Do the right thing!

2020

Report and Financial Statements

Solutions that matter.

UniCredit Factoring

Solutions that matter.

Factoring

Corporate Officers and General Management

Board of Directors

Maurizio Guerzoni	**Chairman**
Lucio Izzi	**Vice Chairman**
Simone Del Guerra (1)	**Chief Executive Officer**
Pietro Campagna Erminio Chiappelli Pasquale Antonio De Martino Nadia Maria Mastore	**Directors**
Massimiliano Cifalinò (2)	**Company Secretary**

Board of Statutory Auditors

Vincenzo Nicastro	**Chairman**
Cecilia Andreoli Elisa Menicucci	**Standing Auditors**
Alberto Caprari Michele Paolillo	**Alternate Auditors**

General Management

Simone Del Guerra	**Chief Executive Officer**
Pietro Zardoni	**Deputy General Manager Head of Sales & Marketing Department**
Antonio Moretti	**Head of Business Services & Organization Department** (2)
Giordana Marconcini	**Head of Credit & Risk Department**
Domenico Politi	**Head of Planning, Finance & Administration Department**
Gianfranco Cascino	**Head of Human Resources Department**
Massimiliano Cifalinò	**Head of Legal Department**

(1) Appointed by the Board of Directors on 04.08.2020

(2) Appointed by the Board of Directors on 07.28.2020

UNICREDIT FACTORING S.p.A.
Sole-shareholder company owned by the UniCredit Group
registered in the Official List of Banking Groups under No. 2008.1
Share capital: 414,348,000 euros paid in full
Legal Reserve: 40,868,404 euros
Registered offices at Via Livio Cambi, 5, Milan
Tel. +39 02 366 71181 - Fax +39 02 366 71143
Economic Administrative Register (REA) no. 840973
Listed on the Milan Register of Companies
Tax code and VAT registration no. 01462680156
Listed at no. 42 on the Register of Financial Intermediaries pursuant to Article 106 TUB
E-mail: info.ucfactoring.it@unicreditgroup.eu
www.unicreditfactoring.it
Certified email: comunicazioni.ucf@pec.unicredit.eu

Contents

Notes:
Any lack of correspondence between the figures shown in the Directors' Report on Operations is due solely to roundings.

The present document is the English translation of the Italian Financial Statements, prepared for and used in Italy, and have been translated only for the convenience of international readers. Financial Statements were prepared using International Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows according to accounting principles and practices other than IAS/IFRS

Agenda for Shareholders' Meeting

UNICREDIT FACTORING S.p.A.
Company of the UniCredit Banking Group
enrolled on the register of banking groups
Registered offices at Via Livio Cambi, 5, Milan
Share capital: 414,348,000.00 euros paid in full
Registration number in the Milan Register of Companies
Tax code and VAT registration no. 01462680156, REA Index no. 840973

Shareholders are called to the Ordinary Shareholders' Meeting to be held on April 14, 2021, at 10:30 a.m., at Via Luigi Cagnola 8, Milan, at first call and, if necessary, on April 15, 2021, same place and time, at second call, to resolve on the following

AGENDA

1. Approval of the Financial Statements as at 12.31.2020. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. Relative resolutions.
2. Appointment for the legal audit of the accounts of UniCredit Factoring S.p.A. for the financial years 2022 - 2030.

In consideration of the current state of emergency due to the COVID-19 epidemic, participation in the Shareholders' Meeting will take place, pursuant to Article 13 of the Articles of Association, exclusively by means of telecommunications and, in accordance with the provisions of Article 106 of Decree-Law 18/2020, ratified by Law no. 27/2020, the meeting itself will take place, as an exception to the provisions of the Bylaws, without the presence in the same place of the Chairman and Secretary of the meeting.

Pursuant to Article 13 of the Articles of Association, holders of shares with voting rights who are entered in the shareholders' register may attend the Shareholders' Meeting.

Milan, Italy, March 26, 2021

The Chairman
Maurizio Guerzoni

Directors' Report on Operations

Directors' Report on Operations

Results summary

Economic activity in Italy – and also across Europe and the world – was severely affected last year by the ongoing COVID-19 pandemic. In Italy, activity declined in the first two quarters and, after growing more than expected in the third quarter, contracted in the fourth quarter due to the resurgence of COVID-19 infections. The latter decline was much more pronounced in services but had a marginal impact on industry. In fact, gross domestic product (GDP) increased by 15.9% in the third quarter and is currently estimated at around -3.5% in the fourth quarter, although the estimate includes a high margin of uncertainty. Compared to the previous year, GDP is expected to decline by 8.8%.

Banks continued to meet the growing demand for liquidity from businesses without any particular tightening of the conditions offered, thanks in part to monetary policy measures and government measures to support liquidity. With the cost of bond funding further reduced, banks were able to lend to businesses and households at rates that remained low. Bank loans to the private sector were up over 5% compared to 2019 as recorded in the last months of the year but at different rates for households and businesses: an annual growth rate of +2.2% (in November) for loans to households was juxtaposed with business loans rising much more strongly (+8.1%, also in November 2020). The factoring sector was hit hard by the COVID-19 emergency, with an expected drop in turnover of -11.2% and in loans of -7.8% compared to the end of the previous year. Against this difficult backdrop and against a consistently high level of competition in the short-term lending segment and constant pressure on margins, the Company confirmed its market leadership in shares both of turnover (23.3%), outstanding (22.3%) and loans (23.2%). Turnover flow was 52.9 billion, down 17.4% on the 2019 figure, while period-end receivables stood at 11.9 billion, down 4.6% on the previous year. These volume reductions reflect both the impact of the ongoing public health emergency and a business strategy to revise the portfolio to ensure its quality and profitability.
The year-end workforce amounted to 306 full-time equivalents, a decrease (-10 FTE) since the end of the previous year. This net change reflects the entry of 18 people and the exit of 31, guaranteeing both a high level of professional skill and the achievement of the efficiency objectives of the current long-term plan.

This scenario translated, in income terms, into a decrease in revenues, interest margin and commissions. Operating income was 169 million, a decrease of 12.1% on the previous year. Operating costs, stable at -0.8% on the previous year, showed a highly efficient cost-to- revenue ratio of 28.9%, compared to 25.6% in the previous year. Operating profit was affected by net impairment losses on loans, amounting to 26.9 million euros (+ 10.5 million euros on 2019) while provisions for risks and charges were positive due to releases following a number of issues that were settled favorably for the company.
These trends influenced gross profit, which stood at 83.7 million, while net profit, after taxes of 26.1 million, was 57.6 million, compared to 85.8 million in the previous year.

The main profitability indicators, like the cost/income ratio mentioned above, reflect a P&L performance that is declining but still remarkable considering the background scenario, with ROE at 7.9% compared to 12.1% in the previous year. With regard to asset risk indicators, there was a decrease in the impact of non-performing loans out of the total (from 0.28% to 0.22% for bad loans and from 1.39% to 1.11% for total non-performing loans at book value), while coverage was particularly high for bad loans (89%, also considering the partial transitions to loss) while it was up for unlikely-to-pay loans, from 68.8% to 72.8%.
Shareholders' equity stood at 792 million. After deducting 70% of the profit to be distributed as dividends, representing Tier 1 capital of 751 million, up by 2.3% on 2019. Considering that total risk-weighted assets decreased by 21.7%, the CET 1 ratio rose from 8.83% to 10.93%.

Main Company data

Operating Data

(millions of euros)

	FINANCIAL YEAR		CHANGE	
	2020	2019	AMOUNT	%
Turnover	52,900	64,045	-11,146	-17.4%
Outstanding	13,885	14,565	-680	-4.7%

Income Statement

	FINANCIAL YEAR		CHANGE	
	2020	2019	AMOUNT	%
Operating income	169	193	-23	-12.1%
of which: - net interest	*118*	*130*	*-12*	*-9.3%*
- net fees and commissions	*48*	*58*	*-10*	*-17.1%*
Operating costs	-49	-49	+0	-0.8%
Operating profit (loss)	120	143	-23	-16.0%
Net operating profit (loss)	93	127	-33	-26.4%
Net profit	**58**	**86**	**-28**	**-32.8%**

Balance Sheet Amounts

	AMOUNTS AS AT		CHANGE	
	12.31.2020	12.31.2019	AMOUNT	%
Total assets	12,073	12,647	-574	-4.5%
Loans	11,909	12,488	-579	-4.6%
Equity	**792**	**795**	**-3**	**-0.4%**

Operating Structure

	DATA AS AT		CHANGE	
	12.31.2020	12.31.2019	AMOUNT	%
Number of employees (Full Time Equivalent)	306	316	-10	-3.1%
Number of trading points	13	13	-	-

Profitability Indices

	FINANCIAL YEAR		
	2020	2019	CHANGE
ROE [1]	7.9%	12.1%	-4.2
Cost/income	28.9%	25.6%	+3.3

Risk Indices

	DATA AS AT		
	12.31.2020	12.31.2019	CHANGE
Net bad loans / Receivables	0.22%	0.28%	-0.06
Net non-performing loans / Loans	1.11%	1.39%	-0.28

Productivity Indices

	FINANCIAL YEAR		CHANGE	
	2020	2019	AMOUNT	%
Turnover per employee	169.9	202.3	-32.3	-16.0%
Operating income per employee	0.54	0.61	-0.06	-10.6%

Capital Ratios

	DATA AS AT		CHANGE	
	12.31.2020	12.31.2019	AMOUNT	%
Tier 1 capital	751	734	+17	2.4%
Total RWA	6,874	8,309	-1,435	-17.3%
CET 1	10.93%	8.83%	2.10%	

1. Equity used in the report is that at the end of the period (excluding profit for the period)

External scenario

Macroeconomic picture

The pandemic affected global economic performance throughout 2020. After a better-than-expected recovery in the summer months, the alarming resurgence of infections between October and December – particularly in the European Union and the United States – and the subsequent tightening of restrictions, resulted in a further slowdown in the global economy in the last quarter of 2020. Global GDP is estimated to have contracted by 4.2% year-on-year, versus 2.7% growth at the end of 2019. The situation reflects directly on world trade which made a marked recovery in the third quarter but slowed down in the fourth quarter, leading to an estimated overall contraction in world trade of around -9%.

Consumer inflation, driven by weak demand, is lower than pre-pandemic levels in the main advanced economies.

The euro area saw the same economic dynamics over the last financial year: growth in the third quarter and weakening in the last part of the year with the resurgence of infections and the tightening of restrictions. The Governing Council of the European Central Bank has recalibrated its monetary policy instruments towards a more expansionary view, to ensure favorable financing conditions throughout the crisis and pandemic – a period that is likely to be longer than previously assumed. Annual GDP growth for the area is therefore estimated at -7.5% (+1.3% in 2019) with a contraction in the fourth quarter as services weakened and manufacturing made a timid recovery.

Inflation in the eurozone was affected by weak demand, with a change in consumer prices over the twelve months of -0.3% (+1.3 in 2019).

In Italy, the macroeconomic scenario for the year saw an estimated decrease in GDP of -8.8% (+0.3% in 2019). Like in the global and European economy, there was a fourth quarter downturn (pronounced in services and marginal in manufacturing). Over the full year, all the main macro items were down: household consumption, investment, import-export, employment. Inflation is forecast to have fallen on an annual basis to -0.3%, driven by the reduction in energy prices and the weakness of the underlying component, due both to the modest growth in goods prices and the reduction in prices for tourism services (in particular transport) that have been harder hit by the pandemic.

Banking

In Italy, lending growth remained strong. Unlike the other main countries in the euro area, lending to non-financial companies remained robust (+8.1% on an annual basis), sustained by widespread use by businesses of government-backed loans.

Loans to households increased steadily during the year (+2.2% on an annual basis) with a slight recovery in mortgages while consumer lending remained weak. The guarantee schemes on new lending and moratoria on existing loans, introduced by the Government to support business and household liquidity, have been extended until June 2021.

Italian banks’ funding increased in 2020 mainly thanks to the trend in residents’ deposits (+7.5% in November over twelve months), aided by households and businesses preferring to keep their assets liquid. Liabilities to the Eurosystem also grew (+56.8% year-on-year in November) with large volumes of the third series of Targeted Longer-Term Refinancing Operations (TLTRO3). The cost of funding remained low, continuing to benefit from the highly accommodative monetary policy. In the last quarter of 2020, bank bond yields on the secondary market fell further to 1.2% at the beginning of January 2021, close to the level recorded before the pandemic. The spread with the euro area average narrowed to about 80 basis points.

The interest rate on loans to businesses remained low (1.3% in November), as did the average cost of new home-purchase loans (1.3% in November).

On the financial markets, in the last part of the year financial market conditions in Italy – as globally – were buoyed by the optimism generated by the announcements on the effectiveness of vaccines, further monetary and fiscal support, and the resolution of the uncertainty over the presidential elections in the United States. However, the outlook for financial markets remains subject to the future evolution of the pandemic. Since mid-October, yields on Italian government bonds have declined, mainly due to a reduction in the sovereign risk premium. The stock market benefited from the same optimism at the end of the year, recording strong rises. The banking sector index rose at the same rate as the general stock market index (+14%), and share price volatility was reduced.

The factoring market

The factoring market in 2020 was also heavily impacted by the ongoing public health emergency. Trends varied heavily by country, with Italy struggling more than the other main European markets (with the exception of the United Kingdom, which was in line with the Italian market). Performance was worse than GDP in almost all markets. According to data provided by the trade association Assifact, cumulative turnover (226.8 billion euros) saw a decrease of -11.2% compared to 2019, while loans were down 7.8% yoy.

The market is proving to be highly competitive and concentrated. Based on data up to November, the top four competitors have a market share of 60% of turnover.

An aggregate indicator of the importance of factoring in the Italian economic system is given by the ratio between factoring (turnover) and GDP. This indicator, which has been growing steadily in Italy for more than a decade, is expected to decline in 2020, as turnover volumes did not recover in the third quarter of 2020, despite the fact that economic activity made a marked comeback. With reference to chained-volume GDP, the turnover/GDP ratio is expected to be around 13% compared to 14.8% at the end of 2020.

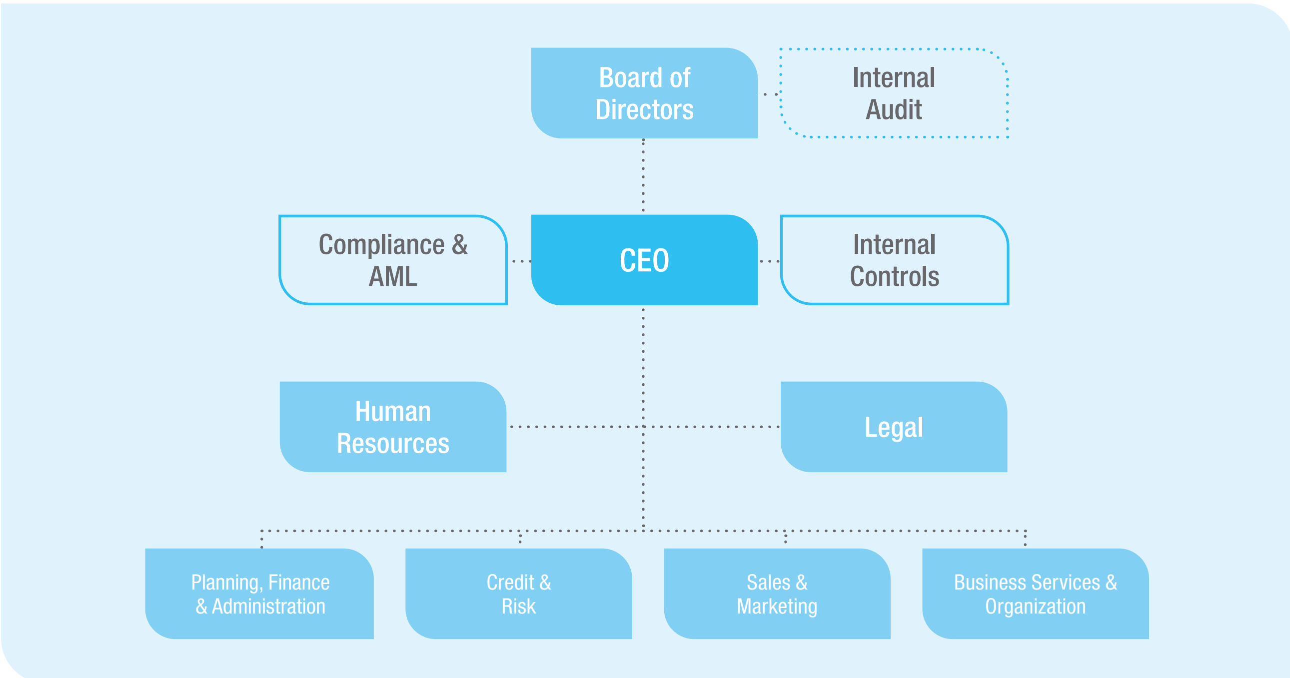
Company activities

UniCredit Factoring is an Italian company of the UniCredit Group, specializing in the recourse and non-recourse acquisition of trade receivables assigned by customers who can not only optimize their financial structure but can also benefit from a series of related services such as the collection, management and insurance of receivables.

The Company is active on the Italian market and also cross-border. For both types of operation, it uses Group banks and has forged a strong collaboration between its own commercial network and that of the Group.

Organizational structure

The Company's organizational structure, shown below, was modified in 2020 with the main aims of continuing to strengthen control structures (including by revising the operating mechanisms of the Products Committee) and of pursuing more intensive commercial collaboration with the corresponding network functions of UniCredit SpA.



Directors' Report on Operations (Continued)

Specifically,

- with regard to the Compliance & AML control structure – and without prejudice to the overall contract with the Parent Company – in order to increase the effectiveness of the supervision provided by the structure, some activities were re-insourced:
  - Second Level Compliance and Operational Compliance Controls;
  - Personal Account Dealing Controls;
  - Assessments of Outside Business Interests;
  - AML/FS compliance management.

  To enable the most effective management of cross-group activities, the Parent Company will continue to be responsible for the remaining activities of
  - Risk Assessment;
  - Reporting of Indirect Supervisory controls as well as opinions, preventive evaluations and reports;
  - SOS and AML reporting;
  - Compliance with GDPR/Privacy, including second level controls;
  - Compliance with the Insiders Register according to MAR rules;
  - Support with matters governed by Legislative Decree 231/2001.

  The Company responded to the increase in the scope of responsibilities assigned to the Compliance & AML function by increasing the human resources allocated to it and by ranking it as a "unit".
- the operating procedures of the Products Committee have been revised to require it to vote separately on the admissibility and start-up/marketing of admitted products, preventing the control functions (in particular Compliance & AML) from casting their votes for the purpose of authorizing start-up/marketing.
- turning to adjustments to the commercial network, closer collaboration was achieved with UniCredit's Global Transaction Banking product line through the creation of an integrated sales force dedicated to offering Working Capital products and services to the Bank's customers. The objective is to ensure that the current structures of the Company and of UniCredit can act as a single team of "woca sales managers", jointly representing a "single point of entry" for each type of working capital product offered by UniCredit and UniCredit Factoring for all Corporate & Investment Banking customers and for a select group of customers dealt with by the Parent Company's Commercial Banking division.

The remaining corporate structures have not undergone any changes to their internal structure.
Although they did not have an impact on the structure of the Company, mention must be made of the organizational changes made to effectively manage the new measures relating to the New Definition of Default (New DoD). In particular, as part of a broader project conducted in coordination with the Parent Company:

- the technical reasons for the purposes of interrupting the calculation of past due amounts have been rationalized;
- an update to the credit management process regulations was issued with the aim of containing past due loans and complying with the contractually established advance payment quota in order to avoid the classification of Assignors and Debtors as Past Due, provisions and a worse weighting of RWA;
- all other related regulations have been updated or are in the process of being updated;
- IT work has been carried out or is in the process of being completed to allow adequate management of the portfolio and processes.

Lastly, with regard to the information systems supporting the organizational structure, the Security project has been completed, whose purpose is to consolidate the company's information assets in an infrastructure that meets the requirements defined by the Parent Bank. Specifically:

- the operating systems of servers and clients were updated,
- secure communication protocols were adopted (https, sftp),
- work was carried out on the factoring management application,
- studies were conducted to identify potential replacements/ upgrades for the current management system.

Workforce

UniCredit Factoring's workforce stood at 306.4 Full Time Equivalents (FTEs) at December 31, 2020, a decrease of 10 FTEs compared to the end of the previous year.

More specifically, while 18 new staff members joined the Group, 31 staff members left (7 outward secondments, 11 ends to existing secondments, 4 resignations and 9 redundancies). Despite the efficiencies envisaged in the T23 Plan, a rigorous search continued for staff with the professional skills to replace, in part, these departures and guarantee operational continuity as well as full achievement of objectives.

Composition by age, pay level and gender

In terms of distribution by age bracket, there was a decrease in the incidence of the under-30 and 41-to-50 age brackets and an increase in the 31-40 and over-50 age brackets, while the average age remained unchanged compared to last year at about 48.

Breakdown by age group

	12.31.2020		12.31.2019		CHANGE	
	FTE	COMP. %	FTE	COMP. %	AMOUNT	%
Up to 30 years	1	0.3%	5	1.6%	-4	-80.8%
From 31 to 40 years	51	16.7%	48	15.2%	+3	+6.3%
From 41 to 50 years	122	39.9%	137	43.3%	-15	-10.8%
Over 50 years	132	43.1%	126	39.9%	+6	+4.7%
Total	**306**	**100.0%**	**316**	**100.0%**	**-10**	**-3.1%**

As regards the contractual classification of the entire Company, there was a slight reduction in the number of Executives, 4th and 3rd level Managers and Professionals, and a slight increase in 2nd and 1st level Managers.

Breakdown by category

	12.31.2020		12.31.2019		CHANGE	
	FTE	COMP. %	FTE	COMP. %	AMOUNT	%
Executives	12	3.9%	13	4.2%	-1	-9.7%
Management - 3rd and 4th grade	94	30.7%	103	32.4%	-8	-8.1%
Management - 1st and 2nd grade	94	30.8%	92	29.2%	+2	+2.1%
Professional areas	106	34.5%	108	34.1%	-2	-1.9%
Total	**306**	**100.0%**	**316**	**100.0%**	**-10**	**-3.1%**

Finally, the composition of men and women on the staff is shown in detail below: the female population increased and the male population fell.

Breakdown men/women

	12.31.2020		12.31.2019		CHANGE	
	FTE	COMP. %	FTE	COMP. %	AMOUNT	%
Women	115	37.5%	113	35.8%	+2	+1.6%
Men	192	62.5%	203	64.2%	-11	-5.6%
Total	**306**	**100.0%**	**316**	**100.0%**	**-10**	**-3.1%**

Performance management

To continue to improve how performance and quality are rewarded, we recommend a rigorous approach to employee evaluation that looks not only at the achievement of objectives but also at the way in which they are achieved, in terms of sustainable behavior and adherence to the “Five Fundamentals” and the values of Ethics and Respect (Do the Right Thing!), which are the foundations of the Group.

This approach is geared towards ensuring accurate manager evaluation, which is essential to support performance, guide behavior and promote people’s development.

Employee development

In 2020, we continued to invest in staff training in order to:

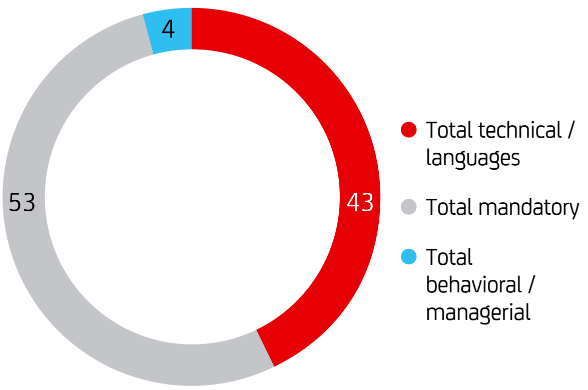
- ensure the development of all UniCredit Factoring colleagues, through the provision of increasingly targeted training, optimizing synergies with the Group and in particular with the CIB Division;
- meet the training needs identified with Managers, highlighted in UniCredit Performance Management and reported directly by Colleagues.

With an increasing focus on roles, professional development programs, the type of people involved and the quality of content, in order to deliver training that can meet emerging needs, we have made various training opportunities available to our staff. These cover requirements for specific targets (e.g. managerial training with the “*Leadership Curriculum*” and the “*UCF Training Path*” for Network colleagues), as well as English lessons and specialist training courses (in collaboration with high-profile partners like AssiFact) and development initiatives such as “*Breakfast with the CEO*” and “*HR Factor*”.

We would also like to highlight UCF’s major involvement in the “CIB Learning Architecture” training program: a package of training curricula in English for all CIB colleagues to enhance their Core Banking Skills, Effective Communication and Managerial Skills. The training program is designed to support colleagues throughout their professional and personal lives, providing them with the knowledge and skills necessary to achieve excellent performance and allow them to express their fullest potential, while building a solid collective culture to best meet new strategic challenges.

Below is a percentage distribution of the hours of training by type, divided between:
- behavioral/managerial
- mandatory
- technical/languages

Trainning 2020 (%)



Diversity and inclusion
In line with the Group's commitment to promoting diversity, which we consider to be essential on every level in order to generate value for our staff, customers, communities and shareholders, we are continuing to favor gender balance, and are seeking to overcome generational differences and support people with disabilities.

Specifically, during 2020, we would like to point out the appointment of two new Managers who will respectively act as Head of the Central Area and as Local Data Officer.

Work continued on reducing the gender pay gap, with positive results. We continue to work closely with Company Managers to identify colleagues to be included in professional development and enhancement programs.

Supporting the work-life balance
A working environment that facilitates a good balance between professional and private life has a positive impact on well-being, motivation and productivity.

This is why, by supporting the Group's initiatives, we are seeking to adopt effective, flexible solutions that will improve the work-life balance, by allowing employees flexitime where requested, as well as implementing the changes in working hours required by the national collective labor agreement and allowing part-time work and reinstatement of full-time. Specifically, during 2020, seven part-time contracts that had expired were renewed and four requests for new part-time contracts were accepted.

Following the success of the pilot project in Rome, Flexible Working was extended to the entire Company from February 2020 for one day a week. This was open to all UCF colleagues, including the Commercial Network.

Following on from this, UniCredit Factoring tackled the pandemic with the utmost flexibility, responsiveness and adaptability, first and foremost ensuring the protection of its own People by using remote working for the entire working week. There was a great deal of focus on the personal and family needs of colleagues, offering them maximum flexibility and open-mindedness according to their needs.

Marketing
As in recent years, 2020 saw a strengthening of synergies with the UniCredit Group through the creation of a shared Commercial Network and the development of joint commercial partnerships.

The "U-FACTOR" brand was developed in 2020 through a collaboration between UniCredit, UniCredit Factoring and FinDynamic – an Italian-based FinTech company in which UniCredit holds a stake – in order to offer customers a product called Dynamic Discounting. Developed by FinDynamic, the product allows the supplier in a commercial relationship to receive advance payment of the invoices it has issued to it directly from the debtor company, in exchange for a commercial discount that varies dynamically according to how many days early the invoices was paid.

A mass-media and social-media campaign was launched in December 2020 to raise awareness of Supply Chain Finance and to present UniCredit Factoring as a strategic partner for businesses when it comes to supporting the supply chain. The campaign focused on the functioning of Supply Chain Finance products, highlighting their characteristics, who these solutions are for, and what needs they respond to. Due in part the COVID-19 pandemic, these issues have become important to all industries, blurring the boundaries more traditionally akin to Reverse Factoring and Confirming solutions.

The campaign had two different strands:
1. interviews conducted on Radio24 in the "L'esperto risponde" (The Expert Responds) section, where an "expert" from the UniCredit

Factoring sales network hears listeners' questions on certain topics of interest related to Supply Chain Finance

2. posts on a professional social media site with an "informative/learning" approach, focusing on the main topics that emerged from Radio24 listeners.

UniCredit Factoring has extended the scope of the product for energy and/or seismic upgrading work, in step with the updated reference legislation, adding the possibility of using the incentives provided by the 110% Superbonus, invoking the same mechanism already in place for Ecobonus and Sismabonus. The product lets UniCredit Factoring advance the amount of the tax credit to the company carrying out the energy upgrading (the recipient of the tax credit from the condominium) and to enter into an agreement with the industrial entity involved in the supply of materials and/or technologies used in the intervention, the final recipient of the tax credit from the company carrying out the work.

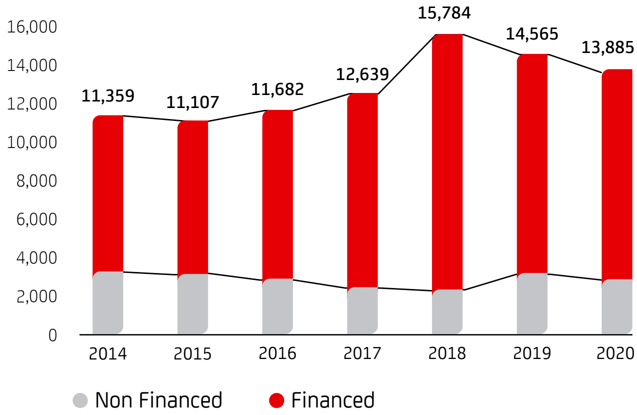
UniCredit Factoring's online proposition was further consolidated in 2020, expanding the number of customers who use these functions and undertaking new research to further enrich UniCredit Factoring's digital offering.

At the end of the year, the new "Commercial Desk" intranet system, making it possible to find various types of content to support UniCredit Factoring's commercial activities and value proposition. This is an evolution of an existing corporate platform, with a revamped content catalogue, a stricter contribution process, and a simpler, more direct and usable navigation.

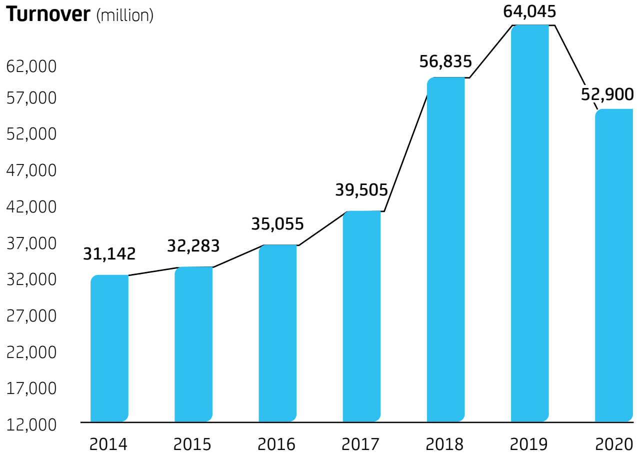
Turnover and total receivables

The Company acquired a total turnover flow of 52,900 million euros in the year, a decrease of 17.4% on 2019. This decrease is due in part to COVID-19, which has led to a general reduction in GDP in Italy and impacts the ability of companies to sell receivables, and in part to a different commercial strategy pursued by the Company. The market share stood at 23.3% compared to 25.2% in 2019, ranking second in the industry.
Outstanding also decreased by 4.7% to 13,885 million euros, compared to 14,565 million euro at the end of 2019. Despite this decrease, which was more contained than in the case of turnover, the Company maintained its market share leadership (22.3%).

Outstanding (million)



Turnover (million)



As shown in the following table, non-recourse transactions increased in 2020 both in terms of turnover, reaching 73.2% of the total (+6.1 points in terms of share), and in terms of outstanding (65% of the total, +10 points in terms of share). On the other hand, recourse transactions decreased in terms of both turnover and outstanding amounts. In absolute terms, turnover decreased by 6,931 million euros, bringing the share in the last year to 26.8%. Outstanding decreased by 1,697 million euros in absolute terms, bringing it to 35% compared to 45% in 2019 in terms of share.

(millions of euros)

	12.31.2020		12.31.2019		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
Turnover	**52,900**	**100.0%**	**64,045**	**100.0%**	**-11,146**	**-17.4%**
of which without recourse	*38,743*	*73.2%*	*42,957*	*67.1%*	*-4,215*	*-9.8%*
of which with recourse	*14,157*	*26.8%*	*21,088*	*32.9%*	*-6,931*	*-32.9%*
Outstanding	**13,885**	**100.0%**	**14,565**	**100.0%**	**-680**	**-4.7%**
of which without recourse	*9,027*	*65.0%*	*8,010*	*55.0%*	*+1,017*	*+12.7%*
of which with recourse	*4,858*	*35.0%*	*6,555*	*45.0%*	*-1,697*	*-25.9%*

Directors' Report on Operations (Continued)

Turnover by product showed a clear increase in the share of definitive acquisitions of receivables, which rose from 56.9% of the total in 2019 to 63.9% in 2020. Traditional and sole-warranty transactions recorded a decrease both in terms of share, while there was a slight increase in maturity transactions.

(millions of euros)

	12.31.2020		12.31.2019		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
Turnover	**52,900**	**100.0%**	**64,045**	**100.0%**	**-11,146**	**-17.4%**
traditional	13,446	25.4%	21,604	33.7%	-8,158	-37.8%
outright and discounted purchase	33,795	63.9%	36,468	56.9%	-2,673	-7.3%
sole warranty	566	1.1%	739	1.2%	-173	-23.4%
maturity	5,092	9.6%	5,234	8.2%	-142	-2.7%

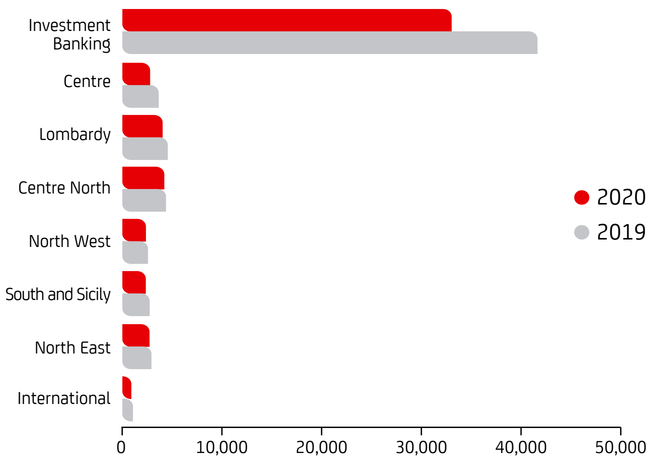
The share of turnover on Domestic transactions increased slightly (0.6 percentage points in terms of share). The export component, on the other hand, decreased to 3,227 million euros, corresponding to 6.1% in terms of share.

(millions of euros)

	12.31.2020		12.31.2019		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
Turnover	**52,900**	**100.0%**	**64,045**	**100.0%**	**-11,146**	**-17.4%**
Domestic	49,107	92.8%	59,019	92.2%	-9,912	-16.8%
Import	566	1.1%	522	0.8%	+44	+8.5%
Export	3,227	6.1%	4,505	7.0%	-1,278	-28.4%

Lastly, all areas saw a decrease compared to the previous year, with the Investment Banking Area alone accounting for 62.6% of total turnover.

Turnover by Area (millions of euros)



In terms of total receivables, there was a decrease of 259 million in the overdue portion (23% of the total receivables), mainly due to a decrease in absolute value in the private sector, even if the proportion on total loans in the sector is unchanged. On the other hand, in the public sector the proportion fell (from 47% to 37%) while the absolute value remains unchanged. This result was possible thanks to levels of efficiency which are now well established in the Debtors Management Department, thanks to actions that have yielded significant results on the market in terms of average collection times.

This was achieved by:
- expanding the management and monitoring of due and past-due loans
- continuing the recognition and analysis of longer past-due loans by fine-tuning recovery actions
- extending the controls on the operational management of assigned receivables
- carrying out training and aligning operations with the introduction of the EBA's New Definition of Default regulation and the related standardization of on-balance sheet exposures.

All of these actions, as implemented by the Debtor Management Division, have also reduced the risk levels on the Outstanding portfolio.

Below is a breakdown of Outstanding by sector and area of debtor activity

Total Outstanding by business sector of borrower

(millions of euros)

	12.31.2020		12.31.2019		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
GENERAL GOVERNMENT	4,191	30.2%	3,343	23.0%	+848	+25.4%
FINANCIAL COMPANIES	1,992	14.3%	2,229	15.3%	-237	-10.7%
NON-FINANCIAL COMPANIES	6,385	46.0%	7,359	50.5%	-974	-13.2%
HOUSEHOLDS	18	0.1%	35	0.2%	-17	-48.8%
NON-PROFITS FOR HOUSEHOLDS	31	0.2%	58	0.4%	-27	-47.1%
REST OF THE WORLD	1,269	9.1%	1,539	10.6%	-270	-17.5%
OTHER	0	0.0%	3	0.0%	-3	-100.0%
Total loans	**13,884**	**100%**	**14,565**	**100.0%**	**-681**	**-4.7%**

The composition by area of debtor activity relates only to "non-financial companies" and "manufacturing groups".

Total Outstanding by business branch of borrower

(millions of euros)

	12.31.2020		12.31.2019		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
AGRI. PROD,FORESTRY,FISHING	21	0.32%	17	0.23%	+4	+21.4%
ENERGY	771	12.04%	841	11.37%	-70	-8.3%
MINERALS,IRON METALS AND OTHERS	209	3.27%	207	2.80%	+2	+1.1%
MINERALS AND NON-METAL, MINERAL-BASED PRODUCTS	107	1.67%	106	1.43%	+1	+1.2%
CHEMICALS	47	0.74%	64	0.87%	-17	-26.3%
METAL PRODUCTS EXC. MACHINERY	350	5.47%	464	6.27%	-113	-24.4%
ELECTRICAL MACHINERY AND SUPPLIES	58	0.91%	69	0.93%	-11	-15.4%
TRANSPORT MEANS	1,427	22.28%	1,373	18.57%	+54	+3.9%
FOODSTUFFS, BEVERAGES, TOBACCO	328	5.12%	350	4.74%	-23	-6.5%
TEXTILES, LEATHER, FOOTWEAR, CLOTHING	54	0.85%	70	0.94%	-16	-22.5%
PAPER, PRINTING PRODUCTS, PUBLISHING SECTOR	91	1.43%	110	1.49%	-19	-17.1%
RUBBER, PLASTIC	29	0.46%	41	0.56%	-12	-28.9%
OTHER INDUSTRIAL PRODUCTS	48	0.75%	70	0.95%	-22	-31.4%
BUILDING AND PUBLIC WORKS	174	2.72%	204	2.76%	-30	-14.6%
COMMERCIAL SERVICES, RECOVERIES, REPAIRS	1,681	26.25%	2,039	27.58%	-358	-17.6%
HOTEL AND PUBLIC AGENCY SERVICES	4	0.06%	9	0.12%	-5	-58.1%
INTERNAL TRANSPORT SERVICES	43	0.68%	53	0.71%	-9	-17.9%
MARITIME, AIR TRANSPORT SERVICES	-	0.00%	0	0.01%	-0	-100.0%
TRANSPORT-RELATED SERVICES	29	0.45%	120	1.62%	-91	-75.9%
COMMUNICATIONS	386	6.02%	675	9.13%	-289	-42.9%
OTHER SALES-BASED SERVICES	534	8.34%	500	6.77%	+33	+6.7%
TOTAL NON-FINANCIAL CORPORATIONS AND PRODUCER HOUSEHOLDS	**6,403**	**100.00%**	**7,394**	**100.00%**	**-991**	**-13.4%**

Receivables

Receivables at book value amounted to 11,909 million euro, down 4.6% since the end of the previous year. By contrast, average annual lending decreased by 11.3%. The loans and receivables with customers segment accounted for 96% of the total and is offset by a reduction in receivables to financial institutions, which account for 3% and 1% respectively.

Directors' Report on Operations (Continued)

Loans

(millions of euros)

	12.31.2020		30.06.2020		12.31.2019		CHANGE VS. 12.31.2020	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	%
receivables from credit institutions	117	1.0%	73	0.7%	282	2.3%	-165	-58.5%
receivables from financial institutions	360	3.0%	259	2.6%	467	3.7%	-107	-22.8%
loans and receivables with customers	11,432	96.0%	9,778	96.7%	11,739	94.0%	-307	-2.6%
Total loans	**11,909**	**100.0%**	**10,109**	**100.0%**	**12,488**	**100.0%**	**-579**	**-4.6%**
of which:								
with-recourse advances	*716*	*6.0%*	*757*	*7.5%*	*1,114*	*8.9%*	*-399*	*-35.8%*
with-recourse advances (ex-formal non-recourse)	*1,185*	*9.9%*	*1,173*	*11.6%*	*1,608*	*12.9%*	*-424*	*-26.3%*
advances on contracts	*111*	*0.9%*	*140*	*1.4%*	*214*	*1.7%*	*-103*	*-48.2%*
non-recourse receivables	*8,644*	*72.6%*	*6,873*	*68.0%*	*8,277*	*66.3%*	*+367*	*+4.4%*
deferred receivables + debtor financing	*939*	*7.9%*	*857*	*8.5%*	*958*	*7.7%*	*-19*	*-2.0%*
Non-Performing loans	*132*	*1.1%*	*157*	*1.5%*	*174*	*1.4%*	*-41*	*-23.8%*
other loans and receivables	*183*	*1.5%*	*154*	*1.5%*	*143*	*1.1%*	*+40*	*+28.3%*

The non-recourse component of receivables strengthened further on last year, reaching 72.6% of the total (+6.3 points). Deferred receivables and loans to assigned debtors also slightly increased their share over the previous year to 7.9% (+0.2 points). On the other hand, the component of recourse and formal non-recourse advances decreased to 15.9% of the total (-5.9 points compared to the previous year). The other components of loans were substantially stable compared to the previous year, with the share of non-performing loans falling by 0.3 points and other loans rising by 0.4 points. Approximately 87.7% of the without recourse operations take place by means of outright purchase.

In terms of asset quality, non-performing loans at book value saw a reduction of 31%, falling from 173.7 million at the end of 2019 to 132.3 million at the end of 2020, reducing their impact on the total loans and receivables to 1.1%. The reduction in absolute value is attributable to the decrease in the three categories of non-performing loans, with bad loans down from 35 million to 26.8 million (-30.6%), unlikely-to-pay positions down from 39.6 million to 25.8 million (-53.4%) and past-due loans down from 99.1 million to 79.7 million (-24.3%) between the two year-ends. With regard to hedging, for bad loans it was 89%, including partial write-offs, while the coverage of unlikely-to-pay loans increased significantly, from 68.8% to 72.8%. Coverage of past-due loans was essentially the same as at the end of the previous year (approximately 5%). The coverage of total non-performing loans thus increased from 63.5% to 68.7%, also taking into account the partial transitions to loss.

Non-performing loans

(millions of euros)

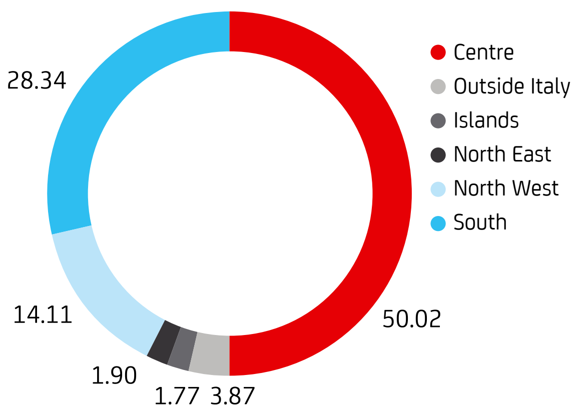
	BAD LOANS				TOTAL NON-PERFORMING	
	BOOK VALUE	INCL. WRITE-OFFS	UNLIKELY TO PAY	PAST-DUE LOANS	BOOK VALUE	INCL. WRITE-OFFS
As at 12.31.2020						
Nominal value	117.6	243.4	94.8	83.9	**296.2**	**422.1**
as a percentage of total loans	*0.97%*		*0.78%*	*0.69%*	**2.45%**	
Write-downs	90.8	216.6	69.0	4.2	**163.9**	**289.8**
as a percentage of face value	*77.21%*	*88.99%*	*72.75%*	*5.00%*	***55.34%***	***68.66%***
Book value	26.8	26.8	25.8	79.7	**132.3**	**132.3**
as a percentage of total loans	*0.22%*		*0.22%*	*0.67%*	**1.11%**	
As at 12.31.2019						
Nominal value	117.9	244.9	127.0	104.3	**349.2**	**476.2**
as a percentage of total loans	*0.93%*		*1.00%*	*0.82%*	***2.75%***	
Write-downs	82.9	209.9	87.4	5.2	**175.6**	**302.6**
as a percentage of face value	*70.33%*	*85.71%*	*68.82%*	*5.00%*	***50.28%***	***63.53%***
Book value	35.0	35.0	39.6	99.1	**173.7**	**173.7**
as a percentage of total loans	*0.28%*		*0.32%*	*0.79%*	***1.39%***	

Bad loans at book value fell from 0.28% to 0.22% in relation to the total receivables. The coverage ratio, considering the write- downs and partial write-offs, rose from 85.71% at the end of 2019 to 89% in December 2020.

In 2020, 17 new positions were transferred to bad loan status, totaling 4.5 million euros, with provisions of around 4 million euros being made.

The breakdown of bad loans (inclusive of provisions) by geographical area shows a prevalence of positions with parties in Central and Southern Italy:

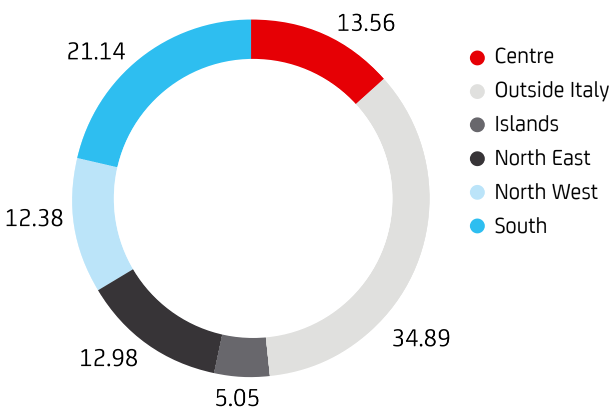
Bad loans positions by geographic area (%)



Unlikely-to-pay positions fell between the end of 2019 and the end of 2020, having gone from 39.6, million to 25.8 million in absolute terms and from 0.32% to 0.22% in relation to total net receivables. In 2020, 21 new positions were transferred to unlikely to pay status, totaling 13.8 million, while provisions of 5.4 million were made.

The breakdown of gross unlikely-to-pay loans by geographical area shows a clear prevalence in North-West Italy and abroad.

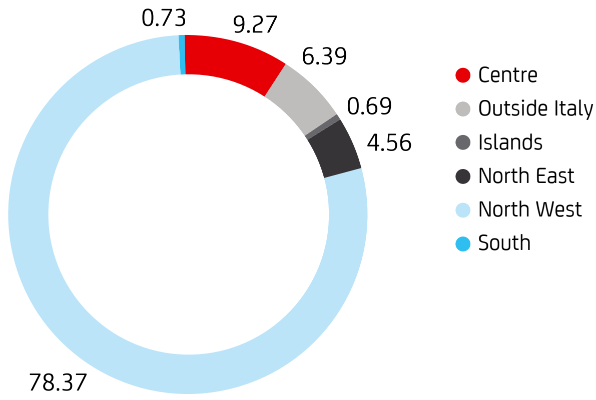
Unlikely-to-pay positions by geographic area (%)



Impaired past-due loans showed a slight reduction between the end of 2019 and the end of 2020, from 99.1 million to 79.7 million in absolute terms, standing at 0.68% of the total net receivables, compared to 0.81% at the end of the previous year.

Past due loans by geographic area show a clear prevalence in the North-West of Italy.

Past-due positions by geographic area (%)



Risk management and control methods

Credit & Risk Management is responsible for controlling the processes used to measure, monitor, govern and control risks by ensuring the optimal composition of the portfolio and limiting the related costs.

In line with the parent company's organizational model, the Company has designed its organizational structure by separating the processes for the acquisition and management of assigning customers from those for debtor management, and by entrusting the Credit & Risk Division with the responsibility for decision-making – this department is also responsible for systematic monitoring and for risk management.

Powers to grant finance, which are the responsibility of the Board of Directors, are partly delegated to the Credit Committee and the CEO, below whom there is a system of delegated roles for individual teams in the Credits Division.

The system of powers and delegated powers is periodically reviewed in agreement with the Parent Company, and is adjusted to reflect changes in the market and the company's structural requirements.
With regard to market risk, considering that the Company does not operate in financial instruments trading, the characteristics of its products and its modus operandi means that risk is kept at limited levels.
The Company's assets, which are mainly short-term entries, minimize its exposure to changes in interest rates, as in general the Company operates by:
- periodically updating the variable rates with the funding maturities;

Directors' Report on Operations (Continued)

- applying fixed rates based on the cost of funding (receivables acquired definitively).

The interest rate risk relating to longer-term non-recourse purchase transactions is normally hedged by funding transactions with the same duration and in some cases by taking out derivative instruments to hedge the interest rate risk.

Similarly, the liquidity aspect is mitigated by matching the maturities of cash flows and funding.

The foreign currency receivables in the Company's assets are financed with liabilities in the same currency. This minimizes the exchange risk. For more detailed information about risks and hedging policies, see the Notes (Part D – Section 3).

Income Statement and Shareholders' Equity

Income statement

The following income statement follows the reclassification model used by the Group, and the reconciliation with the balance sheet is attached.

Condensed income statement

(millions of euros)

	FINANCIAL YEAR		CHANGE		% CHANGE
	12.31.2020	12.31.2019	AMOUNT	%	NORMALIZED
Net interest	117.8	129.8	-12.0	-9.3%	-12.4%
Net fees and commissions	48.4	58.4	-10.0	-17.1%	-17.1%
Trading and hedging income/expense	-0.9	-0.7	-0.2	+21.9%	+21.9%
Net other expenses/income	3.9	5.1	-1.2	-23.7%	-23.7%
OPERATING INCOME	**169.2**	**192.6**	**-23.4**	**-12.1%**	**-14.6%**
Personnel costs	-28.7	-28.3	-0.4	+1.4%	+1.4%
Other administrative expenses	-18.6	-19.1	0.5	-2.8%	-2.8%
Impairment/write-backs on intangible and tangible assets	-1.6	-1.8	0.3	-14.2%	-14.2%
Operating costs	**-48.9**	**-49.3**	**0.4**	**-0.8%**	**-0.8%**
OPERATING PROFIT (LOSS)	**120.3**	**143.3**	**-23.0**	**-16.0%**	**-20.8%**
Net write-downs on loans	-26.9	-16.4	-10.5	+63.8%	+63.8%
NET OPERATING PROFIT (LOSS)	**93.4**	**126.9**	**-33.5**	**-26.4%**	**-35.5%**
Net provisions for risks and charges	0.3	-1.8	2.1	n.m.	n.m.
Integration costs	-10.0	0.3	-10.4	n.m.	n.m.
PROFIT BEFORE TAXES	**83.7**	**125.5**	**-41.8**	**-33.3%**	**-44.9%**
Income tax for the year	-26.1	-39.7	13.6	-34.3%	-45.8%
NET PROFIT	**57.6**	**85.8**	**-28.1**	**-32.8%**	**-44.5%**

On the revenue side, there was a decrease in both the interest and commission components. This decrease partly reflects the decrease in turnover (-17.4%) and lending volumes (-11.3% in average annual terms) and partly the decrease compared to 2019 in extraordinary interest income, despite an uptick in commercial spreads.
The operating income stood at 169.2 million, a decrease of 12.1% on the previous year. Contributing to this result was the net interest margin, at 117.8 million (-9.3%), net commission at 48.4 million (-17.1%) and the other items at 3 million (-31.4%).
On the cost side, personnel costs increased by 0.7%. This increase can partially be explained by the increase in the average cost per FTE relating to the introduction of high level professionals.

Other administrative expenses fell by 2.8% due to clear efficiencies being made in the various sectors.

Overall, operating costs stood at 48.9 million, a decrease of 0.8% on the previous year. The cost to revenue ratio increased to 28.9% compared to 25.6% in the previous year while operating profit of 120.3 million was down 16% compared to 2019.
Net impairment losses on loans, amounting to 26.9 million euros, increased compared to the previous year (+63.8%). The cost of risk rose to 0.26% compared to 0.13% in 2019.

Gross profit amounted to 83.7 million. Net profit, after tax of 26.1 million, was 57.6 million compared to 85.8 million in the previous year (-44.5%).

Equity and capital ratios

Equity as at December 31, 2020 was 792 million, down from December 31, 2019 due to the decrease in profit for the year (57.6 million) which is higher than the retained earnings of the previous year. Tier 1 capital, taking into account the distribution of approximately 70% of the net profit for the year, stood at 751 million, compared to 734 million at the end of 2019 (+2.4%).

Total risk weighted assets decreased by 17.3%, more than the decrease in the value of nominal receivables, since the composition of the loan portfolio is more concentrated on lower weighted portfolios. CET 1 rose to 10.93%, as did the total capital ratio, and was well above the minimum permitted level of 6%.

EQUITY AND CAPITAL RATIOS

(millions of euros)

	DATA AS AT		CHANGE VS. 12.31.2019	
	12.31.2020	12.31.2019	AMOUNT	%
Equity	792	795	-3	-0.4%
Period profit to distribute (-)	40	60	-20	-32.8%
Negative/positive features		-1	+1	-100.0%
Common Equity Tier 1 Capital	751	734	+17	2.4%
Hybrid instruments and subordinated liabilities	0	0	+0	
Total own funds	751	734	+17	2.4%
Total RWA	6,874	8,309	-1,435	-17.3%
CET 1*	10.93%	8.83%	2.1%	
Total Capital ratio	10.93%	8.83%	2.1%	

* the difference with table '4.2.2 Quantitative disclosure, Part D Other disclosures' is due to a different calculation of operational risk assets compared to capital requirements

Other information

Application for registration on the new Single Register of Financial Intermediaries

Since 05/09/2016, the Company has been registered on the new Single Register of Financial Intermediaries, in accordance with the reformed Art. 106 TUB.

Auditing

In line with the Group's auditing policies, the Company uses the Internal Audit service of UniCredit S.p.A., through Group Audit Compliance, Operational, Credit & Finance Risks which reports to the Internal Audit Department of UniCredit S.p.A. Auditing activities are done on the basis of a limited service agreement between UniCredit Factoring SpA and UniCredit SpA. A representative of the Audit Compliance, Credit & Finance Risks Group works exclusively within the Company.

Corporate responsibility: Italian Legislative Decree no. 231/2001

In 2020 the Supervisory Body continued its work on supervising adequacy and compliance with the Organizational and Management Model, which was set up in accordance with Decree 231/01 regarding the corporate responsibility of companies, legal entities and associations including those without legal status. The supervisory body performed its activities with the collaboration of Internal Audit. During 2020, the decision-making model and protocol was revised by resolution of the Board of Directors. The update was necessary following the introduction of new "predicate offences" into the system and to incorporate the changes made to the Company's organizational structure.

Business Continuity and Coronavirus emergency

In constant coordination with the Parent Company and in compliance with the requirements of the Supervisory Authorities, the Coronavirus emergency was managed in such a way as to ensure business continuity. Technological and organizational measures were promptly implemented to allow remote handling of business processes, which were not interrupted even when they relied on the activities of third parties (outsourcers).
Use of preventive measures (remote working, distribution of prevention kits, temperature checks at entrances, sanitization of environments, maximum building capacity levels) kept customers and employees safe. Indeed, there has not been a significant number of cases such that would impact on normal business.

In addition, as required by the Bank of Italy regulations and in accordance with the Parent Company's instructions, the Company has approved and activated a business continuity and crisis management plan. This takes into consideration the main crisis and disaster scenarios and for each of them, identifies the

Directors' Report on Operations (Continued)

solutions to be taken to ensure adequate business continuity in acceptable conditions. In addition to the previous plan, whose continuity strategies included the use of backup locations in case company premises were unavailable, remote working was adopted as a continuity strategy and successfully adopted during the management of the crisis.

Environment and health and safety at work

The year 2020 was marked by a pandemic that required the immediate activation of sanitary protocols to limit COVID-19 infections, including the suspension of all planned in-person activities and with the adoption wherever possible of remote working.

In compliance with these requirements and in order to provide maximum protection for workers, in accordance with the Group's guidelines and standards, all training activities concerning Legislative Decree 81/2008 were carried out online.
In-person training scheduled for fire-safety officers and first aiders were reduced due to the pandemic, which went through a succession of critical phases and periods of high infections among the Italian population.
Company medics stepped up their activities in order to manage all related problems concerning health surveillance. The program of medical examinations by the company doctor also continued.

Related-party transactions

With regard to relations with the parent company and other companies in the UniCredit Group, see the Notes (Part D – Other information – Section 6 – Related-party transactions).

Treasury shares and parent-company shares in the portfolio

The Company does not hold, nor has it held during the year, any own treasury shares or shares of the parent company.

Research and development

No investments were made in research and development during the year.

Financial Instruments

As of December 31, 2020 the company does have hedging derivatives to cover interest rate risk. More information about the policy of managing financial risks and the composition of the derivatives portfolio can be found in the Notes.
In addition, from this report onwards, there are equities recognized in Financial assets measured at fair value through other comprehensive income, which the Company obtained as a result of a transaction to restructure the debt of a lending counterparty in composition with creditors proceedings.

Management and coordination by the Parent Company

As required by Articles 2497 et seq of the Italian civil code, please note that the Company is subject to direction and coordination by UniCredit S.p.A.; Part D - Other information – Section 6 of the Notes contains details of relations with the entity exercising management and coordination and with the other companies it manages. The annexes to the Notes contain a schedule of the key data for the parent company.
The Company has joined the Group tax consolidation scheme.

Registered offices

Via Livio Cambi, 5, Milan.

Secondary offices

The Company does not have any secondary offices.

Events after year-end and outlook

Subsequent Events

No significant events have occurred after the reporting date that would have an impact on the financial statements.

Outlook

Domestically, the prospects for economic growth remain closely linked both to the evolution of the pandemic and to the measures put in place to counter the increase in infections and limit their impact on economic activity. The epidemic is expected to gradually return under control in the first half of 2021, with a significant contribution to economic activity from fiscal policy and the use of European funds. Monetary and financial conditions are also expected to remain extremely favorable, thanks in part to the actions of the Eurosystem, governments and European institutions. The continuation of low interest rates and the support measures adopted by the Italian Government have largely mitigated liquidity risks and business insolvency risks. Economic policy measures are expected to be able to contain the repercussions of the crisis on the indebtedness of businesses and on the quality of credit, without translating into a significant tightening of lending conditions. The average cost of credit to businesses, which fell slightly in 2020 (to 1.5% from 1.7% in 2019), is expected to rise again albeit very slightly.

On the basis of these assumptions, it is estimated that GDP, after a weak start at the beginning of the year, will return to significant growth from the spring, coinciding with the projected improvement in the public-health situation. From the second half of 2021 and in the following two years, additional impetus would come from support and recovery measures financed by the national budget and European funds. On average, after contracting 8.8% in 2020, GDP is forecast to expand 3.5% this year (and 3.8% and 2.3% in the next two years), returning to pre-pandemic crisis levels.

As far as the factoring sector in particular is concerned, the expectations of operators in the sector are positive, forecasting a return to growth for the current year compared to 2020 at a rate of around 5% for turnover and 2% for lending, regaining ground in terms of turnover/GDP penetration.

In this highly uncertain macro scenario, the Company confirms that it will still pursue the strategic objectives of portfolio quality, market leadership and return on capital, in collaboration with the Parent Company's network and continuing to work on existing projects.

Milan, February 9, 2021

The Chief Executive Officer	For the Board of Directors
Simone Del Guerra	Chairman: Maurizio Guerzoni

Proposals to the Shareholders' Meeting

The financial statements and the directors' Report on Operations, which we now submit for your approval, have been audited by Deloitte & Touche S.p.A in accordance with the meeting resolution passed on April 18, 2013.

We also propose the distribution of profits for the year, of 57,630,522 euros, as follows:

legal reserve (5%)	2,881,526 euros
other reserves	14,358,096 euros
to shareholders at the rate of 0.478 euros per share	38,383,400 euros
to UniCredit Foundation, as a donation	2,007,500 euros

Milan, February 9, 2021

The Chief Executive Officer
Simone Del Guerra

For the Board of Directors
Chairman: Maurizio Guerzoni

Financial Statements

Financial Statements

Balance Sheet

(Amounts in euros)

ASSETS	12.31.2020	12.31.2019
10. Cash and cash balances	292	317
20. Financial assets measured at fair value through profit or loss	0	1,104,200
a) financial assets held for trading;	-	-
b) Financial assets designated at fair value	-	-
c) other financial assets mandatorily at FV	0	1,104,200
30. Financial assets measured at fair value through other comprehensive income	15,032,586	173
40. Financial assets measured at amortized cost	11,909,397,694	12,488,310,510
a) loans and receivables with banks	116,979,565	282,211,233
b) receivables from financial companies	360,349,121	467,037,661
c) loans and receivables with customers	11,432,069,008	11,739,061,616
50. Hedging derivatives	0	16,697
60. Changes in fair value of portfolio hedged items (+/-)	8,322,055	8,164,433
80. Property, plant and equipment	6,936,746	8,681,626
90. Intangible assets	588,651	825,145
of which:		
- goodwill		
100. Tax assets	43,628,005	52,198,409
a) current	-	-
b) deferred	43,628,005	52,198,409
120 Other assets	88,905,283	87,410,371
Total assets	**12,072,811,312**	**12,646,711,881**

LIABILITIES AND EQUITY	12.31.2020	12.31.2019
10. Financial liabilities measured at amortized cost	10,750,184,444	11,323,633,058
a) payables	10,750,184,444	11,323,633,058
40. Hedging derivatives	15,716,905	15,090,428
60. Tax liabilities	6,318,060	29,121,469
a) current	6,318,060	29,121,469
80. Other liabilities	468,947,684	444,386,198
90. Provision for employee severance pay	2,459,616	2,714,799
100. Provisions for risks and charges:	37,671,926	37,163,558
a) commitments and guarantees given	1,416,051	1,101,743
b) post-retirement benefit obligations	796,610	371,201
c) other provisions for risks and charges:	35,459,265	35,690,614
110. Capital	414,348,000	414,348,000
140. Share premium	951,314	951,314
150. Reserves	319,760,614	294,068,049
160. Valuation reserves	(1,177,773)	(521,957)
170. Profit (loss) for the year (+/-)	57,630,522	85,756,965
Total liabilities and equity	**12,072,811,312**	**12,646,711,881**

Income statement

(Amounts in euros)

ITEMS	12.31.2020	12.31.2019
10. Interest and similar income	125,816,207	143,718,103
of which interest income calculated using the effective interest method	101,617,673	111,830,265
20. Interest expense and similar charges	(8,035,161)	(13,903,351)
30. **NET INTEREST MARGIN**	**117,781,046**	**129,814,752**
40. Fees and commissions income	67,563,791	77,631,898
50. Fees and commissions expenses	(19,140,963)	(19,219,636)
60. **NET FEES AND COMMISSIONS**	**48,422,828**	**58,412,262**
50. Dividends and similar income	-	-
80. Net profit (loss) from trading	208,392	(148,578)
110. Gains and losses on financial assets/liabilities at fair value through profit or loss	(1,104,200)	(585,600)
b) other financial assets mandatorily at FV	(1,104,200)	(585,600)
120. **OPERATING INCOME**	**165,308,066**	**187,492,836**
130. Net adjustments/writebacks for credit risk of:	(26,887,264)	(16,415,173)
a) financial assets measured at amortized cost	(26,887,264)	(16,415,173)
160. Administrative costs:	(57,343,168)	(47,118,665)
a) personnel costs	(38,763,808)	(28,002,882)
b) other administrative expenses	(18,579,360)	(19,115,783)
170. Net provisions for risks and charges	306,687	(1,765,745)
a) commitments and guarantees given	(314,308)	1,211,764
b) other net provisions	620,995	(2,977,509)
180. Net value adjustments/write-backs on property, plant and equipment	(1,329,062)	(1,589,220)
190. Net value adjustments/write-backs on intangible assets	(236,494)	(235,848)
200. Other income and operating expenses	3,894,247	5,105,835
210. OPERATING COSTS	**(54,707,790)**	**(45,603,643)**
260. PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	**83,713,012**	**125,474,020**
270. Income tax expense on continuing operations	(26,082,490)	(39,717,055)
280. PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAXES	**57,630,522**	**85,756,965**
300. NET PROFIT (LOSS)	**57,630,522**	**85,756,965**

Statement of comprehensive income

(Amounts in euros)

ITEMS	12.31.2020	12.31.2019
10. Net profit (loss)	**57,630,522**	**85,756,965**
Other comprehensive income after tax not reclassified to profit or loss	**-**	
20. Equity instruments at fair value through other comprehensive income	(644,192)	0
30. Financial liabilities measured at fair value through profit or loss (changes in own credit rating)	-	-
40. Hedging of equity instruments at fair value through other comprehensive income	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(11,625)	(122,788)
80. Non-current assets held for sale	-	-
90. Portion of valuation reserve for equity investments valued using the equity method	-	-
Other comprehensive income after tax that may be reclassified to profit or loss		
100. Hedges of foreign investments	-	-
110. Exchange rate differences	-	-
120. Cash-flow hedges	-	-
130. Hedging instruments (not designated)		
140. Financial assets (other than securities) measured at fair value with impact on comprehensive income	-	-
150. Non current assets and disposal groups classified as held for sale	-	-
160. Share of valuation reserves of equity investments accounted for using equity method	-	-
170. Total other income components after tax	**(655,817)**	**(122,788)**
180. Total comprehensive income (Item 10+170)	**56,974,705**	**85,634,177**

Financial Statements (Continued)

Statement of changes in Equity as at December 31, 2020

	BALANCE AS AT 12.31.2019	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2020	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Capital	414,348,000	-	414,348,000	-	-
Share premium	951,314	-	951,314	-	-
Reserves:	-		-		
a) income	294,068,049	-	294,068,049	25,692,565	-
b) others	-	-	-	-	-
Valuation reserves	(521,956)	-	(521,956)		-
Equity instruments	-	-	-		-
Treasury shares	-	-	-	-	-
Income (loss) for the period	85,756,965	-	85,756,965	(25,692,565)	(60,064,400)
Equity	**794,602,372**	**-**	**794,602,372**	**-**	**(60,064,400)**

Statement of changes in Equity as at December 31, 2019

	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Capital	414,348,000	-	414,348,000	-	-
Share premium	951,314	-	951,314	-	-
Reserves:	-		-		
a) income	286,352,535	-	286,352,535	8,761,521	-
b) others	-	-	-	-	-
Valuation reserves	(1,445,176)	-	(1,445,176)		-
Equity instruments	-	-	-		-
Treasury shares	-	-	-	-	-
Income (loss) for the period	29,398,621	-	29,398,621	(8,761,521)	(20,637,100)
Equity	**729,605,294**	**-**	**729,605,294**	**-**	**(20,637,100)**

(Amounts in euros)

	CHANGES DURING THE YEAR							
		SHAREHOLDERS' EQUITY TRANSACTIONS						
	CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	EXTRAORDINARY DISTRIBUTION OF DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME 12.31.2020	SHAREHOLDERS' EQUITY 12.31.2020
	-	-	-	-	-	-	-	414,348,000
	-	-	-	-	-	-	-	951,314
	-	-	-	-	-	0		319,760,614
	-	-	-	-	-	-	-	-
		-	-	-	-	-	(655,817)	(1,177,773)
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	57,630,522	57,630,522
	-	**-**	**-**	**-**	**-**	**0**	**56,974,705**	**791,512,677**

(Valori in Euro)

	CHANGES DURING THE YEAR							
		SHAREHOLDERS' EQUITY TRANSACTIONS						
	CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	EXTRAORDINARY DISTRIBUTION OF DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME 12.31.2019	SHAREHOLDERS' EQUITY 12.31.2019
	-	-	-	-	-	-	-	414,348,000
	-	-	-	-	-	-	-	951,314
	-	-	-	-	-	(1,046,008)		294,068,048
	-	-	-	-	-	-	-	-
		-	-	-	-	1,046,008	(122,788)	(521,956)
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	85,756,965	85,756,965
	-	**-**	**-**	**-**	**-**	**0**	**85,634,177**	**794,602,371**

Financial Statements (Continued)

Cash Flow Statement - Direct Method

(Amounts in euros)

	12.31.2020	12.31.2019
A. OPERATING ACTIVITIES		
1. OPERATIONS	**165,845,728**	**158,322,313**
- interest income collected	117,649,400	144,372,881
- interest expense paid	(8,035,161)	(13,903,351)
- net fees and commissions	46,422,884	51,341,779
- personnel costs	(28,545,051)	(28,002,882)
- other costs	(8,152,211)	(19,849,961)
- other revenues	64,017,953	67,413,631
- taxes and duties	(17,512,086)	(43,049,784)
- costs/income related to group assets classified as held for sale and net tax effects		
2. LIQUIDITY GENERATED/ABSORBED BY FINANCIAL ASSETS	**536,822,560**	**909,631,735**
- other financial assets mandatorily at FV	0	595,600
- financial assets measured at fair value through other comprehensive income	0	0
- financial assets measured at amortized cost	538,458,398	924,383,167
- other assets	(1,635,838)	(15,347,032)
3. LIQUIDITY GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**(581,014,948)**	**(1,030,461,961)**
- financial liabilities measured at amortized cost	(579,802,830)	(1,070,390,943)
- debt securities in issue	0	0
- other liabilities	(1,212,118)	39,928,982
NET CASH GENERATED/ABSORBED BY OPERATING ACTIVITIES	**121,653,340**	**37,492,087**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY:		
- sale of investments	-	-
- dividends collected on investments	-	-
- sales/repayments of held-to-maturity financial assets	-	-
- sales of property, plant and equipment	-	
- sales of intangible assets	-	-
- sales of business units	-	-
2. CASH ABSORBED BY:		
- purchases of investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	-	(7,716)
- purchase of intangible assets	-	0
- purchases of business units	-	-
NET CASH GENERATED/ABSORBED BY INVESTMENT ACTIVITIES	**-**	**(7,716)**
C. FUNDING ACTIVITIES		
- issue/purchase of own shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other allocations	(60,064,400)	(20,637,100)
NET CASH GENERATED/ABSORBED BY FINANCING ACTIVITIES	**(60,064,400)**	**(20,637,100)**
NET CASH GENERATED/ABSORBED DURING THE YEAR	**61,588,940**	**16,847,271**

Reconciliation

	12.31.2020	12.31.2019
Cash and cash equivalents at the beginning of the period	38,636,331	21,789,060
Total net cash generated/absorbed during period	61,588,940	16,847,271
Cash and cash balances effects of changes in exchange rates	-	-
Cash and cash equivalents at the end of period	100,225,271	38,636,331

Notes to the Financial Statements

Part A - Accounting policies

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with international accounting standards

These financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, endorsed by the European Commission up to December 31, 2020, as required by European Union Regulation No. 1606/2002, transposed in Italy by Legislative Decree 38 of February 28, 2005.

The financial statements were prepared according to the models in the Bank of Italy's measure of November 30, 2018, "Financial statements of IFRS intermediaries other than banking intermediaries", which fully replaced the guidelines annexed to the instructions in its measure of December 22, 2017 and subsequent supplementary provisions concerning: 1) impacts of Covid-19 and support measures taken to address the pandemic 2) amendments to IAS/IFRS.

Section 2 - Preparation Criteria

The financial statements of UniCredit Factoring S.p.A. at December 31, 2020 were prepared, as indicated above, in conformity with the International Accounting Standards (IAS/IFRS) endorsed by the European Union. The financial statements comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, and the Notes, accompanied by the Directors' Report on Operations. The financial situation is presented in euros, apart from the Notes which are prepared in thousands of euros, and corresponds to the company accounts, which fully reflect the operations carried out during the period.

The accounts are drafted on a going concern basis and correspond to the principles of accrual, relevance and materiality, and the prevalence of economic substance over legal form. The information in the Cash Flow Statement is given in accordance with the cash principle.

Costs and revenues, assets and liabilities are not offset against each other, except where required by an accounting standard and/or its interpretation, in order to make the financial statements clearer and more communicative.

The financial statements and Notes show the corresponding comparisons with the previous year.

The financial statements to December 31, 2020 have been drafted clearly and provide a true and fair representation of the Company's assets, financial position, economic result for the year, shareholders' equity and cash flow.

In these financial statements there are no derogations from the IAS/IFRS accounting standards.

Risk and uncertainty relating to the use of estimates

The IFRS require that Management provides valuations, estimates and projections with a bearing on the application of the accounting standards and the carrying amounts of assets, liabilities, expenses and revenues. Estimates and related projections based on experience and other factors judged to be reasonably included were used to estimate the carrying value of assets and liabilities not readily obtainable from other sources.

During the 2020 financial year, the COVID-19 pandemic spread to the countries in which the Company operates –and in particular, Italy – affecting the Company's economic activities and, consequently, its profitability.
The slowdown in economic activity and consequent reduction in company turnover contributed to the fall in the volume of receivables acquired by the company and led to a reduction in all categories of commercial revenues (interest and commissions).
In addition, 2020 brought extraordinary expenses required to ensure business continuity and safety in light of the pandemic.
The current market is also marked by a substantial degree of uncertainty regarding the existence (and extent) of economic recovery that could occur in the coming years and how the pandemic continues to evolve.

The Company has considered the effects of these uncertainties on the value of financial assets recognized on the Company's balance sheet and for all estimation processes.
The estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognized in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognized accordingly in both current and future periods.
The risk of uncertainty in estimation essentially relates to the assessment of:
• the quantification of losses due to impairment in the value of receivables;
• severance pay and other employee benefits;
• the provisions for risks and charges;
• financial instruments;
• deferred tax assets.

Section 3 - Subsequent Events
No significant events have occurred after the reporting date that would make it necessary to change any of the information given in the Accounts as at December 31, 2020.

Section 4 - Other aspects
These accounts are audited by the company Deloitte & Touche S.p.A. pursuant to Legislative Decree no. 39 of January 27, 2010 and in implementation of the Shareholders' Meeting resolution of April 18, 2013.

In 2020, the following accounting standards or amendments to existing accounting standards came into force:
- Covid-19-Related Rent Concessions - Amendment to IFRS 16 (EU Reg. 2020/1434);
- Amendments to IFRS3 Business Combinations (EU Reg. 2020/551);
- Amendments to IFRS9, IAS39 and IFRS7: Interest Rate Benchmark Reform (EU Reg. 2020/34);
- Amendments to IAS 1 and IAS 8: Definition of material (EU Reg. 2019/2104);
- Amendments to References to the Conceptual Framework in IFRS Standards (EU Reg. 2019/2075).

The adoption of which did not have a material impact on the balance sheet or income statement. With regard to interest rate benchmark reform (EU Reg. 2020/34), it should be noted that the Company, in line with the UniCredit Group, availed of early adoption from 12/31/2019 and therefore the related disclosures on the consequent impacts were provided in the Financial Statements for the year ended 12/31/2019.
As at December 31, 2020, the accounting standard "Amendments to IFRS 4 Insurance Contracts - Postponement of IFRS 9" (EU Reg. 2020/2097) applicable to reporting with effect from January 1, 2021 was endorsed by the European Commission.

Finally, as at December 31, 2020, the IASB has issued the following accounting standards, interpretations or amendments of existing standards, whose application is subject to completion of the endorsement process by the competent bodies of the European Union:
- IFRS 17 Insurance Contracts (May 2017) including amendments to IFRS 17 (June 2020);
- Amendments to IAS 1 Presentation of financial statements Classification of liabilities as current or non-current and Classification of liabilities as current or non-current – Deferral of effective date (January and July 2020, respectively);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Cycle of Improvements (May 2020);
- Amendments to IFRS 4 Insurance Contracts - Postponement of IFRS 9 (June 2020);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (August 2020).

Risks, uncertainties and impacts of the COVID-19 outbreak
Please refer to Part D section 3 for a description of the impacts on the portfolio and loans, as well as classification and valuation policies arising from the COVID-19 pandemic.
With reference to the other items in the financial statements, as also indicated in Section 2 above, despite the current uncertainties arising from the COVID-19 pandemic, nothing was found that could have a significant impact on their valuation, even prospectively.

The draft financial statements of the Company were approved and authorized for publication by the Board of Directors on February 9, 2021.

As also indicated in Part D, at the request of assignors and debtors, the Company granted extensions of payment terms that did not result in the derecognition of the receivable and the recognition of a new financial asset.

Part A - Accounting policies (Continued)

A.2 - Main Items of the Financial Statements

Below are the criteria adopted for the valuation of the main items.

1) Financial assets at fair value through profit or loss

a) Financial assets held for trading

A financial asset is classified as held for trading if:
- it is acquired principally for the purpose of selling it in the near term;
- it is part of a portfolio of financial instruments that are managed together and for which there is a strategy of short-term profit-taking.
- it is a derivative contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those measured at fair value with recognition of income effects through profit or loss.

Like other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and income, which are recognized in profit and loss even when directly attributable to the financial assets. Trading book derivatives are recognized at trade date.
After initial recognition these financial assets are measured at their fair value through profit or loss.

A gain or loss arising from sale or redemption or a change in the fair value of a HfT financial asset is recognized in profit or loss in item 80 Net trading result, including gains and losses on derivatives relating to financial assets and/or liabilities designated at fair value and other financial assets designated at fair value. If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognized in item "20. Financial liabilities held for trading".

A derivative is a financial instrument or other contract with all three of the following characteristics:
- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (usually called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host-with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is recognized according to its accounting classification.

b) Financial assets designated at fair value

A non-derivative financial asset can be designated at fair value if said designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

FlaFV are accounted for in a similar manner to "HfT financial assets", however gains and losses, whether realized or unrealized, are recognized in item 110. Gains and losses on other financial assets/liabilities at fair value through profit or loss: (a) financial assets and liabilities designated at fair value"; this item also includes changes in the fair value of "financial liabilities designated at fair value" attributable to deteriorations in their creditworthiness, if the designation of liabilities at fair value creates or increases the accounting asymmetry in the income statement under IFRS 9.

c) Other financial assets mandatorily at FV

A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:
- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments not held for trading, for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

FIaFV are accounted for in a similar manner to "HfT financial assets", however gains and losses, whether realized or unrealized, are recognized in item 110. Gains and losses on other financial assets/liabilities at fair value through profit or loss: b) other financial assets mandatorily at FV".

2 - Financial assets measured at fair value through other comprehensive income
A financial asset is measured at fair value through other comprehensive income if:
- its business model is held to collect and sell;
- the relative cash flows represent only the payment of principal and interest.

Equity instruments not held for trading, for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income are also classified in this category.
On initial recognition, at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and revenues directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortized cost criterion in the item "10. Interest and similar income" where positive or in item "20. Interest expense and similar charges" where negative.
The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under item 160. "Valuation reserves" in equity.
These instruments are tested for impairment as illustrated in the specific section 16 - Other information – Impairment.
These impairment losses are recognized in the income statement under item "130. Net adjustments/writebacks for credit risk relating to: b) Financial assets measured at fair value through other comprehensive income", with a contra-entry in other comprehensive income and also recognized under item "160. "Valuation reserves" in equity.
In the event of disposal, the profits and losses are recorded through P&L under item "100. Gains/(losses) on disposal or repurchase of: b) Financial assets measured at fair value through other comprehensive income
The amounts deriving from the adjustment made to the book values of financial assets, considered gross of the related total value adjustments, so as to reflect the changes made to the contractual cash flows that do not give rise to derecognition, are recorded in the income statement under item "140. Gains/losses from contractual modifications without cancellations"; this item does not include the impact of contractual amendments on the amount of expected losses, which is recognized under item "130. Net adjustments/writebacks for credit risk relating to: b) Financial assets measured at fair value through other comprehensive income.

This item may also include on-balance sheet credit exposures that are impaired upon initial recognition. These exposures are classified as "Purchased Originated Credit Impaired" (POCI).
The amortized cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset.
This expected credit loss is subject to periodic review thus determining the recognition of impairment or write-backs.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under item 160. "Valuation reserves" in equity.
In the event of disposal, the accumulated profits and losses are recorded in item 150. Reserves:
In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement. Only dividends are reported in the income statement under item "50. Dividends and similar income".

3) Financial assets valued at amortized cost
The receivables are non-derivative financial assets with customers, finance companies and banks, with fixed or determinable payments that are not quoted in an active market.

The first recognition takes place on the date of sale following the signing of the contract (in the case of a without recourse assignment) and coincides with the date of payment, for with-recourse receivables.

Part A - Accounting policies (Continued)

The receivable will be recognized on the basis of its fair value, equal to the amount lent (with recourse), or the value of the receivable acquired (without recourse).

After the initial recognition at fair value, including the costs of the transaction which are directly attributable to the acquisition of the financial asset, the receivables are measured at amortized cost, if necessary adjusted to take into account any reductions and/or write-downs resulting from the valuation process.

Put simply, factoring operations consist of exposures to assignors that represent loans paid against non-recourse assignments, and exposures to assigned debtors representing the value of receivables acquired in without-recourse assignments.

For the purposes of IFRS 9, these operations entail, for the assigning and factoring companies, an assessment of whether or not the derecognition conditions required by this international accounting standard have been met.

In accordance with the general principle of prevalence of economic substance over legal form, a company can de-recognize a financial asset only if, as a result of a sale, it has transferred the risks and benefits connected to the sold asset.

IFRS 9 provides that a company can only derecognize a financial asset if:
a) it has transferred the financial asset, and with that, all the risks and contractual rights to cash flows deriving from that asset essentially expire;
b) the benefits of owning the asset no longer exist.

To assess the effective transfer of risks and benefits there is a need to compare the exposure of the assigning company to the changes in the current value or cash flows generated by the transferred financial asset before and after the sale.

The assigning company essentially maintains all the risks and benefits when the exposure to the 'variability' of the present value of the net future cash flows of the asset does not change significantly, following its transfer. Conversely, there is a transfer when the exposure to this variability is no longer significant.

The most common ways in which a financial instrument is transferred can have very different accounting effects:
- in the case of a without-recourse assignment (without any guarantee restriction), the sold assets can be derecognised from the assignor's financial statements;
- in the case of a with-recourse assignment it should be considered that in most cases, the risk of the sold asset remains with the vendor, and therefore the assignment does not meet the requirements for derecognition of the sold asset.

The Company has included among its receivables those acquired on a without recourse basis after checking that there are no contractual clauses that would invalidate the transfer of all risks and benefits. With regard to the with-recourse portfolio, the receivables are recognized and maintained on the financial statements limited only to the amounts paid to the assignor by way of advance.

More specifically:
a) receivables assigned on a with-recourse and "legal" without-recourse basis (with no derecognition by the assignor) are recognized, limited to the amounts paid to the assignor by way of advance including interest and fees, and first recognition takes place on the basis of the amount anticipated to the assignor for the assignment of receivables.
b) receivables definitively acquired on a without recourse basis with the substantial transfer of the risks and benefits, and maturity receivables paid on maturity are recognized as to the amount of the transferred invoices (with derecognition by the assignor), and first recognition takes place at the nominal value of the receivable (equivalent to the fair value).
c) loans paid for future receivables not subject to assignments, and instalment loans is recognized as to the value equal to the amount of the finance, inclusive of interest and fees.

On each reporting date, if there is objective evidence of a loss in value of receivables, the amount of the loss is measured as the difference between the book value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. In particular: the criteria for determining the impairment losses on receivables are based on the discounting of the expected cash flows of capital and interest, net of any recovery costs and advances received; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value. Derecognition of a loan or receivable in its entirety is made when the loan or receivable is deemed to be irrecoverable or is written off.

According to the Bank of Italy regulations, impaired exposures are classified into the following categories:
- **bad loans**: this refers to receivables that are formally recognized as non-performing, consisting of exposures to insolvent borrowers (even if the insolvency has not been recognized in a court of law) and to borrowers in a similar situation. These are measured on a specific basis.
- **unlikely to pay positions**: refers to on-balance and off-balance sheet exposures that do not meet the criteria for classification as bad loans, and for which it is considered unlikely that the debtor will be able to fully repay the capital and/or interest on its finance without actions such as the enforcement of guarantees. This assessment takes place independently of any unpaid or past-due amounts or instalments.

Classification under unlikely to pay is not necessarily linked to the presence of specific anomalies (non-repayment) but rather to the presence of indications of situation of risk of default by the borrower (for example, a crisis in the industry sector that the borrower operates in).

Unlikely to pay positions are valued analytically.
- **Past-due and/or unauthorized exposures**: These are on-balance sheet exposures other than those classified among bad loans or unlikely-to-pay positions, which on the reporting date have been past-due or unauthorized for more than 90 days on a major obligation, as prescribed by the regulations on prudential relevance requirements and in accordance with the Bank of Italy Circular 217/1996 (as amended). Past-due and/or unauthorized impaired exposures are calculated with respect to the individual debtor.

Past-due and/or unauthorized impaired exposures are valued at a flat rate on a historical/stochastic basis by applying where available the risk rating referred to Loss Given Default (LGD) under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms.

The valuation of performing loans relates to portfolios of assets for which there are no objective loss factors. With the introduction of IFRS 9, the valuation requires the use of a model based on the expected losses on the loans, instead of the one based on losses already incurred, required by IAS 39. The new model requires the company to consider the expected losses, and any changes in those expected losses, on each reporting date in order to reflect changes in the credit risk arising since the initial recognition of the asset. There is thus no longer any need for an event that casts doubt on the recoverability of the loan before recognizing a loss on it.

Following the entry into force from January 1, 2021 of the EBA Guidelines 2016/07 “Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013” transposed into Bank of Italy Circular 288 “Supervisory Provisions for Financial Intermediaries”, the Company availed of a UniCredit Group calculator to identify positions to be classified as “past due” under the new criteria introduced. In addition, the Company has updated its regulations and internal processes in order to comply with the new guidelines.

4) Property, plant and equipment:
“Assets used in the business” are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

The item includes: plant and machinery, furniture and fittings.

Property, plant and equipment are initially recognized at cost, including the costs necessary for commissioning the asset for its intended use (including all the costs directly connected to the asset becoming operational, and to the non-recoverable taxes and duties on its purchase). This value is then increased by the costs incurred from which it is expected that future benefits will be enjoyed. The costs of ordinary maintenance carried out on the asset are recognized on the income statement when they arise. Conversely, the cost of extraordinary maintenance from which future economic benefits are expected are capitalized as an increase in the value of the assets they refer to.

After initial recognition, an item of property, plant and equipment is measured at cost, less any accumulated depreciation and any cumulative impairment losses. The depreciable value, which is equal to cost less the residual value (in other words the amount normally expected from disposal, less the expected costs of disposal if the asset is already in the conditions or of an age expected at the end of its useful life), is distributed systematically throughout the asset’s useful life, using the straight line method as the depreciation principle.

The practice normally adopted is to consider the residual value of depreciated assets as equal to zero.

The useful life, which is periodically reviewed in order to identify any estimates that may differ significantly from the previous ones, is defined as:
- the period of time for which it is expected that an asset can be used by the company;
- the quantity of products or similar items that the company expects to obtain from using the asset.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any value adjustment is recognized in the Income Statement item “Impairment/write-backs on property, plant and equipment”.

Part A - Accounting policies (Continued)

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognized on the prior-year impairment.

A tangible asset is derecognized from the Balance Sheet at the time of disposal, full amortization, or if no future economic benefits are expected from its use. Any difference between the disposal value and the book value is taken to profit and loss under the item "Gains (losses) on disposals of investments".
Property, plant and equipment also includes assets used by the Company as lessee under operating leases (hire), in application of IFRS 16, based on the right of use model.

5) Intangible assets:
An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used during more than one period and from which future economic benefits are probable.

The asset is identifiable if:
• it is separable, in other words it can be separated or de-assembled and sold, transferred, given under license, leased or exchanged;
• it derives from contractual or other legal rights regardless of whether those rights can be transferred or separated from other rights and obligations.

The asset can be controlled by the company as a result of past events on the assumption that through its use, the company will receive economic benefits. The company has control of an asset if it has the power to use the future economic benefits deriving from that asset and it can also limit access to those benefits by third parties.

An intangible asset is recognized as such if, and only if:
(a) it is probable that the company will receive future economic benefits from that asset;
(b) the cost of the asset can be reliably measured.

The item mainly includes software.

Intangible assets are initially recognized at cost. Any costs after initial recognition are only capitalized if they can generate future economic benefits and only if those costs can be reliably determined and allocated to the asset.

The cost of an intangible asset includes:
• the purchase price, including any non-recoverable taxes and duties on purchases, after deducting trade discounts and allowances;
• any direct cost of preparing the asset for use.

After initial recognition, an intangible asset with a defined useful life is measured at cost, less any accumulated amortization and any impairment losses.

The amortization is calculated systematically throughout the best estimate of the useful life of the asset, using the straight line method.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any value adjustment is recognized in the profit and loss item "Cost of asset disposals".

If the value of a previously impaired intangible asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognized on the prior-year impairment.

An intangible asset is derecognized from the balance sheet at the time of disposal, or if no future economic benefits are expected from its use. Any difference between the disposal value and the book value is taken to profit and loss under the item "Gains on disposals of investments".

6) Liabilities and Securities in Issue
These items are initially recognized at their fair value, which generally corresponds to the price received, net of the transaction costs directly attributable to the financial liability. After initial recognition, these instruments are measured at amortized cost using the effective interest method.

Payables from factoring operations represent the reserve payable to the assignors, resulting from the difference between the value of the receivables acquired on a without-recourse basis, and the advance paid out.

Financial liabilities are derecognized when they have expired or are extinguished.

Financial liabilities with an original term of less than 12 months are recognized at the nominal amount, as the application of amortized cost does not entail any significant changes.

Pursuant to IFRS 16, in force as of January 1, 2019, the item also includes lease payables, which the Company must pay as a lessee.

7) Hedging operations
Hedging operations are intended to neutralize the losses recognizable on a certain element or group of elements attributable to a certain risk, by means of the profits recognizable on a certain element or group of elements in the event that risk actually arises. The hedging instruments used by the Company are designated as hedging of the fair value of a recognized asset.

Hedging derivatives, like all derivatives, are initially recognized and then measured at fair value and are classified in the balance sheet assets under item "50 Hedging derivatives", and under liabilities item "40 Hedging derivatives".

In the case of macro hedges, the adjustment of the financial assets' value is classified in balance sheet item 60 "Changes in fair value of portfolio hedged items" and financial liabilities under item 50 "Changes in value of portfolio hedged financial liabilities". A positive change must not be offset against a negative one.

An item is classified as hedging, and is correspondingly recognized in the accounts, only if all the following conditions have been met:

- with the initial hedge, the account is designated and formally documented as well as the company's objectives in its risk management and hedging strategy. The documentation identifies the hedging instrument, the element or transaction subject to the hedge, the nature of the risk and the methods the company intends to use to assess the effectiveness of the hedge in offsetting exposure to changes in the fair value of the element hedged or the cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably assessed;
- the hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which it has been designated.

The hedge is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are almost completely offset by changes in fair value of the hedging instrument and if the hedge ratio is within the range of 80- 125 per cent.

The effectiveness of the hedge is initially assessed by forward-looking tests, and when the annual financial statements are prepared, using a retrospective test; the results of these tests justify the application of hedge accounting, as they demonstrate its expected effectiveness.

8) Employee severance pay provision
The severance pay provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognized on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. These benefits are determined by an independent actuary, using the Unit Credit Projection Method. This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following the pension reforms in Legislative Decree no. 252 of December 5, 2005, severance pay instalments accrued to 12.31.2006 (or to the date between 01.01.2007 and 06.30.2007 on which the employee opted to devolve their severance pay to a supplementary pension fund) stay with the employer and are considered a post-employment defined benefit plan, therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e. forecast future pay rises are not considered.

Severance pay instalments accrued since 01.01.2007 (date of Law 252's coming into effect) (or since the date between 01.01.2007 and 06.30.2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are considered a defined-contribution plan.

Costs relating to severance pay accruing in the year are recognized on the income statement and include the interest cost on the obligation already existing on the date of the reform. The amounts accrued in the year and paid to the supplementary pension plans or the INPS Treasury Fund are recognized under "Employee Severance Pay Provision".

The introduction of IAS19R from January 1, 2013, relating to the treatment of "post-employment benefits including severance pay" resulted in the elimination of the "corridor method" optional accounting treatment, with the Defined Benefit Obligations being presented on the balance sheet based on the relative actuarial valuation and recognition of related actuarial gains and losses in a contra entry of valuation reserve.

Part A - Accounting policies (Continued)

9) Provisions for risks and charges
Provisions for risks and charges are recognized on the account if, and only if:
- there is a current obligation (legal or implied) as a result of a past event;
- it is probable that an outflow of resources designed to produce economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the outstanding obligation at the reporting date, and reflects risks and uncertainties that inevitably characterize a multitude of facts and circumstances.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If, after review, it becomes clear that it is possible or unlikely that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognized.

No provision is made for potential liabilities which are unlikely to arise, although a description of the nature of the liabilities is given in any case.

10) Current and deferred taxation
Current taxes for the year and for prior years, where unpaid, are recognized as liabilities; any surplus paid in terms of an advance on the amount due, is recognized as an asset.

The current tax liabilities/assets for the current year and for prior years are determined at the value expected to be paid/recovered from the tax authorities, applying the current tax rates and regulations.

A deferred tax liability is recorded for all temporary taxable differences.

For all deductible temporary differences, an advance tax asset is recorded if it is likely that future taxable income will be earned against which the advance temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are constantly monitored and are quantified at the tax rates expected to be applicable in the year in which the tax assets will be realized or the tax liability will be discharged, taking into account the current tax regulations. The deferred tax assets and deferred tax liabilities are not discounted nor offset, unless an accounting standing explicitly requires offsetting.

11) Share-based payments
Equity-settled payments made to employees in consideration of services rendered, using equity instruments of the Parent Company comprise:
a) the right to subscribe to paid capital increases (stock options in the strict sense);
b) rights to receive shares on achieving quantity and quality targets (performance shares);
c) restricted shares.

Considering the difficulty of reliably measuring the fair value of the services rendered against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

The fair value of share-based payments is recognized as a cost on the income statement under “Personnel costs”, as a contra entry to “Other liabilities”, according to the accruals principle in proportion to the period in which the service was rendered.

12) Revenues
Revenues are the pre-tax flows of financial benefits deriving from ordinary business operations.

Revenues from contractual obligations with customers are only recognized if all the following criteria have been met:
a) the parties to the contract have approved it, and have committed to fulfilling their respective obligations;
b) the company can identify the rights of each of the parties, regarding the goods or services to be transferred;
c) the company can identify the terms of payment, regarding the goods or services to be transferred;
d) the contract has commercial substance (i.e. the risk, timing or amount of the company’s future cash flows will change after the contract);
e) it is probable that the company will receive the price to which it is entitled, in exchange for the goods or services transferred to the customer. In assessing the likelihood of receiving the amount, the company only has to take into account the customer’s capacity and intention to pay the price when due.

The price for the contract, which has to be likely to be received, is allocated to the individual contractual obligations.

The revenues are recognized according to the time when the obligations are fulfilled, on a single occasion or alternatively throughout the period required for the fulfilment of each obligation.

Late payment interest is recognized in item "10. Interest income and similar revenues" at the time of receipt, apart from legal interest accruing on tax credits, which is recognized on an accruals basis.

13) Foreign currency transactions

A foreign currency transaction is recognized at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from the settlement of transactions at rates different from those of the transaction date, and unrealized exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognized in profit and loss item 80 "Net profit from financial activities".

A.3 Disclosure on transfers between financial asset portfolios

The company has not carried out any reclassification of financial instruments between portfolios in the year under review or in previous years.

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section presents a disclosure on fair value as required by IFRS13.

The fair value is the amount that may be received from the sale of an asset or paid to transfer a liability, in an ordinary transaction between main market counterparties on the measurement date (exit price).

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The only assets or liabilities measured at fair value on a recurring basis held by the Company are.
- hedging derivatives (Interest Rate Swaps);
- Listed shares and participatory financial instruments issued by a counterparty and assigned to the company as part of a debt restructuring in a composition plan.

Regarding hedging derivatives, which are not traded on an active market, mark to model valuation techniques are used, which are based on inputs for which there is an active market.

In particular, the discounted cash flow valuation technique is used. This involves estimating the future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flows.

Listed equities are measured at mark to market, i.e. at the last available quoted price on the market on the reference date.

With regard to unlisted participative financial instruments (PFIs), the valuation is not based on data from active markets, but uses the latest available book value of the counterparty's equity, suitably discounted to reflect a proper assessment of the risks inherent in the instrument.

For items not measured at fair value on a recurring basis, the discounted cash flow technique is also used to estimate the fair value of shares in issue. For sight or short- term payables and receivables, which are essentially equal to the total of the corresponding items, the book value is considered to be an adequate approximation of their fair value. For medium/long-term payables and receivables, the book value is calculated by using a risk-adjusted present value model.

Part A - Accounting policies (Continued)

A.4.2 - Valuation processes and sensitivity

The Company does not hold assets or liabilities measured at fair value on a recurring or non-recurring basis (level 3) that require reporting.

A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.
A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

Specifically, three levels are envisaged:

- level 1: fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- level 3: fair value for instruments classified within this level is determined according to valuation models which prevalently use significant inputs not observable on active markets.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

Level 1 (quoted prices in active markets): quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis.

Level 2 (observable inputs): Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3 (unobservable inputs): Inputs other than the ones included in level 1 and level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

When Fair Value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When fair value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

QUANTITATIVE INFORMATION

TAV A.4.5.1
Financial assets and liabilities measured at fair value on a recurring basis: *fair value levels breakdown*

(thousands of euros)

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	12.31.2020				12.31.2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
1.Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	1,104	1,104
a. Financial assets designated at fair value	-	-	-	-	-	-	-	-
b. Financial assets measured at fair value	-	-	-	-	-	-	-	-
c. other financial assets mandatorily at FV	-	-	-	-	-	-	1,104	1,104
2. Financial assets measured at fair value through other comprehensive income	**2,723**	**-**	**12,310**	**15,033**	**-**	**-**	**-**	**-**
3. Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
4. Property, plant and equipment:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Intangible assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**2,723**	**-**	**12,310**	**15,033**	**-**	**17**	**1,104**	**1,121**
1. Financial liabilities held for trading	-	-	-	-	-	-	-	-
2. Financial liabilities at fair value	-	-	-	-	-	-	-	-
3. Hedging derivatives	-	15,717	-	15,717	-	15,090		15,090
Total liabilities	**-**	**15,717**	**-**	**15,717**	**-**	**15,090**		**15,090**

TAV A.4.5.2
Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euros)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER 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 AT FV				
1. Opening balance	1,104	**-**	**-**	**1,104**	**-**	**17**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**15,676**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits recognized in:	-	-	-	-	-	-	-	-
2.2.1 Income Statement	-	-	-	-	-	-	-	-
of which: Capital gain	-	-	-	-	-	-	-	-
2.2.2 Equity	-	-	-	-	-	-	-	-
2.3. Transfers from other portfolios	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	15,676	-	-	-
3. Decreases	**1,104**	**-**	**-**	**1,104**	**644**	**17**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.2. Losses recognized in:	-	-	-	-	-	-	-	-
3.2.1 Income Statement	1,104	-	-	1,104	-	17	-	-
of which: Capital loss	-	-	-	-	-	-	-	-
3.2.2 Shareholders' Equity	-	-	-	-	644	-	-	-
3.4. Transfers from other portfolios	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**-**	**-**	**-**	**-**	**15,033**	**-**	**-**	**-**

Part A - Accounting policies (CONTINUED)

TAV A.4.5.3
Annual changes in financial liabilities at fair value (level 3)

(thousands of euros)

	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
1. Opening balance	**-**	**-**	**15,090**
2. Increases	**-**	**-**	**626**
2.1. Issues	-	-	-
2.2. Losses recognized in:	-	-	-
2.2.1 Income Statement	-	-	-
of which: Capital loss	-	-	-
2.2.2 Equity	-	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	626
3 Decreases	**-**	**-**	**-**
3.1. Redemptions	-	-	-
3.2. Buybacks	-	-	-
3.3. Profits recognized in:	-	-	-
3.3.1 Income Statement	-	-	-
of which: Capital gain	-	-	-
3.3.2 Shareholders' Equity	-	-	-
3.4. Transfers from other portfolios	-	-	-
3.5. Other decreases	-	-	-
4 Closing balance	**-**	**-**	**15,717**

TAV A.4.5.4
Financial assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis

(thousands of euros)

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	12.31.2020				12.31.2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Assets measured at amortized cost	11,909,398	-	-	11,909,398	12,488,311	-	-	12,488,311
2. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**11,909,398**	**-**	**-**	**11,909,398**	**12,488,311**	**-**	**-**	**12,488,311**
1. Financial liabilities at amortized cost	10,750,184	-	-	10,750,184	11,323,633	-	-	11,323,633
2. Liabilities referrable to disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**10,750,184**	**-**	**-**	**10,750,184**	**11,323,633**	**-**	**-**	**11,323,633**

The fair value of short-term or sight receivables and payables is assumed to be equal to the book value.

Key:
CA = Carrying Amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 - Disclosures on "day one profit/loss"

The Company does not carry out any transactions that require the recognition of "day one profit/loss".

Part B - Information on the Balance Sheet

Part B - Information on the Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

Composition of item 10 "Cash and cash liabilities"

(thousands of euros)

ITEMS/VALUES	12.31.2020	12.31.2019
1.1 Cash and revenue stamps	-	-
Total	**-**	**-**

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

2.6 Other financial assets mandatorily at FV: product composition

(thousands of euros)

	12.31.2020			12.31.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**
1.1. Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in investment funds;						
4. Loans*	**-**	**-**	**-**	**-**	**-**	**1,104**
4.1 Reverse repos	-	-	-			-
4.2 Other	-	-	-			1,104
Total	**-**	**-**	**-**	**-**	**-**	**1,104**

2.7 Other financial assets mandatorily at FV: composition by debtor/issuer

(thousands of euros)

ITEMS/VALUES	12.31.2020	12.31.2019
1. Debt securities in issue	**-**	**-**
2. Equity securities	**-**	**-**
3. Units in investment funds		
4. Loans	**-**	**1,104**
a) general government entities	-	-
b) Banks	-	-
c) other financial companies of which: insurance companies	-	-
d) non-financial corporations	-	1,104
e) Households	-	-
Total	**-**	**1,104**

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

3.1 Financial assets measured at fair value through other comprehensive income: product composition

(thousands of euros)

	12.31.2020			12.31.2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**
1.1. Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	-	-	-	-	-
2. Equity securities	**2,723**	**-**	**12,309**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,723**	**-**	**12,309**	**-**	**-**	**-**

The Company holds 20 shares issued by UniCredit Services ScpA for 173 euros, which are not listed and are measured at cost. In addition, during 2020, following the recognition of an unsecured creditor, the composition procedure of a Company that is our client assigned PFIs and listed shares to the Company.

3.2 Financial assets measured at fair value through other comprehensive income: composition by debtor/issuer

(thousands of euros)

ITEMS/VALUES	12.31.2020	12.31.2019
1. Debt securities in issue	**-**	**-**
2. Equity securities	**15,033**	**-**
a) general government entities	-	-
b) Banks	-	-
c) other financial companies of which: insurance companies	-	-
d) non-financial corporations	15,033	-
3. Loans	**-**	**-**
a) general government entities	-	-
b) Banks	-	-
c) other financial companies of which: insurance companies	-	-
d) non-financial corporations	-	-
e) Households	-	-
Total	**15,033**	**-**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total write-downs

(thousands of euros)

	GROSS AMOUNT				TOTAL VALUE ADJUSTMENTS			
ITEMS/VALUES	FIRST STAGE	OF WHICH: LOW CREDIT-RISK INSTRUMENTS	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL PARTIAL WRITE-OFFS (DISCLOSURE PURPOSES)
Debt securities	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total (12.31.2020)	**15,033.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (12.31.2019)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: purchased or originated impaired financial assets	-	-	-	-	-	-	-	-

3.4 Loans measured at fair value through comprehensive income subject to COVID-19 support measures: gross value and total write-downs

The Company does not hold this type of loan.

Part B - Information on the Balance Sheet - Assets (Continued)

Section 4 - Financial assets measured at amortized cost - Item 40

4.1 Financial assets measured at amortized cost composition of loans and receivables from banks

(thousands of euros)

COMPOSITION	12.31.2020						12.31.2019					
	CARRYING VALUES			FAIR VALUE			CARRYING VALUES			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH PURCHASED OR ORIGINATED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH PURCHASED OR ORIGINATED	L1	L2	L3
1. DEPOSITS AND CURRENT ACCOUNTS	**100,225**	**-**	**-**	**-**	**-**	**100,225**	**38,636**	**-**	**-**	**-**	**-**	**38,636**
2. Loans	**7,593**	**-**	**-**	**-**	**-**	**7,593**	**238,335**	**-**	**-**	**-**	**-**	**238,335**
2.1 Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Factoring	***7,593***	**-**	**-**	**-**	**-**	***7,593***	***238,335***	**-**	**-**	**-**	**-**	***238,335***
- with recourse	1,242	-	-	-	-	1,242	232,052	-	-	-	-	232,052
- without recourse	6,351	-	-	-	-	6,351	6,283	-	-	-	-	6,283
2.4 other loans	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets *	**9,162**	**-**	**-**	**-**	**-**	**9,162**	**5,241**	**-**	**-**	**-**	**-**	**5,241**
Total book value	**116,980**	**-**	**-**	**-**	**-**	**116,980**	**282,211**	**-**	**-**	**-**	**-**	**282,211**

The fair value of short-term or sight receivables is assumed to be equal to the book value.
* This item includes loans and receivables with banks participating in pool factoring operations.
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortized cost trade composition of loans and receivables with financial companies

(thousands of euros)

COMPOSITION	12.31.2020						12.31.2019					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED	L1	L2	L3
1. Loans	**360,196**	**-**	**-**	**-**	**-**	**360,196**	**466,794**	**-**	**-**	**-**	**-**	**466,794**
1.1 Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	360,196	-	-	-	-	360,196	463,567	-	-	-	-	463,567
- with recourse	302,806	-	-	-	-	302,806	398,189	-	-	-	-	398,189
- without recourse	57,390	-	-	-	-	57,390	65,378	-	-	-	-	65,378
1.4 Other loans	-	-	-	-	-	-	3,227	-	-	-	-	3,227
2. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets *	**153**	**-**	**-**	**-**	**-**	**153**	**244**	**-**	**-**	**-**	**-**	**244**
Total book value	**360,349**	**-**	**-**	**-**	**-**	**360,349**	**467,038**	**-**	**-**	**-**	**-**	**467,038**

The fair value of short-term or sight receivables is assumed to be equal to the book value.
* This item includes amounts receivable from finance companies participating in pool factoring operations.

4.3 Financial assets measured at amortized cost composition of loans and receivables from customers

(thousands of euros)

	12.31.2020						12.31.2019					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
COMPOSITION	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED	L1	L2	L3
1. Loans	**11,299,763**	**132,282**	**-**	**-**	**-**	**11,440,367**	**11,565,380**	**173,659**	**-**	**-**	**-**	**11,747,203**
1.1 Finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: without the option of final purchase	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	8,893,943	114,586	-	-	-	9,016,850	9,952,270	153,224	-	-	-	10,113,658
- with recourse	2,331,882	97,484	-	-	-	2,429,364	2,855,585	94,862	-	-	-	2,950,448
- without recourse	6,562,061	17,102	-	-	-	6,587,486	7,096,685	58,361	-	-	-	7,163,210
1.3 Consumer credit (including revolving cards)	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pledge loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Loans granted in relation to payment services	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans *	2,405,820	17,696	-	-	-	2,423,517	1,613,110	20,435	-	-	-	1,633,545
of which: from the enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**24**	**-**	**-**	**-**	**-**	**24**	**23**	**-**	**-**	**-**	**-**	**23**
Total book value	**11,299,787**	**132,282**	**-**	**-**	**-**	**11,440,391**	**11,565,403**	**173,659**	**-**	**-**	**-**	**11,747,226**

The fair value of short-term or sight receivables is assumed to be equal to the book value.

* The other loans consist of invoices issued for amounts receivable from debtors who have been granted extended terms of payment, finance to debtors on operations with payment on maturity, and assignments of receivables not covered by Law 52/91 on Factoring, in particular, the acquisition of revenue agency receivables.

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.4 Financial assets measured at amortized cost breakdown of loans to customers by debtor/issuer

(thousands of euros)

	12.31.2020			12.31.2019		
	BOOK VALUE			BOOK VALUE		
TYPE OF TRANSACTIONS/VALUES	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: PURCHASED OR ORIGINATED IMPAIRED
1. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**
2. Loans to	**11,299,609**	**132,283**	**-**	**11,565,136**	**173,659**	**-**
a) General government entities	3,562,944	9,594		2,173,349	9,254	
d) Non-financial corporations	6,251,659	120,226		7,762,553	161,277	
e) Households	1,485,006	2,463		1,629,234	3,128	
3. Other assets	**24**			**23**		
Total	**11,299,633**	**132,283**		**11,565,159**	**173,659**	

Part B - Information on the Balance Sheet - Assets (Continued)

4.5 Financial assets measured at amortized cost gross value and total write-downs

(thousands of euros)

ITEMS/VALUES	GROSS AMOUNT				TOTAL VALUE ADJUSTMENTS			TOTAL PARTIAL WRITE-OFFS (DISCLOSURE PURPOSES)
	FIRST STAGE	OF WHICH: LOW CREDIT-RISK INSTRUMENTS	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities								
Loans	10,695,730		1,091,870	296,198	11,336	8,489	163,914	125,878
Other assets	9,339							
Total (12.31.2020)	**10,705,069**	**-**	**1,091,870**	**296,198**	**11,336**	**8,489**	**163,914**	**125,878**
Total (12.31.2019)	**10,590,647**	**-**	**1,737,389**	**349,247**	**8,172**	**5,212**	**175,588**	**125,878**
of which: purchased or originated impaired financial assets	x	x			x			

4.5a Loans valued at amortized cost subject to COVID-19 support measures: gross value and total write-downs

The exposure at 12/31/2020 of the forborne positions, as indicated in part D section 3.1, is not significant, therefore the table has not completed.

4.6 Secured assets

(thousands of euros)

COMPOSITION GUARANTEED	12.31.2020						12.31.2019					
	LOANS AND RECEIVABLES WITH BANKS		RECEIVABLES FROM FINANCIAL COMPANIES		LOANS AND RECEIVABLES WITH CUSTOMERS		LOANS AND RECEIVABLES WITH BANKS		RECEIVABLES FROM FINANCIAL COMPANIES		LOANS AND RECEIVABLES WITH CUSTOMERS	
	CA	VG	CA	VG	CA	VG	CA	VG	CA	VG	CA	VG
1. Performing assets guaranteed by:	**1,423**	**1,423**	**232,674**	**232,674**	**3,993,274**	**3,993,274**	**232,313**	**232,313**	**402,390**	**402,390**	**4,711,404**	**4,711,404**
- Assets held under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring *	1,242	1,242	226,013	226,013	2,331,880	2,331,880	232,052	232,052	398,189	398,189	2,855,585	2,855,585
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	181	181	6,661	6,661	1,661,394	1,661,394	261	261	4,201	4,201	1,855,819	1,855,819
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	**-**	**-**	**-**	**-**	**97,484**	**97,484**	**-**	**-**	**-**	**-**	**94,862**	**94,862**
- Assets held under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring *	-	-	-	-	97,484	97,484	-	-	-	-	94,862	94,862
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,423**	**1,423**	**232,674**	**232,674**	**4,090,758**	**4,090,758**	**232,313**	**232,313**	**402,390**	**402,390**	**4,806,266**	**4,806,266**

CA = carrying amount of exposures
VG = guarantees' fair value

* Guaranteed factoring loans include advances on with-recourse operations and without-recourse receivables backed by guarantees. The value of guarantees for with-recourse operations is equal to the Total Receivables up to the amount of the advance.

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: composition by type of hedge and by level:

(thousands of euros)

NOTIONAL VALUE/FAIR VALUE LEVELS	12.31.2020				12.31.2019			
	FAIR VALUE				FAIR VALUE			
	L1	L2	L3	NA	L1	L2	L3	NA
A. Financial derivatives	-	-	-	-	-	17	-	6,950
1 Fair value	-	-		-	-	17		6,950
2 Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**6,950**
B Credit Derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2 Cash flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**6,950**

5.2 Composition of item 50 “Hedging derivatives”: hedged portfolios and hedge types

The company does not have this type of hedging derivative.

Section 6 - Changes in fair value of portfolio hedged items - Item 60

6.1 Composition of Item 60 “Changes in fair value of portfolio hedged items”: composition by hedged portfolio

(thousands of euros)

CHANGES IN VALUE OF HEDGED ASSETS	12.31.2020	12.31.2019
1. Positive adjustments	**8,322**	**8,164**
1.1 of specific portfolios:	8,322	8,164
a) financial assets measured at amortized cost	8,322	8,164
b) Financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustments	**-**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortized cost	-	-
b) Financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**8,322**	**8,164**

Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment used in the business - composition of assets measured at cost:

(thousands of euros)

ASSET/VALUES	12.31.2020	12.31.2019
1. Owned	**13**	**17**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	13	17
d) electrical plant	-	-
e) other	-	-
2 Right of use purchased in leasing	**6,924**	**8,665**
a) land	-	-
b) buildings	6,627	8,321
c) office furniture and fittings	-	-
d) electrical plant	-	-
e) other	297	344
Total	**6,937**	**8,682**

Part B - Information on the Balance Sheet - Assets (Continued)

8.2 Property, plant and equipment held for investment: composition of assets measured at cost
The Company does not hold this type of property, plant and equipment.

8.3 Property, plant and equipment held for own use: composition of revalued assets
The Company does not hold this type of property, plant and equipment.

8.4 Property, plant and equipment held for investment: composition of assets designated at fair value
The Company does not hold this type of property, plant and equipment.

8.5 Inventories of property, plant and equipment governed by IAS 2: composition
The Company does not hold this type of property, plant and equipment.

8.6 Property, plant and equipment: change for the year
(thousands of euros)

	LAND	BUILDINGS	FURNITURE	ELECTRICAL PLANT	OTHERS	TOTAL
A. Gross opening balance	**-**	**9,713**	**28**	**-**	**450,00**	**10,191**
A.1 Total net reduction in value	-	(1,393)	(11)	0	(105)	(1,509)
A.2 Net opening balance	**-**	**8,320**	**17**	**-**	**345**	**8,682**
B. Increases	**-**	**2,659**	**-**	**-**	**80**	**2,739**
B.1 Purchases	-	2,579	-	-	80	2,659
B.2 Capitalized expenses for improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other increases	-	80		-	-	80
C. Decreases	**-**	**(4,352)**	**(4)**	**-**	**(128)**	**(4,484)**
C.1 Sales	-	-	-	-	-	-
C.2 Amortization	-	(1,197)	(4)		(128)	(1,329)
C.3 Impairment write-downs recognized through:	-	-	-		-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-		-	-
C.4 Reduction of fair value:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) property, plant end equipment held for investment	-	-	-	-	-	-
b) non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	(3,155)	-	-	-	(3,155)
D. Closing net balance	**-**	**6,627**	**13**	**-**	**297**	**6,937**
D.1 Net total value decrease	-	2,590	15	-	233	2,838
D.2 Closing gross balance	**-**	**9,217**	**28**	**-**	**530**	**9,775**
E. Measurement at cost	**-**	**6,627**	**13**	**-**	**297**	**6,937**

The depreciation rate used for furniture and fittings is 12%.
The other changes are due to a renegotiation of the lease agreement for the Via Livio Cambi 5 Milan office.

8.7 Property, plant end equipment held for investment: change for the year
The Company does not hold this type of property, plant and equipment.

8.8 Inventories of property, plant and equipment governed by IAS 2: change for the year
The company has no commitment to purchase property, plant and equipment.

8.9 Commitments to purchase property, plant and equipment

The company has no commitment to purchase property, plant and equipment.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: Composition

(thousands of euros)

ITEMS/VALUATION	12.31.2020 ASSETS MEASURED AT COST	12.31.2020 ASSETS DESIGNATED AT FAIR VALUE OR REMEASURED	12.31.2019 ASSETS MEASURED AT COST	12.31.2019 ASSETS DESIGNATED AT FAIR VALUE
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets	**-**	**-**	**-**	**-**
2.1 owned	**589**	**-**	**825**	**-**
- generated internally	-	-	-	-
- others	589	-	825	-
2.2 purchased under finance lease				
Total 2	**589**	**-**	**825**	**-**
3. Assets under finance lease	**-**	**-**	**-**	**-**
3.1 unexercised property	**-**	**-**	**-**	**-**
3.2 unopted assets	**-**	**-**	**-**	**-**
3.3 other property	**-**	**-**	**-**	**-**
Total 3	**-**	**-**	**-**	**-**
Total	**589**	**-**	**825**	**-**

9.2 "Intangible assets": change for the year

(thousands of euros)

	TOTAL
A. Opening balance	**825**
B. Increases	**-**
B.1 Purchases	-
B.2 Writebacks	-
B.3 Fair value increases:	-
a) equity	-
b) income statement	-
B.4 Other increases	-
C. Decreases	**(236)**
C.1 Sales	-
C.2 Amortization	(236)
C.3 Write-downs:	-
a) equity	-
b) income statement	-
C.4 Fair value increases:	-
a) equity	-
b) income statement	-
C.5 Other changes	-
D. Closing balance	**589**

Section 10 - Tax assets and liabilities (asset item 100 and liability item 60)

10.1 Composition of item 100 "Tax assets: current and deferred":

(thousands of euros)

TAX ASSETS	12.31.2020	12.31.2019
a) current*	-	-
b) deferred	43,628	52,198
Total	**43,628**	**52,198**

Part B - Information on the Balance Sheet - Assets (Continued)

10.2 Composition of item 60 "Tax liabilities: current and deferred":

(thousands of euros)

TAX LIABILITIES	12.31.2020	12.31.2019
a) current *	6,318	29,121
IRAP payments on account	(6,327)	(2,841)
IRES payments on account	(3,574)	(1,148)
Others	(4)	(11)
Provisions for IRES	14,147	28,502
Provisions for IRAP	3,758	6,301
Positive tax effect FTA IFRS 9 and 15	(1,682)	(1,682)
b) deferred	-	-
Total	**6,318**	**29,121**

* UniCredit Factoring S.p.A. is part of the UniCredit Group tax consolidation scheme. In accordance with IAS 12, fiscal assets/liabilities of the same type are offset.

10.3 Changes in deferred tax assets (offsetting the income statement)

(thousands of euros)

	CHANGES IN	
ITEMS	2020	2019
1. Opening balance	**51,888**	**48,724**
2. Increases	**5,249**	**12,286**
2.1 Deferred tax assets recognized during the year	5,249	11,824
a) for prior years	-	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	5,249	11,824
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		462
3. Decreases	**(13,702)**	**(9,000)**
3.1 Deferred tax assets cancelled in the year	(13,702)	(9,000)
a) reversals	(13,702)	(9,000)
b) write-downs due to non-recoverability	-	-
c) due to changes in accounting policies	0	-
d) other		
3.2 Decrease in tax rates	-	-
3.3 Other decreases	0	0
a) transformation into tax credits pursuant to Law no. 214/2011	-	0
b) others		
4. Closing balance	**43,435**	**52,010**

The initial balance was changed by -122 thousand euros following a reversal to adjust to the actual amount of the item Deferred tax assets on the balance sheet.

10.3.1 Changes in deferred tax assets as per Law 214/2011 (offsetting the income statement)

(thousands of euros)

	CHANGES IN	
ITEMS	2020	2019
1. Opening balance	**37,514**	**37,514**
2. Increases		
3. Decreases	**(4,836)**	**-**
3.1 Reversals	(4,836)	-
3.2 Transformations into tax credits	-	-
a) arising from losses for the period	-	-
(a) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**32,678**	**37,514**

10.4 Deferred tax liabilities: annual changes (balancing the income statement)

The company has no deferred taxes.

10.5 Changes in deferred tax assets (offsetting entry to shareholders' equity)

(thousands of euros)

ITEMS	CHANGES IN 2020	2019
1. Opening balance	**188**	**142**
2. Increases	**5**	**46**
2.1 Deferred tax liabilities recognized during the year	-	46
a) for prior years		
b) due to changes in accounting policies	-	-
c) other		46
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	5	
3. Decreases	**-**	**0**
3.1 Deferred tax liabilities derecognised during the year	-	0
a) reversals	-	0
b) write-downs due to non-recoverability	-	0
c) due to changes in accounting policies	-	0
d) other		
3.2 Decrease in tax rates	-	0
3.3 Other decreases		
4. Closing balance	**193**	**188**

10.6 Changes in deferred tax liabilities (offsetting entry to shareholders' equity)

The company has no deferred taxes.

Section 12 - Other assets - Item 120

12.1 Composition of item 120 "Other assets"

(thousands of euros)

ITEMS	12.31.2020	12.31.2019
Effects credited to customers awaiting bank collection *	29,678	25,212
Receivables from tax authorities	608	417
Guarantee deposits	114	114
Receivables with insurance companies for expected compensation	177	201
Transitory items	5	7
Leasehold improvements	77	116
Credit amount IRES**	910	1,634
Items deemed not attributable to other items***	53,129	55,657
Other****	4,207	4,052
Total	**88,905**	**87,410**

* These are assets resulting from the subject-to-collection crediting of bills to customers, awaiting settlement by the bank.

** Benefit from the applications for refund presented in accordance with Article 2 paragraph 1 of Decree 201 of December 6, 2011 relating to the recovery on corporation tax (IRES) of the regional production tax (IRAP) paid in relation to the cost of labor.

*** This item relates to the accrual of statutory interest on acquired tax receivables.

**** This item includes amounts invoiced in advance by other Group companies.

Part B - Information on the Balance Sheet

Liabilities

Section 1 - Financial liabilities at amortized cost - Item 10

1.1 Composition by groups of payables:

(thousands of euros)

ITEMS	12.31.2020 WITH BANKS	12.31.2020 WITH FINANCIAL COMPANIES	12.31.2020 WITH CUSTOMERS	12.31.2019 WITH BANKS	12.31.2019 WITH FINANCIAL COMPANIES	12.31.2019 WITH CUSTOMERS
1. Loans	10,386,503	-	-	10,989,041	-	-
1.1 Reverse repos	-	-	-	-	-	-
1.2 Other loans	10,386,503	-	-	10,989,041	-	-
2. Lease payables	5,833	-	975	7,447	-	1,204
3. Other liabilities		84,574	272,299	-	90,556	235,384
Total	**10,392,336**	**84,574**	**273,274**	**10,996,488**	**90,556**	**236,588**
Fair Value - level 1	**-**	**-**	**-**	**-**	**-**	**-**
Fair Value - level 2	**-**	**-**	**-**	**-**	**-**	**-**
Fair Value - level 3	**10,392,336**	**84,574**	**273,274**	**10,996,488**	**90,556**	**236,588**
Total Fair Value	**10,392,336**	**84,574**	**273,274**	**10,996,488**	**90,556**	**236,588**

The fair value of short-term or sight payables is assumed to be equal to the book value.

Deposits from banks mainly consist of funding through the Parent Company. This item also includes the loans received from the participation in pool operations with UniCredit S.p.A..
Trade payables and amounts payable to finance companies ("Other liabilities") mainly represent the difference between the Total Receivables and the share of payments already advanced to assignors in relation to without-recourse operations, amounting to 298,302 thousand euros, and the debt exposure to customers, of 59,546 thousand euros.

1.2 Composition by category of shares in issue

The Company does not hold this type of financial liability.

1.5 Lease payables

MATURITY RANGES	12.31.2020	12.31.2019
Up to 3 months	515	1,859
from 3 months to 1 year	1,460	1,348
from 1 year to 5 years	3,831	4,618
more than 5 years	1,002	827
Total	**6,808**	**8,652**

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: composition by type of hedge and by hierarchical level

(thousands of euros)

NOTIONAL VALUE/FAIR VALUE LEVELS	12.31.2020 FAIR VALUE L1	12.31.2020 FAIR VALUE L2	12.31.2020 FAIR VALUE L3	12.31.2020 NA	12.31.2019 FAIR VALUE L1	12.31.2019 FAIR VALUE L2	12.31.2019 FAIR VALUE L3	12.31.2019 NA
A. Financial derivatives	-	15,717	-	245,147	-	15,090	-	315,095
1 Fair value	-	15,717		245,147	-	15,090		315,095
2 Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
Total A	**-**	**15,717**	**-**	**245,147**	**-**	**15,090**	**-**	**315,095**
B Credit Derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2 Cash flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**15,717**	**-**	**245,147**	**-**	**15,090**	**-**	**315,095**

L1 = Level 1
L2 = Level 2
L3 = Level 3
NA = Notional amount

4.2 Composition of item 50 “Hedging derivatives”: hedged portfolios and hedge types

(thousands of euros)

	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
TRANSACTIONS/TYPE OF HEDGE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND SHARE INDEXES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHERS	GENERIC	SPECIFIC	GENERIC	NET INVESTMENT IN FOREIGN SUBSIDIARIES
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
2. Loans and receivables	-	-	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	15,717	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**15,717**			
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Financial assets and liabilities portfolio	-	-	-	-	-	-	-	-	-	-

Section 6 - Tax liabilities - Item 60

For this item, see Section 10 – Tax assets and liabilities.

Section 8 - Other liabilities - Item 80

8.1 Composition of item 80 “Other liabilities”

(thousands of euros)

ITEMS	12.31.2020	12.31.2019
Liabilities for Equity Settled Share Based Payments	549	550
Payables due to employees	17,214	8,530
Payables due to other staff	1,728	1,443
Payables due to Directors and Statutory Auditors	330	240
Available amounts to be paid to others*	417,453	367,763
Trade payables	3,798	3,748
Other current liabilities	25,625	58,130
Other tax entries	677	767
Outstanding transitory items	1,574	3,215
Total	**468,948**	**444,386**

* This item includes collections from debtors, mainly in the final days of the year, to reallocate the related credit positions.
The increase in payables relating to employees is due to costs associated with the new redundancy incentive scheme.

Section 9 - Severance pay - Item 90

9.1 “Provision for employee severance pay”: change for the year

(thousands of euros)

	CHANGES IN	
ITEMS	2020	2019
A. Opening balance	**2,715**	**2,478**
B. Increases	**140**	**488**
B1. Allocation in the year	20	38
B2. Other increases	120	450
C. Decreases	**(395)**	**(251)**
C1. Severance payments	(325)	(190)
C2. Other decreases	(70)	(61)
D. Final balance	**2,460**	**2,715**

Part B - Information on the Balance Sheet - Liabilities (Continued)

9.2 Other information

The provision for severance pay is included in the plans and defined benefits and is thus determined using the actuarial methodology described in the Accounting Policies section. Actuarial assumptions and the reconciliation of the present value of provisions to the liability entered in the balance sheet are provided below.

(thousands of euros)

PRINCIPAL ACTUARIAL ASSUMPTIONS	2020	2019
Discount rate	0.45%	0.75%
Expected inflation rate	0.80%	0.95%

(thousands of euros)

RECONCILIATIONS OF PRESENT VALUES OF PROVISIONS TO PRESENT VALUE OF PLAN ASSETS AND TO ASSETS AND LIABILITIES RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION	2020	2019
Present value of defined benefit obligations – TFR	2,460	2,715
Unrecognized actuarial gains (losses)	-	-
Net liability	2,460	2,715

The provision for employee severance pay is to be construed as a “post-retirement defined benefit”. It is therefore recognized on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. These benefits are determined by an independent actuary, using the Unit Credit Projection Method.

Following the reforms to supplementary pensions in legislative decree no. 252 of December 5, 2005, post-employment benefits accruing up to 12.31.2006 remain with the company, while the severance pay accruing from January 1, 2007 can be allocated either to supplementary pension schemes or transferred to the INPS pension fund, at the employee’s discretion (by 06.30.2007).

The result is that:
the severance pay provision accrued up to 12.31.2006 (or until the date of the option - falling between 01.01.2007 and 06.30.2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a “defined-benefit” plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises.

The amounts accrued from 01.01.2007 (or from the date of the option - falling between 01.01.2007 and 06.30.2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a “defined-contribution” plan (as the Company’s liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

The costs of severance pay accruing during the year are entered on the income statement in item 110 a) “Personnel costs”, and include interest accrued in the year (interest cost) on the obligation already existing as at the date of the Reform and the accrued instalments for the year paid into the supplementary pension scheme or to the Treasury Fund of INPS.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at the end of the period, are recognized in equity as part of the valuation reserves.

A change of -25 basis points in the discount rate would result in an increase in liabilities of 60,935 euro (+2.48%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of 59,316 euros (-2.41%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of 36,699 euro (-1.49%). an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of 37,198 euro (+1.51%).

Section 10 - Provisions for risks and charges - Item 100

10.1 - Provisions for risks and charges: composition

(thousands of euros)

ITEMS / VALUES	12.31.2020	12.31.2019
1. Provisions for credit risk relating to commitments and financial guarantees given	1,416	1,102
2. Provisions relating to other commitments and guarantees issued		
3. Provisions for company pension	797	371
4. Other provisions for risks and charges	**35,459**	**35,691**
4.1 legal and tax disputes	33,890	34,511
4.2 personnel expenses	1,569	1,180
4.3 other		
Total	**37,672**	**37,164**

The Company is currently involved in lawsuits and revocation proceedings for a total risk of approximately 107.2 million euros, which is covered by provisions of 29.8 million euros. This amount represents the best estimate of the costs that the Company, having consulted its lawyers, expects to incur in the event of litigation, where the loss in court is estimated to be probable. The Provision for personnel costs relates to the variable discretionary pay component.

10.2 - Provisions for risks and charges: change for the year

(thousands of euros)

ITEMS	PROVISIONS RELATING TO OTHER COMMITMENTS AND GUARANTEES ISSUED	COMPANY PENSION FUNDS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Opening balance	**1,102**	**371**	**35,691**	**37,164**
B. Increases	**314**	**797**	**1,995**	**3,106**
B.1 Allocation in the year	314	797	1,995	3,106
B.2 Changes due to passage of time				-
B.3 Changes due to changes in discount rate				-
B.4 Other increases			-	-
C. Decreases	**0**	**(371)**	**(2,227)**	**(2,598)**
C.1 Amounts used in the year		(371)		(371)
C.2 Changes due to changes in discount rate				-
C.3 Other changes			(2,227)	(2,227)
D. Closing balance	**1,416**	**797**	**35,459**	**37,672**

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

(thousands of euros)

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL
1. Other commitments to disburse funds	1,235	181		1,416
2. Financial guarantees issued				-
Total	**1,235**	**181**	**-**	**1,416**

10.5 - Pensions and post-retirement defined-benefit obligations

(thousands of euros)

ITEMS	12.31.2020	12.31.2019
Provisions for company pension - Executive leaving incentive	797	371
Total	**797**	**371**

10.6 - Provisions for risks and charges: other provisions - other

The company does not have this type of provision for risks and charges.

Section 11 - Shareholders' equity - Items 110, 120, 130, 140, 150, 160 and 170

11.1 Composition of item 110 "Share Capital"

(thousands of euros)

TYPE	12.31.2020	12.31.2019
1. Capital	**414.348**	**414.348**
1.1 Ordinary shares	414.348	414.348
1.2 Other shares	-	-

There are 80,300,000 ordinary shares.

11.4 Composition of item 140 "Share premium reserve"

(thousands of euros)

TYPE	12.31.2020	12.31.2019
1. Share premium reserve	**951**	**951**
1.1 Share Premiums from the capital increase of 1997	951	951

Part B - Information on the Balance Sheet - Liabilities (Continued)

11.5 Other Information

(thousands of euros)

ITEMS	LEGAL RESERVE	RETAINED EARNINGS	STATUTORY RESERVE	OTHER INSURANCE PROVISION	TOTAL
A. Opening balance	**36,581**	**118**	**185**	**256,662**	**293,546**
B. Increases	**4,287**	**-**	**-**	**21,406**	**25,693**
B.1 Profit attribution	4,287		-	21,406	25,693
B.2 Other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(656)**	**(656)**
C.1 Uses	-	-	-	-	-
- to cover losses	-	-	-	-	-
- distribution	-	-	-	-	-
- capitalization	-	-	-	-	-
C.2 Other decreases	-	-	-	(656)	(656)
D. Closing balance	**40,868**	**118**	**185**	**277,412**	**318,583**

"Other Reserves" are mainly forms of undistributed profits.

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

(thousands of euros)

ITEMS	NOMINAL VALUE OF COMMITMENTS AND GUARANTEES GIVEN			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	12.31.2020
1. Other commitments to disburse funds	**2,495,069**	**87,496**	**15,851**	**2,598,416**
a) General government entities	82,541	8,961		91,502
b) Banks	2,483			2,483
c) other financial companies	1,327,406	-		1,327,406
d) Non-financial corporations	1,064,770	77,521	15,851	1,158,142
e) Households	17,869	1,014		18,883
2. Financial guarantees issued	**-**	**-**	**-**	**-**
a) General government entities	-	-	-	-
b) Banks	-	-	-	-
c) other financial companies	**-**	**-**	**-**	**-**
d) Non-financial corporations	**-**	**-**	**-**	
e) Households	**-**	**-**	**-**	

Analysis of composition of shareholders' equity with reference to availability and possibility of distribution (Art. 2427, para. 7 bis)

(thousands of euros)

NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF USE	AVAILABLE PORTION	OVERVIEW OF USES OF THE THREE PREVIOUS YEARS	
				TO COVER LOSSES	FOR OTHER REASONS
Capital	**414,348**		**-**		
Capital reserve:	**951**		**-**		
- Share premium reserve	951	B	-		
Profit reserve	**318,583**		**278,085**		
- Statutory reserve	185	A, B, C	185		
- Legal reserve	40,868	B	-		
- FTA reserve	(447)		-		
- Other reserves *	277,859	A, B, C	277,782		
- Previous year profits	118	A, B, C	118		
Profit for the year	**57,631**		**-**		
Total	**791,513**	**-**	**278,085**		

Key:
A: for Capital increase
B: to cover losses
C: for dividend distributions

* In accordance with OIC 28 and Article 2426 para. 5 civil code, the unavailable portion relates to the value of the costs of goodwill and expansion recognized under the item "Other Assets", which for 2020 amounted to 77 thousand euros.

Part C - Information on the Income Statement

Part C - Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Composition of item 10 “Interest and similar income”:

(thousands of euros)

ITEMS/TYPE	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2020	2019
1. Financial assets measured at fair value through P&L					
1.1 Financial assets held for trading	-	-	-	-	-
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at FV	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**
3. Financial assets valued at amortized cost	**-**	**125,816**	**-**	**125,816**	**143,718**
3.1 Loans and receivables with banks	-	18,603	-	18,603	12,072
3.2 Loans and receivables with financial institutions	-	6,861	-	6,861	11,184
3.3 Loans and receivables with customers	-	100,352	-	100,352	120,462
4. Hedging derivatives	**-**	**-**	**-**	**-**	**-**
5. Other assets	**-**	**-**	**-**	**-**	**-**
6. Financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**-**	**125,816**	**-**	**125,816**	**143,718**
of which: interest income on impaired financial assets	**-**	**-**	**-**	**3,785**	**6,197**

Interest income other than that recognized in the item Write-backs, accruing in 2020 against exposure classified in non-performing loans amounted to 3.8 million as at 31 December.
The decrease in interest income partly reflects the reduction in turnover volumes, the average volume of loans and extraordinary interest, and is offset by the increase in average spread due to a different loan portfolio composition.

1.3 Composition of item 20 “Interest expenses and similar charges”:

(thousands of euros)

ITEMS/TYPE	LOANS	SECURITIES	OTHER	2020	2019
1. Financial liabilities measured at amortized cost					
1.1 Liabilities to banks	(5,216)	-	-	(5,216)	(10,780)
1.2. Deposits from financial institutions	-	-	-	-	-
1.3. Deposits from customers	0	-	-	0	(32)
1.4. Debt securities in issue	-	0	-	0	0
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4 Other liabilities	**-**	**-**	**-**	**-**	**-**
5. Hedging derivatives	**-**	**-**	**(2,819)**	**(2,819)**	**(3,091)**
6. Financial assets	**-**	**-**	**-**	**-**	**-**
Total	**(5,216)**	**0**	**(2,819)**	**(8,035)**	**(13,903)**
of which: interest expense on leases	(175)	-	-	(175)	(57)

Interest expense decreased compared to last year, mainly due to the effect of market rates.

Section 2 - Commission - Items 40 and 50

2.1 Composition of item 40 “Fee and commission income”

(thousands of euros)

BREAKDOWN	2020	2019
1. Financial leasing operations	-	-
2. Factoring transactions	65,793	75,615
3. Consumer loans	-	-
4. Guarantees given	-	-
5. Services of:	-	-
- fund management for third parties	-	-
- foreign exchange intermediation	-	-
- product distribution	-	-
- other	-	-
6. Collection and payment services	-	0
7. Servicing securitization transactions	-	-
8. Other fees and commissions: recovery client expenses credit preparation, account fees etc.	1,771	2,017
Total	**67,564**	**77,632**

2.2 Composition of item 50 “Fee and commission expense”

(thousands of euros)

BREAKDOWN	2020	2019
1. Guarantees received	(10,000)	(9,086)
2. Distribution of third-party services	-	-
3. Collection and payment services	(955)	(1,117)
4. Other fees and commissions	(8,186)	(9,017)
4.1 Commissions	(3,315)	(3,187)
4.2 Cost of credit reinsurance	(4,870)	(5,830)
Total	**(19,141)**	**(19,220)**

Section 4 - Net trading result - Item 80

4.1 Composition of item 80 “Net trading result”

(thousands of euros)

	2020				
TRANSACTION/INCOME ITEM	GAINS (A)	TRADING PROFITS (B)	LOSSES (C)	TRADING LOSSES (D)	NET PROFIT (LOSS) [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities in issue	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 Units in investments funds	-	-	-	-	
1.4 Loans	-	-	-	-	-
1.5 Other assets	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-
3. Financial assets and liabilities:exchange differences	**-**	**208**	**-**	**-**	**208**
4. Derivative instruments		**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**-**	**208**	**0**	**0**	**208**

Part C - Information on the Income Statement (Continued)

Section 7 - Gains and losses on other financial assets/liabilities at fair value through profit or loss - Item 110

7.2 Net change in value of other financial assets/liabilities at fair value through profit or loss: composition of other financial assets mandatorily at FV

(thousands of euros)

TRANSACTION/INCOME ITEM	2020 GAINS (A)	TRADING PROFITS (B)	LOSSES (C)	TRADING LOSSES (D)	NET PROFIT (LOSS) [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**-**	**1,104**	**(1,104)**
1.1 Debt securities in issue	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 Units in investments funds	-	-	-	-	-
1.4 Loans	-	-	-	1,104	(1,104)
2. Financial assets and liabilities: exchange differences	**-**	**0**	**-**	**-**	**-**
Total	**-**	**0**	**0**	**1,104**	**(1,104)**

Section 8 - Net impairment adjustments - Item 130

8.1 "Impairment losses/write-downs on loans and receivables"

(thousands of euros)

ITEMS/IMPAIRMENT	ADJUSTMENTS TO VALUE: FIRST AND SECOND STAGE	ADJUSTMENTS TO VALUE: THIRD STAGE WRITE OFF	ADJUSTMENTS TO VALUE: THIRD STAGE OTHERS	WRITEBACKS: FIRST AND SECOND STAGE	WRITEBACKS: THIRD STAGE WRITE OFF	WRITEBACKS: THIRD STAGE OTHERS	2020	2019
1. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Receivables purchased or originated impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-
other loans and receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Receivables purchased or originated impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-
Other loans and receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-
3. Loans and receivables with customers	**(6,441)**	**(2,393)**	**(23,013)**	**-**	**-**	**4,960**	**(26,887)**	**(16,415)**
Receivables purchased or originated impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-
Other loans and receivables	**(6,441)**	**(2,393)**	**(23,013)**	**-**	**-**	**4,960**	**(26,887)**	**(16,415)**
- for leases	-	-	-	-	-	-	-	-
- for factoring*	(6,441)	(2,393)	(23,013)	-	-	4,960	(26,887)	(16,415)
- for consumer credit	-	-	-	-	-	-	0	-
- pledge loans	-	-	-	-	-	-	0	-
- other receivables	-	-	0	-	-	-	0	0
Total	**(6,441)**	**(2,393)**	**(23,013)**	**-**	**-**	**4,960**	**(26,887)**	**(16,415)**

The stage three value adjustments are mainly attributable to positions on recourse assignors.

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

The exposure at 12/31/2020 of the forborne positions, as indicated in part D section 3.1, is not significant, therefore the table has not completed.

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

The company has no net credit risk adjustments related to loans measure at FV subject to COVID-19 support measures.

8.4 Composition of sub-item 100.b "Net impairment adjustments for other finance operations"

There are no impairment adjustments for other finance operations.

Section 10 - Administrative costs - Item 160

10.1 - Personnel costs: composition

(thousands of euros)

ITEM/SECTOR	2020	2019
1. Employees	**(33,625)**	**(22,183)**
a) salaries and wages	(16,286)	(15,243)
b) social security costs	(5,288)	(4,936)
c) staff severance pay	(120)	(117)
d) pensions	-	-
e) allocation to staff severance pay	(37)	(60)
f) provision for retirements and similar provisions	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(861)	(840)
- defined contribution	(861)	(840)
- defined benefit	-	-
h) other employee benefits	(11,033)	(987)
2. Other working staff	**0**	**0**
3. Directors and Statutory Auditors	**(378)**	**(296)**
4. Employees on sabbatical	**-**	**-**
5. Recovery of expenses for employees seconded to other companies	**596**	**552**
6. recovery of expenses for employees seconded to the companies *	**(5,357)**	**(6,076)**
Total	**(38,764)**	**(28,003)**

* The item "Reimbursement of costs for employees seconded to the Company" mainly relates to the cost of seconded personnel.

Personnel costs increased in 2020 mainly due to the extraordinary cost resulting from the "team 23" redundancy incentive plan. During 2020, the company also partially internalized some seconded employees, increasing and decreasing the related cost items.

10.2 Average number of employees by category

EMPLOYEES	2020	2019
Executives	6,4	7,0
Middle managers	159,5	159,0
Remaining employees	91,3	96,6
Total employees	**257,2**	**262,6**
Other personnel	58,3	65,0
Total	**315,5**	**327,6**

Part C - Information on the Income Statement (Continued)

10.3 - Other administrative expenses – Breakdown

(thousands of euros)

CATEGORIES OF COSTS	2020	2019
1) Indirect taxes and duties	**(690)**	**(933)**
1a. Paid	(690)	(933)
1b. Not paid	-	-
2) Guarantee fee for DTA conversion	**(297)**	**(303)**
3) Miscellaneous costs and expenses	**(17,592)**	**(17,880)**
a) advertising marketing and communication	**(251)**	**(504)**
b) expenses related to credit risk	**(2,446)**	**(2,787)**
c) indirect expenses related to personnel	**(101)**	**(518)**
d) Information & Communication Technology expenses	**(6,888)**	**(6,852)**
Hardware costs: equipment and maintenance	(104)	-
Software expenses: equipment and maintenance	-	-
ICT communication systems	(270)	(309)
ICT services: external personnel/outsourced services	(6,453)	(6,426)
Financial information providers	(61)	(117)
e) consulting and professionals services	**(1,091)**	**(1,041)**
Consulting	(586)	(622)
Legal expenses	(505)	(419)
f) real estate expenses	**(1,492)**	**(1,202)**
Premises rentals	(312)	(205)
Users	(386)	(363)
Other real estate expenses	(794)	(634)
g) operating costs	**(5,323)**	**(4,976)**
Surveillance and security services	(83)	-
Money counting services and transport	0	-
Insurance Companies	(120)	(198)
Postage and transport of documents	(316)	(416)
Printing and stationery	(4)	(25)
Administrative and logistic services	(4,745)	(4,247)
Association dues and fees	(69)	(68)
Other administrative expenses - Other	14	(22)
Total (1+2)	**(18,579)**	**(19,116)**

The decrease in administrative expenses compared to the previous year is mainly due to lower costs related to indirect taxes, marketing and communication expenses, expenses related to credit risk and indirect personnel expenses.

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

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

(thousands of euros)

PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	2020	2019
- Provision for commitments on committed lines	(314)	1,212
Total	**(314)**	**1,212**

11.2 Net provisions relating to Other commitments and guarantees issued: composition

There are no provisions relating to other commitments and guarantees issued.

11.3 Net allocations to Other provisions for risks and charges: composition

(thousands of euros)

NET OTHER PROVISIONS FOR RISKS AND CHARGES	2020	2019
- Provisions for clawbacks	(31)	(140)
- Provisions for lawsuits	(350)	(6,367)
- Other provisions	(1,225)	(374)
- Write-backs on provision for risks and charges	2,227	3,903
Total	**621**	**(2,978)**

Refer to table 10 in the liabilities on the balance sheet (Composition of item 100 “Provision for risks and charges”) and to the financial report.

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: composition

(thousands of euros)

ASSET/INCOME ITEM	2020 DEPRECIATION (a)	2020 IMPAIRMENT LOSSES (b)	2020 WRITE-BACKS (c)	2020 NET RESULT (a+b-c)	2019 DEPRECIATION (a)	2019 IMPAIRMENT LOSSES (b)	2019 WRITE-BACKS (c)	2019 NET RESULT (a+b-c)
A. Property plant and equipment	**(1,329)**	**-**	**-**	**(1,329)**	**(1,589)**	**-**	**-**	**(1,589)**
A.1 Owned	(4)	-	-	(4)	(5)	-	-	(5)
- for operations	(4)	-	-	(4)	(5)	-	-	(5)
- for investment	-	-	-	-	-	-	-	-
- inventories	-	-	-	-	-	-	-	-
A.2 Purchased under finance lease	(1,325)	-	-	(1,325)	(1,584)	-	-	(1,584)
- for operations	(1,325)	-	-	(1,325)	(1,584)	-	-	(1,584)
- for investment	-	-	-	-	-	-	-	-
A.3 Granted under operating leases	-	-	-	-	-	-	-	-
Total	**(1,329)**	**-**	**-**	**(1,329)**	**(1,589)**	**-**	**-**	**(1,589)**

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

13.1 - Composition of item 190 "Net value adjustments/write-backs on intangible assets"

(thousands of euros)

ITEM/WRITE-DOWNS	2020 AMORTIZATION (a)	2020 IMPAIRMENT LOSSES (b)	2020 WRITE-BACKS (c)	2020 NET RESULT (a+b-c)	2019 AMORTIZATION (a)	2019 IMPAIRMENT LOSSES (b)	2019 WRITE-BACKS (c)	2019 NET RESULT (a+b-c)
1. Other intangible assets	**(236)**	**-**	**-**	**(236)**	**(236)**	**-**	**-**	**(236)**
1.1 owned	(236)	-	-	(236)	(236)	-	-	(236)
1.2 Purchased under finance lease	-	-	-	-	-	-	-	-
2. Assets related to finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Assets held under operating leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(236)**	**-**	**-**	**(236)**	**(236)**	**-**	**-**	**(236)**

Section 14 - Other operating income and expenses - Item 200

14.1 Composition of item 200 "Other income and operating expenses"

(thousands of euros)

ITEM/OTHER OPERATING INCOME AND CHARGES	2020	2019
- customer legal costs	495	327
- mixed use company car	55	53
- rental income	6	6
-insurance indemnity	1,712	2,381
- misc. income	2,704	2,913
Total other operating income	**4,972**	**5,680**
- Other operating expenses	(1,078)	(574)
Total other operating expenses	**(1,078)**	**(574)**
Total other revenues and operating costs	**3,894**	**5,106**

Part C - Information on the Income Statement (CONTINUED)

Section 19 - Income tax for the year on continuing operations - Item 270

19.1 Composition of item 270 "Income tax for the year on continuing operations"

(thousands of euros)

ITEM/WRITE-DOWNS AND WRITE-BACKS	2020	2019
1. Current tax	(17,905)	(34,810)
2. Adjustment to current tax of prior years	276	(8,322)
3. Reduction of current tax for the year	-	129,00
3.bis Reduction of current tax for the year for tax credits according to Law No. 214/2011		
4. Change in deferred tax assets	(8,453)	3,286
5. Change in deferred tax liabilities	-	0
Taxes pertaining to the year	**(26,082)**	**(39,717)**

19.2 Reconciliation between theoretical tax charges and effective expense

(thousands of euros)

ITEM/WRITE-DOWNS AND WRITE-BACKS	2020	2019
Profit (Loss) before tax from continuing operations	**83,713**	**125,474**
Theoretical applicable tax rate	27.5%	27.5%
Theoretical tax	(23,021)	(34,505)
Tax effects derived from:		
+ Non-taxable income - permanent differences	-	-
- Non-deductible expenses - temporary and permanent differences	8,974	(3,548)
- IRAP TAX	(3,758)	(6,308)
+ Recognition of deferred tax assets	(8,453)	2,824
+/- Other differences	176	1,820
Income tax posted to the income statement	**(26,082)**	**(39,717)**
Income tax expense on continuing operations	**(26,082)**	**(39,717)**
Difference	**-**	**-**

The effective tax rate in 2020 was 31.16% compared to 31.65% in the previous year.

Section 21 - Income statement - Other information

21.1 Breakdown of interest income and commission income

(thousands of euros)

	INTEREST INCOME			FEES AND COMMISSIONS INCOME				
ITEM/COUNTERPARTY	BANK	FINANCIAL COMPANIES	CUSTOMERS	BANK	FINANCIAL COMPANIES	CUSTOMERS	2020	2019
1. Finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- fixed assets	-	-	-	-	-	-	-	-
- movable property	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**18,603**	**6,861**	**100,352**	**574**	**8,694**	**58,296**	**193,380**	**221,350**
- on current receivables	18,368	115	29,621	469	3,539	33,701	85,813	95,832
- on future receivables	-	-	2,245	-	135	1,696	4,076	6,175
- on receivables acquired on a permanent basis	92	5,693	59,060	105	4,432	14,058	83,440	96,895
- receivables purchased below original value	-	-	-	-	-	-	-	-
- for other financing	143	1,053	9,426	-	588	8,841	20,051	22,448
3. Consumer loans	**-**	**-**	**-**	**-**		**-**	**-**	**-**
- personal loans	-	-	-	-	-	-	-	-
- special-purpose loans	-	-	-	-	-	-	-	-
- loans against wages	-	-	-	-	-	-	-	-
4. Pledge loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Guarantees and commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- trade	-	-	-		-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**18,603**	**6,861**	**100,352**	**574**	**8,694**	**58,296**	**193,380**	**221,350**

Part D - Other information

Part D - Other information

Section 1 - Specific references to activities carried out

B. Factoring and assignment of receivables

B.1 Gross value and book value

B.1.1 Factoring operations

(thousands of euros)

ITEMS/VALUES	12.31.2020 GROSS AMOUNT	12.31.2020 WRITE-DOWNS	12.31.2020 NET VALUE	12.31.2019 GROSS AMOUNT	12.31.2019 WRITE-DOWNS	12.31.2019 NET VALUE
1. Performing exposures	**9,280,286**	**18,556**	**9,261,730**	**10,667,116**	**12,945**	**10,654,171**
- exposure to assignors (with recourse)	2,651,385	15,457	2,635,928	3,497,106	11,280	3,485,826
- assignments of future receivables	238,780	1,214	237,566	328,046	1,291	326,755
- others	*2,412,605*	*14,243*	*2,398,362*	*3,169,060*	*9,989*	*3,159,071*
- exposures to assigned debtors (non-recourse)	6,628,901	3,099	6,625,802	7,170,010	1,665	7,168,345
2. Non-performing assets	**234,971**	**120,384**	**114,587**	**264,469**	**111,245**	**153,224**
2.1 Bad loans	**107,026**	**80,909**	**26,117**	**106,960**	**74,430**	**32,530**
- exposure to assignors (with recourse)	96,748	73,518	23,230	96,260	67,217	29,043
- assignments of future receivables	*8,963*	*4,372*	*4,591*	*8,887*	*1,765*	*7,122*
- others	*87,785*	*69,146*	*18,639*	*87,373*	*65,452*	*21,921*
- exposures to assigned debtors (non-recourse)	10,278	7,391	2,887	10,700	7,213	3,487
- purchases below nominal value	-	-	-	-	-	-
- others	*10,278*	*7,391*	*2,887*	*10,700*	*7,213*	*3,487*
2.2 Unlikely to pay	**47,555**	**35,455**	**12,100**	**53,533**	**31,617**	**21,916**
- exposure to assignors (with recourse)	35,076	27,776	7,300	38,374	24,297	14,077
- assignments of future receivables	*785*	*474*	*311*	*854*	*491*	*363*
- others	*34,291*	*27,302*	*6,989*	*37,520*	*23,806*	*13,714*
- exposures to assigned debtors (non-recourse)	12,479	7,679	4,800	15,159	7,320	7,839
- purchases below nominal value	-	-	-	-	-	-
- others	*12,479*	*7,679*	*4,800*	*15,159*	*7,320*	*7,839*
2.3 Non-performing past due exposures	**80,390**	**4,020**	**76,370**	**103,976**	**5,198**	**98,778**
- exposure to assignors (with recourse)	70,479	3,524	66,955	54,465	2,723	51,742
- assignments of future receivables	*14*	*1*	*13*	*1,223*	*61*	*1,162*
- others	*70,465*	*3,523*	*66,942*	*53,242*	*2,662*	*50,580*
- exposures to assigned debtors (non-recourse)	9,911	496	9,415	49,511	2,475	47,036
- purchases below nominal value	-	-	-	-	-	-
- others	*9,911*	*496*	*9,415*	*49,511*	*2,475*	*47,036*
Total	**9,515,257**	**138,940**	**9,376,317**	**10,931,585**	**124,190**	**10,807,395**

Other assignments

(thousands of euros)

ITEMS/VALUES	12.31.2020 GROSS AMOUNT	12.31.2020 WRITE-DOWNS	12.31.2020 NET VALUE	12.31.2019 GROSS AMOUNT	12.31.2019 WRITE-DOWNS	12.31.2019 NET VALUE
1. Performing exposures	**1,937,413**	**819**	**1,936,594**	**1,116,590**	**213**	**1,116,378**
- exposure to assignors (with recourse)	11,271	22	11,249	85,891	103	85,788
- assignments of future receivables	-	-	-	-	-	-
- others	*11,271*	*22*	*11,249*	*85,891*	*103*	*85,788*
- exposures to assigned debtors (non-recourse)	1,926,142	797	1,925,345	1,030,699	110	1,030,590
2. Non-performing assets	**4,773**	**4,575**	**198**	**4,741**	**4,168**	**573**
2.1 Bad loans	**2,024**	**1,970**	**54**	**2,024**	**1,971**	**53**
- exposure to assignors (with recourse)	2,024	1,970	54	2,024	1,971	53
- assignments of future receivables	-	-	-	-	-	-
- others	*2,024*	*1,970*	*54*	*2,024*	*1,971*	*53*
- exposures to assigned debtors (non-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.2 Unlikely to pay	**2,749**	**2,605**	**144**	**2,717**	**2,197**	**520**
- exposure to assignors (with recourse)	2,749	2,605	144	2,717	2,197	520
- assignments of future receivables	-	-	-	-	-	-
- others	*2,749*	*2,605*	*144*	*2,717*	*2,197*	*520*
- exposures to assigned debtors (non-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.3 Restructured exposures	**-**	**-**	**-**	**-**	**-**	**-**
- exposure to assignors (with recourse)	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
- exposures to assigned debtors (non-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.4 Non-performing past due exposures	**-**	**-**	**-**	**-**	**-**	**-**
- exposure to assignors (with recourse)	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
- exposures to assigned debtors (non-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
Total	**1,942,186**	**5,394**	**1,936,792**	**1,121,331**	**4,381**	**1,116,951**

B.1.2 Acquisition of non-performing loans other than factoring.
The Company does not carry out this type of operation.

Part D - Other information (Continued)

B.2 Distribution according to residual life

Past-due receivables, if not impaired, are classified in the "on demand" category, while if impaired they are classified according to the estimated expiry date, for the balance sheet valuations.

B.2.1 With-recourse factoring operations: advances and "Total Receivables"

(thousands of euros)

MATURITY RANGES	ADVANCES		TOTAL RECEIVABLES	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
- on demand	766,803	976,065	1,612,047	1,831,268
- up to 3 months	1,202,341	1,606,310	1,866,045	2,526,252
- from 3 to 6 months	279,691	345,242	519,266	641,763
- from 6 months to 1 year	241,593	242,533	357,459	338,451
- over 1 year	242,985	410,538	433,041	432,004
- unspecified maturity			-	
Total	**2,733,413**	**3,580,688**	**4,787,858**	**5,769,738**

Other assignments

(thousands of euros)

MATURITY RANGES	ADVANCES		TOTAL RECEIVABLES	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
- on demand	11,447	86,308	22,950	108,944
Total	**11,447**	**86,308**	**22,950**	**108,944**

Other assignments are made up of tax receivables that are by nature repayable on demand.

B.2.2 Without-recourse factoring operations: exposures

(thousands of euros)

MATURITY RANGES	EXPOSURES	
	12.31.2020	12.31.2019
- on demand	807,080	1,013,672
- up to 3 months	4,521,538	5,033,736
- from 3 to 6 months	597,493	560,069
- from 6 months to 1 year	191,156	320,882
- over 1 year	525,637	298,348
- unspecified maturity		
Total	**6,642,904**	**7,226,707**

Other assignments

(thousands of euros)

MATURITY RANGES	EXPOSURES	
	12.31.2020	12.31.2019
- on demand	1,925,345	1,030,590
Total	**1,925,345**	**1,030,590**

Other assignments are made up of tax receivables that are by nature repayable on demand.

B.2.3 Acquisitions non-performing loans other than factoring

The Company does not carry out this type of operation.

B.3 Other information

B.3.1 Turnover of receivables in factoring operations

(thousands of euros)

ITEM	12.31.2020	12.31.2019
1. Non-recourse transactions	36,658,956	42,237,623
- of which purchases below nominal value		
2. With recourse transactions *	14,148,739	21,042,367
TOTAL	**50,807,694**	**63,279,990**

* This figure includes 8,076,744 euros/thousand for 2019 and 6,651,752 euros/thousand for 2020, for non-recourse contracts that did not pass the IFRS 9 recognition test.

The turnover from other assignments was 2,091,872 thousand euros.

B.3.2 Collection services

There are no receivables for which collection-only services are provided.

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

(thousands of euros)

ITEM	12.31.2020	12.31.2019
Flow of contracts for purchase of future receivables for the year	23,768,249	23,655,358
Amount of existing contracts at the closing date of year	18,997,905	20,223,715

Margin between the limit granted to customers, and receivables acquired on a with recourse basis

(thousands of euros)

ITEM	12.31.2020	12.31.2019
Margin	1,086,583	964,665

The value in the table represents the difference between the loan granted to the assignor and the Total Receivables relating only to with-recourse operations.

Part D - Other information (Continued)

D. Guarantees and commitments

D.1 Value of real or personal guarantees issued, and of commitments

(thousands of euros)

TRANSACTIONS	12.31.2020	12.31.2019
1) Financial guarantees given on first demand	-	-
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
2) Other financial guarantees given	-	-
a) Banks		
b) Financial institutions		
c) Customers	-	-
3) Commercial guarantees given to	-	-
a) Banks *	-	-
b) Financial institutions	-	-
c) Customers	-	-
4) Other irrevocable commitments to disburse funds	1,757,123	1,661,402
a) Banks	-	-
ii) certain to be called on	-	-
ii) not certain to be called on	-	-
b) Financial institutions	1,263,500	1,253,729
ii) certain to be called on	1,262,388	1,253,540
ii) not certain to be called on	1,112	189
c) Customers	493,623	407,673
ii) certain to be called on	161,809	63,516
ii) not certain to be called on	331,814	344,157
5) Underlying obligations for credit derivatives: sales of protection	-	-
6) Assets used to guarantee others' obligations	-	-
7) Other irrevocable commitments		
a) to issue guarantees		
b) others	-	-
Total	**1,757,123**	**1,661,402**

The irrevocable commitments to loan funds for uncertain use consists of the non-advanced part of the without recourse contracts that do not pass the IFRS 9 derecognition test, and the unused part of the committed lines. In this last case, they are only used after a receivables assignment is presented.

D.2 Loans recognized after enforcement

Not Present.

Section 3 - Information on risks and relative hedging policies

3.1 Credit risk

QUALITATIVE INFORMATION

1. General information

Factoring offers multiple services to meet businesses’ needs for cash flow management, to guarantee assigned trade receivables and finance then if necessary.

The credit risk borne by the factor only shares some of the characteristics typical of the credit risk associated with banking.

While in banking, the similar technique of providing advances on invoices consists of the granting of cash credit mainly on the basis of the customer’s credit rating, factoring operations are also based on the characteristics of the receivables to be acquired, the profile of individual debtors, and their mode of operation.
When the risk is accepted, the factoring company will evaluate two parties: the assigning supplier and the assigned debtor, whose credit profiles will both be analyzed; The acceptance of risk on these parties may take various configurations, depending on the type of product requested by the customer/assignor.

When the factor advances the receivables to the assignor, it is exposed by the amount equal to the agreed advance, which cannot exceed the Total Receivables assigned.

In a with recourse (pro soluto) contract, the factoring company guarantees the assignor against the default by the assigned debtor, except in cases explicitly governed by the contract. The factor agrees to pay the amount of the assigned receivables after a specified number of days after the receivables become due, except in the case of definitive acquisition, where the payment (discount) takes place at the same time as the assignment.

Depending on the chosen modus operandi, the factoring company will have greater protection if the credit acquisition process is accompanied by:
- notification to the debtor that the receivables have been assigned;
- recognition by the debtor that the receivables have been assigned;
- certification by the public administration of the assigned receivables;
- the acquisition of trade receivables, compared to other types of receivable;
- the acquisition of receivables that are due and payable or about to fall due, compared to the financing of future receivables;
- the presence of a restricted current account, for operations where notifications are not given on a continuous basis.

A with-recourse contract with the provision of finance and/or guarantee services, exposes the factor to credit risk, against the assigned debtors.

With a with-recourse contract, the risk is diversified: the factor becomes the owner of the claim against the assigned debtor, who is the principal source of repayment and guarantees any advance paid to the assignor. If the debtor does not pay, the factor can claim the payment from the assignor (right of recourse).

When the factor only provides a management service, it is not exposed to any risk.

In general, when a factor provides a finance and/or guarantee service, the possibility of recording a loss is determined primarily by the downgrading of the credit rating of the parties and the resulting risk of non-payment by the assigned debtor (in the case of without recourse or with recourse assignments) or the risk of non-repayment of the amount advanced by the assignor, in the case of the with recourse operation.

When the factor provides its services as part of a pre-existing commercial relationship between the assignor and the debtor, the credit risk is characterized by the following main factors, linked to the debtor:
- the risk of dilution if the debtor refuses to pay because of events related to how the underlying supply contract was fulfilled (for example, set-offs, allowances, or disputes about product quality or promotional discounts);
- the risk of payment being made later than the real or contractual expiry date (the due date was negotiated when the trade receivables were acquired) applies in certain sectors hit by the economic crisis, or to some agencies of the Italian public administration. The risk of late payment also includes the risk of administrative time-barring, which happens when funds allocated in the State Budget are not spent by the public administrations within a certain period of time;
- the risk of set-off, which is particularly high in operations with the Public Administration, or in reverse factoring transactions where the debtor can make set-offs between its own payables and receivables.

2. Credit Risk Management Policies

a) General information

Credit risk management is based on consolidated processes and structures led by competent, expert staff.

The origination process starts with the Sales Division, which is tasked with developing and managing relations with assignors either by carrying out regular visits, or distance checks. One of their tasks is to identify any signs of potential downgrading of the assignor's credit rating and to prevent potential losses.

The assignors and debtors are assessed using Group methods which involve analyzing financial statements, the central risk register, and using the business and other information available to the UniCredit Group. UniCredit Factoring does not have its own rating models, however, for customers it shares with the UniCredit Group, the counterparty's rating is calculated by the parent company and is input into the assignor's and debtor's online files. This is a fundamental part of the assessment process.

When the assignor and debtor risks are accepted, their credit risk is assessed by Credit Operations, which has separate teams for granting finance to assignors and debtors.

The Debtor Management Division manages relations on an ongoing basis, checking the receivables assigned as well as any reports or actions, to ensure that payments are made promptly (checks on due dates and payment reminders).

Part D - Other information (Continued)

The Credit Division also incorporates:
- Credit Monitoring, which maintains the quality of the finance portfolio by carrying out regular monitoring so that systematic intervention can take place if there is any deterioration in the risk profile of an assignor or a debtor. This activity is done before the default arises, when there is still a possibility that the assignor or debtor will be able to meet their commitments, and when the position is transferred to the appropriate risk status to ensure better management;
- Special Credit, which is responsible for ensuring the management and monitoring of accounts such as Unlikely to Pay, Bad Loan and accounts covered by restructuring plans. It identifies and implements the most effective solutions to maximize the recovery of the debt, and proposes the necessary provisions to cover forecast losses;
- Risk Management, whose task is to:
  - analyze, assess, measure and monitor the typical risks of the company's activities (credit, operational, reputational and market-related) in order to determine their economic and financial impact;
  - support the implementation of Group policies;
  - provide systematic reports to Top Management and the Board of Directors;
  - establish and monitor the "Risk Appetite", together with the Parent Company and its guidelines, to ensure the company can pursue its strategic objectives and business plan, taking into account the interests of its customers and shareholders; compatibly with its Risk-Taking Capacity, it also sets the Tier 1 capital requirements and other requirements;
  - support Management in measuring and managing the cost of risk;
  - carry out second level checks.

b) the risk management, measurement and control systems and departments responsible for them

Measurement and reporting involves the issue of periodic, systematic reports and specific estimates to support various types of decision.

The most important of these reports are the following:
- the "Credit Dashboard" which is presented to the Board of Directors and contains an analysis of: i) the Total Receivables and the underlying invested assets, with a particular focus on the types of assignments, notifications, acknowledgements etc., which define the level of risk and the related dynamics; ii) the quality of credit and provisions to cover the risk of loss; iii) concentration risk;
- "Strategies monitoring" and the "Risk Appetite Framework": presented to the Risk Committee. They assess the trend in credit risk accepted by the Company and define any corrective actions to be taken if the risk appetite thresholds are approached or overrun, and/or the guidelines contained in the credit and business strategies, whose targets and prudential limits are approved in advance by the Board of Directors;
- the reporting of operational losses and the monitoring of operational risk indicators;
- the monitoring of interest rate and liquidity risk presented to the Risk Committee.

c) methods of measurement of expected losses

PD, LGD and EAD and calibration of internal models

At present, the company shares the entire IT architecture with UniCredit s.p.a. in order to guarantee standardized calculations within the UniCredit Group and to exploit the related synergies.

In this regard:
- no internal model (standardized approach) is used for exposure at default (EAD);
- with regard to the Probability of Default (PD), the Company uses the same models and parameters as UniCredit SpA for shared customers; for non-shared customers, the Company uses Cluster PDs, differentiated on the basis of the type of counterparty (Large Corporate, Multinational, Banks, Corporate, Small Business, Other);
- with regard to LGD, the COMPANY uses the same parameters as UniCredit SpA for counterparties with Groupwide LGD, while it has adopted a managerial model for local counterparties, in order to make the risk parameter more consistent with the business model, which focuses on two main categories of counterparties: Assignor and Debtor.

This model has been recalibrated in order to incorporate the new EBA regulations;

ECLs are restated as necessary for financial reporting purposes to reflect changes in the credit risk associated with the financial instrument since initial recognition.
The new provisions are designed to facilitate more timely recognition of loan losses, which consists of determining provisions based on the estimated ECL over a 12-month time horizon, applicable to all credit exposures (so-called Stage 1). In addition, all credit exposures for which a significant deterioration has been identified (with respect to the recognition of incurred losses under IAS 39) require the recognition of estimated ECLs over a reference time horizon over the entire duration (hereinafter "lifetime ECLs" or Stage 2 credit) associated with the exposures.

While credit exposures classified as Level 3 ("Stage 3" credit) are similar to those under IAS 39 for incurred losses that are recognized analytically, the Stage 1 and 2 classification of credit exposures effectively replaces credit exposures measured using a "collective" approach as was the case under the previous standard.

The Group guidelines establish full alignment between the definitions of default, impaired and non-performing with the aim of achieving a uniform approach to the classification of exposures, both for supervisory reporting purposes and for financial statement disclosures. And consequently:

- Stages 1 and 2 include only financial assets classified as performing,
- Stage 3 includes only financial assets classified as non-performing.
- A 12-month ECL is created for financial instruments allocated to Stage 1.
- A lifetime ECL is calculated for financial instruments allocated to Stage 2.
- For financial instruments allocated to Stage 3, a lifetime ECL is calculated and interest income is calculated on the net book value of the asset.

Classification in stage 2 takes place on the occurrence of the following events:

- past due for more than 30 days;
- downgrading of the internal rating assigned to the counterparty, beyond the thresholds established by the Company;
- forbearance events.

d) the risk mitigation techniques used for the purposes of IFRS 7, para. 35Kb).

The management of guarantees is an integral part of the credit process. The primary purpose of guarantee contracts is to maximize the Net Discounted Value of the recoverable amounts, by reducing the potential loss (LGD) if the account is transferred to debt recovery. Although the guarantees are an essential element of the terms and conditions of the finance agreement (especially for longer-term operations), they are only collected as a form of support for the finance, and cannot under any circumstances replace the customer's objective capacity to fulfil its obligations.

The risk mitigation techniques take into account the aspects specific to factoring, which distribute the risk between the customer/assignor and the assigned debtor in different ways depending on the service.

UniCredit Factoring's exposures mainly relate to business counterparties, and can be guaranteed by "personal" guarantees (usually: bank guarantees from private individuals or businesses), or less frequently "secured" guarantees (usually: pledges on cash sums or receivables) issued by individuals or companies (owners, family members or the parent company).

Personal guarantees are usually given by the owners of the businesses using the finance, or by their family members.

The guarantees acquired by the Company also include:

- guarantees given by the parent company to cover exposures to assignors or debtors for amounts exceeding 25% of the company's regulatory capital, in order to respect the legal limits on "large risks" (see following paragraph). The Company will periodically review the guaranteed positions and ensures that the guarantees are adjusted, to reflect changes in the risk (increase or reduction);
- credit insurance policies to mitigate the credit risk resulting from a default by a private debtor assigned on a non-recourse basis;
- guarantees given by banks.

Concentration and large exposure risk

Concentration risk is the risk of having a high level of exposure towards individual parties, groups of related parties, parties in the same economic sector or that exercise the same activity or belong to the same geographical area. This risk has to be limited and monitored in relation to the capital, total assets or overall risk level, in order to avoid undermining the solidity of the company or its capacity to continue its core business.

This issue is regulated in Part 4 of Regulation EU 575 /13 (CRR). In this area, the rules on large exposures relate to the total exposures (on-and off-balance sheet) towards an individual customer or group of related customers, which exceeds 10% of the entity's own funds, and with a limit of 25% of the eligible capital, the calculation of which takes into account the exemptions provided for by the regulation.

The regulation covers the measurement, management and monitoring of concentration risks at sector level, and also in terms of individual names or economic groups.

Initially, the parent company at consolidated level, and the UniCredit Group companies individually, carry out a self-assessment of the minimum financial resources the Company/Group requires in order to cover the risks it is taking on. This assessment is based on a series of factors such as: the situation and forecasts for the national and international economy, both at the macroeconomic level and for each sector of activity; the concentration of exposures. The ratio between the available financial resources and the internal capital defines the "risk-taking capacity", which is a key element of the risk appetite framework and the definition of credit strategies.

In addition to credit strategies, to avoid excessive concentrations with a high level of risk, Group-level limits are set from time to time, either at sector level or on an individual basis.

In the case of individual concentration risk, the quantitative limits on credit exposures are calculated using the economic capital approach. They reflect, to a large extent, the risk level or rating of the counterparty or economic group in question. Compliance with these limits is monitored by the parent company's departments in collaboration with the companies' CRO (Chief Risk Office).

Part D - Other information (Continued)

To guarantee the timely control of concentration risk at Group level, specific guidelines apply to the management of large credit facilities. A "large-credit facility" is any direct or indirect commitment of credit.

For the direct risks only (finance to assignors on a with recourse basis and debtors on a without recourse basis), the total commitments of the applicant (the individual counterparty or economic group) towards all the Group companies exceeds the thresholds set by the parent company and approved by the relevant corporate bodies; for UniCredit Factoring: this threshold is set at 75 million euros for all risks in the Italy Region of the UniCredit Group, or at individual level, at 10% of the regulatory capital.

2.3 Methods of measuring expected losses

Changes due to COVID-19

In light of the COVID-19 pandemic, the credit sector – including the factoring sector – was affected by numerous legislative acts aimed at supporting companies to bear the economic impact of measures to control infections, both by suspending credit lines granted to assignors and through public guarantees on new lending.

Our company applied the provisions of art. 56 of the "Cura-Italia" ("Heal Italy") decree, with regard to 5 assignors, for a total of approximately 4 million euros (as at December 31, 2020 the residual exposure was €1.8 million); this article provided for the maintenance of the credit lines granted up to a certain period of time, initially up to September 30, 2020 and subsequently extended to June 30, 2021. The standard staging methodology was adopted for these counterparties.

Regarding the "Guarantee Italy" scheme, which provides a SACE (Italian export credit agency) guarantee on particular factoring products, the company is still evaluating whether it is worth using this guarantee.

In addition, to cope with the current economic situation, in agreement with the parent company, it was decided from last April to limit the use of automatic pre-evaluation systems (using an internal traffic light scoring system called NPF FAST) as detailed below:
- blocking of simplified assignor renewals;
- reduction of the utilization thresholds for renewals from 500K euros to 250k euros for direct exposures (non-recourse debtors) and from 2 million euros to 1 million euros (for recourse debtors;
- blocking of the use of NPF Fast for the evaluation of new debtors (the planned limits were as follows: direct credit line 250k euros, indirect credit line 1 million euros).

At the end of December, the partial use of the NPF was reinstated in the assessment of debtors both at the time of granting (excluding application in the presence of debtor counterparties not shared with the bank) and in renewals, reinstating the old limits only for debtor counterparties shared with the bank, while for non-shared debtors the limits remained as set in April.

No changes have been made to the process or to the triggers for classification from Stage 1 to Stage 2, also in consideration of the fact that, on the basis of the analyses carried out on the customer portfolio, there was no need to identify any further deterioration in creditworthiness compared to those already adopted. In relation to the ECL calculation process, the changes, in alignment with the Parent Company, mainly concerned the adjustment of the forward-looking scenarios.

During 2020, there was also an increase in requests to extend the deferment period; these requests are part of the normal operations of a factoring company and are granted following a specific request by the assigned debtor.

A total of 285 requests were granted for a total amount of 354 million euro: 14% of these were further extensions of up to 30 days, 40% between 31 days and 60 days, and 46% over 60 days. As at December 31, 2020, 55 positions with a residual amount of €67 million were still outstanding and were mostly regularly repaid.

3. Impaired receivables

The Company has specific regulations that define both the performance statuses and risk statuses for assignors and debtors (performing, watch list, in repayment, debt recovery, past due, unlikely to pay, bad loan, with any indication of forborne exposures), and also the options available for changing the statuses and for making provisions and transitions to loss. These rules also govern the options available for approving repayment plans proposed by the assignors and assigned debtors, and for the acquisition of new guarantees.

QUANTITATIVE INFORMATION

1 - Breakdown of credit exposures by portfolio and credit quality (book value)

(thousands of euros)

PORTFOLIOS/RISK STAGES	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets valued at amortized cost	26,791	25,822	79,670	976,214	10,800,901	11,909,398
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	15,033	15,033
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at FV	-	-	-	-	-	-
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total as at 12/31/2020	**26,791**	**25,822**	**79,670**	**976,214**	**10,815,934**	**11,924,431**
Total as at 12/31/2019	**34,931**	**39,606**	**99,060**	**1,069,770**	**11,246,048**	**12,489,415**

2 - Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

(thousands of euros)

PORTFOLIOS/RISK STAGES	NON-PERFORMING				PERFORMING		
	GROSS EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE
1. Financial assets valued at amortized cost	296,198	163,915	132,283	125,878	11,796,939	19,825	11,777,114
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	15,033	-	15,033
3. financial assets designated at fair value	-	-	-	-	-	-	-
4. Other financial assets mandatorily at FV	-	-	-	-	-	-	-
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-
Total as at 12/31/2020	**296,198**	**163,915**	**132,283**	**125,878**	**11,811,972**	**19,825**	**11,792,147**
Total as at 12/31/2019	**349,247**	**175,588**	**173,659**	**126,966**	**12,329,140**	**13,384**	**12,315,756**

PORTFOLIOS/RISK STAGES	LOW CREDIT QUALITY ASSETS		OTHER ASSETS	TOTAL
	ACCUMULATED UNREALIZED LOSSES	NET EXPOSURE		
1. Financial assets held for trading	-	-	-	-
2. Hedging derivatives	-	-	-	-
Total as at 12/31/2020	**-**	**-**	**-**	**-**
Total as at 12/31/2019			**17**	**17**

3 - Breakdown of financial assets by category of impairment (book values)

(thousands of euros)

PORTFOLIOS/RISK STAGES	FIRST STAGE			SECOND STAGE			THIRD STAGE		
	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS	MORE THAN 90 DAYS	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS	MORE THAN 90 DAYS	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS	MORE THAN 90 DAYS
1. Financial assets valued at amortized cost	260,876	55,344	55,938	45,065	233,000	327,380	66,968	7,868	57,446
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total as at 12/31/2020	**260,876**	**55,344**	**55,938**	**45,065**	**233,000**	**327,380**	**66,968**	**7,868**	**57,446**
Total as at 12/31/2019	**318,784**	**61,886**	**98,270**	**62,505**	**271,011**	**257,316**	**100,203**	**10,901**	**62,512**

Part D - Other information (Continued)

4 - Financial assets, commitments to lend funds and financial guarantees given: trend in total value adjustments and total provisions

(thousands of euros)

CAUSATIONS/RISK STAGES	TOTAL VALUE ADJUSTMENTS													TOTAL PROVISIONS FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED			TOTAL
	FIRST STAGE ASSETS				SECOND STAGE ASSETS				THIRD STAGE ASSETS				OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ARISING				
	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENTS	OF WHICH: COLLECTIVE IMPAIRMENTS	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENTS	OF WHICH: COLLECTIVE IMPAIRMENTS	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENTS	OF WHICH: COLLECTIVE IMPAIRMENTS		FIRST STAGE	SECOND STAGE	THIRD STAGE	
Opening balance	8,172	-	-	8,172	5,212	-	-	5,212	175,588	-	175,588	-	-	1,070	31	-	190,073
Increases from financial assets acquired or originated																	-
Cancellations other than write-offs																	-
Net adjustments/writebacks for credit risk (+/-)	(907)			(907)	7,348			7,348	20,447		20,447			165	150	-	27,203
Contract changes without cancellation																	-
Changes in estimation methodology																	-
Write-off									(27,533)		(27,533)						(27,533)
Other changes					-			-	(4,587)		(4,587)						(4,587)
Closing balances	7,265	-	-	7,265	12,560	-	-	12,560	163,915	-	163,915	-	-	1,235	181	-	185,156
Withdrawals from write-offs on financial assets																	-
Write-offs recognized directly in the income statement																	-

5 - Financial assets, commitments to lend funds and financial guarantees given: transfers between the various credit risk stages (gross and nominal amounts)

(thousands of euros)

PORTFOLIOS/RISK STAGES	GROSS VALUES / NOMINAL VALUE					
	TRANSFERS BETWEEN FIRST AND SECOND STAGE		TRANSFERS BETWEEN SECOND AND THIRD STAGE		TRANSFERS BETWEEN FIRST AND THIRD STAGE	
	FROM FIRST STAGE TO SECOND STAGE	FROM SECOND STAGE TO FIRST STAGE	FROM SECOND STAGE TO THIRD STAGE	FROM THIRD STAGE TO SECOND STAGE	FROM FIRST STAGE TO THIRD STAGE	FROM FIRST STAGE TO THIRD STAGE
1. Financial assets valued at amortized cost	311,578	753,511	23,777	13,279	22,778	25,534
2. Financial assets measured at fair value through other comprehensive income						
3. Commitments to lend funds and financial guarantees given	43,522	52,326		2,561		
Total as at 12/31/2020	**355,100**	**805,837**	**23,777**	**15,840**	**22,778**	**25,534**
Total as at 12/31/2019	**766,887**	**805,273**	**26,549**	**15,706**	**94,460**	**34,410**

5a Loans subject to COVID-19 support measures: transfers between the various credit risk stages (gross amounts)

The exposure at 12/31/2020 of the forborne positions, as indicated in part D section 3.1, is not significant, therefore the table has not completed.

6 - Loans to customers, banks and financial companies

6.1 On-and off-balance sheet exposures to customers, banks and finance companies: gross and net values

(thousands of euros)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE NON-PERFORMING ASSETS	GROSS EXPOSURE PERFORMING ASSETS	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	PARTIAL AND TOTAL WRITE-OFFS
A. ON-BALANCE-SHEET EXPOSURES:					
a) Bad loans	-	-	-	-	-
-of which: forborne exposures	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-
-of which: forborne exposures	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-
-of which: forborne exposures	-	-	-	-	-
d) Performing past-due exposures	-	4,933	3	4,930	-
-of which: forborne exposures	-	-	-	-	-
e) Other performing exposures	-	473,096	698	472,398	-
-of which: forborne exposures	-	-	-	-	-
Total A	**-**	**478,029**	**700**	**477,329**	**-**
B. OFF-BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**
a) Non-Performing	-	-	-	-	-
b) Performing	-	1,262,388	329	1,262,059	-
Total B	**-**	**1,262,388**	**329**	**1,262,059**	**-**
Total (A+B)	**-**	**1,740,417**	**1,030**	**1,739,388**	**-**

The off-balance sheet exposures include commitments to lend funds according to formal without-recourse lines, and the margins on the irrevocable lines of credit.

6.2 - On-balance sheet exposures to banks and finance companies: gross change in impaired exposures

There are no exposures of this type.

6.2bis - On-balance sheet exposures to banks and finance companies: gross changes by credit quality in forborne exposures

There are no exposures of this type.

6.3 - Impaired on-balance sheet exposures to banks and finance companies: change in overall impairments

There are no exposures of this type.

Part D - Other information (CONTINUED)

6.4 On-and off-balance sheet exposures to customers: gross and net values

(thousands of euros)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE NON-PERFORMING ASSETS	PERFORMING ASSETS	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	PARTIAL AND TOTAL WRITE-OFFS
A. ON-BALANCE-SHEET EXPOSURES:					
a) Bad loans	117,560	-	90,769	26,791	-
-of which: forborne exposures	18	-	15	3	-
b) Unlikely to pay	94,774	-	68,952	25,822	-
-of which: forborne exposures	42,156	-	30,878	11,277	-
c) Non-performing past due exposures	83,863	-	4,193	79,670	-
-of which: forborne exposures	-	-	-	-	-
d) Performing past-due exposures	-	974,894	2,221	972,673	-
-of which: forborne exposures	-	1,010	30	980	-
e) Other performing exposures	-	10,344,017	16,904	10,327,113	-
-of which: forborne exposures	-	-	-	-	-
Total A	**296,198**	**11,318,911**	**183,039**	**11,432,069**	**-**
B. OFF-BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**
a) Non-Performing	1,395	-	-	1,395	-
b) Performing	-	1,337,445	1,087	1,336,358	-
Total B	**1,395**	**1,337,445**	**1,087**	**1,337,753**	**-**
Total (A+B)	**297,593**	**12,656,355**	**184,126**	**12,769,822**	**-**

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

The exposure at 12/31/2020 of the forborne positions, as indicated in part D section 3.1, is not significant, therefore the table has not completed.

6.5 - Credit exposures to customers: gross change in impaired exposures

(thousands of euros)

BREAKDOWN - CATEGORY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening gross exposure	**117,942**	**127,031**	**104,274**
- of which: exposures sold and not derecognised			
B. Increases	**5,219**	**14,498**	**80,711**
B.1 transfers from Performing loans	254	13,806	80,509
B.2 entries from impaired financial assets acquired or originated			
B.3 transfers from other Non-Performing exposure	4,296	312	
B.4 contractual amendments without cancellation			
B.5 other increases	669	380	202
C. Decreases	**(5,600)**	**(46,755)**	**(101,122)**
C.1 transfers to Performing loans			(49,748)
C.2 write-off	(789)	(26,744)	
C.3 receipts	(2,564)	(8,602)	(48,958)
C.4 gains on disposal			
C.5 losses on disposals			
C.6 transfers to other Non-Performing exposures		(4,213)	(395)
C.7 contractual amendments without cancellation			
C.8 other reductions	(2,247)	(7,196)	(2,021)
D. Final Gross Exposure	**117,561**	**94,774**	**83,863**
- of which: exposures sold and not derecognised			

6.5 bis - On-balance-sheet exposures to customers: gross changes by credit quality in forborne exposures

(thousands of euros)

BREAKDOWN - QUALITY	NON PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Opening gross exposure	**81,125**	**1,585**
- of which: exposures sold and not derecognised:		
B. Increases	**986**	**640**
B.1 transfers from Performing not forborne		640
B.2 transfers from Performing forborne		X
B.3 transfers from Non performing forborne exposures	X	
B.4 other increases	986	
C. Decreases	**(39,937)**	**(1,215)**
C.1 transfers to Performing not forborne	X	(146)
C.2 transfers to Performing forborne		X
C.3 Transfers to Non performing forborne exposures	X	
C.4 write-off	(25,327)	
C.5 recoveries	(9,136)	(1,069)
C.6 sales proceeds		
C.7 losses on disposal		
C.8 other reductions	(5,474)	
D. Final Gross Exposure	**42,174**	**1,010**
- of which: exposures sold and not derecognised:		

6.6 - Impaired on-balance-sheet exposures to customers: change in overall impairments

(thousands of euros)

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
BREAKDOWN - CATEGORY	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Initial overall adjustments	**82,949**	**3,052**	**87,426**	**56,641**	**5,214**	**0**
- of which: exposures sold and not derecognised						
B. Increases	**12,830**	**15**	**16,406**	**2,348**	**4,036**	**-**
B.1 value adjustments from impaired financial assets acquired or originated		X		X		X
B.2 other value adjustments	9,000		16,406	2,348	4,036	
B.3 losses on disposal						
B.4 transfers from other Non-Performing exposure	3,830	15				
B.5 contractual amendments without cancellation		X		X		X
B.6 other increases		0				
C. Decreases	**(5,010)**	**(3,052)**	**(34,880)**	**(28,111)**	**(5,056)**	**0**
C.1. write-backs from valuation	(2,922)	(5)	(1,017)	(323)	(5,056)	
C.2 write-backs from recoveries						
C.3 Gains on disposal						
C.4 write-off	(789)	0	(26,744)	(25,327)		
C.5 transfers to other categories of impaired exposures			(3,830)	(15)		
C.6 contractual amendments without cancellation		X		X		X
C.7 other decreases	(1,299)	(3,047)	(3,289)	(2,446)		
D. Final overall adjustments	**90,769**	**15**	**68,952**	**30,878**	**4,194**	**0**
- of which: exposures sold and not derecognised						

Part D - Other information (CONTINUED)

7. Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

7.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued by category of external rating (gross values)

(thousands of euros)

EXPOSURE	RATING CLASSES						WITHOUT RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. financial assets measured at amortized cost	**2,147**	**18,773**	**173,798**	**332,542**	**5,697**	**-**	**11,560,181**	**12,093,138**
- First stage	1,823	17,129	158,935	241,387	2,720	-	10,283,076	10,705,070
- Second stage	324	1,644	13,049	90,982	2,977		982,894	1,091,870
- Third stage			1,814	173		-	294,211	296,198
B. Financial assets measured at fair value through other comprehensive income								
- First stage								
- Second stage								
- Third stage								
Total (A+B)	**2,147**	**18,773**	**173,798**	**332,542**	**5,697**	**-**	**11,560,181**	**12,093,138**
of which: impaired financial assets acquired or arising								
C. Commitments to lend funds and financial guarantees given	**-**	**3,008**	**8,276**	**174,249**	**800**	**-**	**2,413,500**	**2,599,833**
- First stage	-	3,008	8,276	172,620	800	-	2,311,600	2,496,304
- Second stage			-	1,629			86,049	87,678
- Third stage					-		15,851	15,851
Total (C)	**-**	**3,008**	**8,276**	**174,249**	**800**	**-**	**2,413,500**	**2,599,833**
Total (A + B + C)	**2,147**	**21,781**	**182,074**	**506,791**	**6,497**	**-**	**13,973,681**	**14,692,971**

The following rating agencies are used: Standard & Poor's, Moody's and Fitch.
If there are ratings from two ECAI for the same position, the one corresponding to the higher weighting factor is used; where there are 3 or more ratings, the two ratings with the lower weighting factors are used, and if they are different, the worse of the two is utilized.

The classification of rating classes for the 3 rating agencies used, is as follows:

RATING CLASS	STANDARD & POOR'S	MOODY'S	FITCH
1	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	from A+ to A-	from A1 to A3	from A+ to A-
3	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	from B+ to B-	from B1 to B3	from B+ to B-
6	CCC+ and lower	Caa1 and lower	CCC+ and lower

7.2 Distribution of financial assets, commitments to disburse funds and financial guarantees issued by category of internal rating (gross values)

This table has not been completed as the Company uses a standard method for calculating credit risk.

9 - Concentration of credit

9.1 Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's sector of activity

(thousands of euros)

	TOTAL
GOVERNMENTS	3,099,958
OTHER PUBLIC ENTITIES	472,580
NON-FINANCIAL COMPANIES	6,796,985
FINANCIAL COMPANIES	1,803,386
OTHER	1,492,195
TOTAL	**13,665,104**

9.2 Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's geographical area (thousands of euros)

	TOTAL
NORTH WEST	5,147,654
NORTH EAST	1,892,916
CENTRAL	4,969,077
SOUTH	466,133
ISLANDS	179,659
OUTSIDE ITALY	1,009,665
TOTAL	**13,665,104**

9.3 Large risks (thousands of euros)

	TOTAL
a) Nominal amount:	9,845,038
b) amount post CRM and extensions ex Art. 400 CRR	3,732,632
c) Number:	30

10 – Credit Risk Measurement and Management models and methods

Write-downs are made specifically, based on the loss forecasts made from time to time; For other positions in default, for which analytical write-downs cannot be made, a statistical approach is used (specific write-downs on a flat rate basis) and finally, for non-defaulted positions, the write-downs are calculated on the basis of loss valuation models used by the parent company in compliance with IFRS 9, adapted to the specific nature of factoring.

3.2 Market risks

3.2.1 Interest rate risk

QUALITATIVE INFORMATION

1. General information

In line with the Group guidelines, the Company has adopted specific policies to cover interest rate risk for the banking book. It defines the principles, responsibilities and methodologies used to manage this risk.

The two main measurements used to monitor interest rate risk and to set limits, are the following:

- "Net Interest Income Sensitivity", which measures the change in the interest rate over the next 12 months in the absence of new operations, with a variation of +100 basis points and -30 basis points in the interest rates.
- "Basis Point Value Sensitivity", which measures the change in the current value of interest rate positions resulting from an instant shock of 1bp of interest rates. It considers the current value of all future cash flows generated from assets, liabilities and existing derivatives.
- "Economic Value Sensitivity" which monitors how changes in interest rates (primarily changes of +200 bp and -200 bp) affect the value of assets, liabilities and off-balance sheet instruments by affecting the economic value of future cash flows.

For the purposes of managing liquidity and interest rate risk, the various technical forms of investment relate to the following two main types of operation:

- discounted or definitive acquisitions of receivables: these are fixed-rate operations with a defined duration, even if uncertain, as the expiry date includes an estimated delay for the collection of the invoices, after their natural due date;
- standard operations (with recourse and without recourse): these are revolving exposures, usually revocable under certain conditions, and they are usually regulated at variable rates determined monthly, based on the average values for the month, and are settled monthly or quarterly.

In principle:

- the first case is financed with fixed-term deposits;
- the second case was financed in the first half through a credit line that is periodically adapted to the amount and is regulated at a rate that reflects the contractual rate charged to the customer, and subsequently through time deposits.

This minimizes the interest rate risk, which in itself is limited, considering that these operations are almost all short-term, and also the liquidity risk.

Part D - Other information (CONTINUED)

QUANTITATIVE INFORMATION

1 Breakdown by maturity (repricing date) of financial assets and liabilities

(thousands of euros)

ITEM/RESIDUAL MATURITY	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	MORE THAN 10 YEARS	INDETERMINATE DURATION
1. Assets	**1,036,189**	**8,073,286**	**615,577**	**560,355**	**725,061**	**171,297**	**27,611**	**-**
1.1 Debt securities in issue		-	-	-	-	-	-	-
1.2 Loans and receivables	1,036,189	8,073,286	600,544	560,355	725,061	171,297	27,611	-
1.3 Other assets		-	15,033	-	-	-	-	
2. Liabilities	**344,437**	**7,370,092**	**1,299,680**	**1,074,028**	**227,500**	**-**	**100,000**	**-**
2.1 Payables	344,437	7,370,092	1,299,680	1,074,028	227,500	-	100,000	-
2.2 Debt securities in issue		-	-	-	-	-	-	-
2.3 Other liabilities		-	-	-	-	-	-	
3. Financial derivatives								
options								
3.1 Long positions		-	-	-	-	-	-	-
3.2 Short positions		-	-	-	-	-	-	-
other derivatives								
3.3 Long positions		245,147	-	-	-	-	-	-
3.4 Short positions		24,200	-	43,494	134,595	42,858	-	-

Other currencies

ITEM/RESIDUAL MATURITY	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	MORE THAN 10 YEARS	UNSPECIFIED MATURITY
1. Assets	**88,428**	**218,785**	**9,177**	**-**	**-**	**8,580**	**-**	**-**
1.1 Debt securities in issue		-	-	-	-	-	-	-
1.2 Loans and receivables	88,428	218,785	9,177	-	-	8,580	-	-
1.3 Other assets		-	-	-	-	-	-	
2. Liabilities	**5,375**	**286,589**	**39,591**	**2,892**	**-**	**-**	**-**	**-**
2.1 Payables	5,375	286,589	39,591	2,892			-	-
2.2 Debt securities in issue				-	-	-	-	-
2.3 Other liabilities		-	-	-	-	-	-	
3. Financial derivatives								
options								
3.1 Long positions		-	-	-	-	-	-	-
3.2 Short positions		-	-	-	-	-	-	-
other derivatives								
3.3 Long positions		-					-	-
3.4 Short positions		-	-	-	-		-	-

Bad loans are classified according to the expected date of collection

2 Interest rate risk measurement and management models and methods

Sensitivity analysis

At December 31, 2020, the sensitivity of interest income to an immediate and parallel shift of +100bps was approximately – 10.9 million while for a shift of -30 pb it was 11.4 million.

The sensitivity of the economic value (according to the EBA) of shareholders' equity at December 31, 2020 to an immediate and parallel shift of +200bps in interest rates was approximately -34.7 million, while a shift of -200 bp was equal to around 3.7 million.

3.2.2 Price risk

QUALITATIVE INFORMATION

1. General information

Since 2020, the Company has held listed equity securities and PFIs of a former credit counterparty, following the completion of the debt restructuring of the counterparty as set out in the composition plan. The price risk is therefore linked to the fluctuation of market values on stock markets and, in the case of PFIs, by the value of the assets included in the earmarked assets in which the company holds equities.

3.2.3 Exchange rate risk

QUALITATIVE INFORMATION

1. General information

The exchange risk expresses the risk of incurring losses due to fluctuations in currency rates and the price of gold.

The Company's policy on exchange risk provides that accounts assigned in foreign currencies must be advanced and financed in the same currency. Where advances are paid in euros, any differences or conversion costs are governed by specific contracts with the customer, which require that any exchange risk is to be borne by the customer.

The asset coverage required for exchange risk is determined by applying a coefficient of 8% to the net open position in exchange foreign currencies, reduced by 25% for companies in a banking group. On December 31, 2019 the company's open exchange positions did not lead to any absorption of capital.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	CURRENCIES						
ITEMS	USD	GBP STERLING	CANADIAN DOLLARS	CZECH REPUBLIC KORUNA	KUWAITI DINAR	PLN	OTHER CURRENCIES
1. Financial assets	**245,123**	**14,257**	**16,199**	**8,299**	**6,659**	**36,972**	**2,403**
1.1 Debt securities in issue	-	-	-	-	-	-	-
1.2 Equities	-	-	-	-	-	-	-
1.3 Loans and receivables	181,578	14,257	15,910	8,299	6,659	36,972	2,009
1.4 Other financial assets	63,545	-	289	-	-	-	394
2. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities	**246,605**	**16,873**	**14,473**	**8,205**	**6,895**	**37,062**	**2,588**
3.1 Payables	3,109		-		-	-	532
3.2 Debt securities in issue	-		-	-	-	-	-
3.3 Other financial liabilities	243,496	16,873	14,473	8,205	6,895	37,062	2,056
4 Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-	-
Total assets	**245,123**	**14,257**	**16,199**	**8,299**	**6,659**	**36,972**	**2,403**
Total liabilities	**246,605**	**16,873**	**14,473**	**8,205**	**6,895**	**37,062**	**2,588**
Difference (+/-)	**(1,482)**	**(2,616)**	**1,726**	**94**	**(236)**	**(90)**	**(185)**

3.3 Operational risks

QUALITATIVE INFORMATION

1. General aspects, management processes and procedures for measuring the operational risk

In accordance with external and internal regulations, operational risk consists of the possibility of incurring losses due to errors, infringements, interruptions or damages resulting from internal processes, people, systems, or external events.

Operational events may the caused by inadequate or violated internal procedures, personnel, information or telecoms systems, systemic events or other external events: internal or external fraud, inadequate working practices or inadequate workplace security, customer complaints, product distribution, fines or penalties due to failure to comply with regulatory provisions, damage to company property, interruption to information or communication systems, execution of processes.

Part D - Other information (Continued)

In order to measure and manage operational risk, the Company:
- carries out process mapping (including the maps required by Law 262/2005);
- implements IT procedures with automated controls, where possible, and red flag management systems;
- trains staff on how to identify operational risks;
- uses the Group tools and methods for Disaster Recovery, Business Continuity and Insurance Policies;
- records all operational loss events on the Group software program;
- calculates the capital requirement needed to cover operational risk using the “Base” method, or by applying a regulatory coefficient of 15% of the average operating income over the past three years.

QUANTITATIVE INFORMATION

The capital absorption quantified using the Base method, corresponding to 15% of the average operating income over the past three years was 27.5 million at the end of 2020, in line with the previous year.

Systemic threats associated with the coronavirus epidemic

As for the coronavirus epidemic, UniCredit is continuing to monitor the situation carefully and taking precautions in line with the recommendations of the World Health Organization and local authorities in order to protect its employees and customers. The continuation of the pandemic, which made its impact felt in 2020, will also have impacts during the year 2021 that, as of February 9, cannot yet be estimated.

3.4 Liquidity Risk

QUALITATIVE INFORMATION

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

The Company adopts the Liquidity Risk regulations implemented by the Parent Company with regard to governance aspects and the responsibilities of the individual functions.

UniCredit Factoring is only funded through the parent company, which also carries out liquidity risk monitoring, especially using the Maturity Match Gap metric. The Company falls within the Italy Regional Liquidity Center, which manages liquidity risk at central level, and accesses the capital markets on behalf of the banks and private companies within its perimeter.

Funding is carried out through the following methods, as part of an endowment and is periodically reviewed depending on the approved budgets and development plans, also taking into account the type of finance to be provided:
- **Ancillary current account:** which became the main source of funding and financing during the first half of the year;
- **Term deposits (one month or beyond):** have become the main form of funding and financing;
- **Very short-term deposits (overnight or up to 2 weeks):** these are the tools used to meet the daily liquidity requirements and to finance short-term fluctuations in lending;
- **Current account:** the current account with the bank is the channel through which all the company’s operations are channeled (finance, receipts, deposits opened or closed, changes in the ancillary account etc.). The unused credit margin is a readily available liquidity reserve which can also be used to cover unexpected liquidity requirements.

The Company’s liquidity position does not have its own significant value, but should be seen within the consolidation area of the Group’s Italy Region.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

(thousands of euros)

ITEM/RESIDUAL MATURITY	ON DEMAND	BETWEEN 1 AND 7 DAYS	FROM 7 TO 15 DAYS	BETWEEN 15 DAYS AND 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	FROM 1 YEAR TO 3 YEARS	FROM 3 YEARS TO 5YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance sheet assets	**1,834,525**	**469,350**	**2,314,948**	**1,232,831**	**2,144,190**	**1,211,923**	**811,611**	**412,716**	**550,649**	**207,784**	**-**
A.1 Government securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	1,834,525	469,350	2,314,948	1,232,831	2,144,190	1,211,923	811,611	412,716	550,649	207,784	
A.4 Other assets											
On-balance-sheet liabilities	**119,705**	**2,138,933**	**2,652,823**	**431,671**	**2,281,869**	**1,377,871**	**1,084,704**	**229,903**	**-**	**100,004**	**-**
B.1 Liabilities with					-	-	-				
- banks	55,631	2,136,746	2,585,083	357,000	2,230,050	1,299,000	1,074,000	227,500		100,000	
- financial institutions			42,287	42,287							
- customers	64,074	2,187	25,453	32,384	51,819	78,871	10,704	2,403		4	
B.2 Debt securities	-				-		-	-			
B.3 Other liabilities											
Off-balance sheet transactions			**-**	**-**	**-**	**-**	**-**				
C.2 Cash settled financial derivatives											
- Positive differentials	-	-	-	-	(15,717)						-
- Negative differentials	-	-	-	1,477	-	-	1,020	4,375	2,855	5,990	-
C.4 Irrevocable commitments to disburse funds											
- Long positions					(1,757,123)						
- Short positions					1,757,123						
C.5 Financial guarantees issued	1,176,457			750	1,156,770	3,420,871	335	658,055	658,055	79,536	
C.5 Financial guarantees received											

Part D - Other information (CONTINUED)

OTHER CURRENCIES

(thousands of euros)

ITEM/RESIDUAL MATURITY	ON DEMAND	BETWEEN 1 AND 7 DAYS	FROM 7 TO 15 DAYS	BETWEEN 15 DAYS AND 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	FROM 1 YEAR TO 3 YEARS	FROM 3 YEARS TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance sheet assets	**104,018**	**5,386**	**12,026**	**86,531**	**77,091**	**30,261**	**4,893**	**-**	**-**	**8,580**	**-**
A.1Government securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	104,018	5,386	12,026	86,531	77,091	30,261	4,893	-	-	8,580	
A.4 Other assets											
On-balance-sheet liabilities	**37,899**	**108,976**	**20,017**	**25,055**	**97,626**	**40,178**	**2,950**	**-**	**-**	**-**	**-**
B.1 Liabilities with					-	-	-				
- banks	34,058	108,976	19,987	24,666	97,156	39,591	2,892		-		
- financial institutions											
- customers	3,841	-	30	389	470	587	58	-			
B.2 Debt securities											
B.3 Other liabilities											
Off-balance sheet transactions			**-**	**-**	**-**	**-**	**-**				
C.2 Cash settled financial derivatives											
- Positive differentials											
- Negative differentials											
C.4 Irrevocable commitments to disburse funds											
- Long positions											
- Short positions											
C.5 Financial guarantees issued											

Section 4 - Information on Equity

4.1 The Company's shareholders' equity

4.1.1 QUALITATIVE INFORMATION

The company's shareholders' equity is the total funds allocated to the furtherance of the company object and to the control of the risks of the business. Adequate equity is thus a prerequisite for the growth of the Company, and ensures that it will remain solid and stable over time.

UniCredit Factoring, in line with Group policies, pays great attention to the management of capital, with a view to maximizing the returns to shareholders and to supporting the growth of lending.

The measurement of monitored capital is defined by Regulation EU 575/2013 of June 26, 2013 (CRR) and by the Bank of Italy in Circular 288 of April 3, 2015 as updated, on the "Regulatory Provisions for Financial Intermediaries". This provides that intermediaries not gathering savings from the public must maintain a capital requirement to cover credit and counterparty risk that is equal to 6% of the risk-weighted exposure.

From an organizational viewpoint, the monitoring of equity coefficients is done each month by the Planning, Finance & Administration Division, according to the final figures and on a forward-looking basis.

The management of capital is done in coordination with the counterparties of the parent company, leveraging on the one hand the dividends policy and the issue of subordinate loans and on the other, the issue of guarantees and commercial indications.

4.1.2 QUANTITATIVE INFORMATION

4.1.2.1 The Company's equity: composition

(thousands of euros)

VALUE/ITEM	12.31.2020	12.31.2019
1. Capital	414,348	414,348
2. Share premium	951	951
3. Reserves	319,761	294,068
- from profits	319,761	294,068
a) legal	40,868	36,581
b) statutory	185	185
c) treasury shares	-	-
d) other *	278,708	257,302
- others	-	-
4. (Treasury shares)	-	-
5. Valuation reserves	(1,178)	(522)
- Equity securities designated at fair value with impact on overall profitability	(644)	-
- Hedging of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than securities) measured at fair value with impact on comprehensive income	-	-
- Property plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging tools (non-designated items):		
- Exchange differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (change in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains (losses) on defined benefit plans	(534)	(522)
- Portion of valuation reserves for equity investments valued using the equity method	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	57,631	85,757
Total	**791,513**	**794,602**

* "Other Reserves" are mainly undistributed profits.

Part D - Other information (CONTINUED)

4.1.2.2 Reserves from valuation of financial assets designated at fair value through other comprehensive income: composition

(thousands of euros)

ASSETS/VALUES	12.31.2020 POSITIVE RESERVE	12.31.2020 NEGATIVE RESERVE	12.31.2019 POSITIVE RESERVE	12.31.2019 NEGATIVE RESERVE
1. Debt securities in issue				0
2. Equity securities		(644)		0
3. Loans				0
Total	**0**	**(644)**	**0**	**0**

4.1.2.3 Reserves from valuation of financial assets designated at fair value through other comprehensive income: change for the year

(thousands of euros)

	DEBT SECURITIES	EQUITY SECURITIES	LOANS
Opening balance		**-**	**-**
2. Increases	**-**	**-**	**-**
2.1 Increases in fair value		x	
2.2 Value adjustments for credit risk		x	
2.3 Reversal to profit and loss of negative reserves from disposals			
2.4 Transfers to other components of equity (equity securities)			
2.5 Other changes			
3. Decreases	**-**	**(644)**	**-**
3.1 Decreases in fair value		(644)	-
3.2 Write-backs for credit risk			
3.3 Transfer to the income statement from positive reserves from disposals		x	
3.4 Transfers to other components of equity (equity securities)			
3.5 Other changes			-
4. Closing balance	**-**	**(644)**	**-**

4.2 Own funds and risk capital ratios

For quantitative information refer to consolidated Pillar III.

4.2.1 Own Funds

4.2.1.1 QUALITATIVE INFORMATION

Own funds are the first line of defense against risks connected to the activities of financial intermediaries and are the main benchmark for prudential institutions and assessments by the regulators. The regulations establish the methods to be used in calculating own funds, the criteria and limits on its components.

The own funds as at December 31, 2020 were determined in accordance with Regulation EU 575/2013 of June 26, 2013 (CRR) and by the Bank of Italy in Circular 288 of April 3, 2015 as updated, on the “Regulatory Provisions for Financial Intermediaries”.

Common Equity Tier 1 capital (CET 1) is the own funds of the Company and no deductions or prudential filters are applied. CET 1 includes all the profit for the year net of dividends to be distributed, in line with the distribution of profits as proposed by the Board of Directors to the shareholders’ meeting.

Tier 2 capital is the hybrid capitalization instruments calculated net of the amortization shares in accordance with Regulation EU No. 575/2013 of June 26, 2013 (CRR).

4.2.1.2 Quantitative information

(thousands of euros)

VALUE/ITEM	12.31.2020	12.31.2019
A. Total Common Equity Tier 1 (CET1) capital (C-D+/-E) before application of prudential filters	750,727	734,538
of which CET1 instruments subject to transitional arrangements	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 before deductions and transitional effects (A +/- B)	750,727	734,538
D. Items to be deducted from CET1	-	825
E. Transitional regime - Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 (CET1) capital (C-D+/-E)	750,727	733,713
G. Additional Tier 1 capital (AT1) before deductions and effects of transitional regime	-	-
of which AT1 instruments subject to transitional arrangements	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional arrangements - Impact on AT1 (+/-)		
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	-	-
M. Tier 2 capital (T2) before deductions and transitional effects	-	-
of which T2 instruments subject to transitional arrangements	-	-
N. Items to be deducted from T2	-	-
O. Transitional arrangements - Impact on T2 (+/-)	-	-
P. Total Tier 2 capital (Tier 2 -T2) (M - N +/- O)	-	-
Q. Total own funds (F + L + P)	750,727	733,713

4.2.2 Capital adequacy

4.2.2.1 QUALITATIVE INFORMATION

The level of capital adequacy is regularly monitored:

- based on the actual figures at the end of each month, by fully applying the rules on the preparation of interim reports to the supervisory body;
- on a forward-looking basis, generally every quarter, based on the trend and expected composition of the receivables and equity.

If intervention is considered necessary, the possible options are assessed with the Parent Company. These include an increase in capital, a special policy on the distribution of profits, the issue of equity instruments included in the supplementary capital, and the assignment of receivables.

Part D - Other information (CONTINUED)

4.2.2.2 quantitative information

(thousands of euros)

CATEGORY/VALUES	NON WEIGHTED AMOUNTS 12.31.2020	NON WEIGHTED AMOUNTS 12.31.2019	WEIGHTED AMOUNTS/REQUIREMENTS 12.31.2020	WEIGHTED AMOUNTS/REQUIREMENTS 12.31.2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	**14,669,067**	**15,191,901**	**6,530,834**	**7,964,820**
1. Standardized approach	14,669,067	15,191,901	6,530,834	7,964,820
2. IRB approaches	-	-		-
2.1 Basic	-	-		-
2.2 Advanced	-	-		-
3. Securitizations	-	-		-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**391,850**	**477,889**
B.2 Risk of adjustment of value of receivable				
B.3 Regulatory risk				
B.4 Market Risk				**-**
1. Standard approach			-	-
2. Internal models				-
3. Concentration risk				-
B.5 Operational risk			**27,450**	**27,524**
1. Basic indicator approach (BIA)			27,450	27,524
2. Traditional standardized approach (TSA)			-	-
3. Advanced approach			-	-
B.6 Other capital requirements			**-**	**-**
B.7 Other calculation items			**-**	**-**
B.8 Total capital requirements			**419,300**	**505,413**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk weighted assets			6,989,732	8,425,238
C.2 Class 1 primary capital/risk weighted assets (CET 1 capital ratio)			10.75%	8.71%
C.3 Class 1 capital/risk weighted assets (Tier 1 capital ratio)			10.75%	8.71%
C.4 Total own funds/risk weighted assets (Total capital ratio)			10.75%	8.71%

Section 5 - Breakdown of comprehensive income

(thousands of euros)

ITEM		12.31.2020	12.31.2019
10.	Net profit (loss)	57,631	85,757
	Other comprehensive income not reclassified to profit or loss		
20.	Equity securities designated at fair value with impact on overall profitability:	(644)	
	a) fair value changes		
	b) transfers to other equity components		
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):		
	a) fair value changes		
	b) transfers to other equity components		
40.	Hedging of equity securities designated at fair value with impact on other income components:		
	a) change in fair value (hedged instrument)		
	b) change in fair value (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(11)	(123)
80.	Non current assets and disposal groups classified as held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method		
100.	Income taxes relating to other comprehensive income without reversal to the income statement		
	Other comprehensive income that may be reclassified to profit or loss		
110.	Hedging of foreign investments:		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
120.	Exchange differences:		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
130.	Cash flow hedges:		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
	of which: net position result		
140.	Hedging tools (non-designated items):		
	a) changes in value		
	b) reclassification through profit or loss		
	c) other changes		
150.	Financial assets (other than securities) measured at fair value with impact on comprehensive income:		
	a) fair value changes		
	b) reclassification through profit or loss		
	- impairment write-downs		
	- realized gains/losses		
	c) other changes		
160.	Non-current assets and asset groups held for sale:		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
170.	Portion of valuation reserve from investments valued at equity:		
	a) fair value changes		
	b) reclassification through profit or loss		
	- impairment write-downs		
	- realized gains/losses		
	c) other changes		
180.	Income taxes relating to other comprehensive income with reversal to the income statement		
190.	Total other income components	(655)	(123)
200.	Total comprehensive income (Item 10+190)	56,976	85,634

Part D - Other information (Continued)

Section 6 - Related-party transactions

The types of related party as defined in IAS 24 which are significant for UniCredit Factoring, include:

- parent company;
- companies controlled by the parent company;
- UniCredit Factoring's key management personnel and that of its parent company;
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- pension funds for Group employees.

Key management personnel are persons having direct or indirect authority and responsibility for planning, directing, and controlling UniCredit Factoring's activities. This category includes not only the Chief Executive Officer and the other members of the Board of Directors but also the members of the Executive Committee.

6.1 Information on remuneration of key management personnel

Below is the information about the remuneration paid to key management personnel of UniCredit Factoring, as required by IAS 24, in line with the Bank of Italy instructions which require the inclusion of fees paid to members of the Board of Statutory Auditors.

(thousands of euros)

COMPENSATION OF KEY MANAGEMENT PERSONNEL	2020	2019
a) short-term employee benefits	656	600
b) post-retirement benefits	-	-
of which: under defined benefit plans	-	-
of which: under defined contribution plans	-	-
c) other long-term benefits	-	-
d) termination benefits	-	-
e) share-based payments	-	-
Total	**656**	**600**

6.2 Loans and Guarantees to Directors and Statutory Auditors

The Company has not given loans or guarantees to Directors and Statutory Auditors.

6.3 Information on Related parties Transactions

To ensure constant compliance with the current provisions of laws and regulations on financial reporting with regard to related party transactions, UniCredit Factoring identifies all operations in this area.

In accordance with the instructions given by the Parent Company, the criteria for identifying transactions with related parties have been defined, in line with the Consob guidelines.

Individual transactions were carried out on the same terms as those applied to transactions entered into with independent third parties.

All intra-group transactions were based on assessments of mutual economic benefit, and the applicable terms and conditions were established in accordance with fair dealing criteria, with a view to the common goal of creating value for the entire Group.

The same principle was applied to intra-group services, as well as the principle of charging on a minimal basis for these services, solely with a view to recovering the respective production costs.

The following synergies have been activated and are producing positive results:

- the premises at Via Livio Cambi 5 in Milan, the company's head office, were leased from UniCredit Business Integrated Solutions S.c.p.A., Real Estate service line, which also carries out ordinary and extraordinary maintenance for the property;
- the branches of UniCredit S.p.A. carry out business development on the company's behalf, based on the agreement signed in 2011 and subsequently extended in 2013, made between UniCredit Factoring S.p.A. and the CIB and CCI Divisions;
- the parent company manages personnel administration, mailing, activities related to special laws with an internal contact, the soft collection of outstanding, overdue receivables, and back-office activities with the Business Transformation service line. UniCredit Services S.c.p.a. provides technological outsourcing and operational services relating to acquisitions. The sharing of these activities has allowed the company to benefit from specific levels of professional expertise.

The following table shows the outstanding assets, liabilities, guarantees and commitments as at December 31, 2019, as well as the key financial data for the year, for each group of related parties. The main item is represented by the loans and current accounts in euros and other foreign currencies, for funding operations.

Related-parties transaction

(thousands of euros)

	AMOUNTS AS AT 12.31.2020			
	PARENT COMPANY	SUBSIDIARIES OF THE PARENT COMPANY	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES
BALANCE SHEET AMOUNTS				
Financial assets valued at amortized cost with credit institutions	87,850	15,850	-	-
Financial assets valued at amortized cost with financial companies	-	-		-
Financial assets measured at amortized cost with Customers	-	-	-	-
Other assets	3,281	8	-	-
Total assets	**91,131**	**15,858**	**-**	**-**
Payables to credit agencies	10,381,362	-	-	-
Securities and financial liabilities	-	-	-	-
Other liabilities	5,743	16,942	-	-
Total liabilities	**10,387,105**	**16,942**	**-**	**-**
Guarantees given and commitments				
INCOME STATEMENT				
Interest and similar income	18,215	0	-	-
Interest expense and similar charges	(5,206)	(2,819)	-	-
Fees and commissions income	-	9,00	-	-
Fees and commissions expenses	(12,209)	(336)	-	-
Administrative costs: other personnel costs	(3,940)	(64)	(656)	-
Administrative costs: other administrative expenses	(4,284)	(6,414)	-	-
other operating income	-			
Total income statement	**(7,424)**	**(9,624)**	**(656)**	**-**

For the purposes of the current provisions, in 2020 it should be noted that there were no atypical and/or unusual operations with related parties or non-related parties, whose significance could give rise to any doubt as to the security of the company's assets.

Section 7 - Leasing (Lessee)

QUALITATIVE INFORMATION

In carrying out its activities, the Company signs leasing contracts, for which it accounts the relative right of use, relating to the following main types of property, plant and equipment:
• buildings;
• cars.
These contracts are accounted for in accordance with the provisions of IFRS16, further detailed in Part A "Accounting Policies", Part A.2, relating to the main financial statement items to refer to.
The rights of use deriving from these leasing contracts are mainly used for the provision of services or for administrative purposes and accounted for using the cost method.

As permitted by the accounting principle, the Company has decided not to record any rights of use or lease payables for:
• short-term lease, less than 12 months; and
• leasing of goods with a low unit value. In this regard, an asset is considered to have a modest unit value if its fair value when new is less than or equal to 5,000 euros. This category mainly includes office machines (e.g. PCs, monitors, tablets, etc.) as well as fixed and mobile phones.
Lease payments arising from this type of activity are recorded under item 160 " Administrative costs" on accruals basis.

QUANTITATIVE INFORMATION

The book value of the rights of use acquired under the lease is shown in part B - Information on the balance sheet - Assets, Section 8 - Property, plant and equipment - Item 80 of the assets in the Notes to the financial statements.
During the year, these rights of use led to the recognition of depreciation and amortization of 1.3 million of which:
• 1.2 million relating to buildings;
• 0.1 million relating to cars.

With reference to leasing liabilities, the related book value is shown in part B - Information on the balance sheet - Liabilities - Section 1 - Financial liabilities measured at amortized cost - Liability item 10 of the Notes to the financial statements, to which reference should be made.

Part D - Other information (Continued)

During the year, these lease payables resulted in the recognition of interest expense shown in Part C - Information on the Income Statement - Section 1 - Interest - Items 10 and 20 of the Income Statement in the Notes to the Financial Statements.

With reference to short-term leases and assets with a modest unit value, it should be noted that during the financial year lease payments of 0.3 million euros were recorded. It should be noted that this amount also includes VAT on lease payments not included in the calculation of the lease payable.

For the purposes of determining the duration of the lease, the Company considers the non-cancellable period, established by the contract, during which the lessee has the right to use the underlying asset as well as any renewal options where the lessee has reasonable certainty of renewal. In particular, with reference to contracts that provide for the lessee's right to tacitly renew the lease at the end of an initial period, the duration of the lease is determined taking into account elements such as the duration of the first period, the existence of any business plans for the disposal of the leased assets as well as any other circumstance indicative of the existence of reasonable certainty of renewal.
Therefore, the amount of cash flows not reflected in the calculation of lease payables, to which the Company is potentially exposed, is essentially due to the possible renewal of lease contracts and the consequent extension of the lease term not included in the original calculation of lease liabilities taking into account the information available and expectations existing at the start of the lease.

Section 8 - Other disclosures

Part I) Share-based payments based on own equity instruments

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

1.1 Outstanding instruments

As part of the medium/long-term incentive plans for employees of Group companies, the following plans are used:
- **Equity-Settled Share Based Payments** that involve payment in shares.

The category refers to the allocation of the following instruments:
- **Stock options** allocated to selected top & senior managers and key talents of the Group and represented by subscription rights of UniCredit shares;
- **Group executive incentive systems (Bonus Pool)** which offers eligible Group executives and key personnel, identified in accordance with the regulatory requirements, a bonus structure consisting of instant payments (following performance appraisals) and deferred payments made in cash or ordinary UniCredit shares, over a period of 1-6 years. This payment structure is aligned to shareholder interests, and is subject to checks on company malus clauses (where specific profitability, capital and liquidity thresholds are not met at both Group and country/division level), and to individual malus/clawback conditions (where legally enforceable), according to the plan rules (both represent non-market vesting conditions);
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on a three-year performance period, aligned to the new UniCredit strategic plan and provides for the allocation of an award based on gateway conditions linked to profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;
- **Long term incentive 2020-2023** which provides for the assignment of incentives in free ordinary shares, subject to the achievement of specific performance indicators linked to the Team 23 Strategic Plan. The plan is structured on a four-year performance period, aligned to the UniCredit strategic plan and envisages payment in 2024. The award is subject to deferral for four years following the performance period and to compliance during the performance period with minimum equity, capital and liquidity conditions, as well as a positive assessment of the Risk Appetite Framework. In line with Bank of Italy and EBA requirements and with the aim of further strengthening the governance architecture, the Plan sets rules for the management of non-compliance violations, as well as their relative impact on the remuneration components, through the application of malus and claw-back clauses.

In line with the Bank of Italy's circular 285 (update 25, dated October 23, 2018, on remuneration policies and practices), equity-settled share-based payments, represented by deferred payments in UniCredit ordinary shares, are used for the settlement of the golden parachute (severance pay) for key personnel.

1.2 Measurement model

1.2.1 Stock Option

The Hull and White model has been adopted to measure the economic value of stock options.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- achievement of a market value equal to a multiple (M) of the exercise price;
- the probability of beneficiaries' early exit (E) when the vesting period has expired.

Economic and equity effects will be recognized on a basis of instrument vesting period.
No new stock option plans were granted in 2020.

1.2.2 Group Executive Incentive System (Bonus Pool)

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The financial and economic effects will be distributed on the basis of the duration of the Plans.

Group Executive Incentive System "Bonus Pool 2019" - Shares

The plan is divided into clusters, each of which may include three to four deferred share-based payment instalments according to the period defined by the plan rules.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2019				
	TRANCHE (2021)	TRANCHE (2022)	TRANCHE (2023)	TRANCHE (2024)	TRANCHE (2025)
Bonus Opportunity Economic Value Grant Date	06-Feb-2019	06-Feb-2019	06-Feb-2019	06-Feb-2019	06-Feb-2019
Date of resolution of the Board (definition of number of shares)	05-Mar-2020	05-Mar-2020	05-Mar-2020	05-Mar-2020	05-Mar-2020
Beginning of vesting period	01-Jan-2019	01-Jan-2019	01-Jan-2019	01-Jan-2019	01-Jan-2019
End of vesting period	31-Dec-2019	31-Dec-2020	31-Dec-2021	31-Dec-2022	31-Dec-2023
UniCredit share market price [€]	12.984	12.984	12.984	12.984	12.984
Economic value of vesting conditions [€]	-0.631	-1.235	-1.852	-2.494	-3.455
Value of single performance shares at grant date [€]	**12.353**	**11.749**	**11.132**	**10.490**	**9.529**

Group Executive Incentive System 2020 (Bonus Pool)

The new Group Incentive System 2020 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- link between bonuses and organization structure, defining the pool at country/division level with further review at Group level;
- the allocation of bonuses to beneficiaries identified as executives and other key personnel on the basis of criteria laid down in the European Banking Authority's (EBA) regulation, and to other specific roles, based on local regulatory requirements;
- a mixed shares/cash payment structure has been defined in accordance with the regulatory provisions of Directive 2013/36/EU (CRD IV) and will be distributed in a period of 6 years.

All impacts on the income statement and P&L deriving from the plan will be booked during the vesting period.

1.2.3 Long-Term Incentive Plan 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is divided into clusters, based on the type of beneficiary, each of which may include one to four deferred share-based payment instalments according to the period defined by the plan rules.

Part D - Other information (CONTINUED)

1.2.4 Long-Term Incentive Plan 2020-2023

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the type of beneficiary, each of which may include one to five deferred share-based payment instalments according to the period defined by the plan rules.

	SHARES GRANTED LONG TERM INCENTIVE PLAN 2020-2023				
	TRANCHE (2025)	TRANCHE (2026)	TRANCHE (2027)	TRANCHE (2028)	TRANCHE (2029)
Bonus Opportunity Economic Value Grant Date	14-Jan-2020	14-Jan-2020	14-Jan-2020	14-Jan-2020	14-Jan-2020
Date of resolution of the Board (definition of number of shares)	14-Jan-2020	14-Jan-2020	14-Jan-2020	14-Jan-2020	14-Jan-2020
Beginning of vesting period	01-Jan-2020	01-Jan-2020	01-Jan-2020	01-Jan-2020	01-Jan-2020
End of vesting period	31-Dec-2023	31-Dec-2024	31-Dec-2025	31-Dec-2026	31-Dec-2027
UniCredit share market price [€]	13.305	13.305	13.305	13.305	13.305
Economic value of vesting conditions [€]	-3.436	-4.385	-5.333	-6.277	-7.216
Value of single performance shares at grant date [€]	**9.869**	**8.920**	**7.972**	**7.028**	**6.089**

QUANTITATIVE INFORMATION

2. Other information

Effects on Profit and Loss

All Share-Based Payments granted after November 7, 2002 whose vesting period ends after January 1, 2005 are included within the scope of the IFRS2.

Annexes to the notes

Annex 1

UniCredit S.p.A.

Reclassified Balance sheet as at 12.31.2019

(Amounts in millions of euro)

Assets	
Cash and cash balances	2,395
Financial assets held for trading	12,678
Loans and receivables with banks	38,637
Loans and receivables with customers	229,625
Other financial assets	104,199
Hedging instruments	7,311
Property, plant and equipment	4,172
Goodwill	-
Other intangible assets	4
Tax assets	10,405
Non current assets and disposal groups classified as held for sale	1,142
Other assets	3,906
Total assets	**414,474**
Liabilities and equity	
Liabilities to banks	57,571
Deposits from customers	215,696
Debt securities in issue	54,509
Financial liabilities held for trading	13,403
Financial liabilities designated at fair value	5,090
Hedging instruments	7,608
Tax liabilities	1
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	9,077
Equity:	51,519
- capital and reserves	*52,074*
- net profit	*-555*
Total liabilities and equity	**414,474**

Reclassified Income Statement -Year 2019

(Amounts in millions of euro)

Net interest	3,849
Dividends and other income from equity investments	1,844
Net fees and commissions	3,802
Net trading, hedging and fair value income	327
Net other expenses/income	-91
OPERATING INCOME	**9,731**
Personnel costs	-2,756
Other administrative expenses	-2,130
Recovery of expenses	480
Amortization, depreciation and impairment losses on intangible and tangible assets	-319
Operating costs	**-4,725**
OPERATING PROFIT (LOSS)	**5,006**
Net write-downs on loans and provisions for guarantees and commitments	-2,659
NET OPERATING PROFIT (LOSS)	**2,347**
Net provisions for risks and charges	-752
of which: systemic expenses	-386
Integration costs	-114
Net income from investments	-1,737
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**-256**
Income tax for the year	-299
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**-555**
Profit (loss) after tax from discontinued operations	0
Goodwill impairment	0
NET PROFIT (LOSS)	**-555**

Annex 2

Reconciliation of Income Statement and Reclassified Income Statement

	ITEMS OF THE TABLE
Net interest	Net interest margin
Dividends and other income from equity investments	item 50
Net fees and commissions	Net fees and commissions
Result from trading and hedging	item 60
Net other expenses/income	item 160
OPERATING INCOME	**Sum**
Personnel costs	item 110 a) excluding integration charges
Other administrative expenses	item 110 b)
Impairment/write-backs on intangible and tangible assets	item 120
Operating costs	**Sum**
OPERATING PROFIT (LOSS)	**Sum**
Net write-downs on loans	item 100 a)
NET OPERATING PROFIT (LOSS)	**Sum**
Net provisions for risks and charges	item 150
Integration costs	of which item 110 a)
PROFIT BEFORE TAXES	**Sum**
Income tax for the year	item 190
NET PROFIT	**Sum**

Annex 3

Disclosure of independent auditors' fees

In accordance with Article 149-duodecies of the Consob Issuers' Regulation, the following table provides information on the fees paid to the independent auditors, Deloitte & Touche S.p.A. and to companies in its network for the following services:

1. Auditing services including:
   - Auditing the businesses' annual accounts and providing a professional opinion;
   - Auditing the interim accounts.
   - Quarterly account audits

2. Certification services, including services in which the independent auditor assesses a specific element, determined by another party that is responsible for it, according to appropriate criteria, in order to express an opinion which can give the recipient a degree of assurance in relation to that specific element.

3. Other services, including secondary tasks which must be adequately specified. These services include but are not limited to: Accounting, tax, legal and administrative due diligence, agreed procedures and advisory services to the Financial Reporting Officer, assistance with new projects.

The amounts shown in the table, pertaining to 2020, are the contractualized values including any indexing (they do not include out-of-pocket expenses, regulatory contributions if necessary, and VAT).

(thousands of euros)

SERVICE TYPE	SERVICE PROVIDER	SERVICE RECIPIENT	COMPENSATION (EURO)
Audit:			
- Financial Statements	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	85
- Limited review procedures on the half-yearly financial statements	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	18
Certification services	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	25
Tax consultancy services	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	-
Other services			-
Total			**127**

* The certification services refer to the auditing of the Reporting Package for the purpose of the inclusion of the company's data in the UniCredit Group's interim report as at September 30, 2020, for the signing of tax returns, and to the translation of the audit report for inclusion in English translation of the financial statements

Report of the Board of Statutory Auditors

UNICREDIT FACTORING S.P.A.

Single-member company subject to management and coordination by UniCredit S.p.A.

Share capital: 414,348,000.00 euros paid in full

Milan Company Register no., Tax code and VAT no. 01462680156

Milan Economic Administrative Register (REA) no. 840973

Registered offices at Via Livio Cambi, 5, Milan

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

Pursuant to and for the purposes of Article 2429(2) of the Italian Civil Code, we hereby report to you on the supervisory activities carried out during the year ended December 31, 2020, specifying that the Board of Statutory Auditors carried out management supervision pursuant to Article 2403, paragraph 1, of the Italian Civil Code, while the task of auditing the accounts, pursuant to Article 2409-bis of the Italian Civil Code, was entrusted to the auditing firm Deloitte & Touche S.p.A. (Deloitte).

Summary and results of supervisory activities carried out - omissions and censurable facts, opinions rendered.

During the year 2020 we carried out the supervisory activities required by law.

Specifically, we point out that:

- we have supervised compliance with the law and the bylaws, verifying that the corporate documents and resolutions of the corporate bodies comply with the law and the provisions of the bylaws;
- we attended the meetings of the Board of Directors and obtained information on these occasions that enables us to certify the correct performance of the company's activities. We can therefore assure that the transactions approved and carried out during the year comply with the law and the Articles of Association and are not manifestly imprudent, risky, in potential conflict of interest or in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets;
- with the information obtained from the heads of the various company departments and the auditing firm, both in the form of written communication and on the occasion of the audits carried out during the year 2020, as well as from the examination of company documents, we have

acquired knowledge of and supervised the company's organizational structure and the internal control, administrative and accounting systems adopted, both of which are to be considered adequate and reliable for the purposes of effective management and their correct representation;

- there were no atypical or unusual transactions with Group companies, third parties or related parties. The Notes also confirm that during the year transactions with significant related parties were carried out but concluded at market conditions;
- we were able to verify the statutory audit activity through meetings with representatives of the auditor Deloitte, which explained the audits carried out and their results. The audit did not reveal any censurable facts or aspects for which it was necessary to proceed with specific investigations;
- we carried out the functions of Supervisory Body pursuant to Legislative Decree no. 231/2001.

No complaints have been received pursuant to Article 2408 of the Italian Civil Code, nor have any complaints been filed by third parties. No omissions or censurable facts were found to have occurred during the year.

Financial Statements

With regard to the Financial Statements for the year ended 12/31/2020, which show a profit for the year of 57,630,522 euros, we report that, since we are not responsible for auditing the accounts, we oversaw the general approach given to the financial statements and their compliance with the law with regard to formation and structure and we report the following:

- we have analyzed and checked the application of the accounting standards and we specify that these financial statements have been prepared in accordance with the IAS/IFRS international accounting standards issued by the IASB, endorsed by the European Commission, and the relevant interpretations of the International Financial Reporting Interpretation Committee (IFRIC);
- we monitored the general approach given to it and its general compliance with the law with regard to its formation and structure, both as regards the Notes and the Directors' Report on Operations;
- we have verified that the financial statements correspond to the facts and information of which we are aware as a result of the performance of our duties and, in this regard, have no particular remarks to make;
- we have taken note of the activity carried out by the Company appointed to audit the accounts (Deloitte), aimed at ascertaining the correct preparation of the financial statements for the year, in accordance with the law and on the basis of the recording of the transactions carried out during the year;

In the course of our supervisory activity described above, no events were detected that would require mention in this report.

We acknowledge that on March 29, 2021 Deloitte issued, pursuant to Article 14 of Legislative Decree no. 39 of January 27, 2010, the "Report of the Independent Auditors" on the statutory audit of the

2020 financial statements, expressing an unqualified opinion on these financial statements. In the Report, the Independent Auditors also confirmed their independence with respect to the Company, in accordance with the rules and principles of ethics and independence applicable in the Italian legal system to the audit of the financial statements and also formulated, pursuant to Article 14, paragraph 2, letter e), of the above mentioned Legislative Decree, an opinion without remarks on the consistency of the Directors' Report on Operations with the financial statements and its compliance with the law. Finally, it should be noted that with the approval of the Financial Statements of UniCredit Factoring S.p.A. as at December 31, 2021 by the Shareholders' Meeting to be called in 2022, the engagement by the Company's Shareholders' Meeting on April 18, 2013 of the independent auditors Deloitte for the nine-year period 2013-2021 will expire. On the basis of current legislation, this mandate cannot be renewed and the Shareholders' Meeting must appoint a new auditor on the basis of a reasoned proposal by the Board of Statutory Auditors, taking into account the principle of the single Group auditor. Following an ad-hoc selection procedure initiated by the Board of Statutory Auditors of UniCredit S.p.A. for the purpose of awarding the auditing contract for the financial years 2022-2030, the UniCredit S.p.A. Shareholders' Meeting of April 9, 2020 resolved to award the mandate for the nine-year period 2022-2030 to the auditing firm KPMG S.p.A.. As the Shareholders' Meeting of UniCredit Factoring S.p.A. will also have to make an early appointment of the auditor for the aforementioned nine-year period, in order to allow, among other things, an appropriate handover between the outgoing auditor and the new auditor, the relevant reasoned proposal of the Board of Statutory Auditors was issued on March 3, 2021 in accordance with the procedures provided for by current regulations.

Conclusions

On the basis of the foregoing and having noted that the Independent Auditors Deloitte issued the prescribed "Report of the Independent Auditors" without remarks pursuant to Article 14 and 19-bis of Legislative Decree no. 39/2010, from the point of view of our competence, we have no remarks to bring to the attention of the Shareholders' Meeting in relation to the approval of the Financial Statements as at December 31, 2020 and the proposal for allocation of the profit for the year formulated by the Board of Directors.

Milan, Italy, March 29, 2021

The Board of Statutory Auditors

Vincenzo Nicastro (Chairman)

Elisa Menicucci (Statutory Auditor)

Cecilia Andreoli (Statutory Auditor)

External Auditors' Report

Deloitte & Touche S.p.A.
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INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 19-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholder of
UniCredit Factoring S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of UniCredit Factoring S.p.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the 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 and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management'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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of UniCredit Factoring S.p.A. are responsible for the preparation of the report on operations of UniCredit Factoring S.p.A. as at December 31, 2020 including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of UniCredit Factoring S.p.A. as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of UniCredit Factoring S.p.A. as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 29, 2021

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

Resolutions of the Ordinary Shareholders' Meeting

Resolutions of the Ordinary Shareholders' Meeting

The Shareholders' Meeting, with the favorable vote expressed by the sole shareholder UniCredit S.p.A., resolved:

1. to approve the financial statements for the year ended December 31, 2020 in the terms envisaged and to approve the allocation of the 2020 net profit, equal to 57,630,522 euros, as follows:
   - 2,881,526 euros to the Legal Reserve;
   - 14,358,096 euros to Other Reserves;
   - 38,383,400 to shareholders, at 0.478 euros per share;
   - 2,007,500 euros to the UniCredit Foundation, as a donation.

2. to approve the appointment of KPMG S.p.A. as auditor of UniCredit Factoring SpA for the financial years 2022-2030 and to authorize the Company to sign the acceptance of the contractual proposal to appoint KPMG S.p.A. to provide audit services for the financial years 2022-2030 under the conditions indicated.

Our products

Our products

Assignment on a With Recourse basis

The product is aimed at companies that wish to liquidate their trade receivables, transferring them to a specialist operator, while maintaining the risk of debtor insolvency. In its recourse assignments, UniCredit Factoring acquires trade receivables due to the assignor from its debtors, taking care of their administration and collection. At the assignor's request, UniCredit Factoring can pay an advance on the amount due.
In with-recourse operations, the risk of insolvency of the debtor is borne by the assignor.

Assignment on a Without Recourse basis

The product is aimed at companies that wish to demobilize their trade receivables, transferring them to a specialized operator, which assumes the risk of debtors' insolvency.
In its non-recourse assignments, UniCredit Factoring acquires trade receivables due to the assignor from its debtors, taking care of the administration and collection. It bears the risk of the debtor's insolvency, under the conditions and limits stipulated in the contract. At the assignor's request, UniCredit Factoring can pay an advance on the amount due.
In this type of operation however, the risk of insolvency of the debtor is transferred to UniCredit Factoring.

Maturity Assignment

The product is aimed at companies that wish to optimize their cash management by regularizing incoming flows.
In maturity assignments, UniCredit Factoring receives the trade receivables claimed by the assignor from its debtors, manages their administration, takes care of their collection and credits the assignor with the amount due on predetermined dates. At the assignor's request and if the receivable has been recognized, UniCredit Factoring may advance the consideration for the assigned receivables.
If required, UniCredit Factoring can also grant the debtor extended terms of payment without the cost being passed to the assignor.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Reverse factoring

The product is aimed at large companies ("Buyers") with a substantial and fragmented supplier portfolio who wish to streamline and rationalize the management of their purchasing cycle.
Reverse factoring allows:
- the Buyer's suppliers to access special lines of credit under special conditions, also benefiting from the Buyer's credit rating;
- the Buyer to benefit from greater loyalty among its suppliers, thus improving the quality and punctuality of consignments from its trade partners. The Buyer can also rely on standardized, simplified administration procedures for the payment of suppliers, by using UniCredit Factoring as a single partner for every phase of the process.

If required, UniCredit Factoring can also grant the "Buyer" extended terms of payment without the cost being passed to the assignor.

Confirming

The product is aimed at medium and large companies ("Buyers") who wish to consolidate relations with the production chain and support it financially.
Confirming allows:
- the "Buyer" to benefit from a greater loyalty of its production chain and to simplify the management of payments to its suppliers thanks to the use of a highly digitalized platform;
- suppliers to access the electronic platform and request the discounting of receivables uploaded by the "Buyer".

Assignment of receivables to public bodies

The product is aimed at companies that wish to liquidate their trade receivables from debtors belonging to the public administration sector.
UniCredit Factoring receives receivables from the assignor, manages them administratively and takes care of their collection.
At the assignor's request, UniCredit Factoring can pay an advance on the amount due.
With this type of operation the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Assignment of import/export receivables

The product is aimed at companies that wish to obtain support with the management of their receivables from foreign counterparties.
With Export Factoring, UniCredit Factoring acquires the trade receivables of the Italian assignor, due from some of its foreign debtors, and takes care of the administration and collection.
With Import Factoring, UniCredit Factoring acquires the trade receivables of the foreign assignor, due from some of its Italian debtors, and takes care of the administration and collection. If required, the debtor may be granted extended terms of payment.
With both these types of operation, UniCredit Factoring provide its customers with its experience in the rating of foreign counterparties.
With both import and export operations, the risk of the debtor's insolvency may remain with the assigning company (recourse) or be borne by UniCredit Factoring (non-recourse). At the assignor's request, UniCredit Factoring can also pay an advance on the amount due.
These operations are global. The activity can be carried out either with the collaboration of factoring companies in the UniCredit Group, or through the corresponding companies in the Factors Chain International (FCI) network.

Outright purchase of receivables

The product is aimed at medium/large companies wishing to improve their net financial position, using a service that allows the deconsolidation of receivables from the financial statements in compliance with international accounting standards.
In this type of operation, the risk of insolvency of the debtor is transferred to UniCredit Factoring.
If required, UniCredit Factoring can also grant the debtor extended terms of payment without the cost being passed to the assignor.

Payment on maturity

The product is aimed at companies that want to regularize their cash flows and optimize management of their treasuries.
With transactions for payment on maturity, UniCredit Factoring receives the trade receivables claimed by the assignor from some of its debtors and, on the original due date of the receivable and on the debtor's recognition, makes the solvency payment to the assignor.
The special characteristic of this product is the transfer of the insolvency risk to UniCredit Factoring, thanks to the solvency payment. The risk of insolvency of debtors in the period prior to the solvency payment is transferred to UniCredit Factoring (non-recourse).
This product is particularly suited to companies that are subject to mandatory payment terms such as those in the agricultural or food industry, and which are subject to the rules of Article 62 of Decree Law 1/2012 (Law 27/2012).

Disposal of indirect tax credits

The product is aimed at companies that wish to release tax credits from indirect taxes claimed for reimbursement, whose payment times are generally longer than normal commercial practice.
UniCredit Factoring receives this kind of receivable, due to the assignor from the Revenue Agency, and takes care of their administration and collection.
At the assignor's request, UniCredit Factoring, normally upon receipt of the notification report, may also advance the consideration for the assigned receivables or proceed with their purchase.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Disposal of direct tax credits

The product is aimed at companies that wish to liquidate tax credits from direct taxes, such as IRES and Robin Hood tax, requested for reimbursement from the Revenue Agency, whose payment times are generally longer than normal commercial practice.
UniCredit Factoring receives this kind of receivable, due to the assignor from the Revenue Agency, and takes care of their administration and collection.
At the assignor's request, UniCredit Factoring, normally upon receipt of the notification report, may also advance the consideration for the assigned receivables or proceed with their purchase.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Our products (Continued)

Assignment of credits from incentives paid under Ministerial Decree of July 6, 2012

The product is aimed at companies wishing to liquidate receivables represented by the incentives regulated by the Ministerial Decree of July 6, 2012, provided by Gestore dei Servizi Energetici (GSE) for the production of electricity from renewable sources other than photovoltaics.
UniCredit Factoring acquires the credits due to the assignor from the GSE, and takes care of their administration and collection. At the assignor's request, UniCredit Factoring, normally upon receipt of the notification report, may also advance the consideration for the assigned receivables or proceed with their purchase.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

White certificates

The product is aimed at distributors of electricity and natural gas, with more than 50,000 end customers who wish to liquidate receivables represented by the so-called "White Certificates", recognized by Gestore dei Servizi Energetici (GSE) against the achievement of energy efficiency objectives.
UniCredit Factoring acquires the credits due to the assignor from the GSE, and takes care of their administration and collection. At the assignor's request, UniCredit Factoring can also pay an advance on the amount due or go ahead with acquiring them.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Condominiums energy redevelopment

The product is aimed at companies that carry out energy efficiency work for condominiums and who wish to benefit from the advance of tax credits related to Ecobonus, Sismabonus and Sismabonus 110%.
UniCredit Factoring receives the amount of the tax credit deriving from expenses incurred by condominiums for energy efficiency or earthquake-proofing work. At the request of the assignor, UniCredit Factoring can also assess whether to advance the consideration of the assigned receivables or proceed with their purchase.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Cover and introduction design: UniCredit S.p.A.

Design, graphic development and Composition:

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