IFITALIA
GRUPPO BNP PARIBAS

Financial Report 2022

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 Del Mulino 9, C.P. 10732 Italy
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Share capital: EUR 55,900,000
Tax Code No. 00455820589 - VAT No. 09509260155
Milan Companies' Register No. 00455820589 and Economic & Administrative Roster No. 683665
Register of Financial Brokers: mechanised code no. 19016

FINANCIAL REPORT 2022

REPORT ON OPERATIONS

2022 Report on Operations

Offices

Milan	20132	Via Deruta, 19 (ending on 10/04/2022) Tel. No. 02/67781
Assago (MI)	20057	Via del Mulino, 9 (effective as from 11/04/2022)

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
Venice	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 2022

Board of Directors	MARIO GIROTTI		*Chairman*
	REGINA CORRADINI D'ARIENZO	(resigned on 28 July 2022)	Vice Chairman
	MARIAELENA GASPARRONI	(in office as from 28 July 2022)	Vice Chairman
	CARLO BOVERO	(as from 29 April 2022)	*Director*
	POMPA DOMENICO	(in office as from 29 April 2022)	*Director*
	MASSIMO MACCIONI	(resigned on 29 April 2022)	*Director*
	VETTA PAOLO	(resigned on 29 April 2022)	*Director*
	MARIAELENA GASPARRONI	(in office from 29 April 2022 to 27 July 2022)	*Director*
Board of Statutory Auditors	PIER PAOLO PICCINELLI	(as from 29 April 2022)	*Chairman*
	ROBERTO SANTAGOSTINO	(resigned on 28 April 2022)	*Chairman*
	GIORGIA CARRARESE	(in office as from 29 April 2022)	*Acting Auditor*
	ROBERTO BRIOSCHI	(from 29 April 2022 to 22 May 2022 alternate auditor and as from 23 May 2022)	*Acting Auditor*
	LUCA EUGENIO GUATELLI	(from 29 April 2022 to 23 May 2022)	*Acting Auditor*
	ROBERTO SERRENTINO	(resigned on 29 April 2022)	*Acting Auditor*
	PIER PAOLO PICCINELLI	(resigned on 29 April 2022)	*Acting Auditor*
	ANNA DE TONI	(as from 29 April 2022)	*Alternate Auditor*
	LORENZO THEODOLI CICCOLINI	(resigned on 29 April 2022)	*Alternate Auditor*
	ROBERTO D'AYALA VALVA	(resigned on 29 April 2022)	*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 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	2022	2021	Variazioni %
VOLUMES			
Turnover	32.449	29.892	8,6%
- without recourse	29.523	27.422	7,7%
- with recourse	2.926	2.470	18,5%
ECONOMIC DATA			
Net interest	59	58	2,2%
Net commissions	61	47	31,4%
Net banking income	120	105	15,0%
Administrative expenses	49	44	9,5%
- personnel expenses	*22*	*22*	1,9%
Net adjustments for impairment of tangible and intangible assets	4	5	-16,2%
Net adjustments for impairment of financial assets	11	12	-12,0%
Net provisions for risks and charges	6	7	-21,5%
Net operating income	53	38	39,6%
Profit for the year	37	26	38,9%
BALANCE SHEET DATA			
Total assets	8.273	7.150	15,7%
Total Risk Weighted Assets (RWA)	6.577	5.716	15,0%
Financial assets measured at amortized cost	8.162	6.929	17,8%
Available-for-sale assets	0	1	-26,7%
Financial liabilities measured at amortized cost	7.234	6.132	18,0%
Equity	853	816	4,5%
Tier 1 capital	812	786	3,3%
Supervisory capital	812	786	3,3%
PROFITABILITY, EFFICIENCY AND DIVERSIFICATION INDICES			
R.O.E.			
(*)Cost / income (with amortisation/depreciation)	4,4%	3,2%	35,9%
Net commissions/Earnings margin	43,6%	46,8%	-6,9%
	51,0%	44,7%	14,3%

Ifitalia S.p.A. - Highlights	2022	2021	Var. %
ASSET QUALITY			
Total problem positions	**320**	**341**	**-6.2%**
- in relation to customer receivables	3.92%	4.92%	-20.4%
- coverage percentage	79.17%	74.81%	5.8%
Non-performing positions	**260**	**267**	**-2.6%**
- in relation to customer receivables	3.18%	3.85%	*-17.3%*
- coverage percentage	85.02%	81.43%	*4.4%*
Unlikely to pay	**54**	**71**	**-23.9%**
- in relation to customer receivables	0.67%	1.03%	*-35.4%*
- coverage percentage	58.40%	52.49%	*11.3%*
Past due positions	**6**	**3**	**99.9%**
- in relation to customer receivables	0.07%	0.04%	*69.7%*
- coverage percentage	11.35%	15.11%	*-24.9%*
CAPITALISATION RATIOS			
Tier 1 ratio	12.35%	13.75%	-10.2%
Solvency ratio	12.35%	13.75%	-10.2%
STRUCTURAL DATA			
Employees at year end	**271**	**270**	0.4%
No. of commercial offices	**13**	**13**	0.0%
- of which in Italy	**13**	**13**	0.0%
INFORMATION ON IFITALIA SECURITY			
Total number of shares	**55,900**	**55,900**	0.0%
- of which ordinary	**55,900**	**55,900**	0.0%
Par value (euro)	**1**	**1**	0.0%
Current value (euro) (*)	**15.26**	**14.60**	4.5%

(*) Effective Equity/total number of share

Results overview

From a macroeconomic point of view, 2022 was characterised by a decent GDP growth (+3.5% in the Eurozone, +3.9% in Italy), high and persistent inflation of around 9.2%, and a gradual slowdown in lending activity in our country, although short-term loans to companies remained the most active, given the greater need for working capital due to the higher cost of production factors.
This economic scenario led the factoring market to a significant growth in 2022 both in terms of turnover (+14%) and in terms of loans and receivables (+10%); the same trend for the sector's annual average loans, which grew by 19.32% compared to 2021.

The trend in Ifitalia was similar to that of the market, with an 8.6% increase in turnover (15.4% net of a significant relationship ended in 2021) and a 17.4% increase in average loans.

Net banking income increased by 15% from EUR 104.6 million in 2021 to EUR 120.3 million in 2022, mainly as a result of the increase in turnover and loan volumes and new trading operations in "ecobonus" credits. Particularly:

- **net interest** amounted to EUR 59 million versus EUR 57.7 million in 2021 (+2%).
  The increase in net interest is due to the growth in average loan volumes (+17.4%); this impact is partially offset by lower financial spreads related to the increase in market interest rates, as well as lower late payment interest on tax credits and receivables from Public Entities.

- **net commissions**, equalling EUR 61.4 million, increased compared to EUR 15 million in 2021 (+31.4%). This increase is mainly due to the new trading operations of "ecobonus" credits starting in 2021, which resulted in the recognition of commission income of EUR 15.9 million (EUR 6.8 million in 2021) and higher factoring commissions as a result of the growth in turnover volumes.
  These increases were partially offset by higher commission expense of EUR 2 million (+20.7%), mainly due to higher insurance premiums (+EUR 1.4 million) and higher commission reverses related to reverse factoring transactions (+EUR 0.8 million).

The **Cost of credit risk** decreased from EUR 12.5 million in 2021 to EUR 11 million mainly as a result of lower need for provisions on the non-performing and unlikely to pay portfolio in stock.
The level of new NPLs remains very low, although there is a slight increase compared to 2021: the related provisions amount to approximately EUR 4.9 million in 2022 compared to EUR 4.3 million in 2021.

The **provisions for operational risk** are mainly made considering transaction assumptions to settle ongoing disputes with transferor customers and decreased from EUR 7.4 million in 2021 to EUR 5.8 million in 2022.

On the ***cost*** side, there was an increase in administrative expenses (+9.5%) mainly due to
- new costs related to services centralised by the parent company
- higher real estate costs related to the relocation of the headquarters to Assago
- costs related to the Transformation_One Factoring project (see page 39)

The value adjustments on tangible and intangible assets decreased by 16.2%.

From a financial point of view, consistent with the aforementioned growth in business volumes both at the level of the factoring sector and of Ifitalia, **loans to customers** increased from EUR 6,929 million in 2021 to EUR 8,162 million in 2022 (+17.8%).

In defining administrative expenses and depreciation and amortisation expenses compared with the net banking income, the *cost to income ratio* equalled 43.6% in 2022 against 46.8% in 2021.

After direct taxes, which were EUR 16 million, the **profit for the year** was EUR 36.6 million (EUR 26.3 million in 2021, +38.9%).

*   *   *

Equity, including the profit for the year, stood at EUR 853 million (816 million in 2021; +4.5%).

As at 31 December 2022, the level of capitalisation for Supervisory purposes was expressed by a Tier 1 Capital Ratio of 12.35% (13.75% in 2021) and by a Total Capital Ratio of 12.35% (13.75% at the end of December 2021).

Market in which the company operates

Macroeconomic scenario

The world economy and the Eurozone

In 2022, the global economy suffered from a combination of higher and more persistent inflation than expected, high uncertainty related to geopolitical tensions in Europe and a tighter monetary policy stance. In the final months of the year, the worsening of global activity was less marked than expected. For 2022 as a whole, global product grew by 3.4%. Global inflation, initially driven by rising commodity prices and later more broadly across expenditure components, would average just below 9% for the year, driven mainly by emerging and developing countries.
After the strong rebound in 2021, world trade experienced a more moderate trend. The better-than-expected growth in the summer months was followed by a more moderate trend. By the end of the year, volumes are expected to have grown by just over 5%, which is lower than pre-pandemic rates.
In China, the strict policy of first containing the epidemic - and then suddenly abandoning it - had a negative impact on production. This factor, combined with the decline in exports in the last few months of the year, the stagnation in retail sales and the problems in the real estate sector led to a slowdown in growth, which was estimated at 3%.
In the United States, the increase in prices and wages, also a consequence of persistent tensions in the labour market, led the Fed to a steeper rate hike (4.25 basis points in 2022). In the country, consumption continued to support GDP growth despite rising interest rates and inflation, which, although slowing, remains above target. In 2022, GDP grew by 2%.
In the United Kingdom, inflation eased slightly to 10.5% in December after peaking in October. The economy slowed sharply from the summer months, with overall growth still slightly above 4% at the end of the year. There are clear signs of a further decline in private consumption in the country.
In the Eurozone, GDP grew by 3.5% in 2022. Tensions in commodity markets and persistently higher inflation led to a downward revision of growth for 2022, particularly for Germany, the economy most exposed to shocks in global production chains. Consumer inflation remained high (9.2% in December), albeit declining, with the core component continuing to rise due to the gradual transmission of past energy price increases (+5.2% in December). During the year, the ECB raised interest rates four times by a total of 2.5 basis points.
In Italy, GDP grew by 3.7% in 2022. After the strong growth recorded in the summer months, mainly due to the good performance of private consumption, GDP declined slightly in the last quarter of the year, affected by the continued uncertainty of the international scenario.
Households benefited from improved labour market conditions, with employment returning to pre-crisis levels. Rising inflation eroded purchasing power and reduced the propensity to save. Both consumption and savings suffered, with financial assets penalised by adverse market developments.
Despite the tensions in commodity prices, with the rapid increase in producer prices, Italian companies continued to show a broad ability to adapt to the new scenario. The growth in investments continued, albeit at a slower pace.
At the sector level, the construction sector, which had driven the recovery of the Italian economy, showed signs of weakening, while the manufacturing sector suffered from the complexity of the scenario, with production interrupting the robust recovery that had characterised the previous two years. The improved epidemiological context allowed the services sector to return to growth, recovering what had been lost earlier, with tourism experiencing a solid recovery.

Lending activities in Italy

During 2022, 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) gradually decelerated after the summer months, reflecting the slowdown in both demand of businesses for investment purposes and household demand for home loans.
Different trends emerged at the sector level. Lending to non-financial businesses grew by 2.8% (slowing down from 3.5% in 2021) with a gradual acceleration in the growth trend until August, followed by a slowdown in the following months.
Lending to non-financial businesses focused on the short-term loan segment, reflecting the higher working capital requirements related to the higher cost of production factors, while the year-on-year growth rate of long-term loans remained negative for several months of the year. In the second half of 2022, the trend in lending weakened in manufacturing and services, while it increased slightly in construction.

Lending to households continued to show a positive trend during the year, recording an average growth rate of 4% (up from 3.5% in 2021) due to a stabilisation in the growth rate of home loans and a moderate acceleration in consumer credit.

Credit risk indicators remained low. At the end of the third quarter, balances stood at EUR 67 billion, with the trend in transfers remaining at a similar level to 2021. The impairment rates showed some signs of increase.

Net of value adjustments, the ratio of new impaired loans to total loans was 1.1% at the end of the third quarter of 2022. The indicator increased slightly for businesses (to 1.7%), an increase attributable to manufacturing companies, while it remained stable at very low levels for households (0.6%). 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) remain a cause of concern. The weight of this category of loans in total performing loans decreased moderately to 13.1% in 2022, a level that is higher than in the main European countries and still higher than pre-pandemic levels.

In 2022, bank deposits remained stable. This trend reflected the slowdown in deposits, following the slowdown in household deposits and the decline in business deposits. The cost of funding increased mainly due to the increase in interest rates on the money market.

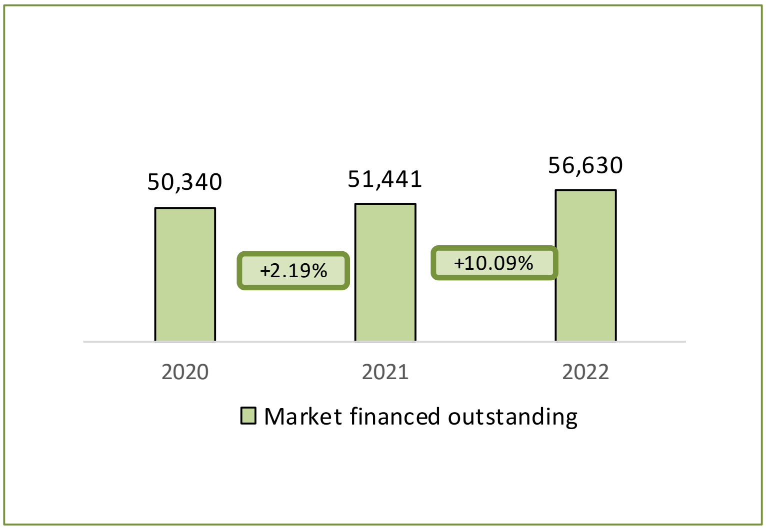
Asset management performed well overall, although it was affected by unfavourable market trends during the year. The drop in listed prices led to a decrease in the assets of investment funds to EUR 2.2 trillion from EUR 2.6 trillion at the end of 2021. Net funding was positive, ending the year with a balance of EUR 15 billion. In line with interest rate and inflation trends, subscriptions in equity funds increased against redemptions in bond funds. Investor interest in sustainable investment funds remains high. In 2022, new subscriptions were heavily concentrated in Italian funds with environmental, social and corporate governance objectives, while other categories recorded net outflows.

The factoring market

The Italian factoring market recorded a turnover of EUR 287 billion in 2022, an increase of 14.61% compared to 2021, maintaining the positive trend also recorded last year and exceeding the pre-Covid 2019 figures (EUR 255.5 billion in 2019). Average loans of EUR 43,939 million increased by 19% compared to the previous year (EUR 36,824 million in 2021).
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, 2022 stands at 15% (+4.7% compared to 2021).

In terms of **loans**, the market stood at EUR 56,630 million at the end of 2022, increasing by 10.09% compared to the previous year (EUR 51,441 million in 2021) and exceeding the pre-Covid values of EUR 54.5 billion in 2019.



Ifitalia's competitive positioning

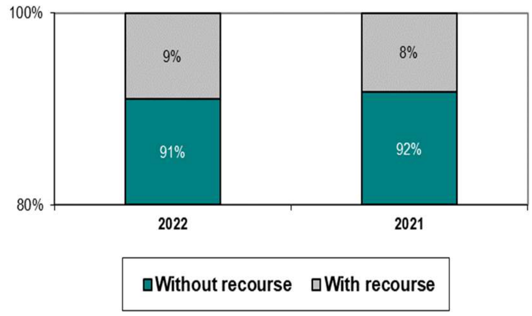
Turnover

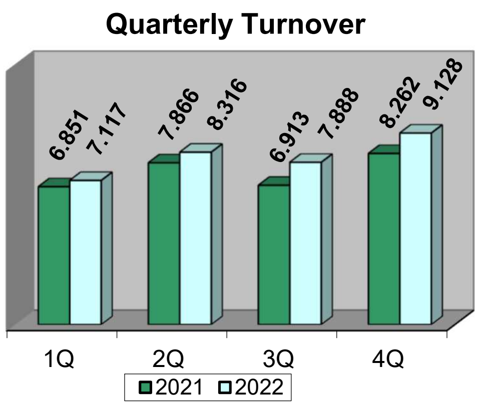
Ifitalia's turnover, flow of loans/receivables acquired by the Company during 2022, reached EUR 32,449 million (EUR 29,892 million in 2021) reporting an increase of 8.6% (15.4% net of a significant relationship ended in 2021).

With regard to the breakdown of products by contractual form, without-recourse factoring represented 91% of total turnover while with-recourse factoring represented 9% (essentially in line with 2021).

(in milions of €)

TURNOVER	31/12/2022	31/12/2021	Changes	%
Without recourse	29,523	27,422	2,101	7.7%
With recourse	2,926	2,470	456	18.5%
Total	**32,449**	**29,892**	**2,557**	**8.6%**





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

(in millions of €)

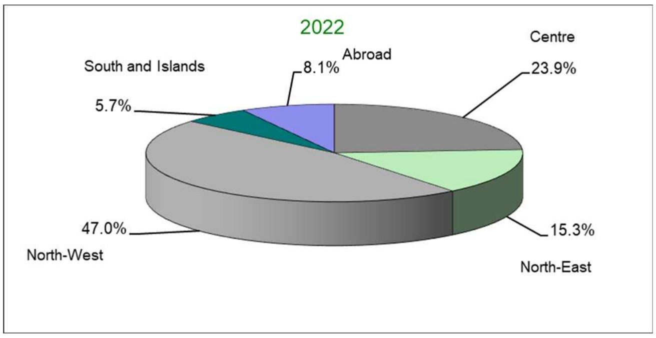
Product	Turnover 2022	Turnover 2021	Changes	%	Incidence % 2022
Without recourse	18,967	18,051	916	5.1%	58.5%
Without recourse maturity	655	697	(42)	-6.0%	2.0%
Without recourse abroad	6,252	5,453	800	14.7%	19.3%
Without recourse reverse	3,650	3,223	427	13.3%	11.2%
Total	**29,523**	**27,422**	**2,101**	**7.7%**	**91.0%**
With recourse	1,898	1,756	142	8.1%	5.8%
With recourse maturity	42	34	8	22.3%	0.1%
With recourse abroad	811	558	253	45.3%	2.5%
With recourse reverse	176	121	54	44.9%	0.5%
Total	**2,926**	**2,470**	**456**	**18.5%**	**9.0%**
TOTAL	**32,449**	**29,892**	**2,557**	**8.6%**	**100%**

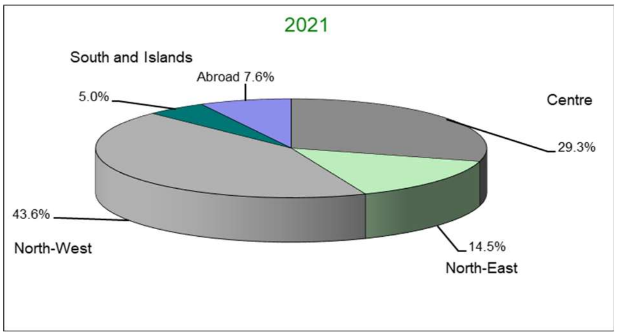
Note the significant growth in the foreign and reverse factoring components.

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

(in millions of €)

Areas	2022	% of the total	2021	% of the total
CENTRE	7,762	23.9%	8,770	29.3%
NORTH-EAST	4,969	15.3%	4,329	14.5%
NORTH-WEST	15,242	47.0%	13,032	43.6%
SOUTH AND ISLANDS	1,859	5.7%	1,487	5.0%
TOTAL FOR ITALY	29,831	91.9%	27,617	92.4%
ABROAD	2,618	8.1%	2,275	7.6%
TOTAL TURNOVER	**32,449**	**100.0%**	**29,892**	**100.0%**





With reference to the **sectors of economic activities**, 2022 turnover presented the following breakdown:

TURNOVER BY ECONOMIC SECTOR	YEAR 2022	YEAR 2021	DELTA
67 Commerce, recovery, repair services	20.24%	20.29%	-0.27%
00 Unclassified subjects	15.34%	15.21%	0.85%
52 Energy products	12.28%	15.58%	-21.16%
73 Other services for sale	5.48%	5.25%	4.42%
72 Communication services	5.41%	6.59%	-17.81%
59 Electric materials and supplies	5.38%	5.01%	7.57%
61 Foodstuff and tobacco products	5.16%	5.13%	0.59%
60 Means of transport	5.06%	4.87%	3.86%
53 Minerals, ferrous and non ferrous metals	3.41%	2.30%	48.37%
56 Metal products excluding means of transport	3.30%	2.91%	13.22%
66 Construction and public w orks	2.90%	2.03%	42.91%
63 Paper, paper products, press products, publishing	2.53%	1.98%	28.21%
55 Chemicals	2.26%	2.22%	1.89%
64 Rubber and plastic products	1.99%	1.56%	27.80%
57 Agricultural and industrial machines	1.94%	1.69%	15.22%
62 Textiles, footw ear and clothing	1.43%	1.28%	11.20%
69 Internal transport services	1.31%	1.40%	-5.92%
71 Services connected to transports	1.21%	1.35%	-10.70%
65 Other industrial products	0.88%	0.82%	7.54%
54 Minerals and non-metallic mineral products	0.75%	0.72%	3.89%
58 Office machines, computers, precision tools, etc.	0.63%	0.70%	-10.68%
51 Farming, forestry, fishery products	0.59%	0.64%	-7.00%
68 Hotel and public services	0.52%	0.50%	4.15%
Total	**100%**	**100%**	

This year, the industries that made the most use of factoring were “Commerce services” (20.2%; -0.3% compared to 2021), “Energy products” (12.28%; -21.2% compared to 2021), “Other services for sale” (5.5%; +4.4% compared to 2021) and “Communication services” (5.4%; -17.8% compared to 2021).
The first ten sectors represent 81% of total turnover (83.1% in 2021).

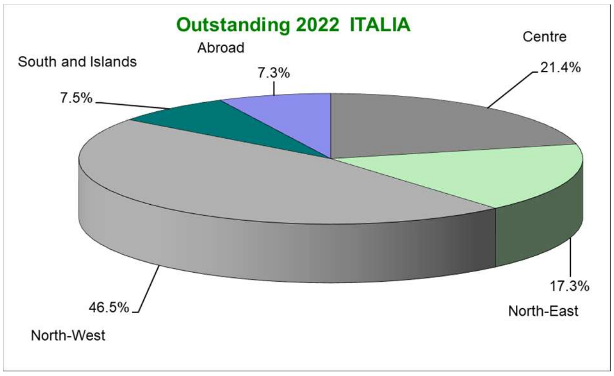
Outstanding positions

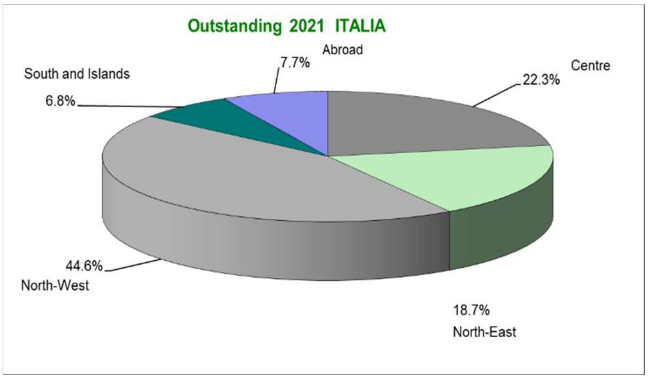
The stock of loans/receivables purchased for factoring amounted to EUR 9,230 million (EUR 8,030 in 2021, +14.95%), of which EUR 8,222 million (89.07% of total loans/receivables) refers to contracts factored without recourse, while EUR 1,008 million concerns with-recourse contracts (10.93% of the total).
Within the amounts indicated above, total international factoring transactions amounted to EUR 1,753 million (18.99% of the total), of which EUR 1,610 million for export transactions (EUR 1,326 million in 2021) and EUR 143 million for import factoring transactions in line with 2021.

Outstanding positions in Italy came to EUR 8,560 million compared with EUR 7,415 million in the previous year and represent 92.7% of total outstanding positions (92.3% in 2021).

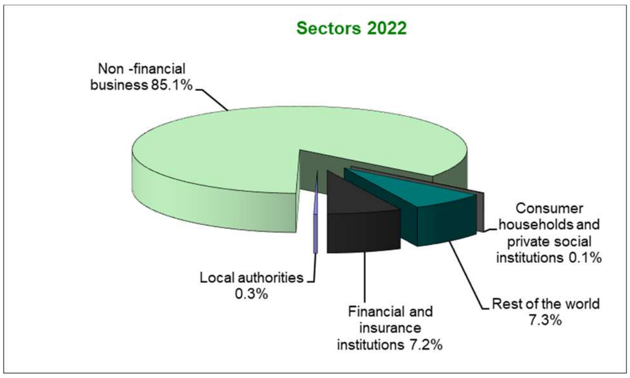
With regard to the geographic breakdown of the **transferor**, it was distributed as follows:

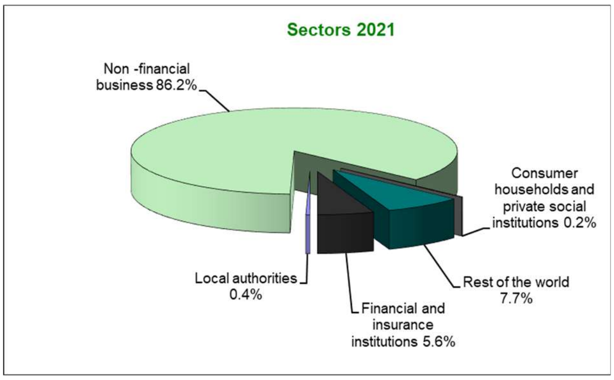
OUTSTANDING BALANCE				(millions of euros)
Areas	**2022**	**% of the total**	**2021**	**% of the total**
CENTRE	1,977	21.4%	1,788	22.3%
NORTH-EAST	1,595	17.3%	1,500	18.7%
NORTH-WEST	4,293	46.5%	3,579	44.6%
SOUTH AND ISLANDS	695	7.5%	548	6.8%
TOTAL FOR ITALY	8,560	92.7%	7,415	92.3%
ABROAD	670	7.3%	615	7.7%
TOTAL OUTSTANDING BALANCE	**9,230**	**100.0%**	**8,030**	**100.0%**





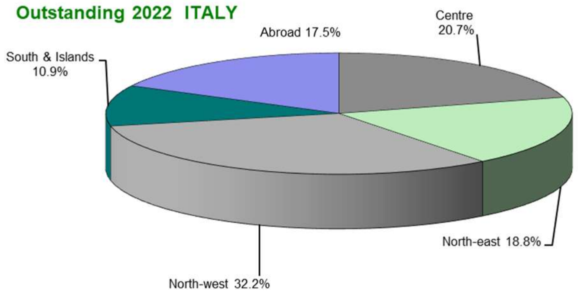
The breakdown of loans/receivables by segment confirms that in 2022, 85.1% of these amounts was attributable to transferors belonging to the category of non-financial businesses (86.2% in 2021).

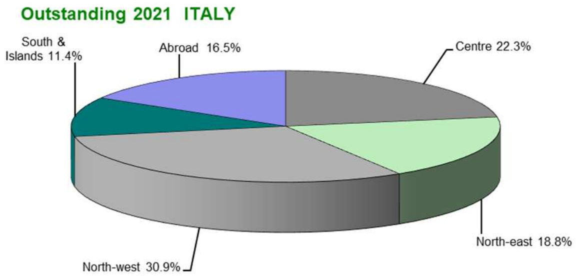




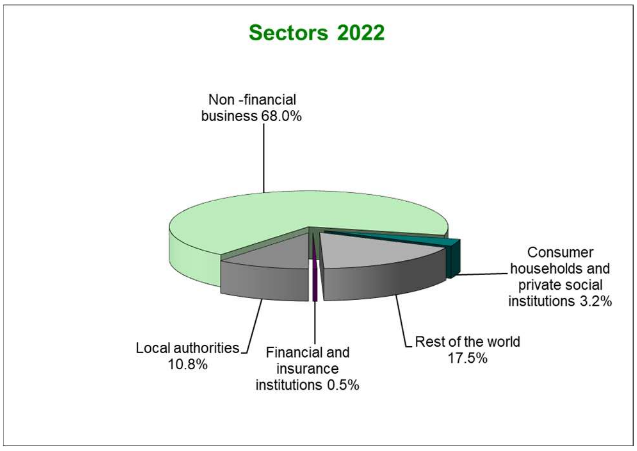
Following the previously analysed distribution of the outstanding transferor balances by geographic area, the same figure is now analysed seen from the **debtor side**:

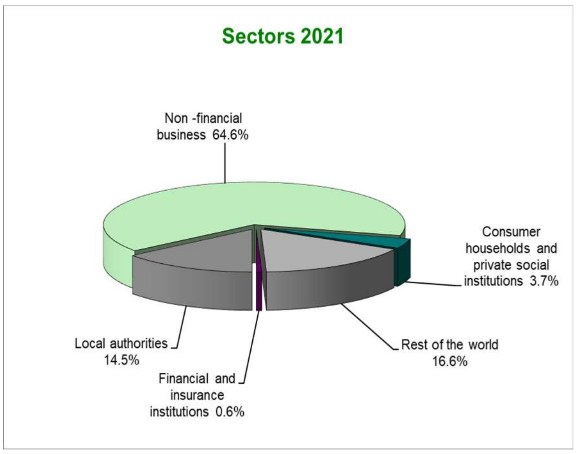
OUTSTANDING BALANCE				(millions of euros)
Areas	**2022**	**% of the total**	**2021**	**% of the total**
CENTRE	1,911	20.7%	1,793	22.3%
NORTH-EAST	1,731	18.8%	1,509	18.8%
NORTH-WEST	2,970	32.2%	2,482	30.9%
SOUTH AND ISLANDS	1,005	10.9%	918	11.4%
TOTAL FOR ITALY	7,618	82.5%	6,702	83.5%
ABROAD	1,612	17.5%	1,327	16.5%
TOTAL OUTSTANDING BALANCE	**9,230**	**100.0%**	**8,030**	**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 64.6% in 2021 to 68% in 2022. The "Rest of the World" segment increased by 0.9%, while the "Financial and insurance institutions" segment remained essentially unchanged. The “Public Administration” decreased by 3.7%, followed by “Consumer households and private social institutions” with a decrease of 0.5%.





Profit performance

Net banking income

Net banking income of EUR 120 million increased by 15% compared to 2021, when it was EUR 105 million and had already 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 59 million versus EUR 57.7 million in 2021 (+2%).
  The increase in net interest is due to the growth in average loan volumes (+17.4%); this impact is partially offset by lower financial spreads related to the increase in market interest rates, as well as lower late payment interest on tax credits and receivables from Public Entities.

(in millions of €)

	31/12/2022	31/12/2021	Var %
Net interest	**59.0**	**57.7**	**2.2**

- **net commissions**, equalling EUR 61.4 million, increased compared to EUR 15 million in 2021 (+31.4%). This increase is mainly due to the new trading operations of "ecobonus" credits starting in 2021, which resulted in the recognition of commission income of EUR 15.9 million (EUR 6.8 million in 2021) and higher factoring commissions as a result of the growth in turnover volumes.
  These increases were partially offset by higher commission expense of EUR 2 million (+20.7%), mainly due to higher insurance premiums (+EUR 1.4 million) and higher commission reverses related to reverse factoring transactions (+EUR 0.8 million).

(in millions of €)

	31/12/2022	31/12/2021	Var %
Commission income			
Services for factoring transactions	59.9	52.0	15.2
Ecobonus operation	15.8	6.7	134.4
Commission income	**75.7**	**58.7**	**28.9**
Commission expense	-14.3	-12.0	19.4
Net commission	**61.4**	**46.7**	**31.4**

The **net result from trading**, equating to a cost of EUR 81 thousand (revenue of EUR 7 thousand in 2021), derives from the valuation at fair value (level 2) of derivatives entered into with BNL. This derivative closed during 2022.

In 2022, no **dividends** were recorded (in 2021, they amounted to EUR 90 thousand and included EUR 49 thousand related to the Serfactoring holding, which was sold by Ifitalia in 2021, and EUR 41 thousand related to a partnership in filmmaking).

Adding net commissions and the aforementioned components to net interest, **net banking income** totals EUR 120 million (EUR 105 million in 2021; +15%).

Net value adjustments for impairment of financial assets

(in millions of €)

	31/12/2022	31/12/2021	Var
Net value adjustments/writebacks for impairment of loans and receivables			
Net value adjustments/writebacks for discounting interest	-0.1	0.9	-1.0
Net value adjustments, analytical	10.1	12.8	-2.7
non-performing loans	*5.7*	*8.0*	*-2.3*
past due loans	*0.6*	*0.4*	*0.2*
unlikely to pay	*3.8*	*4.5*	*-0.7*
Total impairment	0.9	-1.3	2.2
Total net value adjustments/writebacks	**11.0**	**12.5**	**-1.5**
Discounting interest	*0.0*	*0.0*	*0.0*
Operational Risk	*4.9*	*6.7*	*-1.8*
Cost of Risk Total	**15.9**	**19.2**	**-0.2**

The **Cost of credit risk** decreased from EUR 12.5 million in 2021 to EUR 11 million mainly as a result of lower need for provisions on the non-performing and unlikely to pay portfolio in stock.
The level of new NPLs remains very low, although there is a slight increase compared to 2021: the related provisions amount to approximately EUR 4.9 million in 2022 compared to EUR 4.3 million in 2021.

The **provisions for operational risk** are mainly made considering transaction assumptions to settle ongoing disputes with transferor customers and decreased from EUR 6.7 million in 2021 to EUR 4.9 million in 2022.

The overall CoR in bps (cost of risk in relation to loans) decreased from 30 bps in 2021 to 22 bps in 2022.

Administrative expenses

(in millions of €)

	31/12/2022	31/12/2021	Var %
Administrative expenses:	-48.6	-44.4	9.5
personnel expenses	*-22.4*	*-22.0*	*1.9*
others administrative expenses	*-26.2*	*-22.4*	*16.9*
of which: indirect taxes and dues	*0.9*	*1.0*	*-10.6*
Administrative expenses:	**-48.6**	**-44.4**	**9.5**

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

- **personnel expenses** increased by 1.9% compared to 2021; this increase is mainly due to higher expenses for temporary workers related to the transformation project, expenses for BNL seconded personnel and higher costs related to the relocation of personnel to the Assago building
- the **other administrative expenses** increased by 16.9% compared to last year. The increase in these costs is mainly due to higher real estate costs related to the relocation of the headquarters to Assago, higher BNPP servicing costs, and higher transformation project costs.

Other income components

The **net value adjustments on tangible and intangible assets** were EUR 3.81 million, a decrease of 16.2% compared with the EUR 4.56 million in 2021. Of these, EUR 0.3 million (EUR 1 million in 2021) refer to property, plant and equipment and EUR 3.49 million (EUR 3.55 million in 2021) to intangible assets.
Note also that a provision of EUR 0.9 million (EUR 0.7 million in 2021) million was allocated to the provision for risks and charges in 2022 to cover the presumed reduced future use of certain software following the Transformation One Factoring project (see page 39).

The **net operating income** and **profit from current operations before taxes** generated profit of EUR 52.7 million, EUR 14.95 million higher than 2021.

After income taxes, the **profit for the year** came to EUR 37 million (EUR 26 million in 2021, +38.9%).

(in millions of €)

	31/12/2022	31/12/2021	Var %
Net operation income	**52.7**	**37.8**	**39.6**
Income taxes for the year on current operations	-16.2	-11.5	41.0
Profit from current operations net of taxation	**36.6**	**26.3**	**38.9**
Profit for the year	**36.6**	**26.3**	**38.9**

Balance sheet items

Loans and receivables

(in millions of €)

	31/12/2022	31/12/2021	Var %
Factoring	7,793.3	6,536.6	19.2
Other loans	369.0	392.4	-6.0
Loans and receivables	**8,162.3**	**6,928.9**	**17.8**

Loans and receivables, net of value adjustments, totalled EUR 8,162 million, compared with EUR 6,929 million in the previous year, therefore with an increase of 17.8%.
This item, according to the IAS/IFRS international accounting standards, includes loans and receivables purchased without recourse, advances issued with recourse and for receivables acquired without recourse that have not transferred all the risks and benefits, and loans to debtors granted for conceded payment extensions.

Credit quality

Impaired loans and receivables decreased in 2022 from EUR 341 million in 2021 (EUR 86 million net; 1.2% of total loans and receivables) to EUR 320 million in 2022 (EUR 67 million net; 0.8% of total loans and receivables).

(in millions of €)

	Gross exposure	Value adjustments	Net exposure	% hedging	% incidence on due from customers
31/12/22					
Non-performing loans	259.7	220.8	38.9	85.0	0.5
Unlikely to pay	54.4	31.8	22.6	58.4	0.3
Past due loans	5.7	0.7	5.1	11.4	0.1
Total impaired receivables	**319.8**	**253.2**	**66.6**	**79.2**	**0.8**
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**

The total of **impaired loans and receivables**, net of value adjustments, amounted to EUR 67 million (86 million in 2021) with a comprehensive hedging of 79% (75% in 2021). These loans and receivables particularly concern:

- **non-performing loans** of EUR 260 million (EUR 267 million in 2021), 85% of which are hedged (81% in 2021), with a net value of EUR 39 million (EUR 49 million in 2021);

- **unlikely to pay**, totalling EUR 54 million (EUR 71 million in 2021) which, net of the related hedges of 58% (52% in 2021) present a net value of EUR 23 million (EUR 34 million in 2021). This category includes unlikely to pay loans, subject to postponement and not subject thereto;

- **past due loans** amounted to EUR 5.7 million (EUR 2.9 million in 2021) 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 €)

	31/12/2022	31/12/2021	Var %
Provision for employees termination benefits	3.3	4.0	-17.6
Provision for risks and charges	22.1	17.8	23.7
b) other provisions	22.1	17.8	23.7
Total	**25.4**	**21.9**	**16.1**

As at 31 December 2022, **liability provisions** were EUR 25.4 million (+16.1% compared with 21.9 million in 2021) 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 2022, the provision was EUR 3.3 million (EUR 4 million at the end of 2021).

The **other provisions**, equalling EUR 22.1 million, include:

- *provision for legal disputes*, of EUR 18.7 million (14.9 million at the end of 2021) for allocations against revocations and legal proceedings and disputes; the increase in this provision, amounting to EUR 3.8 million, is mainly attributable to provisions made in 2022 in consideration of possible settlements with certain transferors in order to settle outstanding disputes;
- *personnel expenses* of EUR 1.8 million, mainly related to provisions for variable personnel remuneration
- *other provisions* of EUR 1.5 million related to the provision for the derecognition of the residual value of software (intangible fixed assets) following the introduction of the new IT platform from 2024/2025 related to the transformation project

Equity items

Equity as at 31 December 2022 amounted to EUR 853 million (EUR 816 million in 2021), up by 4.5% due to the following changes:

Equity as at 31 December 2021	**816.34**
2022 changes:	
- net profit as at 31 December 2022	36.58
- change in other reserves	0.17
Equity as at 31 December 2022	**853.09**

With regard to the capital adequacy of Ifitalia as at 31 December 2022, Ifitalia closed with **Total regulatory own funds** of **EUR 812.3** million, up EUR 26 million, in the presence of total capital requirements of EUR 394.5 million with a capital surplus of EUR 417.8 million. The Tier 1 came to 12.35% and the Total Capital Ratio was 12.35%.
Own funds as at 31 December 2022 do not include the 2022 profit, which will be capitalised following approval of the financial statements by the Shareholders' Meeting.

	2022	2021	Var. %
Tier 1 capital	812.3	786.2	3.3
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	**812.3**	**786.2**	**3.3**
Risk Weighted Assets (*)	**6,576.5**	**5,716.3**	**15.0**
Total prudential requirements	**394.5**	**342.9**	**15.0**
Capital excess	**417.8**	**443.3**	**(5.8)**
Tier 1 capital ratio	12.35%	13.75%	(10.2)
Total capital ratio	12.35%	13.75%	(10.2)

(*) 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 5.820 million and represented the majority of amounts owed to banks; the remaining part is represented by exposures to BNL for an amount of EUR 710 million.

In relation to securitisation transactions, Ifitalia as at 31 December 2022 had a debt position to the SPV of EUR 289 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 2.530 million (EUR 1.149 million for 2021).

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 7.218 million (EUR 6.714 million in 2021).
As from 2021, BNPP centralised certain services on HR, Risk and Compliance issues.
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 the above services for Ifitalia, to which Legal, Communications and Global Sourcing services have been added from 2022, was EUR 1.207 million (EUR 832 thousand in 2021).

Expenses/profits were also recorded for staff seconded respectively from or to other Group companies for an annual total of EUR 4.273 million in 2022 (EUR 3.927 million in 2021).

In 2022, income from Group companies for rents receivable of EUR 0.375 million (in line with 2021) and costs for rents payable of EUR 1.493 million (EUR 0.802 million in 2021) were also recorded.

Ifitalia uses external servicing provided by BNL S.p.A. 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 2022, costs totalling EUR 2.139 million were incurred for all the above activities (EUR 2.099 million for 2021).

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 0.241 million (EUR 0.206 million in 2021).

Expenses for coordinating factoring activities at the group level, performed by the "Global Factoring Competence Centre", were incurred for EUR 0.776 million in 2022 (EUR 0.836 million in 2021).

Moreover, costs of EUR 1.091 million were incurred in 2022 for activities related to the Transformation project.

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 1.519 million (EUR 1.502 million in 2021).

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 2022 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.

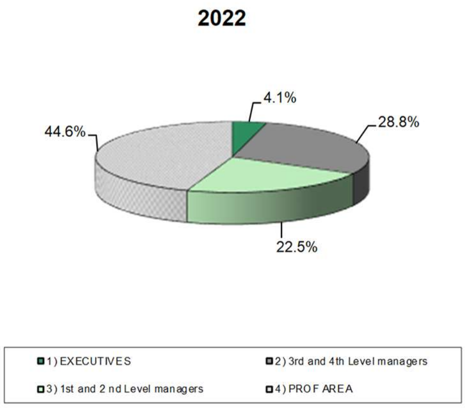
Human resources

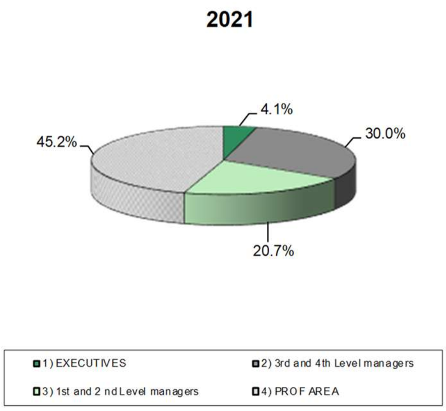
The personnel as at 31 December 2022 amounted to 271 employees (+1 employee compared to 31 December 2021).

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

Distribution by grading

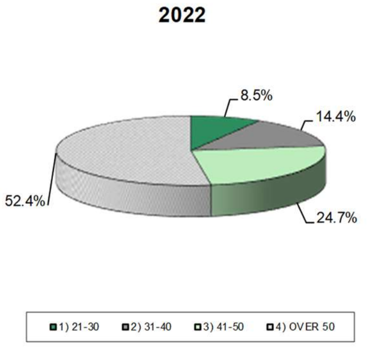
Category	31/12/2022	31/12/2021	2022 in %	2021 in %
1) EXECUTIVES	11	11	4.1%	4.1%
2) 3rd and 4th Level managers	78	81	28.8%	30.0%
3) 1st and 2nd Level managers	61	56	22.5%	20.7%
4) PROF AREA	121	122	44.6%	45.2%
Total	**271**	**270**	**100%**	100%

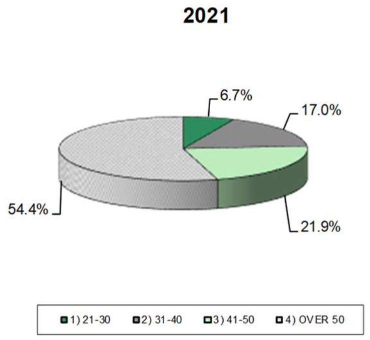




Distribution by age

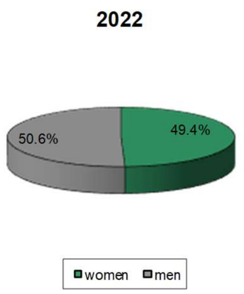
Age group	31/12/2022	31/12/2021	2022 in %	2021 in %
1) 21-30	23	18	8.5%	6.7%
2) 31-40	39	46	14.4%	17.0%
3) 41-50	67	59	24.7%	21.9%
4) OVER 50	142	147	52.4%	54.4%
Total	**271**	**270**	**100%**	100%

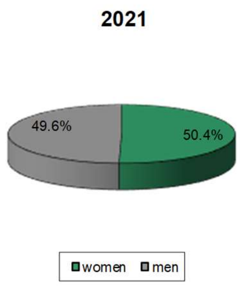




Distribution by gender

Category	31/12/2022	31/12/2021	2022 in %	2021 in %
women	134	136	49.4%	50.4%
men	137	134	50.6%	49.6%
Total	**271**	**270**	**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.

During 2022, professional development processes were activated for about 6% 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 15 colleagues changed roles, two mobility schemes were activated with Group companies in Italy and, finally, nine 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 2022.
A total of approximately 6,800 hours of training were provided in 2022, equal to approximately 21 hours per capita, which, also in relation to the new remote methods tested effectively during 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, 39% were of a technical-specialist nature, 48% related to regulations and 13% were behavioural and linguistic. 12% was delivered in the classroom and 88% remotely, virtual room or e-learning.

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 2022 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.

In line with the Group's objective of continuing the process towards greater pay parity and thus reducing the so-called "gender pay gap", particular attention was paid to the female cluster in line with the characteristics of the roles held and the quality of performance.

OTHER INFORMATION

Organisational structure

As a member of the BNP Paribas Group, Ifitalia implements the strategic guidelines laid down by the Parent Company and direct parent company, which carries out management and coordination activities, formulating guidelines for this purpose that are implemented by each entity.

The General Manager, who reports to the Board of Directors, is responsible for the overall management of the Company.
The General Manager is assisted by two Deputy General Managers who oversee the Commercial and Operations Chains; the respective roles are held by the Sales Manager and the Operations Manager.

In 2022, the organisational structure of the Company remained substantially stable.

In December 2022, the Board of Directors decided to merge the central structures Credit & Debtor Management and Credit Lines & KYC Office within the Operations Division into the new central structure Operations Services, in order to achieve greater synergy in the onboarding and customer operational management processes; this new structure took over the responsibilities of the two pre-existing structures and the organisational change was implemented as from 1 January 2023.
The Head of the Operations Services structure also assumed the role of Deputy Chief Operating Officer (Deputy COO).

Effective as from 1 February 2023, a change in the organisation of the Sales Division led to the creation of a new second-level structure, Product & Business Development, dedicated to the development of specific product categories (Reverse, Securitisation, ESG, etc.), and to the rationalisation of the Sales Network, which now comprises four Territories following a number of mergers to create synergies with the BNL Network.

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
    - Operations Services
    - IT
    - Organisation
- Risk Division
    - Credit Risk Analysis.

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 Head of the Risk Division is appointed by the Board of Directors on the proposal of the Factoring Global CRO of BNPP and having consulted the Board of Statutory Auditors.

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 S.p.A. - Compliance Division, which reports to the Board of Directors in the performance of this task. The Point of Contact for outsourced services is a member of the Board of Directors designated pro tempore.
The positions of Head of the Compliance Function and Head of the Anti-Money Laundering Function are held - within the Compliance Division of BNL S.p.A. - 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. The Point of Contact for outsourced services is a member of the Board of Directors designated pro tempore.

Moreover, in 2022, the Company entrusted the following control functions to BNL S.p.A. through specific outsourcing contracts:

- permanent second-level control activity RISK ORM ICT. The service consists in ensuring the correct application of the BNPP permanent control framework in the risk perimeter of competence (ICT), by carrying out periodic checks on the application of the above-mentioned framework by the Company's first line of defence; the position of Point of Contact for outsourced services as part of RISK ORM ICT has been assigned to the Head of the Risk Division;
- control activities on the Internal Rating System. The service consists of performing second-level control activities related to "model risk - credit risk" for non-IRBA methods; the position of Point of Contact for outsourced services as part of the Internal Rating System was assigned to the Head of the Risk Division.

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)

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) and requested that the completion of the action plan relating to "Corrective actions other than conditionality and floors" be certified by Internal Audit.
The internal audit prepared by Inspection Generale - Hub Italy was carried out from 4 April 2022 to 30 November 2022 and did not give rise to any findings, confirming the successful completion of the corrective actions envisaged by the above measures. This result was formally communicated to the Bank of Italy in a letter dated 23 December 2022.
In the light of the above, the Company calculates the capital requirement under the Standardised Approach, using the Internal Rating System within the credit process and risk management framework.
The internal rating system is based on 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 credit process. In line with other BNP Paribas Group entities, the master scale that 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, is adopted.

Supervisory review process

The enforcement of Circular no. 288 “Supervisory 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 2021 and is about to prepare the new ICAAP as at 31 December 2022 by 30 April 2023.

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 S.p.A.; 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 87 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.

In 2022, 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 2022, 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 independent testing, consisting of verification and reperformance 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;
- carried out the annual self-assessment of money laundering risk, as well as the quarterly monitoring required by the Group model, analysing the results and defining the subsequent action plans for the areas for improvement that emerged;
- defined the specific training plan in the field of Financial Security and monitored the correct and complete use by impacted colleagues.

In 2022, no inspections of the areas covered by Financial Security were carried out by BNPP Group bodies or external to the Group itself.

Finally, it should be noted that two Suspicious Transaction Reports were sent to the FIU in 2022.

Protection of Customers' Interests (PIC)

DC has provided advice and support on new products, services and activities for the relevant areas of responsibility, carrying out the relevant assessments in advance and validating them where necessary; it has also contributed to providing the necessary support to identify the impact of regulatory changes on the control system and to define and update the regulatory framework in a timely manner.

The Company's PIC risk profile was low in 2022. 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.

As part of the new method introduced by the Group following the ECB recommendation on the need to strengthen the first line of defence controls, the Compliance Division adopted the new Independent Testing programme based on a risk-based approach. The new method aims to verify the correctness and completeness of the checks carried out by the front line, also in relation to the new Control Plans issued by the Parent Company.
Specifically, the control activities planned for 2022 were set up at the end of the RCSA process and defined, based on a reperforming of first-level controls, the degree of pervasiveness of the checks carried out.
Specifically, the reperforming action carried out by this Division, i.e. the verification based on a reduced selection of the original sample regarding the conformity of the first line of defence analyses, was applied to the topics of Customer Disclosure and Complaints. As part of customer disclosure, a careful analysis was made of the processes relating to the pre-contractual, contractual and post-contractual phases, which resulted in a generally satisfactory overall rating, with particular reference to the activities carried out to monitor the risks of non-compliance with Law on usury no. 108 of 7 March 1996, which did not reveal any anomalies.
Similar work on the complaints handling process resulted in a satisfactory rating. Overall the control activities of the second line of defence did not reveal any particular critical issues.

During 2022, 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 2022 there were no incidents concerning issues related to the Protection of Customers' Interests.

Professional Ethics

With regard to the issue of Professional Ethics, note that during 2022, 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 covered both processes and control devices.

For the Professional Ethics issue, note that during 2022, 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 **Gifts, Invitations and Other Benefits Policy**, which provides principles, rules (including prohibitions) and processes concerning gifts, invitations and other benefits received or offered by employees. The purpose of the regulations is to support people in an area where non-compliant behaviour can expose the company to significant legal and reputational risks. The document describes the conditions under which Gifts, Invitations and other Benefits, received or offered, can be accepted, authorised or refused. Offering and accepting gifts, invitations and other benefits are part of the normal course of business when they are part of the Group's promotional strategy or are intended to maintain and strengthen business relationships. However, under certain circumstances, offering or accepting gifts or invitations can constitute an act of corruption. This is the case when the ultimate aim is to influence a person to do or not to do something in violation of their legal, contractual or professional obligations. It is therefore one of the key procedures in dealing with the risk of corruption and is an integral part of the BNP Paribas Group entities' anti-corruption framework.
  The local adjustments required, compared to the Group procedure (CPL0067 v_4.0), are related to more stringent rules defined in Italian Legislative Decree 231 of 8 June 2001, which introduced "corporate administrative responsibility" in Italy. The Protocols that make up this MOG include, among other things, a prohibition on sending/receiving gifts to/from any type of Public Officials, without limiting the prohibition to public officials with restrictions.
- The **Code of Conduct**, which defines the rules that should guide the daily activities and decisions of each collaborator, in every situation and at the various levels of the company's organisation, in line with the Group's Fundamental Values (the BNP Paribas Way).
  For this reason, all Group policies and internal regulations must ensure consistency with the Group. The Code of Conduct consists of three parts and an appendix. The first section, "Mission and Values", aims to guide and inspire all types of behaviour. The second section concerns the "Rules of Conduct" to be shared and implemented. The third section, called the "Code of Conduct", provides useful guidance on the application of the rules of conduct. Finally, the appendix, called "BNP Paribas Group Anti-Corruption Code of Conduct", defines the fundamental principles of the fight against corruption and the behaviour to be avoided in this context.
- The **Operating Principles of the Ethical Alert System - Whistle-blowing**, which supplements the "Whistle-blowing Procedure" of Ifitalia (Pol_032/2017), and regulates the Ethical Alert System or Whistle-blowing adopted by the Company to allow employees to report acts or facts that may constitute a violation of external rules or ethical principles.
  The Above System is structured to ensure that reports are received, examined and evaluated through specific, autonomous and independent channels that differ from ordinary reporting lines.
  The purpose of these regulations is to describe the process of appointing the Whistle-blowing Point of Contact, the main activities and tasks of the Whistle-blowing Point of Contact, as well as the methods for accessing the channels of the System made available to the Company's Collaborators. They also aim to provide guidance on the entire process of managing a whistle-blowing report: receipt, analysis of admissibility, investigations carried out by the Whistle-blowing Point of Contact or by its designated Structures, closing methods, processing times, and finally information, reporting and control activities. Finally, they describe the methods for processing the data relating to the whistle-blower and the persons reported, in accordance with the principle of data confidentiality.

- The **Procedure on the declaration and authorisation of corporate offices and external activities carried out in a personal capacity by Collaborators**, which defines the process of authorising the appointments and activities compatible with the position of bank employee and office duties that Collaborators wish to carry out in a personal capacity outside working hours. This procedure is an integral part of the global framework put in place by the BNP Paribas Group to identify, prevent and manage conflicts of interest, with a particular focus on certain personal conflicts of interest.

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

During 2022, 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 and legal 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 Gifts, Invitations and other benefits regulations represents one of the key procedures in dealing with the risk of corruption and is an integral part of the BNP Paribas Group entities' anti-corruption framework.
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, the Compliance Function adopted a special register of names in which all requests by employees to take on assignments or carry out external activities in a personal capacity must be 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 first few months of 2022, the Compliance Division also supported the updating/revision of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 resulting from the regulatory and organisational changes occurred in the Entity.

During 2022, no incidents occurred pertaining to issues of professional ethics.

Also for the year 2022, 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 whistle-blowing) with reference to the previous year.

Finally, specific training activities on Professional Ethics were carried out in e-learning mode through the "Percorso di Condotta" (Conduct Path) course, the training campaign held every two years for all Group employees that, for Season 2, dealt with topics such as Data protection, Cybersecurity, Competition Law and Responsible Communication, and on the fight against corruption through the "ABC for the Most Exposed" course, a training activity dedicated to untrained persons belonging to the segment "most exposed" to corruption risks and based on 10 practical cases of possible corruption.
Moreover, 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 (Whistle-blowing).

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.

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.

During 2022, no incidents occurred pertaining to issues of Banking Laws.

Organisational measures

Introduction

During 2022, the activities planned continued to be carried out with the aim of achieving greater efficiency of the company and its processes and, consequently, greater commercial competitiveness.

Special efforts continue to be made to digitalise processes and documents.

In particular, the main projects with the greatest impact on internal operations and on customers carried out during the year 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, with reference both to the forwarding of massive communications to customers produced by the Company's application systems and to the adoption of an additional digital signature format also to meet customer requirements.
- 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

- Implementation of a new dematerialised process for the management of a specific type of credit granting transaction (bulk granting of future loans/receivables), involving the automation of a number of controls, including those on digital signatures, which were previously carried out manually. The new application went into production in September 2022. This application can be used by customers through the Mediana Portal, the company's home factoring platform.
- Completion of the project for the dematerialisation of factoring contracts, which was characterised by the production of an Electronic file of Factoring Contracts (FECF), which makes it possible to partially automate the process of transmission and acquisition of documents relating to contracts entered into with customers. The application went into production at the end of 2022.

One Factoring project

Finally, it is reported that the One Factoring Transformation project, coordinated by BNP Paribas from 2020 onwards, was finally approved between May and June 2022.

The project involves Ifitalia together with the other factoring companies of the BNPP Group with the aim of creating synergies between all factoring entities by defining common processes and products; the project also includes the implementation of a single IT platform to rationalise costs and share information.

The overall time horizon for Ifitalia's migration to the new IT platform is planned for late 2024 - early 2025. The current plan is that Ifitalia will be the last country to move its operations to the new platform, with migration activities starting in 2024.

In July 2022, the overall project organisation was also defined, consisting of 8 streams and 32 projects, of which 16 have started so far. So far, activities have focused on analysing the processes/products of the individual entities and defining the requirements of the IT platform.

Research & development activities

The following IT projects were implemented in 2022:

1. Transformation: following a request from the BNPP Group concerning factoring companies, the "One Factoring" project continues to identify Group synergies in technological, operational and process terms. The BNPP Group's Factoring Sector is responsible for the programme.
2. Update of IT Governance procedures following the introduction of new Group policies and controls.
3. Starting new customers: the FIS core system was set up to welcome new customers.
4. NDoD: adaptation of the risk calculation engine, management of infected statuses, reporting according to the Parent Company's requirements.
5. KyC (Know your Customer): the SICRAT tool was adapted (already used by the BNPP Group Companies) to allow for new requirements.
6. Ges.CR (Credit Reference Bureau Management): implementation of the user interface on a Web platform for better use and efficiency in the management of the information assets of the Credit Reference Bureau.
7. Credit Reference Bureau: revision of the information services of the Credit Reference Bureau (CR) and the Database of Parties (AS) with the aim of innovating them and improving the services and products for reporting entities as required by the Bank of Italy (Reference no. 1151266/21 of 3 August 2021 - Credit Reference Bureau and Database of Parties).
8. New standardised archive (Ex-AUI): convergence towards the BNL solution due to the obsolescence of the current application version.
9. Risk follow-up: updating the model
   - SME Retail to adapt to business requirements;
   - LGD Small Corporate to comply with Bank of Italy requests;

   aimed at improving the performance of the model and of scoring for certain categories of debtors.
10. Follow-up of Bank of Italy requests during inspection for risk models:
    - adjustment of flows for the application of Systematic Supervision (IFIPEG)
    - interventions on the tableau to adjust the scoring criteria
    - implementation of KYC flows for due diligence
11. Mediana: interventions in the home factoring system
    - implementation of the function that allows the transferor to enter/manage suspensive events and requests for extension;
    - adaptation to the BNPP Group's Cyber Security standards;

- strengthening IT Security in the communication between the Mediana system and the Docflow supplier for document management;
- digitalisation of the CMF (Bulk Transfer of Future Loans/Receivables) management process by introducing the use of digital signature to sign the transfer and electronic mail in the acceptance process to the transferor and to notify the debtor for better customer service;
- revision and automation of the digital signature control process of transfers and acknowledgements to reduce operational risk and improve overall efficiency.

12. FIS Client: upgrade due to obsolescence of the FIS client (interface allowing the use of the Core FIS system) to the new version of Gupta 7.4.2 in line with the Group's policy of using local apps/applications via the Group's Digital Store.
13. Automatic collections: update of the tool (K-linx) that makes possible matches, in semi-automatic mode, between collections and related invoices for the management of Small Business, Secondary and Reverse customers with the aim of improving operational efficiency in the back office.
14. Data logging on FIS: logging procedures for obsolete data on FIS for storage cost containment.
15. 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.
16. CyberSecurity: actions were carried out in line with what was required by the BNPP Group. System/application assessment carried out to check the level of maturity in relation to the classification provided by NIST (National Institute of Standards and Technology). Project launched to bring systems and technologies up to NIST Level 3 Maturity.
17. Diamante Data Room: the work plan for the adaptation to the security policies and technological upgrade to reduce the obsolescence of the resident products of Diamante Data Room was implemented. Infrastructure upgrades (server firmware, replacement of obsolete hardware) and application product upgrades (Sharepoint, Business Object) were carried out.
18. ECB adjustments: in collaboration with BNL, the activities identified in the gap analysis on Ifitalia systems were implemented with respect to the IT Continuity requirements of the ECB.
19. Conformity: in collaboration with BNL and BNPP, the obsolescence project was activated in order to adapt the infrastructure, base products and applications located in the Group's data centre (Marne - Paris) to the new versions in order to reduce security risks.

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 2022, there were 6 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 2022

As at 31 December 2022, Ifitalia had 6 securitisations in place, the main balance sheet aggregates of which are shown below:

(thousands of €)

Items	Balance at 31/12/2022	Balance at 31/12/2021
Loans in portfolio (included in item 40 of the balance sheet assets)	723,817	591,331
Other payables Item 10 (represents funding received from third parties)	-288,850	-236,204
Other payables	-2,132	-1,375
Portion of securitisation portfolio financed by Ifitalia equal to value of securities subscribed by Ifitalia	**432,835**	**353,752**

New commercial operations: Trading of Ecobonus and Superbonus tax credits

During 2022, the activity of purchasing tax credits in relation to the "Rilancio" Decree (Italian Law Decree 34 of 19 May 2020 as amended and supplemented) continued .
The operation was aimed at companies operating in the field of energy requalification with the benefit of the superbonus and minor bonus concessions.
The purchase concerned both credits directly from the transferors and subsequent transferees.
The business model implemented by Ifitalia in 2022 continued to be 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 2022 amounting to approximately EUR 11 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 2023, 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 2022, 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).

No significant events occurred after year end.

However, an update of the main significant events that emerged during 2022 and their impact on Ifitalia is provided below.

Risks, uncertainties, impacts of the COVID-19 epidemic - update

In 2022, the world economy continued to recover what it had lost in 2020 due to the impact of the pandemic, although some elements such as the war in Ukraine and rising commodity prices slowed the recovery. As already mentioned in the report on operations, factoring in Italy increased its business volumes significantly, and Ifitalia acted in line with the market, returning overall to values above the pre-pandemic situation.
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 debtor.
With regard to collective provisioning, the provisioning system implemented by the BNPP Group to calculate impairment levels on performing loans, which was introduced at the end of 2020 to manage the heterogeneous impact of the pandemic crisis on the macroeconomic environment, was confirmed in 2022.
The expected impairment projections generated by this model were gradually reabsorbed in the portfolio trend and as at 31 December 2022, there were no loans subject to Covid-19 support measures.

Impact of the Russia-Ukraine Conflict on the Economic and Financial Situation - update

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 and monitored them during 2022, reaching the following conclusions:
• direct exposures held by the Company to Russia and Ukraine: there are no direct exposures to these countries and no exposures to the Rouble currency.
• indirect impacts relating to the relationships held by customers with countries at risk: again, no significant impacts were identified.
In general, there are no indications of potential risks that could affect the Company's economic and financial situation.

Impact of the inflationary scenario and of the trend in energy costs

The current context was characterised by high inflation, partly due to the difficulties in energy supply caused by the war scenario. To curb the general increase in prices, the central banks (ECB and FED) have recently decided to tighten their monetary policies, in particular by raising interest rates in the Eurozone and the USA, respectively. Further increases are expected in the near future.

Business outlook

The macroeconomic context, which allowed for a general increase in the factoring market, combined with incisive commercial actions, led to further progress in the results of 2022 compared to 2021.
In fact, the results for 2022 were largely positive, in particular the brokered turnover increased by 8.6% (15.4% net of a significant relationship ended in 2021) compared to 2021. This figure, although slightly lower than the overall market figure (+14.6%), enabled the market share for turnover to be substantially maintained (11%).

The trend in average loans also showed a strong expansion, with a percentage increase of 17.4% compared to 2021. Finally, if we consider the figure relating to specific lending at the end of the year, this also recorded an appreciable increase in market share (13%, 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 14.4% increase in turnover compared to 2021, and a 34.2% 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 acquisition of new customers also continued in 2022, with the usual synergistic support of the Sales Network of Ifitalia, BNL and the BNP Paribas Group, enabling the launch of 321 new customer relationships.

The contribution of the product dedicated to the purchase of Super/Ecobonus tax credits as defined by the "Rilancio" Law Decree et seq. was also significant, which made it possible to broker more than EUR 823 million of credits in 2022, which will then be transferred within the Group. Commercial distribution efforts for this product will continue in the current financial year.

The results under review achieved confirm the soundness of the 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 continue to 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.

An increasingly intense interaction is confirmed 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.

In a macroeconomic scenario that is still expansionary, albeit to a lesser extent than in 2022, and notwithstanding the uncertainties of the geopolitical scenario, in addition to the recent monetary trends in interest rates aimed at curbing the inflationary spiral, growth in average lending and turnover volumes is still expected to be higher than the expected GDP figure, and margins in terms of spread and commission levels are expected to be maintained.

As already pointed out in previous years, in the confirmed 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 already encouraging NPS figure recorded in 2021 - with a score of 50, up 4 points - testifying to the increasing customer focus of all company divisions - further improved.

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 2023 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 36,577,431

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

Statutory reserve

Opening balance	**EUR 689,746,400**
2022 Profit	EUR 36,577,431
Closing balance	**EUR 726,323,831**

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

Milan, Italy, 24 March 2023

On behalf of the Board of Directors

IFITALIA FINANCIAL STATEMENT

Ifitalia Financial Statements as at 31 December 2022

Mandatory financial statements:

Notes to the accounts:

MANDATORY FINANCIAL STATEMENTS

Balance Sheet

(euro)

	ASSETS	31/12/2022	31/12/2021
10	Cash and cash equivalents	3,339,684	9,277,331
20	Financial assets at fair value through profit or loss:	405,927	553,532
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	405,927	553,532
30.	Financial assets at fair value through other comprehensive income	-	-
40.	Financial assets measured at amortised cost:	8,162,290,983	6,928,940,548
	a) loans to banks	11,623,748	14,241,230
	b) loans to financial company	256,983,796	104,464,324
	c) loans to customers	7,893,683,439	6,810,234,994
50.	Hedging derivatives	-	-
60.	Change in fair value of portfolio hedged items (+/-)	-	-
70.	Equity investments	-	-
80.	Property, plant and equipment	15,117,784	1,723,484
		-	-
90.	Intangible assets	9,029,105	9,831,712
	of which: goodwill	-	-
100.	Tax assets	49,598,022	54,321,144
	a) current	12,865,520	15,537,212
	b) deferred	36,732,502	38,783,932
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	33,530,302	145,569,035
	Total assets	**8,273,311,807**	**7,150,216,786**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2022	31/12/2021
10	Financial liabilities measured at amortised cost:	7,233,907,818	6,132,269,671
	a) Deposits	7,233,907,818	6,132,269,671
	b) Debt securities issued	-	-
20	Financial liabilities held for trading		1,963
30	Financial liabilities designated at fair value	-	-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	14,460,857	7,562,997
	a) current	*14,023,281*	*7,216,203*
	b) deferred	*437,576*	*346,794*
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	145,689,841	171,738,038
90	Post-employment benefits	3,324,839	4,035,039
100	Provisions for risks and charges	22,837,708	18,271,511
	a) commitments and guarantees issued	*762,798*	*424,675*
	b) post-retirement benefit and similar obligations	-	-
	c) other provisions for risks and charges	*22,074,910*	*17,846,836*
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	699,768,028	673,440,872
160	Valuation reserves	(953,358)	(1,129,104)
170	Profit (loss) for the year	36,577,431	26,327,156
	Total Liabilities and Shareholders' equity	**8,273,311,807**	**7,150,216,786**

IFITALIA GRUPPO BNP PARIBAS

Income Statement

(euro)

	P&L	Year 2022	Year 2021
10	Interest and similar income	83,859,556	60,149,448
	of which: interest income calculated using the effective interest rate method	80,045,068	58,980,523
20	Interest and similar expense	(24,869,234)	(2,445,286)
30	**Net interest income**	**58,990,322**	**57,704,162**
40	Fee and commission income	75,689,332	58,703,412
50	Fee and commission expense	(14,331,343)	(12,007,828)
60	**Net fee and commission income**	**61,357,989**	**46,695,584**
70	Dividends and similar income		90,360
80	Net result from trading	(80,667)	6,692
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**
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	-	80,036
120	**Net banking income**	**120,267,644**	**104,576,834**
130	Net value adjustments/write-backs for credit risk relating to:	(10,994,494)	(12,493,009)
	a) financial assets measured at amortised cost	(10,994,494)	(12,493,009)
	b) financial assets at fair value through other comprehensive income	-	-
140	Gains/losses on contract modifications without eliminations	-	-
150	**Net result of financial management**	**109,273,150**	**92,083,825**
160	Administrative expenses:	(48,574,369)	(44,358,594)
	a) personnel expenses	*(22,380,001)*	*(21,952,198)*
	b) other administrative expenses	*(26,194,368)*	*(22,406,396)*
170	Net provisions for risks and charges	(5,774,665)	(7,354,296)
	a) commitments and guarantees issued	*(336,779)*	*1,483,023*
	b) other net provisions	*(5,437,886)*	*(8,837,319)*
180	Net value adjustments/write-backs on property, plant and equipment	(314,188)	(999,772)
190	Net value adjustments/write-backs on intangible assets	(3,494,787)	(3,546,010)
200	Other operating expenses/income	1,612,958	1,953,870
210	**Operating expenses**	**(56,545,051)**	**(54,304,802)**
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		
260	**Operating profit (loss) before taxes**	**52,728,099**	**37,779,023**
270	Income taxes for the year	(16,150,668)	(11,451,867)
280	**Operating profit (loss) net of taxes**	**36,577,431**	**26,327,156**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**36,577,431**	**26,327,156**

Statement of Comprehensive Income

(euro)

	Items	Year 2022	Year 2021
10	**Profit (loss) for the year**	**36,577,431**	**26,327,156**
	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	175,746	(102,026)
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**	**175,746**	**(102,026)**
180	**Comprehensive income (Item 10+170)**	**36,753,177**	**26,225,130**

Statement of Changes in Equity as at 31 December 2022

(euro)

	Balances as at 31.12.2021	Change in opening balances	Balances as at 01.01.2022	Allocation of profit from previous year		Changes during the year						Comprehensive income as at 2022	Shareholders' Equity 31.12.2022
							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:	**673,440,872**	**-**	**673,440,872**	**26,327,156**							**-**		**699,768,028**
a) profit-related	674,599,245		674,599,245	26,327,156									700,926,401
b) other	(1,158,373)		(1,158,373)								-		(1,158,373)
Valuation reserves	**(1,129,104)**		**(1,129,104)**									**175,746**	**(953,358)**
Equity instruments													
Treasury shares													
Profit (loss) for the year	**26,327,156**		**26,327,156**	**(26,327,156)**								**36,577,431**	**36,577,431**
Shareholders' Equity	**816,337,567**		**816,337,567**								**-**	**36,753,177**	**853,090,744**

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 Cash Flows prepared using the indirect method

(euro)

A. OPERATING ACTIVITIES		31/12/2022	31/12/2021
1.	**Management**	**67,151,427**	**53,085,191**
-	profit (loss) for the year (+/-)	36,577,431	26,327,156
-	gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	(1,963)	(106,174)
-	gains/losses on hedging (+/-)	-	-
-	net value adjustments/write-backs for credit risk (+/-)	6,917,201	8,415,716
-	net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	3,808,975	4,545,782
-	net allowances to provisions for risks and charges and other costs/revenues(+/-)	5,774,665	7,354,296
-	taxes not settled (+/-)	14,075,118	7,323,997
-	net value adjustments/write-backs on discontinued operations, net of taxes (+/-)	0	0
-	other adjustments (+/)	-	-
2.	**Cash flow generated/absorbed by financial assets**	**(1,123,358,176)**	**737,062,022**
-	financial assets held for trading	-	-
-	financial assets designated at fair value	-	-
-	other financial assets mandatorily measured at fair value	147,605	4,308,061
-	financial assets at fair value through other comprehensive income	-	-
-	financial assets measured at amortised cost	(1,240,267,636)	(676,248,397)
-	other assets	116,761,855	(65,121,686)
3.	**Cash flow generated/absorbed by financial liabilities**	**1,066,669,770**	**694,060,757**
-	financial liabilities measured at amortised cost	1,101,638,147	654,636,223
-	financial liabilities held for trading	-	-
-	financial liabilities designated at fair value	-	-
-	other liabilities	(34,968,377)	39,424,534
	Cash flow generated/absorbed by operating activities	**10,463,021**	**10,859,508**
B. INVESTING ACTIVITIES			
1. Cash flow generated by:		**1,499,973**	**1,252,711**
-	sale of equity investments	-	-
-	dividends collected on equity investments	-	-
-	sale of property, plant and equipment	1,499,973	1,252,711
-	sale of intangible assets	-	-
-	sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:		**(17,900,641)**	**(3,959,142)**
-	purchase of equity investments	-	-
-	purchase of property, plant and equipment	(15,208,461)	(1,288,144)
-	purchase of intangible assets	(2,692,180)	(2,670,998)
-	purchase of subsidiaries and businesses	-	-
	Net cash flow generated/absorbed by investing activities	**(16,400,668)**	**(2,706,431)**
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	**(5,937,647)**	**8,153,077**

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

Reconciliation

(euro)

Financial statement items	31/12/2022	31/12/2021
Cash and cash equivalents at the beginning of the year	9,277,331	1,124,254
Total net cash flow generated/absorbed during the year	(5,937,647)	8,153,077
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	3,339,684	9,277,331

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 2022 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; the latter circular continues to apply to the financial statements for the year ended 31 December 2022, supplemented, where applicable, by the amendments to the recipients of the provisions contained in paragraphs 1 "Recipients and contents of the provisions" and 3 "Financial statement reporting formats" of Chapter 1 "General principles" and Annex C "Financial statement reporting formats and notes to the accounts of SIMs" - Consolidated Financial Statements - Part D "Other information" provided for in the provisions "Financial statements of IFRS intermediaries other than banking intermediaries" of the Bank of Italy Measure of 17 November 2022. 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).

Finally, the financial statements and related disclosure were prepared taking into account, where applicable, interpretative and supporting documents on the application of international accounting standards in relation to the impact of Covid-19, issued by European regulatory and supervisory bodies and standard setters. 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”;
- the ESMA communication of 15 December 2021 “report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses;
- the Bank of Italy Communication of 21 December 2021 updating the additions to the provisions of the Measure "Financial statements of IFRS intermediaries other than banking intermediaries" are updated 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 changes in the EU regulations on the treatment of moratoria, updates to the reporting and financial statement circulars and changes to IFRS 16 "Leases" related to Covid-19;
- the Public Statements issued by ESMA on 14 March and 13 May 2022 containing specific recommendations related to the Russian-Ukrainian crisis, which were fully referred to in the documents published by Consob on 18 March 2022 and 19 May 2022.

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.

Section 3 – Events after the reporting period

When drawing up the financial statements as at 31 December 2022, 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).

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.

Impact of the Russia-Ukraine Conflict on the Economic and Financial Situation

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 and monitored them during 2022, reaching the following conclusions:

• direct exposures held by the Company to Russia and Ukraine: there are no direct exposures to these countries and no exposures to the Rouble currency.

• indirect impacts relating to the relationships held by customers with countries at risk: again, no significant impacts were identified.

In general, there are no indications of potential risks that could affect the Company's economic and financial situation.

Impact of the inflationary scenario and of the trend in energy costs

The current context was characterised by high inflation, partly due to the difficulties in energy supply caused by the war scenario. To curb the general increase in prices, the central banks (ECB and FED) have recently decided to tighten their monetary policies, in particular by raising interest rates in the Eurozone and the USA, respectively. Further increases are expected in the near future.

Risks, uncertainties, impacts of the COVID-19 epidemic - update

In 2022, the world economy continued to recover what it had lost in 2020 and 2021 due to the impact of the pandemic, although some elements such as the war in Ukraine and rising commodity prices slowed the recovery. As already mentioned in the report on operations, factoring in Italy increased its business volumes significantly, and Ifitalia acted in line with the market, returning overall to values above the pre-pandemic situation.

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 debtor.

With regard to collective provisioning, the provisioning system implemented by the BNPP Group to calculate impairment levels on performing loans, which was introduced at the end of 2020 to manage the heterogeneous impact of the pandemic crisis on the macroeconomic environment, was confirmed in 2022.

The expected impairment projections generated by this model were gradually reabsorbed in the portfolio trend and as at 31 December 2022~~.~~

As at 31 December 2022, there were no loans subject to Covid-19 support measures.

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 significant effects on the amounts in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities in the financial statements.
The application of certain accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The calculation of these estimates involves the use of the information available and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions in order to record management events.
The assumptions on which the estimates are based take into account all the information available at the date of preparation of the periodic report as at 31 December 2022, as well as assumptions that are considered reasonable in the light of historical experience and the likely development of future reference scenarios. However, it cannot be excluded that these estimates and assumptions, although reasonable, may not prove to correct in the future scenarios in which the Company will operate. Therefore, future results may differ from the estimates made in the preparation of the separate financial statements as at 31 December 2022, and adjustments to the book value of assets and liabilities recognised in the balance sheet that cannot currently be foreseen or estimated may be required.
Moreover, the estimates and assumptions used may, by their nature, vary from year to year and, therefore, it cannot be excluded that in subsequent years the current values recognised in the financial statements may differ, even significantly, as a result of changes in the subjective evaluations used.
The estimation processes considered to be the most critical for the purposes of true and fair representation of the Company's financial position, the results of the operations and of the cash flows are listed below, both because of the materiality of the book values affected by the above-mentioned processes, and because of the high degree of discretion involved in the evaluations, which requires Management to make estimates and assumptions:
• determining the losses due to impairment of receivables and, generally, of financial assets;
• determining the Level 3 fair value of financial assets and liabilities;
• estimating the recoverability of deferred tax assets;
• estimating the provisions for risks and charges;
• estimating employee benefit obligations;
• estimates used in defining right of use and lease liability for the purposes of applying IFRS 16.
Estimates and assumptions are reviewed on a regular basis. Any resulting changes are recognised in the period in which the revision is made if it affects only that period. If the revision affects both current and future periods, the change is recognised in the period in which the revision is made and in the relevant future periods.
The description of the accounting policies applied to the main aggregates of the financial statements provides the information required to identify the main assumptions and subjective evaluations used in the preparation of the financial statements. For

more detailed information on the composition and relative book values of the items affected by the estimates in question, reference is made to the specific sections of the notes to the accounts.

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.

Legislative changes

The following accounting standards or amendments to existing accounting standards that did not have a significant impact on the Company became effective in 2022:

- 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) the adoption of which had no material impact on the balance sheet and income statement.

As at 31 December 2022, the following documents were approved by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Reg. (EU) 2022/357) applicable to reporting effective on or after 1 January 2023;
- amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates (Reg. (EU) 2022/357) applicable to reporting effective on or after 1 January 2023.

Finally, as at 31 December 2022, the IASB 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 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021);
- amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

(December 2021).
Finally, on 8 December 2022, the European Banking Authority (EBA) published a consultation paper entitled “Draft ITS on the 2024 Benchmarking Draft Implementing Technical Standards on amending Commission Implementing Regulation (EU) 2016/2070 with regard to the benchmarking of internal models”. These are draft implementing technical standards (ITS) that intend to amend Implementing Regulation (EU) 2016/2070 with regard to the carrying-out of the benchmarking exercise to be held in 2024 on institutions' internal models for calculating own funds requirements in relation to credit risk and market risk and IFRS 9 models.

A.2 – SECTION REGARDING THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting standards adopted for Ifitalia's 2022 financial statements are the same as those used for the 2021 financial statements.
Therefore, please find below:
a) the standards used for the preparation of the 2022 financial statements.

A) THE STANDARDS USED FOR THE PREPARATION OF THE 2022 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.

Staging rules

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 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 2022.

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 2022, 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 2022, 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 2022.

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."

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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 euro)

	Total 31/12/2022			Total 31/12/2021		
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	47	-	359	72	-	482
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**47**	**-**	**359**	**72**	**-**	**482**
1. Financial liabilities held for trading	-		-	-	2	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**2**	**-**

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)

(Thousand of euro)

		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**	**482**	**-**	**-**	**482**		**-**	**-**	**-**
2.	**Increases**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1.	Purchases	-	-	-		-	-	-	-
2.2.	Profits charged to:	-	-	-	-	-	-	-	-
2.2.1	Income statement	-	-	-	-	-	-	-	-
	- of which gains	-	-	-		-	-	-	-
2.2.2.	Shareholders' equity	-	X	X	X	-	-	-	-
2.3	Transfers to other levels	-	-	-	-	-	-	-	-
2.4.	Other increases	-	-	-	-	-	-	-	-
3.	**Decreases**	**90**	**-**	**-**	**123**	**-**	**-**	**-**	**-**
3.1	Sales	-	-	-		-	-	-	-
3.2	Reimbursements	90	-	-	90	-	-	-	-
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	-	-	-	33		-	-	-
4.	**Closing balance**	**392**	**-**	**-**	**359**	**-**	**-**	**-**	**-**

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 euro)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/2022				Total 31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	8,162,291	-	-	8,162,291	6,928,941	-	-	6,928,941
2. Property, plant and equipment held for investment purposes	1,159		1,159	-	1,110		1,110	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**8,163,450**	**-**	**1,159**	**8,162,291**	**6,930,051**	**-**	**1,110**	**6,928,941**
1. Financial liabilities measured at amortised cost	7,233,908	-	-	7,233,908	6,132,270	-	-	6,132,270
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**7,233,908**	**-**	**-**	**7,233,908**	**6,132,270**	**-**	**-**	**6,132,270**

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

(thounsands of euros)

	Total 31/12/2022	Total 31/12/2021
a) Cash	2	2
b) Current accounts and demand deposits to banks	3.338	9.275
c) Demand deposits with Central Banks	-	-
Total	3.340	9.277

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".

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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	47	-	201	72	-	291
3. Units of CIUs	-	-	-	-	-	-
4. Loans	-	-	158	-	-	191
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	158	-	-	191
Total	47	-	359	72	-	482

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 31/12/2022	Total 31/12/2021
1. **Equity instruments**	**248**	**363**
of which: banks	-	-
of which: other financial companies	-	
of which: non-financial companies	248	363
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**	**158**	**191**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	158	191
e) Household	-	-
Total	**406**	**554**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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**	11,624	-	-	-	-	11,624	14,241	-	-	-	-	14,241
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	11,624	-	-	-	-	11,624	14,241	-	-	-	-	14,241
- with recourse	110					110	364					364
- without recourse	11,514					11,514	13,877					13,877
2.4 Other loans												
3. **Debt securities**	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. **Other assets**												
Total	**11,624**	**-**	**-**	**-**	**-**	**11,624**	**14,241**	**-**	**-**	**-**	**-**	**14,241**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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	**256,984**	**-**	**-**	**-**	**-**	**256,984**	**104,464**	**-**	**-**	**-**	**-**	**104,464**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	256,984	-	-	-	-	256,984	104,464	-	-	-	-	104,464
- with recourse	225,477					225,477	71,882					71,882
- without recourse	31,507					31,507	32,582					32,582
1.4 Other loans												
2. Debt securities							-	-	-	-	-	-
2.1 Structured securities												
2.2 other debt securities												
3. Other assets												
Total	**256,984**	**-**	**-**	**-**	**-**	**256,984**	**104,464**	**-**	**-**	**-**	**-**	**104,464**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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	7,827,068	66,615	-	-	-	7,893,683	6,724,324	85,911	-	-	-	6,810,235
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	7,466,268	58,440	-	-	-	7,524,708	6,340,187	77,679	-	-	-	6,417,866
- with recourse	470,073	27,231				497,304	697,439	42,426				739,865
- without recourse	6,996,195	31,209				7,027,404	5,642,748	35,253				5,678,001
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	360,800	8,175				368,975	384,137	8,232				392,369
of which: from enforcement of guarantees and commitments												
2. Debt securities	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**7,827,068**	**66,615**	**-**	**-**	**-**	**7,893,683**	**6,724,324**	**85,911**	**-**	**-**	**-**	**6,810,235**

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 8,578,111 as at 31 December 2022, while the same item as at 31 December 2021 amounted to EUR 1,939,886.

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

(thousands of euro)

Breakdown	Total 31/12/2022			Total 31/12/2021		
	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:	7,827,068	66,615		6,724,324	85,911	
a) Public Administration	725,495	19,386		729,830	18,864	
b) Other financial companies	7,020,714	46,226		5,897,850	66,091	
c) Households	80,859	1,003		96,644	956	
3. Other assets						
Total	**7,827,068**	**66,615**	-	**6,724,324**	**85,911**	-

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

(thousands of euros)

	Gross value					Value adjustments				Overall partial write-off *
	First level	*instruments with low credit risk*	Second stage	Third stage	impaired purchased or originated	First level	Second level	Third level	impaired purchased or originated	
Debt securities										
Loans	7.349.853		754.960	319.814		5.683	3.454	253.199		
Other assets										
Total 2022	**7.349.853**		**754.960**	**319.814**		**5.683**	**3.454**	**253.199**		
Total 2021	6.242.676		608.549	341.018		6.179	2.016	244.107		
of which: impaired financial assets purchased or originated	X	X				X				

* Value to be shown for information purposes

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

There were no amounts in this section.

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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:	143	143	221,259	221,231	2,321,793	2,314,924	96	96	64,622	64,619	2,133,409	2,127,027
- Leased assets												
- Factoring receivables	98	98	221,159	221,131	493,407	490,994	96	96	64,622	64,619	638,711	635,358
- Mortgages												
- Pledges												
- Unsecured guarantees	45	45	100	100	1,828,386	1,823,930	-	-	-	-	1,494,698	1,491,669
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	139,078	29,995	-	-	-	-	159,530	41,234
- Leased assets												
- Factoring receivables					130,690	27,439					135,850	36,167
- Mortgages												
- Pledges												
- Unsecured guarantees					8,388	2,556					23,680	5,067
- Derivatives on receivables												
Total	**143**	**143**	**221,259**	**221,231**	**2,460,871**	**2,344,919**	**96**	**96**	**64,622**	**64,619**	**2,292,939**	**2,168,261**

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 euro)

Activities/Values	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**265**	**267**
a) land		
b) buildings		
c) furniture	4	7
d) electronic equipment	261	260
e) other		
2. Rights of use acquired through leasing	**13,694**	**346**
a) land	-	-
b) buildings	13,694	346
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**13,959**	**613**
of which: obtained through enforcement of guarantees received	-	-

The increase in buildings is due to the recognition of the right of use acquired in respect of the lease of the property located in Assago, which is used by the Company as work premises.

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

(thousands of euro)

Activities/Values	Total 31/12/2022				Total 31/12/2021			
	Balance sheet value	Fair Value			Balance sheet value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Property assets	**-**	**-**	**1,159**	**-**	**1,110**	**-**	**1,110**	**-**
a) land		-		-				-
b) buildings	-		1,159		1,110		1,110	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,159**	**-**	**1,110**	**-**	**1,110**	**-**
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 property located 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 euro)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**1,043**	**1,721**	**2,721**	**-**	**5,485**
A.1 Total net impairments	-	(697)	(1,713)	(2,461)		(4,872)
A.2 **Net opening balances**	**-**	**346**	**7**	**260**	**-**	**613**
Abis. First-time adoption of IFRS 16						
B. Increases	**-**	**14,469**	**48**	**552**		**15,069**
B.1 Purchases		13,772	-	145		**13,917**
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		697	48	407		**1,152**
C. Decreases	**-**	**1,121**	**52**	**551**	**-**	**1,724**
C.1 Sales			51	407		**458**
C.2 Depreciation		78	1	144		**224**
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		1,043				**1,043**
D. Net closing balance	**-**	**13,694**	**4**	**261**	**-**	**13,959**
D.1 Total net impairments	-	(78)	(1,666)	(2,198)	-	(3,942)
D.2 **Gross closing balance**	**-**	**13,772**	**1,670**	**2,459**	**-**	**17,901**
E. Valuation at cost	**-**	**13,694**	**4**	**261**	**-**	**13,959**

The property, plant and equipment for business use of the company are all measured at cost. The purchase of the period in the buildings category is due to the recognition of the right of use acquired in respect of the lease of the property located in Assago, which is used by the Company as work premises.

A table showing the rights of use acquired in the lease of property, plant and equipment is shown below.

(thousands of euro)

	Land	Buildings	Furniture	Electronic systems	Others	**Total**
A. Gross opening balances		**1,043**				**1,043**
A.1 Total net impairments		(697)				(697)
A.2 **Net opening balances**		**346**				**346**
Abis. First-time adoption of IFRS 16						
B. Increases	-	**14,469**				**14,469**
B.1 Purchases		13,772				**13,772**
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		697				**697**
C. Decreases	-	**1,121**			-	**1,121**
C.1 Sales						-
C.2 Depreciation		78				**78**
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		1,043				**1,043**
D. Net closing balance	-	**13,694**	-	-	-	**13,694**
D.1 Total net impairments	-	(78)	0	0	-	(78)
D.2 **Gross closing balance**	-	**13,772**	-	-	-	**13,772**
E. Valuation at cost	-	**13,694**	-	-	-	**13,694**

The rights of use acquired in a finance lease refer to the lease contracts of the property located in Assago, which is used by the Company as work premises. The contract is concluded with the Company of the Diamante RE Group.

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

(thousands of euro)

	Total	
	Land	Buildings
A. Opening balances		**1,110**
B. Increases	-	**140**
B.1 Purchases		140
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	-	**1,159**
E. Measurement at fair value		**1,159**

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 euro)

Items/Valuation	Total 31/12/2022		Total 31/12/2021	
	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	**9,029**		**9,832**	
2.1 owned	**9,029**	**-**	**9,832**	**-**
- internally generated	1,936		2,059	
- other	7,093		7,773	
2.2 rights of use acquired under leases				
Total 2	**9,029**	-	**9,832**	-
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)	**9,029**	**-**	**9,832**	**-**
Total (T-1)	**9,832**	**-**	**10,707**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,936 thousand.

The intangible fixed assets-other also include “software licenses” for EUR 1,114 thousand (EUR 1,303 thousand in 2021) and “software development” for EUR 5,978 thousand (EUR 6,470 thousand in 2021). In 2022, a provision was set aside for the write-off of certain software (intangible fixed assets) to be carried out at the end of 2024 following the introduction of the new IT platform "One Factoring".

9.2 Intangible assets: changes during the year

(thousands of euro)

	Total
A. Opening balances	**9,832**
B. Increases	**2,692**
B.1 Purchases	2,692
B.2 Reversals of impairment losses	
B.3 Positive changes in fair value	-
- to equity	
- in income statement	
B.4 Other changes	
C. Decreases	**3,495**
C.1 Sales	
C.2 Depreciation	3,495
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	**9,029**

The purchases during the year, amounting to EUR 2,692 thousand, refer to capitalisations of IT costs, of which EUR 717 thousand (841 thousand in 2021) 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 euro)

	31/12/2022				31/12/2021			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	9,400	2,618	- 46	11,972	12,432	2,270	- 54	14,648
- Amounts withheld	16			16	10			10
- Tax credits pending rebate by the tax authorities	7	649	221	877	7	854	18	879
	9,423	**3,267**	**175**	**12,865**	**12,449**	**3,124**	**- 36**	**15,537**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	24,954	3,214		28,168	28,812	3,716		32,528
- Provisions for risks and charges	8,150	53		8,203	5,759	69		5,828
- Other	362			362	428			428
	33,466	**3,267**	**-**	**36,733**	**34,999**	**3,785**	**-**	**38,784**
Total	**42,889**	**6,534**	**175**	**49,598**	**47,448**	**6,909**	**- 36**	**54,321**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of euro)

	31/12/2022			31/12/2021		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	11,141	2,882	14,023	5,022	2,194	7,216
	11,141	**2,882**	**14,023**	**5,022**	**2,194**	**7,216**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed			-			-
- Capital Gain on participations			-			-
- Others	438		438	347		347
	438	**-**	**438**	**347**	**-**	**347**
Total	**11,579**	**2,882**	**14,461**	**5,369**	**2,194**	**7,563**

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 euro)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**38,356**	**42,686**
2. Increases	**3,064**	**2,632**
2.1 Deferred tax assets recognized during the year	3,064	2,632
a) related to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other	3,064	2,632
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**5,049**	**6,962**
3.1 Deferred tax assets eliminated during the year	5,049	6,962
a) reversals	5,049	6,962
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	**36,371**	**38,356**

The increase of EUR 3,064 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 5,049 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 4,360 thousand) and the use of provisions for risk and charges (EUR 689 thousand).

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

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**24,966**	**29,722**
2. Increases		
3. Decreases	**3,289**	**4,756**
3.1 Amounts reversed	3,289	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	**21,677**	**24,966**

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

(thousands of euro)

		Total 31/12/2022	Total 31/12/2021
1.	**Opening balances**	**347**	**550**
2.	**Increases**	**91**	**39**
2.1	Deferred taxes recognized during the year	91	39
	a) related to previous years		
	b) due to change in accounting policies		
	c) other	91	39
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**	**438**	**347**

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

(thousands of euro)

		Total 31/12/2022	Total 31/12/2021
1.	**Opening balance**	**428**	**390**
2.	**Increases**	**-**	**38**
2.1	Deferred tax assets recognized during the year	-	38
	a) related to previous years		
	b) due to changes in accounting policies		
	c) other		38
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**	66	
3.1	Deferred tax assets eliminated during the year	66	
	a) reversals	66	
	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**	**362**	**428**

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 euro)

	31/12/2022	31/12/2021
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	5	6
Items in transit	584	511
Securities credited to customers subject to collection services awaiting collection from the bank	6,548	47,018
Ecobonus credits	11,338	84,806
Other amounts receivable	15,052	13,225
Total	**33,530**	**145,569**

Ecobonus credits represent tax credits acquired by Ifitalia and waiting to be sold again to Group companies. The sale then took place by February 2023.

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 euro)

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	6,073,129	288,850	-	5,223,708	236,195	-
1.1. Reverse repurchase agreements						
1.2 other	6,073,129	288,850	-	5,223,708	236,195	-
2. Leasing payables	13,699	-	-	369	-	-
3. Other payables	453,103	1,214	403,913	289,683	-	382,315
Total	**6,539,931**	**290,064**	**403,913**	**5,513,760**	**236,195**	**382,315**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	6,539,931	290,064	403,913	5,513,760	236,195	382,315
Total fair value	6,539,931	290,064	403,913	5,513,760	236,195	382,315

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 euro)

	Maturity bands for leasing cash flows					
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from 1 year to 2 years	over 2 years	**Total**
Leasing debts	234	204	438	881	11,942	**13,699**
Total	**234**	**204**	**438**	**881**	**11,942**	**13,699**

The duration of the payables derives from the term of the lease contract for the property located in Assago, which is 15 years.

Section 2 – Financial liabilities held for trading – Item 20

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

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
There were no amounts in this section.

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 euro)

DESCRIPTION	Total 31/12/2022	Total 31/12/2021
Collections being registered	74,529	116,037
Amounts due to employees	1,296	1,216
Amounts due to the tax authorities	853	931
Amounts due to social security and welfare institutions	1,492	1,493
Payables and invoices to be received from suppliers and professionals	16,833	16,991
Liabilities due to transferors	7,401	5,890
Other payables	12,017	4,526
Advances from customers	30,815	24,207
Residual holiday entitlement fund	456	447
Total	**145,690**	**171,738**

The decrease in the item "collections being registered" from EUR 116,037 thousand in 2021 to EUR 74,529 thousand in 2022, is due to better management of collections being registered in 2022.

Section 9 − Employee termination benefits − Item 90

9.1 “Employee termination benefits”: changes during the year

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**4,035**	**4,096**
B. Increases	**41**	**316**
B.1 Provision for the year	11	-
B.2 Other changes	30	316
C. Decreases	**751**	**377**
C.1 Liquidations	509	368
C.2 Other changes	242	9
D. Closing balance	**3,325**	**4,035**

As indicated in the accounting principles, the provision for employee termination benefits is calculated using the actuarial method. The provision for employee termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,506,403 and represents the effective obligation towards employees. The allocation for the year is EUR 341,417.

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 2022 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 2022, the following parameters were used: discount rate of 3.1%; inflation rate of 2.1%; 2.3% 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 euro)

Items	Total 31/12/2022	Total 31/12/2021
1. Provisions for credit risk relating to commitments and guarantees issued	763	425
2. Provisions on other commitments and other guarantees issued		
3. Post retirement benefit obligations		
4. Other provisions for risks and charges	22,075	17,847
4.1 legal and tax disputes	18,706	14,981
4.2 personnel expenses	1,843	2,193
4.3 other	1,526	673
Total	**22,838**	**18,272**

The other provisions for risks and charges - "other" refer to the write-off of certain software (intangible fixed assets) to be carried out at the end of 2024 following the introduction of the new IT platform "One Factoring".

10.2 Provisions for risks and charges: changes during the year

(thousands of euro)

		Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A.	**Opening balance**	**-**	**-**	**17,847**	**17,847**
B.	**Increases**	**-**	**-**	**5,865**	**5,865**
B.1	Provision for the year			5,865	5,865
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**	**-**	**-**	**1,637**	**1,637**
C.1	Utilisations for the year			1,637	1,637
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	**-**	**-**	**22,075**	**22,075**

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 euro)

	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	596	167	0	**-**	**763**
Total	**596**	**167**	**-**	**-**	**763**

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 euro)

	Total 31/12/2022	Total 31/12/2021
Personnel provisions:		
- redundancy incentive		
- other employee benefits	1,843	2,193
Total	**1,843**	**2,193**

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 euro)

SHAREHOLDERS' EQUITY		Total 31/12/2022	Total 31/12/2021
110.	Share capital	55,900	55,900
140.	Valuation reserves	61,799	61,799
150.	Reserves	699,768	673,441
	a) income reserves	700,926	674,599
	b) other reserves	(1,158)	(1,158)
160.	Valuation reserves	(953)	(1,129)
180	*Profit (loss) for the year*	36,577	26,327
	Total shareholders' equity	**853,091**	**816,338**

11.1 Share Capital: breakdown

(thousands of euro)

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 euro)

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

The share premium has not changed compared to 31 December 2021.

11.5 Other information

Breakdown and changes in Reserves

(thousands of euro)

			Legal reserve	Statutory reserve	Other	Total
A.	**Opening balance**		11,180	663,419	(1,158)	644,465
B.	**Increases**		-	26,327	-	26,327
	B.1	Allocations of profits		26,327		26,327
	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	689,746	(1,158)	699,768

The increase in the Statutory Reserve of EUR 26,327 thousand is due to the allocation of the 2021 profit.

Breakdown and changes in Valuation Reserves

(thousands of euro)

			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		-	-	-	-		-	(1,129)	(1,129)
B.	Increases		-	-	-	-	-	-	176	176
	B.1	Positive fair value changes								-
	B.2	Other increases							176	176
C.	Decreases		-	-	-	-	-	-	-	-
	C.1	Negative fair value changes								-
	C.1	Other decreases								
D.	Closing balances		-	-	-	-	-	-	(953)	(953)

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 euros)

Ifitalia S.p.A. - Financial Statements as at 31 December 2022				
	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	689.746	A-B-C		689.746
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
Reserve ex "property revaluation"	5.870	A-B-C		5.870
Valuation reserve	(953)	-	(1)	-
Profit for the year	36.577	A-B-C		36.577
Total	**853.091**	**-**		**786.964**
Non-distributable share	**66.127**			
Residual distributable share	**786.964**			**786.964**

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)

(thousands of euro)

	Notional value on commitments and financial guarantees issued				Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage	Impaired acquired or originated		
1. Commitments to disburse funds	**336,258**	**49,316**	**-**	**-**	**385,574**	**161,724**
a) Public Administrations	255,164	43,764	-	-	298,928	57,668
b) Banks	-	-	-	-	-	-
c) Other financial institutions				-	-	-
d) Non-financial institutions	81,094	5,552	-	-	86,646	104,056
e) Families	-	-	-	-	-	-
2. Financial guarantees issued	**96,979**	**11,168**	**-**	**-**	**108,147**	**101,817**
a) Public Administrations	1,118	7	-	-	1,125	927
b) Banks	2,802	-	-	-	2,802	2,802
c) Other financial institutions				-	-	-
d) Non-financial institutions	91,314	10,748	-	-	102,062	95,873
e) Families	1,745	413		-	2,158	2,215

2. Other commitments and other guarantees given

There were no amounts in this section.

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

There were no amounts in this section.

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

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
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:	-	**77,012**	-	**77,012**	**44,944**
3.1 Loans to banks		155	X	155	236
3.2 Loans to financial companies		2,786	X	2,786	1,292
3.2 Loans to customers		74,071	X	74,071	43,416
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**6,848**	**15,205**
Total	-	**77,012**	-	**83,860**	**60,149**
of which: interest income on impaired financial assets		2,491		2,491	2,883
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 2022, this item amounted to EUR 6,848 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 5,551 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of euro)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial liabilities measured at amortised cost	24,869	-	-	24,869	2,445
1.1 Deposits from banks	21,207	X	X	21,207	777
1.2 Deposits from financial companies	3,662	X	X	3,662	1,668
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	**24,869**	**-**	**-**	**24,869**	**2,445**
of which: interest expense related to leasing debts	*8*				*2*

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 financial assets

Interest expense on foreign currency liabilities amounted to EUR 4,248 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 euro)

Types of service/Amounts		Total 31/12/2022	Total 31/12/2021
a)	financial lease transactions	-	-
b)	factoring transactions	59,874	51,956
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	15,815	6,747
	Total	**75,689**	**58,703**

2.2 Fee and commission expense: breakdown

(thousands of euro)

Detail/Sectors		Total 31/12/2022	Total 31/12/2021
a)	guarantees received	626	530
b)	distribution of services to third parties		
c)	collection and payment services	838	684
d)	other commissions of brokerage	12,867	10,794
	Total	**14,331**	**12,008**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of euro)

Items/Income	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar Income	Dividends	Similar Income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value			90	
C. Financial assets at fair value through other comprehensive income				
D. Equity investments				
Total	**-**	**-**	**90**	**-**

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

(thousands of euro)

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	(83)
4. Derivative instruments	2	-	-	-	2
4.1 Financial derivatives	2				2
4.2 Credit derivatives					-
of which: natural hedging related to the fair value	X	X	X	X	
Total	2	-	-	-	(81)

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

There were no amounts in this section.

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 euro)

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	31/12/2022	31/12/2021
			Write-off	Other	Write-off	Other						
1. Loans to banks			-	-			**28**		-		**33**	**(3)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans			-	-			**28**		-		**33**	**(3)**
- for leasing												-
- for factoring			-	-			28	5	-		33	**4**
- other loans			-	-			-		-			-
2 Loans to financial institutions	**(19)**										**(19)**	**48**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans												-
Other loans	**(19)**										**(19)**	**48**
- for leasing											-	-
- for factoring	(19)										**(19)**	**51**
- other loans		-	-	-			-		-		-	-
3. Loans to consumers		**(1,325)**	**(533)**	**18,899**			**368**	**-**	**9,381**		**(11,008)**	**(12,545)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- for consumer credit											-	-
- other loans											-	-
Other loans		**(1,325)**	**(533)**	**(18,899)**			**368**	**-**	**9,381**		**(11,008)**	**(12,545)**
- for leasing											-	-
- for factoring		(1,325)	(533)	(18,899)			368		9,381		**(11,008)**	**(12,545)**
- for consumer credit											-	-
- loans on pledge											-	-
- other loans			-	-					-		-	-
Total	(19)	(1,325)	(533)	(18,899)			396	-	9,381		(10,994)	(12,493)

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

There were no amounts in this section.

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 euro)

Type of expense/Amounts	Total 31/12/2022	Total 31/12/2021
1) Employees	17,392	17,458
a) salaries and wages	11,938	11,881
b) social security contributions	3,609	3,752
c) leaving indemnity		
d) social security and welfare costs		
e) provision for termination benefits	11	0
f) provisions for post-retirement benefits and similar obligations:		-
- defined contribution		-
- defined benefit		-
g) payments to external supplementary pension funds:	1,257	1,283
- defined contribution	1,257	1,283
- defined benefit		-
h) other expenses (net)	577	543
2) Other active employees	637	418
3) Directors and Statutory Auditors	140	149
4) Staff retirement		
5) Recovery of expenses for employees seconded to other companies	(376)	(173)
6) Expense reimbursements for employees of third parties seconded to the company	4,587	4,100
Total	22,380	21,952

10.2 Average number of employees by category

	Total 31/12/2022	Total 31/12/2021
a) Employees	**236**	**239**
1) Managers	6	6
2) Middle managers	117	119
3) Remaining employees	113	114
b) Other personnel	**39**	**37**
Total	**274**	**276**

10.3 Other administrative expenses: breakdown

(thousands of euro)

Type of expense/Balances	Total 31/12/2022	Total 31/12/2021
Indirect duties and taxes	885	990
Sundry services rendered by third parties	10.528	8.947
Sundry services rendered by third parties (IT)	10.335	8.899
Sundry services rendered by third parties (Internal Auditing)	193	48
Fees for professionals	3.379	2.947
Fees for consultancy	828	592
Fees for legal and notarial costs	2.056	1.914
Fees for debt collection	410	344
Compensation to independent Auditors	85	97
Costs relating to properties/furniture	1.608	427
Postal, printed matter, surveillance of premises and stock values	1.002	911
Management expenses GFCC	776	836
Advertising and entertainment	240	192
Searches and information	1.649	1.189
Other expenses	6.127	5.967
TOTAL	**26.194**	**22.406**

The compensation for services rendered by the Independent Auditors for audit activities in 2022 net of VAT, is EUR 70 thousand (EUR 75 thousand in 2021).

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 euro)

Operations/Income components		Value adjustments		Writebacks		Total 31/12/2022	Total 31/12/2021
		Specific	Portfolio	Specific	Portfolio		
A.	Guarantees issued		(338)	1		(337)	**1,483**
B.	Derivatives on receivables					-	
C.	Commitments to grant loans					-	
D.	Other transactions					-	
E.	**Total**		**(338)**	**1**		**(337)**	**1,483**

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 euro)

Analysis	Total 31/12/2022	Total 31/12/2021
PROVISIONS	**(5,438)**	**(8,845)**
Legal disputes	**(4,585)**	**(8,172)**
Revocation actions		
Pending disputes	(4,585)	(8,172)
Personnel charges	-	-
Other provisions	**(853)**	**(673)**
USES	**-**	**8**
Legal disputes	**-**	**8**
Revocation actions	-	
Pending disputes		8
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**-**
Legal disputes	**-**	**-**
Revocation actions	-	
Pending disputes	-	
Total	**(5,438)**	**(8,837)**

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 euro)

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	**224**	**-**	**-**	**224**
- for business use	146			146
- granted under operating lease	78			78
				-
A.2 For investment	**91**	**-**	**-**	91
- for business use	91			91
- granted under operating lease				-
A.3 Inventories	X			-
Total	**314**	**-**	**-**	**314**

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 euro)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	3,495	-	-	3,495
of which: software	3,495			3,495
1.1 owned	3,495			3,495
1.2 acquired under financial lease				
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,495**	**-**	**-**	**3,495**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of euro)

Analysis	Total 31/12/2022	Total 31/12/2021
Other charges		
Losses for sundry causes		
Other charges	(750)	(692)
Total	**(750)**	**(692)**

14.2 Other operating income: breakdown

(thousands of euro)

Analysis	Total 31/12/2022	Total 31/12/2021
Other income		
Rental income	375	367
Other income	1,988	2,279
Total	**2,363**	**2,646**

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

There were no amounts in this section.

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

There were no amounts in this section.

Section 17 – Goodwill impairment – Item 240

There were no amounts in this section.

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

18.1 Gains/losses on sale of investments: breakdown

(thousands of euro)

Income component/value	Total 31/12/2022	Total 31/12/2021
A. Proprieties	-	-
- Gains on disposal		-
- Losses from sale		
B. Other activities	-	-
- Gains on disposal		
- Losses from sale		
Net result	-	-

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 euro)

		Total 31/12/2022	Total 31/12/2021
1.	Current taxes (-)	(14.023)	(7,216)
2.	Changes in current taxes of previous years (+/-)	(52)	(108)
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 (+/-)	(1,985)	(4,331)
5.	Change in deferred taxes (+/-)	(91)	203
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(16,151)**	**(11,452)**

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

(thousands of euro)

Analysis	Ires	Irap
Economic result useful for calculating taxation	52,728	52,728
Permanent, undeductible differences	541	8,551
Permanent, untaxable differences	(6,421)	
Total taxable income	46,848	61,279
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(12,883)	(3,401)
Other differences	96	37
Effective tax liability as per financial statements	**(12,787)**	**(3,364)**

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 euro)

Transactions/Income components	Interest income			Commission income			Total 31/12/2022	Total 31/12/2021
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leasing	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. Factoring	**154**	**1,514**	**75,344**	**375**	**919**	**74,395**	**152,701**	**103,647**
- on current receivables	*150*	*1,221*	*74,798*	*85*	*919*	*59,603*	136,776	96,010
- on future receivables			*71*				71	92
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*4*	*293*	*475*	*290*		*14,792*	15,854	7,545
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. Loans on pledge							-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**154**	**1,514**	**75,344**	**375**	**919**	**74,395**	**152,701**	**103,647**

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 2022, this item amounted to EUR 6,848 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 euro)

Items/Amount		Total 31/12/2022			Total 31/12/2021		
		Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1.	**Performing assets**	**7,743,979**	**9,103**	**7,734,876**	**6,467,037**	**8,145**	**6,458,892**
	- exposures to transferors (with recourse):	698,615	2,955	695,660	772,852	3,167	769,685
	- factoring of future receivables	3,616	7	3,609	3,218	5	3,213
	- other	694,999	2,948	692,051	769,634	3,162	766,472
	- exposures to transferred debtors transferors (without recourse)	7,045,364	6,148	7,039,216	5,694,185	4,978	5,689,207
2.	**Impaired assets**	**306,274**	**247,834**	**58,440**	**327,476**	**249,797**	**77,679**
2.1	**Non-performing**	**247,403**	**216,227**	**31,176**	**254,417**	**212,631**	**41,786**
	- exposures to transferors (with recourse)	162,480	141,169	21,311	167,783	138,608	29,175
	- factoring of future receivables	2,332	1,943	389	2,796	1,633	2,791
	- other	160,148	139,226	20,922	164,987	136,975	26,384
	- exposures to transferred debtors (without recourse)	84,923	75,058	9,865	86,634	74,023	12,611
	- purchases below nominal value			-			
	- other	84,923	75,058	9,865	86,634	74,023	12,611
2.2	**Unlikely to pay**	**53,129**	**30,955**	**22,174**	**70,187**	**36,733**	**33,454**
	- exposures to transferors (with recourse)	18,875	12,955	5,920	32,258	19,019	13,239
	- factoring of future receivables			-	-	-	-
	- other	18,875	12,955	5,920	32,258	19,019	13,239
	- exposures to transferred debtors (without recourse)	34,254	18,000	16,254	37,929	17,714	20,215
	- purchases below nominal value			-			-
	- other	34,254	18,000	16,254	37,929	17,714	20,215
2.3	**Past due positions**	**5,742**	**652**	**5,090**	**2,872**	**433**	**2,439**
	- exposures to transferors (with recourse)	-	-	-	15	3	12
	- factoring of future receivables	-	-	-	-	-	-
	- other				15	3	12
	- exposures to transferred debtors (without recourse)	5,742	652	5,090	2,857	430	2,427
	- purchases below nominal value			-			-
	- other	5,742	652	5,090	2,857	430	2,427
	Total	**8,050,253**	**256,937**	**7,793,316**	**6,794,513**	**257,942**	**6,536,571**

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 euro)

Maturity	Advances		Total loans/receivables	
	2022	2021	2022	2021
- on demand	185,779	155,326	347,283	334,963
- up to 3 months	362,375	421,532	822,298	868,549
- 3 to 6 months	97,076	111,279	208,702	222,489
- 6 months to 1 year	31,929	62,900	48,114	89,682
- beyond 1 year	45,732	61,074	62,666	87,113
- unspecified duration		-		
Total	722,891	812,111	1,489,063	1,602,796

B.2.2 – Without recourse factoring transactions: exposures

(thousands of euro)

Time bands	Exposures	
	2022	2021
- at sight	490,457	304,300
- up to 3 months	4,668,250	3,620,353
- over 3 months	1,133,005	1,006,612
- 6 months to 1	204,794	275,916
- over 1 year	243,786	176,911
- indefinite	330,133	340,368
Total	7,070,425	5,724,460

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 euro)

Items	Total 31/12/2022	Total 31/12/2021
1. ***Without-recourse transactions***	29,523,099	27,422,460
of which: purchases below the nominal value		
2. ***With-recourse transactions***	2,926,122	2,469,715
Total	**32,449,221**	**29,892,175**

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

B.3.2 – Collection services

(thousands of euro)

Items	Total 31/12/2022	Total 31/12/2021
Loans and receivables collected in the year	698,233	306,730
Amount of loans and receivables at year end	162,772	73,450

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

(thousands of euro)

Items	Total 31/12/2022	Total 31/12/2021
Flow of factoring contracts for future in the year	34,697	35,565
Amount of the contracts at year end	121,729	123,530

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 2022, amounted to EUR 13,133 thousand (EUR 1,887 thousand at the end of 2021).

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 euro)

	Transactions	Amount 31/12/2022	Amount 31/12/2021
1)	Financial guarantees given upon first request	**108.147**	**101,817**
	a) Banks	2,802	2,802
	b) Financial Companies	-	-
	c) Costumers	105,345	99,015
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	**385,574**	**161,724**
	a) Banks	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on		
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	385,574	161,724
	i) certain to be called on	240,576	-
	ii) uncertain to be called on	144,998	161,724
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	**493,721**	**263,541**

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

(thousands of euro)

Exposures	31/12/2022			31/12/2021		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
- financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**122,465**	**(86,855)**	**35,610**	**114,520**	**(84,916)**	**29,604**
- commercial				-	-	-
- financial	122,465	(86,855)	35,610	114,520	(84,916)	29,604
Total	**122,465**	**(86,855)**	**35,610**	**114,520**	**(84,916)**	**29,604**

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	-	-	**108,147**	**(429)**	-	-	-	-	-	-	-	-
- financial guarantees upon first request			108,147	(429)							-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**108,147**	**(429)**	-	-	-	-	-	-	-	-

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.

IFITALIA
GRUPPO BNP PARIBAS

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 euro)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	4	-	-	-	-
(B) Increases:	-	-	-	-	-	-
- (b1) transfers from performing guarantees	-	-	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	(4)	-	-	-	-
- (c1) outgoings to performing guarantees	-	-	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(4)	-	-	-	-
(D) Gross final value	-	-	-	-	-	-

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

(thousands of euro)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	101,813	-	-	-	-
(B) Increases:	-	44,160	-	-	-	-
- (b1) Guarantees given	-	15,415	-	-	-	-
- (b2) other increases	-	28,745	-	-	-	-
(C) Decreases:	-	(37,826)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	-	-	-	-	-
- (c3) other decreases	-	(37,826)	-	-	-	-
(D) Gross final value	-	108,147	-	-	-	-

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 euro)

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	-	-	-	-	102,062
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	2,802
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	-
- Subgroup : Others	-	-	-	-	3,283
Total	**-**	**-**	**-**	**-**	**108,147**

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 euro)

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	-	-	-	-	30,905
- Region 2 Centre Italy	-	-	-	-	30,085
- Region 3 North-East Italy	-	-	-	-	24,727
- Region 4 South Italy and islands	-	-	-	-	17,019
- Region 5 Others	-	-	-	-	5,411
Total	**-**	**-**	**-**	**-**	**108,147**

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 – 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, represented by the risk of loss due to default of the transferor or debtor[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;

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[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).

- 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.

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 credit risk control model applied by the Company implements the regulatory updates defined by both the Regulator and the Group.

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.

The structures of the Risk Division are shown below.

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 system by taking care of the implementation of the first line of defence on it;
- organise and coordinate the implementation of Data Protection & Privacy management systems;
- With reference to the internal and external fraud protection system:
    - 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 to the training of personnel on the culture of prevention and defence against the risk of fraud.

In 2022, Ifitalia contractually formalised the outsourcing of Level II control activities falling within the ICT operational risk perimeter to BNL S.p.A.'s independent "RISK ORM ICT" structure.

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;
- 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/doubtful 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.
The structure carries out these activities on a monthly, quarterly, half-yearly and yearly 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 carries out two main activities, model development and performance analysis and reporting:

- Model development: for the models developed by Ifitalia, it 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.

- Performance analysis and reporting:
  - It ensures the monitoring of the performance and estimates produced by the local models used for management purposes within the credit process as well as the policy engines (systematic supervision and scoring). It sees to the rationale of the quality control system for the relevant areas of responsibility (internal risk models); on the basis of the results of the checks carried out, it 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).
  - 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.
  - Asset Quality Monitoring: it 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.

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.
It 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.
The structure collaborates 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 (review of ratings assigned through statistical models, known as override, or judgemental assignment of ratings to risk counterparties falling within the scope of application of this method according to the processes and policies in force at the time);

- 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;
- collaborating in the management of relations with Credit Insurance Companies and seeing to the activities of requesting insurance limits, the relevant replies and the management of reports of revocation or reduction of insurance coverage received.

In 2022, the following outsourcings were contractually formalised:

- to the independent structure "RISK ORM ICT" structure of BNL S.p.A., the second level control activities falling within the ICT operational risk perimeter;
- to the independent structure "RISK IRC Italy" of BNL S.p.A., the second level control activities related to "model risk - credit risk" for Non-IRBA methods.

2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)
The Company calculates the capital requirement under the Standardised Approach, using the Internal Rating System within the credit process and risk management framework.

The Ifitalia IRS, established since 2005, underwent a progressive change. The Probability of Default (PD) models that apply to the Large Corporate, Small Mid Corporate and Sme Retail 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, PD on the Sme Retail perimeter and for 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 other BNP Paribas Group entities, the master scale that 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, is adopted.
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 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.

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.), the Risk Division defined ex ante the pre-requisites applicable to the simplified procedures for assessing the transferor/debtor.
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.

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[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.

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.

The party enters the Systematic Supervision process when:

- it is possible to apply a risk assessment and consequent management action to the same,
- a limit is granted or resolved or when an exposure emerges,
- it is reclassified as performing or Restructured Unlikely to Pay (IPR), Forborne Unlikely to Pay (IPA), or Management Unlikely to Pay (IPG) from a status of Arrears Unlikely to Pay (IPM), Non-Performing or Agreed Unlikely to Pay (IPC).

Conversely, it leaves the process when:

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

Depending on the relevance of the level of risk and/or the performance or management anomalies identified, the positions are subject to specific action plans and placed on watch lists. The most significant positions are regularly reviewed 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). 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.

2.4 2022 Projects
During 2022, Ifitalia completed the corrective actions required by the Bank of Italy under "remedial actions other than conditionality and floors" as a result of the IRBA audit completed in December 2019. Moreover, as required by the Regulator, the Internal Audit prepared by Inspection Generale - Hub Italy was carried out in order to certify the completion of the action plan and did not identify reveal any findings, confirming its positive outcome. This result was formally communicated to the Bank of Italy in a letter dated 23 December 2022.

The following projects are also in progress:

- Transformation project: aims to bring all Group entities - Factoring Sector - onto a common IT platform (2022-2025 Business Plan). The first project streams on the Risk Division side (i.e. Asset Quality and Provisioning, Data Sourcing, NDoD, Debtor limits, etc.) were started.
- Systematic supervision: the new process was activated in parallel with the production of the new release (V2.0.) of the "Ifipeg" management tool; activities are underway to implement further developments.
- Forborne: the new process for managing forborne performing was activated in parallel with the production of the new release.
- ESG: the credit assessment process was integrated with information on environmental, climate, social and governance risks.

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 and in line with the Group's operational guidelines, 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 Non-performing or Performing forbearance measures 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 euro)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	Total
1. Financial assets measured at amortised cost	38,889	22,636	5,090	606,334	7,489,342	**8,162,291**
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		158			248	**406**
5. Discontinues operations						**-**
Total 31/12/2022	38,889	22,794	5,090	606,334	7,489,590	8,162,697
Total 31/12/2021	49,516	34,147	2,439	412,140	6,431,253	6,929,495

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

(thousands of euro)

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	319,814	(253,199)	66,615		8,104,813	(9,137)	8,095,676	8,162,291
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	158		158		X	X	248	406
5. Discontinued operations			-				-	-
Total 31/12/2022	**319,972**	**(253,199)**	**66,773**	**-**	**8,104,813**	**(9,137)**	**8,095,924**	**8,162,697**
Total 31/12/2021	**341,209**	**(255,107)**	**86,102**	**-**	**6,851,225**	**(8,195)**	**6,843,393**	**6,929,495**

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

(thousands of euro)

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	446,279	81,674	22,170	46,106	6,859	3,820	684	1,310	317,820			
2. Financial assets at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2022	446,279	81,674	22,170	46,106	6,859	3,820	684	1,310	317,820	-	-	-
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 euro)

Causes/Risk status	Total value adjustments																			Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets in the first status						Assets in the second status						Assets in the third status											
	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	Of wiich financial assets impaired acquired or originated	First level	Second level	Third level	Commitments to grant loans ar financial guarantees issued	
Opening Balance		**6,179**	**-**		**-**	**6,179**		**2,016**	**-**		**-**	**2,016**		**255,107**	**-**		**255,107**	**-**	**-**	**354**	**70**	**1**		**263,727**
Increases in financial assets acquired or originated		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-		-
Eliminations other than write-offs		-	-		-	-		-	-		-	-		-	-		-	-	-					-
Net value adjustments/writebacks for credit risk (+/-)		-115	-		-	-115		731	-		-	731		10,397	-		10,397	-	-	211	138	-		11,362
Contract modifications without eliminations		-	-		-	-		-	-		-	-			-		-	-	-	-	-	-		-
Changes in estimation method			-		-	-			-		-	-			-		-	-	-					-
Write-off		-	-		-	-		-	-		-	-		-11,023	-		-11,023	-	-	-	-	-		-11,023
Other changes		-381	-		-	-381		707	-		-	707		-1,282	-		-1,282	-	-	31	-41	-1		-967
Closing balance		**5,683**	**-**		**-**	**5,683**		**3,454**	**-**		**-**	**3,454**		**253,199**	**-**		**253,199**	**-**	**-**	**596**	**167**	**-**		**263,099**
Recoveries from collections on financial assets written off		-	-		-	-		-	-		-	-		421	-		421	-	-					421
Write-offs recognised directly to the income statement		-	-		-	-		-	-		-	-		-533	-		-533	-	-					-533

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

(thousands of euro)

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	118,275	68,037	608	238	3,179	818
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	8,215	18,328	2,247	1,560	2,898	2,904
Total 31/12/2022	126,490	86,365	2,855	1,798	6,077	3,722
Total 31/12/2021	129,900	32,436	392	424	1,966	677

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

There were no amounts in this section.

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 euro)

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	3,338	-	-	-	-	-	-		3,338	
a) Impaired assets	X				X				-	
b) Performing assets	3,338		X		-		X		3,338	
A2 Other	265,893	2,758	460		(42)	(1)	(460)		268,608	
a) Doubtful loans	X		460		X		(460)		-	
-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	48,137	103	X		(10)	-	X		48,230	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	217,756	2,655	X		(32)	(1)	X		220,378	
-of which forborne exposures			X				X		-	
TOTAL A	**269,231**	**2,758**	**460**	**-**	**(42)**	**(1)**	**(460)**	**-**	**271,946**	
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	**272,033**	**2,758**	**460**	**-**	**(42)**	**(1)**	**(460)**	**-**	**274,748**	

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

(thousands of euro)

	Cause/Categories	Impaired	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**461**		**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**-**	**-**
B.1	entries from performing exposures	-	-	-
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	-	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases		-	-
C.	***Decreases***	**(1)**	**-**	**-**
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	(1)	-	-
D.	***Gross final exposure***	**460**	**-**	**-**
	of which: exposures sold, but not eliminated	-	-	-

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

There were no amounts in this section.

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

(thousands of €)

	Cause/Categories	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***	**461**	**-**	**-**	**-**		**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**-**	**-**	**-**	**-**	**-**	**-**
B.1	value adjustments from impaired financial assets acquired or originated		X	-	X	-	X
B.2	other value adjustments	-	-	-	-		-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	-	-	-	-	-	-
B.5	contract modifications without eliminations		X		X		X
B.6	other increases		-	-	-	-	-
C.	***Decreases***	**-**	**-**	**-**	**-**	**-**	**-**
C.1	write-backs from valuation	-					
C.2	write-backs from collection	-	-	-	-	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	-	-	-	-	-	-
C.5	transfers from other categories of impaired exposures	-	-	-	-	-	-
C.6	contract modifications without eliminations	-	X		X		X
C.7	other decreases	(1)	-	-	-	-	-
D.	***Final total adjustments***	**460**	**-**	**-**	**-**	**-**	**-**
	- of which: exposures sold, but not eliminated						

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

(thousands of euro)

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		259,203		X		(220,314)		38,889	
-of which forborne exposures	X		29,690		X		(21,350)		8,340	
b) Unlikely to pay	X		54,409		X		(31,773)		22,636	
-of which forborne exposures	X		20,326		X		(9,597)		10,729	
c) Impaired past due loans	X		5,742		X		(652)		5,090	
-of which forborne exposures	X				X		-		-	
d) Performing Past due loans	501,986	56,682	X		(354)	(210)	X		558,104	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	6,581,973	695,521	X		(5,287)	(3,243)	X		7,268,964	
-of which forborne exposures		2,844	X			(10)	X		2,834	
TOTAL A	**7,083,959**	**752,203**	**319,354**		**(5,641)**	**(3,453)**	**(252,739)**		**7,893,683**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X				X				-	
b) Performing assets	430,435	60,484	X		(596)	(167)	X		490,156	
TOTAL B	**430,435**	**60,484**	**-**		**(596)**	**(167)**	**-**	**-**	**490,156**	**-**
TOTAL A+B	**7,514,394**	**812,687**	**319,354**		**(6,237)**	**(3,620)**	**(252,739)**	**-**	**8,383,839**	**-**

* Value to be shown for information purposes.

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

There were no amounts in this section.

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of euro)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**266,216**	**71,468**	**2,873**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**5,634**	**8,011**	**5,702**
B.1	entries from performing exposures	410	6,947	3,932
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	5,207	1,064	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	17	-	1,770
C.	***Decreases***	**(12,647)**	**(25,070)**	**(2,833)**
C.1	exits to performing exposures	(375)	(1,064)	(1,147)
C.2	write-offs	(4,452)	(6,882)	(43)
C.3	collections	(7,820)	(9,139)	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(4,832)	(1,439)
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	-	(3,153)	(204)
D.	***Gross final exposure***	**259,203**	**54,409**	**5,742**
	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 euro)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**52,812**	**2,491**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**10,625**	**828**
B.1	entries from performing not forborne exposures	1,483	563
B.2	entries from performing forborne exposures		X
B.3	entries from impaired forborne exposures	X	38
B.4	entries from non impaired forborne exposures	8,756	
B.5	other increases	386	227
C.	***Decreases***	**(13,421)**	**(475)**
C.1	exits to performing not forborne exposures	(1,096)	(141)
C.2	exits to performing forborne exposures	(38)	X
C.3	exits to impaired forborne exposures	X	
C.4	write-offs	(732)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(11,555)	(334)
D.	***Gross final exposure***	**50,016**	**2,844**
	of which: exposures sold, but not eliminated		

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

(thousands of euro)

	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***	**216,700**	**19,297**	**37,512**	**14,424**	**434**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**13,533**	**2,806**	**6,599**	**124**	**222**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments	9,963	1,395	6,599	124	222	
B.3	losses on sale		-	-	-	-	
B.4	transfers from other categories of impaired exposures	3,570	1,411	-	-	-	
B.5	contract modifications without eliminations		X	-	X	-	X
B.6	other increases		-	-	-	-	
C.	***Decreases***	**(9,919)**	**(753)**	**(12,338)**	**(4,951)**	**(4)**	**-**
C.1	write-backs from valuation	(2,594)	(273)	(772)	-	(4)	
C.2	write-backs from collection	(1,491)	-	(2,217)	-	-	
C.3	gains on sale	-	-	-	-	-	
C.4	write-offs	(5,244)	(480)	(5,779)	(3,540)	-	
C.5	transfers from other categories of impaired exposures	-	-	(3,570)	(1,411)	-	
C.6	contract modifications without eliminations		X	-	X	-	X
C.7	other decreases	(590)	-			-	
D.	***Final total adjustments***	**220,314**	**21,350**	**31,773**	**9,597**	**652**	**-**
	- 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 euro)

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	**576,871**	**1,822,827**	**942,387**	**519,846**	**49,348**	**558**	**4,512,790**	**8,424,627**
- First level	575,942	1,782,614	861,464	517,093	48,302	558	3,563,879	**7,349,852**
- Second level	929	40,123	80,923	2,753	1,046		629,097	**754,961**
- Third level				-			319,814	**319,814**
- 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 issued								
- First level								
- Second level								
- Third level								
- Impaired acquired or originated								
Total (A + B + C)	**576,871**	**1,822,827**	**942,387**	**519,846**	**49,348**	**558**	**4,512,790**	**8,424,627**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees	**1,259**	**50,844**	**11,538**	**1,283**	**-**	**-**	**428,797**	**493,721**
- First level	1,259	50,810	11,529	974			368,665	433,237
- Second level		34	9	309			60,132	60,484
- Third level								
- Impaired acquired or originated								
Total (D)	**1,259**	**50,844**	**11,538**	**1,283**	**-**	**-**	**428,797**	**493,721**
Total (A + B + C + D)	**578,130**	**1,873,671**	**953,925**	**521,129**	**49,348**	**558**	**4,941,587**	**8,918,348**

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 euro)

Exposure types/Balances	Public administration		Financial companies and banks		Financial companies (of which: other INSURANCE COMPANIES)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	9,577	(9,043)		(460)			28,993	(206,684)	319	(4,587)
-of which forborne exposures	206	(795)					8,118	(20,223)	16	(332)
A.2 Unlikely to pay	7,338	(1,791)		-			15,036	(28,508)	262	(1,474)
-of which forborne exposures	1,222	(93)					9,403	(9,315)	104	(189)
A.3 Impaired past due positions	2,472	-		-			2,197	(547)	421	(105)
-of which forborne exposures										
A.4 Performing exposures	725,495	(353)	271,946	(43)	26,488	(13)	7,020,714	(8,579)	80,859	(162)
-of which forborne exposures	-						2,834	(10)		-
TOTAL A	**744,882**	**(11,187)**	**271,946**	**(503)**	**26,488**	**(13)**	**7,066,940**	**(244,318)**	**81,861**	**(6,328)**
B. OFF BALANCE SHEET EXPOSURES	-			-				-	-	
B.1 Impaired assets	300,043	(9)	2,802	-	-		187,984	(724)	2,129	(30)
B.2 Performing assets				-	-					
TOTAL B	**300,043**	**(9)**	**2,802**	**-**	**-**	**-**	**187,984**	**(724)**	**2,129**	**(30)**
TOTAL (A+B) 31.12.2022	**1,044,925**	**(11,196)**	**274,748**	**(503)**	**26,488**	**(13)**	**7,254,924**	**(245,042)**	**83,990**	**(6,358)**
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)**

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

(thousands of euro)

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	38,593	(218,477)	296	(2,297)	-	-	-	-	-	-
A.2	Unlikely to pay	18,303	(31,129)	998	(211)	-	-	3,321	(369)	14	(64)
A.3	Past due positions	4,589	(529)	-	-	200	(48)	301	(75)	-	-
A.4	Performing positions	6,605,567	(7,648)	1,156,028	(1,196)	258,330	(242)	51,662	(44)	27,427	(7)
	TOTAL (A)	**6,667,052**	**(257,783)**	**1,157,322**	**(3,704)**	**258,530**	**(290)**	**55,284**	**(488)**	**27,441**	**(71)**
B.	**OFF BALANCE SHEET EXPOSURES**										
B.1	Impaired assets	-	-	-	-	-	-	-	-	-	-
B.2	Performing positions	461,453	(658)	30,983	(105)	514	-	8		-	-
	TOTAL (B)	**461,453**	**(658)**	**30,983**	**(105)**	**514**	**-**	**8**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2022	**7,128,505**	**(258,441)**	**1,188,305**	**(3,809)**	**259,044**	**(290)**	**55,292**	**(488)**	**27,441**	**(71)**
	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)**

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

(thousands of euro)

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	2,355	(64,635)	3,048	(24,156)	15,636	(59,299)	17,554	(70,387)
A.2	Unlikely to pay	513	(8,206)	965	(3,303)	7,776	(9,902)	9,049	(9,718)
A.3	Past due positions	545	(95)	306	(74)	724	(146)	3,014	(214)
A.4	Performing positions	2,829,218	(2,700)	1,377,276	(1,557)	1,553,409	(2,067)	845,664	(1,324)
	TOTAL (A)	**2,832,631**	**(75,636)**	**1,381,595**	**(29,090)**	**1,577,545**	**(71,414)**	**875,281**	**(81,643)**
B.	**OFF BALANCE SHEET EXPOSURES**								
B.1	Impaired assets								
B.2	Performing positions	89,144	(186)	37,775	(101)	290,348	(246)	44,186	(125)
	TOTAL (B)	**89,144**	**(186)**	**37,775**	**(101)**	**290,348**	**(246)**	**44,186**	**(125)**
	TOTAL (A+B) 31.12.2022	**2,921,775**	**(75,822)**	**1,419,370**	**(29,191)**	**1,867,893**	**(71,660)**	**919,467**	**(81,768)**
	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)**

9.3 Significant exposures

(thousands of euro)

SIGNIFICANT EXPOSURES		Book value	Weighted value
a	Amount	2,914,043	1,812,057
b	Number	16	16

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 2022.

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	**1,232,229**	**5,427,300**	**603,399**	**46,351**	**214,411**	**19,899**	**-**	**330,134**
1.1 Government bonds								
1.2 Credits	1,232,229	5,427,300	602,993	46,351	214,411	19,899		330,134
1.3 Other assets			406					
2. Liabilities	**364,578**	**5,492,955**	**453,965**	**19,764**	**178,773**	**15,953**	**-**	**420,375**
2.1 Debts	364,578	5,492,955	453,965	19,764	178,773	15,953		420,375
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								

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	**17,991**	**266,043**	**8,278**	**-**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	17,991	266,043	8,278	-	-	-		
1.3 Other assets								
2. Liabilities	**123,841**	**154,488**	**7,666**	**1,550**	**-**	**-**	**-**	**-**
2.1 Debts	123,841	154,488	7,666	1,550	-	-		
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 2022, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 2.6 million, equal to 0.32% 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**	**169,364**	**84,856**	**4**	**5,924**	**128**	**39,634**
1.1	government bonds	-	-	-	-	-	-
1.2	equity securities	-	-	-	-	-	-
1.3	credits	169,364	84,856	4	5,924	128	39,634
1.4	other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**168,768**	**84,747**	2	5,918	128	**39,336**
3.1	debts	168,768	84,747	2	5,918	128	39,336
3.2	bonds issued						
3.3	other financial liabilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	long positions	-	-	-	-	-	-
5.2	short position	-	-	-	-	-	-
	Total assets	169,364	84,856	4	5,924	128	39,634
	Total liabilities	168,768	84,747	2	5,918	128	39,336
	Unbalances (-/+)	596	109	2	6	-	298

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.

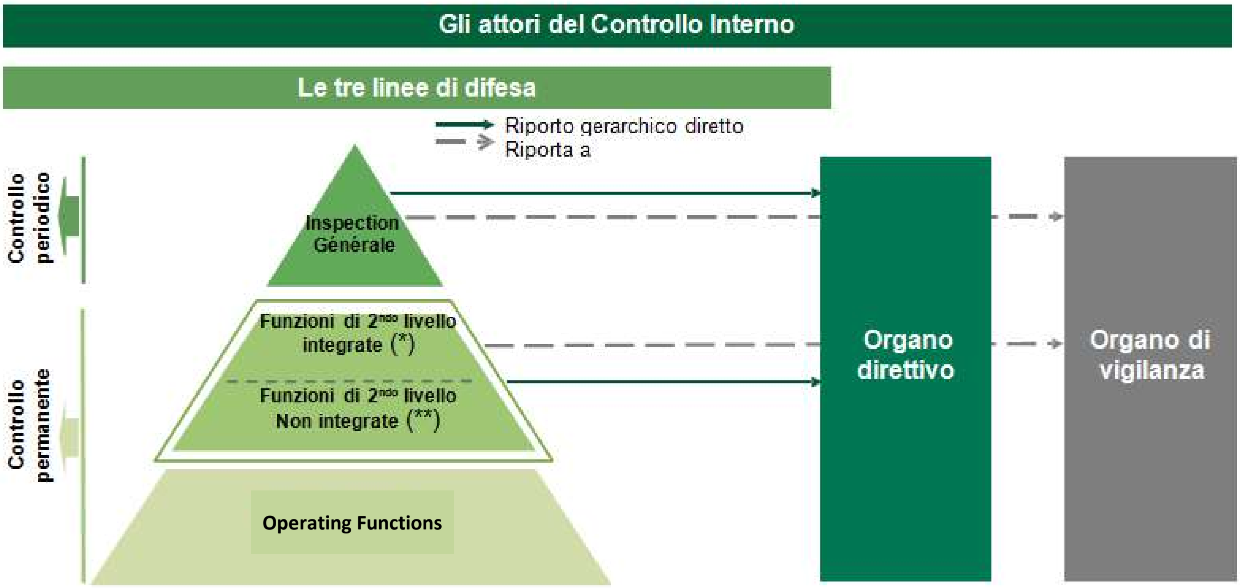
3. Other quantitative information on exchange risk
There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

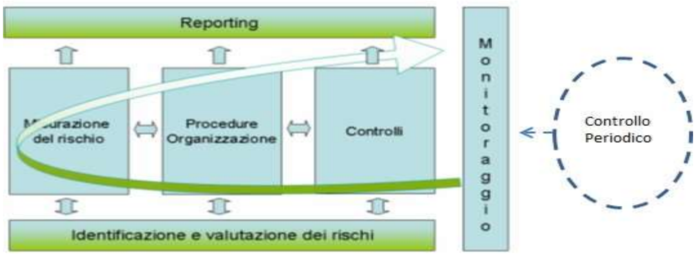
1. General aspects, management processes and methods for gauging the operational risk

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 **permanent control system** is implemented by the Risk Division, which ensures its consistency and operation in accordance with the permanent control system provided for by the Parent Company BNP Paribas.
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, guidelines, operational implementation procedures, control plans and a reporting system.
The diagram below represents the overall breakdown of the components of the permanent control system:



The permanent control system consists of:

- **the first level of control,** represented by the operating functions, which perform line activities and hierarchical controls, and the Operational Risk and Permanent Controls Department (OPC) which performs the role of permanent first level control. The first line of defence is 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.
- **second level of control. These functions** are responsible, through delegation from the Governing Body, for the organisation and proper operation of the risk management system and its compliance with laws and regulations in a number of areas (themes and/or processes) defined by their Responsibility Charter

On the other hand, the periodic control is represented by the third level of control that is responsible for assessing risk management, control and corporate governance processes, as well as compliance with laws and regulations, and making proposals to strengthen their effectiveness.
With regard to operational risk, the distinction between control levels has been made fully operational in Ifitalia since 2018 with the operational start-up in the Risk Division of the **RISK ORC structure (now RISK ORM - Operational Risk Management), which acts as a second line of defence in carrying out permanent control and operational risk management activities**.

On the other hand, 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 ORM. 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).
Within the Ifitalia internal control framework, the OPC Unit is responsible for the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale; the activity is reported 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.

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 second line of defence 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 and the consistency of the assessments carried out as part of the process of assessing the risks relating to 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 system** in collaboration with the first line of defence.

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.

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.

- ✓ 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.

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 Risk360 Group tool. The process, implemented by the first line of defence, is subject to a second level control called Quality Review by RISK ORM, 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, RISK ORM could agree with the first line of defence on the implementation of an action plan.

- **RCSA/Risk Control & Self Assessment process**: assessment 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 based on an auto-diagnostic process for the identification, classification and prior valuation of the risks which corporate operations are potentially exposed to and as such, is a managerial operating instrument useful for the planning of 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 assessment before and after the application of the control system, as well as the identification of action plans. The process has its own formalised governance, coordinated by the Risk Division, and ends with final approval by the Risk Monitoring Committee – Operational Risk and Permanent Controls session and 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 Risk360 Group application.

- **Permanent Control Plan of the second level of defence:** activated on the basis of a risk-oriented approach that takes into account 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, etc.). The analysis process is called Independent Testing and targets a sample of processes and controls. Following the examination, if necessary, RISK ORM could agree with the first line of defence of the corrective actions.

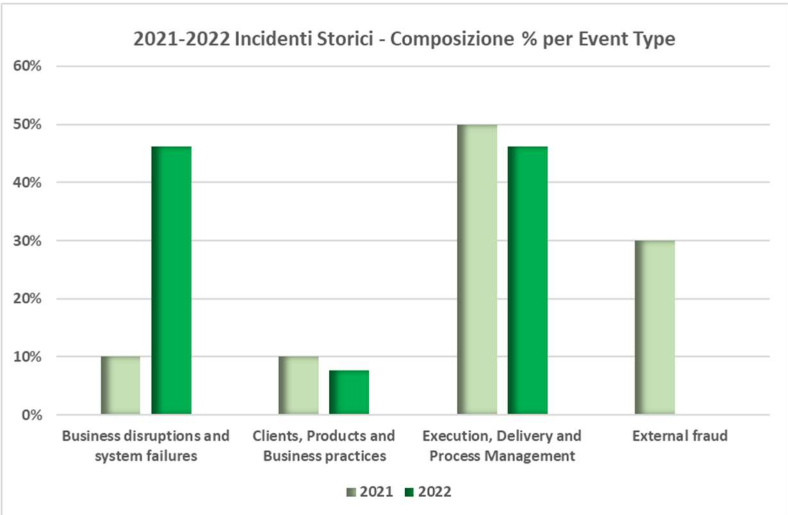
- **Issue Resolution Activities**: adoption of suitable corrective measures in relation to the critical areas indicated, to ensure the efficiency of the company procedures and processes (in terms of integration, variation or support).
  This action can be activated directly from the first line of defence (known as self-identified action plans) or derive from the activity carried out by the second line of defence as described above. Corrective actions identified as part of the execution of controls and the analysis of incidents are recorded and monitored through dedicated Group platforms.

- **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 guarantees 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 report, issued every six months, is intended for the Risk Monitoring Committee - Operational Risks and Permanent Controls Session and the Board of Directors;
  - 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

<u>Assessment of the main sources and nature of risk events</u>

The breakdown by percentage of operational risk events (historical incidents) recorded in 2022 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. During 2022, 13 risk events were recorded compared to 10 in the previous year, which are summarised below year on year:



Unlike in 2021 (when 3 cyber-related fraud incidents by third parties other than transferors occurred), no fraud incidents occurred in 2022.

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	**1,034,075**	**-**	**-**	**1,911,087**	**2,878,819**	**1,195,233**	**234,452**	**190,256**	**79,262**	**20,000**	**330,539**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	1,034,075			1,911,087	2,878,819	1,195,233	234,452	190,256	79,262	20,000	330,133
A.4	Other assets											406
	Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts											
	- Banks	324,053	666,023	276,080	1,081,355	1,515,121	962,715	1,217,065	117,061	61,712	15,953	16,462
	- Financial institutions	40,525	2,479	19,818	36,202	141,667	45,460	2,699	-	-	-	-
	- Customers											403,913
B.2	Debt securities											
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**415**
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											415
C.6	Financial guarantees received											

IFITALIA
GRUPPO BNP PARIBAS

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	**14,475**	**-**	**-**	**49,796**	**190,922**	**34,848**	**2,271**	**-**	**-**	**-**	**-**
A.1	Government bonds											
A.2	Other debt securities											
A.3	Loans	14,475			49,796	190,922	34,848	2,271	-	-		
A.4	Other assets											
	Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts								-	-	-	-
-	Banks	123,841	5,954	5,808	12,446	130,281	7,666	1,550				
-	Financial institutions								-	-	-	
-	Customers											
B.2	Debt securities											
B.3	Other liabilities											
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**13**
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											13
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 2022 amounted to EUR 853 thousand.

(thousands of euros)

Items/Balances	Total 31/12/2022	Total 31/12/2021
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	699,768	673,441
- profit	700,926	674,599
a) legal reserve	11,180	11,180
b) statutory reserve	689,746	663,419
c) treasury shares	-	-
d) other		
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(953)	(1,129)
- 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	(953)	(1,129)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	36,577	26,327
Total	**853,091**	**816,338**

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 Supervisory 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).

IFITALIA GRUPPO BNP PARIBAS

4.2.1.2 Quantitative information

(thousands of euros)

	Total at 31/12/2022	Total at 31/12/2021
A. Tier 1 capital ((Common Equity Tier 1) before application of prudential filters	**812,307**	**786,195**
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)	**812,307**	**786,195**
D. Elements to be deducted from Tier 1 capital		
E. Tier 1 capital (C-D)	**812,307**	**786,195**
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)	**812,307**	**786,195**

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 Supervisory 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 2022, the company's capitalisation level was in line with the requirements:

- CET 1 and Tier 1 capital ratios equal 12.35%;
- Total capital ratio came to 12.35%.

(thousands of euros)

Categories/Balances	Unweighted amounts		Weighted amounts / requirements	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
A. RISK ASSETS				
A.1 Credit and counterpart risk	8,534,988	7,372,231	6,316,337	5,454,207
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			378,904	327,187
B.2 Payment services requirement			-	-
B.3 Issuance of electronic money requirement			-	-
B.4 Specific prudential requirements			15,609	15,721
B.5 Total prudential requirements			394,513	342,908
C. RISK ASSETS AND SUPERVISORY RATIOS				
C1 Risk-weighted assets			6,576,532	5,716,276
C2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			12.35%	13.75%
C3 Capital/Risk-weighted assets (Total capital ratio)			12.35%	13.75%

SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

(thousands of euros)

	ITEMS	Total 31/12/2022	Total 31/12/2021
10.	**Profit (Loss) for the year**	36,577	26,327
	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	243	(141)
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	(67)	39
	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**	**176**	**(102)**
200.	**Comprehensive income (Item 10+190)**	**36,753**	**26,225**

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 euros)

	Total 31/12/2022	Total 31/12/2021
Directors	46	56
Auditors	94	93
Total	**140**	**149**

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

(thousands of euros)

	Total 31/12/2022	Total 31/12/2021
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 2022 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of euros)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**8,204**	**5,821,474**	**14**	**1,184**	**-**	**-**
BNP PARIBAS SUCC. MILANO	8,204	5,820,217	14	1,184		
BNP PARIBAS PARIS	-	1,257				
B) BNPP GROUP COMPANIES	**5,437**	**1,015,246**	**74,854**	**366,996**	**2,802**	**-**
ARTIGIANCASSA SPA			89			
ARVAL SERVICE LEASE		-				
ARVAL SERVICE LEASE ITALIA SPA		202	67,057			
AXEPTA SPA (EX- BNL POSITIVITY SRL)						
BANCA NAZIONALE DEL LAVORO SPA	3,599	710,102	5,769	366,996	2,802	-
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA						
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR	-	227	25			
BNPP FORTIS	189	1,572	-			
BNPP REAL ESTATE	-	-	1,297			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			10			
FINDOMESTIC BANCA SPA			367		-	
TIERRE SECURITISATION SRL		289,315				
TURK EKONOMI BANKASI AS						
BNPP Real Estate Advisory Italy SPA						
Diamante Re SRL	11	13,699	-			
Sviluppo HQ Tiburtina SRL	1,607	-	-			
SNC Natiocredimurs						
Servizio Italia SPA			1			
TEB Faktoring AS			3			
BNPP Lease Group Leasing Solutions SPA			148			
BNPP SA Dublin Branch - IE						
BNPP Partners for Innovation Italia SRL		117	35			
Financit SPA			23			
BNPP 3 Step IT	31	12				
BNPP Faktoring Spolka ZOO			26			
International Trade Partner						
BNP Paribas SGR SPA						
C) ASSOCIATED COMPANIES	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13,641**	**6,836,720**	**74,868**	**368,180**	**2,802**	**-**

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

(thousands of euros)

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	6.848	(16.143)	-	(162)	-	-	(1.935)	-	
B) BNPP GROUP COMPANIES	36	(8.718)	110	(2.970)	-	2	(16.279)	(485)	
C) ASSOCIATED COMPANIES								-	
Total	**6.884**	**(24.861)**	**110**	**(3.132)**	**-**	**2**	**(18.214)**	**(485)**	**-**

Section 7 – Leases (Lessee)

Qualitative disclosure

In applying IFRS 16, Ifitalia considered it applicable only in relation to the lease of space in the building in Assago to which it moved its headquarters in April 2022.

The contract was signed with Diamante Re, a company belonging to the BNP Paribas Group, and has a duration of 15 years.

Based on this contract, the relevant right of use and the corresponding financial liability were calculated.

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 euros)

	Total
A. Gross opening balances	1,043
A.1 Total net impairments	-697
A.2 Net opening balances	346
B. Increases	14,469
B.1 Purchases	13,772
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	697
C. Decreases	1,121
C.1 Sales	-
C.2 Depreciation	78
C.3 Imputed losses booked to:	
C.4 Negative changes in fair value attributed to:	
C.5 Negative exchange rate differences	
C.6 Relocation to:	
C.7 Other variation	1,043
D. Net closing balances	13,694
D.1 Net impairment	-78
D.2 Gross closing balances	13,772

2. Cash flows by maturity bands of lease payables

(thousands of euro)

	Maturity bands for leasing cash flows					
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from 1 year to 2 years	over 2 years	**Total**
Leasing debts	234	204	438	881	11,942	**13,699**
Total	**234**	**204**	**438**	**881**	**11,942**	**13,699**

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 2022 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 87,309.73, broken down as follows:

• Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 3,250.00;

• Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 24,054.24;

• 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 60,005.49.

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 2021 approved by BNP Paribas S.A. in its capacity as direct parent company.

IFITALIA
GRUPPO BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Profit and loss account for the year ended 31 December 2021

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2021 and 31 December 2020. 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 2019 are provided in the Universal registration document filed with the Autorité des Marchés Financiers on 12 March 2021 under number D.21-0114.

On 18 December 2021, the Group concluded an agreement with BMO Financial Group for the sale of 100% of its retail and commercial banking activities in the United States operated by the BancWest cash-generating unit. The terms of this transaction fall within the scope of application of IFRS 5 relating to groups of assets and liabilities held for sale (see note 7.d *Discontinued activities*) leading to the restatement of the year to 31 December 2020 to isolate the "Net income from discontinued activities" on a separate line. A similar reclassification is made in the statement of net income and changes in assets and liabilities recognised directly in equity and in the cash flow statement. The effect of this reclassification on the aggregates of the profit and loss statement is presented in note 3 *Segment Information*.

4.1 Profit and loss account for the year ended 31 December 2021

In millions of euros	Notes	Year to 31 Dec. 2021	Year to 31 Dec. 2020 *restated according to IFRS 5*
Interest income	2.a	29,518	31,169
Interest expense	2.a	(10,280)	(11,883)
Commission income	2.b	15,037	13,304
Commission expense	2.b	(4,675)	(3,725)
Net gain on financial instruments at fair value through profit or loss	2.c	7,615	6,750
Net gain on financial instruments at fair value through equity	2.d	164	202
Net gain on derecognised financial assets at amortised cost		(2)	36
Net income from insurance activities	2.e	4,332	4,114
Income from other activities	2.f	15,482	13,167
Expense on other activities	2.f	(13,429)	(11,355)
REVENUES FROM CONTINUING ACTIVITIES		**43,762**	**41,779**
Salary and employee benefit expense	6.a	(16,417)	(15,942)
Other operating expenses	2.g	(10,705)	(10,301)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.n	(2,344)	(2,262)
GROSS OPERATING INCOME FROM CONTINUING ACTIVITIES		**14,296**	**13,274**
Cost of risk	2.h	(2,971)	(5,395)
OPERATING INCOME FROM CONTINUING ACTIVITIES		**11,325**	**7,879**
Share of earnings of equity-method entities	4.m	494	423
Net gain on non-current assets	2.i	834	1,030
Goodwill	4.o	91	5
PRE-TAX INCOME FROM CONTINUING ACTIVITIES		**12,744**	**9,337**
Corporate income tax from continuing activities	2.j	(3,584)	(2,301)
NET INCOME FROM CONTINUING ACTIVITIES		**9,160**	**7,036**
Net income from discontinued activities	7.d	720	379
NET INCOME		**9,880**	**7,415**
Net income attributable to minority interests		392	348
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**9,488**	**7,067**
Basic earnings per share	7.a	7.26	5.31
Diluted earnings per share	7.a	7.26	5.31

IFITALIA
GRUPPO BNP PARIBAS

4.3 Balance sheet at 31 December 2021

In millions of euros	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and balances at central banks		347,883	308,703
Financial instruments at fair value through profit or loss			
Securities	4.a	191,507	167,927
Loans and repurchase agreements	4.a	249,808	244,878
Derivative financial instruments	4.a	240,423	276,779
Derivatives used for hedging purposes	4.b	8,680	15,600
Financial assets at fair value through equity			
Debt securities	4.c	38,906	55,981
Equity securities	4.c	2,558	2,209
Financial assets at amortised cost			
Loans and advances to credit institutions	4.e	21,751	18,982
Loans and advances to customers	4.e	814,000	809,533
Debt securities	4.e	108,510	118,316
Remeasurement adjustment on interest-rate risk hedged portfolios		3,005	5,477
Financial investments of insurance activities	4.i	280,766	265,356
Current and deferred tax assets	4.k	5,866	6,559
Accrued income and other assets	4.l	179,123	140,904
Equity-method investments	4.m	6,528	6,396
Property, plant and equipment and investment property	4.n	35,083	33,499
Intangible assets	4.n	3,659	3,899
Goodwill	4.o	5,121	7,493
Assets held for sale	7.d	91,267	-
TOTAL ASSETS		**2,634,444**	**2,488,491**
LIABILITIES			
Deposits from central banks		1,244	1,594
Financial instruments at fair value through profit or loss			
Securities	4.a	112,338	94,263
Deposits and repurchase agreements	4.a	293,456	288,595
Issued debt securities	4.a	70,383	64,048
Derivative financial instruments	4.a	237,397	282,608
Derivatives used for hedging purposes	4.b	10,076	13,320
Financial liabilities at amortised cost			
Deposits from credit institutions	4.g	165,699	147,657
Deposits from customers	4.g	957,684	940,991
Debt securities	4.h	149,723	148,303
Subordinated debt	4.h	24,720	22,474
Remeasurement adjustment on interest-rate risk hedged portfolios		1,367	6,153
Current and deferred tax liabilities	4.k	3,103	3,001
Accrued expenses and other liabilities	4.l	145,399	107,846
Technical reserves and other insurance liabilities	4.j	254,795	240,741
Provisions for contingencies and charges	4.p	10,187	9,548
Liabilities associated with assets held for sale	7.d	74,366	-
TOTAL LIABILITIES		**2,511,937**	**2,371,142**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*108,176*	*106,228*
Net income for the period attributable to shareholders		*9,488*	*7,067*
Total capital, retained earnings and net income for the period attributable to shareholders		**117,664**	**113,295**
Changes in assets and liabilities recognised directly in equity		*222*	*(496)*
Shareholders' equity		**117,886**	**112,799**
Minority interests	7.f	**4,621**	**4,550**
TOTAL EQUITY		**122,507**	**117,349**
TOTAL LIABILITIES AND EQUITY		**2,634,444**	**2,488,491**

IFITALIA CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statements as at 31 December 2022

Mandatory financial statements:

Notes to the accounts:

IFITALIA
GRUPPO BNP PARIBAS

MANDATORY FINANCIAL STATEMENTS

Consolidated Balance Sheet

(euro)

	ASSETS	31/12/2022	31/12/2021
10	Cash and cash equivalents	3,550,711	9,504,945
20	Financial assets at fair value through profit or loss:	405,927	553,532
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	405,927	553,532
30.	Financial assets at fair value through other comprehensive income	-	-
40.	Financial assets measured at amortised cost:	8,162,290,983	6,928,940,548
	a) loans to banks	*11,623,748*	14,241,230
	b) loans to financial company	*256,983,796*	104,464,324
	c) loans to customers	*7,893,683,439*	6,810,234,994
50.	Hedging derivatives	-	-
60.	Change in fair value of portfolio hedged items (+/-)	-	-
70.	Equity investments	-	-
80.	Property, plant and equipment	15,117,784	1,723,484
90.	Intangible assets	9,029,105	9,831,712
	of wich: goodwill	-	-
100.	Tax assets	49,598,081	54,321,330
	a) current	*12,865,579*	15,537,398
	b) deferred	*36,732,502*	38,783,932
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	33,533,887	145,572,632
	Total assets	**8,273,526,478**	**7,150,448,183**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2022	31/12/2021
10	Financial liabilities measured at amortised cost	7,233,907,818	6,132,269,671
	a) Deposits	6,945,057,818	5,896,065,757
	b) Debt securities issued	288,850,000	236,203,914
20	Financial liabilities held for trading	-	1,963
30	Financial liabilities designated at fair value	-	
40	Hedging derivatives	-	
50	Change in fair value of portfolio hedged items (+/-)	-	
60	Tax liabilities	14,461,226	7,568,799
	a) current	14,023,650	7,222,005
	b) deferred	437,576	346,794
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	143,573,320	170,374,086
90	Post-employment benefits	3,324,839	4,035,039
100	Provisions for risks and charges	22,837,708	18,271,511
	a) commitments and guarantees issued	762,798	424,675
	b) post-retirement benefit and similar obligations	-	-
	c) other provisions for risks and charges	22,074,910	17,846,836
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	701,347,575	674,745,007
160	Valuation reserves	(953,358)	(1,129,104)
170	Profit (loss) for the year	37,318,707	26,602,568
180	Other Shareholders' equity	10,000	10,000
	Total Liabilities and Shareholders' equity	**8,273,526,478**	**7,150,448,183**

IFITALIA
GRUPPO BNP PARIBAS

Consolidated Income Statement

(euro)

	P&L	Year 2022	Year 2021
10	Interest and similar income	83,859,564	60,149,464
	of which: interest income calculated using the effective interest rate method	80,045,068	58,980,523
20	Interest and similar expense	(23,821,997)	(1,980,967)
30	**Net interest income**	**60,037,567**	**58,168,497**
40	Fee and commission income	75,665,040	58,680,872
50	Fee and commission expense	(13,933,966)	(11,544,700)
60	**Net fee and commission income**	**61,731,074**	**47,136,172**
70	Dividends and similar income	-	90,360
80	Net result from trading	(80,667)	6,692
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:	**0**	**80,036**
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	-	80,036
120	**Net banking income**	**121,687,974**	**105,481,757**
130	Net value adjustments/write-backs for credit risk relating to:	(10,994,494)	(12,493,009)
	a) financial assets measured at amortised cost	(10,994,494)	(12,493,009)
	b) financial assets at fair value through other comprehensive income	-	-
140	Gains/losses on contract modifications without eliminations	-	-
150	**Net result of financial management**	**110,693,480**	**92,988,748**
160	Administrative expenses:	(49,252,344)	(44,987,241)
	a) personnel expenses	*(22,388,058)*	*(21,959,943)*
	b) other administrative expenses	*(26,864,286)*	*(23,027,298)*
170	Net provisions for risks and charges	(5,774,665)	(7,354,296)
	a) commitments and guarantees issued	*(336,779)*	*1,483,023*
	b) other net provisions	*(5,437,886)*	*(8,837,319)*
180	Net value adjustments/write-backs on property, plant and equipment	(314,188)	(999,772)
190	Net value adjustments/write-backs on intangible assets	(3,494,787)	(3,546,010)
200	Other operating expenses/income	1,612,958	1,953,870
210	**Operating expenses**	**(57,223,026)**	**(54,933,449)**
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	-	-
260	**Operating profit (loss) before taxes**	**53,470,454**	**38,055,299**
270	Income taxes for the year	(16,151,747)	(11,452,731)
280	**Operating profit (loss) net of taxes**	**37,318,707**	**26,602,568**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**37,318,707**	**26,602,568**
310.	**Profit (loss) for the year attributable to third parties**	**-**	**-**
320.	**Profit (loss) for the year attributable to the parent company**	**37,318,707**	**26,602,568**

Consolidated Statement of Comprehensive Income

(euro)

	Items	Year 2022	Year 2021
10	**Profit (loss) for the year**	**37,318,707**	**26,602,568**
	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	175,746	(102,026)
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**	**175,746**	**(102,026)**
180	**Comprehensive income (Item 10+170)**	**37,494,453**	**26,500,542**
190.	**Consolidated comprehensive income attributable to third parties**	**0**	**0**
200.	**Consolidated comprehensive income attributable to the parent company**	**37,494,453**	**26,500,542**

Consolidated Statement of Changes in Equity as at 31 December 2022

(euro)

	Balances as at 31.12.2021	Change in opening balances	Balances as at 01.01.2022	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	Equity transactions: Other changes	Comprehensive income as at 2022	Shareholders' Equity 31.12.2022	Shareholders' equity of third parties 31.12.2022
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:	**674,745,007**	**-**	**674,745,007**	**26,602,568**							**-**		**701,347,575**	
a) profit-related	675,903,380		675,903,380	26,602,568									702,505,948	
b) other	(1,158,373)		(1,158,373)								-		(1,158,373)	
Valuation reserves	**(1,129,104)**		**(1,129,104)**									**175,746**	**(953,358)**	
Equity instruments														
Treasury shares														
Profit (loss) for the year	**26,602,568**		**26,602,568**	**(26,602,568)**								**37,318,707**	**37,318,707**	
Shareholders' Equity	**817,917,114**		**817,917,114**								**-**	**37,494,453**	**855,411,567**	**X**
Shareholders' equity of third parties	**10,000**		**10,000**										**X**	**10,000**

Consolidated 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	Equity transactions: 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:	**595,116,506**	**-**	**595,116,506**	**29,048,955**							**-**		**674,745,007**	
a) profit-related	596,274,879		596,274,879	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**

Consolidated Statement of Cash Flows classified using the indirect method

(euro)

	A. OPERATING ACTIVITIES	31/12/2022	31/12/2021
1.	**Management**	**67,892,704**	**54,136,185**
-	profit (loss) for the year (+/-)	37,318,707	26,602,568
-	gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	(1,963)	(106,174)
-	gains/losses on hedging (+/-)	-	-
-	net value adjustments/write-backs for credit risk (+/-)	6,917,201	8,415,716
-	net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	3,808,975	4,545,782
-	net allowances to provisions for risks and charges and other costs/revenues(+/-)	5,774,665	7,354,296
-	taxes not settled (+/-)	14,075,118	7,323,997
-	net value adjustments/write-backs on discontinued operations, net of taxes (+/-)	-	-
-	other adjustments (+/)	-	-
2.	**Cash flow generated/absorbed by financial assets**	**(1,123,569,064)**	**(737,062,475)**
-	financial assets held for trading	-	-
-	financial assets designated at fair value	-	-
-	other financial assets mandatorily measured at fair value	147,605	4,308,061
-	financial assets at fair value through other comprehensive income	-	-
-	financial assets measured at amortised cost	(1,240,267,636)	(676,248,397)
-	other assets	116,550,967	(65,122,139)
3.	**Cash flow generated/absorbed by financial liabilities**	**1,066,122,794**	**693,786,028**
-	financial liabilities measured at amortised cost	1,101,638,147	654,636,223
-	financial liabilities held for trading	-	-
-	financial liabilities designated at fair value	-	-
-	other liabilities	(35,515,353)	39,149,805
	Cash flow generated/absorbed by operating activities	**10,446,434**	**10,859,737**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow generated by:**	**1,499,973**	**1,252,711**
-	sale of equity investments	-	-
-	dividends collected on equity investments	-	-
-	sale of property, plant and equipment	1,499,973	1,252,711
-	sale of intangible assets	-	-
-	sale of subsidiaries and businesses	-	-
2.	**Cash flow absorbed by:**	**(17,900,641)**	**(3,959,142)**
-	purchase of equity investments	-	-
-	purchase of property, plant and equipment	(15,208,461)	(1,288,144)
-	purchase of intangible assets	(2,692,180)	(2,670,998)
-	purchase of subsidiaries and businesses	-	-
	Net cash flow generated/absorbed by investing activities	**(16,400,668)**	**(2,706,431)**
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	**(5,954,234)**	**8,153,306**

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

Reconciliation

(euro)

Financial statement items	31/12/2022	31/12/2021
Cash and cash equivalents at the beginning of the year	9,504,945	1,351,639
Total net cash flow generated/absorbed during the year	(5,954,234)	8,153,306
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	3,550,711	9,504,945

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; the latter circular continues to apply to the financial statements for the year ended 31 December 2022, supplemented, where applicable, by the amendments to the recipients of the provisions contained in paragraphs 1 "Recipients and contents of the provisions" and 3 "Financial statement reporting formats" of Chapter 1 "General principles" and Annex C "Financial statement reporting formats and notes to the accounts of SIMs" - Consolidated Financial Statements - Part D "Other information" provided for in the provisions "Financial statements of IFRS intermediaries other than banking intermediaries" of the Bank of Italy Measure of 17 November 2022. 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".
the ESMA communication of 15 December 2021 "report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses;
• the Bank of Italy Communication of 21 December 2021 updating the additions to the provisions of the Measure "Financial statements of IFRS intermediaries other than banking intermediaries" are updated 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 changes in the EU regulations on the treatment of moratoria, updates to the reporting and financial statement circulars and changes to IFRS 16 "Leases" related to Covid-19;
• the Public Statements issued by ESMA on 14 March and 13 May 2022 containing specific recommendations related to the Russian-Ukrainian crisis, which were fully referred to in the documents published by Consob on 18 March 2022 and 19 May 2022.

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.

Section 3 – Events after the reporting period
When drawing up the consolidated financial statements as at 31 December 2022, Ifitalia considered all the events after the reporting period up until the date of approval of the financial statements by the Board of Directors and no corporate events occurred such as to have a significant impact on the balance sheet and income statement results represented (IAS 10 § 8).

Section 4 – Other aspects
The Ifitalia financial statements have been audited by the auditing firm Mazars Italia S.p.A., which was granted the appointment for the period 2015 - 2023 by the Shareholders' Meeting held on 24 November 2015 in accordance with

Legislative Decree no. 39 of 27 January 2010.

Impact of the Russia-Ukraine Conflict on the Economic and Financial Situation

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 and monitored them during 2022, reaching the following conclusions:
• direct exposures held by the Company to Russia and Ukraine: there are no direct exposures to these countries and no exposures to the Rouble currency.
• indirect impacts relating to the relationships held by customers with countries at risk: again, no significant impacts were identified.
In general, there are no indications of potential risks that could affect the Company's economic and financial situation.

Impact of the inflationary scenario and of the trend in energy costs

The current context was characterised by high inflation, partly due to the difficulties in energy supply caused by the war scenario. To curb the general increase in prices, the central banks (ECB and FED) have recently decided to tighten their monetary policies, in particular by raising interest rates in the Eurozone and the USA, respectively. Further increases are expected in the near future.

Risks, uncertainties, impacts of the COVID-19 epidemic - update

In 2022, the world economy continued to recover what it had lost in 2020 and 2021 due to the impact of the pandemic, although some elements such as the war in Ukraine and rising commodity prices slowed the recovery. As already mentioned in the report on operations, factoring in Italy increased its business volumes significantly, and Ifitalia acted in line with the market, returning overall to values above the pre-pandemic situation.
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 debtor.
With regard to collective provisioning, the provisioning system implemented by the BNPP Group to calculate impairment levels on performing loans, which was introduced at the end of 2020 to manage the heterogeneous impact of the pandemic crisis on the macroeconomic environment, was confirmed in 2022.
The expected impairment projections generated by this model were gradually reabsorbed in the portfolio trend and as at 31 December 2022.
As at 31 December 2022, there were no loans subject to Covid-19 support measures.

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.

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 significant effects on the amounts in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities in the financial statements.
The application of certain accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The calculation of these estimates involves the use of the information available and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions in order to record management events.
The assumptions on which the estimates are based take into account all the information available at the date of preparation of the periodic report as at 31 December 2022, as well as assumptions that are considered reasonable in the light of historical experience and the likely development of future reference scenarios. However, it cannot be excluded that these estimates and assumptions, although reasonable, may not prove to correct in the future scenarios in which the Company will operate. Therefore, future results may differ from the estimates made in the preparation of the separate financial statements as at 31 December 2022, and adjustments to the book value of assets and liabilities recognised in the balance sheet that cannot currently be foreseen or estimated may be required.
Moreover, the estimates and assumptions used may, by their nature, vary from year to year and, therefore, it cannot be excluded that in subsequent years the current values recognised in the financial statements may differ, even significantly, as a result of changes in the subjective evaluations used.
The estimation processes considered to be the most critical for the purposes of true and fair representation of the Company's financial position, the results of the operations and of the cash flows are listed below, both because of the materiality of the book values affected by the above-mentioned processes, and because of the high degree of discretion involved in the evaluations, which requires Management to make estimates and assumptions:
• determining the losses due to impairment of receivables and, generally, of financial assets;
• determining the Level 3 fair value of financial assets and liabilities;
• estimating the recoverability of deferred tax assets;
• estimating the provisions for risks and charges;
• estimating employee benefit obligations;
• estimates used in defining right of use and lease liability for the purposes of applying IFRS 16.
Estimates and assumptions are reviewed on a regular basis. Any resulting changes are recognised in the period in which the revision is made if it affects only that period. If the revision affects both current and future periods, the change is recognised in the period in which the revision is made and in the relevant future periods.
The description of the accounting policies applied to the main aggregates of the financial statements provides the information required to identify the main assumptions and subjective evaluations used in the preparation of the financial statements. For more detailed information on the composition and relative book values of the items affected by the estimates in question, reference is made to the specific sections of the notes to the accounts.

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.

Legislative changes

The following accounting standards or amendments to existing accounting standards that did not have a significant impact on the Company became effective in 2022:

- 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) the adoption of which had no material impact on the balance sheet and income statement.

As at 31 December 2022, the following documents were approved by the European Commission:

- amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (Reg. (EU) 2022/357) applicable to reporting effective on or after 1 January 2023;
- amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates (Reg. (EU) 2022/357) applicable to reporting effective on or after 1 January 2023.

Finally, as at 31 December 2022, the IASB 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 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021);
- amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (December 2021).

Finally, on 8 December 2022, the European Banking Authority (EBA) published a consultation paper entitled “Draft ITS on the 2024 Benchmarking Draft Implementing Technical Standards on amending Commission Implementing Regulation (EU) 2016/2070 with regard to the benchmarking of internal models”. These are draft implementing technical standards (ITS) that intend to amend Implementing Regulation (EU) 2016/2070 with regard to the carrying-out of the benchmarking exercise to be held in 2024 on institutions' internal models for calculating own funds requirements in relation to credit risk and market risk and IFRS 9 models.

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 2022, 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 2022, 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 2022 consolidated financial statements are the same as those used for the 2021 financial statements.

Therefore, please find below:

a) the standards used for the preparation of the 2022 financial statements.

a) STANDARDS USED FOR THE PREPARATION OF THE 2022 FINANCIAL STATEMENTS

1. Financial assets at fair value through profit or loss

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

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

2. Financial assets at fair value through other comprehensive income

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

In case of derecognition of an equity instrument, the related cumulative and unrealised change in value is reclassified to an available reserve within shareholders' equity.
Profits and losses from disposals are determined using the average cost method.

3. Financial assets measured at amortised cost

This item includes debt securities and loans allocated to the portfolio measured at amortised cost. Due from banks, including also due from central banks other than demand deposits included in "Cash and cash equivalents" and due from customers, including due from Post Offices and Cassa Depositi e Prestiti, as well as operating loans related to the provision of financial assets and services as defined by the consolidation act of banking and lending laws (TUB) and the Consolidated Finance Act (TUF) (e.g. servicing activities) are recognised.
Loans/receivables are recognised in the financial statements when the Company becomes a party to the contract and acquires unconditionally a right to payment of the agreed amounts and are initially recognised at their fair value, corresponding to the amount disbursed, including transaction costs and initial revenues directly attributable. Where the net amount disbursed does not refer to its fair value, due to the lower interest rate applied compared to that of the reference market or to that normally applied to loans with similar characteristics, the initial recognition is made for an amount equal to the discounting of future cash flows at an appropriate rate.
After initial recognition, financial assets classified in the loans portfolio are recognised at amortised cost, using the effective interest method. The effective interest method is used to calculate the amortised cost and interest income of the loan over its entire duration. The effective interest rate is the rate that discounts the flow of estimated future payments over the expected life of the loan so as to obtain the net book value at initial recognition. Interest on loans/receivables is classified under interest and similar income deriving from amounts due from banks and loans to customers, and is recorded on an accrual basis.
In particular, with regard to factoring transactions, the transferee company can recognise a financial asset in its financial statements if and only if:
a) the financial asset is transferred along with essentially all the risks and contractual rights to the correlated cash flows (the transferor may maintain the rights to receive the cash flows of the asset but must have the obligation to pay the same to the transferee, and cannot sell or commit the financial asset);
b) the benefits associated with its ownership cease with regard to the transferor when transferred to the transferee.
The forms of transfer for loans/receivables subject to factoring can be broken down as follows:

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

✓ exposures to the factored debtors for payment extensions granted.

✓ Ifitalia recorded the following amounts under guarantees and commitments, in line with the above criteria:

✓ both the value of the loans/receivables acquired without recourse (just guarantee) and the guarantees given accessory to the factoring transactions;

✓ the value of the endorsement risk for the loans/receivables acquired without formal recourse and the value of the exposure for the unused amount of the committed credit facilities.

In order to assess whether transfer of the essential nature of the risks and benefits has taken place in acquiring the loans/receivables factored without recourse, it is necessary to identify and analyse, using qualitative and quantitative criteria, the contractual
clauses capable of affecting the expected variability of the cash flows of the factored loans/receivables. For such purposes, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition/derecognition rules.

a) Maximum payable

This category of clauses is key for the purposes of the recognition/derecognition since it limits the undertaking of the credit risk by the Factor. In essence, while the “initial loss” remains the Factor’s, the losses exceeding the ceiling are the transferor’s.

In the presence of this clause, it is necessary to quantify and compare the amount of the ceiling with the risk exposure. If the maximum payable essentially covers the credit risk, then it means that the afore-mentioned risk has been
transferred by the Transferor to the Factor.

With regard to the outstanding contracts, the latter point has been confirmed, therefore the clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.

b) Malus clause

The commission linked to the portfolio’s performance, with retroactive application (losses deriving from default of the factored debtors, with regard to principal and/or interest), can be critical for the purpose of recognition/derecognition since it can indicate a limitation or an exclusion of the transfer of the risks by the transferor to the factor.

In the 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 2022.

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 2022, 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 2022, 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 2022.

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 euro)

	Total 31/12/2022			Total 31/12/2021		
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	47	-	359	72	-	482
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**47**	**-**	**359**	**72**	**-**	**482**
1. Financial liabilities held for trading	-		-	-	2	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**2**	**-**

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)

(Thousand of euro)

	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**	**482**	**-**	**-**	**482**		**-**	**-**	**-**
2. **Increases**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-		-	-	-	-
2.2. Profits charged to:	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-
- of which gains	-	-	-		-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers to other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. **Decreases**	**90**	**-**	**-**	**123**	**-**	**-**	**-**	**-**
3.1 Sales	-	-	-		-	-	-	-
3.2 Reimbursements	90	-	-	90	-	-	-	-
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	-	-	-	33		-	-	-
4. **Closing balance**	**392**	**-**	**-**	**359**	**-**	**-**	**-**	**-**

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 euro)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/2022				Total 31/12/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	8,162,291	-	-	8,162,291	6,928,941	-	-	6,928,941
2. Property, plant and equipment held for investment purposes	1,159		1,159	-	1,110		1,110	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**8,163,450**	**-**	**1,159**	**8,162,291**	**6,930,051**	**-**	**1,110**	**6,928,941**
1. Financial liabilities measured at amortised cost	7,233,908	-	-	7,233,908	6,132,270	-	-	6,132,270
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**7,233,908**	**-**	**-**	**7,233,908**	**6,132,270**	**-**	**-**	**6,132,270**

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".

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PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents

(thousands of euros)

	Tota 31/12/2022	Total 31/12/2021
a) Cash	2	2
b) Current accounts and demand deposits to banks	3.549	9.503
c) Demand deposits with Central Banks	-	-
Total	**3.551**	**9.505**

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".

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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. **Debt securities**	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Others debt securities	-	-	-	-	-	-
2. **Equity securities**	47	-	201	72	-	291
3. **Units of CIUs**	-	-	-	-	-	-
4. **Loans**	-	-	158	-	-	191
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	158	-	-	191
Total	47	-	359	72	-	482

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 31/12/2022	Total 31/12/2021
1. Equity instruments	**248**	**363**
of which: banks	-	-
of which: other financial companies	-	
of which: non-financial companies	248	363
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	**158**	**191**
a) Public administration	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	158	191
e) Household	-	-
Total	**406**	**554**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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	11,624	-	-	-	-	11,624	14,241	-	-	-	-	14,241
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring	11,624	-	-	-	-	11,624	14,241	-	-	-	-	14,241
- with recourse	110					110	364					364
- without recourse	11,514					11,514	13,877					13,877
2.4 Other loans												
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities												
- other debt securities												
4. Other assets												
Total	**11,624**	**-**	**-**	**-**	**-**	**11,624**	**14,241**	**-**	**-**	**-**	**-**	**14,241**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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	**256,984**	**-**	**-**	**-**	**-**	**256,984**	**104,464**	**-**	**-**	**-**	**-**	**104,464**
1.1 Repurchase agreement												
1.2 Financial Leasing												
1.3 Factoring	256,984	-	-	-	-	256,984	104,464	-	-	-	-	104,464
- with recourse	225,477					225,477	71,882					71,882
- without recourse	31,507					31,507	32,582					32,582
1.4 Other loans												
2. Debt securities							-	-	-	-	-	-
2.1 Structured securities												
2.2 other debt securities												
3. Other assets												
Total	**256,984**	**-**	**-**	**-**	**-**	**256,984**	**104,464**	**-**	**-**	**-**	**-**	**104,464**

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 euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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	7,827,068	66,615	-	-	-	7,893,683	6,724,324	85,911	-	-	-	6,810,235
1.1 Financial leasing												
of which: without final purchase option												
1.2 Factoring	7,466,268	58,440	-	-	-	7,524,708	6,340,187	77,679	-	-	-	6,417,866
- with recourse	470,073	27,231				497,304	697,439	42,426				739,865
- without recourse	6,996,195	31,209				7,027,404	5,642,748	35,253				5,678,001
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	360,800	8,175				368,975	384,137	8,232				392,369
of which: from enforcement of guarantees and commitments												
2. Debt securities	-	-	-	-	-	-		-	-	-	-	-
2.1 structured securities												
2.2 other debt securities												
3. Other assets												
Total	**7,827,068**	**66,615**	**-**	**-**	**-**	**7,893,683**	**6,724,324**	**85,911**	**-**	**-**	**-**	**6,810,235**

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 8,578,111 as at 31 December 2022, while the same item as at 31 December 2021 amounted to EUR 1,939,886.

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

(thousands of euro)

Breakdown	Total 31/12/2022			Total 31/12/2021		
	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:	7,827,068	66,615		6,724,324	85,911	
a) Public Administration	725,495	19,386		729,830	18,864	
b) Other financial companies	7,020,714	46,226		5,897,850	66,091	
c) Households	80,859	1,003		96,644	956	
3. Other assets						
Total	**7,827,068**	**66,615**	-	**6,724,324**	**85,911**	-

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

(thousands of euro)

	Gross value					Value adjustments				Overall partial write-off *
	First level	*instruments with low credit risk*	Second stage	Third stage	Impaired purchased or originated	First level	Second level	Third level	Impaired purchased or originated	
Debt securities										
Loans	7.349.853		754.960	319.814		5.683	3.454	253.199		
Other assets										
Total 2022	**7.349.853**	-	**754.960**	**319.814**		**5.683**	**3.454**	**253.199**		
Total 2021	6.242.676		608.549	341.018		6.179	2.016	255.107		
of which: impaired financial assets purchased or originated	X	X				X				

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

There were no amounts in this section.

4.6 Financial assets measured at amortised cost: guaranteed assets

(thousands of euro)

Breakdown	Total 31/12/2022						Total 31/12/2021					
	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:	143	143	221,259	221,231	2,321,793	2,314,924	96	96	64,622	64,619	2,133,409	2,127,027
- Leased assets												
- Factoring receivables	98	98	221,159	221,131	493,407	490,994	96	96	64,622	64,619	638,711	635,358
- Mortgages												
- Pledges												
- Unsecured guarantees	45	45	100	100	1,828,386	1,823,930	-	-	-	-	1,494,698	1,491,669
- Derivatives on receivables												
2. Impaired assets guaranteed by:	-	-	-	-	139,078	29,995	-	-	-	-	159,530	41,234
- Leased assets												
- Factoring receivables					130,690	27,439					135,850	36,167
- Mortgages												
- Pledges												
- Unsecured guarantees					8,388	2,556					23,680	5,067
- Derivatives on receivables												
Total	**143**	**143**	**221,259**	**221,231**	**2,460,871**	**2,344,919**	**96**	**96**	**64,622**	**64,619**	**2,292,939**	**2,168,261**

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 euro)

Activities/Values	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**265**	**267**
a) land		
b) buildings		
c) furniture	4	7
d) electronic equipment	261	260
e) other		
2. Rights of use acquired through leasing	**13,694**	**346**
a) land	-	-
b) buildings	13,694	346
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**13,959**	**613**
of which: obtained through enforcement of guarantees received	-	-

The increase in buildings is due to the recognition of the right of use acquired in respect of the lease of the property located in Assago, which is used by the Company as work premises.

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

(thousands of euro)

Activities/Values		Total 31/12/2022				Total 31/12/2021			
		Balance sheet value	Fair Value L1	Fair Value L2	Fair Value L3	Balance sheet value	Fair Value L1	Fair Value L2	Fair Value L3
1.	**Property assets**	**-**	**-**	**1,159**	**-**	**1,110**	**-**	**1,110**	**-**
a)	land		-		-				-
b)	buildings	-		1,159		1,110		1,110	-
2.	**Rights of use acquired through leasing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	land	-	-	-	-	-	-	-	-
b)	buildings	-	-	-	-	-	-	-	-
	Total	**-**	**-**	**1,159**	**-**	**1,110**	**-**	**1,110**	**-**
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 property located 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 euro)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**1,043**	**1,721**	**2,721**	**-**	**5,485**
A.1 Total net impairments	-	(697)	(1,713)	(2,461)		(4,872)
A.2 **Net opening balances**	**-**	**346**	**7**	**260**	**-**	**613**
Abis. First-time adoption of IFRS 16						
B. Increases	**-**	**14,469**	**48**	**552**		**15,069**
B.1 Purchases		13,772	-	145		**13,917**
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		697	48	407		**1,152**
C. Decreases	**-**	**1,121**	**52**	**551**	**-**	**1,724**
C.1 Sales			51	407		**458**
C.2 Depreciation		78	1	144		**224**
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		1,043				**1,043**
D. Net closing balance	**-**	**13,694**	**4**	**261**	**-**	**13,959**
D.1 Total net impairments	-	(78)	(1,666)	(2,198)	-	(3,942)
D.2 **Gross closing balance**	**-**	**13,772**	**1,670**	**2,459**	**-**	**17,901**
E. Valuation at cost	**-**	**13,694**	**4**	**261**	**-**	**13,959**

The property, plant and equipment for business use of the company are all measured at cost. The purchase of the period in the buildings category is due to the recognition of the right of use acquired in respect of the lease of the property located in Assago, which is used by the Company as work premises.

A table showing the rights of use acquired in the lease of property, plant and equipment is shown below.

(thousands of euro)

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balances		**1,043**				**1,043**
A.1 Total net impairments		- 697				(697)
A.2 **Net opening balances**		**346**				**346**
Abis. First-time adoption of IFRS 16						
B. Increases	**-**	**14,469**				**14,469**
B.1 Purchases		13,772				**13,772**
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		697				**697**
C. Decreases	**-**	**1,121**			**-**	**1,121**
C.1 Sales						**-**
C.2 Depreciation		78				**78**
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		1,043				**1,043**
D. Net closing balance	**-**	**13,694**	**-**	**-**	**-**	**13,694**
D.1 Total net impairments	-	(78)	0	0	-	(78)
D.2 **Gross closing balance**	**-**	**13,772**	**-**	**-**	**-**	**13,772**
E. Valuation at cost	**-**	**13,694**	**-**	**-**	**-**	**13,694**

The rights of use acquired in a finance lease refer to the lease contracts of the property located in Assago, which is used by the Company as work premises. The contract is concluded with the Company of the Diamante RE Group.

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

(thousands of euro)

	Total	
	Land	Buildings
A. Opening balances		**1,110**
B. Increases	**-**	**140**
B.1 Purchases		140
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	**-**	**1,159**
E. Measurement at fair value		**1,159**

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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 euro)

Items/Valuation	Total 31/12/2022		Total 31/12/2021	
	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	**9,029**		**9,832**	
2.1 owned	**9,029**	**-**	**9,832**	**-**
- internally generated	1,936		2,059	
- other	7,093		7,773	
2.2 rights of use acquired under leases				
Total 2	**9,029**	-	**9,832**	-
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)	**9,029**	**-**	**9,832**	**-**
Total (T-1)	**9,832**	**-**	**10,707**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,936 thousand.
The intangible fixed assets-other also include “software licenses” for EUR 1,114 thousand (EUR 1,303 thousand in 2021) and “software development” for EUR 5,978 thousand (EUR 6,470 thousand in 2021). In 2022, a provision was set aside for

IFITALIA
GRUPPO BNP PARIBAS

the write-off of certain software (intangible fixed assets) to be carried out at the end of 2024 following the introduction of the new IT platform "One Factoring".

9.2 Intangible assets: changes during the year

(thousands of euro)

	Total
A. Opening balances	**9,832**
B. Increases	**2,692**
B.1 Purchases	2,692
B.2 Reversals of impairment losses	
B.3 Positive changes in fair value	-
- to equity	
- in income statement	
B.4 Other changes	
C. Decreases	**3,495**
C.1 Sales	
C.2 Depreciation	3,495
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	**9,029**

The purchases during the year, amounting to EUR 2,692 thousand, refer to capitalisations of IT costs, of which EUR 717 thousand (841 thousand in 2021) 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 euro)

	31/12/2022				31/12/2021			
	IRES	IRAP	OTHER	TOTAL	IRES	IRAP	OTHER	TOTAL
Current tax assets:								
- Tax advances	9.400	2,618	-46	11,972	12,432	2,270	-54	14,648
- Amounts withheld	17			17	10			10
- Tax credits pending rebate by the tax authorities	7	649	221	877	7	854	18	879
	9,424	**3,267**	**175**	**12,866**	**12,449**	**3,124**	**-36**	**15,537**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	24,954	3,214		28,168	28,812	3,716		32,528
- Provisions for risks and charges	8,150	53		8,203	5,759	69		5,828
- Other	362			362	428			428
	33,466	**3,267**	**-**	**36,733**	**34,999**	**3,785**	**-**	**38,784**
Total	**42,890**	**6,534**	**175**	**49,599**	**47,448**	**6,909**	**-36**	**54,321**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of euro)

	31/12/2022			31/12/2021		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	11,141	2,882	14,023	5,028	2,194	7,222
	11,141	**2,882**	**14,023**	**5,028**	**2,194**	**7,222**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets			-			-
- Capital Gain on participations			-			-
- Others	438		438	347		347
	438	**-**	**438**	**347**	**-**	**347**
Total	**11,579**	**2,882**	**14,461**	**5,375**	**2,194**	**7,569**

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

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**38,356**	**42,686**
2. Increases	**3,064**	**2,632**
2.1 Deferred tax assets recognized during the year	3,064	2,632
a) related to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other	3,064	2,632
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**5,049**	**6,962**
3.1 Deferred tax assets eliminated during the year	5,049	6,962
a) reversals	5,049	6,962
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	**36,371**	**38,356**

The increase of EUR 3,064 thousand refers almost entirely to the allocation to provisions for risks and charges for the year; the reduction of EUR 5,049 thousand relating to deferred tax assets cancelled during the year concerns the deductible portion of receivables (EUR 4,360 thousand) and the use of provisions for risk and charges (EUR 689 thousand).

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

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**24,966**	**29,722**
2. Increases		
3. Decreases	**3,289**	**4,756**
3.1 Amounts reversed	3,289	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	**21,677**	**24,966**

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

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
1. Opening balances	**347**	**550**
2. Increases	**91**	**39**
2.1 Deferred taxes recognized during the year	91	39
a) related to previous years		
b) due to change in accounting policies		
c) other	91	39
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	**438**	**347**

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

(thousands of euro)

		Total 31/12/2022	Total 31/12/2021
1.	**Opening balance**	**428**	**390**
2.	**Increases**	**-**	**38**
2.1	Deferred tax assets recognized during the year	-	38
	a) related to previous years		
	b) due to changes in accounting policies		
	c) other		38
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**	**66**	
3.1	Deferred tax assets eliminated during the year	66	
	a) reversals	66	
	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**	**362**	**428**

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 euro)

	31/12/2022	31/12/2021
Guarantee deposits	3	3
Amounts receivable for supply of services/advance payments	5	6
Items in transit	584	511
Securities credited to customers subject to collection services awaiting collection from the bank	6,548	47,018
Ecobonus credits	11,338	84,806
Other amounts receivable	15,056	13,229
Total	**33,534**	**145,573**

Ecobonus credits represent tax credits acquired by Ifitalia and waiting to be sold again to Group companies. The sale then took place by February 2023.

IFITALIA GRUPPO BNP PARIBAS

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 euro)

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	6,073,129	-	-	5,223,699	-	-
1.1. Reverse repurchase agreements						
1.2 other	6,073,129	-	-	5,223,699	-	-
2. Leasing payables	13,699	-	-	369	-	-
3. Other payables	453,103	1,214	403,913	289,683	-	382,315
Total	**6,539,931**	**1,214**	**403,913**	**5,513,751**	**-**	**382,315**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	6,539,931	1,214	403,913	5,513,751	-	382,315
Total fair value	6,539,931	1,214	403,913	5,513,751	-	382,315

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

(thousands of euro)

Type of securities/values	Total 31/12/2022				Total 31/12/2021			
	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	**288,850**	**-**	**-**	**288,850**	**236,204**	**-**	**-**	**236,204**
2.1 structured								
2.2 other								
Total	**288,850**	**-**	**-**	**288,850**	**236,204**	**-**	**-**	**236,204**

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 euro)

	Maturity bands for leasing cash flows					
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from 1 year to 2 years	over 2 years	**Total**
Leasing debts	234	204	438	881	11,942	**13,699**
Total	**234**	**204**	**438**	**881**	**11,942**	**13,699**

The duration of the payables derives from the term of the lease contract for the property located in Assago, which is 15 years.

Section 2 – Financial liabilities held for trading – Item 20

There were no amounts in this section.

2.1 Financial liabilities held for trading: breakdown by product

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

There were no amounts in this section.

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 euro)

DESCRIPTION	Total 31/12/2022	Total 31/12/2021
Collections being registered	74,529	116,037
Amounts due to employees	1,296	1,216
Amounts due to the tax authorities	853	931
Amounts due to social security and welfare institutions	1,492	1,493
Payables and invoices to be received from suppliers and professionals	14,716	15,627
Liabilities due to transferors	7,401	5,890
Other payables	12,017	4,526
Advances from customers	30,815	24,207
Residual holiday entitlement fund	456	447
Total	**143,573**	**170,374**

The decrease in the item "collections being registered" from EUR 116,037 thousand in 2021 to EUR 74,529 thousand in 2022, is due to better management of collections being registered in 2022.

Section 9 − Employee termination benefits − Item 90

9.1 "Employee termination benefits": changes during the year

(thousands of euro)

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**4,035**	**4,096**
B. Increases	**41**	**316**
B.1 Provision for the year	11	-
B.2 Other changes	30	316
C. Decreases	**751**	**377**
C.1 Liquidations	509	368
C.2 Other changes	242	9
D. Closing balance	**3,325**	**4,035**

As indicated in the accounting principles, the provision for employee termination benefits is calculated using the actuarial method. The provision for employee termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,506,403 and represents the effective obligation towards employees. The allocation for the year is EUR 341,417 .

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 2022 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 2022, the following parameters were used: discount rate of 3.1%; inflation rate of 2.1%; 2.3% 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 euro)

Items	Total 31/12/2022	Total 31/12/2021
1. Provisions for credit risk relating to commitments and guarantees issued	763	425
2. Provisions on other commitments and other guarantees issued		
3. Post retirement benefit obligations		
4. Other provisions for risks and charges	22,075	17,847
4.1 legal and tax disputes	18,706	14,981
4.2 personnel expenses	1,843	2,193
4.3 other	1,526	673
Total	**22,838**	**18,272**

The other provisions for risks and charges - "other" refer to the write-off of certain software (intangible fixed assets) to be carried out at the end of 2024 following the introduction of the new IT platform "One Factoring".

10.2 Provisions for risks and charges: changes during the year

(thousands of euro)

		Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A.	**Opening balance**	**-**	**-**	**17,847**	**17,847**
B.	**Increases**	**-**	**-**	**5,865**	**5,865**
B.1	Provision for the year			5,865	5,865
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**	**-**	**-**	**1,637**	**1,637**
C.1	Utilisations for the year			1,637	1,637
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	**-**	**-**	**22,075**	**22,075**

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 euro)

	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	596	167	0	**-**	**763**
Total	**596**	**167**	**-**	**-**	**763**

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 euro)

	Total 31/12/2022	Total 31/12/2021
Personnel provisions:		
- redundancy incentive		
- other employee benefits	1,843	2,193
Total	**1,843**	**2,193**

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 euro)

SHAREHOLDERS' EQUITY		Total 31/12/2022	Total 31/12/2021
110.	Share capital	55,900	55,900
140.	Valuation reserves	61,799	61,799
150.	Reserves	701,348	674,745
	a) income reserves	702,506	675,903
	b) other reserves	(1,158)	(1,158)
160.	Valuation reserves	(953)	(1,129)
180	*Profit (loss) for the year*	37,319	26,603
	Total shareholders' equity	**855,412**	**817,918**

11.1 Share Capital: breakdown

(thousands of euro)

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 euro)

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

The share premium has not changed compared to 31 December 2021.

11.5 Other information

Breakdown and changes in Reserves

(thousands of euro)

		Legal reserve	Statutory reserve	Other	Total
A.	**Opening balance**	**11,180**	**664,723**	**(1,158)**	**674,745**
B.	**Increases**	**-**	**26,603**	**-**	**26,603**
	B.1 Allocations of profits		26,603		26,603
	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**	**691,326**	**(1,158)**	**701,348**

The increase in the Statutory Reserve of EUR 26,603 thousand is due to the allocation of the 2021 profit.

Breakdown and changes in Valuation Reserves

(thousands of euro)

		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**	-	-	-	-		-	(1,129)	(1,129)
B.	**Increases**	-	-	-	-	-	-	176	176
	B.1 Positive fair value changes								-
	B.2 Other increases							176	176
C.	**Decreases**	-	-	-	-	-	-	-	-
	C.1 Negative fair value changes								-
	C.1 Other decreases								
D.	**Closing balances**	-	-	-	-	-	-	(953)	(953)

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 euro)

Ifitalia S.p.A. - Financial Statements as at 31 December 2022				
	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	691.326	A-B-C		691.326
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
Reserve ex "property revaluation"	5.870	A-B-C		5.870
Valuation reserve	(953)	-	(1)	-
Profit for the year	37.318	A-B-C		37.318
Total	**855.412**		**-**	**789.285**
Non-distributable share	**66.117**			
Residual distributable share	**789.295**			**789.285**

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 euro)

Items/value	Total 2022	Total 2021
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)

(thousands of euro)

	Notional value on commitments and financial guarantees issued				Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage	Impaired acquired or originated		
1. Commitments to disburse funds	**336,258**	**49,316**	**-**	**-**	**385,574**	**161,724**
a) Public Administrations	255,164	43,764	-	-	298,928	57,668
b) Banks	-	-	-	-	-	-
c) Other financial institutions				-	-	-
d) Non-financial institutions	81,094	5,552	-	-	86,646	104,056
e) Families	-	-	-	-	-	-
2. Financial guarantees issued	**96,979**	**11,168**	**-**	**-**	**108,147**	**101,817**
a) Public Administrations	1,118	7	-	-	1,125	927
b) Banks	2,802	-	-	-	2,802	2,802
c) Other financial institutions				-	-	-
d) Non-financial institutions	91,314	10,748	-	-	102,062	95,873
e) Families	1,745	413		-	2,158	2,215

2. Other commitments and other guarantees given

There were no amounts in this section.

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

There were no amounts in this section.

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

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
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:	-	**77,012**	**-**	**77,012**	**44,944**
3.1 Loans to banks		155	X	155	236
3.2 Loans to financial companies		2,786	X	2,786	1,292
3.2 Loans to customers		74,071	X	74,071	43,416
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X		-	-
6. Financial liabilities	X	X	X	**6,848**	**15,205**
Total	**-**	**77,012**	**-**	**83,860**	**60,149**
of which: interest income on impaired financial assets		2,491		2,491	2,883
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 2022, this item amounted to EUR 6,848 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 5,551 thousand and refers to loans to customers.

1.3 Interest and similar expense: breakdown

(thousands of euro)

Items/Technical forms	Deposits	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial liabilities measured at amortised cost:	23,822	-	-	23,822	1,981
1.1 Deposits from banks	21,207	X	X	21,207	777
1.2 Deposits from financial companies	2,615	X	X	2,615	1,204
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	**23,822**	**-**	**-**	**23,822**	**1,981**
of which: interest expense related to leasing debts	*8*			*8*	*2*

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 financial assets

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 euro)

Types of service/Amounts	Total 31/12/2022	Total 31/12/2021
a) financial lease transactions	-	-
b) factoring transactions	59,850	51,934
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	15,815	6,747
Total	**75,665**	**58,681**

2.2 Fee and commission expense: breakdown

(thousands of euro)

Detail/Sectors	Total 31/12/2022	Total 31/12/2021
a) guarantees received	626	530
b) distribution of services to third parties		
c) collection and payment services	838	684
d) other commissions of brokerage	12,470	10,331
Total	13,934	11,545

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(thousands of euro)

Items/Income	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar Income	Dividends	Similar Income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value			90	
C. Financial assets at fair value through other comprehensive income				
D. Equity investments				
Total	-	-	90	-

Section 4 – Net result from trading – Item 80

4.1 Net result from trading: breakdown

(thousands of euro)

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	(83)
4. Derivative instruments	2	-	-	-	2
4.1 Financial derivatives	2				2
4.2 Credit derivatives					-
of which: natural hedging related to the fair value	X	X	X	X	
Total	2	-	-	-	(81)

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

There were no amounts in this section.

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 euro)

Transactions/Income components	Value adjustments						Writebacks				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	31/12/2022	31/12/2021
1. Loans to banks			-	-			**28**		-		**33**	**(3)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans											-	-
Other loans			-	-			**28**		-		**33**	**(3)**
- for leasing												-
- for factoring			-	-			28	5	-		33	**4**
- other loans			-	-			-		-			-
2 Loans to financial institutions	**(19)**										**(19)**	**48**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- other loans												-
Other loans	**(19)**										**(19)**	**48**
- for leasing											-	-
- for factoring	(19)										**(19)**	**51**
- other loans		-	-	-			-		-		-	-
3. Loans to consumers		**(1,325)**	**(533)**	**18,899**			**368**	-	**9,381**		**(11,008)**	**(12,545)**
impaired loans acquired or originated		-	-	-			-		-		-	-
- for leasing											-	-
- for factoring											-	-
- for consumer credit											-	-
- other loans											-	-
Other loans		**(1,325)**	**(533)**	**(18,899)**			**368**	-	**9,381**		**(11,008)**	**(12,545)**
- for leasing											-	-
- for factoring		(1,325)	(533)	(18,899)			368		9,381		**(11,008)**	**(12,545)**
- for consumer credit											-	-
- loans on pledge											-	-
- other loans			-	-					-		-	-
Total	(19)	(1,325)	(533)	(18,899)			396	-	9,381		(10,994)	(12,493)

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

There were no amounts in this section.

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

There were no amounts in this section.

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 euro)

Type of expense/Amounts	Total 31/12/2022	Total 31/12/2021
1) Employees	17.392	17,458
a) salaries and wages	11,938	11,881
b) social security contributions	3,609	3,752
c) leaving indemnity		
d) social security and welfare costs		
e) provision for termination benefits	11	0
f) provisions for post-retirement benefits and similar obligations:		-
- defined contribution		-
- defined benefit		
g) payments to external supplementary pension funds:	1,257	1,283
- defined contribution	1,257	1,283
- defined benefit		
h) other expenses (net)	577	543
2) Other active employees	637	418
3) Directors and Statutory Auditors	148	157
4) Staff retirement		
5) Recovery of expenses for employees seconded to other companies	-376	-173
6) Expense reimbursements for employees of third parties seconded to the company	4,587	4,100
Total	**22,388**	**21,960**

IFITALIA GRUPPO BNP PARIBAS

10.2 Average number of employees by category

	Total 31/12/2022	Total 31/12/2021
a) Employees	**236**	**239**
1) Managers	6	6
2) Middle managers	117	119
3) Remaining employees	113	114
b) Other personnel	**39**	**37**
Total	**274**	**276**

10.3 Other administrative expenses: breakdown

(thousands of euro)

Type of expense/Balances	Total 31/12/2022	Total 31/12/2021
Indirect duties and taxes	885	990
Sundry services rendered by third parties	10.528	8.947
Sundry services rendered by third parties (IT)	10.335	8.899
Sundry services rendered by third parties (Internal Auditing)	193	48
Fees for professionals	3.379	2.947
Fees for consultancy	828	592
Fees for legal and notarial costs	2.056	1.914
Fees for debt collection	410	344
Compensation to independent Auditors	85	97
Costs relating to properties/furniture	1.608	427
Postal, printed matter, surveillance of premises and stock values	1.002	911
Management expenses GFCC	776	836
Advertising and entertainment	240	192
Searches and information	1.649	1.189
Other expenses	6.797	6.588
TOTAL	**26.864**	**23.027**

The compensation for services rendered by the Independent Auditors for audit activities in 2022, net of VAT, is EUR 70 thousand (EUR 75 thousand in 2021)

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 euro)

	Operations/Income components	Value adjustments		Writebacks		Total 31/12/2022	Total 31/12/2021
		Specific	Portfolio	Specific	Portfolio		
A.	Guarantees issued		(338)	1		**(337)**	**1,483**
B.	Derivatives on receivables					**-**	
C.	Commitments to grant loans					**-**	
D.	Other transactions					**-**	
E.	**Total**		**(338)**	**1**		**(337)**	**1,483**

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

There were no amounts in this section.

IFITALIA GRUPPO BNP PARIBAS

11.3 Other net provisions for risks and charges: breakdown

(thousands of euro)

Analysis	Total 31/12/2022	Total 31/12/2021
PROVISIONS	**(5,438)**	**(8,845)**
Legal disputes	**(4,585)**	**(8,172)**
Revocation actions		
Pending disputes	(4,585)	(8,172)
Personnel charges	-	-
Other provisions	**(853)**	**(673)**
USES	**-**	**8**
Legal disputes	**-**	**8**
Revocation actions	-	
Pending disputes		8
Personnel charges	-	-
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**-**	**-**
Legal disputes	**-**	**-**
Revocation actions	-	
Pending disputes	-	
Total	**(5,438)**	**(8,837)**

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 euro)

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	**224**	-	-	**224**
- for business use	146			146
- granted under operating lease	78			78
				-
A.2 For investment	**91**	-	-	91
- for business use	91			91
- granted under operating lease				-
A.3 Inventories	X			-
Total	**314**	-	-	**314**

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 euro)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	3,495	-	-	3,495
of which: software	3,495			3,495
1.1 owned	3,495			3,495
1.2 acquired under financial lease				
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**3,495**	-	-	**3,495**

IFITALIA
GRUPPO BNP PARIBAS

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

(thousands of euro)

Analysis	Total 31/12/2022	Total 31/12/2021
Other charges		
Losses for sundry causes		
Other charges	(750)	(692)
Total	**(750)**	**(692)**

14.2 Other operating income: breakdown

(thousands of euro)

Analysis	Total 31/12/2022	Total 31/12/2021
Other income		
Rental income	375	367
Other income	1,988	2,279
Total	**2,363**	**2,646**

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

There were no amounts in this section.

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

There were no amounts in this section.

Section 17 – Goodwill impairment – Item 240

There were no amounts in this section.

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

18.1 Gains/losses on sale of investments: breakdown

(thousands of euro)

Income component/value	Total 31/12/2022	Total 31/12/2021
A. Proprieties	-	-
- Gains on disposal		-
- Losses from sale		
B. Other activities	-	-
- Gains on disposal		
- Losses from sale		
Net result	-	-

IFITALIA GRUPPO BNP PARIBAS

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 euro)

		Total 31/12/2022	Total 31/12/2021
1.	Current taxes (-)	(14.024)	(7,217)
2.	Changes in current taxes of previous years (+/-)	(52)	(108)
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 (+/-)	(1,985)	(4,331)
5.	Change in deferred taxes (+/-)	(91)	203
6.	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(16,152)**	**(11,453)**

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

(thousands of euro)

Analysis	IRES	IRAP
Economic result useful for calculating taxation	52,728	52,728
Permanent, undeductible differences	541	8,551
Permanent, untaxable differences	(6,421)	
Total taxable income	46,848	61,279
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(12,883)	(3,401)
Other differences	96	37
Effective tax liability as per financial statements	**(12,787)**	**(3,364)**

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 euro)

Transactions/Income components	Interest income			Commission income				
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers	Total 31/12/2022	Total 31/12/2021
1. **Financial leasing**	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. **Factoring**	**154**	**1,514**	**75,344**	**375**	**895**	**74,395**	**152,677**	**103,624**
- on current receivables	*150*	*1,221*	*74,798*	*85*	*895*	*59,603*	136,752	95,987
- on future receivables			*71*				71	92
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans	*4*	*293*	*475*	*290*		*14,792*	15,854	7,545
3. **Consumer credit**	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. **Loans on pledge**							-	-
5. **Guarantees and commitments**	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**154**	**1,514**	**75,344**	**375**	**895**	**74,395**	**152,677**	**103,624**

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 2022, this item amounted to EUR 6,848 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 euro)

Items/Amount	Total 31/12/2022			Total 31/12/2021		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**7,743,979**	**9,103**	**7,734,876**	**6,467,037**	**8,145**	**6,458,892**
- exposures to transferors (with recourse):	698,615	2,955	695,660	772,852	3,167	769,685
- factoring of future receivables	3,616	7	3,609	3,218	5	3,213
- other	694,999	2,948	692,051	769,634	3,162	766,472
- exposures to transferred debtors transferors (without recourse)	7,045,364	6,148	7,039,216	5,694,185	4,978	5,689,207
2. Impaired assets	**306,274**	**247,834**	**58,440**	**327,476**	**249,797**	**77,679**
2.1 Non-performing	**247,403**	**216,227**	**31,176**	**254,417**	**212,631**	**41,786**
- exposures to transferors (with recourse)	162,480	141,169	21,311	167,783	138,608	29,175
- factoring of future receivables	2,332	1,943	389	2,796	1,633	2,791
- other	160,148	139,226	20,922	164,987	136,975	26,384
- exposures to transferred debtors (without recourse)	84,923	75,058	9,865	86,634	74,023	12,611
- purchases below nominal value			-			
- other	84,923	75,058	9,865	86,634	74,023	12,611
2.2 Unlikely to pay	**53,129**	**30,955**	**22,174**	**70,187**	**36,733**	**33,454**
- exposures to transferors (with recourse)	18,875	12,955	5,920	32,258	19,019	13,239
- factoring of future receivables			-	-	-	-
- other	18,875	12,955	5,920	32,258	19,019	13,239
- exposures to transferred debtors (without recourse)	34,254	18,000	16,254	37,929	17,714	20,215
- purchases below nominal value			-			-
- other	34,254	18,000	16,254	37,929	17,714	20,215
2.3 Past due positions	**5,742**	**652**	**5,090**	**2,872**	**433**	**2,439**
- exposures to transferors (with recourse)	-	-	-	15	3	12
- factoring of future receivables	-	-	-	-	-	-
- other				15	3	12
- exposures to transferred debtors (without recourse)	5,742	652	5,090	2,857	430	2,427
- purchases below nominal value			-			-
- other	5,742	652	5,090	2,857	430	2,427
Total	**8,050,253**	**256,937**	**7,793,316**	**6,794,513**	**257,942**	**6,536,571**

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 euro)

Maturity	Advances		Total loans/receivables	
	2022	2021	2022	2021
- on demand	185,779	155,326	347,283	334,963
- up to 3 months	362,375	421,532	822,298	868,549
- 3 to 6 months	97,076	111,279	208,702	222,489
- 6 months to 1 year	31,929	62,900	48,114	89,682
- beyond 1 year	45,732	61,074	62,666	87,113
- unspecified duration		-		
Total	722,891	812,111	1,489,063	1,602,796

B.2.2 – Without recourse factoring transactions: exposures
(thousands of euro)

Time bands	Exposures	
	2022	2021
- at sight	490,457	304,300
- up to 3 months	4,668,250	3,620,353
- over 3 months	1,133,005	1,006,612
- 6 months to 1	204,794	275,916
- over 1 year	243,786	176,911
- indefinite	330,133	340,368
Total	7,070,425	5,724,460

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 euro)

Items	Total 31/12/2022	Total 31/12/2021
1. Without-recourse transactions	29,523,099	27,422,460
of which: purchases below the nominal value		
2. With-recourse transactions	2,926,122	2,469,715
Total	**32,449,221**	**29,892,175**

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 euro)

Items	Total 31/12/2022	Total 31/12/2021
Loans and receivables collected in the year	698,233	306,730
Amount of loans and receivables at year end	162,772	73,450

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

(thousands of euro)

Items	Total 31/12/2022	Total 31/12/2021
Flow of factoring contracts for future in the year	34,697	35,565
Amount of the contracts at year end	121,729	123,530

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 2022, amounted to EUR 13,133 thousand (EUR 1,887 thousand at the end of 2021).

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 euro)

	Transactions	Amount 31/12/2022	Amount 31/12/2021
1)	Financial guarantees given upon first request	**108.147**	**101,817**
	a) Banks	2,802	2,802
	b) Financial Companies	-	-
	c) Costumers	105,345	99,015
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	**385,574**	**161,724**
	a) Banks	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on		
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	385,574	161,724
	i) certain to be called on	240,576	-
	ii) uncertain to be called on	144,998	161,724
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	**493,721**	**263,541**

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

(thousands of euro)

Exposures	31/12/2022			31/12/2021		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
- financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**122,465**	**(86,855)**	**35,610**	**114,520**	**(84,916)**	**29,604**
- commercial				-	-	-
- financial	122,465	(86,855)	35,610	114,520	(84,916)	29,604
Total	**122,465**	**(86,855)**	**35,610**	**114,520**	**(84,916)**	**29,604**

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	-	-	**108,147**	**(429)**	-	-	-	-	-	-	-	-
- financial guarantees upon first request			108,147	(429)							-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**108,147**	**(429)**	-	-	-	-	-	-	-	-

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.

IFITALIA
GRUPPO BNP PARIBAS

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 euro)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	4	-	-	-	-
(B) Increases:	-	-	-	-	-	-
- (b1) transfers from performing guarantees	-	-	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	(4)	-	-	-	-
- (c1) outgoings to performing guarantees	-	-	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(4)	-	-	-	-
(D) Gross final value	-	-	-	-	-	-

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

(thousands of euro)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value	-	101,813	-	-	-	-
(B) Increases:	-	44,160	-	-	-	-
- (b1) Guarantees given	-	15,415	-	-	-	-
- (b2) other increases	-	28,745	-	-	-	-
(C) Decreases:	-	(37,826)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	-	-	-	-	-
- (c3) other decreases	-	(37,826)	-	-	-	-
(D) Gross final value	-	108,147	-	-	-	-

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 euro)

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	-	-	-	-	102,062
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	2,802
- Subgroup 3: SAE 492 - Other non financial institutions	-	-	-	-	-
- Subgroup : Others	-	-	-	-	3,283
Total	**-**	**-**	**-**	**-**	**108,147**

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 euro)

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	-	-	-	-	30,905
- Region 2	Centre Italy	-	-	-	-	30,085
- Region 3	North-East Italy	-	-	-	-	24,727
- Region 4	South Italy and islands	-	-	-	-	17,019
- Region 5	Others	-	-	-	-	5,411
Total		**-**	**-**	**-**	**-**	**108,147**

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 – 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, represented by the risk of loss due to default of the transferor or debtor[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.

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 credit risk control model applied by the Company implements the regulatory updates defined by both the Regulator and the Group.

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.

[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).

- 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.

The structures of the Risk Division are shown below.

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 system by taking care of the implementation of the first line of defence on it;
- organise and coordinate the implementation of Data Protection & Privacy management systems;
- With reference to the internal and external fraud protection system:
    - 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 to the training of personnel on the culture of prevention and defence against the risk of fraud.

In 2022, Ifitalia contractually formalised the outsourcing of Level II control activities falling within the ICT operational risk perimeter to BNL S.p.A.'s independent "RISK ORM ICT" structure.

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;
- 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/doubtful 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.
The structure carries out these activities on a monthly, quarterly, half-yearly and yearly 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 carries out two main activities, model development and performance analysis and reporting:

- Model development: for the models developed by Ifitalia, it 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.

- Performance analysis and reporting:
  - It ensures the monitoring of the performance and estimates produced by the local models used for management purposes within the credit process as well as the policy engines (systematic supervision and scoring). It sees to the rationale of the quality control system for the relevant areas of responsibility (internal risk models); on the basis of the results of the checks carried out, it 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).
  - 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.

– Asset Quality Monitoring: it 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.

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.
It 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.
The structure collaborates 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 (review of ratings assigned through statistical models, known as override, or judgemental assignment of ratings to risk counterparties falling within the scope of application of this method according to the processes and policies in force at the time);
- 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;
- collaborating in the management of relations with Credit Insurance Companies and seeing to the activities of requesting insurance limits, the relevant replies and the management of reports of revocation or reduction of insurance coverage received.

In 2022, the following outsourcings were contractually formalised:
- to the independent structure "RISK ORM ICT" structure of BNL S.p.A., the second level control activities falling within the ICT operational risk perimeter;
- to the independent structure "RISK IRC Italy" of BNL S.p.A., the second level control activities related to "model risk - credit risk" for Non-IRBA methods.

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2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)
The Company calculates the capital requirement under the Standardised Approach, using the Internal Rating System within the credit process and risk management framework.

The Ifitalia IRS, established since 2005, underwent a progressive change. The Probability of Default (PD) models that apply to the Large Corporate, Small Mid Corporate and Sme Retail 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, PD on the Sme Retail perimeter and for 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 other BNP Paribas Group entities, the master scale that 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, is adopted.
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 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.

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

[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.

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.), the Risk Division defined ex ante the pre-requisites applicable to the simplified procedures for assessing the transferor/debtor.
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.

The party enters the Systematic Supervision process when:
- it is possible to apply a risk assessment and consequent management action to the same,
- a limit is granted or resolved or when an exposure emerges,
- it is reclassified as performing or Restructured Unlikely to Pay (IPR), Forborne Unlikely to Pay (IPA), or Management Unlikely to Pay (IPG) from a status of Arrears Unlikely to Pay (IPM), Non-Performing or Agreed Unlikely to Pay (IPC).

Conversely, it leaves the process when:
- he/she no longer has dealings with Ifitalia;
- the position is classified as Arrears Unlikely to Pay (IPM), Non-Performing or Agreed Unlikely to Pay (IPC).

Depending on the relevance of the level of risk and/or the performance or management anomalies identified, the positions are subject to specific action plans and placed on watch lists. The most significant positions are regularly reviewed 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). 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.

2.4 2022 Projects

During 2022, Ifitalia completed the corrective actions required by the Bank of Italy under "remedial actions other than conditionality and floors" as a result of the IRBA audit completed in December 2019. Moreover, as required by the Regulator, the Internal Audit prepared by Inspection Generale - Hub Italy was carried out in order to certify the completion of the action plan and did not identify reveal any findings, confirming its positive outcome. This result was formally communicated to the Bank of Italy in a letter dated 23 December 2022.

The following projects are also in progress:

- Transformation project: aims to bring all Group entities - Factoring Sector - onto a common IT platform (2022-2025 Business Plan). The first project streams on the Risk Division side (i.e. Asset Quality and Provisioning, Data Sourcing, NDoD, Debtor limits, etc.) were started.
- Systematic supervision: the new process was activated in parallel with the production of the new release (V2.0.) of the "Ifipeg" management tool; activities are underway to implement further developments.
- Forborne: the new process for managing forborne performing was activated in parallel with the production of the new release.
- ESG: the credit assessment process was integrated with information on environmental, climate, social and governance risks.

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 and in line with the Group's operational guidelines, 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 Non-performing or Performing forbearance measures 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 euro)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	**Total**
1. Financial assets measured at amortised cost	38,889	22,636	5,090	606,334	7,489,342	**8,162,291**
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		158			248	**406**
5. Discontinues operations						**-**
Total 31/12/2022	38,889	22,794	5,090	606,334	7,489,590	8,162,697
Total 31/12/2021	49,516	34,147	2,439	412,140	6,431,253	6,929,495

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

(thousands of euro)

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	319,814	(253,199)	66,615		8,104,813	(9,137)	8,095,676	8,162,291
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	158		158		X	X	248	406
5. Discontinued operations			-				-	-
Total 31/12/2022	**319,972**	**(253,199)**	**66,773**	**-**	**8,104,813**	**(9,137)**	**8,095,924**	**8,162,697**
Total 31/12/2021	**341,209**	**(255,107)**	**86,102**	**-**	**6,851,225**	**(8,195)**	**6,843,393**	**6,929,495**

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

(thousands of euro)

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	446,279	81,674	22,170	46,106	6,859	3,820	684	1,310	317,820			
2. Financial assets at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2022	446,279	81,674	22,170	46,106	6,859	3,820	684	1,310	317,820	-	-	-
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 euro)

Causes/Risk status	Total value adjustments																			Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets in the first status						Assets in the second status						Assets in the third status											
	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	Of which financial assets impaired acquired or originated	First level	Second level	Third level	Commitments to grant loans and financial guarantee issued	
Opening Balance		**6,179**	**-**		**-**	**6,179**		**2,016**	**-**		**-**	**2,016**		**255,107**	**-**		**255,107**	**-**	**-**	**354**	**70**	**1**		**263,727**
Increases in financial assets acquired or originated		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-		-
Eliminations other than write-offs		-	-		-	-		-	-		-	-		-	-		-	-	-					-
Net value adjustments/writebacks for credit risk (+/-)		-115	-		-	-115		731	-		-	731		10,397	-		10,397	-	-	211	138	-		11,362
Contract modifications without eliminations		-	-		-	-		-	-		-	-			-		-	-	-	-	-	-		-
Changes in estimation method			-		-	-			-		-	-			-		-	-	-					-
Write-off		-	-		-	-		-	-		-	-		-11,023	-		-11,023	-	-	-	-	-		-11,023
Other changes		-381	-		-	-381		707	-		-	707		-1,282	-		-1,282	-	-	31	-41	-1		-967
Closing balance		**5,683**	**-**		**-**	**5,683**		**3,454**	**-**		**-**	**3,454**		**253,199**	**-**		**253,199**	**-**	**-**	**596**	**167**	**-**		**263,099**
Recoveries from collections on financial assets written off		-	-		-	-		-	-		-	-		421	-		421	-	-					421
Write-offs recognised directly to the income statement		-	-		-	-		-	-		-	-		-533	-		-533	-	-					-533

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

(thousands of euro)

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	118,275	68,037	608	238	3,179	818
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	8,215	18,328	2,247	1,560	2,898	2,904
Total 31/12/2022	126,490	86,365	2,855	1,798	6,077	3,722
Total 31/12/2021	129,900	32,436	392	424	1,966	677

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

There were no amounts in this section.

IFITALIA
GRUPPO BNP PARIBAS

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 euro)

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	3,338	-	-	-	-	-	-		3,338	
a) Impaired assets	X				X				-	
b) Performing assets	3,338		X		-		X		3,338	
A2 Other	265,893	2,758	460		(42)	(1)	(460)		268,608	
a) Doubtful loans	X		460		X		(460)		-	
-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	48,137	103	X		(10)	-	X		48,230	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	217,756	2,655	X		(32)	(1)	X		220,378	
-of which forborne exposures			X				X		-	
TOTAL A	**269,231**	**2,758**	**460**	**-**	**(42)**	**(1)**	**(460)**	**-**	**271,946**	
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	**272,033**	**2,758**	**460**	**-**	**(42)**	**(1)**	**(460)**	**-**	**274,748**	

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

(thousands of euro)

	Cause/Categories	Impaired	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**461**		**-**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**-**	**-**
B.1	entries from performing exposures	-	-	-
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	-	-	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases		-	-
C.	***Decreases***	**(1)**	**-**	**-**
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	(1)	-	-
D.	***Gross final exposure***	**460**	**-**	**-**
	of which: exposures sold, but not eliminated	-	-	-

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

There were no amounts in this section.

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

(thousands of €)

	Cause/Categories	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***	**461**	-	-	-		-
	- of which: exposures sold, but not eliminated						
B.	***Increases***	-	-	-	-	-	-
B.1	value adjustments from impaired financial assets acquired or originated		X	-	X	-	X
B.2	other value adjustments	-	-	-	-		-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	-	-	-	-	-	-
B.5	contract modifications without eliminations		X		X		X
B.6	other increases		-	-	-	-	-
C.	***Decreases***	-	-	-	-	-	-
C.1	write-backs from valuation	-					
C.2	write-backs from collection	-	-	-	-	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	-	-	-	-	-	-
C.5	transfers from other categories of impaired exposures	-	-	-	-	-	-
C.6	contract modifications without eliminations	-	X		X		X
C.7	other decreases	(1)	-	-	-	-	-
D.	***Final total adjustments***	**460**	-	-	-	-	-
	- of which: exposures sold, but not eliminated						

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

(thousands of euro)

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		259,203		X		(220,314)		38,889	
-of which forborne exposures	X		29,690		X		(21,350)		8,340	
b) Unlikely to pay	X		54,409		X		(31,773)		22,636	
-of which forborne exposures	X		20,326		X		(9,597)		10,729	
c) Impaired past due loans	X		5,742		X		(652)		5,090	
-of which forborne exposures	X				X		-		-	
d) Performing Past due loans	501,986	56,682	X		(354)	(210)	X		558,104	
-of which forborne exposures			X				X		-	
e) Other Performing Assets	6,581,973	695,521	X		(5,287)	(3,243)	X		7,268,964	
-of which forborne exposures		2,844	X			(10)	X		2,834	
TOTAL A	**7,083,959**	**752,203**	**319,354**		**(5,641)**	**(3,453)**	**(252,739)**		**7,893,683**	
B. OFF BALANCE SHEET EXPOSURES										
a) Impaired assets	X				X				-	
b) Performing assets	430,435	60,484	X		(596)	(167)	X		490,156	
TOTAL B	**430,435**	**60,484**	**-**		**(596)**	**(167)**	**-**	**-**	**490,156**	**-**
TOTAL A+B	**7,514,394**	**812,687**	**319,354**		**(6,237)**	**(3,620)**	**(252,739)**	**-**	**8,383,839**	**-**

* Value to be shown for information purposes.

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

There were no amounts in this section.

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of euro)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**266,216**	**71,468**	**2,873**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**5,634**	**8,011**	**5,702**
B.1	entries from performing exposures	410	6,947	3,932
B.2	entries from impaired financial assets acquired or originated	-	-	-
B.3	transfers from other categories of impaired exposure	5,207	1,064	-
B.4	contract modifications without eliminations	-	-	-
B.5	other increases	17	-	1,770
C.	***Decreases***	**(12,647)**	**(25,070)**	**(2,833)**
C.1	exits to performing exposures	(375)	(1,064)	(1,147)
C.2	write-offs	(4,452)	(6,882)	(43)
C.3	collections	(7,820)	(9,139)	-
C.4	sale proceeds	-	-	-
C.5	losses on sale	-	-	-
C.6	transfers from other categories of impaired exposures	-	(4,832)	(1,439)
C.7	contract modifications without eliminations	-	-	-
C.8	other decreases	-	(3,153)	(204)
D.	***Gross final exposure***	**259,203**	**54,409**	**5,742**
	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 euro)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**52,812**	**2,491**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**10,625**	**828**
B.1	entries from performing not forborne exposures	1,483	563
B.2	entries from performing forborne exposures		X
B.3	entries from impaired forborne exposures	X	38
B.4	entries from non impaired forborne exposures	8,756	
B.5	other increases	386	227
C.	***Decreases***	**(13,421)**	**(475)**
C.1	exits to performing not forborne exposures	(1,096)	(141)
C.2	exits to performing forborne exposures	(38)	X
C.3	exits to impaired forborne exposures	X	
C.4	write-offs	(732)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(11,555)	(334)
D.	***Gross final exposure***	**50,016**	**2,844**
	of which: exposures sold, but not eliminated		

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

(thousands of euro)

	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***	**216,700**	**19,297**	**37,512**	**14,424**	**434**	**-**
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**13,533**	**2,806**	**6,599**	**124**	**222**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments	9,963	1,395	6,599	124	222	
B.3	losses on sale		-	-	-	-	
B.4	transfers from other categories of impaired exposures	3,570	1,411	-	-	-	
B.5	contract modifications without eliminations		X	-	X	-	X
B.6	other increases		-	-	-	-	
C.	***Decreases***	**(9,919)**	**(753)**	**(12,338)**	**(4,951)**	**(4)**	**-**
C.1	write-backs from valuation	(2,594)	(273)	(772)	-	(4)	
C.2	write-backs from collection	(1,491)	-	(2,217)	-	-	
C.3	gains on sale	-	-	-	-	-	
C.4	write-offs	(5,244)	(480)	(5,779)	(3,540)	-	
C.5	transfers from other categories of impaired exposures	-	-	(3,570)	(1,411)	-	
C.6	contract modifications without eliminations		X	-	X	-	X
C.7	other decreases	(590)	-			-	
D.	***Final total adjustments***	**220,314**	**21,350**	**31,773**	**9,597**	**652**	**-**
	- 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 euro)

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	**576,871**	**1,822,827**	**942,387**	**519,846**	**49,348**	**558**	**4,512,790**	**8,424,627**
- First level	575,942	1,782,614	861,464	517,093	48,302	558	3,563,879	**7,349,852**
- Second level	929	40,123	80,923	2,753	1,046		629,097	**754,961**
- Third level				-			319,814	**319,814**
- 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 issued								
- First level								
- Second level								
- Third level								
- Impaired acquired or originated								
Total (A + B + C)	**576,871**	**1,822,827**	**942,387**	**519,846**	**49,348**	**558**	**4,512,790**	**8,424,627**
of which: impaired financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees issued	**1,259**	**50,844**	**11,538**	**1,283**	**-**	**-**	**428,797**	**493,721**
- First level	1,259	50,810	11,529	974			368,665	433,237
- Second level		34	9	309			60,132	60,484
- Third level								
- Impaired acquired or originated								
Total (D)	**1,259**	**50,844**	**11,538**	**1,283**	**-**	**-**	**428,797**	**493,721**
Total (A + B + C + D)	**578,130**	**1,873,671**	**953,925**	**521,129**	**49,348**	**558**	**4,941,587**	**8,918,348**

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

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

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

There were no amounts in this section.

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

There were no amounts in this section.

9. Lending concentration

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

(thousands of euro)

Exposure types/Balances	Public administration		Financial companies and banks		Financial companies (of which: other INSURANCE COMPANIES)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	9,577	(9,043)		(460)			28,993	(206,684)	319	(4,587)
-of which forborne exposures	206	(795)					8,118	(20,223)	16	(332)
A.2 Unlikely to pay	7,338	(1,791)		-			15,036	(28,508)	262	(1,474)
-of which forborne exposures	1,222	(93)					9,403	(9,315)	104	(189)
A.3 Impaired past due positions	2,472	-		-			2,197	(547)	421	(105)
-of which forborne exposures										
A.4 Performing exposures	725,495	(353)	271,946	(43)	26,488	(13)	7,020,714	(8,579)	80,859	(162)
-of which forborne exposures	-						2,834	(10)		-
TOTAL A	**744,882**	**(11,187)**	**271,946**	**(503)**	**26,488**	**(13)**	**7,066,940**	**(244,318)**	**81,861**	**(6,328)**
B. OFF BALANCE SHEET EXPOSURES	**-**			**-**				**-**	**-**	
B.1 Impaired assets	300,043	(9)	2,802	-	-		187,984	(724)	2,129	(30)
B.2 Performing assets				-	-					
TOTAL B	**300,043**	**(9)**	**2,802**	**-**	**-**	**-**	**187,984**	**(724)**	**2,129**	**(30)**
TOTAL (A+B) 31.12.2022	**1,044,925**	**(11,196)**	**274,748**	**(503)**	**26,488**	**(13)**	**7,254,924**	**(245,042)**	**83,990**	**(6,358)**
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)**

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

(thousands of euro)

	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	38,593	(218,477)	296	(2,297)	-	-	-	-	-	-
A.2	Unlikely to pay	18,303	(31,129)	998	(211)	-	-	3,321	(369)	14	(64)
A.3	Past due positions	4,589	(529)	-	-	200	(48)	301	(75)	-	-
A.4	Performing positions	6,605,567	(7,648)	1,156,028	(1,196)	258,330	(242)	51,662	(44)	27,427	(7)
	TOTAL (A)	**6,667,052**	**(257,783)**	**1,157,322**	**(3,704)**	**258,530**	**(290)**	**55,284**	**(488)**	**27,441**	**(71)**
B.	OFF BALANCE SHEET EXPOSURES										
B.1	Impaired assets	-	-	-	-	-	-	-	-	-	-
B.2	Performing positions	461,453	(658)	30,983	(105)	514	-	8		-	-
	TOTAL (B)	**461,453**	**(658)**	**30,983**	**(105)**	**514**	**-**	**8**	**-**	**-**	**-**
	TOTAL (A + B) 31/12/2022	**7,128,505**	**(258,441)**	**1,188,305**	**(3,809)**	**259,044**	**(290)**	**55,292**	**(488)**	**27,441**	**(71)**
	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)**

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

(thousands of euro)

	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	2,355	(64,635)	3,048	(24,156)	15,636	(59,299)	17,554	(70,387)
A.2	Unlikely to pay	513	(8,206)	965	(3,303)	7,776	(9,902)	9,049	(9,718)
A.3	Past due positions	545	(95)	306	(74)	724	(146)	3,014	(214)
A.4	Performing positions	2,829,218	(2,700)	1,377,276	(1,557)	1,553,409	(2,067)	845,664	(1,324)
	TOTAL (A)	**2,832,631**	**(75,636)**	**1,381,595**	**(29,090)**	**1,577,545**	**(71,414)**	**875,281**	**(81,643)**
B.	OFF BALANCE SHEET EXPOSURES								
B.1	Impaired assets								
B.2	Performing positions	89,144	(186)	37,775	(101)	290,348	(246)	44,186	(125)
	TOTAL (B)	**89,144**	**(186)**	**37,775**	**(101)**	**290,348**	**(246)**	**44,186**	**(125)**
	TOTAL (A+B) 31.12.2022	**2,921,775**	**(75,822)**	**1,419,370**	**(29,191)**	**1,867,893**	**(71,660)**	**919,467**	**(81,768)**
	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)**

9.3 Significant exposures

(thousands of euro)

	SIGNIFICANT EXPOSURES	Book value	Weighted value
a	Amount	2,914,043	1,812,057
b	Number	16	16

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 2022.

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	**1,232,229**	**5,427,300**	**603,399**	**46,351**	**214,411**	**19,899**	**-**	**330,134**
1.1 Government bonds								
1.2 Credits	1,232,229	5,427,300	602,993	46,351	214,411	19,899		330,134
1.3 Other assets			406					
2. Liabilities	**364,578**	**5,492,955**	**453,965**	**19,764**	**178,773**	**15,953**	**-**	**420,375**
2.1 Debts	364,578	5,492,955	453,965	19,764	178,773	15,953		420,375
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								

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	**17,991**	**266,043**	**8,278**	**-**	**-**	**-**	**-**	**-**
1.1 Government bonds								
1.2 Credits	17,991	266,043	8,278	-	-	-		
1.3 Other assets								
2. Liabilities	**123,841**	**154,488**	**7,666**	**1,550**	**-**	**-**	**-**	**-**
2.1 Debts	123,841	154,488	7,666	1,550	-	-		
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 2022, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 2.6 million, equal to 0.32% 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**	**169,364**	**84,856**	**4**	**5,924**	**128**	**39,634**
	1.1	government bonds	-	-	-	-	-	-
	1.2	equity securities	-	-	-	-	-	-
	1.3	credits	169,364	84,856	4	5,924	128	39,634
	1.4	other financial assets	-	-	-	-	-	-
2.		**Other assets**	-	-	-	-	-	-
3.		**Financial liabilities**	**168,768**	**84,747**	2	5,918	128	**39,336**
	3.1	debts	168,768	84,747	2	5,918	128	39,336
	3.2	bonds issued						
	3.3	other financial liabilities	-	-	-	-	-	-
4.		**Other liabilities**	-	-	-	-	-	-
5.		**Derivatives**	-	-	-	-	-	-
	5.1	long positions	-	-	-	-	-	-
	5.2	short position	-	-	-	-	-	-
		Total assets	169,364	84,856	4	5,924	128	39,634
		Total liabilities	168,768	84,747	2	5,918	128	39,336
		Unbalances (-/+)	596	109	2	6	-	298

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

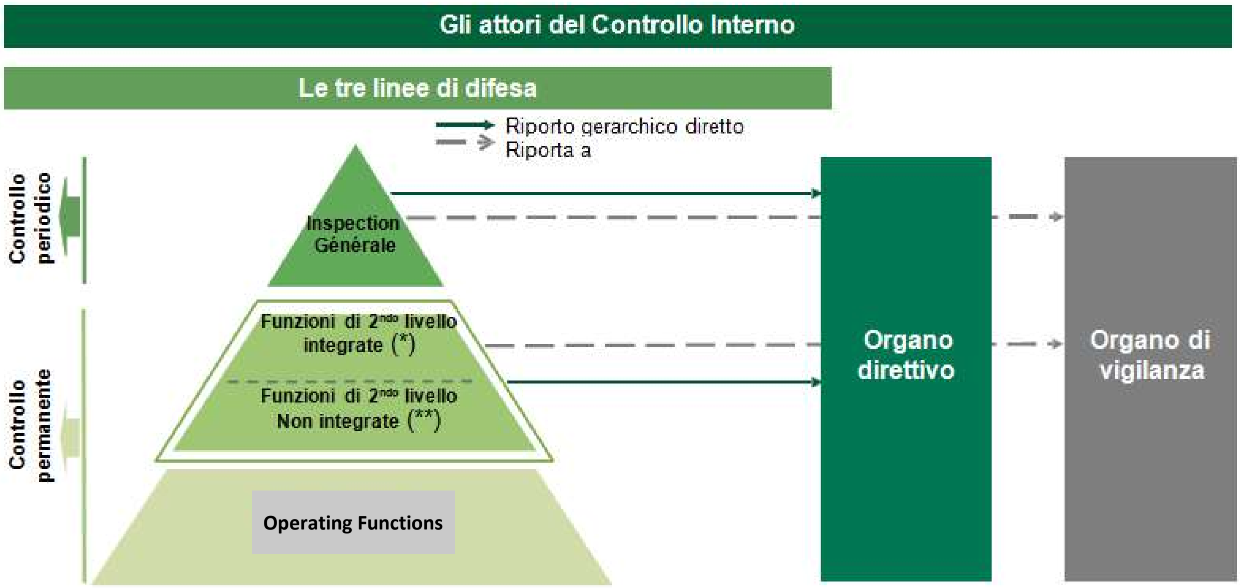
There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

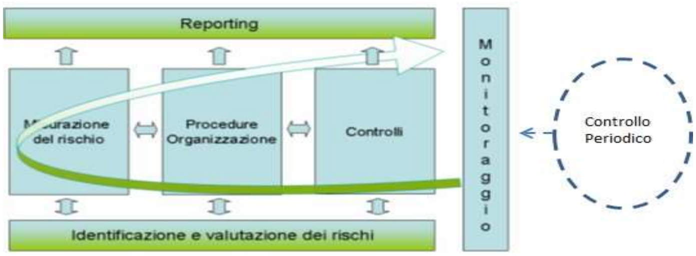
1. General aspects, management processes and methods for gauging the operational risk

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 **permanent control system** is implemented by the Risk Division, which ensures its consistency and operation in accordance with the permanent control system provided for by the Parent Company BNP Paribas.
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, guidelines, operational implementation procedures, control plans and a reporting system.
The diagram below represents the overall breakdown of the components of the permanent control system:



The permanent control system consists of:

- **the first level of control,** represented by the operating functions, which perform line activities and hierarchical controls, and the Operational Risk and Permanent Controls Department (OPC) which performs the role of permanent first level control. The first line of defence is 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.
- **second level of control. These functions** are responsible, through delegation from the Governing Body, for the organisation and proper operation of the risk management system and its compliance with laws and regulations in a number of areas (themes and/or processes) defined by their Responsibility Charter

On the other hand, the periodic control is represented by the third level of control that is responsible for assessing risk management, control and corporate governance processes, as well as compliance with laws and regulations, and making proposals to strengthen their effectiveness.

With regard to operational risk, the distinction between control levels has been made fully operational in Ifitalia since 2018 with the operational start-up in the Risk Division of the **RISK ORC structure (now RISK ORM - Operational Risk Management), which acts as a second line of defence in carrying out permanent control and operational risk management activities**.

On the other hand, 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 ORM. 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).
Within the Ifitalia internal control framework, the OPC Unit is responsible for the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale; the activity is reported 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.

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 second line of defence 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 and the consistency of the assessments carried out as part of the process of assessing the risks relating to 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 system** in collaboration with the first line of defence.

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.

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.

- ✓ 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.

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 Risk360 Group tool. The process, implemented by the first line of defence, is subject to a second level control called Quality Review by RISK ORM, 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, RISK ORM could agree with the first line of defence on the implementation of an action plan.

- **RCSA/Risk Control & Self Assessment process**: assessment 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 based on an auto-diagnostic process for the identification, classification and prior valuation of the risks which corporate operations are potentially exposed to and as such, is a managerial operating instrument useful for the planning of 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 assessment before and after the application of the control system, as well as the identification of action plans. The process has its own formalised governance, coordinated by the Risk Division, and ends with final approval by the Risk Monitoring Committee – Operational Risk and Permanent Controls session and 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 Risk360 Group application.

- **Permanent Control Plan of the second level of defence:** activated on the basis of a risk-oriented approach that takes into account 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, etc.). The analysis process is called Independent Testing and targets a sample of processes and controls. Following the examination, if necessary, RISK ORM could agree with the first line of defence of the corrective actions.

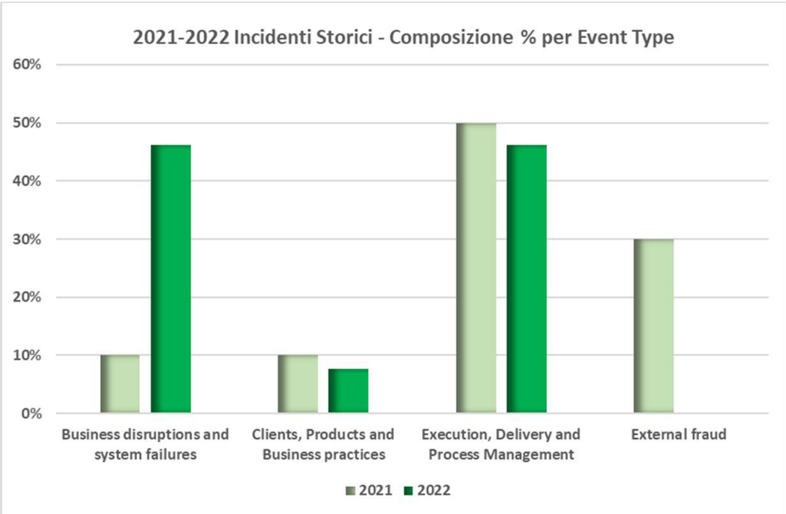
- **Issue Resolution Activities**: adoption of suitable corrective measures in relation to the critical areas indicated, to ensure the efficiency of the company procedures and processes (in terms of integration, variation or support). This action can be activated directly from the first line of defence (known as self-identified action plans) or derive from the activity carried out by the second line of defence as described above. Corrective actions identified as part of the execution of controls and the analysis of incidents are recorded and monitored through dedicated Group platforms.

- **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 guarantees 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 report, issued every six months, is intended for the Risk Monitoring Committee - Operational Risks and Permanent Controls Session and the Board of Directors;

- 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

<u>Assessment of the main sources and nature of risk events</u>
The breakdown by percentage of operational risk events (historical incidents) recorded in 2022 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. During 2022, 13 risk events were recorded compared to 10 in the previous year, which are summarised below year on year:



Unlike in 2021 (when 3 cyber-related fraud incidents by third parties other than transferors occurred), no fraud incidents occurred in 2022.

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.

IFITALIA GRUPPO BNP PARIBAS

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	**1.034.075**	**-**	**-**	**1,911,087**	**2,878,819**	**1,195,233**	**234,452**	**190,256**	**79,262**	**20,000**	**330,539**
A.1 Government bonds											
A.2 Other debt securities											
A.3 Loans	1,034,075			1,911,087	2,878,819	1,195,233	234,452	190,256	79,262	20,000	330,133
A.4 Other assets											406
Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts											
- Banks	324,053	666,023	276,080	1,081,355	1,515,121	962,715	1,217,065	117,061	61,712	15,953	16,462
- Financial institutions	40,525	2,479	19,818	36,202	141,667	45,460	2,699	-	-	-	-
- Customers											403,913
B.2 Debt securities											
B.3 Other liabilities											
Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**415**
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											415
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	**14,475**	**-**	**-**	**49,796**	**190,922**	**34,848**	**2,271**	**-**	**-**	**-**	**-**
A.1 Government bonds											
A.2 Other debt securities											
A.3 Loans	14,475			49,796	190,922	34,848	2,271	-	-		
A.4 Other assets											
Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts								-	-	-	-
- Banks	123,841	5,954	5,808	12,446	130,281	7,666	1,550				
- Financial institutions								-	-	-	
- Customers											
B.2 Debt securities											
B.3 Other liabilities											
Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**13**
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											13
C.6 Financial guarantees received											

3.5 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

There were no amounts in this section.

SECTION 4 EQUITY INFORMATION

4.1 The consolidated equity

4.1.1 Qualitative information

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

4.1.2 Quantitative information

4.1.2.1 Group equity: breakdown

The Group's equity as at 31 December 2022 amounted to EUR 855,412 thousand.

(thousands of euros)

Items/Balances	Total 31/12/2022	Total 31/12/2021
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	701,348	674,745
- profit	702,506	675,903
a) legal reserve	11,180	11,180
b) statutory reserve	691,326	664,723
c) treasury shares	-	-
d) other		
- other	(1,158)	(1,158)
4. (Treasury shares)	-	-
5. Valuation reserves	(953)	(1,129)
- 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	(953)	(1,129)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	37,318	26,602
Total	**855,412**	**817,917**
Minority interests	**10**	**10**
Total group equity	**855,422**	**817,927**

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.

IFITALIA GRUPPO BNP PARIBAS

SECTION 5 – ANALYTICAL STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of euros)

	ITEMS	Total 31/12/2022	Total 31/12/2021
10.	**Profit (Loss) for the year**	37,318	26,603
	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	243	(141)
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	(67)	39
	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 withreversal to profit or loss		
190.	**Total other income components**	**176**	**(102)**
200.	**Comprehensive income (Item 10+190)**	**37,494**	**26,501**
210	**Total consolidated comprehensive income attributable to inority interests**	0	0
220.	**Total consolidated comprehensive income attributable to the Parent Company**	**37,494**	**26,501**

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 euros)

	Total 31/12/2022	Total 31/12/2021
Directors	54	56
Auditors	94	93
Total	**148**	**149**

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

(thousands of euros)

	Total 31/12/2022	Total 31/12/2021
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 2022 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of euros)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**8,204**	**5,821,474**	**14**	**1,184**	**-**	**-**
BNP PARIBAS SUCC. MILANO	8,204	5,820,217	14	1,184		
BNP PARIBAS PARIS	-	1,257				
B) BNPP GROUP COMPANIES	**5,437**	**1,015,246**	**74,854**	**366,996**	**2,802**	**-**
ARTIGIANCASSA SPA			89			
ARVAL SERVICE LEASE		-				
ARVAL SERVICE LEASE ITALIA SPA		202	67,057			
AXEPTA SPA (EX- BNL POSITIVITY SRL)						
BANCA NAZIONALE DEL LAVORO SPA	3,599	710,102	5,769	366,996	2,802	-
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA						
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA						
BNPP FACTOR	-	227	25			
BNPP FORTIS	189	1,572	-			
BNPP REAL ESTATE	-	-	1,297			
BUSINESS PARTNER ITALIA SCPA						
CARDIF ASSURANCES RISQUES DIVERS						
CNH INDUSTRIAL CAPITAL EUROPE			10			
FINDOMESTIC BANCA SPA			367		-	
TIERRE SECURITISATION SRL		289,315				
TURK EKONOMI BANKASI AS						
BNPP Real Estate Advisory Italy SPA						
Diamante Re SRL	11	13,699	-			
Sviluppo HQ Tiburtina SRL	1,607	-	-			
SNC Natiocredimurs						
Servizio Italia SPA			1			
TEB Faktoring AS			3			
BNPP Lease Group Leasing Solutions SPA			148			
BNPP SA Dublin Branch - IE						
BNPP Partners for Innovation Italia SRL		117	35			
Financit SPA			23			
BNPP 3 Step IT	31	12				
BNPP Faktoring Spolka ZOO			26			
International Trade Partner						
BNP Paribas SGR SPA						
C) ASSOCIATED COMPANIES	**-**	**-**		**-**	**-**	**-**
Total	**13,641**	**6,836,720**	**74,868**	**368,180**	**2,802**	**-**

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

(thousands of euros)

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	6,848	(16,143)	-	(162)	-	-	(1,935)	-	
B) BNPP GROUP COMPANIES	36	(7,671)	86	(2,292)	-	2	(16,957)	(485)	
C) ASSOCIATED COMPANIES							-		
Total	6,884	(23,814)	86	(2,454)	-	2	(18,892)	(485)	-

SECTION 7 – LEASES (Lessee)

QUALITATIVE DISCLOSURE

In applying IFRS 16, Ifitalia considered it applicable only in relation to the lease of space in the building in Assago to which it moved its headquarters in April 2022.

The contract was signed with Diamante Re, a company belonging to the BNP Paribas Group, and has a duration of 15 years.

Based on this contract, the relevant right of use and the corresponding financial liability were calculated.

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 euros)

	Total
A. Gross opening balances	1,043
A.1 Total net impairments	-697
A.2 Net opening balances	346
B. Increases	14,469
B.1 Purchases	13,772
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	697
C. Decreases	1,121
C.1 Sales	-
C.2 Depreciation	78
C.3 Imputed losses booked to:	
C.4 Negative changes in fair value attributed to:	
C.5 Negative exchange rate differences	
C.6 Relocation to:	
C.7 Other variation	1,043
D. Net closing balances	13,694
D.1 Net impairment	-78
D.2 Gross closing balances	13,772

2. CASH FLOWS BY MATURITY BANDS OF LEASE PAYABLES

(thousands of euro)

	Maturity bands for leasing cash flows					
	within 1 month	from 1 month to 6 months	from 6 months to 1 year	from 1 year to 2 years	over 2 years	**Total**
Leasing debts	234	204	438	881	11,942	**13,699**
Total	**234**	**204**	**438**	**881**	**11,942**	**13,699**

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 2022 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 87,309.73, broken down as follows:

- Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 3,250.00;
- Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 24,054.24;
- 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 60,005.49.

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 2021 approved by BNP Paribas S.A. in its capacity as direct parent company.

IFITALIA
GRUPPO BNP PARIBAS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Profit and loss account for the year ended 31 December 2021

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2021 and 31 December 2020. 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 2019 are provided in the Universal registration document filed with the Autorité des Marchés Financiers on 12 March 2021 under number D.21-0114.

On 18 December 2021, the Group concluded an agreement with BMO Financial Group for the sale of 100% of its retail and commercial banking activities in the United States operated by the BancWest cash-generating unit. The terms of this transaction fall within the scope of application of IFRS 5 relating to groups of assets and liabilities held for sale (see note 7.d *Discontinued activities*) leading to the restatement of the year to 31 December 2020 to isolate the "Net income from discontinued activities" on a separate line. A similar reclassification is made in the statement of net income and changes in assets and liabilities recognised directly in equity and in the cash flow statement. The effect of this reclassification on the aggregates of the profit and loss statement is presented in note 3 *Segment Information*.

4.1 Profit and loss account for the year ended 31 December 2021

In millions of euros	Notes	Year to 31 Dec. 2021	Year to 31 Dec. 2020 *restated according to IFRS 5*
Interest income	2.a	29,518	31,169
Interest expense	2.a	(10,280)	(11,883)
Commission income	2.b	15,037	13,304
Commission expense	2.b	(4,675)	(3,725)
Net gain on financial instruments at fair value through profit or loss	2.c	7,615	6,750
Net gain on financial instruments at fair value through equity	2.d	164	202
Net gain on derecognised financial assets at amortised cost		(2)	36
Net income from insurance activities	2.e	4,332	4,114
Income from other activities	2.f	15,482	13,167
Expense on other activities	2.f	(13,429)	(11,355)
REVENUES FROM CONTINUING ACTIVITIES		**43,762**	**41,779**
Salary and employee benefit expense	6.a	(16,417)	(15,942)
Other operating expenses	2.g	(10,705)	(10,301)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.n	(2,344)	(2,262)
GROSS OPERATING INCOME FROM CONTINUING ACTIVITIES		**14,296**	**13,274**
Cost of risk	2.h	(2,971)	(5,395)
OPERATING INCOME FROM CONTINUING ACTIVITIES		**11,325**	**7,879**
Share of earnings of equity-method entities	4.m	494	423
Net gain on non-current assets	2.i	834	1,030
Goodwill	4.o	91	5
PRE-TAX INCOME FROM CONTINUING ACTIVITIES		**12,744**	**9,337**
Corporate income tax from continuing activities	2.j	(3,584)	(2,301)
NET INCOME FROM CONTINUING ACTIVITIES		**9,160**	**7,036**
Net income from discontinued activities	7.d	720	379
NET INCOME		**9,880**	**7,415**
Net income attributable to minority interests		392	348
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**9,488**	**7,067**
Basic earnings per share	7.a	7.26	5.31
Diluted earnings per share	7.a	7.26	5.31

4.3 Balance sheet at 31 December 2021

In millions of euros	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and balances at central banks		347,883	308,703
Financial instruments at fair value through profit or loss			
Securities	4.a	191,507	167,927
Loans and repurchase agreements	4.a	249,808	244,878
Derivative financial instruments	4.a	240,423	276,779
Derivatives used for hedging purposes	4.b	8,680	15,600
Financial assets at fair value through equity			
Debt securities	4.c	38,906	55,981
Equity securities	4.c	2,558	2,209
Financial assets at amortised cost			
Loans and advances to credit institutions	4.e	21,751	18,982
Loans and advances to customers	4.e	814,000	809,533
Debt securities	4.e	108,510	118,316
Remeasurement adjustment on interest-rate risk hedged portfolios		3,005	5,477
Financial investments of insurance activities	4.i	280,766	265,356
Current and deferred tax assets	4.k	5,866	6,559
Accrued income and other assets	4.l	179,123	140,904
Equity-method investments	4.m	6,528	6,396
Property, plant and equipment and investment property	4.n	35,083	33,499
Intangible assets	4.n	3,659	3,899
Goodwill	4.o	5,121	7,493
Assets held for sale	7.d	91,267	-
TOTAL ASSETS		**2,634,444**	**2,488,491**
LIABILITIES			
Deposits from central banks		1,244	1,594
Financial instruments at fair value through profit or loss			
Securities	4.a	112,338	94,263
Deposits and repurchase agreements	4.a	293,456	288,595
Issued debt securities	4.a	70,383	64,048
Derivative financial instruments	4.a	237,397	282,608
Derivatives used for hedging purposes	4.b	10,076	13,320
Financial liabilities at amortised cost			
Deposits from credit institutions	4.g	165,699	147,657
Deposits from customers	4.g	957,684	940,991
Debt securities	4.h	149,723	148,303
Subordinated debt	4.h	24,720	22,474
Remeasurement adjustment on interest-rate risk hedged portfolios		1,367	6,153
Current and deferred tax liabilities	4.k	3,103	3,001
Accrued expenses and other liabilities	4.l	145,399	107,846
Technical reserves and other insurance liabilities	4.j	254,795	240,741
Provisions for contingencies and charges	4.p	10,187	9,548
Liabilities associated with assets held for sale	7.d	74,366	-
TOTAL LIABILITIES		**2,511,937**	**2,371,142**
EQUITY			
Share capital, additional paid-in capital and retained earnings		*108,176*	*106,228*
Net income for the period attributable to shareholders		*9,488*	*7,067*
Total capital, retained earnings and net income for the period attributable to shareholders		**117,664**	**113,295**
Changes in assets and liabilities recognised directly in equity		*222*	*(496)*
Shareholders' equity		**117,886**	**112,799**
Minority interests	7.f	**4,621**	**4,550**
TOTAL EQUITY		**122,507**	**117,349**
TOTAL LIABILITIES AND EQUITY		**2,634,444**	**2,488,491**

AUDITORS' REPORT

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International Factors Italia S.p.A.

Independent auditor’s report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)*

Financial statements as at December 31, 2022

MZNC/ESFF/vbrb – R2023/00313

Via Ceresio, 7
20154 Milano
Tel: +39 02 32 16 93 00
www.mazars.it

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)*

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of International Factors Italia S.p.A. (the Company), which comprise the balance sheet as at December 31, 2022, 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 related 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 at December 31, 2022, 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.

Other matters

The Company, as required by law, has included in the supplementary note financial statements of the company the essential data of the last year's balance sheet which 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 the prior data.

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 skepticism 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.

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Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of International Factors Italia S.p.A. are responsible for preparing a directors' report of International Factors Italia S.p.A. as at December 31, 2022, 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 at December 31, 2022 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 at December 31, 2022 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, April 04, 2023

Mazars Italia S.p.A.

(signed on the original)

Matteo Zanchettin
Partner

(*) This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

International Factors Italia Group

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 at December 31, 2022

MZNC/ESFF/vbrb – R2023/00314

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Via Ceresio, 7
20154 Milano
Tel: +39 02 32 16 93 00
www.mazars.it

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

(translation of the original report issued in Italian)*

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of International Factors Italia Group (the Group), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the cash flows statement for the year then ended and the related 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 December 31, 2022, 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 supplementary notes to the financial statements of the company the essential figures of the last year's balance sheet which carries out management and coordination activities over it. The judgment on the consolidated financial statements of International Factors Italia Group does not extend to the prior data.

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 skepticism 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 Group as at December 31, 2022, 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 Group as at December 31, 2022 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 Group as at December 31, 2022 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, April 04, 2023

Mazars Italia S.p.A.

(signed on the original)

Matteo Zanchettin
Partner

(*) This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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 Assago (MI), Via del Mulino, 9
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 FOR THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 PREPARED PURSUANT TO ARTICLE 2429 PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

"Dear Shareholders,

It should be noted that the Ordinary Shareholders' Meeting of 29 April 2022 appointed the Company's new Board of Statutory Auditors, which will remain in office until the Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2024 in the persons of Pier Paolo Piccinelli as Chairman and Giorgia Carrarese and Luca Eugenio Guatelli as Acting Auditors. It is hereby acknowledged that following the latter's resignation as from 23 May 2022, Roberto Brioschi took over as Acting Auditor. In this regard, the Board of Statutory Auditors points out that the current composition of the Board of Statutory Auditors will have to be supplemented during the Shareholders' Meeting, in accordance with the provisions of the regulations in force and the Articles of Association. This report is prepared in accordance with the provisions of Article 2429, paragraph 2, of the Italian Civil Code, and its layout, as well as our activities, have been inspired by the "Rules of Behaviour of the Board of Statutory Auditors" of unlisted companies, issued by the Italian Accounting Profession (as updated in 2020 and in force as from 1 January 2021). Its purpose is to report on the supervisory and control activities carried out by the Board of Statutory Auditors during the financial year ended 31 December 2022, and up to the date hereof, in accordance with the regulations of the Italian Civil Code, taking into account, if necessary, the aforementioned rules of behaviour.

During the year ended 31 December 2022, 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 as well as the supervisory instructions issued by the Bank of Italy for brokers enrolled in the Register as per Article 106 of the consolidation act of the banking and lending laws or TUB (Italian Legislative Decree no. 385/1993) and according to the standards of conduct recommended by the Italian Accounting Profession.

The appointed independent auditors are Mazars Italia S.p.A.

The draft financial statements for the year ended 31 December 2022 and the Directors' Report on Operations were forwarded to the Board of Statutory Auditors on 24 March 2023, for compliance with the law, following the Board meeting that approved them.

As you know, your Company belongs to the BNP Paribas Banking Group and is subject to the management and coordination of BNP Paribas S.A. - Paris.

The Board of Statutory Auditors points out that the Financial statements for the year ended 31 December 2022:

- have been drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in the versions currently in force and adopted by the European Commission in accordance with the provisions of the European Parliament and the Council of the European Union;
- take into account the provisions and instructions issued by the Bank of Italy concerning "Financial statements of IFRS intermediaries other than banking intermediaries", as most recently updated with the instructions issued on 2 November 2021 applicable from the financial statements for the year ended 31 December 2021 (the instructions issued on 17 November 2022 are not yet applicable) and taking into account the various communications

issued most recently on 14 March 2023, and the 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 drawn up in accordance with Articles 14 and 19-bis of Italian Legislative Decree no. 39 of 27 January 2010, issued on 4 April 2023 without findings, reference should be made;

- closed with a profit of EUR 36,577,431 and an equity of EUR 853,090,744.

Monitoring compliance with the law and the Articles of Association - Standards of correct administration

In carrying out its activities during the year 2022 and up to today, the Board of Statutory Auditors complied with the provisions of Article 2403 of the Italian Civil Code and, to the extent expressly required, with the aforementioned rules of behaviour. These last guidelines were followed in compliance with the regulatory framework of reference, and thus with the Italian Civil Code, the Banking Law, the instructions of the Bank of Italy and the relevant laws and regulations.

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 legitimacy of the choices made by the Board of Directors and the observance of the standards of correct administration, by means of direct observations and recommendations, gathering information, meetings with the Heads of the main company divisions 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.

No reports were received from shareholders pursuant to Article 2408 of the Italian Civil Code or pursuant to Article 2409 of the Italian Civil Code.

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.

In particular, from the date of the appointment of the Board of Statutory Auditors in its current composition, which took place at the shareholders' meeting of 29 April 2022 to date, the Board of Statutory Auditors:

- held seven meetings pursuant to Article 2404 of the Italian Civil Code and specific minutes of these meetings were written up;
- attended all the meetings of the Board of Directors, six of which were held during the period under review, at which an appropriate exchange of opinions was noted among the individual attendees, and ascertained that the resolutions passed were in accordance with the law and in compliance with the applicable statutory, legislative and regulatory provisions governing its operation, and for which we can reasonably assure that the transactions resolved and implemented were in compliance with the law and the Articles of Association and were not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets.
- constantly acquired information on the general performance of operations and outlook, as well as on the most important operations, in terms of size or characteristics, carried out by the Company;
- ascertained that the transactions carried out were also in compliance with the law and the Articles of Association and were not in potential conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;

- was aware of the evolution of the company's business, paying particular attention to contingent and/or extraordinary issues in order to identify their economic and financial impact on the results for the year and the equity structure, as well as any risks, such as those arising from losses on receivables and existing contracts, monitored on a regular basis;
- consistently carried out its activities as Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, as will be discussed further on;
- paid due attention to compliance, by the corporate bodies, with the regulations issued by the Supervisory Authorities during the period, as well as the obligations arising from the communications and requests for information from the said Authorities and in particular the ICAAP (Internal Capital Adequacy Assessment Process) model, which the Company is required to prepare and forward annually to the Bank of Italy pursuant to Circular no. 288/2015 "Supervisory provisions for financial intermediaries" (and subsequent amendments) and related regulations (CRR, CRD IV, Circ. 286).

During the year, the Company, which, as mentioned, belongs to the BNP Paribas Banking Group, was subject to the management and coordination of BNP Paribas S.A.- Paris and, it is considered that intercompany and related party transactions of an ordinary nature are adequately described in the Notes to the Financial Statements and are deemed suitable and in line with the interests of the Company.

We are not aware of any atypical or unusual transactions with related parties or third parties.

On the basis of the information thus obtained - also by attending the meetings of the Board of Directors and the Shareholders' Meetings, as well as on the basis of the information provided and obtained by the representatives of the company divisions - the Board of Statutory Auditors is able to state that no transactions contrary to the law, unrelated to the corporate purpose or in conflict with the Articles of Association or with the resolutions passed were carried out, and, where applicable, the provisions of Article 2497-ter of the Italian Civil Code were complied with.

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.

Checking outsourced functions

It is noted that during 2022 the company maintained the outsourcing of important operating functions already in progress in previous years, entrusted mainly to Banca Nazionale del Lavoro; we refer in particular to Audit and Compliance.

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 pursuant to Circular no. 288 of the Supervisory Authority.

The Board of Statutory Auditors assessed and oversaw the adequacy of the internal control 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 Intermediaries 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, 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 noted that the audits carried out revealed substantial compliance.

Monitoring the adequacy of the organisational structure and internal control system

The Board of Statutory Auditors monitored, in relation to those matters falling within its competence, the adequacy of the organisational structure and management processes of the Company through direct observation, collection of information from the heads of control functions and from the heads of the main company divisions; relations with the latter were based on mutual cooperation in accordance with the roles assigned to each.

The organisational structure remained largely stable.

The most significant change was the creation of a new central structure called Operations Services, as part of the Operations Division, bringing together the central structures Credit & Debtor Management and Credit Lines & KYC Office with the aim of concentrating and creating synergies in customer management processes. This new structure has been operational since 1 January 2023.

Also note the creation, as part of the Sales Division, of a second-level structure called Product & Business Development, dedicated to the development of specific product categories, as well as the One Factoring Transformation project devised and coordinated by the parent company BNP Paribas, with the aim of developing synergies among all the factoring entities of the BNPP Group, favouring the rationalisation of costs and the sharing of information.

Finally, the registered office and offices were relocated to Assago in April 2022.

The Board of Statutory Auditors considers that the internal control system is geared to the Company's management characteristics, meets the requirements of efficiency and effectiveness in risk control, and complies with internal and external procedures and provisions.

During the year 2022, the Board of Statutory Auditors acquired information from the Internal Audit Function on the results of the audits carried out during the year and the related follow-up activities.

During the period, the Board of Statutory Auditors also dealt with the Heads of the Risk Management, Compliance and Anti-Money Laundering functions, who assess the functionality of the overall internal control system, supervise the regularity of transactions and risk trends by acquiring constant information on risk management and control and monitoring the rationalisation measures implemented to strengthen the effectiveness of the control units.

Based on the activities carried out, which did not, however, give rise to any significant matters to report, the Board of Statutory Auditors was able to assess the adequacy of the activities and organisation of the Internal Audit, Risk Management, Compliance and Anti-Money Laundering functions in relation to the tasks assigned to them.

The Board of Statutory Auditors monitored the Company's compliance with the "Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001", which also acted as a Supervisory Body, as described below.

In conclusion, the Board of Statutory Auditors considers that there are no significant deficiencies in the Company's internal control system that need to be brought to its attention in this report. At the same time, experience shows that the system needs to be continually updated and adapted to the changing size and complexity of the company, and the Board can confirm that the Company (and the Group to which it belongs) pay continuous attention to these aspects.

Supervising the adequacy of the administrative and accounting system and the external audit

Administrative and accounting system

The Board of Statutory Auditors monitored the adequacy and functioning of the administrative and accounting system, as well as its reliability in correctly representing management events, both through direct investigations and by obtaining information from the Company's Financial Manager.

Also on the basis of the information acquired by the Independent Auditors, the Board of Statutory Auditors was aware, to the extent of its authority, of the adequacy and functioning of the organisational structure, the internal control system and the administrative and accounting system, as well as the reliability of the latter to correctly represent management events, and compliance with the laws and regulations concerning the preparation, layout and format of the Financial Statements, as well as the contents of the Directors' Report on Operations.

As a result of its findings, the Board of Statutory Auditors considers that the administrative accounting system is suitable to correctly represent management events.

Financial statements

The Board of Statutory Auditors, to the extent of its authority:

- held regular meetings with the Independent Auditors, during which information and guidelines were exchanged, without any particular findings being reported or any matters of concern being brought to light;
- meetings were held with the auditors to discuss their audit of the financial statements, and no critical issues were raised.

Therefore, the Board of Statutory Auditors examined the contents of the audit report on the Financial statements, issued on 4 April 2022 pursuant to Articles 14 and 19-bis of Italian

Legislative Decree no. 39/2010 by Mazars Italia S.p.A., which expresses an opinion "without findings" and without any requests for information.

<u>Supervisory activities on the adequacy of risk management systems</u>

As mentioned above with reference to the supervision of the adequacy of the organisational structure and internal control system, 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 2022.

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 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, which is internal to the Company, prepared the report that is drawn up annually in accordance with the Bank of Italy's circular no. 288 and sent to the Bank of Italy, which concluded that the process and operating model were "generally satisfactory".

The Board of Statutory Auditors mentioned that, by 31 December 2022, the Company had completed all 28 remedial actions required by the Bank of Italy for the transition to the IRBA method, with the exception of the conditionality and the floor, which the Bank of Italy had requested and which the Company no longer implemented.

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".

Finally, also with regard to usury, the Board of Statutory Auditors found a "Satisfactory" compliance. A number of anomalies were identified, which were promptly remedied by the end of the quarter with an appropriate reversal, without there being a substantial risk of usury.

Other activities

In continuity with the activities already undertaken in 2021, 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, which continued for alternating periods during 2022, both in terms of safety at work and in terms of operations: it is assumed that these activities complied with the directives of the authorities.

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 2022 Financial Statements, there were no significant findings with regard to either 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 2022 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.

The flow of reports sent by the company to the Bank of Italy on prudential supervision, reporting to the Credit Reference Bureau and anti-usury reports as well as the correct application of the regulatory provisions on anti-money laundering were continuously monitored.

It is hereby acknowledged that the Board of Directors, as the body with strategic supervisory functions, in compliance with the supervisory provisions for financial intermediaries issued by the Bank of Italy in Circular 288/2015 (Title III, Ch. 1, sect. II, par. 2) on corporate governance, with which the Company is required to comply as it is registered in the Register of Financial Brokers pursuant to Article 106 TUB, adopted, and reviewed at least annually, the remuneration policy and is responsible for its proper implementation, and also ensured that the remuneration policy was adequately documented and accessible within the corporate structure.

The Board of Statutory Auditors deems it necessary to highlight the measures taken by the Company to deal with the health emergency related to the pandemic spread of the Covid-19 virus, which even partially persisted for some periods in 2022, with the aim of protecting both employees and any external parties who came into contact with the Company from the risk of contagion. The possibility of teleworking, which has been in place for a number of years and has been made available to all employees following specific investments in technology, has enabled the company to be particularly responsive to the needs of the situation, making it more effective and timely.

Finally, the Board of Statutory Auditors declares that, on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case significant circumstances requiring reporting to the authorities or mention in this report have been detected in the course of the activities carried out during the financial year 2022 (and up to the date of this report); moreover, as mentioned above, no complaints were filed pursuant to Article 2408 of the Italian Civil Code, nor were any other complaints received.

The Board of Statutory Auditors acknowledges that in its meeting held on 14 March 2023, it received the ESG action plan prepared by the company, submitted to the Board of Directors and discussed by the latter for approval during the meeting held on 24 March 2023, with a view to submitting it to the Bank of Italy by the deadline of 31 March 2023.

As a result of the examination carried out, it noted that the objectives of the action plan were in line with the Bank of Italy's requirements, which called for its adoption in order to promote, in the medium term, the progressive integration of climate and environmental risks into corporate strategies, governance and control systems and in the risk management framework.

The Board of Statutory Auditors a) assessed the points of the plan that comply with the requirements contained in the specific provisions issued by the Bank of Italy; b) undertook to verify, as part of its periodic control activities, the progressive achievement of the objectives contained in the aforementioned action plan, in accordance with the time frame indicated therein.

<u>Opinions issued by the Board of Statutory Auditors during the 2022 financial year</u>

During the year, the Board of Statutory Auditors did not issue any opinions nor did any situations arise that required, according to the law, the approval of the Board of Statutory Auditors.

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 (Model) for the prevention of the offences envisaged therein.

The Board of Statutory Auditors was also appointed to serve as Supervisory Body (SB).

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 SB to be correctly informed about corporate events affecting these activities.

From 29 April 2022 to date, the SB met four times and submitted the required half-yearly reports on the activities carried out to the Board of Directors.

No findings or violations of the Model were identified.

The SB considers it appropriate to further develop the relevant activities according to the following guidelines:

- checking the adequacy of the Model;
- company information and training activities on the Model;
- analysis of information flows.

Finally, the SB reports that, at its meeting of 11 January 2023, it was decided to instruct the company Protiviti to update Model 231/01 following the introduction of new relevant regulations.

Conclusions

With regard to the control of the proper keeping of the accounts and the correct recording of management events, as well as the verification of the correspondence between the information in the Financial Statements and the results in the accounting records and the compliance of the Financial Statements with the law, it should be noted that these tasks are entrusted to the Independent Auditors. For its part, the Board of Statutory Auditors monitored the general approach given to it.

In particular, the Board of Statutory Auditors:

- verified compliance with the law provisions relating to the preparation of the Financial Statements; they were prepared in accordance with the provisions of Article 4, first paragraph, of Italian Legislative Decree no. 38 of 28 February 2005, in compliance with the International Financial Reporting Standards (IAS/IFRS), in accordance with the Bank of Italy Provision of 29 October 2021 ("Financial statements of IFRS intermediaries other than banking intermediaries") also considering the updates issued subsequently;
- verified that the Directors, in preparing the Financial Statements, have not departed from the provisions of the law pursuant to Article 2423, paragraph four, of the Italian Civil Code, nor from the provisions of international accounting standards;
- ascertained that the financial statements were consistent with the facts and information acquired as a result of attending the meetings of the Board of Directors, also with regard to the most important economic, financial and equity transactions carried out by the Company;
- verified that the Notes to the accounts contain the declaration of compliance with the applicable up-to-date international accounting standards and indicates the main measurement bases adopted, as well as supporting information on the items in the

balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows;

- ascertained that the "Directors' Report on Operations" meets the requirements of Article 2428 of the Italian Civil Code and current regulations and is consistent with the data and results of the Financial Statements; it provides adequate information on management performance and indicates the risks and uncertainties to which the Company is exposed.

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.

The Board of Statutory Auditors has no observations to make as a result of its supervisory activities and gives a favourable opinion on the Board of Directors' proposals for the approval of the financial statements and agrees with the Board of Directors' proposal for the allocation of the profit.

In good faith.

Assago, 6 April 2023

The Board of Statutory Auditors

Pier Paolo Piccinelli

Giorgia Carrarese

Roberto Brioschi

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 Assago (MI), Via del Mulino, 9
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 S.p.A. – International Factors Italia S.p.A., has prepared the consolidated financial statements, which include in the scope of consolidation, other than Ifitalia, only Tierre Securitization S.r.l., 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.

Thus, having at least one subsidiary, Ifitalia is required to prepare the consolidated financial statements with reference to the financial year ended 31 December 2022, 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 2022:

- have been drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in the versions currently in force and adopted by the European Commission in accordance with the provisions of the European Parliament and the Council of the European Union;
- take into account the provisions and instructions issued by the Bank of Italy concerning "Financial statements of IFRS intermediaries other than banking intermediaries", as most recently updated with the instructions issued on 2 November 2021 applicable from the financial statements for the year ended 31 December 2021 (the instructions issued on 17 November 2022 are not yet applicable) and taking into account the various communications issued most recently on 14 March 2023, and the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005 in its currently applicable version;
- have been audited by Mazars Italia S.p.A., to whose report drawn up in accordance with Articles 14 and 19-bis of Italian Legislative Decree no. 39 of 27 January 2010, issued on 4 April 2023 without findings, reference should be made;
- closed with a profit of EUR 37,318,707 and an equity of EUR 855,411,567;
- 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.

It is hereby acknowledged that, in the opinion of the Independent Auditors, as reflected in their report to the consolidated financial statements issued on 4 April 2023 mentioned above, 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 2022 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 2022 separate financial statements of Ifitalia S.p.A.

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."

Assago, 6 April 2023

The Board of Statutory Auditors

Pier Paolo Piccinelli

Giorgia Carrarese

Roberto Brioschi

ORDINARY SHAREHOLDERS' MEETING HELD ON 26 APRIL 2023

Resolutions: (EXTRACT)

The Shareholders' Meeting, chaired by Mario Girotti, met on 26 April 2023 and resolved:

- a) to approve the separate and consolidated financial statements for the year ended 31 December 2022 as presented by the management body as well as the report accompanying it;
- b) to allocate the profit of EUR 36,577,431 to the reserve fund since the legal reserve has already reached one fifth of the share capital.