) before taxes**	**38,055,299**	**41,718,055**
270	Income taxes for the year	(11,452,731)	(12,669,101)
280	**Operating profit (loss) net of taxes**	**26,602,568**	**29,048,955**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**26,602,568**	**29,048,955**
310.	**Profit (loss) for the year attributable to third parties**	**-**	-
320.	**Profit (loss) for the year attributable to the parent company**	**26,602,568**	**29,048,955**

Consolidated Statement of Comprehensive Income

(euro)

	Items	Year 2021	Year 2020
10	**Profit (loss) for the year**	**26,602,568**	**29,048,955**
	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	(102,026)	(11,675)
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**	(102,026)	(11,675)
180	**Comprehensive income (Item 10+170)**	**26,500,542**	**29,037,280**
190.	Consolidated comprehensive income attributable to third parties		0
200.	Consolidated comprehensive income attributable to the parent company	**26,500,542**	**29,037,280**

Statement of Changes in Equity as at 31 December 2021

(euro)

	Balances as at 31.12.2020	Change in opening balances	Balances as at 01.01.2021	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other uses	Changes during the year: Changes in reserves	Changes during the year: Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Changes during the year: Other changes	Comprehensive income as at 2021	Shareholders' Equity 31.12.2021	Shareholders' equity of third parties 31.12.2021
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:	**645,696,052**	**-**	**645,696,052**	**29,048,955**							**-**		**674,745,007**	
a) profit-related	646,854,520		646,854,520	29,048,955									675,903,475	
b) other	(1,158,373)		(1,158,373)								-		(1,158,373)	
Valuation reserves	**(1,027,078)**		**(1,027,078)**									**(102,026)**	**(1,129,104)**	
Equity instruments	-													
Treasury shares	-													
Profit (loss) for the year	29,048,955		**29,048,955**	**(29,048,955)**								**26,602,568**	**26,602,568**	
Shareholders' Equity	791,416,572		**791,416,572**								**-**	**26,500,542**	**817,917,114**	**X**
Shareholders' equity of third parties	**10,000**		**10,000**										**X**	**10,000**

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	Changes during the year: Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Changes during the year: Other changes	Comprehensive income as at 2020	Shareholders' Equity 31.12.2020	Shareholders' equity of third parties 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**
Shareholders' equity of third parties	**10,000**		**10,000**										**X**	**10,000**

Statement of Cash Flows classified using the indirect method

(euro)

A. OPERATING ACTIVITIES	31/12/2021	31/12/2020
1. Management	**54,136,185**	**53,158,679**
- profit (loss) for the year (+/-)	26,602,568	29,048,955
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	(106,174)	(53,569)
- gains/losses on hedging (+/-)	-	-
- net value adjustments/write-backs for credit risk (+/-)	8,415,716	4,286,620
- net value adjustments/write-backs on property, plant and equipment and and intangible assets (+/-)	4,545,782	5,043,970
- net allowances to provisions for risks and charges and other costs/revenues(+/-)	7,354,296	6,618,510
- taxes not settled (+/-)	7,323,997	8,214,193
- net value adjustments/write-backs on discontinued operations, net of taxes (+/-)	0	0
- other adjustments (+/)	0	-
2. Cash flow generated/absorbed by financial assets	**(737,062,475)**	**1,242,162,612**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	4,308,061	(206,106)
- financial assets at fair value through other comprehensive income	-	-
- financial assets measured at amortised cost	(676,248,397)	1,258,150,956
- other assets	(65,122,139)	(15,782,238)
3. Cash flow generated/absorbed by financial liabilities	**693,786,028**	**(1,290,701,931)**
- financial liabilities measured at amortised cost	654,636,223	(1,175,303,626)
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	39,149,805	(115,398,305)
Cash flow generated/absorbed by operating activities	**10,859,737**	**4,619,360**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**1,252,711**	**2,904,679**
- sale of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of property, plant and equipment	1,252,711	2,904,679
- sale of intangible assets	-	-
- sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:	**(3,959,142)**	**(6,173,538)**
- purchase of equity investments	-	-
- purchase of property, plant and equipment	(1,288,144)	(3,089,828)
- purchase of intangible assets	(2,670,998)	(3,083,710)
- purchase of subsidiaries and businesses	-	-
Net cash flow generated/absorbed by investing activities	**(2,706,431)**	**(3,268,859)**
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	**8,153,306**	**1,350,501**

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

Reconciliation

(euro)

Financial statement items	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	1,351,639	1,138
Total net cash flow generated/absorbed during the year	8,153,306	1,350,501
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	9,504,945	1,351,639

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 2021 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 "Financial statements of IFRS intermediaries other than banking intermediaries", whose updated text was issued by the Bank of Italy on 29 October 2021 for financial statements closed or current on 31 December 2021 and revised with the provisions of the Bank of Italy Communication of 21 December 2021, 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;
- the ESMA communication of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

On 21 December 2021, the Bank of Italy issued a Communication that, repealing and replacing the previous one of 27 January, updated the additions to the provisions of the Measure "Financial statements of IFRS intermediaries other than 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 update to the additions took into account the changes in the EU regulations on the treatment of moratoria, recent updates to the reporting and financial statement circulars and changes to IFRS 16 "Leases" related to Covid-19.

With regard to the tables, the main changes concern the presentation in the financial statements:

- of on-demand receivables due from banks and Central banks, which are now included under "Cash and cash equivalents", whereas last year they were included under "Financial assets measured at amortised cost";
- of acquired and originated impaired loans that are shown separately;
- of intangible assets for which specific evidence of software that is not an integral part of hardware is required;
- of detailed information on fee and commission income and expense;

In all the tables affected by the above changes, the amounts relating to the previous year were restated on the basis of the new criteria in order to make the comparison uniform.

Section 3 – Events after the reporting period
When drawing up the financial statements as at 31 December 2021, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors that could have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8), which can be summarised as follows:

<u>Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies:</u>

Article 42 of Italian Law Decree no. 17/2022 "Urgent measures for the containment of electricity and natural gas costs, the development of renewable energies and the relaunch of industrial policies", (published in the Official Gazette General Series no. 50 of 1 March 2022) postpones the 2021 reversal of the 12% portion of pre-2015 non-deducted impairment losses on loans. In particular, this portion is deferred, on a straight-line basis, to the 2022 tax period and to the following three tax periods. This new regulation in the form of a law decree entered into force with its publication in the Official Gazette on 1 March 2022 and is valid for 60 days, after which it is either converted into law by the Parliament or it automatically expires with ex tunc effect, i.e. as if it had never existed.
Paragraph 47 of IAS 12 Income Taxes states that deferred tax assets and liabilities must be calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is discharged, based on tax rates (and tax laws) in force or essentially in force at the end of the reporting period.
This new regulation was not applied to these financial statements as at 31 December 2021 as it is considered a "non adjusting event"; its application would have had the following effects:

- in economic terms: neutral; this results in a lower reversal of deferred tax assets and a higher provision for current taxes of approximately EUR 5 million;
- in financial terms: a taxable income higher than estimated last January of the amounts no longer deductible with a higher tax liability of EUR 5 million (IRES + EUR 4.3 million; IRAP + EUR 0.5 million), respectively;
- RWA: non-discharge of DTAs amounting to EUR 5 million weighed at 100%.

<u>Conflict in Ukraine.</u>

Following the escalation of the crisis in Eastern Europe, which later resulted in the Russian-Ukrainian conflict, the Company promptly launched an analysis of the potential related risks:

Credit Risk:
At the date of the preparation of the draft financial statements, the Ifitalia Risk Division - in collaboration with the sales division and other structures involved - carried out an initial assessment of the credit portfolio in order to identify potential material impacts resulting from the conflict:

- direct exposures held by the company to Russia and Ukraine are not impacted, considering that there are no outstanding exposures to counterparties in these countries; moreover, the Company's exposure to the Rouble currency is 0;
- with regard to the indirect impacts relating to the relationships held by Ifitalia customers with countries at risk - taking into account the elements of absolute uncertainty regarding the development of the conflict and its consequences on macro-economic scenarios that are currently difficult to foresee - the potential economic and financial statement impacts can be taken into account during the 2022 financial year, in the light of the information that will become available.

Interest Rate Risk
With regard to interest rates, the crisis in Ukraine could have two opposite effects: a negative impact on economic growth with potentially lower expectations of interest rate hikes; a further impact of inflation (increase in oil and gas prices) pushing up rates. Christine Lagarde's speech in early March confirmed the second option for financial markets, namely an ECB rate hike by the end of 2022.

Liquidity Risk
The Ukrainian crisis has a potential impact on credit spreads and thus on the cost of bank liquidity. However, the trend in the cost of liquidity will be carefully monitored by the Company in relation to the evolution of the crisis situation.

Cybersecurity
Ifitalia together with BNL, in accordance with the indications provided by the BNP Paribas Group's Anti-Cyber Fraud Steering Committee, raised the level of alert regarding possible new scenarios of ransomware/malware/phishing attacks, blocking internet traffic from Russia and activating the Crisis Unit.

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 2021, the following accounting standards or amendments to existing accounting standards came into force:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform - Phase 2 (Regulation (EU) 2021/25);
- Amendments to IFRS 4 Insurance Contracts - deferral of effective date of IFRS 9 (Regulation (EU) 2020/2097).

On 31 December 2021, the European Commission endorsed the "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" (Reg. (EU) 2021/1080), applicable to reports effective on or after 1 January 2022.

Moreover, as at 31 December 2021, 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:
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (January and July 2020, respectively);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (February 2021);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates (February 2021);
- Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (March 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021);
- IFRS 17 Insurance Contracts: provisions effective beginning on or after 1 January 2023 (Regulation (EU) 2021/2036 of 19 November 2021).

Moreover:
- On 16 December 2020, Regulation (EU) 2020/2097 was published endorsing the document "Extension of the Temporary Exemption From Applying IFRS 9" - Amendments to IFRS 4 "Insurance Contracts" issued by the IASB on 25 June 2020.
- On 13 January 2021, Regulation (EU) no. 2021/25 was published, endorsing the document "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leases"), issued by the IASB on 27 August 2020, regarding issues related to phase two of the project on rate review.
- On 31 August 2021, Regulation (EU) 2021/1421 was published endorsing the document "Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16" to extend by one year the period of application of the original amendment to IFRS 16 "Covid-19-Related Rent Concessions", issued and endorsed in 2020, which introduced an exemption for the lessee from having to assess whether or not the concessions obtained as a result of the economic crisis due to COVID-19 meet the definition of a lease modification.

Risks, uncertainties, impacts of the COVID-19 epidemic

During 2021, the global economy largely recovered from the heavy losses incurred during the 2020 recession. However, over the last few months of the year, the emergence of new variants of the Sars Cov 2 virus, the rise in energy prices (with the expectation that upward inflation will be a phenomenon that will last longer than expected), persistent problems in supply chains and, finally, geopolitical tensions led to a slowdown that resulted in a downward revision of previous growth estimates for 2022.

In Italy, in 2021, GDP increased by about 6.5%. Growth accelerated in the middle of the year, benefiting from the improvement in the epidemiological context, and then slowed down in the final months, affected by the recurrence of the pandemic and continuing international tensions.
The company's operations increased during 2021 in line with market growth and also took all actions required to ensure business continuity, such as extensive use of remote working.
The company's profitability level was good, also in view of the level of costs and the cost of risk incurred. Therefore, no business continuity issue is under discussion.

In the assessment of assets, and in particular of NPLs, there were no changes in criteria that continue to take into account the specific situation of each individual debtor.
With regard to the collective provision on performing risks, 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. During 2021, the econometric projection model of Forward-looking PDs was recalibrated at the Central level and the update was released into production starting from Q2 2021. 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.

During 2021, credit risk indicators remained at historically low levels (although some warning signs are starting to emerge) and in particular the level of additions to NPL in Ifitalia remained at historically low levels. In 2022, the trend of additions to NPL may increase as the public and banking/financial system support measures effectively operated in the pandemic context come to an end. For its part, Ifitalia will constantly monitor the situation, implementing an increasingly careful credit policy and insurance coverage of its receivables.

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.

2) *Amendment to IFRS 16*

The Group 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.

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 2021, 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 2021, 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 2021 consolidated financial statements are the same as those used for the 2020 financial statements.

Therefore, please find below:

a) the standards used for the preparation of the 2021 financial statements.

a) STANDARDS USED FOR THE PREPARATION OF THE 2021 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 under the "Hold to Collect" business model and therefore 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 context of quantitative and qualitative analyses 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: 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.

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 Perimeter
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 Perimeter
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. "Net 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 date 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;
- 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 Group has not carried out any portfolio transfers during 2021.

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 2021, the Group recorded unlisted equity investments that are carried at cost under “Financial assets mandatorily measured at fair value”,
since these are capital instruments whose fair value cannot be measured reliably.
During 2021, 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-recurring 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 2021.

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 financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at 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 31/12/2021			Total 31/12/2020		
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	72	-	482	50	-	4,732
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**72**	**-**	**482**	**50**	**-**	**4,732**
1. Financial liabilities held for trading	-	2	-	-	28	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**2**	**-**	**-**	**28**	**-**

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**	**4,732**	**-**	**-**	**4,732**		**-**	**-**	**-**
2. **Increases**	**80**	**-**	**-**	**80**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-		-	-	-	-
2.2. Profits charged to:	80	-	-	80	-	-	-	-
2.2.1 Income statement	80	-	-	80	-	-	-	-
- of which gains	80	-	-	80	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers to other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. **Decreases**	**4,330**	**-**	**-**	**4,330**	**-**	**-**	**-**	**-**
3.1 Sales	4,330	-	-	4,330	-	-	-	-
3.2 Reimbursements	-	-	-		-	-	-	-
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**	**482**	**-**	**-**	**482**	**-**	**-**	**-**	**-**

In December 2021, Ifitalia sold its equity investment in Serfactoring Spa.

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 31/12/2021				Total 31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	6,928,941	-	-	6,928,941	6,261,108	-	-	6,261,108
2. Property, plant and equipment held for investment purposes	1,110		1,110	-	1,200	-	1,200	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**6,930,051**	**-**	**1,110**	**6,928,941**	**6,262,308**	**-**	**1,200**	**6,261,108**
1. Financial liabilities measured at amortised cost	6,132,270	-	-	6,132,270	5,477,633	-	-	5,477,633
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**6,132,270**	**-**	**-**	**6,132,270**	**5,477,633**	**-**	**-**	**5,477,633**

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

A.5 DISCLOSURE ON “DAY ONE PROFIT/LOSS”

The Group 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 31/12/2021	Total 31/12/2020
a) Cash	2	1
b) Current accounts and demand deposits to banks	9,503	1,351
c) Demand deposits with Central Banks	-	-
Total	**9,505**	**1,352**

The item comprises cash and cash equivalents and revenue stamps at company headquarters. It implements the reclassification of on-demand receivables due from banks and Central banks, which are now included under "Cash and cash equivalents", whereas last year they were included under "Financial assets measured at amortised cost".

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 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Others debt securities	-	-	-	-	-	-
2. Equity securities	**72**	**-**	**291**	**50**	**-**	**4,541**
3. Units of CIUs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**191**	**-**	**-**	**191**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	191	-	-	191
Total	**72**	**-**	**482**	**50**	**-**	**4,732**

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 31/12/2021	Total 31/12/2020
1. Equity instruments	**363**	**4,591**
of which: banks	-	-
of which: other financial companies	-	4,250
of which: non-financial companies	363	341
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**	**191**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	191	191
e) Household	-	-
Total	**554**	**4,782**

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 31/12/2021						Total 31/12/2020					
	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						-						
2. Current accounts												
3. Loans	14,241	-	-	-	-	14,241	85,860	-	-	-	-	85,860
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	14,241	-	-	-	-	14,241	85,860	-	-	-	-	85,860
- with recourse	364					364	72,801					72,801
- without recourse	13,877					13,877	13,059					13,059
2.4 Other loans												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. Other assets												
Total	**14,241**	**-**	**-**	**-**	**-**	**14,241**	**85,860**	**-**	**-**	**-**	**-**	**85,860**

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 31/12/2021						Total 31/12/2020					
	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	**104,464**	**-**	**-**	**-**	**-**	**104,464**	**55,190**	**-**	**-**	**-**	**-**	**55,190**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	104,464	-	-	-	-	104,464	55,190	-	-	-	-	55,190
- with recourse	71,882					71,882	6,721					6,721
- without recourse	32,582					32,582	48,469					48,469
1.4 Other loans												
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities												
2.2 other debt securities												
3. Other assets												
Total	**104,464**	**-**	**-**	**-**	**-**	**104,464**	**55,190**	**-**	**-**	**-**	**-**	**55,190**

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 31/12/2021						Total 31/12/2020					
	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	6,724,324	85,911	-	-	-	6,810,235	6,023,728	96,330	-	-	-	6,120,058
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	6,340,187	77,679	-	-	-	6,417,866	5,681,109	88,002	-	-	-	5,769,111
- with recourse	697,439	42,426				739,865	530,475	54,510				584,985
- without recourse	5,642,748	35,253				5,678,001	5,150,634	33,492				5,184,126
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	384,137	8,232				392,369	342,619	8,328				350,947
of which: from enforcement of guarantees and commitments												
2. Debt securities	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**6,724,324**	**85,911**	**-**	**-**	**-**	**6,810,235**	**6,023,728**	**96,330**	**-**	**-**	**-**	**6,120,058**

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 1,939,886 as at 31 December 2021, while the same item as at 31 December 2020 amounted to EUR 7,513.

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

(thousands of €)

Breakdown	Total 31/12/2021			Total 31/12/2020		
	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:	6,724,324	85,911	-	6,023,728	96,330	-
a) Public Administration	729,830	18,864		735,391	19,703	
b) Other financial companies	5,897,850	66,091		5,181,828	75,056	
c) Households	96,644	956		106,509	1,571	
3. Other assets						
Total	**6,724,324**	**85,911**	**-**	**6,023,728**	**96,330**	**-**

4.5 Financial assets measured at amortised cost: 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	
Debt securities								
Loans	6,242,676		608,549	341,018	6,179	2,016	255,107	
Other assets								
Total 2021	**6,242,676**	**-**	**608,549**	**341,018**	**6,179**	**2,016**	**255,107**	-
Total 2020	5,570,915		603,477	357,423	6,248	3,367	261,093	-
of which: impaired financial assets purchased or originated	X	X			X			

* Value to be displayed 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	
Loans granted in accordance with GL								
Loans subject to moratorium measures in place no longer compliant with GL and not valued as being granted								
Financing covered by other granting measures	170		2,874	182	(3)	(7)	(136)	
New funding								
Total 2021	**170**	**-**	**2,874**	**182**	**(3)**	**(7)**	**(136)**	**-**
Total 2020	1,795	-	1,173	6,551	(5)	(1)	(1,447)	

* Value to be displayed for information purposes

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2021						Total 31/12/2020					
	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:	96	96	64,622	64,619	2,133,409	2,127,027	65,833	65,833	-	-	1,739,112	1,735,556
- Leased assets												
- Factoring receivables	96	96	64,622	64,619	638,711	635,358	65,833	65,833			583,805	580,556
- Mortgages												
- Pledges												
- Unsecured guarantees	-	-	-	-	1,494,698	1,491,669					1,155,307	1,155,000
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	159,530	41,234	-	-	-	-	182,352	51,585
- Leased assets												
- Factoring receivables					135,850	36,167					133,260	41,633
- Mortgages												
- Pledges												
- Unsecured guarantees					23,680	5,067					49,092	9,952
- Derivatives on receivables												
Total	**96**	**96**	**64,622**	**64,619**	**2,292,939**	**2,168,261**	**65,833**	**65,833**	**-**	**-**	**1,921,464**	**1,787,141**

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 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 31/12/2021	Total 31/12/2020
1. Owned assets	**267**	**383**
a) land		
b) buildings		
c) furniture	7	8
d) electronic equipment	260	375
e) other		
2. Rights of use acquired through leasing	**346**	**1,105**
a) land	-	-
b) buildings	346	1,105
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**613**	**1,488**
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 31/12/2021				Total 31/12/2020			
	Balance sheet value	Fair Value			Balance sheet value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Property assets	**1,110**	**-**	**1,110**	**-**	**1,200**	**-**	**1,200**	**-**
a) land		-		-				-
b) buildings	1,110		1,110	-	1,200	-	1,200	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,110**	**-**	**1,110**	**-**	**1,200**	**-**	**1,200**	**-**
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		**1,105**	**1,754**	**2,626**		**5,485**
A.1 Total net impairments	-		(1,746)	(2,252)		(3,998)
A.2 **Net opening balances**	**-**	**1,105**	**8**	**375**	**-**	**1,488**
B. Increases	**-**	**1,043**	**98**	**147**		**1,287**
B.1 Purchases		1,043	33	121		**1,197**
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			64	26		**90**
C. Decreases	**-**	**1,802**	**98**	**261**	**-**	**2,162**
C.1 Sales			66	26		**92**
C.2 Depreciation		697	3	209		**909**
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		1,105	29	26		**1,161**
D. Net closing balance	**-**	**346**	**7**	**260**	**-**	**613**
D.1 Total net impairments	-	(697)	(1,713)	(2,461)	-	(4,872)
D.2 **Gross closing balance**	**-**	**1,043**	**1,721**	**2,721**	**-**	**5,485**
E. Valuation at cost	**-**	**346**	**7**	**260**	**-**	**613**

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		**1,105**				**1,105**
A.1 Total net impairments		-				0
A.2 Net opening balances		**1,105**				**1,105**
B. Increases	-	**1,043**				**1,043**
B.1 Purchases		1,043				**1,043**
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						
C. Decreases	-	**1,802**			-	**1,802**
C.1 Sales						
C.2 Depreciation		697				**697**
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		1,105				**1,105**
D. Net closing balance	-	**346**	-	-	-	**346**
D.1 Total net impairments	-	(697)	0	0	-	(697)
D.2 Gross closing balance	-	**1,043**	-	-	-	**1,043**
E. Valuation at cost	-	**346**	-	-	-	**346**

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		**1,200**
B. Increases	-	**1**
B.1 Purchases		1
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	-	**91**
C.1 Sales		
C.2 Depreciation		91
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	-	**1,110**
E. Measurement at fair value		**1,110**

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% to 10%
Furniture	20%
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 31/12/2021		Total 31/12/2020	
	Assets carried at cost	Assets carried at fair value	Assets carried at cost	Assets carried at fair value
1. Goodwill				
2. Other intangible assets				
of which: software	**9,832**		**10,707**	
2.1 owned	**9,832**	**-**	**10,707**	**-**
-internally generated	2,059		1,954	
- other	7,773		8,753	
2.2 rights of use acquired under leases				
Total 2	**9,832**	-	**10,707**	-
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)	**9,832**	**-**	**10,707**	**-**
Total 31/12/2021	**9,832**	**-**	**10,707**	**-**

The IT costs attributable to internal software development projects amount to EUR 2,059 thousand.

The internally generated intangible fixed assets also include "software licenses" for EUR 1,303 thousand (EUR 1,540 thousand in 2020) and "software development" for EUR 6,470 thousand (EUR 7,213 thousand in 2020).

9.2 Intangible assets: changes during the year

(thousands of euros)

	Total
A. Opening balances	**10,707**
B. Increases	**2,671**
B.1 Purchases	2,671
B.2 Reversals of impairment losses	
B.3 Positive changes in fair value	-
- to equity	
- in income statement	
B.4 Other changes	
C. Decreases	**3,546**
C.1 Sales	
C.2 Depreciation	3,546
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	**9,832**

The purchases during the year, amounting to EUR 2,671 thousand, refer to capitalisations of IT costs, of which EUR 841 thousand (804 thousand in 2020) 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	depreciation 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 €)

	31/12/2021				31/12/2020			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	12,432	2,270	- 54	14,648	18,630	4,405	- 57	22,978
- Amounts withheld	10			10	3			3
- Tax credits pending rebate by the tax authorities	879			879	1,078			1,078
	13,321	**2,270**	**- 54**	**15,537**	**19,711**	**4,405**	**- 57**	**24,059**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	28,812	3,716		32,528	33,987	4,360		38,347
- Provisions for risks and charges	5,759	69		5,828	4,263	76		4,339
- Other	428			428	390			390
	34,999	**3,785**	**-**	**38,784**	**38,640**	**4,436**	**-**	**43,076**
Total	**48,320**	**6,055**	**- 54**	**54,321**	**58,351**	**8,841**	**- 57**	**67,135**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2021			31/12/2020		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	5,028	2,194	7,222	6,148	2,085	8,233
	5,028	**2,194**	**7,222**	**6,148**	**2,085**	**8,233**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed			-			-
- Capital Gain on participations			-	44	198	242
- Others	347		347	308		308
	347	**-**	**347**	**352**	**198**	**550**
Total	**5,375**	**2,194**	**7,569**	**6,500**	**2,283**	**8,783**

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**42,686**	**47,120**
2. Increases	**2,632**	**2,254**
2.1 Deferred tax assets recognized during the year	2,632	2,253
a) related to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other	2,632	2,230
2.2 New taxes or increases in tax rates		
2.3 Other increases		1
3. Decreases	**6,962**	**6,688**
3.1 Deferred tax assets eliminated during the year	6,962	6,688
a) reversals	6,962	6,688
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	**38,356**	**42,686**

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 2,632 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 6,962 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 5,826 thousand) and the use of provisions for risks and charges (EUR 1,136 thousand).

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

(thousands of €)

		Total 31/12/2021	Total 31/12/2020
1.	**Opening balance**	**29,722**	**34,478**
2.	**Increases**		
3.	**Decreases**	**4,756**	**4,756**
3.1	Amounts reversed	4,756	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**	**24,966**	**29,722**

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

(thousands of €)

		Total 31/12/2021	Total 31/12/2020
1.	**Opening balances**	**550**	**533**
2.	**Increases**	**39**	**17**
2.1	Deferred taxes recognized during the year	39	17
	a) related to previous years		
	b) due to change in accounting policies		
	c) other	39	17
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**	**242**	**-**
3.1	Deferred tax liabilities eliminated during the year	242	-
	a) reversals	242	
	b) due to change in accounting policies		
	c) other		
3.2	Reductions in tax rates		
3.3	Other decreases		
4.	**Closing balance**	**347**	**550**

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

(thousands of €)

		Total 31/12/2021	Total 31/12/2020
1.	**Opening balance**	**390**	**385**
2.	**Increases**	**38**	**5**
2.1	Deferred tax assets recognized during the year	38	5
	a) related to previous years		
	b) due to changes in accounting policies		
	c) other	38	5
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**	**428**	**390**

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 €)

	31/12/2021	31/12/2020
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	6	7
Items in transit	511	145
Securities credited to customers subject to collection services awaiting collection from the bank	47,018	39,134
Ecobonus credits	84,806	-
Other amounts receivable	13,229	28,348
Total	**145,573**	**67,637**

Ecobonus credits represent tax credits acquired by Ifitalia and waiting to be sold again to Group companies. The sale then took place by February 2022.

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 31/12/2021			Total 31/12/2020		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Loans	5,223,699	-	-	4,652,773	-	675
1.1. Reverse repurchase agreements						
1.2 other	5,223,699	-	-	4,652,773	-	675
2. Leasing payables	369	-	-	1,105		
3. Other payables	289,683	-	382,315	262,316	1,167	353,109
Total	**5,513,751**	**-**	**382,315**	**4,916,194**	**1,167**	**353,784**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	5,513,751	-	382,315	4,916,194	1,167	353,784
Total fair value	5,513,751	-	382,315	4,916,194	1,167	353,784

1.2 Financial liabilities measured at amortised cost: breakdown by product of securities issued

(thousands of €)

Type of securities/values	Total 31/12/2021				Total 31/12/2020			
	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	**236,204**	**-**	**-**	**236,204**	**206,488**	**-**	**-**	**206,488**
2.1 structured								
2.2 other					206,488			206,488
Total	**236,204**	**-**	**-**	**236,204**	**206,488**	**-**	**-**	**206,488**

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		369	-	-	369
Total	**-**	**369**	**-**	**-**	**369**

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 31/12/2021					Total 31/12/2020				
	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	-	-	-	2	-	-	-	-	28	-
1.1 Trading	X			2	X	X			28	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	-	-	2	X	X	-	-	28	X
Total (A + B)	X	-	-	2	X	X	-	-	28	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.

IFITALIA GRUPPO BNP PARIBAS

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

(thousands of €)

Underlying assets/Derivatives Type	Total 2021				Total 2020			
	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			251		-	-	773	-
- Fair value			2		-	-	28	-
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	-	-	2	-	-	-	28	-

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 31/12/2021	Total 31/12/2020
Collections being registered	116,037	76,257
Amounts due to employees	1,216	1,328
Amounts due to the tax authorities	931	692
Amounts due to social security and welfare institutions	1,493	1,343
Payables and invoices to be received from suppliers and professionals	15,627	15,485
Liabilities due to transferors	5,890	5,074
Other payables	4,526	4,220
Advances from customers	24,207	15,580
Residual holiday entitlement fund	447	486
Total	**170,374**	**120,465**

The increase in the item "collections being registered" from EUR 76,257 thousand in 2020 to EUR 116,037 thousand in 2021 is due to the increase in collections being registered related to an increase in operations at the end of the year.

Section 9 − Employee termination benefits − Item 90

9.1 "Employee termination benefits": changes during the year

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
A. Opening balance	**4,096**	**4,699**
B. Increases	**316**	**88**
B.1 Provision for the year	-	4
B.2 Other changes	316	84
C. Decreases	**377**	**691**
C.1 Liquidations	368	678
C.2 Other changes	9	13
D. Closing balance	**4,035**	**4,096**

(*) The provision for employee termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,644,078 and represents the effective obligation towards employees. The allocation for the year is EUR 141,899.

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;
- accruing 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 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 2021 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 2021, the following parameters were used: discount rate of 0.3%; inflation rate of 1.6%; 1.9% salary increase; estimated employment duration of 11 years.

Section 10 – Provisions for risks and charges − Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Total 31/12/2021	Total 31/12/2020
1. Provisions for credit risk relating to commitments and guarantees issued	425	1,907
2. Provisions on other commitments and other guarantees issued		
3. Post retirement benefit obligations		
4. Other provisions for risks and charges	17,847	11,069
4.1 legal and tax disputes	14,981	8,635
4.2 personnel expenses	2,193	2,434
4.3 other	673	-
Total	**18,272**	**12,976**

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**	-	-	**11,069**	**11,069**
B.	**Increases**	-	-	**9,304**	**9,304**
B.1	Provision for the year			9,304	9,304
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**	-	-	**2,526**	**2,526**
C.1	Utilisations for the year			2,526	2,526
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	-	-	**17,847**	**17,847**

Significant provisions for operational risk were mainly made considering transaction assumptions with transferor customers to settle ongoing disputes.

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	impaired acquired or originated	**Total**
1. Commitments to disburse funds					-
2. Financial guarantees issued	354	70	1	-	**425**
Total	**354**	**70**	**1**	**-**	**425**

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 31/12/2021	**Total 31/12/2020**
Personnel provisions:		
- redundancy incentive		-
- other employee benefits	2,193	2,434
Total	**2,193**	**2,434**

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 at both company and individual employee level.

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

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		Total 31/12/2021	Total 31/12/2020
110.	Share capital	55,900	55,900
140.	Share premium	61,799	61,799
150.	Reserves	674,745	645,696
	a) income reserves	675,903	646,854
	b) other reserves	(1,158)	(1,158)
160.	Valuation reserves	(1,129)	(1,027)
180	*Profit (loss) for the year*	26,603	29,049
	Total shareholders' equity	**817,918**	**791,417**

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 for ordinary shares	61,799

The share premium has not changed compared to 31 December 2020.

11.5 Other information

Breakdown and changes in Reserves

(thousands of €)

			Legal reserve	Statutory reserve	Other	Total
A.	**Opening balance**		**11,180**	**635,674**	**(1,158)**	**645,696**
B.	**Increases**		**-**	**29,049**	**-**	**29,049**
	B.1	Allocations of profits		29,049		29,049
	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**	**664,723**	**(1,158)**	**674,745**

The increase in the Statutory Reserve of EUR 29,049 thousand is due to the allocation of the 2020 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**		-	-	-	-		-	(1,027)	(1,027)
B.	**Increases**		-	-	-	-	-	-	-	-
	B.1	Positive fair value changes								-
	B.2	Other increases								-
C.	**Decreases**		-	-	-	-	-	-	102	102
	C.1	Negative fair value changes								-
	C.1	Other decreases							102	102
D.	**Closing balances**		-	-	-	-	-	-	(1,129)	(1,129)

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 2021				
	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	664,723	A-B-C		664,723
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
Property revaluation reserve	5,870	A-B-C		5,870
Valuation reserve	(1,129)	-	(1)	-
Profit for the year	26,603	A-B-C		26,603
Total	**817,918**		**-**	**751,967**
Non-distributable share	**65,941**			
Minority interests	**10**			
Residual distributable share	**751,977**			**751,977**

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

Section 12 – Minority interests

12.1 Breakdown of item 180 “Minority interests”

(thousands of €)

Items/value	Total 2021	Total 2020
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 31/12/2021	Total 31/12/2020
	First stage	Second stage	Third stage	Impaired acquired or originated		
1. Commitments to disburse funds	**109,860**	**51,864**	**-**	**-**	**161,724**	**266,766**
a) Public Administrations	17,016	40,652	-	-	57,668	42,101
b) Banks	-	-	-	-	-	733
c) Other financial institutions				-	-	-
d) Non-financial institutions	92,844	11,212	-	-	104,056	223,913
e) Families	-	-	-	-	-	19
2. Financial guarantees issued	**96,965**	**4,848**	**4**	**-**	**101,817**	**94,421**
a) Public Administrations	612	315	-	-	927	3
b) Banks	2,802	-	-	-	2,802	3,419
c) Other financial institutions				-	-	-
d) Non-financial institutions	91,553	4,320	-	-	95,873	88,392
e) Families	1,998	213	4	-	2,215	2,607

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 31/12/2021	Total 31/12/2020
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:	-	**44,944**	**-**	**44,944**	**56,978**
3.1 Loans to banks		236	X	236	285
3.2 Loans to financial companies		1,292	X	1,292	1,535
3.2 Loans to customers		43,416	X	43,416	55,158
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**15,205**	**10,484**
Total	**-**	**44,944**	**-**	**60,149**	**67,462**
of which: interest income on impaired financial assets		2,883		2,883	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 2021, this item amounted to EUR 15,205 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 1,848 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of €)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2021	Total 31/12/2020
1. Financial liabilities measured at amortised cost:	1,981	-	-	1,981	4,107
1.1 Deposits from banks	777	X	X	777	2,528
1.2 Deposits from financial companies	1,204	X	X	1,204	1,579
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	**1,981**	**-**	**-**	**1,981**	**4,107**
of which: interest expense related to leasing debts	*2*			*2*	*5*

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 440 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 31/12/2021	Total 31/12/2020
a) financial lease transactions	-	-
b) factoring transactions	51,934	49,168
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	6,747	-
Total	58,681	49,168

IFITALIA GRUPPO BNP PARIBAS

2.2 Fee and commission expense: breakdown

(thousands of €)

Detail/Sectors	Total 31/12/2021	Total 31/12/2020
a) guarantees received	530	1,079
b) distribution of services to third parties		
c) collection and payment services	684	641
d) other commissions of brokerage	10,331	10,602
Total	**11,545**	**12,322**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of €)

Items/Income	Total 31/12/2021		Total 31/12/2020	
	Dividends	Similar Income	Dividends	Similar Income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value	90		90	
C. Financial assets at fair value through other comprehensive income				
D. Equity investments				
Total	**90**	**-**	**90**	**-**

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	(19)
4. Derivative instruments	26	-	-	-	26
4.1 Financial derivatives	26				26
4.2 Credit derivatives					-
of which: natural hedging related to the fair value	X	X	X	X	
Total	**26**	**-**	**-**	**-**	**7**

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	**-**	**80**	**-**	**-**	**80**
1.1 Debt securities					**-**
1.2 Equity instruments		80			**80**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	-	80	-	-	80

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
			Third level		Impaired acquired or originated							
	First level	Second level	Write-off	Other	Write-off	Other	First level	Second level	Third level	Impaired acquired or originated	31/12/2021	31/12/2020
1. Loans to banks			-	-			**4**		-		**4**	**(3)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans			-	-			**4**		-		**4**	**(3)**
- for leasing												-
- for factoring			-	-			4		-		4	**(3)**
- other loans			-	-			-		-			-
2. C Loans to financial institutions	**(71)**							**119**			**48**	**51**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans	**(71)**							**119**			**48**	**51**
- for leasing											-	-
- for factoring	(71)							119			**48**	**51**
- other loans		-	-	-			-		-		-	-
3. Loans to consumers			**(223)**	- **19,675**			**287**	**961**	**6,105**		**(12,545)**	**(7,970)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- for consumer credit											-	-
- other loans											-	-
Other loans			**(223)**	**(19,675)**			**287**	**961**	**6,105**		**(12,545)**	**(7,970)**
- for leasing											-	-
- for factoring			(223)	(19,675)			287	961	6,105		**(12,545)**	**(7,970)**
- for consumer credit											-	-
- loans on pledge											-	-
- other loans		-	-	-			-		-		-	-
Total	(71)		(223)	(19,675)			291	1,080	6,105		(12,493)	(7,922)

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 level	Second level	Third level		Impaired acquired or originated		31/12/2021	31/12/2020
			Write-off	Other	Write-off	Other		
Financing granted in accordance with the GL							-	
Loans granted under other concession measures		(7)		(5)			(12)	(1,400)
New loans	-						-	
Total 2021	**-**	**(7)**	**-**	**(5)**			**(12)**	
Total 2020	**(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 31/12/2021	Total 31/12/2020
1)	Employees	17,458	16,981
	a) salaries and wages	11,881	11,454
	b) social security contributions	3,752	3,582
	c) leaving indemnity		
	d) social security and welfare costs		
	e) provision for termination benefits	0	4
	f) provisions for post-retirement benefits and similar obligations:	-	-
	- defined contribution	-	
	- defined benefit		-
	g) payments to external supplementary pension funds:	1,283	1,362
	- defined contribution	1,283	1,362
	- defined benefit		-
	h) other expenses (net)	543	579
2)	Other active employees	418	312
3)	Directors and Statutory Auditors	157	149
4)	Staff retirement		
5)	Recovery of expenses for employees seconded to other companies	(173)	(165)
6)	Expense reimbursements for employees of third parties seconded to the company	4,100	4,271
	Total	**21,960**	**21,548**

10.2 Average number of employees by category

	Total 31/12/2021	Total 31/12/2020
a) Employees	**239**	**233**
1) Managers	6	5
2) Middle managers	119	121
3) Remaining employees	114	107
b) Other personnel	**37**	**39**
Total	**276**	**272**

10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2021	Total 31/12/2020
Indirect duties and taxes	990	781
Sundry services rendered by third parties	8,947	8,820
Sundry services rendered by third parties (IT)	8,899	8,601
Sundry services rendered by third parties (Internal Auditing)	48	219
Fees for professionals	2,947	2,847
Fees for consultancy	592	646
Fees for legal and notarial costs	1,914	1,580
Fees for debt collection	344	524
Compensation to independent Auditors	97	97
Costs relating to properties/furniture	427	335
Postal, printed matter, surveillance of premises and stock values	911	1,104
Management expenses GFCC	836	448
Advertising and entertainment	192	189
Searches and information	1,189	1,360
Other expenses	6,588	4,922
TOTAL	**23,027**	**20,806**

The compensation for services rendered by the audit company in 2021, net of VAT, is EUR 75 thousand (EUR 75 thousand in 2020).

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 31/12/2021	Total 31/12/2020
	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(1)		1,236	248	**1,483**	**(294)**
B. Derivatives on receivables					**-**	
C. Commitments to grant loans					**-**	
D. Other transactions					**-**	
E. Total	**(1)**		**1,236**	**248**	**1,483**	**(294)**

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 31/12/2021	Total 31/12/2020
PROVISIONS	**(8,845)**	**(6,670)**
Legal disputes	**(8,172)**	**(6,670)**
Revocation actions		
Pending disputes	(8,172)	(6,670)
Personnel charges	-	-
Other provisions	**(673)**	**-**
USES	**8**	**776**
Legal disputes	**8**	**776**
Revocation actions	-	
Pending disputes	8	776
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**-**
Legal disputes	**-**	**-**
Revocation actions	-	
Pending disputes	-	
Total	**(8,837)**	**(5,894)**

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	**909**	**-**	**-**	**909**
- for business use	212			212
- granted under operating lease	697			697
				-
A.2 For investment	**91**	**-**	**-**	91
- for business use	91			91
- granted under operating lease				-
A.3 Inventories	X			-
Total	**1,000**	**-**	**-**	**1,000**

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:	3,546	-	-	3,546
1.1 owned	3,546			3,546
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,546**	**-**	**-**	**3,546**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of €)

Analysis	Total 31/12/2021	Total 31/12/2020
Other charges		
Losses for sundry causes		
Other charges	(692)	(666)
Total	**(692)**	**(666)**

14.2 Other operating income: breakdown

(thousands of €)

Analysis	Total 31/12/2021	Total 31/12/2020
Other income		
Rental income	367	367
Other income	2,279	2,963
Total	**2,646**	**3,330**

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 31/12/2021	Total 31/12/2020
A. Proprieties	**-**	**242**
- Gains on disposal		242
- Losses from sale		
B. Other activities	**-**	**-**
- Gains on disposal		
- Losses from sale		
Net result	**-**	**242**

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 31/12/2021	Total 31/12/2020
1.	Current taxes (-)	(7,217)	(8,235)
2.	Changes in current taxes of previous years (+/-)	(108)	16
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 (+/-)	(4,331)	(4,433)
5.	Change in deferred taxes (+/-)	203	(17)
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(11,453)**	**(12,669)**

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	37,779	37,779
Permanent, undeductible differences	431	9,963
Permanent, untaxable differences	(6,570)	
Total taxable income	31,640	47,742
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(8,701)	(2,650)
Other differences	(52)	(49)
Effective tax liability as per financial statements	**(8,753)**	**(2,699)**

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 fee and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2021	Total 31/12/2020
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. **Financial leasing**	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. **Factoring**	**144**	**1,354**	**43,446**	**89**	**796**	**57,795**	**103,624**	**106,146**
- on current receivables	*141*	*1,320*	*41,877*	*89*	*796*	*51,764*	95,987	103,943
- on future receivables			*92*				92	172
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*3*	*34*	*1,477*			*6,031*	7,545	2,031
3. **Consumer credit**	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. **Loans on pledge**							-	-
5. **Guarantees and commitments**	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**144**	**1,354**	**43,446**	**89**	**796**	**57,795**	**103,624**	**106,146**

The table does not show 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 2021, this item amounted to EUR 15,205 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.

B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Amount	Total 31/12/2021			Total 31/12/2020		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**6,467,037**	**8,145**	**6,458,892**	**5,831,756**	**8,977**	**5,822,779**
- exposures to transferors (with recourse):	772,852	3,167	769,685	613,435	3,031	610,404
- factoring of future receivables	3,218	5	3,213	3,130	6	3,124
- other	769,634	3,162	766,472	610,305	3,025	607,280
- exposures to transferred debtors transferors (without recourse)	5,694,185	4,978	5,689,207	5,218,321	5,946	5,212,375
2. Impaired assets	**327,476**	**249,797**	**77,679**	**343,298**	**255,916**	**87,382**
2.1 Non-performing	**254,417**	**212,631**	**41,786**	**264,255**	**216,897**	**47,358**
- exposures to transferors (with recourse)	167,783	138,608	29,175	172,037	137,562	34,475
- factoring of future receivables	2,796	5	2,791	4,096	805	3,291
- other	164,987	138,603	26,384	167,941	136,757	31,184
- exposures to transferred debtors (without recourse)	86,634	74,023	12,611	92,218	79,335	12,883
- purchases below nominal value						-
- other	86,634	74,023	12,611	92,218	79,335	12,883
2.2 Unlikely to pay	**70,187**	**36,733**	**33,454**	**76,675**	**38,637**	**38,038**
- exposures to transferors (with recourse)	32,258	19,019	13,239	40,037	20,716	19,321
- factoring of future receivables			-	-	-	-
- other	32,258	19,019	13,239	40,037	20,716	19,321
- exposures to transferred debtors (without recourse)	37,929	17,714	20,215	36,638	17,921	18,717
- purchases below nominal value			-			-
- other	37,929	17,714	20,215	36,638	17,921	18,717
2.3 Past due positions	**2,872**	**433**	**2,439**	**2,368**	**382**	**1,986**
- exposures to transferors (with recourse)	15	3	12	608	301	307
- factoring of future receivables	-	-	-	-	-	-
- other	15	3	12	608	301	307
- exposures to transferred debtors (without recourse)	2,857	430	2,427	1,760	81	1,679
- purchases below nominal value			-			-
- other	2,857	430	2,427	1,760	81	1,679
Total	**6,794,513**	**257,942**	**6,536,571**	**6,175,054**	**264,893**	**5,910,161**

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	
	2021	2020	2021	2020
- on demand	155,326	163,942	334,963	343,231
- up to 3 months	421,532	261,935	868,549	593,951
- 3 to 6 months	111,279	65,699	222,489	147,040
- 6 months to 1 year	62,900	96,642	89,682	116,946
- beyond 1 year	61,074	76,289	87,113	81,018
- unspecified duration				
Total	812,111	664,507	1,602,796	1,282,186

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Time bands	Exposures	
	2021	2,020
- at sight	326,635	349,019
- up to 3 months	3,695,631	3,381,114
- over 3 months up to 6 months	1,040,295	916,558
- 6 months to 1 year	268,871	246,038
- over 1 year	52,661	40,206
- indefinite duration	340,367	312,719
Total	5,724,460	5,245,654

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 31/12/2021	Total 31/12/2020
1. Without-recourse transactions	27,422,460	25,690,373
of which: purchases below the nominal value		
2. With-recourse transactions	2,469,715	2,249,354
Total	**29,892,175**	**27,939,727**

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 31/12/2021	Total 31/12/2020
Loans and receivables collected in the year	306,730	405,951
Amount of loans and receivables at year end	73,450	111,666

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

(thousands of €)

Items	Total 31/12/2021	Total 31/12/2020
Flow of factoring contracts for future in the year	35,565	29,332
Amount of the contracts at year end	123,530	160,146

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 2021, amounted to EUR 1,887 thousand (EUR 2,034 thousand at the end of 2020).

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 31/12/2021	Amount 31/12/2020
1)	Financial guarantees given upon first request	**101,817**	**94,421**
	a) Banks	2,802	3,419
	b) Financial Companies	-	-
	c) Costumers	99,015	91,002
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	**161,724**	**266,766**
	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	161,724	266,033
	i) certain to be called on	-	-
	ii) uncertain to be called on	161,724	266,033
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	**263,541**	**361,187**

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

(thousands of €)

Exposures	31/12/2021			31/12/2020		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
- financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**114,520**	**(84,916)**	**29,604**	**125,076**	**(89,502)**	**35,575**
- commercial				-	-	-
- financial	114,520	(84,916)	29,604	125,076	(89,502)	35,575
Total	**114,520**	**(84,916)**	**29,604**	**125,076**	**(89,502)**	**35,575**

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	-	-	**101,813**	**(258)**	-	-	-	-	-	-	**4**	**(1)**
- financial guarantees upon first request			101,813	(258)							4	(1)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**101,813**	**(258)**	-	-	-	-	-	-	**4**	**(1)**

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	-	3,390	-	-	-	-
(B) Increases:	-	4	-	-	-	-
- (b1) transfers from performing guarantees	-	4	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	(3,390)	-	-	-	-
- (c1) outgoings to performing guarantees	-	(11)	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	(3,211)	-	-	-	-
- (c4) other decreases	-	(168)	-	-	-	-
(D) Gross final value	-	4	-	-	-	-

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	-	91,031	-	-	-	-
(B) Increases:	-	40,956	-	-	-	-
- (b1) Guarantees given	-	15,480	-	-	-	-
- (b2) other increases	-	25,476	-	-	-	-
(C) Decreases:	-	(30,174)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(4)	-	-	-	-
- (c3) other decreases	-	(30,170)	-	-	-	-
(D) Gross final value	-	101,813	-	-	-	-

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 Fee and commission income and expense 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	-	-	-	-	85,609
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	2,802
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	4,048
- Subgroup : Others	-	-	-	-	9,358
Total	**-**	**-**	**-**	**-**	**101,817**

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	-	-	-	-	29,680
- Region 2	Centre Italy	-	-	-	-	26,280
- Region 3	North-East Italy	-	-	-	-	24,885
- Region 4	South Italy and islands	-	-	-	-	16,101
- Region 5	Others	-	-	-	-	4,871
Total		**-**	**-**	**-**	**-**	**101,817**

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 Head of the Risk Division holds the position of Head of the Risk Control Function 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 Risk Regulatory and Transversal Project point of contact, who follows project management activities concerning internal and external regulatory adjustments/changes and management activities in the field of IT planning and cost control, reports to the Risk Manager. 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 credit proposals, change of status to impaired risk, adequacy of provisions where envisaged by the delegations of authority and procedures 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 coordination with the competent BNP Paribas Group Functions, the definition and maintenance of the methods and instruments aimed at identifying, measuring, assessing and handling the credit risks.

---

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.

- ensures, in coordination with the competent BNP Paribas Group Functions, 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.
- monitors outsourced risk activities.

During 2021, the Company's organisational structure underwent a number of changes that also had an impact on the structure of the Risk Division. In particular, a new "Credit Risk Analysis" structure was created within the Risk Division, resulting from the unification of the Transferor Risk Assessment and Debtor Risk Assessment Units, with a view to synergising skills and optimising delivery times.

The structures of the Risk Division are shown below.

Risk Operational Risk & Control / RISK ORM – Operational Risk Management

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 ORM 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.

No outsourced activities are currently operational, although an outsourcing project is being implemented on BNL for the part concerning the ICT risk perimeter. The preliminary report on the project was submitted to the Bank of Italy in February 2022.

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 Functions concerned;
- it monitors the achievement of the lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Functions 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 Functions;

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 Functions, to the planning, application and maintenance of the procedures aimed at overseeing the credit risks;
4) 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;
5) 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 Structure is divided into two areas. The model development area for the models developed by Ifitalia takes care of the estimation, maintenance and development of the methods aimed at measuring credit risk, ensuring the correct local implementation and acknowledgement, where applicable, of the guidelines of the Parent Company BNP Paribas. For Models developed by BNL and adopted by Ifitalia, it performs analyses on the performance of the models on the specific Ifitalia portfolios, both during first-time adoption and in case of changes or updates by the BNL tasked functions, checking whether any adaptations are required to ensure correct implementation at entity level.
As part of the ICAAP controls, it collaborates with the Finance Division for the part under the responsibility of the Risk Division in carrying out the stress tests required by the regulations as well as ensuring control during the year of the second pillar risks falling within the Risk Division perimeter considered significant for the company.
The performance analysis and reporting area ensures the monitoring of the performance and estimates produced by the local models used for management purposes within the credit process.
It sees to the rationale of the quality control system for the relevant areas of responsibility (internal risk models); it receives the results of the checks carried out and, in coordination with the Risk Monitoring function, directs and manages the follow-up of the anomalies found.
It prepares periodic reports for the Company's Governance and Control Bodies on the control activities carried out (performance and data quality).

Asset Quality Monitoring: analyses the quality of assets through a system of reports at various levels of detail to allow Senior Management and Top Management to see changes in the main risk variables under their control or affected by their actions.
Provides information support to management to enable: the tasked functions to implement the process of controlling the size of the impairment and flat-rate provisions (known as Action Plan); an aid to the latter's formulation of budget forecasts for the cost of credit risk; to define/set credit policies decided at local level.
It provides quarterly reporting on the Risk Appetite Framework, which defines the risk profile considered acceptable by the Company in the medium to long term. In particular, for each type of risk to be assumed, risk objectives, early warnings and operating limits are established under both normal and stress conditions.

Both 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.

Credit Risk Analysis

The Credit Risk Analysis structure, through its Transferor Risk Assessment and Debtor Risk Assessment structures, has the following responsibilities:

- seeing to the independent and autonomous assessment of the credit proposal, through the formulation of Risk Opinions, in accordance with the policies, procedures and processes of the company and of the BNP Paribas Group, taking into account the risk profile of the loan portfolio concerned;
- seeing to the independent assessment of the ESG (Environmental, Social and Governance) risk profile, in accordance with the relevant sector policies, BNP Paribas Group procedures and dedicated exclusion and monitoring lists;
- ensuring the consistency and quality of risk measures for both the counterparties and the relevant credit lines with recourse;
- assessing proposals for status changes to impaired risk, as well as intervention plans (requests for extensions, repayment plans, settlements, etc.) formulated by the Business Lines and BNL Workout, issuing the related Risk Opinion;
- assessing the adequacy of the proposed provisions on impaired risks and the departure proposals put forward compared to the Company Allocation Standards;
- ensuring the compliance of operations and the correct application of internal rules in the decision-making process (delegated powers, classification of exposures and guarantees, consistency of assessment tools, company relationships, etc.);
- participating in the systematic supervision process and in the identification of risk deterioration situations (WL) as well as in the WL, Doubtful and Workout committees;
- collaborating in the periodic assessment of the quality of Ifitalia's credit portfolio;
- collaborating in the definition of credit policies and portfolio strategies useful for controlling the cost of risk;
- collaborating in the improvement of credit procedures and processes and in the validation of new relevant products and/or activities;
- ensuring the dissemination as part of the Business Lines and the Risk Division of the tools and notions developed by the corresponding structure of BNL, GFCC or BNP Paribas.

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 framework of controls described in the application rules that support 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 function 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 function.
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.

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 first levels of responsibility of business management, to the Strategic Supervision and Control Bodies and to the BNP Paribas Group's RISK function 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.

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[3]” and a “risk chain[4]”. 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.
In the presence of specific characteristics of the operation accurately detailed in the relevant internal procedures (type of product, risk profile of the transferor and counterparty, presence of specific "supports", etc.), simplified procedures for assessing the transferor/debtor have also been defined.
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.

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

Both with regard to the without recourse debtor and transferor role, the power delegations take into account not only the absolute amounts but also the internal rating values and the characteristics of the transaction (risk category).
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.
The Systematic Supervision process - whose general principles have been approved by the Board of Directors in a specific Policy - entails:

- 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.

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.

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 company functions 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 on proposals pertaining to the higher decision-making bodies.
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.

Debtor Committee

It is a body that analyses and resolves with competence over all matters relating to problem loans/receivables with the exclusion of active operations.

In this context, within the limits of the powers granted by the Board of Directors, the Committee resolves, at the suggestion of the structure managing the relation, on:

- status changes with regard to transferor customers and debtors without recourse,
- risk provisions made on a judgemental basis,
- operations referring to positions classified as "Restructured Unlikely to Pay", "Arrears Unlikely to Pay", "Agreed Unlikely to Pay" or "Non-performing" as better defined in the Delegation System
- deviation from global allocations compared to the standard on those classified as Past Due (PD) Forborne Unlikely to Pay (IPA).

The Committee also expresses opinions on proposals pertaining to the higher decision-making bodies.

Product, Activities, Exceptional Transactions Committee

This is an analysis and decision-making body that operates with the aim of assessing, validating and authorising new products, including services and agreements, and the implementation of exceptional activities and transactions, including operations that, although based on "Standard Products", due to the extraordinary size of the volumes involved (whether receivables, total number of invoices and/or per debtor, number of debtors, etc.) cannot be managed according to current practice and require organisational, operational or system adjustments/implementations.

The Committee also assesses and expresses an opinion on outsourcing projects concerning Essential Services Provision (ESP) with critical level 4 (Critical Arrangements according to the Group classification) as well as on outsourcing projects with even lower critical level if at least one of the members of the Pre-Validation Workshop (Pre-NAC) deems it appropriate. However, the Board of Directors must pass the outsourcing project before it is launched.

Risk Monitoring Committee

It 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 Functions and assesses the mitigation action proposed by the responsible Functions, individually or jointly.

Furthermore, the company control Functions 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 Functions and represents a point of business synthesis that ensures a single view of risks.

The Committee is structured into internal Sessions with different areas of responsibility and composition. For each session, the attendees are identified in relation to the topics covered and their respective expertise. As part of each Session, the members of the Committee invite representatives of the relevant structures in relation to the topics discussed.

Each structure can identify the names of persons who have the right to replace the attendees in the Sessions.

Specifically, the Committee is responsible for:

- examining the trends in the quality of assets in the portfolio and assessing the action/initiatives for the mitigation of the risks and for the amendment of the developmental trends of the activities for the containment of the risks and the RWAs;
- as part of the internal rating system, it ensures the examination of the changes in the risk measures applied in the company, as well as a periodic integrated view of the outcome of the data quality and data integrity controls related to the use of the system;
- assessing the corrective action plans proposed by the competent functions for the positions included on the watchlists on a consistent basis with the processes defined at BNP Paribas Group level;

- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk, including "RISK ICT and Cyber";
- validating the Operational Plans for Control of the risks, prepared by the responsible functions, to be submitted for the approval of the Board of Directors;
- ensuring, through a dedicated session, the coordination and monitoring of the system of defence against the risk of fraud;
- ensuring, through a dedicated session, the coordination and monitoring of the outsourcing risk management system;
- supporting the Business Continuity manager in the recognition, sharing and validation of the information and the initiatives aimed at the maintenance of the Business Continuity solutions;
- supervising, in an integrated manner, the current and forecast trend of the risk profile by monitoring the metrics of the Risk Appetite Framework;
- 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 company Functions; communicating the outcome of the discussions to the BoD, formalised in specific reports.

Techniques for mitigating the credit risk

The mitigation of credit risk in the factoring transactions 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 management 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 cycle, both positive and negative, in advance, allowing for variations related to the pandemic 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.

2.4 2021 Projects

During 2021, Ifitalia continued its analysis of the actions required by the Bank of Italy as a result of the IRBA audit completed in December 2019. In particular, the Company assessed the sustainability of the Corrective Actions Plan required by the

Regulator, in the light of the initiatives underway and to be launched both at Local - Domestic Market and Group level. In this area, the impacts of two key projects were analysed:
- the programme launched with the Governance of the BNP Paribas Group, concerning the standardisation, rationalisation and reduction of internal models;
- the initiatives of the 2022-2025 Business Plan and, among these, the request to converge on a common IT platform for all entities of the Factoring Chain.

Following the analysis of the action plan required by the Regulator to make the transition to IRBA effective and in consideration of the projects mentioned above, the Company decided not to carry out the resolution of the corrective actions relating to capital measures (known as "conditions" and "floor" remedial actions). The actions required to overcome these areas showed significant impacts on the projects indicated, requiring them to reconsider costs, efforts and deadlines.

This led to the determination to propose the discontinuation of the IRBA project. However, given the importance of the Internal Rating System and its role in Ifitalia's credit architecture, the Company decided to address the corrective actions required under "remedial actions other than conditionality and floors" with the aim of further improving its risk management framework in line with Bank of Italy recommendations.

Considering the above, the Company continues to calculate the capital requirement under the Standardised Approach, using the Internal Rating System within the credit process and risk management framework.

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;
- 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 the requirement of placing the counterparty among the NPE forborne exposures can derive - together with the existence of certain objective assumptions.
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	49,516	33,956	2,439	412,140	6,430,890	**6,928,941**
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		191			363	**554**
5. Discontinues operations						**-**
Total 31/12/2021	49,516	34,147	2,439	412,140	6,431,253	**6,929,495**
Total 31/12/2020	55,394	39,029	1,908	724,505	5,445,054	**6,265,890**

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	341,018	(255,107)	85,911		6,851,225	(8,195)	6,843,030	6,928,941
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	191		191		X	X	363	554
5. Discontinued operations			-				-	-
Total 31/12/2021	**341,209**	**(255,107)**	**86,102**	**-**	**6,851,225**	**(8,195)**	**6,843,393**	**6,929,495**
Total 31/12/2020	**357,423**	**(261,092)**	**96,331**	**-**	**6,174,392**	**(9,615)**	**6,164,777**	**6,265,890**

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

(thousands of €)

Portfolios/quality	First level			Second level			Third level			Impaired acquired or originated		
	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	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	299,861	50,354	8,770	37,312	9,387	6,868	785	2,307	337,926			
2. Financial assets at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2021	299,861	50,354	8,770	37,312	9,387	6,868	785	2,307	337,926	-	-	-

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 guarantees given				Total
	Assets in the first status						Assets in the second status						Assets in the third status											
	Loans to banks on deman	Financial assets measured amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held for sa	of which: single write-down	of which collective write-downs	Loans to banks on deman	Financial assets measured amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held for sa	of which: single write-down	of which collective write-downs	Loans to banks on deman	Financial assets measured amortised cost	Financial assets at fair value through othe comprehensive income	Financial assets held for sa	of which: single write-down	of which collective write-downs	Of which financial assets impair acquired or originated	First level	Second level	Third level	Commitments to grant loan and financial guarantees issued	
Opening Balance		**6,248**	**-**		**-**	**6,248**		**3,367**	**-**		**-**	**3,367**		**261,093**	**-**		**261,093**	**-**	**-**	**460**	**204**	**1,243**		**272,615**
Increases in financial assets acquired or originated		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-		-
Eliminations other than write-offs		-	-		-	-		-	-		-	-		-	-		-	-	-					-
Net value adjustments/writebacks for credit risk (+/-)		-180	-		-	-180		-1,261	-		-	-1,261		14,647	-		14,647	-	-	-127	-64	-1,216		11,799
Contract modifications without eliminations		-	-		-	-		-	-		-	-			-		-	-	-	-	-	-		-
Changes in estimation method			-		-	-			-		-	-			-		-	-	-					-
Write-off		-	-		-	-		-	-		-	-		-18,349	-		-18,349	-	-	-	-	-		-18,349
Other changes		111	-		-	111		-90	-		-	-90		-2,284	-		-2,284	-	-	21	-70	-26		-2,338
Closing balance		**6,179**	**-**		**-**	**6,179**		**2,016**	**-**		**-**	**2,016**		**255,107**	**-**		**255,107**	**-**	**-**	**354**	**70**	**1**		**263,727**
Recoveries from collections on financial assets written off		-	-		-	-		-	-		-	-		107	-		107	-	-					107
Write-offs recognised directly to the income statement		-	-		-	-		-	-		-	-		-223	-		-223	-	-					-223

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	104,452	3,577	310	407	1,891	219
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	25,448	28,859	82	17	75	458
Total 31/12/2021	129,900	32,436	392	424	1,966	677
Total 31/12/2020	114,375	78,346	1,392	406	1,130	4,221

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						
A 3 Subject to other concession measures	1	0	44	-	1	-
A 4 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 31/12/2021	1	0	44	-	1	-
Total 31/12/2020	1,055	479	6,356	-	195	26

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*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. CASH EXPOSURES										
A1 On demand	9,503	-	-	-	-	-	-		9,503	
a) Impaired assets	X				X				-	
b) Performing assets	9,503		X		-		X		9,503	
A2 Other	113,530	5,193	461		(17)	(1)	(461)		118,705	
a) Doubtful loans	X		461		X		(461)		-	
-of which forborne exposures	X	-			X				-	
b) Unlikely to pay	X				X				-	
-of which forborne exposures	X				X				-	
c) Impaired past due loans	X				X				-	
-of which forborne exposures	X				X				-	
d) Performing Past due loans	10,985	585	X		(2)	-	X		11,568	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	102,545	4,608	X		(15)	(1)	X		107,137	
-of which forborne exposures			X				X		-	
TOTAL A	**123,033**	**5,193**	**461**	**-**	**(17)**	**(1)**	**(461)**	**-**	**128,208**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X				X				-	
b) Performing assets	2,802		X		-		X		2,802	
TOTAL B	**2,802**	**-**			**-**	**-**	**-**	**-**	**2,802**	**-**
TOTAL A+B	**125,835**	**5,193**	**461**	**-**	**(17)**	**(1)**	**(461)**	**-**	**131,010**	**-**

6.2 Cash credit exposures to banks and financial businesses: changes in gross impaired exposures

(thousands of €)

	Cause/Categories	Impaired	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**460**		**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**1**	**-**	**-**
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	1	-	-
C.	***Decreases***	**-**	**-**	**-**
C.1	exits to performing exposures	-		-
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		-	-
D.	***Gross final exposure***	**461**	**-**	**-**
	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	Impaired		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***	**460**	**-**	**-**	**-**		**-**
	- 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	1	-	-	-	-	-
C.	***Decreases***	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
D.	***Final total adjustments***	**461**	**-**	**-**	**-**	**-**	**-**
	- 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*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. CASH EXPOSURES										
a) Doubtful loans	X		266,216		X		(216,700)		49,516	
-of which forborne exposures	X		23,884		X		(19,297)		4,587	
b) Unlikely to pay	X		71,468		X		(37,512)		33,956	
-of which forborne exposures	X		28,874		X		(14,424)		14,450	
c) Impaired past due loans	X		2,873		X		(434)		2,439	
-of which forborne exposures	X		54		X		-		54	
d) Performing Past due loans	348,001	52,982	X		(222)	(189)	X		400,572	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	5,781,145	550,373	X		(5,940)	(1,826)	X		6,323,752	
-of which forborne exposures		2,491	X			(5)	X		2,486	
TOTAL A	**6,129,146**	**603,355**	**340,557**		**(6,162)**	**(2,015)**	**(254,646)**		**6,810,235**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X		4		X		-1		3	
b) Performing assets	204,023	56,712	X		(354)	(70)	X		260,311	
TOTAL B	**204,023**	**56,712**	**4**	**-**	**(354)**	**(70)**	**(1)**	**-**	**260,314**	**-**
TOTAL A+B	**6,333,169**	**660,067**	**340,561**	**-**	**(6,516)**	**(2,085)**	**(254,647)**	**-**	**7,070,549**	**-**

* 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 total provisions				Net exposure	Write-off partials overall*
	First level	Second level	Third level	Impaired acquired or originated	First level	Second level	Third level	Impaired acquired or originated		
A. Non-performing credit exposures:	-	-	-	-	-	-	-	-		
a) Object of concession in accordance with GL						-		-	-	-
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession						-		-	-	-
c) Subject to other concession measures						-		-	-	-
d) New funding										
B. Credit exposures in probable default:	-	-	182	-	-		(136)	-	46	-
a) Object of concession in accordance with GL	-						-	-	-	-
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession										
c) Subject to other concession measures			182		-		(136)	-	46	-
d) New funding						-		-	-	-
C. Impaired past due credit exposures:	-	-	-	-	-	-	-	-	-	-
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession						-		-	-	-
c) Subject to other concession measures						-		-	-	-
d) New funding						-		-	-	-
D. Non-impaired past due exposures:										
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession	-	-	-	-	-	-	-	-		-
c) Subject to other concession measures						-		-	-	-
d) New funding						-		-	-	-
E. Other non-impaired exposures:	170	2,674	-	-	(3)	(7)	-	-	3,034	-
a) Object of concession in accordance with GL										
b) subject to moratorium measures which no longer comply with the GL and which are not assessed as the subject of a concession	170	2,674	-	-	(3)	(7)	-	-	3,034	
c) Subject to other concession measures						-		-	-	-
d) New funding					-	-		-	-	-
TOTAL (A+B+C+D+E)	**170**	**2,674**	**182**	**-**	**(3)**	**(7)**	**(136)**	**-**	**3,080**	**-**

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***	**276,638**	**77,957**	**2,368**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**12,078**	**9,760**	**2,862**
B.1	entries from performing exposures	2,525	4,057	1,053
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	9,503	-	149
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	50	5,703	1,660
C.	***Decreases***	**(22,500)**	**(16,249)**	**(2,357)**
C.1	exits to performing exposures	(5,738)	(4,724)	(1,478)
C.2	write-offs	(16,658)	(1,412)	(13)
C.3	collections	(104)	(610)	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(9,503)	(182)
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	-	-	(684)
D.	***Gross final exposure***	**266,216**	**71,468**	**2,873**
	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***	**40,492**	**626**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**16,869**	**2,347**
B.1	entries from performing not forborne exposures	7,032	
B.2	entries from performing forborne exposures	207	X
B.3	entries from impaired forborne exposures	X	2,346
B.4	entries from impaired not forborne exposures	4,988	1
B.5	other increases	4,642	-
C.	***Decreases***	**(4,549)**	**(482)**
C.1	exits to performing not forborne exposures	(204)	
C.2	exits to performing forborne exposures	(939)	X
C.3	exits to impaired forborne exposures	X	(319)
C.4	write-offs	(741)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(2,665)	(163)
D.	***Gross final exposure***	**52,812**	**2,491**
	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***	**221,244**	**17,319**	**38,928**	**10,772**	**460**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**16,685**	**2,564**	**6,127**	**4,189**	**350**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments	11,948	2,564	6,127	4,189	350	
B.3	losses on sale	-	-	-	-	-	
B.4	transfers from other categories of impaired exposures	4,737	-	-	-	-	
B.5	contract modifications without eliminations	-	X	-	X	-	X
B.6	other increases		-	-	-	-	
C.	***Decreases***	**(21,229)**	**(586)**	**(7,543)**	**(537)**	**(376)**	**-**
C.1	write-backs from valuation	(2,000)	(281)	(946)	(537)	(376)	
C.2	write-backs from collection	(1,298)		(518)		-	
C.3	gains on sale	-		-	-	-	
C.4	write-offs	(17,007)	(305)	(1,342)		-	
C.5	transfers from other categories of impaired exposures	-	-	(4,737)	-	-	
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases	(924)	-			-	
D.	***Final total adjustments***	**216,700**	**19,297**	**37,512**	**14,424**	**434**	**-**
	- 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	**100,142**	**859,032**	**551,387**	**329,121**	**40,731**	**-**	**5,311,829**	**7,192,242**
- First level	98,758	828,708	532,306	289,330	35,638		4,457,936	**6,242,676**
- Second level	1,384	30,324	19,081	39,791	5,093		512,875	**608,548**
- Third level				-			341,018	**341,018**
- Impaired acquired or originated								
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First level								**-**
- Second level								**-**
- Third level								**-**
- Impaired acquired or originated								
C. Commitments to disburse funds and financial guarantees								
- First level								
- Second level								
- Third level								
- Impaired acquired or originated								
Total (A + B + C)	**100,142**	**859,032**	**551,387**	**329,121**	**40,731**	**-**	**5,311,829**	**7,192,242**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees	**158**	**2,321**	**7,769**	**987**	**-**	**-**	**252,306**	**263,541**
- First level	158	2,321	7,345	987			196,014	**206,825**
- Second level		-	424	-			56,288	**56,712**
- Third level							4	**4**
- Impaired acquired or originated								
Total (D)	**158**	**2,321**	**7,769**	**987**	**-**	**-**	**252,306**	**263,541**
Total (A + B + C + D)	**100,300**	**861,353**	**559,156**	**330,108**	**40,731**	**-**	**5,564,135**	**7,455,783**

Ifitalia uses the external ratings of the following ECAIs:

	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	10,418	(8,282)		(461)			38,737	(204,105)	361	(4,313)
-of which forborne exposures	386	(774)					4,167	(18,193)	34	(330)
A.2 Unlikely to pay	7,743	(1,138)		-			25,706	(34,537)	507	(1,837)
-of which forborne exposures	1,981	(68)					12,191	(14,114)	278	(242)
A.3 Impaired past due positions	703	-		-			1,648	(412)	88	(22)
-of which forborne exposures	54	-								
A.4 Performing exposures	729,831	(311)	127,980	(18)	26,600	(12)	5,897,850	(7,692)	96,644	(174)
-of which forborne exposures	37						2,449	(4)		(1)
TOTAL A	**748,695**	**(9,731)**	**127,980**	**(479)**	**26,600**	**(12)**	**5,963,941**	**(246,746)**	**97,600**	**(6,346)**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-				-	3	(1)
B.2 Performing assets	58,572	(24)	2,802	-	-		199,542	(386)	2,197	(14)
TOTAL B	**58,572**	**(24)**	**2,802**	**-**	**-**	**-**	**199,542**	**(386)**	**2,200**	**(15)**
TOTAL (A+B) 31.12.2021	**807,267**	**(9,755)**	**130,782**	**(479)**	**26,600**	**(12)**	**6,163,483**	**(247,132)**	**99,800**	**(6,361)**
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)**

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	49,448	(215,024)	68	(2,137)	-	-	-	-	-	-
A.2	Unlikely to pay	26,291	(33,705)	2,039	(3,119)	-	-	5,612	(624)	14	(64)
A.3	Past due positions	2,147	(361)	201	(50)	91	(23)	-	-	-	-
A.4	Performing positions	5,481,059	(7,084)	993,405	(560)	271,186	(267)	89,735	(278)	16,920	(6)
	TOTAL (A)	**5,558,945**	**(256,174)**	**995,713**	**(5,866)**	**271,277**	**(290)**	**95,347**	**(902)**	**16,934**	**(70)**
B.	**OFF BALANCE SHEET EXPOSURES**										
B.1	Impaired assets	3	(1)	-	-	-	-	-	-	-	-
B.2	Performing positions	242,376	(357)	20,300	- 65	431	- 2	6		-	-
	TOTAL (B)	**242,379**	**(358)**	**20,300**	**(65)**	**431**	**(2)**	**6**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2021	**5,801,324**	**(256,532)**	**1,016,013**	**(5,931)**	**271,708**	**(292)**	**95,353**	**(902)**	**16,934**	**(70)**
	TOTAL (A + B) 31/12/2020	**5,457,833**	**(265,513)**	**924,288**	**(6,517)**	**143,271**	**(62)**	**55,128**	**(414)**	**40,991**	**(108)**

IFITALIA
GRUPPO BNP PARIBAS

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	7,067	(61,236)	3,144	(22,784)	20,472	(61,177)	18,765	(69,827)
A.2	Unlikely to pay	2,026	(7,875)	532	(3,038)	12,571	(13,491)	11,162	(9,301)
A.3	Past due positions	356	(89)	768	(50)	405	(99)	618	(123)
A.4	Performing positions	2,286,488	(2,225)	1,160,310	(1,089)	1,340,304	(2,530)	693,957	(1,240)
	TOTAL (A)	**2,295,937**	**(71,425)**	**1,164,754**	**(26,961)**	**1,373,752**	**(77,297)**	**724,502**	**(80,491)**
B.	OFF BALANCE SHEET EXPOSURES								
B.1	Impaired assets							3	(1)
B.2	Performing positions	100,571	(132)	37,177	(76)	65,424	(78)	39,204	(71)
	TOTAL (B)	**100,571**	**(132)**	**37,177**	**(76)**	**65,424**	**(78)**	**39,207**	**(72)**
	TOTAL (A+B) 31.12.2021	**2,396,508**	**(71,557)**	**1,201,931**	**(27,037)**	**1,439,176**	**(77,375)**	**763,709**	**(80,563)**
	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)**

9.3 Significant exposures

(thousands of €)

SIGNIFICANT EXPOSURES		Book value	Weighted value
a	Amount	1,846,181	1,288,020
b	Number	13	13

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 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 2021.

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	**956,781**	**4,531,260**	**471,802**	**161,805**	**138,824**	**16,838**	**-**	**340,921**
1.1 Government bonds								
1.2 Credits	956,781	4,531,260	471,802	161,805	138,824	16,838		340,368
1.3 Other assets								554
2. Liabilities	**265,543**	**5,230,312**	**42,224**	**54,668**	**73,075**	**6,938**	**-**	**146,481**
2.1 Debts	215,680	5,076,972	9,374	54,517	73,075	6,938		146,481
2.2 Bonds issued	49,863	153,340	32,850	151				
2.3 Other liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
Options	-	-	-	-	-	-	-	-
3.1 Long position								
3.2 Short position								
Other derivatives	-	-	-	-	-	-	-	2
3.1 Long position								2
3.2 Short position								

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	**25,263**	**277,777**	**17,219**	**279**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	25,263	277,777	17,219	279	-	-		
1.3 Other assets								
2. Liabilities	**149,124**	**143,488**	**19,541**	**876**	**-**	**-**	**-**	**-**
2.1 Debts	149,124	143,488	19,541	876	-	-		
2.2 Bonds issued								
2.3 Other liabilities								
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-	-	-	-
3.1 Long position								
3.2 Short position								
Other derivatives	-	-	-	-	-	-	-	-
3.1 Long position								
3.2 Short position								

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 Finance 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 2021, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 9.5 million, equal to 1.22% 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 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

IFITALIA
GRUPPO BNP PARIBAS

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**	**217,245**	**67,428**	**3**	**758**	**499**	**39,575**
1.1	government bonds	-	-	-	-	-	-
1.2	equity securities	-	-	-	-	-	-
1.3	credits	217,245	67,428	3	758	499	39,575
1.4	other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**216,932**	**67,282**	2	756	499	**39,415**
3.1	debts	216,932	67,282	2	756	499	39,415
3.2	bonds issued	-	-	-	-	-	-
3.3	other financial labilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	long positions	-	-	-	-	-	-
5.2	short position	-	-	-	-	-	-
	Total assets	217,245	67,428	3	758	499	39,575
	Total liabilities	216,932	67,282	2	756	499	39,415
	Unbalances (-/+)	313	146	1	2	-	160

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

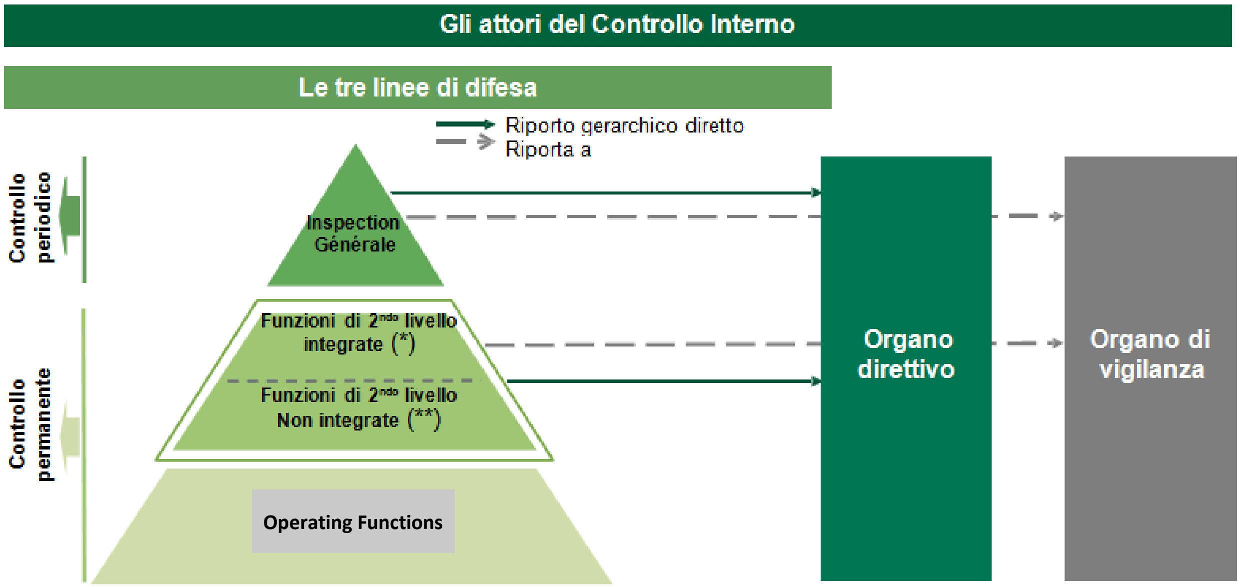
There were no amounts in this section.

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

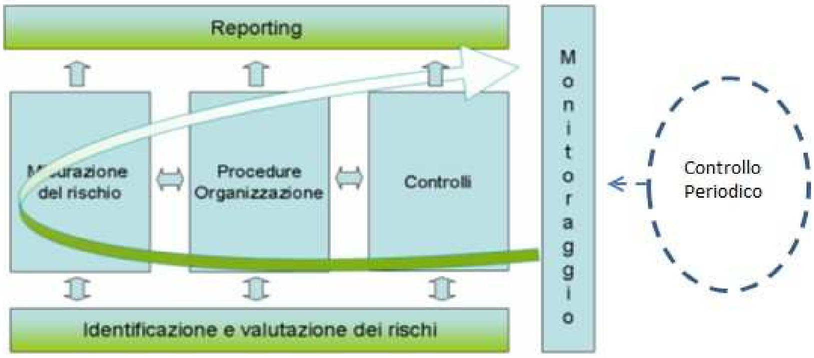
The distinction, fully operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the permanent second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out line activities and hierarchical controls and by the OPC (Operational Permanent Controllers) 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> 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 consistently with the framework of the Parent Company BNP Paribas, where the Risk Division is responsible for ensuring its application through its role of permanent second-level control, where it also implements its own control activities on an ongoing basis, risk control within its scope and monitoring the effective implementation of strategic actions. With reference to the regulatory framework, the activity is carried out 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 Division 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 implements the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORM (RISK Operational Risk Management).

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 Operations 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 Functions, 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 Head of the Risk Division is 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, the Risk Manager guarantees Ifitalia a single and integrated view of the various types of risk.

The second line of defence in the Risk Division area implemented by RISK ORM, 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: the regulations, the way in which the risks to which the company is exposed are assessed.
Second-level control activities are carried out on the basis of a control plan (POC), which is revised annually in a risk-oriented logic, with reference to the verification of the method of identification and execution of controls implemented by OPC (**Independent Testing**).
In addition to the above planned activities, there are others related to:

- the **supervision** (Check & Challenge) of the implementation methods with respect to Group standards and the consistency of the assessments carried out as part of the process of assessing the risks generated by company processes known as **RCSA/Risk Control & Self Assessment;**

- **the supervision** (Check & Challenge) of the implementation methods with respect to Group standards of the information reported and the decisions taken by management with regard to all major **operational incidents** and, on a sample basis, those of lesser importance;
- **the supervision of the implementation of the anti-fraud defence system** through active participation in defining and setting up the defence framework in terms of regulations and tools in collaboration with the first line of defence;
- **the supervision of the implementation of the outsourcing risk management framework** in collaboration with the first line of defence.

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 ORM.

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, the Outsourcing session and the Fraud session.
The members and mission of the individual sessions of the Risk Monitoring Committee are set out in the Company Regulations in force at the time.

More in detail, always with regard to 2021, the organisation was completed by:

✓ **Risk Monitoring Committee**

Operational Risk Permanent Control Session that, consistently with the Parent Company model, assures the coordination and decision-making process supporting the permanent control and operational risk organisation.
The above-mentioned Session of the Committee is responsible for:
- approving the Operational Plans for Permanent Control of risks, prepared by the competent Functions;
- 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 ORM, are attended by the Heads of the Company Functions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the relevant BNL SpA Functions (Compliance and RISK ORM Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy (as a permanent guest) participate in the meetings.

Outsourcing Session that, in line with the Parent Company's model, ensures the coordination and control of the outsourcing risk management system.
The above-mentioned Session of the Committee is responsible for:
- supervising the outsourcing framework by making sure that it is adequate and meets the Group's standards for outsourcing risk management with regard to: strategies adopted, coordination of committees validating new projects (or renewals of existing ones), the level of concentration risk achieved and monitoring of operational risk indicators relevant to concentration risk);
- supervising the development of costs in relation to the defined objectives;
- - ensuring that an accurate inventory of all outsourced services is maintained;
- - providing management with the necessary visibility on any critical supplier issues reported by BNL's Supplier Risk Committee;
- - sharing mitigation plans for the identified/reported supplier risk;
- - examining the main management feedbacks related to outsourced relationships.

The Heads of the Company Functions attend the Committee, organised by the first line of defence (Outsourcing Coordinator). Moreover, the relevant BNL SpA Functions (Compliance and RISK ORM Division to the extent of their authority).

Fraud Session that, in line with the Parent Company's model, ensures the coordination and control of the defence against the risk of fraud.

The session is where management is

- informed about the development of external fraud and considers taking any initiatives consistent with the development of the external environment;
- approves corrective actions that the first line of defence intends to propose with regard to the risk of fraud;
- is informed of the analyses carried out by the second level of defence on fraud perimeter incidents and the feedback obtained from the anti-fraud tools, evaluating any proposed corrections in the triggers used.

The Commercial Managers (to which the Fraud Manager also belongs) and Risk Managers (the Risk Manager, Risk ORM and the points of contact for credit assessments) attend the Committee, organised by RISK ORM.

- ✓ Finance Division 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 of the first level of defence**: 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.
- **Permanent Control Plan of the second level of defence:** activated on the basis of the evaluation of several parameters such as, by way of example: the historicity of the incidents with respect to the processes, indications of the business line, the results of the risk maps, new areas of activity, variations in the regulatory environment in which the company operates, etc.
  The analysis process called Independent Testing targets a sample of processes and associated controls determined by risk-sensitive sampling. The purpose of the second level control is to verify the consistency of the

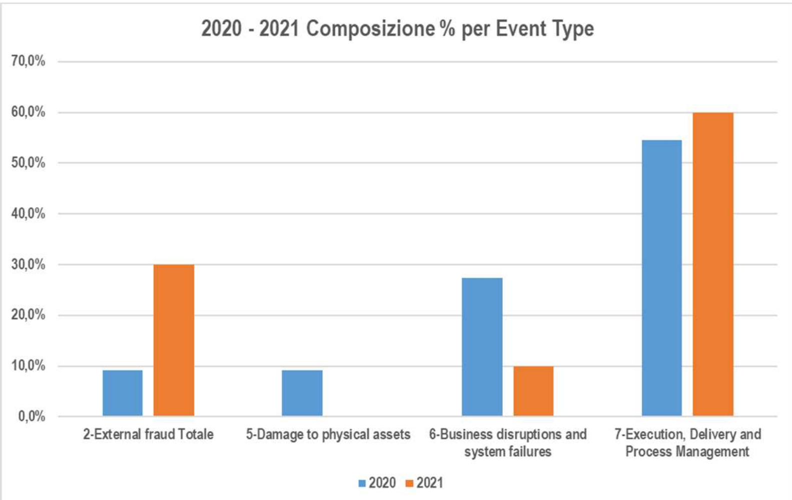
scope of application of each control, the way in which it is formalised and its reperformability. Following the examination, if necessary, RISK ORM could agree with the first line of defence of the requests for correction.

- **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 derive 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 Group platforms dedicated to this purpose in order to support the mapping and monitoring of the correction actions in terms of: finding, corrective action, minimum evidence for the closure of the action, deadlines and exact identification of those responsible for the termination.
- **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 line of defence in line with their scopes of responsibility.
  With reference to the first line of defence, the main report produced, is the Permanent Controls and Operational Risks Report that provides information on the outcomes of the controls carried out by the first level of defence and the results of the Loss Data Collection process. This report, issued every six months, is intended for the management present in the Risk Monitoring Committee - Operational Risks and Permanent Controls Session and the Board of Directors.
  With regard to the second line of defence, two main reports are produced:
  - The half-yearly report on the performance of the permanent second level control activity with reference to the results of the independent tests, quality review, follow up of the action plans self-determined by the management and of the corrective actions defined in the context of the independent testing activities as well as the main key issues that may be relevant in the operational risk area on which the management may need to be updated;
  - The annual report called OR&C Report submitted for validation by the General Manager and Risk Manager, and intended for the Business Line, provides the Group with a general view of the company's internal control system.

QUANTITATIVE INFORMATION

Assessment of the main sources and nature of risk events

The breakdown by percentage of operational risk events recorded in 2021 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. During 2021, 10 risk events were recorded compared to 11 in the previous year, which are summarised below year on year:



The type of fraud incidents that occurred in 2021 refers to cyber-related fraud perpetrated by third parties other than transferors.

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 euros)

	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 3 years	From 3 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**837,649**	**-**	**-**	**1,399,587**	**2,389,210**	**1,078,412**	**334,605**	**155,467**	**65,205**	**17,174**	**340,923**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	837,649			1,399,587	2,389,210	1,078,412	334,605	155,467	65,205	17,174	340,369
A.4	Other assets											554
	Cash liabilities	**237,150**	**513,806**	**758,797**	**1,212,059**	**926,092**	**416,649**	**1,533,814**	**36,613**	**30,850**	**6,930**	**146,481**
B.1	Deposits and current accounts	187,287	510,065	736,573	1,184,675	826,101	383,799	1,533,663	36,613	30,850	6,930	146,481
	- Banks	137,932	507,608	714,349	1,159,422	728,287	350,950	1,533,512	36,613	30,850	6,930	370
	- Financial institutions	49,355	2,457	22,224	25,253	97,814	32,849	151	-	-	-	
	- Customers											146,111
B.2	Debt securities	49,863	3,741	22,224	27,384	99,991	32,850	151				
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**252**
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											252
C.6	Financial guarantees received											

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

Other currencies *(thousands of euros)*

	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 3 years	From 3 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**23,619**	**-**	**-**	**78,973**	**174,117**	**39,479**	**4,210**	**140**	**-**	**-**	**-**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	23,619			78,973	174,117	39,479	4,210	140	-		
A.4	Other assets											
	Cash liabilities	**149,125**	**18,498**	**1,686**	**12,156**	**111,385**	**19,304**	**876**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	149,125	18,498	1,686	12,156	111,385	19,304	876	-	-	-	-
-	Banks	148,625	17,215	1,686	9,464	109,768	19,304	876				
-	Financial institutions	500	1,283	-	2,692	1,617	-	-	-	-	-	
-	Customers											
B.2	Debt securities											
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**8**
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											8
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").

IFITALIA
GRUPPO BNP PARIBAS

4.1.2 Quantitative information

4.1.2.1 Group equity: breakdown

The Group's equity as at 31 December 2021 amounted to EUR 817,927 thousand.

(thousands of €)

Items/Balances	Total 31/12/2021	Total 31/12/2020
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	674,745	645,696
- profit	675,903	646,854
a) legal reserve	11,180	11,180
b) statutory reserve	664,723	635,674
c) treasury shares	-	-
d) other		
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(1,129)	(1,027)
- 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	(1,129)	(1,027)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	26,602	29,049
Total group equity	**817,917**	**791,417**
Minority interests	**10**	**10**
Total group equity	**817,927**	**791,427**

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 31/12/2021	Total 31/12/2020
10.	**Profit (Loss) for the year**	26,603	29,049
	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	(141)	(16)
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	39	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**	**(102)**	**(12)**
200.	**Comprehensive income (Item 10+190)**	**26,501**	**29,037**
210	**Total consolidated comprehensive income attributable to minority interests**	0	
220.	**Total consolidated comprehensive income attributable to the Parent Company**	**26,501**	**29,037**

IFITALIA
GRUPPO BNP PARIBAS

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 31/12/2021	Total 31/12/2020
Directors	56	46
Auditors	93	96
Total	**149**	**142**

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

(thousands of €)

	Total 31/12/2021	Total 31/12/2020
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 2021 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	**11,081**	**4,948,031**	**13**	**16,419**	**-**	**-**
BNP PARIBAS SUCC. MILANO	11,081	4,946,654	13	16,419		
BNP PARIBAS PARIS	-	1,377				
B) BNPP GROUP COMPANIES	**11,322**	**809,712**	**33,046**	**132,955**	**2,802**	**2**
ARTIGIANCASSA SPA			48			
ARVAL SERVICE LEASE		-				
ARVAL SERVICE LEASE ITALIA SPA		163	22,230			
AXEPTA SPA (EX- BNL POSITIVITY SRL)			12			
BANCA NAZIONALE DEL LAVORO SPA	9,493	572,248	8,309	132,955	2,802	2
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA						
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR	219	337	4			
BNPP FORTIS	3	688	-			
BNPP REAL ESTATE	-	-	3			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			10			
FINDOMESTIC BANCA SPA			1,228		-	
SERFACTORING SPA						
TIERRE SECURITISATION SRL		236,265				
TURK EKONOMI BANKASI AS						
BNPP Real Estate Advisory Italy SPA						
Diamante Re SRL		11	15			
Sviluppo HQ Tiburtina SRL	1,607		11			
SNC Natiocredimurs						
Servizio Italia SPA			3			
TEB Faktoring AS			1			
BNPP Lease Group Leasing Solutions SPA			142			
BNPP SA Dublin Branch - IE			98			
BNPP Partners for Innovation Italia SRL			892			
Financit SPA			36			
International Trade Partner						
BNP Paribas SGR SPA						
C) ASSOCIATED COMPANIES	**-**	**-**	**-**	**-**	**-**	**-**
Total	**22,403**	**5,757,743**	**33,059**	**149,374**	**2,802**	**2**

(*) 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	15,205	(250)	-	(359)	-	-	(1,681)	-	
B) BNPP GROUP COMPANIES	11	(1,724)	29	(1,768)	90	26	(13,018)	(685)	
C) ASSOCIATED COMPANIES									
Total	**15,216**	**(1,974)**	**29**	**(2,127)**	**90**	**26**	**(14,699)**	**(685)**	**-**

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 the first half of 2022.

Therefore, the right of use and the lease liabilities were calculated considering the period January 2021 and the second half of 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	1,105
A.1 Total net impairments	
A.2 Net opening balances	1,105
B. Increases	1,043
B.1 Purchases	1,043
B.2 Capitalised improvement expenditure	
B.3 Reversals	
B.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	
C. Decreases	1,802
C.1 Sales	
C.2 Depreciation	697
C.3 Impairment 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	1,105
D. Net closing balances	346
D.1 Net impairment	697
D.2 Gross closing balances	1,043

IFITALIA
GRUPPO BNP PARIBAS

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		369			**369**
Total	-	**369**	-	-	**369**

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 2021 Ifitalia did not request contributions; moreover, it did not receive any reimbursements for financed training.
Ifitalia had contributions in the field of human resources management amounting to EUR 89,378.43, 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 23,961.26;
- 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 59,417.17.

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 2020 approved by BNP Paribas S.A. in its capacity as direct parent company.

CONSOLIDATED FINANCIAL STATEMENTS
Prepared in accordance with IFRS as adopted by the European Union

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2020 and 31 December 2019. In accordance with Article 20.1 of Annex I of European Commission Regulation (EC) 809/2004, the consolidated financial statements for the year ended 31 December 2018 are provided in the Universal Registration Document filed with the Autorité des marchés financiers on 3 March 2020 under number D.20-0097.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

In millions of euros	Notes	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Interest income	2.a	33,589	37,327
Interest expense	2.a	(12,277)	(16,200)
Commission income	2.b	13,599	13,265
Commission expense	2.b	(3,737)	(3,900)
Net gain on financial instruments at fair value through profit or loss	2.c	6,861	7,111
Net gain on financial instruments at fair value through equity	2.d	249	350
Net gain on derecognised financial assets at amortised cost		36	3
Net income from insurance activities	2.e	4,114	4,437
Income from other activities	2.f	13,194	13,502
Expense on other activities	2.f	(11,353)	(11,298)
REVENUES		44,275	44,597
Salary and employee benefit expense	6.a	(16,946)	(17,553)
Other operating expenses	2.g	(10,809)	(11,339)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.n	(2,439)	(2,445)
GROSS OPERATING INCOME		14,081	13,260
Cost of risk	2.h	(5,717)	(3,203)
OPERATING INCOME		8,364	10,057
Share of earnings of equity-method entities	4.m	423	586
Net gain on non-current assets		1,030	1,569
Goodwill	4.o	5	(818)
PRE-TAX INCOME		9,822	11,394
Corporate income tax	2.i	(2,407)	(2,811)
NET INCOME		7,415	8,583
Net income attributable to minority interests		348	410
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		7,067	8,173
Basic earnings per share	7.a	5.31	6.21
Diluted earnings per share	7.a	5.31	6.21

IFITALIA
GRUPPO BNP PARIBAS

BALANCE SHEET AT 31 DECEMBER 2020

In millions of euros	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances at central banks		308,703	155,135
Financial instruments at fair value through profit or loss			
Securities	4.a	167,927	131,935
Loans and repurchase agreements	4.a	244,878	196,927
Derivative financial instruments	4.a	276,779	247,287
Derivatives used for hedging purposes	4.b	15,600	12,452
Financial assets at fair value through equity			
Debt securities	4.c	55,981	50,403
Equity securities	4.c	2,209	2,266
Financial assets at amortised cost			
Loans and advances to credit institutions	4.e	18,982	21,692
Loans and advances to customers	4.e	809,533	805,777
Debt securities	4.e	118,316	108,454
Remeasurement adjustment on interest-rate risk hedged portfolios		5,477	4,303
Financial investments of insurance activities	4.i	265,356	257,818
Current and deferred tax assets	4.k	6,559	6,813
Accrued income and other assets	4.l	140,904	113,535
Equity-method investments	4.m	6,396	5,952
Property, plant and equipment and investment property	4.n	33,499	32,295
Intangible assets	4.n	3,899	3,852
Goodwill	4.o	7,493	7,817
TOTAL ASSETS		**2,488,491**	**2,164,713**
LIABILITIES			
Deposits from central banks		1,594	2,985
Financial instruments at fair value through profit or loss			
Securities	4.a	94,263	65,490
Deposits and repurchase agreements	4.a	288,595	215,093
Issued debt securities	4.a	64,048	63,758
Derivative financial instruments	4.a	282,608	237,885
Derivatives used for hedging purposes	4.b	13,320	14,116
Financial liabilities at amortised cost			
Deposits from credit institutions	4.g	147,657	84,566
Deposits from customers	4.g	940,991	834,667
Debt securities	4.h	148,303	157,578
Subordinated debt	4.h	22,474	20,003
Remeasurement adjustment on interest-rate risk hedged portfolios		6,153	3,989
Current and deferred tax liabilities	4.k	3,001	3,566
Accrued expenses and other liabilities	4.l	107,846	102,749
Technical reserves and other insurance liabilities	4.i	240,741	236,937
Provisions for contingencies and charges	4.p	9,548	9,486
TOTAL LIABILITIES		**2,371,142**	**2,052,868**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*106,228*	*97,135*
Net income for the period attributable to shareholders		*7,067*	*8,173*
Total capital, retained earnings and net income for the period attributable to shareholders		**113,295**	**105,308**
Changes in assets and liabilities recognised directly in equity		(496)	2,145
Shareholders' equity		**112,799**	**107,453**
Minority interests	7.d	**4,550**	**4,392**
TOTAL EQUITY		**117,349**	**111,845**
TOTAL LIABILITIES AND EQUITY		**2,488,491**	**2,164,713**

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 2021

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 Sole 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 2021, 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 2021, 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.

Others matter

The Company, as required by law, has included in the explanatory notes to the financial statements the essential figures of the last balance sheet of the company that carries out management and coordination activities over it. The judgment on the financial statements of International Factors Italia S.p.A. does not extend to these figures.

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 2021, 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 2021 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 2021 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, 8 April 2022

Mazars Italia S.p.A.

Matteo Zanchettin
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.

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 2021

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 Sole 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 2021, 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 2021, 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.

Others matter

The Company, as required by law, has included in the explanatory notes to the financial statements the essential figures of the last balance sheet of the company that carries out management and coordination activities over it. The judgment on the financial statements of International Factors Italia S.p.A. does not extend to these figures.

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.

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 2021, 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 2021 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 2021 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, 8 April 2022

Mazars Italia S.p.A.

Matteo Zanchettin
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 2021, 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 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 2021:

- were prepared 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 "Financial statements of IFRS intermediaries 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 26,327,156 and an equity of EUR 816,337,567.

The draft Financial Statements were approved by the Board of Directors during the meeting of

25 March 2022.

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 functions and meetings with the Heads of the Independent Auditors Mazars Italia 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 2021 the company maintained the outsourcing of important operating functions already in progress in previous years, entrusted mainly 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 functions, 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 the 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 functions - received information on the annual plans of the aforesaid functions 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 function: there are no significant observations in this respect.

Supervision of the structure

Note that 2021 marked important organisational/management changes for the company with the appointment of the following new figures: a second Vice General Manager, appointed effective as from 1 April 2021, who was given responsibility for the company's Sales Division, while the existing Vice Manager was given responsibility for the newly established Operations Division and a new Vice Chairman of the company to replace the previous one who resigned in July 2021.

Also note that, effective as from 1 February 2021, the company's registered office was transferred to Via Deruta no. 19, Milan, and that from the current month of April, effective as from 11 April 2022, the registered office will be transferred to Via del Mulino no. 9, Assago, where the company's operating offices will also be located.

The Board of Statutory Auditors recommended and monitored that the appropriate handover and legal requirements to make public required by law were met.

The Board of Statutory Auditors also notes that, effective as from 1 January 2021, Ifitalia acquired from International Trade Partner S.r.l., a company belonging to the BNP Paribas

Group, the business unit relating to the activities that it had previously outsourced to that company. The business unit, the acquisition of which was approved by the Board of Directors during 2020, consists of 14 employees and a set of activities relating to the provision of back office and soft collection services. 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 Ifitalia by its customers.

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 Functions in 2021.

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 Division 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 function. This function prepared the documentation for the ICAAP reporting process to certify Ifitalia's capital adequacy to the potential risks to which a bank is exposed.

The Board mentioned that the Company had undertaken the certification process for the transition to the IRBA approach.

Following the inspection that the Bank of Italy, in order to assess the issue of authorisations for the aforementioned transition to the IRBA approach, carried out in the last quarter of 2019, the Regulator issued "Authorisation measure" no. 1357796/20, in which it issued the recommendations to be adopted for the completion of the procedure, as well as general recommendations.

Ifitalia, taking into account what is indicated in that Measure, decided to renounce to the project in order to avoid the risk that such a transition could determine all-in-all a burden instead of a benefit and, consequently, on 16 June 2021, it specifically communicated to the Bank of Italy the reasons why it decided not carry out the transition to IRBA, pointing out that it would, in any case, implement the recommendations other than conditionality and floor, i.e. not strictly related to the transition to IRBA, which the Regulator had indicated in the above-mentioned "Authorisation measure" no. 1357796/20.

Therefore, Ifitalia continued its activities to finalise the actions aimed at addressing "corrective actions other than conditionality and floor" with the aim, among other things, of further improving the credit risk management framework in line with the above recommendations.

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 function 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 8 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 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 2021 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 2021 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 2021 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 2021 and approved in its new version by the Board of Directors on 25 March 2022.

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, operational support was provided to the company Protiviti, which also dealt with the revision and updating of the 231 Model in the:

• 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

In conclusion, the Board of Statutory Auditors can confirm that the supervisory activities carried out during the year and up until today have not revealed any omissions, reprehensible facts or irregularities.

Having taken into account the above, the Board of Statutory Auditors reveals that there is no reason why the financial statements as at 31 December 2021 should not be approved, disclosing a profit of EUR 26,327,156, along with the proposal to allocate the profit formulated by the Board of Directors.

Finally, with regard to its composition, the Board of Statutory Auditors notes that during the shareholders' meeting held in April 2021, a new acting auditor was appointed to replace the alternate auditor who took over during the 2020 financial year following the resignation of an acting auditor.

Finally, it points out that, as its term of office has expired, the shareholders' meeting that will approve the financial statements for the year 2021 will also have to appoint the Board of Statutory Auditors for the next three years.

Milan, Italy, 8 April 2022

For the Board of Statutory Auditors

The Chairman

Mr. Roberto Santagostino

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 2021, 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 2021:

- 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 "Financial statements of IFRS intermediaries 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 26,602,568 and an equity of EUR 817,917,114;
- 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 2021 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 2021 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, Italy, 8 April 2022

For the Board of Statutory Auditors

The Chairman

Mr. Roberto Santagostino

ORDINARY SHAREHOLDERS' MEETING HELD ON 29 APRIL 2022

Resolutions: (EXTRACT)

The Shareholders' Meeting, chaired by Mario Girotti, met in second call on 29 April 2022 and resolved:

- a) to approve the separate and consolidated financial statements for the year ended 31 December 2021 as presented by the management body, as well as the report accompanying it;
- b) to allocate the profit of EUR 26,327,156 to the reserve fund since the legal reserve has already reached one fifth of the share capital.