SEPARATED FINANCIAL STATEMENTS OF GARDANT LIBERTY SERVICING S.P.A. FOR 2021

Gardant Liberty Servicing S.p.A.
Registered office: Via Curtatone 3, 00185 Rome
Fully subscribed and paid-up share capital - Euro 150,000.00
Tax code and Rome Business Register number 10581450961
Chamber of Commerce Economic and Administrative Index (REA)
RM-1581658
Belonging to the “Gardant Group”
Subject to the management and coordination of Gardant S.p.A.
www.gardant.eu

GARDANT
LIBERTY SERVICING

GARDANT
LIBERTY SERVICING

9,1 billions	Assets under Special Servicer
396 milions	Cash collections

Assets	34 milions
Net Equity	19 milions
Net financial position	(1,8) milions
Total revenues	31,7 milions
EBITDA	17,7 milions

S&P Fitch	SS Above Average RSS2+/CSS2+
7 #	Operational offices and co-working
92 #	Employees

Consolidated data as of 31th December 2021
Euro

GARDANT
LIBERTY SERVICING

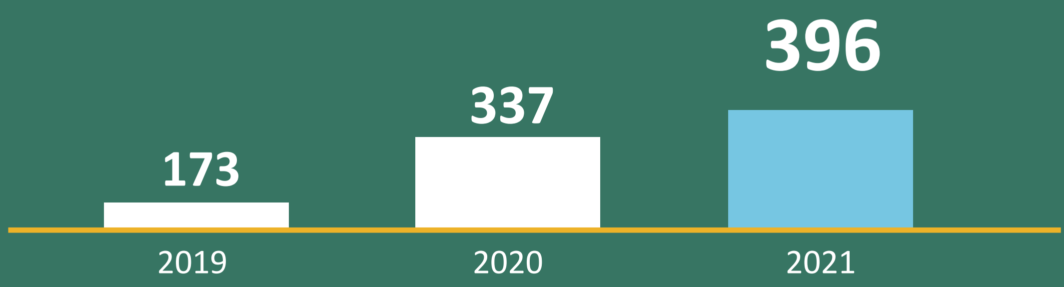
Collections

(Milions Euro)

Increasing effectiveness recovery activity

+17%

CAGR: 2019/2021



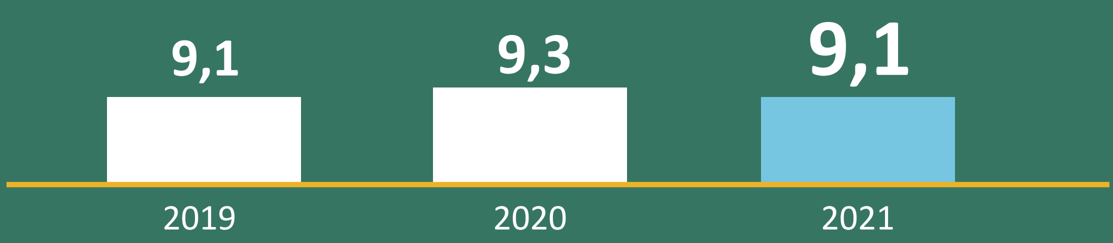
Assets under Managment

(Bilions Euro)

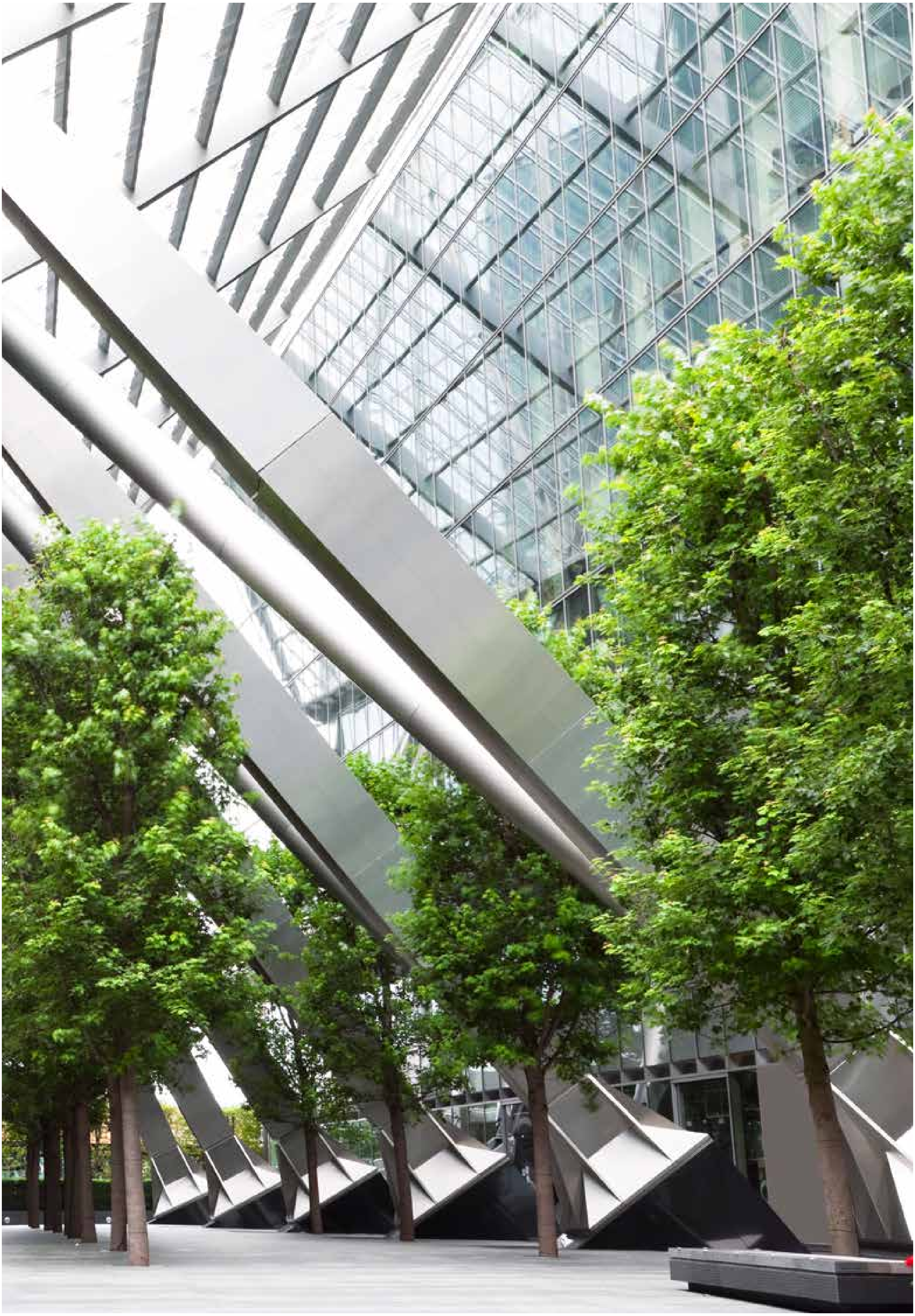
Stability of the managed masses

-%

CAGR: 2019/2021



Consolidated data as of 31th December 2021
Euro



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CORPORATE OFFICERS, MANAGEMENT AND INDEPENDENT AUDITORS

Board of Directors[1]

Edoardo Maria GINEVRA	Chairman
Guido LOMBARDO	Deputy Chairman
Edoardo LOMBELLA	Director
Paola COLOMBO	Director
Mirko BRIOZZO	Director

Board of Statutory Auditors and Supervisory Board[2]

Tommaso ZANINI	Chairman
Franco VEZZANI	Standing auditor
Giuseppina PISANTI	Standing auditor
Antonio MELE	Alternate auditor
Federica SANGALLI	Alternate auditor

Management

Marco VITALE	General Manager

Independent auditors[3]

KPMG S.p.A.

1 The new members of the Board of Directors were appointed by resolution of the Shareholders' Meeting of 31 May 2019 and with the term of office expiring on the date of approval of the financial statements as of 31 December 2021. By resolution of the Shareholders' Meeting of 27 September 2021, new directors Paola Colombo and Mirko Briozzo were appointed.
2 The new members of the Board of Statutory Auditors were appointed by resolution of the Shareholders' Meeting of 31 May 2019 and with the term of office expiring on the date of approval of the financial statements as of 31 December 2021. By resolution of 11 December 2019, the Supervisory Board pursuant to Legislative Decree 231/2001 was also appointed.
3 The independent auditors were appointed by resolution of the Shareholders' Meeting of 31 May 2019.

GARDANT LIBERTY SERVICING S.P.A.

2.1. Gardant Liberty Servicing S.p.A.

Gardant Liberty Servicing S.p.A. (formerly "CF Liberty Servicing S.p.A." and hereinafter "Gardant Liberty Servicing" or "GLS" or the "Company") is the joint venture between the Gardant Group and Banco BPM Group, established as a result of the strategic partnership concluded in 2018.

Gardant Liberty Servicing (of which Special Gardant holds 70% and Banco BPM 30%) is licensed pursuant to article 115 TULPS and carries out special servicer activities with a focus on:

- initial portfolio of more than Euro 7 billion in NPLs (nominal value), sold by Banco BPM to the securitisation vehicle Leviticus SPV S.r.l.;
- flow of new NPLs generated by Banco BPM each year, based on a ten-year management contract signed with Banco BPM;
- a portfolio of NPLs for a gross amount (GBV) of Euro 1.5 billion, of which roughly half unsecured, the result of a securitisation transaction in the vehicle Law 130/99 Aurelia SPV S.r.l (so-called "Project Rockets") carried out by the Banco BPM Group.

The Company is part of the Gardant Group starting from 1 August 2021.

2.2. Gardant Group

The Gardant Group was established on 1 August 2021 as a result of the spin-off from Credito Fondiario S.p.A. of the above-mentioned activities, developed starting as of 2013 following the change in ownership of the company.

The Group mainly consists of the following companies:

- the parent company Gardant S.p.A. (hereinafter "Gardant" or the "Parent Company" or the "Company, formerly "CF HoldCo S.p.A.""), which includes the centralised structures and various business units, including capital markets, portfolio, and monitoring;
- an asset management company, Gardant Investor SGR S.p.A. (hereinafter also "Gardant Investor SGR" or the "SGR"), established and also authorised in the context of the spin-off, with operations starting in the last two months of 2021 with the launch of two Alternative investment funds:
  - the Forward Fund, with a subscribed amount of Euro 500 million and which invests in healthcare and infrastructure receivables to small and medium-sized enterprises and in loans to companies linked to real estate transactions, with adequate supporting guarantees;
  - The Italian Distressed & Special Situations Fund ("Master Fund"), with a capital of Euro 60.6 million, of which Euro 40 million is already invested in mezzanine and junior notes of securitisations with ABS bank receivables and leases already classified as non-performing currently in the fundraising phase;
- Special Gardant S.p.A. (hereinafter also "Special Gardant"), a company pursuant to Article 115 of the TUB (Italian Banking Law), specialised in the management of securitised assets;
- Master Gardant S.p.A. (hereinafter also "Master Gardant"), a company pursuant to Article 106 of the TUB (Italian Banking Law), specialised in master servicing and other securitisation activities;
- Gardant Liberty Servicing S.p.A., the joint-venture with Banco BPM specialised in the special servicing of impaired positions originated by the Banco BPM Group.

The Management Team of the Gardant Group guarantees continuity with respect to the activities carried out before the spin-off: for example, Mirko Briozzo, current CEO of Gardant, and Guido Lombardo, current CEO of Gardant Investor SGR, were key members of the group of entrepreneurs and investors who worked on the development of the business, model and organisation from 2013 to the launch of the Gardant Group. The Group Management Team has been enriched, even more recently, with numerous new professionals, to support the growth and development of the business.

The parent company Gardant is 87% owned by a company, invested by the American investment fund Elliott Management Corporation, and the remaining stake by some members of the management team and other private investors.

The Group is characterised, among other things, by its focus on the development of advanced IT and infrastructural proprietary solutions. A suite of management tools has been developed, and is constantly evolving, that is specialised in managing credit positions, both with a view to remittance and recovery. During the year, the Group launched the internal fintech lab called "Data Gardant Lab", focused on the development and application of advanced data analytics tools for the Group's own management and investment activities.

Gardant has two long-term strategic partnerships in the administration, management and investment of non-performing receivables with the Carige Group (from the beginning of 2018) and with the Banco BPM Group (from the end of 2018).

The Gardant Group also acts as servicer on 6 transactions backed by a State guarantee ("GACS").

At the time of establishment, a Group ESG strategy was adopted to promote and integrate environmental, social and governance issues related to the Group's business and activities into the decision-making process and operations, with the aim of contributing to development for a sustainable future.

Specifically, the first Board of Directors meeting of 27 July 2021 of the Parent Company also approved:
- the ESG Policy, which outlines the commitment and related roles and responsibilities within the Group for the integration of ESG factors in various aspects of its operations and business;
- Policy SRI for Gardant Investor SGR, which has defined the company's approach to investment and asset management, in terms of responsible conduct and integration of sustainability criteria, in line with the priorities defined by the Group;
- ESG Master Plan, which sets out on a multi-annual basis the concrete actions to ground the principles and objectives set out in the policies.

In November 2021, the Parent Company's Board of Directors also approved the 2022-2024 business plan, focused on the organic growth of the core business, on the continuous development of credit management activities, with a gradual growth in the management of UtP positions and performing assets, and on the consolidation of asset and fund management activities of alternative investments.

2.3. Shareholding structure

As of 31 December 2021, the shareholding structure of Gardant Liberty Servicing is as follows.

Figure 1: Shareholders of the Company

The Company is part of the Gardant Group.

2.4. Business segments

Gardant Liberty Servicing carries out judicial and extra-judicial collection of mortgage-backed or unsecured loans whether performing or impaired, of banking, institutional, or lease origin.

The activity is carried out thanks to a work organisation structured in dedicated internal Teams and an advanced technological infrastructure.

The activity is carried out both in the seven operational and co-working offices located throughout the country, and through the use of flexible forms of remote working.

2.5. Organisational model

The organisational model adopted by the Company is lean and business-oriented, with the division of resources into management teams, broken down by portfolio, type of underlying assets, and geographical areas.

All corporate centre activities are centralised in the Gardant Parent Company, which develops them in-house or in outsourcing, making it possible to benefit from scale economies and synergies deriving from overall coordination at consolidated level.

Figure 2: Organisational model of the Gardant Group and corporate centre services of the Parent Company

The regulation of intercompany services is governed by specific service contracts that define the services provided by the various entities of the Group, the service levels, the economic conditions, etc., under market conditions.

2.6. Geographical network

As of 31 December 2021, Gardant Liberty Servicing is present in Italy with 7 offices: the registered and operational office in Rome, the representative office and another primary operational office in Milan, and other 5 offices in the main cities where there is the greatest concentration of the portfolios managed: Genoa, Verona, Bergamo, Lodi, Naples.

Figure 3: Offices and operational offices as of 31 December 2021

The choice to have physical offices in the reference area, originated from the desire to ensure physical proximity with the majority of debtors of the portfolios managed, has proved, in the last years of the SARS COVID-19 pandemic, an important point of strength. In fact, it has enabled the managers and all the Group's staff, who often work in remote working mode, to have at their disposal in every case co-working places, logistically diversified and never excessively distant even from their own homes, thus ensuring the possibility of drawing value, as much as possible, also from the interaction in person that has enabled the performance levels of credit collection and management to be maintained at high levels in recent years.

2.7. Human resources

As of 31 December 2021, the number of employees of Gardant Liberty Servicing totalled 92 people.

At the end of 2021, the composition of the personnel shows a perfectly balanced breakdown by gender (50% of employees are female and 50% are male).

At the end of 2021, the employees recorded an age of approximately 52 years, and a seniority of approximately 23 years, demonstrating how the development of the business is carried out through personnel with adequate professional experience and the adopted operating model to ensure the stability of the Group's operating resources and continuity in the management of positions by loan managers.

All employment relationships of Gardant Liberty Servicing employees are governed by the national collective credit agreement. The decision to opt for this type of contract also after the spin-off from Credito Fondiario was made in order to ensure conditions of total continuity for all employees.

As of 31 December 2021, the breakdown of personnel shows a prevalent composition of resources with significant *seniority*, including middle managers, executives and employees of a higher level, in line with the business model and the high quality of the services offered by the Group to investors and institutional customers, which require significant professionalism and experience of the resources involved.

The geographical location of employees is distributed in the 7 cities in which the Group operates. In each city there is only one operational office.

During the 2021 financial year, in consideration of the persisting health emergency due to the SARS COVID-19 pandemic, the Company, like the other Group companies and in compliance with the legal provisions in force, supported by a technological infrastructure that allows it to be able to perform substantially 100% of the work activities remotely, has made abundant use of the so-called agile work institute, to minimise the risk of possible contagion for its employees. In particular, periods in which all personnel were expected to be present in the office (except for the exclusions envisaged by law) alternated with other periods in which, in consideration of the trend of the pandemic guaranteeing a presence of 50%, all employees were given free choice as to whether or not to attend the Company's offices.

The days of sickness, accident and maternity leave in 2021 for Company employees as of 31 December 2021 are shown in the table below:

Company	days/illness	days/parental leave	days/ maternity	days/injury
Gardant Liberty Servicing S.p.A.	624	368	38	--

Table 1: Days of sickness or injury recorded in 2021

2.8. Technological resources

The IT systems, managed at the level of the Gardant Group and built around the needs of the different operating companies, are in line with its operating model and in constant support of its business development.

The focal point of the IT architecture of the Gardant Group is the Data Warehouse, created by-design to be a business enabler and to support data intelligence activities also through specific Data Science and Advanced Analytics programmes.

Flexibility, resilience and speed of implementation are some of the drivers that guide the approach of the technological project of the Gardant Group, based on a natively flexible and distributed architectural structure, able to support the adoption of innovative operating models also in collaboration with institutional partners, investors and customers.

2.9. Managed assets

As of 31 December 2021, the assets under management by Gardant Liberty Servicing amounted to Euro 9.1 billion, both relating to the Leviticus SPV S.r.l. and Aurelia SPV S.r.l. securitisations, and to the additional volumes of impaired loans classified as non-performing under management at Gardant Group from Banco BPM Group.

2.10. Rating

The consolidated advanced non-performing loan management platform, developed with industry professionals, advanced IT and organisational tools, and a constructive and structured approach in relation to the *special servicing*, is assessed by two leading rating agencies, Fitch Ratings and S&P, who gave it excellent ratings that reflect:

- the ability to define and achieve substantial *business* growth;
- the quality of the management team of the Gardant Group;
- the functional organisation, supported by an efficient governance model;
- the continuous focus on the development of IT systems;
- the ability to manage complex portfolios.

Currently, the ratings issued by the two rating agencies are:

Rating Agency	Special Servicer Rating
S&P	Above Average
Fitch Ratings	RSS2+ / CSS2+

Table 2: Rating

MANAGERIAL REPORT

3.1. Macroeconomic scenario

3.1.1.1. Greater focus on UtPs

In 2021, the banking sector recorded very positive signals, in particular with regard to profitability, which was up, and the cost of credit, which stood at extremely low levels. In the face of this generally positive context, there were, between 2021 and 2022, a series of elements of tension, both at macroeconomic level (due to the measures linked to the containment of the pandemic due to COVID-19) and geopolitical (conflict in Ukraine), which could lead to a slowdown or even worsening of the overall performance of the economy. Already in Italy in 2021, some first signals of a possible new credit deterioration began to be recorded: loans classified as Stage 2 (i.e. exposures that have shown a significant increase in credit risk since initial recognition) by Italian banks recorded a 23% growth compared to the same period of the previous year, representing 14.3% of the total gross loans of the banks. This figure includes a high number (around 60,000 positions) attributable to small and medium-sized enterprises: in this context, it is clear that (as in 2008) the activities of Gardant and the servicers operating in the collection sector that is central for the Italian economy will be carried out, although it is no longer focused on activities dedicated to NPLs, but rather to UtPs. It will be increasingly essential over the next few years to be specialised and ready to accompany, when possible, companies in difficulty towards a return to performing status.

3.1.1.2. Macroeconomic situation

In 2021, the recovery of the global economy exceeded initial expectations, reaching +5.9%, thanks to expansionary fiscal and monetary policies in many countries and an increase in consumption and production after two years of uncertainty linked to the SARS COVID-19 pandemic. Since the second half of 2021, however, inflation has also risen, driven by the increase in the price of energy and raw materials.

Short-term risks are mainly downward: the evolution of the pandemic, geopolitical tensions and the further expected increase in the costs of raw materials and energy sources further push inflation and the GDP in 2022 is expected to grow to a lesser extent than the previous year. Before the outbreak of the war in Ukraine, estimates of global GDP growth by the International Monetary Fund indicated 4.4%, 0.5 percentage points lower than the forecasts of October 2021. The recent start of the armed conflict between Russia and Ukraine has not yet been fully reflected in the macroeconomic estimates for 2022 and could severely affect international economic and monetary development.

In Italy, the growth of productive activities in 2021 was +6.5%, recovering most of the drop recorded in 2020. This growth was made possible not only by the recovery of the global economy in general, but also by the vigorous actions to support businesses and households implemented by the Government and the success of the vaccination campaign and other measures to control the SARS COVID-19 epidemic. The resurgence of the pandemic in the last months of 2021 and the beginning of 2022 caused a temporary slowdown in the activity of some economic sectors and the high cost of energy is an undoubted risk factor. However, the national epidemic picture is improving and the Italian Government has already intervened repeatedly to cushion rising gas and electricity prices on businesses and households, and further interventions are being considered, with an expansionary budgetary policy to which the effect of the National Recovery and Resilience Plan will be added.

Also for Italy, as for the rest of Europe and for many countries of the world, the further increase in the costs of raw materials and energy will further push inflation and the GDP in 2022 is expected to grow to a lesser extent than the forecasts of October 2021. The first effects of the war in Ukraine are beginning to manifest themselves, with unstable markets and further growth in the prices of all goods and services, which will certainly have a significant impact on the outlook for the Italian economic and monetary situation in 2022.

3.1.1.3. Credit sector in Italy

The sector of investments and management of non-performing loans remains fundamental in Italy, despite the fact that Italian banks have gradually reduced the stock of non-performing exposures ("NPEs") from Euro 341 billion in 2015 to Euro 99 billion at the end of 2020 through numerous de-risking and deleveraging transactions of their financial statements, transferring the ownership of these positions to third-party investors and the management to specialist servicers. Despite the deleveraging *carried out by banks in recent years, a significant* stock of NPEs remains to be managed, currently estimated at around Euro 400 billion, both owned by banks and investors.

In 2021, the trend of disposals of non-performing exposures ("NPEs") by many Italian banks continued, in order to reduce their NPE ratios and their cost of risk, continuing the de-leveraging actions, with a gradual shift of the transactions on portfolios with a higher component of UTP credits, in order to prevent and reduce the impacts of the imminent application of calendar provisioning. State support for these GACS transactions was decisive in accelerating the securitisation of non-performing receivables by many banks. During 2021, there were also several NPL transactions on the secondary market, with a streamlining of transaction structures and/or a more specific segmentation of portfolios aimed at increasing the efficiency and effectiveness of operational management.

Italian banks still remain vulnerable, particularly those with higher exposures to the sectors most affected by the pandemic or exposed to Eastern European countries. Moreover, some first signals of a possible new credit deterioration are starting to be observed among the originators: receivables classified as Stage 2 (i.e. exposures that have shown a significant increase in credit risk since initial recognition) by Italian banks reached Euro 219 billion in June 2021 (+ 23% compared to the same period of the previous year), representing 14.3% of total gross receivables of banks and more than 60,000 positions are attributable to Italian small and medium-sized enterprises, which are estimated to have been affected by the pandemic, with repercussions on their sustainability prospects. The sector of investments and management of non-performing loans remains fundamental in Italy, despite the fact that Italian banks have gradually reduced the stock of non-performing exposures ("NPEs") from Euro 341 billion in 2015 to Euro 99 billion at the end of 2020 through numerous de-risking and deleveraging transactions of their financial statements, transferring the ownership of these positions to third-party investors and the management to specialist servicers. In addition, further growth is expected in the complementarity of alternative financing instruments with respect to those offered by the banking system, with the aim of supporting companies (including performing ones) in obtaining medium/long-term finance, with a greater propensity to risk and/or the ability to assess more complex business situations and/or to find sources of financing at more advantageous conditions or more quickly.

All this is taking place in a context in which, in terms of credit quality, the Italian banking system has a higher risk profile than some European countries: in this sense, in a risk/return logic, the expectations of new transactions on these asset classes in Italy could be greater than in other areas of interest for the investors of these assets and therefore a market that could present a certain dynamism over the next few years is expected.

In addition, the high expectations of returns on investments by investors are pushing sector operators towards the search for increasing economies of scale, process automation, digitalisation of information, refinement of valuation and decision-making models through the enhancement of databases. This process leads to the intensification of technological investments in the sector and the development of opportunities for aggregation and collaboration between sector operators, in order to offer increasingly more value-added and integrated services.

3.1.1.4. UtP loans as a new asset class and servicing of performing loans

The securitisation instrument continues to be prevalent in the de-leveraging of NPEs by originator banks, but also to restructure existing transactions or to carry out transactions on portfolios that include loans classified as UtP, also thanks to legislative and regulatory amendments and adjustments which, from time to time, involved this instrument in order to make it more responsive to the needs of the transferring banks and investors. The growing number of securitisation transactions entails a consequent growing interest within the sector of the related services for securitisation transactions, such as the establishment of special purpose entities pursuant to Law 130/99 (“SPV”), corporate servicers, calculation agents, note-holder representatives, monitoring agents, paying agents and cash managers, a sector in which Master Gardant operates and which is characterised by a high concentration of a few specialised operators.

In addition, further growth is expected in the complementarity of alternative financing instruments with respect to those offered by the banking system, with the aim of supporting companies (including performing ones) in obtaining medium/long-term finance, with a greater propensity to risk and/or the ability to assess more complex business situations and/or to find sources of financing at more advantageous conditions or more quickly. The use of alternative and complementary forms of financing to the traditional banking channel, together with the expansion of public support measures offered to SMEs, including mini-bonds and basket bonds, will allow companies in difficulty not only to find the liquidity necessary to finance their medium/long-term objectives, but also to strengthen the capital structure both in terms of source diversification and maturity. In this context, basket bonds could also be one of the key tools to ensure that the huge funds allocated under the 2021-2027 Multiannual Financial Framework (“MFF”) reach companies, especially smaller ones, quickly and on the basis of medium and long-term development strategies. Master Gardant is also ready to offer structuring and servicing solutions in this type of instrument.

3.2. Significant events in 2021

On 1 August 2021, the Gardant Group was the beneficiary of two proportional partial spin-offs from Credito Fondiario S.p.A., with which all asset management, debt purchasing, and credit servicing activities were transferred to the new group.

With the first act of the spin-off, Credito Fondiario transferred to Special Gardant S.p.A. the equity investment in Gardant Liberty Servicing S.p.A., among other things.

Following the spin-off, the Company changed its name to Gardant Liberty Servicing S.p.A.

The company signed a special servicing agreement with Banco BPM for the management of 80% of the new flows of Non-Performing Loans produced by Banco BPM in the next 10 years.

In addition, the company took over the role of special servicer in the securitisation of Leviticus SPV S.r.l. concerning NPLs sold by BBPM.

Regarding governance, Special Gardant S.p.A. took over the Shareholders’ Agreement with Banco BPM in order to regulate its participation in the Company’s Board of Directors and Board of Statutory Auditors.

On 25 November 2021, the Company’s Shareholders’ Meeting resolved to distribute 50% of the profits allocated for the years 2019 and 2020 to the shareholders for a total amount of Euro 6,920,595.98.

3.3. Main economic and financial indicators

The table below presents the main figures of Gardant Liberty Servicing as of 31 December 2021:

Key financial and structural data (euro, %, unit)	
Credit assets under management/servicing (nominal value)	9.1 billion
Collections made on assets under management	396 million
Shareholders' equity	19.2 million
EBITDA	17.7 million
Cost/Income (in percentage)	46%
Employees (number)	# 92[4]

Table 3: Company financial data

The nominal value of receivables under management as of 31 December 2021 amounted to Euro 9.1 billion, slightly lower than as of 31 December 2020 (Euro 9.3 billion).

Collections made in the course of 2021 amounted to Euro 396 million.

The overall results of 2021 were negatively impacted by the pandemic emergency: the collection of impaired loans under management, both judicial and extra-judicial, slowed down due to the country's economic crisis and the closure (total or partial, under "Emergency" management) of the courts for very long periods of time.

4 There were 94 employees as of 31 December 2021, if the 7 resources seconded from other companies (3 from Special Gardant and 4 from BBPM) and the 5 resources seconded to other companies (2 in Gardant, 2 in Special Gardant and 1 in Master Gardant), are also considered.

3.4. Information on operations

3.4.1. Income statement analysis

Euro thousands

Reclassified income statement	2021	2020	Delta	Delta %
Commissions net of special servicing	29,200	25,555	3,645	14.3%
Gross fees from special servicing	*31,652*	*27,826*	*3,825*	*13.7%*
Outsourcing commissions	*(2,452)*	*(2,271)*	*(181)*	*7.9%*
Other revenues	415	85	329	386.7%
Total net revenues	**29,614**	**25,640**	**3,974**	**15.5%**
of which Gross revenues relating to the core business	*31,652*	*27,826*	*3,825*	*13.7%*
Net operating costs	(8,813)	(8,299)	(514)	6.2%
Other operating expenses	(2,945)	(2,793)	(152)	5.5%
Altri oneri di gestione	(135)	(100)	(35)	34.5%
Total costs	**(11,893)**	**(11,192)**	**(701)**	**6.3%**
EBITDA	**17,721**	**14,449**	**3,273**	**22.7%**
Amortisation, depreciation and write-downs	(559)	(442)	(116)	26.3%
EBIT	**17,163**	**14,006**	**3,157**	**22.5%**
Financial charges	(61)	(100)	39	(38.7%)
Profit before taxes	**17,102**	**13,907**	**3,195**	**23.0%**
Taxes for the year	(4,868)	(3,770)	(1,098)	29.1%
Profit for the year	**12,234**	**10,137**	**2,097**	**20.7%**
EBITDA margin (%)	*59.8%*	*56.4%*	*3.5%*	-

Table 4: Reclassified income statement of Gardant Liberty Service S.p.A.

Despite the business difficulties linked to the pandemic, net commissions from special servicing amounted to Euro 29.2 million, up 14% compared to the previous year when they totalled Euro 25.5 million.

The Company's other revenues amounted to Euro 0.4 million and relate to the recovery of pre-paid expenses for the vehicle companies for which the Company acts as special servicer, or contributions paid to personnel.

Personnel costs, amounting to Euro 8.8 million (Euro 8.3 million in 2020) contain a variable portion of salaries of Euro 0.9 million and refer to an average number of 97 employees.

Net operating costs amounted to Euro 2.9 million (Euro 2.8 million in 2020) and include, among others:
- fees for corporate centre services provided first by Credito Fondiario, for Euro 0.9 million, and subsequently by Gardant S.p.A., for Euro 0.6 million;
- the annual portion of initial consultancy expenses that the Company has deferred over several years, for Euro 0.4 million;
- IT costs for Euro 0.2 million.

Amortisation amounted to Euro 0.6 million (Euro 0.2 million more than in the previous year) and mainly concern those recognised in compliance with IFRS 16, replacing the rents payable on leased properties where the company carries out its activities.

Taxes for the period were calculated on the result for the period of Euro 4.9 million (Euro 4 million in 2020).

3.4.2. Balance sheet analysis

Euro thousands

Reclassified Balance Sheet	2021	2020	Delta	Delta %
Cash and cash equivalents	5,833	7,126	(1,293)	(18.1%)
Property, plant and equipment	2,965	3,423	(458)	(13.4%)
Intangible assets	-	6	(6)	(100.0%)
Tax assets	7	21	(14)	(66.7%)
Trade receivables	18,443	14,054	4,389	31.2%
Other assets	6,679	2,797	3,882	n.s.
Total assets	**33,921**	**27,426**	**6,495**	**23.7%**
Financial liabilities	2,653	3,009	(356)	(11.8%)
Trade payables	3,365	1,781	1,584	89.0%
Tax liabilities	867	5,463	(4,596)	(84.1%)
Employee benefits	1,364	1,802	(439)	(24.3%)
Provision for risks and charges	72	82	(10)	(12.3%)
Other liabilities	6,337	1,365	4,972	n.s.
Total liabilities	**14,662**	**13,502**	**1,159**	**8.6%**
Shareholders' equity	**19,260**	**13,924**	**5,336**	**38.3%**
Net financial position	*(1,816)*	*(2,314)*	*499*	*(21.5%)*

Table 5: Reclassified balance sheet of Gardant Liberty Service S.p.A.

The Company's balance sheet structure shows the nature of a joint venture, asset light, and strongly characterised by the operating components of the balance sheet, i.e. trade receivables and payables and, given the nature of the business carried out, cash and cash equivalents.

The Company's liquidity amounted to Euro 5.8 million as of 31 December 2021, down by approximately 18% compared to 31 December 2020. The liquidity is entirely deposited in bank current accounts of leading institutions.

Trade receivables, amounting to Euro 18.4 million (Euro 14.1 million as of 31 December 2020) include, in addition to invoices issued to be collected for Euro 2.1 million, the invoices to be issued relating to commissions on collection activities. In particular:
- Euro 10.8 million refer to invoices to be issued to Leviticus SPV S.r.l.;
- Euro 3.4 million to Aurelia SPV S.r.l.;
- Euro 2.1 million for invoices to be issued to Banco BPM.

Assets include the value in use of leased property and company cars recorded under IFRS 16 in the amount of Euro 2.6 million (Euro 3 million as of 31 December 2020).

Deferred Tax Assets ("DTAs") refer to post-employment benefits and amount to approximately Euro 2 thousand.

Other assets mainly refer to:
- advances for direct taxes, for Euro 4 million;
- prepayments on costs pertaining to several years, mainly including part of the structuring expenses incurred during the start-up phase of the company, for Euro 2.4 million.

Financial liabilities as of 31 December 2021, amounting to Euro 2.7 million, represent the residual debt on the leases recognised pursuant to the aforementioned IFRS 16 (Euro 3 million as of 31 December 2020). Of these, Euro 2.4 million is over 12 months.

Trade payables as of 31 December 2021, amounting to Euro 3.4 million, represent invoices received or to be received.

Tax liabilities, amounting to Euro 0.9 million represent the tax burden calculated on the result for the period.

The other liabilities mainly concern:
- Euro 1.5 million in payables to personnel and related contributions;
- contributions and withholding taxes to be paid in respect of personnel for Euro 0.7 million.

The provision for post-employment benefits, which amounts to Euro 1.4 million.

There is a Provision for risks and charges for staff loyalty bonuses of Euro 0.1 million.

Shareholders' equity amounted to Euro 19.3 million and mainly included the ordinary and extraordinary reserves of profits for the years 2019 and 2020 (Euro 13.8 million entirely allocated to reserves and an amount equal to Euro 6.9 million distributed on an extraordinary basis in 2021), and the yearly result for 2021 of Euro 12.2 million.

The Company's shareholders' equity also includes the negative reserve of Euro 45 thousand relating to the actuarial valuation of post-employment benefits envisaged by international accounting standards.

3.4.3. Significant events after 31 December 2021 and business outlook

Over the next twelve months, the management of non-performing loans in the portfolio of Leviticus SPV S.r.l., Aurelia SPV S.r.l. and the positions of impaired loans classified as non-performing, subsequently assigned to the management by Banco BBPM Group to the Gardant Group, will continue.

In 2021, the Company carried out an internal reorganisation process in order to optimise its business.

Based on the above, the Directors considered (for the purpose of preparing the financial statements as of 31 December 2021) the adoption of the going concern assumption adequate, and there is no doubt that the Company can continue with its operating existence for a foreseeable future, well beyond 12 months from the date of preparation of the financial statements as of 31 December 2021.

In the period between the date of the financial statements and the date of approval, no significant events occurred to affect the equity, economic and financial situation of the company.

However, it should be noted that at the date of preparation of these financial statements, the Company is monitoring the evolution of the consequences of the SARS Covid-19 pandemic.

As regards the international scenario, the war between Russia and Ukraine, which began at the end of February 2022, and the sanctions against Russia decided mainly by the European Union and the United States, led to a change in the economic scenario, initially envisaged in growth for 2022, which now, due to the conflict, sees strong downside risks.

The geopolitical context and the resulting macroeconomic impacts, both at global and national level, remain uncertain and difficult to forecast.

In this context, the Company will carefully monitor the evolution of operational, IT and business risks, activating all security and strategic actions necessary to better manage this adverse phase.

In addition, given the absence of equity, financial or management indicators that may compromise the Company's operating capacity, there are no elements that would cast doubt on its ability to operate on a going concern basis. Therefore, these financial statements were prepared on a going concern basis.

Risk management

For an examination of the risks to which the Company is exposed and their management, please refer to the specific part in the Explanatory Notes.

3.4.4. Other aspects

These financial statements refer to the Company's third accounting year.

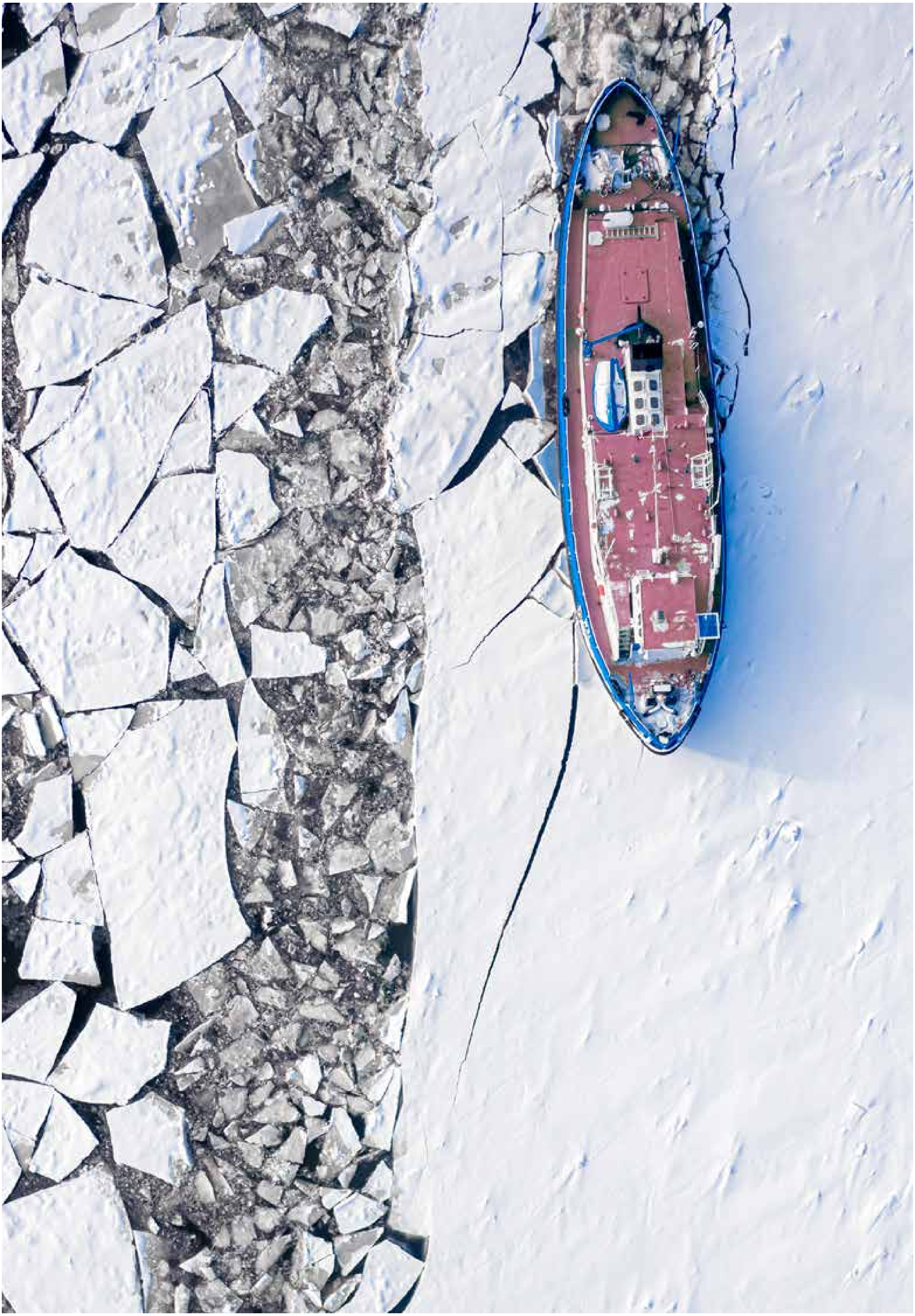
Since 1 January 2020, Gardant Liberty Servicing has participated in the VAT Group established by Credito Fondiario pursuant to articles 70-bis et seq. of Presidential Decree 633/72 and now part of the Gardant Group.

Pursuant to article 2428 of the Italian Civil Code, it should also be noted that:
- the company has not carried out any research and development activities;
- transactions with related parties are shown in the specific section of the Explanatory Notes;
- the company does not possess treasury shares;
- the company has no secondary offices.

ALLOCATION OF THE PROFIT FOR THE YEAR

The year 2021 closed with a positive net result for the period of Euro 12,234,021.18.

It is proposed that the Shareholders' Meeting:
- distribute 50% of said profit for the period, equal to Euro 6,117,010.59 to shareholders;
- allocate the residual result as the "Extraordinary reserve".



FINANCIAL STATEMENTS

Balance sheet as of 31 December 2021

Euro

ASSETS	31 December 2021	31 December 2020
NON-CURRENT ASSETS		
Intangible Assets	-	5,666
Property, plant and equipment	2,964,700	3,422,726
Deferred tax assets	7,027	21,272
Other Non-current Assets	2,451,374	2,758,017
Total non-current assets	**5,423,101**	**6,207,681**
CURRENT ASSETS		
Trade Receivables	18,442,631	14,053,630
Cash and cash equivalents and short-term deposits	5,832,672	7,125,952
Other Current Assets	4,227,662	38,951
Total current assets	**28,502,965**	**21,218,534**
Total assets	**33,926,067**	**27,426,214**

Euro

LIABILITIES	31 December 2021	31 December 2020
SHAREHOLDERS' EQUITY		
Share capital	150,000	150,000
Valuation Reserve	(44,909)	(67,362)
Reserves	6,920,584	3,704,507
Result for the year 2020	-	10,136,673
Result for the year 2021	12,234,021	-
Total shareholders' equity	**19,259,696**	**13,923,818**
NON-CURRENT LIABILITIES		
Loans and Financing	2,363,390	2,625,100
Employee benefits	1,363,810	1,802,396
Provisions for Risks and Charges	71,889	81,999
Non-current Tax payables	-	-
Total non-current liabilities	**3,799,089**	**4,509,495**
CURRENT LIABILITIES		
Loans and Financing	289,772	384,201
Trade payables	3,364,602	1,780,680
Current tax payables	866,500	5,462,940
Other current liabilities	6,346,408	1,365,080
Total current liabilities	**10,867,282**	**8,992,902**
Total shareholders' equity and liabilities	**33,926,067**	**27,426,214**

Income statement as of 31 December 2021

	2021	2020
Revenues from Sales and Services	31,651,573	27,826,371
Other revenues and income	414,661	365,127
Total Revenues	**32,066,234**	**28,191,498**
Costs of services rendered	(5,340,290)	(4,644,621)
Personnel costs	(8,813,372)	(8,298,979)
Expenses for the use of third-party assets	(59,191)	(167,722)
Other operating expenses	(134,914)	(358,506)
Amortisation, depreciation and write-downs	(558,685)	(442,277)
Total costs	**(14,906,453)**	**(13,912,105)**
Operating result	**17,159,781**	**14,279,393**
Financial (charges)/income	(58,064)	(92,840)
Profit before taxes	**17,101,717**	**14,186,553**
Income tax	(4,867,696)	(4,049,880)
Profit for the year	**12,234,021**	**10,136,673**

The values as of 31 December 2020 were reclassified in accordance with the new Balance Sheet and Income Statement.

Cash flow statement

A. OPERATIONAL ACTIVITY		Amount
	2021	2020
1. Management	**17,794,375**	**14,291,328**
- result for the year (+/-)	12,234,021	10,136,673
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	558,685	442,276
- net provisions for risks and charges and other costs/revenues (+/-)	147,662	7,723
- unpaid taxes, fess and tax credits (+/-)	4,867,696	3,769,957
- other adjustments (+/-)	(13,689)	(65,301)
2. Liquidity generated/absorbed by financial assets	**(11,613,672)**	**811,357**
- trade receivables	(4,389,001)	177,087
- other assets	(7,224,671)	634,270
3. Liquidity generated/absorbed by financial liabilities	**(539,498)**	**(7,824,010)**
- financial liabilities measured at amortised cost	(2,982,031)	(6,525,896)
- trade payables	1,583,922	(999,099)
- other liabilities	858,611	(299,015)
Net cash generated by/used in operating activities	**5,641,205**	**7,278,675**

B. INVESTMENT ASSETS	2021	2020
1. Cash generated by	**-**	**-**
- sales of participations	-	-
- dividends received on participations	-	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(13,889)**	**(218,051)**
- purchases of participations	-	-
- purchases of property, plant and equipment	(13,889)	(218,051)
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net cash generated by/absorbed in operating activities	**(13,889)**	**(218,051)**

C. FUNDING ACTIVITIES	2021	2020
- issues/purchases of own shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	(6,920,596)	-
Net liquidity generated/absorbed by funding activities	**(6,920,596)**	**-**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**(1,293,280)**	**7,060,624**

Reconciliation

Balance sheet items	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	**7,125,952**	**65,328**
Total net liquidity generated/absorbed during the year	(1,293,280)	7,060,624
Cash and cash equivalents at the close of the year	**5,832,672**	**7,125,952**

Statement of Comprehensive Income

Euro

	31 December 2021	31 December 2020
Result for the year	12,234,021	10,136,673
Other income components net of taxes without reversal to the Income Statement	22,453	(67,362)
Defined benefit plans	*22,453*	*(67,362)*
Total other income components net of taxes	22,453	(67,362)
Overall profitability	**12,256,474**	**10,069,311**

Statement of changes in shareholders' equity 2021

Euro thousands

Shareholders' equity item	Balance as of 31.12.2020	Allocation of the yearly result	Distribution to shareholders	Net result	Total 31.12.2021
Share capital	150,000	-	-	-	150,000
Legal reserve	3,704,507	10,136,673	(6,920,596)	-	6,920,584
Valuation reserve	(67,362)	-	-	22,453	(44,909)
Profit/(loss) for the year	10,136,673	(10,136,673)	-	12,234,021	12,234,021
Total	**13,923,818**	**-**	**(6,920,596)**	**12,256,474**	**19,259,696**

Statement of changes in shareholders' equity 2020

Euro thousands

Shareholders' equity item	Balance as of 31.12.2019	Allocation of the yearly result	Distribution to shareholders	Net result	Total 31.12.2020
Share capital	150,000	-	-	-	150,000
Legal reserve	-	3,704,507	-	-	3,704,507
Other reserves	(51,984)	-	-	(15,378)	(67,362)
Profit/(loss) for the year	3,704,507	(3,704,507)	-	10,136,673	10,136,673
Total	**3,802,523**	**-**	**-**	**10,121,295**	**13,923,818**

EXPLANATORY NOTES

This document was approved by the Board of Directors of the Company on 21 March 2022 and submitted for approval to the Shareholders' Meeting of 27 April 2022.

PART A – ACCOUNTING POLICIES

A. 2 – GENERAL PART

Declaration of compliance with international accounting standards

These financial statements are prepared in accordance with the International Financial Reporting Standards and the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission (hereinafter jointly "IFRS" or "IAS") in accordance with the procedure set forth in Article 6 of EU Regulation no. 1606 of 19 July 2002. In preparing this document, the provisions of Legislative Decree no. 38 of 28 February 2005 and the provisions of the Italian Civil Code have been taken into account.

The Company opted for the adoption of international accounting standards in line with the accounting standards adopted by the Parent Company, Gardant S.p.A.

General preparation principles

The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements; it is also accompanied by the managerial report on operations and on the situation of the company, as required by IFRS.

For the Balance Sheet, assets and liabilities are classified according to the "current/non-current" criterion with specific separation of any assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are those held to be realised, sold or consumed in the normal operating cycle of the Company; current liabilities are those that are expected to be settled during the Company's normal operating cycle or in the twelve months following the end of the financial year.

The income statement is classified on the basis of the nature of the costs; it is presented with two statements, the first (Income Statement) showing the components of the result for the year; the second (Statement of Comprehensive Income) instead, starting from the result for the year, contains the revenue and cost items that are not recognised in profit or loss for the period, but in shareholders' equity.

The Cash Flow Statement is presented using the indirect method.

In compliance with the provisions of Article 5 of Legislative Decree no. 38/2005, the financial statements were prepared using the euro as the reporting currency. The amounts in these financial statements are expressed in euro, while the figures reported in the Notes to the financial statements are expressed (unless otherwise specified) in thousands of euro.

In preparing the financial statements, the general principles envisaged by IAS 1 were applied correctly; in particular:

a) Going concern. The valuations of assets, liabilities and off-balance sheet transactions are carried out on a going concern basis, on the basis of operating values, as there are reasonable expectations that the bank will continue its operating existence for a future period of at least 12 months from the closing date of the financial statements. It is also believed that no further analyses are necessary to support this assumption, in addition to the disclosure that emerges from the contents of the financial statements and the report on operations.

b) Economic competence. Except in the cash flow statement, costs and revenues are recognised according to the accrual and correlation principles.

c) Consistency of presentation. The criteria for the presentation and classification of the financial statement items are kept constant from one period to the next in order to guarantee the comparability of the information, unless their change is prescribed by an international accounting standard or by an interpretation or if the change is necessary to increase the significance and reliability of the accounting representation. In the event of a change, the new criterion is adopted retroactively (as far as possible) and the nature, reason and amount of the items affected by the change, as well as the reasons and the resulting equity, economic and financial repercussions are indicated.

d) Relevance and aggregation. In accordance with the provisions issued by the Bank of Italy for the financial statements of banks, the various classes of elements are presented separately, if significant. The different elements, if relevant, are instead shown separately from each other.

e) Prohibition of offsetting. Except as provided or permitted by IFRS, assets and liabilities as well as costs and revenues are not offset.

f) Comparative information. These comparative financial statements report the accounting data relating to the previous year.

g) Exceptional exceptions. If, in exceptional cases, the application of a provision envisaged by IFRS is incompatible with a true and fair view of the equity, financial position and economic result, it must not be applied. The reasons for the derogation and its influence on the representation of the equity, financial position and economic result are explained in the Explanatory Notes. No exceptions were made in these financial statements.

Events after the reporting date

Subsequent to the closing date of the financial statements as of 31 December 2021, no significant events occurred such as to prompt a change in the approved figures, an adjustment of the results achieved or provide additional information. In particular, in the period between the date of the financial statements and the date of approval, no significant events occurred to affect the equity, economic and financial situation of the company.

Other aspects

Use of accounting estimates

The application of IFRS for the preparation of the financial statements requires the company to make, on some balance sheet items, accounting estimates considered reasonable and realistic on the basis of information known at the time of the estimate, which influence the carrying amount of the assets and liabilities and disclosure on contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reference period.

Changes in the conditions underlying the judgements, assumptions and estimates adopted may also have an impact on subsequent results.

The main cases for which the use of subjective assessments by company management is required are the quantification of provisions for personnel and risks and charges.

The description of the accounting policies applied to the main financial statement aggregates provides the information necessary to identify the main assumptions and valuations used in preparation of the financial statements.

Independent Auditors

The company's financial statements are audited by KPMG S.p.A. in execution of the shareholders' resolution of 31 May 2019.

The audit engagement will have a duration of three years with reference to the financial statements ending from 31 December 2019 to 31 December 2021.

Approval of the financial statements

On 21 March 2022, the Directors approved the draft financial statements and their availability to the shareholders in accordance with Article 2429 of the Italian Civil Code. These financial statements will be submitted for approval to the Shareholders' Meeting on 27 April 2022 and will also be filed within the terms set forth in Article 2435 of the Italian Civil Code.

A.2 – SECTION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted for the preparation of the financial statements are reported below.

1 – Intangible assets

Entry criteria

Intangible assets are recognised at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognised in profit or loss in the period in which it is incurred.

Classification criteria

Intangible assets for IAS purposes include goodwill, regulated by IFRS 3, and other intangible assets regulated by IAS 38.

An intangible asset is recognised as an asset in the balance sheet only if it is determined to be a resource:
- non-monetary;
- identifiable;
- without physical consistency;
- held for use in the production or supply of goods and services, for rental to third parties or for administrative purposes;
- controlled by the company;
- from which future economic benefits are expected.

Evaluation criteria

For assets with a finite useful life, the cost is amortised on a straight-line basis or on a declining balance, determined according to the inflow of economic benefits expected from the asset. Assets with an indefinite useful life are not subject to systematic depreciation, but to a periodic impairment test.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The amount of the loss, recognised in the income statement, is equal to the difference between the asset's carrying amount and its recoverable amount.

In particular, intangible assets include technology-based intangible assets, such as application software, which are amortised based on their expected technological obsolescence and in any case for a maximum period of seven years. In particular, costs incurred internally for the development of software projects constitute intangible assets and are recognised as assets only if all of the following conditions are met: i) the cost attributable to the development activity is reliably determinable, ii) there is an intention, the availability of financial resources and the technical ability to make the asset available for use or sale, iii) it can be demonstrated that the asset is capable of producing future economic benefits. Capitalised software development costs include only those expenses incurred that can be directly attributed to the development process. Capitalised software development costs are systematically amortised over the estimated life of the related product/service to reflect the manner in which the future economic benefits deriving from the asset are expected to be consumed by the entity from the start of production along the estimated life of the product.

Cancellation criteria

An intangible asset is de-recognised on disposal or when future economic benefits are no longer expected.

Criteria for recognising income components

Intangible assets are amortised on a straight-line basis over the useful life of the asset. The useful life of an asset is defined in terms of the expected use of the asset by the enterprise. If the useful life of an asset differs materially from previous estimates during the periodic review, the depreciation charge for the current and subsequent periods is adjusted.

Any write-downs of intangible assets are recorded if an element has suffered impairment pursuant to IAS 36. A full or partial reversal of an impairment loss is made if the reasons for the loss cease to apply in a subsequent period and the reversal is recognised as extraordinary income.

2 – Property, plant and equipment

Entry criteria

Property, plant and equipment are accounted for at acquisition cost, including purchase price, related trade discounts and allowances, non-recoverable purchase taxes (e.g. non-deductible VAT and registration fees) and all costs directly attributable to bringing the asset into use for the purpose for which it was acquired.

Classification criteria

Property, plant and equipment and other property, plant and equipment used in operations are governed by IAS 16, while investment property (land and buildings) is governed by IAS 40. This item also includes assets subject to lease transactions pursuant to IFRS 16, as well as improvements and incremental expenses incurred on third-party assets.

The new IFRS 16 standard was issued in January 2016, replacing the existing IAS 17, SIC 15 and 27, and IFRIC 4. IFRS 16 provides the criteria for determining whether a contract meets the definition of lease. The new definition of a lease establishes that a lease exists from the moment in which the customer controls the use of an identified asset. This new definition focuses on the notion of control in line with the international accounting standards IFRS 10 and IFRS 15.

Property, plant and equipment are recognised as assets when:
- it is probable that the future economic benefits of the asset will be enjoyed;
- the cost of the asset can be reliably determined.

Properties acquired through lease contracts, through which the company controls the use of the asset identified as the subject matter of the contract, are recognised as an asset of the Company ("*Right of Use*") at the present value of the lease payments due. The corresponding liability to the lessor is represented under financial payables.

Evaluation criteria

Subsequent expenses, relating to an element of property, plant and equipment already recognised, are added to the carrying amount of the asset when it is probable that future economic benefits will be obtained in excess of the normal performance of the asset originally ascertained. All other expenses incurred are recognised at cost in the period to which they relate.

Subsequent to initial recognition, property, plant and equipment, all of which are operating assets, are recognised at cost less accumulated depreciation and any impairment losses incurred over time. Impairment is estimated annually.

Cancellation criteria

An element of property, plant and equipment is de-recognised from the balance sheet at the time of disposal or termination of the lease contract or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Criteria for recognising income components

Property, plant and equipment are amortised on a straight-line basis over the useful life of the asset. The useful life of an asset is defined in terms of the expected use to the enterprise. If the useful life of an asset differs materially from previous estimates during the periodic review, the depreciation charge for the current and subsequent periods is adjusted.

Right of Use is amortised on a straight-line basis over the duration of the lease or the useful life, if shorter.

Impairments of property, plant and equipment are recognised if an item is impaired in accordance with IAS 36. A full or partial reversal of an impairment loss is made if the reasons for the loss cease to apply in a subsequent period and the reversal is recognised as extraordinary income.

3 – Current and deferred taxation

Entry criteria

Income taxes, calculated in accordance with national tax laws, are recognised as an expense on an accrual basis, consistent with the manner in which the costs and revenues that generated them are recognised in the financial statements. They therefore represent the balance of current and deferred taxation on income for the year. In application of the "balance sheet liability method", they include:

a) current tax assets, i.e., excess payments over tax obligations to be discharged under current corporate income tax rules;

b) current tax liabilities, i.e., tax debts to be paid in accordance with current corporate income tax rules;

c) deferred tax assets, i.e., income tax savings that may be realised in future periods as a result of deductible temporary differences (represented mainly by charges deductible in the future, according to current tax regulations, on the company's income);

d) deferred tax liabilities, i.e., income tax liabilities to be paid in future periods as a result of taxable temporary differences (represented mainly by the deferral of taxation of revenues or the acceleration of the deduction of expenses, in accordance with current tax regulations, on the company's income).

Classification criteria

Current tax assets and liabilities include the balances of the company's tax positions towards the tax authorities. In particular, current tax liabilities represent the tax expense due for the year; current tax assets include payments on account and other tax credits for withholding taxes or other tax credits from previous years for which the bank has requested off-setting with taxes from subsequent years.

Deferred tax assets/liabilities are classified as non-current assets/liabilities in accordance with IAS 1.56.

Therefore, deferred taxes are recognised as non-current liabilities under "Deferred tax liabilities" when they represent liabilities or relate to economic items that will become taxable in future tax periods, while they are recognised as non-current assets under "Deferred tax assets" on the asset side of the balance sheet when they relate to items that will be deductible in future tax periods.

"Deferred" taxation, if it relates to transactions affecting equity, is recognised in equity.

Evaluation criteria

Corporate income tax and regional business tax are recognised on the basis of a realistic estimate of the negative and positive components for the year and are determined on the basis of the current IRES and IRAP rates.

Deferred tax assets are recognised only where there is a high and present probability that deductible temporary differences will be fully absorbed by expected future taxable profits. Deferred tax liabilities are generally always recognised.

Current tax assets and liabilities and those of deferred taxation are offset against each other only when the Bank has the right, based on current tax laws, to offset them and has decided to use this option.

Criteria for recognising income components

The accounting counterpart for tax assets and liabilities (both current and deferred) is usually the income statement (item "Income taxes on current operations"). When the tax liability (current or deferred) to be recognised relates to transactions whose results are to be recognised directly in equity, the resulting tax assets and liabilities are recognised in equity.

4 – Trade receivables, Cash and cash equivalents and Other current assets

Current items essentially include trade receivables deriving from the supply of non-financial services, items pending settlement and items not attributable to other balance sheet items, including tax items other than those recognised in their own item (for example, connected with withholding agent activities), and accrued income other than those that are capitalised on the related financial assets, including those deriving from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq.

Cash and cash equivalents are recognised at nominal value and include balances in bank current accounts.

5 – Loans and other financial liabilities

Entry criteria

The items indicated include financial liabilities measured at amortised cost. The first recognition of such financial liabilities takes place on the date the contract is entered into, which normally coincides with the receipt of the funds raised or the issue of the debt securities.
Initial recognition is on the basis of the *fair value* of the liabilities, normally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issuance transaction. Internal costs of an administrative nature are excluded.

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks, representing the funding of funds by the Parent Company. Payables recognised by the company as lessee in leasing transactions are also included. These financial liabilities are recorded according to the settlement date principle and initially recognized at fair value, which normally corresponds to the consideration received, net of transaction costs directly attributable to the financial liability.

Evaluation criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

An exception to this is represented by short-term liabilities, for which the time factor is negligible, which remain recognised at the amount received.

Cancellation criteria

Financial liabilities are de-recognised when they expire or are settled. Cancellation occurs even if previously issued bonds are repurchased. The difference between the carrying amount of the liability and the amount paid to acquire it is recognised in profit or loss.

The placing of own securities on the market after their repurchase is considered as a new issue with registration at the new placement price.

Criteria for recognising income components

Interest expense, computed at the nominal interest rate, is recorded in the income statement item "interest expense and similar charges".

6 – Provisions for risks and charges

Entry criteria

Provisions for risks and charges include accruals related to legal or employment-related obligations or disputes, including tax disputes, arising from a past event for which an outflow of economic resources to settle the obligation is probable, provided a reliable estimate of the amount can be made.

A provision is recognised if and only if:
- there is an ongoing obligation (legal or constructive) as a result of a past event;
- it is probable that economic benefits will be required to meet the obligation;
- a reliable estimate can be made of the amount deriving from the fulfilment of the obligation.

Classification criteria

A provision, if it meets the recognition requirements, is recognised under "Provisions for risks and charges".
The provisions include in particular provisions for personnel loyalty bonuses.

Evaluation criteria

The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date and reflects risks and uncertainties that inevitably arise from a number of facts and circumstances.

Provisions against liabilities that are expected to be settled more than one year later are recognised at present values.

Cancellation criteria

The provision is reversed, through reallocation to the income statement, when the use of resources embodying economic benefits to fulfil the obligation becomes unlikely or when the same is extinguished.

Criteria for recognising income components

Where the time element is significant, provisions are discounted using current market rates. The provision and increases due to the time factor are recognised in the income statement.

Provisions made for personnel provisions are included in the income statement item "Personnel costs".

7 – Employee benefits

The item is represented by the provision for post-employment benefits. Severance pay is a "post-employment benefit" classified as

- "defined contribution plan" for the portions of post-employment benefits accruing from 1 January 2007 (i.e. after 1 January 2007, the date of entry into force of the supplementary pension reform pursuant to Legislative Decree no. 252 of 5 December 2005) both in the case of the employee opting for the supplementary pension scheme and in the case of allocation to the INPS treasury fund. The amount of the allowances is accounted for in personnel costs and is determined on the basis of the contributions due without the application of actuarial calculation methods;
- "defined benefit plan" for the portion of employee severance indemnity accrued up to 31 December 2006. The quotas in question are recorded on the basis of their actuarial value determined using the "Projected Unit Credit" method, without applying the pro-rata for service rendered as the *current service cost* of the post-employment benefits is almost entirely matured and its revaluation, for the years to come, is not expected to give rise to significant benefits for employees.

For discounting purposes, the rate used is determined with reference to the market yield on bonds of leading companies, taking into account the average residual maturity of the liability, weighted by the percentage of the amount paid and prepaid, for each maturity, with respect to the total amount to be paid and prepaid until the final discharge of the entire obligation. Costs for servicing the plan are recognised in personnel expenses while actuarial gains and losses are recognised in the statement of comprehensive income in accordance with IAS 19.

8 – Recognition of revenues and costs

Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of the enterprise and is recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration to which the customer is expected to be entitled. In particular, revenue recognition is performed by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;

- identification of the individual *performance obligations* contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods and/or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual bond;
- recognition of revenue when (or as and when) the obligation to do something is performed by transferring the promised good or service to the customer.

Revenue may be recognised at a point in time when the entity performs its obligation to do so by transferring the promised good or service to the customer, or over time as the entity performs its obligation to do so by transferring the promised good or service to the customer. In particular:

a) interest paid is recognised on a pro-rata basis, based on the contractual interest rate or the effective interest rate if amortised cost is applied;
b) interest on arrears, possibly envisaged by contract, is recorded in the account;
c) commissions for revenues from services are recorded, on the basis of the existence of contractual agreements, in the period in which the services were provided.

Costs are recognised in the Income Statement on an accrual basis; costs related to obtaining and fulfilling contracts with customers are recognised in the Income Statement in the periods in which the related revenues are recorded.

Business combinations

With regard to business combinations, the reference accounting standard is IFRS 3.

The transfer of control of a company (or of a group of integrated assets, conducted and managed as a whole) constitutes a business combination.

To this end, control is considered transferred when the investor is exposed to variable returns, or holds rights over these returns, deriving from its relationship with the investee and at the same time has the ability to affect returns by exercising its power over said entity.

IFRS 3 requires that a buyer be identified for all business combinations. The buyer must be identified as the party that obtains control over another entity or group of assets. If it is not possible to identify a controlling entity following the definition of control described above, as for example in the case of exchange transactions of equity investments, the identification of the buyer must take place using other factors which: the entity whose *fair value* is significantly higher, the entity that pays a consideration (if any) in cash, and the entity that issues the new shares.

The acquisition, and therefore the first consolidation of the acquired entity, must be accounted for on the date on which the acquirer actually obtains control over the acquired company or assets. When the transaction takes place through a single exchange transaction, the date of the exchange normally coincides with the acquisition date. However, it is always necessary to verify the presence of any agreements between the parties that may involve a transfer of control before the date of the exchange.

The consideration transferred as part of a business combination must be determined as the sum of the *fair value* of the assets sold, at the date of the exchange, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions that envisage payment in cash (or when payment through cash-like financial instruments is envisaged), the price is the agreed consideration, discounted if necessary in the case in which payment by instalments is envisaged with reference to a period exceeding the short term; if payment is made through an instrument other than cash, i.e. through the issue of equity instruments, the price is equal to the *fair value* of the means of payment net of the costs directly attributable to the equity issue. For the methods for determining the *fair value* of financial instruments, please refer to the paragraph "Information on *fair value*", with the foresight that, in the presence of shares listed on active markets, the *fair value* is represented by the stock market price at the acquisition date or, failing that, since the last available price.

Adjustments subject to future events are included in the consideration of the business combination at the acquisition date, if envisaged by the agreements and only if they are probable, can be reliably determined and carried out within twelve months following the date of acquisition of control, while the indemnities for the reduction in the value of the assets used are not considered, as they are already considered either in the *fair value* of the equity instruments or as a reduction in the premium or increase in the discount on the initial issue in the case of issuance of debt instruments.

The costs related to the acquisition are the expenses that the acquirer incurs for the realisation of the business combination; by way of example, these include professional fees paid to auditors, experts, legal advisors, costs for appraisals and auditing of accounts, preparation of information documents required by the regulations, as well as consultancy expenses incurred to identify potential targets to be acquired if it is contractually established that payment is made only in the event of a positive outcome of the business combination, as well as the costs of registering and issuing debt securities or shares.

The acquirer must account for the costs related to the acquisition as expenses in the periods in which those costs are incurred and the services are received, with the exception of the costs of issuing shares or debt securities which must be recognized in accordance with IAS 32 and IFRS 9.

Business combinations are accounted for according to the "acquisition method", according to which the identifiable assets acquired (including any intangible assets not previously recognised by the acquired company) and the identifiable liabilities assumed (including contingent) must be recognised at their respective *fair values* at the acquisition date.

The excess between the consideration transferred (represented by the *fair value* of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), possibly supplemented by the value of the minority interests (determined as shown above) and the fair value of the interests already held by the acquirer, and the *fair value* of the assets and liabilities acquired must be recognised as goodwill; if the latter are higher than the sum of the consideration, the minority interests and the *fair value* of the shares already held, the difference must be recognised in the income statement.

Accounting for the business combination may take place provisionally by the end of the year in which the business combination is carried out and must be completed within twelve months of the acquisition date.

Standards of first or recent adoption

The following are the new documents issued by the IASB and endorsed by the EU, for mandatory adoption from the financial statements for years beginning on or after 1 January 2021:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Reform of the benchmarks for determining interest rates - Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Aug-20	01-Jan-21	13-Jan-21	(EU) 2021/25 of 14 January 2021
Rental concessions related to COVID-19 subsequent to 30 June 2021 (amendment to IFRS 16)	Mar-21	01-Aug-21	30-Aug-21	(EU) 2021/1421 of 31 August 2021
Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	Jun-20	01-Jan-21	15-Dec-20	(EU) 2020/2097 of 16 December 2020

The new IAS/IFRS and related IFRIC interpretations applicable to financial statements for years beginning after 1 January 2021 are shown below:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Improvements to IFRS (2018-2020 cycle). Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	May-20	01-Jan-22	26-Jun-21	(EU) 2021/1080 of 2 July 2021
Property, plant and equipment - Income before intended use (amendments to IAS 16)	May-20	01-Jan-22	28-Jun-21	(EU) 2021/1080 of 2 July 2021
Onerous contracts - costs necessary to fulfil a contract (amendments to IAS 37)	May-20	01-Jan-22	28-Jun-21	(EU) 2021/1080 of 2 July 2021
Reference to the conceptual framework (Amendments to IFRS 3)	May-20	01-Jan-22	28-Jun-21	(EU) 2021/1080 of 2 July 2021
IFRS 17 insurance contracts (including the amendments published in June 2020	May 2017 and June 2020	01-Jan-23	19-Nov-21	(EU) 2021/2036 of 23 November 2021

The new documents issued by the IASB Board not yet endorsed by the EU are reported below (these documents will be applicable only after endorsement by the EU):

Document title	Date of issue by the IASB	Date of entry into force of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	Jan-14	01-Jan-16	Approval process suspended pending the new accounting standard on "rate regulated activities"
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Sep-14	deferred until completion of the IASB project on the equity method	Endorsement process suspended until completion of the IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 and July 2020	01-Jan-23	TBD
Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Feb-21	01-Jan-23	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	Feb-21	01-Jan-23	TBD
deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May-21	01-Jan-23	TBD
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)	Dec-21	01-Jan-23	TBD

PART B – INFORMATION ON THE BALANCE SHEET

Asset

Property, plant and equipment

Property, plant and equipment amounted to Euro 2,965 thousand as of 31 December 2021. Investments for the year amounted to Euro 15 thousand.

The changes in this item can be summarised as follows:

	Land	Buildings	Furniture	Electronic system	Others	Total
A. Gross opening balance	-	3,507	151	361	26	4,045
A.1 Total net impairment losses	-	(511)	(18)	(86)	(8)	(623)
A.2 Net opening balances	-	2,997	133	275	18	3,422
B. Increases:						
B.1 Purchases	-	-	2	13	-	15
B.2 Signing of lease agreements		32				32
B.3 Expenses for capitalised improvements	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-
C. Decreases:						
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation	-	(402)	(21)	(76)	(5)	(504)
C.3 Other changes	-	-	-	-	-	-
D. Net closing inventory	**-**	**2,626**	**114**	**212**	**13**	**2,965**
D.1 Total net impairment losses	-	(913)	(39)	(162)	(13)	(1,127)
D.2 Gross closing balance	**-**	**3,539**	**153**	**374**	**26**	**4,092**

The item includes the measurement of the Right of Use on the operational offices of the company subject to lease agreements. The rights of use were determined at an amount equal to the respective financial payables by discounting the instalments envisaged in the lease agreements and are amortised on a straight-line basis over the duration of the same. The amount is Euro 2,626 thousand.

Deferred tax assets

Deferred tax assets, amounting to Euro 7 thousand, refer entirely to the tax calculated on the actuarial loss component included in the statement of comprehensive income resulting from the valuation of the Provision for Post-Employment Benefits as of 31 December 2021 pursuant to IAS 19.

Other non-current assets

The item mainly includes:
- deferrals on multi-year costs spread over several years in line with the related revenues. The balance of these costs as of 31 December 2021 was Euro 2,438 thousand;
- security deposits for Euro 13 thousand.

Trade Receivables

The invoices issued and not yet collected as of 31 December 2021 relate to commissions due to the company for credit management activities and amount to Euro 2,143.

The invoices to be issued (again for servicing fees accrued) amount to Euro 16,302 thousand.

Cash and cash equivalents and short-term deposits

The item as of 31 December 2021 includes cash and cash equivalents deposited in bank current accounts.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity

Shareholders' equity amounted to Euro 19,260 thousand as of 31 December 2021 and is composed as follows:
- share capital of Euro 150 thousand;
- legal reserve of Euro 185 thousand;
- extraordinary reserve of Euro 6,735 thousand;
- negative reserve from actuarial valuation of post-employment benefits of Euro 45 thousand;
- profit for the year 2021 of Euro 12,234 thousand.

The total of 10,000 shares (with no nominal value) represent the share capital of Euro 150,000, divided into Category A shares (owned by Gardant S.p.A.) and Category B shares (owned by Banco BPM).

The negative valuation reserve of Euro 45 thousand derives from the actuarial valuation of the post-employment benefits provided for by IAS 19.

Loans and Financing – non-current liabilities

The item, amounting to Euro 2,363 thousand as of 31 December 2021, includes the portion of financial liabilities arising from the value of the Right of Use on the operational offices recognised under assets pursuant to IFRS 16, with maturity beyond 12 months.

Employee benefits and Provisions for Risks and Charges

The item Employee benefits represents the valuation of the Provision for Post-Employment Benefits for personnel.

The item Provisions for Risks and Charges as of 31 December 2021 only includes the Provision for staff loyalty bonuses.

The book value of these Provisions is calculated on an actuarial basis in accordance with IAS 19. The main actuarial assumptions used are:
- discount rate of 0.70%;
- 1.80% inflation forecast;
- wage growth rate N/A;
- expected mortality rate IPS55;
- expected disability rate INPS Model.

During the year, post-employment benefits rose from Euro 1,802 thousand to Euro 1,364 thousand by virtue of allocations made for Euro 221 thousand and utilisations of Euro 659 thousand.

Trade payables

The item includes payables to suppliers for invoices received still to be paid as of 31 December 2021 and allocations for invoices to be received for a total of Euro 3,365 thousand.

Tax Payables

As of 31 December 2021, the item Tax Payables includes the provision for taxes for the current year of Euro 866 thousand for IRAP.

Other current liabilities

The main elements that make up the item as of 31 December 2021 are shown below:

- payable for IRES (corporate income tax) offset at tax consolidation level to be paid to Gardant S.p.A. for Euro 3,986 thousand;
- payable for IRES (corporate income tax) offset at tax consolidation level to be paid to Gardant Investor SGR for Euro 137 thousand;
- amounts to be paid to personnel and related contributions for Euro 1,495 thousand;
- taxes, contributions, and withholdings for Euro 579 thousand.

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Revenues

As of 31 December 2021, the item refers to commissions for the management of NPLs (special servicing) carried out on behalf of Leviticus SPV (Euro 18,819 thousand), Aurelia SPV (Euro 3,351 thousand), and Banco BPM (Euro 9,482 thousand).

Costs

Costs of services rendered

The item amounting to Euro 5,340 thousand refers to:

- commissions payable, accrued in proportion to collections, due to sub-servicers and consultants who carry out support activities for the management of part of non-performing loans for Euro 2,451 thousand;
- costs for corporate services performed by CF+ until July 2021 for Euro 875 thousand;
- costs for corporate services performed by Gardant since August 2021 for Euro 625 thousand;
- the year's portion of initial consultancy costs for Euro 390 thousand;
- postal expenses for Euro 217 thousand (recovered from vehicle companies under management);
- IT expenses for Euro 219 thousand;
- other sundry costs for Euro 563 thousand.

Personnel costs

The breakdown of the item as of 31 December 2021 is shown below:

- salaries of Euro 6,100 thousand;
- variable component of Euro 739 thousand;
- contributions for Euro 2,088 thousand;
- allocation for post-employment benefits of Euro 221 thousand;
- other personnel expenses for Euro 385 thousand.

As of 31 December 2021, the company had 92[5] employees (100 as of 31 December 2020).

Amortisation, depreciation and write-downs

Amortisation and depreciation regarded property, plant and equipment for Euro 102 thousand, software for Euro 5 thousand and property and rental cars accounted for in accordance with IFRS 16 for Euro 402 thousand.

In addition to amortisation and depreciation, the Company also made collective value adjustments of Euro 49 thousand.

5 There were 94 employees as of 31 December 2021, if the 7 resources seconded from other companies (3 from Special Gardant and 4 from BBPM) and the 5 resources seconded to other companies (2 in Gardant, 2 in Special Gardant and 1 in Master Gardant), are also considered.

Financial Charges/Income

Charges for loans amounted to Euro 58 thousand and relate to interest calculated in accordance with IFRS 16 on the lease liability recorded against rights of use of leased properties.

Income tax

Income taxes as of 31 December 2021 refer to the IRES provision for Euro 4,123 thousand and IRAP for Euro 720 thousand.

The table below shows the transition from theoretical to actual taxes.

figures in Euro/000	**2021**	**rates**
Profit before taxes	17,101	-
Theoretical IRES	4,104	24.00%
Theoretical IRAP	667	3.90%
increases from permanent differences	72	
Actual taxes	**4,843**	**28.32%**

PART D – DISCLOSURE OF RISKS AND RELATED HEDGING POLICIES

Introduction

Pursuant to the provisions of Article 115 of Royal Decree No. 773 of 18/06/1931 (Consolidation Act of Public Security Laws (TULPS)), the Company's purpose is the solicitation and recovery of outstanding debts, on behalf of third parties, conducted regardless of the method of contact with the debtor, in compliance with the regulations in force.

The organisational structure of Gardant Liberty Servicing was defined on the basis of the following guiding principles: Lean structure with a strong focus on Special Servicing activities, due to the fact that all resources are dedicated to debt collection activities entrusted to the company;

Operating activities of the company provided by Gardant S.p.A., with a view to guaranteeing efficient management and the necessary scale economies at Group level.

The "Debt Collection" structure reports directly to the General Manager of the company.

The operating activities of the company are provided by the Parent Company Gardant S.p.A. and regulated by the "Corporate Centre" service agreement.

The main structures of Gardant that provide the functions of "Corporate Centre" of the company and the related service areas provided are shown below:

- *Group Controls*: internal control system and consultancy on data privacy;
- *IT and Organisation*: management of the IT system, help desk information support, management of the organisational and regulatory structure, management of IT security;
- *Human Resources*: central/administrative support in human resources management;
- *Finance*: bookkeeping and drafting of the financial statements;
- *Legal & Corporate Affairs*: management of legal aspects and corporate governance issues;
- *ESG Communication & External Relations*: image management and communication aspects.

Based on the defined organisational structure, the risk management policies are therefore outlined and implemented at Group level.

The Gardant Group gives strategic importance to the Internal Control System, consisting of a set of rules, procedures, and structures aimed at allowing, through an adequate process of identification, measurement, management and monitoring of business risks, sustainable growth consistent with the objectives set. The risk culture does not concern only the Control Functions but is widespread throughout the company organisation.

Particular attention is paid to the ability to promptly understand and analyse the interrelationships between the various risk categories.

The Control Body, pursuant to Law Decree 231/01, supervises the operation and compliance with the Organisation, Management, and Control Model envisaged by the regulations.

Credit risk

Credit risk is defined as the possibility for the creditor that a financial obligation is not fulfilled either at maturity or subsequently generating a financial loss. The company's assets show that this type of risk is mainly attributable to trade receivables as well as to the liquidity deposited in current accounts with leading banks.

With reference to trade receivables, characterised by a very short-term life that is extinguished with the balance of the invoice, it is pointed out that they are substantially attributable to the signing of special servicing contracts, pursuant to which, the Company accrues receivables from counterparties, which could default due to insolvency, economic events, lack of liquidity, operational deficiency, or other reasons.

The number of counterparties is therefore substantially limited to the companies with which GLS has signed special servicing contracts, represented as of 31 December 2021, by Banco BPM, characterised by a high credit standing, and by the credit securitisation companies established pursuant to Law no. 130 of 1999, Leviticus SPV and Aurelia SPV. For a quantitative analysis, please refer to the note on trade receivables.

Market risks

Interest rate risk

Interest rate risk on the profit and loss account is the risk caused by the difference in the maturity and timing of the interest rate of assets and liabilities (change in the market value of balance sheet items due to a change in the yield curve).

The Company does not hold financial assets other than liquidity with banks and uses the credit line granted by CF+ as a source of funding for a loan of Euro 12 million with a fixed remuneration rate. Changes in market interest rates therefore do not significantly affect the level of net financial expenses.

Currency risk

There are no assets or liabilities (in the financial statements and "off-balance sheet") in foreign currency. No transactions were carried out in euro indexed to the trend in exchange rates of currencies or transactions on gold.

Liquidity risk

Liquidity risk is defined as the possibility that the Company may not be able to maintain its payment commitments due to the inability to raise new funds at sustainable economic conditions (*funding liquidity risk*) or due to the inability to sell its assets (*market liquidity risk*).

The objectives of the Group's liquidity management and monitoring activities are short-term structural stability, growth financing and liquidity risk mitigation.

The Group's financial policy and the management of related financial risks are centrally guided and monitored. In this regard, Gardant Liberty Servicing benefits from the quarterly monitoring of the Group's consolidated liquidity level, carried out by the Parent Company through Group Controls, with the aim of verifying the short/medium-term operating cash balance and suggesting the adoption of adequate controls in order to prevent situations of liquidity deficit.

For the management of liquidity risk, the Company obtained an interest-bearing loan of Euro 12 million on a Revolving basis from Credito Fondiario, intended to provide the necessary resources to finance its working capital needs until its core business is fully operational.

Operational risk

Operational risk is the risk of suffering losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events.

This includes, among other things, losses resulting from fraud, human error, business interruption, system failure, breach of contract and natural disasters. Strategic and reputational risks are not included in this area, while legal risk is included, i.e. the risk deriving from violations or lack of compliance with laws or regulations, or lack of transparency regarding the rights and duties of counterparties in a transaction. This risk includes, inter alia, the exposure to fines, financial penalties, or penalties deriving from measures taken by the Supervisory Board or from private transactions.

The first-level controls against this risk are carried out by the operational functions. Second and third level audits are carried out by the Group Controls department.

The Company has developed a Business Continuity strategy that envisages the analysis of the impacts on operations and the identification of some crisis/disaster scenarios, in order to identify the most appropriate continuity solutions to guide the restoration of essential processes from an organisational, logistical, and IT point of view.

The *Business Continuity Plan* (BCP) provides for roles and/or Committees for the management of business continuity that operate both in "normal" situations, in order to guarantee the maintenance of the BCP, and in crisis situations to guarantee the adequate supervision, coordination and control of recovery activities and return to normality of the impacted processes.

The Plan envisages various crisis scenarios, including the unavailability of one of the Company's offices and the unavailability of the Debt Collection Management Systems made available by Gardant S.p.A. and Banco BPM.

OTHER INFORMATION

Other information regarding the company is provided below.

Remuneration of directors and auditors

The remuneration for the Board of Statutory Auditors amounts to Euro 45 thousand. No Company advances or loans were granted to directors and statutory auditors.

Average number of employees

In 2021 the average number of employees was:

Managers	2
Middle managers	53
Other employees	42

Total amount of fees due to the independent auditors

The audit of the company is entrusted to KPMG S.p.A., who is entitled to an annual fee of Euro 48 thousand.

Number and nominal value of the company's shares

The company issued a total of 10,000 shares with a nominal value of Euro 15 each, divided between class A shares (7,000) held by Special Gardant S.p.A. and class B shares (3,000) held by BBPM. The share capital is fully paid-up.

The Company has not issued any dividend-right shares, bonds convertible into shares, warrants, options, or securities similar to shares.

The Company has not issued any financial instruments.

Loans from Shareholders

The Company has not received any loans from Shareholders.

Events after the close of the year

There were no events after the end of the year that produced such effects on the balance sheet, economic or financial situation as to result in adjustments to these financial statements.

Consolidated Financial Statements of the Parent Company

The Company's financial statements are consolidated in the financial statements of the Gardant Group by Gardant S.p.A., which has its registered office in Rome, Via Curtatone, 3.

Proposed allocation of profit

For the proposed allocation of profit, please refer to the specific section of the Report on Operations.

Disclosure pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code

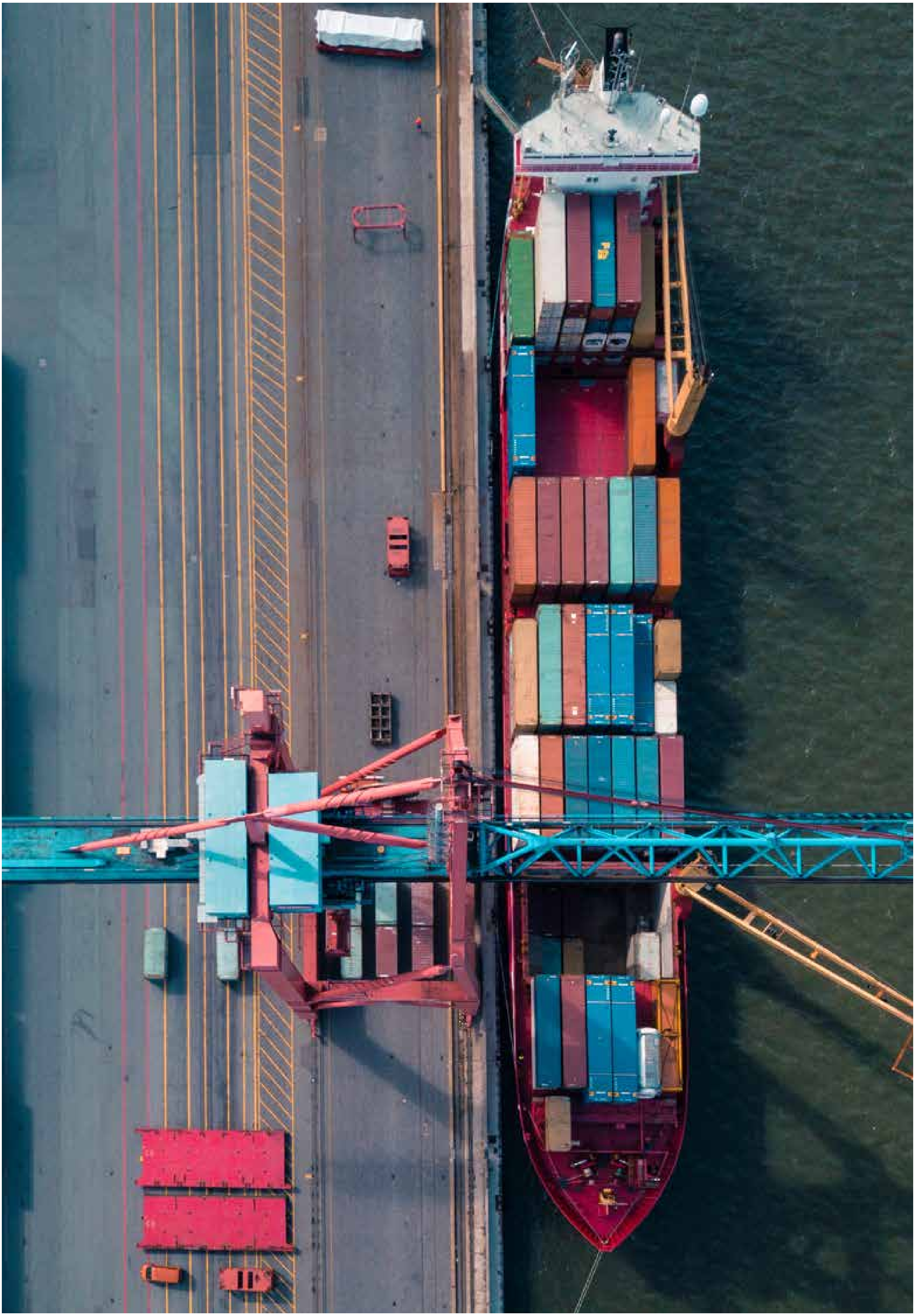
The figures of the last approved financial statements of the company Gardant S.p.A. as a party that exercises management and coordination activities pursuant to Article 2497-bis et seq. of the Italian Civil Code are reported below.

euro

ASSETS BALANCE SHEET	31/12/2020
B) Fixed assets	
I) Intangible assets	-
II) Property, plant and equipment	-
TOTAL B)	**-**
C) Current assets	
II) Receivables	-
within the next financial year	121
beyond the next financial year	
Total II)	121
IV) Cash and cash equivalents	210,000
Total IV)	210,000
TOTAL C)	**210,121**
D) Accruals and deferrals	**-**
TOTAL D)	**-**
Total assets	**210,121**

BALANCE SHEET LIABILITIES	31/12/2020
A) Shareholders' equity	
I) Capital	210,000
IV) Legal reserve	-
V) Statutory reserves	-
VII) Other reserves, indicated separately Various other reserves	-
	210,000
VIII) Profit/(loss) carried forward	-
IX) Profit/(loss) for the year	(21,443)
TOTAL A)	188,557
B) Provisions for risks and charges	-
TOTAL B)	-
D) Payables	
within the next financial year	21,564
beyond the next financial year	-
TOTAL D)	21,564
E) Accruals and deferrals	-
TOTAL E)	-
Total liabilities	**210,121**

INCOME STATEMENT	31/12/2020
A) Value of production	
1) Revenue from sales	-
5) Other revenues and income with separate indication of operating grants	-
TOTAL A)	-
B) Production costs	-
14) other operating expenses	(21,443)
TOTAL B)	(21,443)
Difference between value and costs of production (A - B)	(21,443)
C) Financial income and charges	-
17) interest and other financial charges	-
TOTAL C)	-
Profit/(loss) before tax (A - B + C + D)	(21,443)
D) Value adjustments to financial assets and liabilities	-
20) Income taxes for the year	-



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