GARDANT

Your Investment and Servicing Partner

CONSOLIDATED FINANCIAL STATEMENTS OF GARDANT GROUP AND SEPARATED FINANCIAL STATEMENTS OF GARDANT S.P.A. FOR 2021

GARDANT

44,8 billions	Assets under Management
20,0 billions	Assets under Servicing
1,2 billions	Managed Leasing Credits
789 milions	Cash collections(1)
85 #	Managed vehicles
Assets	284 milions
Net Equity	186 milions
Net Liquidity	29,0 milions
Total revenues	46,1 milions
EBITDA	18,7 milions
S&P Fitch	SS/MS Above Average RSS2+/CSS2+ MS2+
7 #	Offices and co-working sites
337 #	Employees (incl. Secondments from/to other legal eneities of the Group)
100 %	IT Infrastructure in Private Cloud
200 billions	Data points

(1) FY pro-forma figures that include the first 7 months 2021 related to Credito Fondiario S.p.A.

Consolidated data as of 31th December 2021
Euro

GARDANT

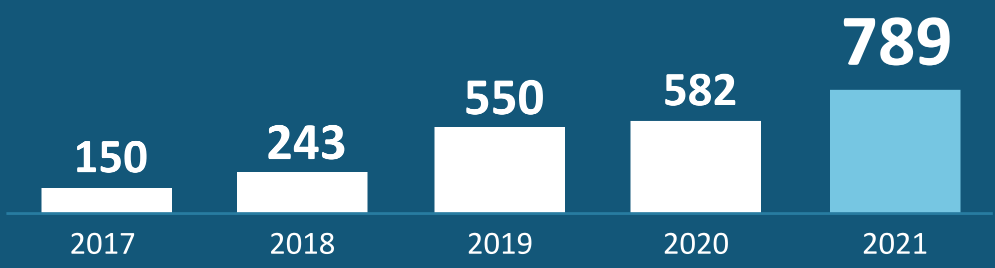
Collections

(Milion Euro)

Increasing effectiveness recovery activity

+51%

CAGR: 2017/2021



Assets under Managment

(Bilion Euro)

Exponential development of servicing agreements

+31%

CAGR: 2017/2021

Assets under Servicing(2)

(Bilion Euro)

Solidity and stability

+2%

CAGR: 2017/2021

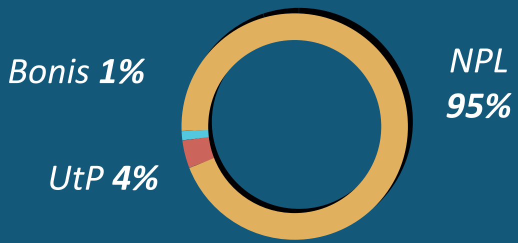
(2) In 2021 the master servicing of the portfolios underlying the two securitizations Ambra SPV S.r.l. and Flaminia SPV S.r.l. held by the Segregated Assets of BPVI in L.c.a. eand Veneto Banca in L.c.a. swere taken over by Amco S.p.A., already appointed as manager of the two Segregated Assets pursuant to Legislative Decree 99/2017 and Ministerial Decree 221/2018 securitization Danubio S.r.l. was sold to third parties and the securitization Tibullo SPV S.r.l. was closed due to the expiration of the underlying loans.

Consolidated data as of 31th December 2021
Euro

GARDANT

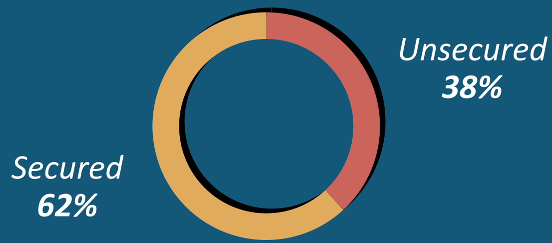
Breakdown of Assets under Servicing

Per type (%)



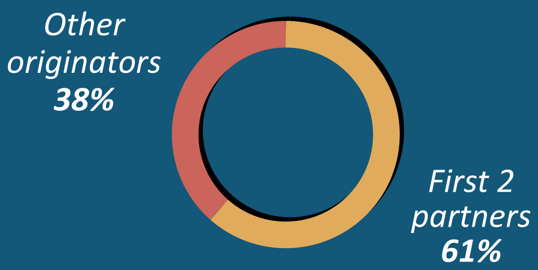
Starting management of new assets classes: UtP and performing loans

Per garantee (%)



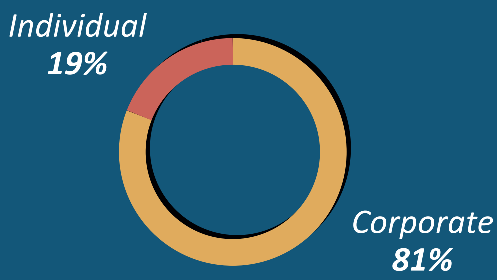
Unique know how in managment secured loans (real estate garantees)

Concentration (%)



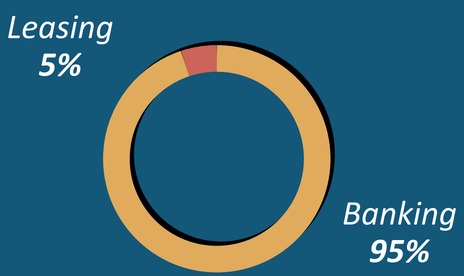
2 stable partner and a well diversified portfolio with more than 20 originators

Debtor (%)



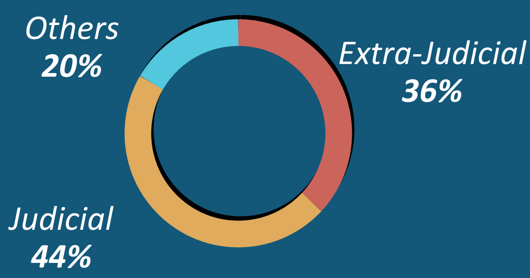
Consolidated experience in corporate loans managment

Originator (%)



Focus on banks as originators

Recovery strategy (%)



Extra-Judicial recovery strategyas preferred

Consolidated data as of 31th December 2021
Euro

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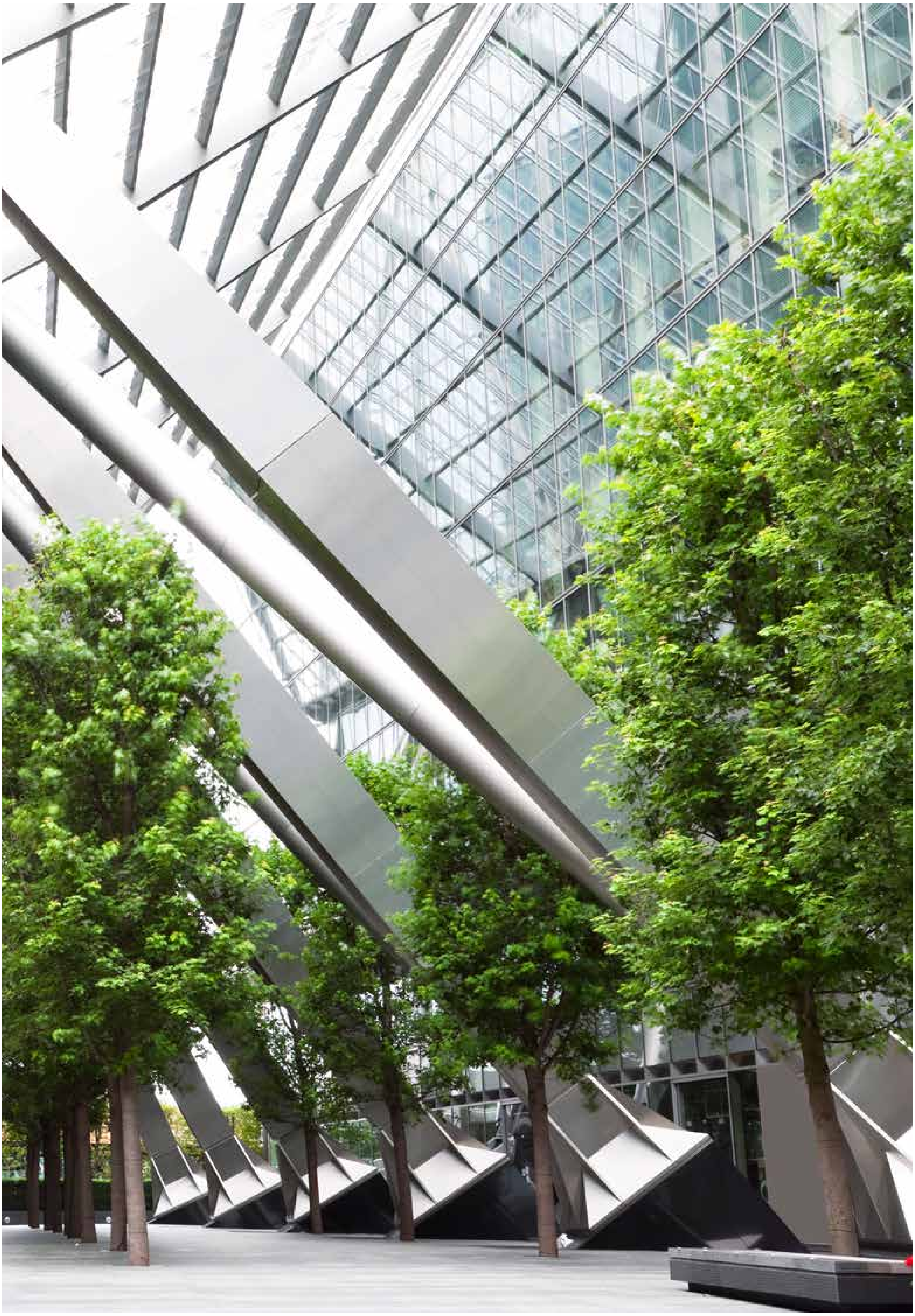

CORPORATE OFFICERS, MANAGEMENT, SUPERVISORY BODY AND INDEPENDENT AUDITORS

Board of Directors[1]

Flavio VALERI	Chairperson
Mirko Gianluca BRIOZZO	Chief Executive Officer
Sergio ASCOLANI	Director
Arabella CAPORELLO	Director
Gioia Maria GHEZZI	Director
Vittorio GRIMALDI	Director
Massimo RUGGIERI	Director

Board of Statutory Auditors[2]

Massimo CREMONA	Chairperson
Corrado GATTI	Statutory Auditor
Roberta BATTISTIN	Statutory Auditor
Fabio FORTINI	Alternate Auditor
Pamela PETRUCCIOLI	Alternate Auditor

Supervisory Body pursuant to Italian Legislative Decree no. 232/2001[3]

Massimo CREMONA	Chairperson
Corrado GATTI	Member
Roberta BATTISTIN	Member

Independent auditors[4]

KPMG S.p.A.

1 The new members of the Board of Directors were appointed by resolution of the Shareholders' Meeting of 3 May 2021 and with the term of office expiring on the date of approval of the financial statements as of 31 December 2023.
2 The new members of the Board of Statutory Auditors were appointed by resolution of the Shareholders' Meeting of 3 May 2021 and with the term of office expiring on the date of approval of the financial statements as of 31 December 2023.
3 By resolution of 28 July 2021, the Board of Statutory Auditors was also appointed as Supervisory Body pursuant to Legislative Decree 231/2001. The effectiveness of the appointment was subject to the approval of the OMM pursuant to Legislative Decree 231/2001, which took place on 24 February 2022
4 The independent auditors were appointed by resolution of the Shareholders' Meeting of 29 June 2020. The Shareholders' Meeting of 23 December 2021 extended the mandate also to the consolidated financial statements for 2021 and 2022

GARDANT GROUP

Establishment of the Gardant Group

The Gardant Group (hereinafter also the "Group") was established on 1 August 2021 from the spin-off of the *asset management*, *debt purchasing* and *credit servicing* activities of Credito Fondiario S.p.A. (hereinafter also "Credito Fondiario" or the "Bank"), developed since 2013, following the change in ownership of the Bank. The demerged perimeter represents 68% of the assets and 83% of the pre-demerger staff.

The Group is mainly made up of the following companies:
- Gardant S.p.A. (hereinafter "Gardant" or the "Parent Company" or the "Company"; formerly "CF HoldCo S.p.A.""), the holding company which incorporates all the centralised structures and various *business* units, including the *capital markets* one and the *portfolio monitoring* one;
- Gardant Investor SGR S.p.A. (hereinafter also "Gardant Investor SGR" or "SGR"), the *asset manager* of alternative investment funds, established and authorised in the context of the spin-off, effectively operational since the last few months of the year 2021, with the launch of funding and investment process of two funds:
  - the *Forward* Fund, with a subscribed amount of Euro 500 million, which invests in healthcare and infrastructure receivables, disbursement of loans 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* ("Fondo Master"), currently still in the *fund raising* phase, which raised capital for Euro 60.6 million at the end of 2021, of which Euro 52.8 million already invested in *mezzanine* and *junior* notes with ABS of bank loans and leases, already classified as non-performing;
- 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;
- 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, including therein the impaired loans of the Carige Group;
- Gardant Liberty Servicing S.p.A. (hereinafter also "Gardant Liberty Servicing"), the joint venture with Banco BPM Group, specialised in the special servicing *of impaired positions originated by Banco BPM Group*.

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

The Gardant Group has two long-term strategic partnerships in the administration, management and investment of non-performing loans with the Carige Group (from the beginning of 2018) and with the Banco BPM Group (from the end of 2018) and also acts as servicer on 6 transactions backed by GACS, for a total amount of receivables managed equal to Euro 32.7 billion in gross book value ("GBV").

The management team of the Gardant Group guarantees continuity with respect to the activities carried out before the Sission. The Group's key people include Mirko Briozzo, current CEO of Gardant, and Guido Lombardo, current CEO of Gardant Investor SGR, who were key members of the group of entrepreneurs and investors who worked on developing the business, model and organisation from 2013 to the launch of the Gardant Group. The Group's management team has been enriched, even more recently, with numerous new professionals, to support the growth and development of the business.

The Group is characterised, among other things, since its original development, by a focus on the development of advanced IT and infrastructural proprietary solutions: indeed, 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 also launched the internal fintech lab called "Data Gardant Lab", focused on the development and application of advanced data analytics tools to its management and investment activities.

At the time of establishment of the new Group, an ESG strategy was adopted at consolidated level promoting and integrating 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 a sustainable future development. Specifically, at the first Board of Directors meeting of 27 July 2021, it 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;
- *the Sustainable and Responsible Investment Policy*, which has defined the Group'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;
- the 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.

With regard to the Group's development prospects, in November 2021 the Parent Company's Board of Directors also approved the consolidated 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 and performing positions - and on the alternative investments of asset and fund management activities consolidation.

Choice of a new name and a new logo and pay off

Name

/ GÀR – DA – NT /

The name chosen to give a new identity to the new-born group is inspired, by etymology, by the concepts of "defense" and "protection", which reflect our commitment to customers, counterparties, investors and stakeholders.

The name contains assonances to the English verb *TO GUARD*, which means "to defend", "to protect" and from the old French *FARDER*, which means "to keep watch", "to be on guard".

Being proactive in managing loans and taking care of investments is one of the main characteristics of the Group, which aims to distinguish itself, also through its name, as a modern, determined, attentive and valuable entity.

Logo

The name Gardant is enriched by a heraldic shield, further confirming the objective of protection and defense.

Pay off

"Your Investment and Servicing Partner", transferred on a going concern basis from Credito Fondiario, underlines the Group's willingness to act as a partner with its interlocutors, bringing its own integrated investment and service expertise to the relationship building process, with a model that is unique in Italy.

Shareholding and Group structures

The Gardant Group has a shareholding structure of reference that combines an international orientation with the shared objectives and interests of the top management, directly involved in the leadership and management of the Company.

In particular, as at 31 December 2021, the main shareholders of the Parent Company Gardant are:
- Tiber Investment S.à.r.l., part of the American investment fund, Elliott Management Corporation, which has a controlling interest of approximately 87%;
- other minority investors, including members of the top management, with a total stake of approximately 13%.

Figure 1: Shareholding structure of the Parent Company, Gardant S.p.A. as at 31 December 2021

The Parent Company controls, as previously mentioned, some operating companies specialised in credit services, as well as the corporate vehicles set up ad hoc to carry out and optimise investment transactions.

In particular, as at 31 December 2021, the structure of the Gardant Group is as follows.

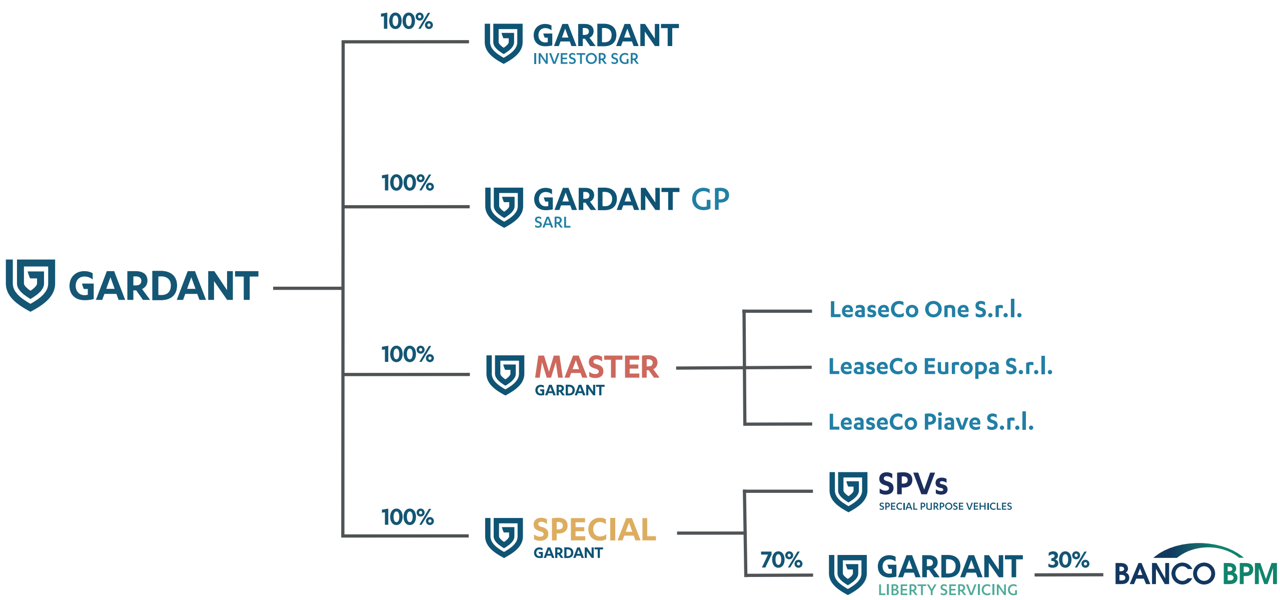

Figure 2: Structure of the Gardant Group as at 31 December 2021

The Gardant Group's entities are therefore:
- the Parent Company Gardant S.p.A.;
- an asset management company specialised in alternative investment funds, Gardant Investor SGR S.p.A.;
- a company governed by Luxembourg law, functional to fund management activities, Gardant GP S.à.r.l;

- three companies specialised in credit management and related activities:
  - Master Gardant S.p.A.;
  - Special Gardant S.p.A.;
  - Gardant Liberty Servicing S.p.A.;
- some securitisation vehicles pursuant to Law 130/99 dedicated to securitisation activities (so-called "special-purpose vehicles", or "SPVs") and LeaseCo, set up as part of securitisations of secured banking and leasing NPLs:
  - Artemide SPV S.r.l.
  - Aurelia SPV S.r.l.
  - Bramito SPV S.r.l.
  - Celio SPV S.r.l.
  - Cosmo SPV S.r.l.
  - Elmo SPV S.r.l.
  - Leviticus SPV S.r.l.
  - Lucullo SPC S.r.l.
  - Lutezia SPV S.r.l.
  - New Levante SPV S.r.l.
  - Novus Italia 1 S.r.l.
  - Piave SPV S.r.l.
  - Ponente SPV S.r.l.
  - POP NPLs 2020 S.r.l.
  - Sallustio S.r.l.
  - Sesto SPV S.r.l.
  - Tiberina SPV S.r.l.
  - Vette SPV S.r.l.
  - Viminale SPV S.r.l.
  - LeaseCo One S.r.l.
  - LeaseCo Europa S.r.l.
  - LeaseCo Piave S.r.l.

Gardant Investor SGR S.p.A., as an asset management company, and Master Gardant S.p.A., as a financial company pursuant to article 106 of the TUB (Italian Banking Law), are subject to the Bank of Italy supervision.

Business segments

The Gardant Group has an integrated and innovative business model, unique in Italy, which guarantees a competitive advantage over other operators in the sector.

Figure 3: Activities and services of the Gardant Group

The Group can manage every distressed asset class disposal in a fully integrated manner, interacting with rating companies, lending banks, supervisory authorities, law firms and consulting and auditing firms. It can ensure the migration - through consolidated but flexible processes and procedures - of millions of data files and information relating to loan portfolios, from transferors to securitisation vehicles, thanks to integrated and advanced IT systems, and re-engineered and innovative management processes.

Thanks to the due diligence carried out on a huge number of banking portfolios and to well-experienced resources (on specific asset classes), the Group has developed a deep knowledge of the Italian NPE and illiquid credit market. This knowledge has been crystallised through the use of advanced systems and big data technologies, which make it possible to evaluate receivables and assets in a very short time, constantly updating the data warehouses according to the evolution of the credit and the real estate market, of the transaction prices and disposal values recorded at auctions.

The Gardant Group is active in Italy in the asset management and debt purchasing sector, as well as in the credit servicing sector, and provides its products and services to banks, financial institutions and institutional investors specialised in the credit sector.

Thanks to the deep know-how, the experience of the team of loan and asset managers and the innovative technological infrastructure, it is positioned as a reference partner for both banks interested in more efficiently managing their NPEs, and for NPEs' investors interested in opportunities in this sector.

Fund management

The current Italian macroeconomic scenario is characterised by important initiatives supporting the economic recovery, first of all the National Recovery and Resilience Plan ("NRRP"). The success of these initiatives will depend on the ability of the Italian economic and financial system to quickly and effectively implement the allocation of available funds, both to performing companies and to those that found themselves in temporary difficulty.

The public funds available will be sustained by significant private investments, driven by profitability expectations based on a real recovery in productivity and returns. There is no shortage of public resources available and the interest of private investors is high. For this reason, despite the uncertainty of the repercussions of the current macroeconomic and geopolitical situation, investment opportunities (especially in the business sector and in particular small and medium-sized companies) could be particularly significant, not only for the volume of loans expected or for special situations that require a specialised investor, but also for the natural evolution of the market, which is witnessing the gradual transfer of credit management activities and, to a certain extent, also the supply of new finance to companies, from the traditional banks to specialised parties.

In this context, for institutional investors (Italian and foreign) NPEs have become a real specific asset class, which has high potential for value creation if properly managed with experience, highly specialised personnel, an advanced technological approach and adequate scale economies.

In light of this reference scenario, within the Gardant Group establishment in August 2021, asset management and debt purchasing activities were centralised in Gardant Investor SGR, as the focal point for institutional investors interested in investing in alternative funds, specialised in the new asset class represented by alternative credits.

Professional experience and an extensive information data warehouse complete the offer to institutional investors as part of the asset management activity carried out by Gardant Investor SGR. The asset management company of the Gardant Group, specialised in investment solutions dedicated to institutional investors and focused. on the non-performing and illiquid loans sector, acts as a point of reference and long-term partner both for institutional investors interested in the NPE sector in Italy, and for banks interested in de-leveraging strategies.

The Gardant Group, a spin-off of Credito Fondiario, has actually developed over the years its NPE origination, underwriting and portfolio management, infrastructure dedicated to the non-performing and illiquid loans sector in Italy, by virtue of which, non-performing loans ("NPL"), and unlikely to pay ("UtP") for more than Euro 1.2 billion in recent years.

In addition, in order to ensure execution speed, effectiveness, high-quality standards and adequate monitoring of processes, the entire underwriting structure is managed internally by the Gardant Group, through its professionals, who handle due diligence, deal execution, structuring activities and pricing.

Credit servicing

Origination and Structuring	Selection & Valuation of the Portfolios	Management of the Portfolio	
Structuring	Legal Due Diligence	Sponsor	Credit Assessment
SPV Setup	Real Estate Valuation	Servicer & Master Servicer	Definition Recovery Strategy
Reo.Co Setup	Portfolio Analysis & Data Remediation	Calculation Agent	Debt collection Outsourcing
Capital Markets Services	Modelling	Corporate Servicer	Credit Recovery
		Rapresentative of Noteholders	Management of Cashflows (From Recovery Activity)
		Monitoring Agent	Portafoglio Management and SS Oversight
		Back-up Servicer	Loan Agency Services
		Back-up Servicer Facilitator	Administration and Accounting
		Paying Agent / Cash Manager	Management of Lease Payments
		Reo.Co Management	

Figure 4: Credit servicing services offered by the Gardant Group

Thanks to an advanced technological infrastructure, the Gardant Group is able to offer the widest and most integrated range of loan management services, performing or non-performing, secured or unsecured, corporate or retail, with underlying real estate guarantees or other leased assets.

In addition, for securitisation transactions, it is able to offer integrated services along the entire securitisation chain pursuant to Law 1130/99.

Master servicing

The Gardant Group's master servicing activity is carried out with regard to the unitary and integrated management of the securitisation transactions in which the Group is involved.

The activity is developed through organisational and control structures consistent with the role assigned by the legislator, also with reference to all regulatory tasks, promoting an activity model that guarantees a conscious and continuous participation of the Group in all dynamics relating to the management of securitised loans.

The master servicing activity is carried out by delegating the operational management of receivables to one or more third parties, the sub-servicers or special servicers, both belonging to the Gardant Group and third parties. This activity is carefully monitored, promptly taking action with regard to the special servicers in the presence of anomalous situations and negative trends in the recovery flows compared to the forecasts of the business plans.

Within the Gardant Group, the master servicing activities are carried out by Master Gardant. Master Gardant has all permissions to carry out the servicing activities envisaged by Law 130/99 and offers an integrated servicer solution in the context of securitisation transactions of loans, both private and public, relating to different asset classes, including those with government guarantee ("GACS").

Master Gardant also offers services as back-up servicer.

Special servicing

The Gardant Group, through Special Gardant and its subsidiary Gardant Liberty Servicing, carries out judicial and extra-judicial collections of secured or unsecured credits, performing or not, originated by banks, institutional players or leasing companies.

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

The activity is done both in the seven operational and co-working offices, located throughout the Country, and using flexible and remote working.

To complete the offer of special servicing activities, Special Gardant also manages LeaseCo, providing also advisory services to identify investment opportunities and asset management services on repossessed assets.

Real Estate Asset Management

The Real Estate Asset Management ("REAM") department performs the analysis, management, marketing and sale of real estate assets deriving from:

- purchases of leasing portfolios;
- ReoCo's involvement in enforcement actions and bankruptcies;
- servicing activities for Third Parties.

The activities carried out by the REAM department can be summarised as follows:

- analysis in order to identify the best recovery strategy (timing and amount of recovery) based on the characteristics of the property (type, location, occupancy status, market, etc.);
- enforcement actions to obtain repossession of the property;
- marketing of the asset through the coordination of a network of area managers and commercial advisors distributed throughout the country;
- formalisation of the sale of the asset (once the terms of the offer have been approved by the Committee) until the notarial deed is signed.

Gardant currently manages around 845 properties (around 1.2 million square meters), for a market value of around half a billion euro.

Other services

Thanks to a team of senior professionals with a consolidated experience, the Group is able to offer high value-added origination, structuring, due diligence and advisory services to investors, banks and financial companies aimed at enhancing portfolios in performing or non-performing loans.
The Gardant Group can also perform, in addition to the master and special servicing activities, all the other roles and activities related to a securitisation transaction: from the establishment of the special purpose vehicle (SPV) and re-

lated administrative, accounting, regulatory, supervisory and company, representative of noteholders, monitoring agent, calculation agent, payment agent, cash manager.

Through the securitisation vehicles or the funds managed by Gardant Investor SGR, the Group is also able to offer corporate and real estate loans as an alternative to the banking ones, in specific situations that require non-traditional valuation and structuring processes.

Data valorisation

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

The track record of the business initiatives and the high amount of assets under management have contributed towards consolidating a wide, articulated and significant data assets which, together with a technological infrastructure of primary standing, have been the enabling factors of a distinctive orientation towards instruments of Data Science. In particular, the Group has hundreds of billions of data points on all asset classes, with significant historicity and depth of information.

The available data set is, in fact, one of the largest proprietary databases relating to Italian non-performing loans, with the consequent possibility of processing and monitoring credit recovery strategies in detail, segmenting the different asset classes with multidimensional logic, and being able to develop predictive statistical models with the related back-testing activities, preparation of advanced predictive pricing models.

The set of these tools and capabilities can be considered a unique feature on the market.

With hundreds of billions of data points, the Data Warehouse manages and enhances a significant amount of information, based on the significant track record in credit servicer and investor activities (since the first years of business operations by Credito Fondiario). In this context, the architectural approach and the intense rationalization of the overall *data model* make it possible to translate the amount of information into information promptly made available to *decision makers*.

The transformation of this amount of data into selected information to be provided to the *decision-makers* makes it possible to have tools that add value in the analysis and management of portfolios and in identifying more suitable investment and recovery solutions, including, by way of example, in terms of business continuity for those creditors who have the potential. In the same way, it can represent a service available to investors and independent institutions that are interested in it, ultimately contributing to reducing information asymmetries that are harmful for the market.

It should be emphasized that this Data Valorisation strategy is fully integrated with the Group's IT Strategy, as the data and information services that originate from them are fully integrated within the proprietary software framework; in particular: REC, a management software for debt collection, REM and REAM, for the valuation and management of individual real estate assets, Sharelock, for the automatic process of allocating collections.

Lastly, a perfect alignment between business needs and these enhancement activities is guaranteed by accurate organisational controls, first and foremost by the Data Gardant Lab, a tool for synthesis and strategic guidance on the issue, between the business functions and the specialist technical ones within the Group.

Assets in servicing

In 2021, the amount of collections carried out was Euro 789 million, up 36% compared to the previous year, recording an average annual rate of cumulative growth of 51% in the last 5 years. This significant level of collections highlights the increasing effectiveness of the strategies for the management and recovery of non-performing loans in servicing, as well as a growing efficiency of the internal structures dedicated to management, albeit in a year characterised by a significant extraordinary nature, both exogenously and in terms of endogenous context with the corporate reorganisation.

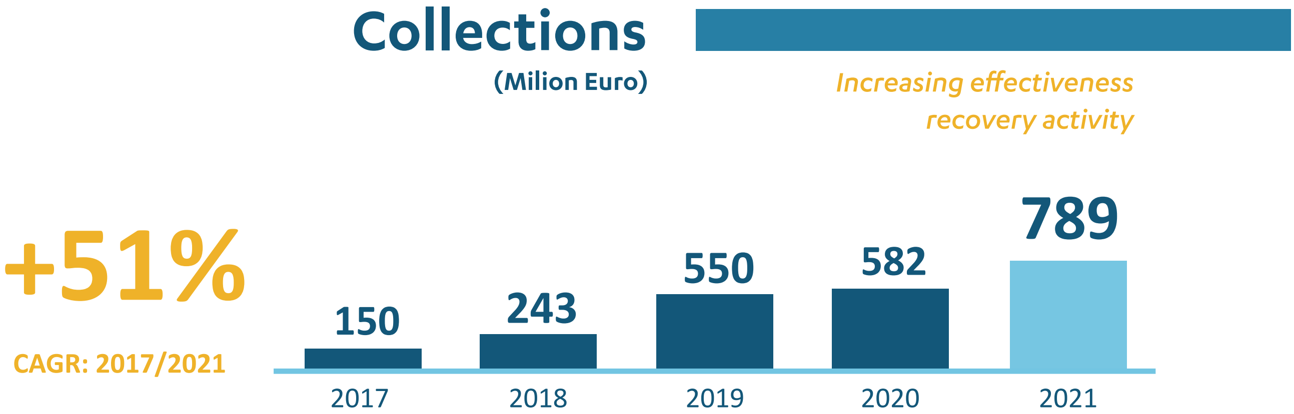

Figure 5: Collections and recoveries made in 2021 by the Gardant Group

The volumes managed with special servicing assignments amounted to Euro 20 billion in 2021, substantially in line with the volumes managed in the previous year thanks to new management mandates achieved during the year, which offset collections and write-offs.

The servicing capacity of the Gardant Group, which has led to an exponential growth in assets under management in the last 5 years, quadrupled, are now well recognised by the market, and have therefore allowed it to maintain a solid and stable operations even during a particularly complex historical moment.

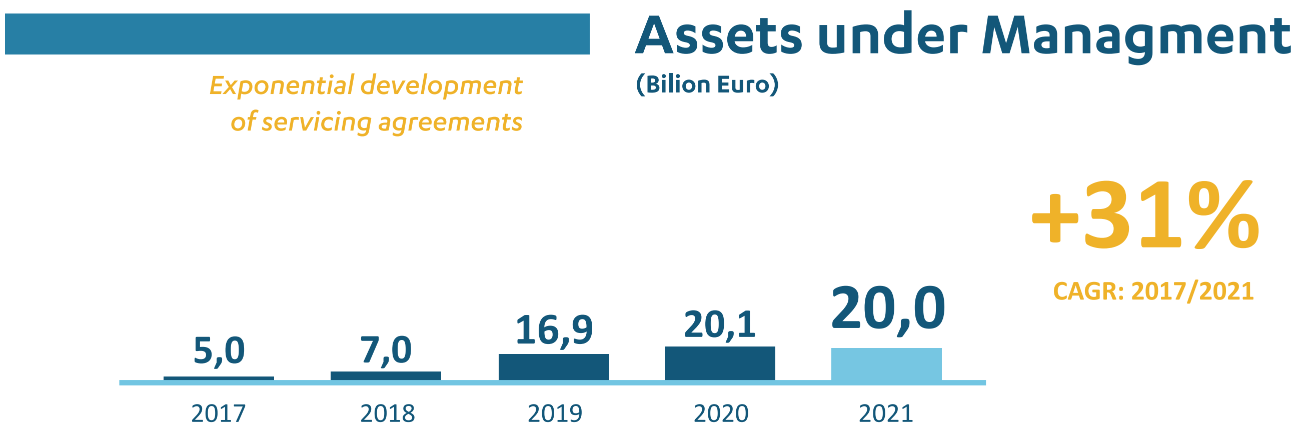

Figure 6: Assets managed with special servicing mandates as at 31 December 2021 by the Gardant Group

The assets managed by the Gardant Group are represented by all the different types of receivables, mainly of bank origin (95%) but also leases (5%). Against a core business of managing NPL positions, the asset classes represented by UTPs and also performing loans were gradually increased over the last few years. In particular, between loans classified as UTPs and performing loans, the Group manages around Euro 1 billion in terms of GBV.

Although receivables under management are mainly secured (62%), backed by real estate guarantees, on which the Group has historically been highly specialised, the Group also manages a significant portion of portfolios represented by unsecured positions (38%).

The portfolios, 61% deriving from two stable partners with whom the Group has operated since 2018 on the management of NPL, i.e. the Banco-BPM Group and the Carige Group and for the remaining 38% from a fragmented multiplicity of originators for which the Group has worked for many years, they are made up of 81% by positions covered by the contract and only 19% by positions with natural persons.

The dynamism of management and the consolidated experience of the loan managers have led to the reduction of recovery strategies based on judicial approaches to 44% of cases, preferring often faster alternative forms, which, taking into account the time factor and costs, maximise the present value of the recovery.

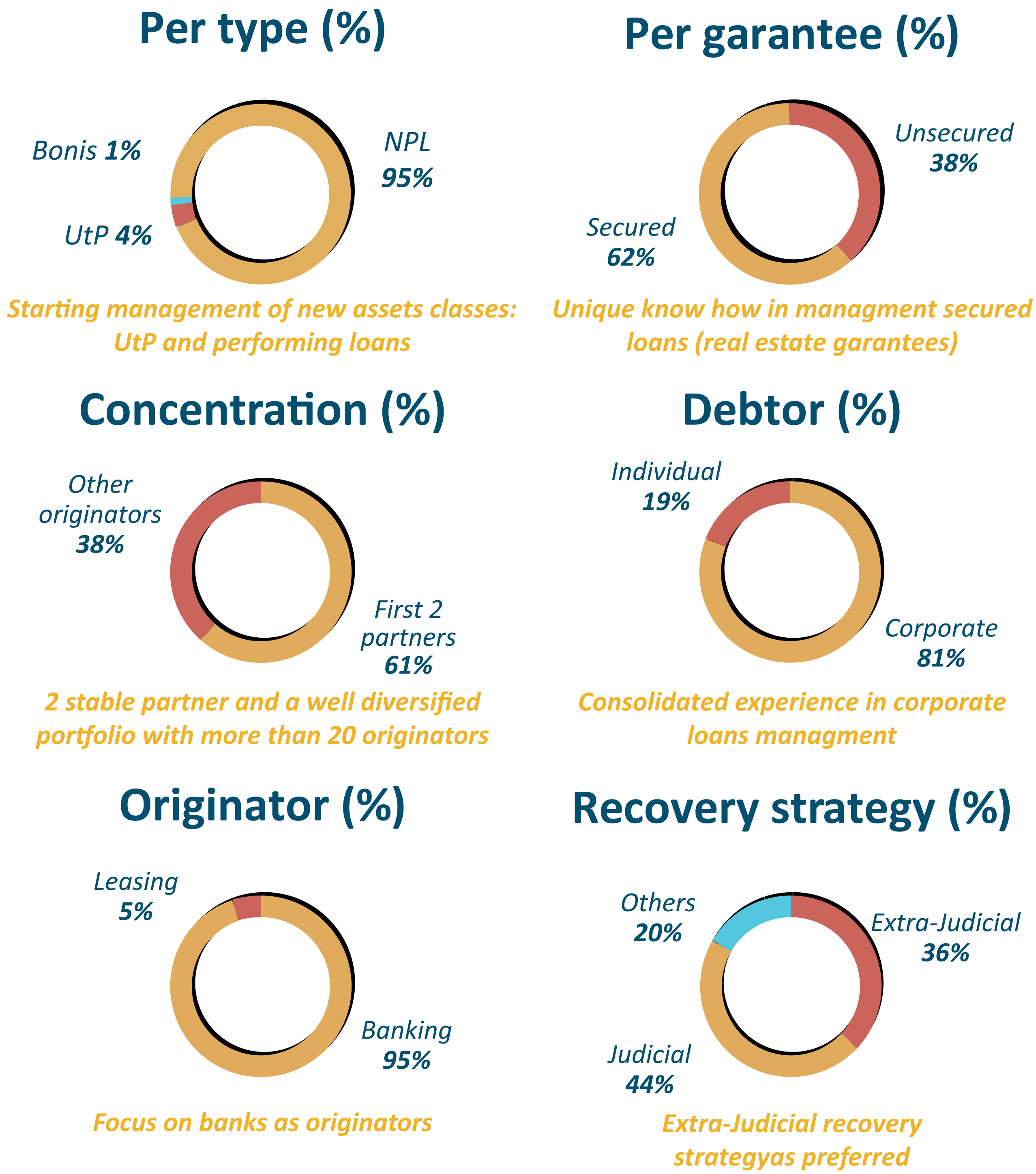

Figure 7: Breakdown of assets managed with special servicing mandates as at 31 December 2021 by the Gardant Group

During 2021, the Gardant Group acquired several new master and special servicing mandates, which made it possible to reduce the effects of the termination of some mandates, i.e. those of master servicing of the Ambra SPV S.r.l. and Flaminia SPV S.r.l. securitisations held by the Segregated Assets relating to Banca Popolare di Vicenza in L.c.a. and Veneto Banca in L.c.a. were taken over by Amco S.p.A., already appointed as manager of the two Segregated Assets pursuant to Italian Decree Law 99/2017 and Ministerial Decree 221/2018 and those of the securitisation Danubio S.r.l., which is was sold to third parties, and the securitisation of Tibullo SPV S.r.l. that was closed due to the redemption of the underlying loans.

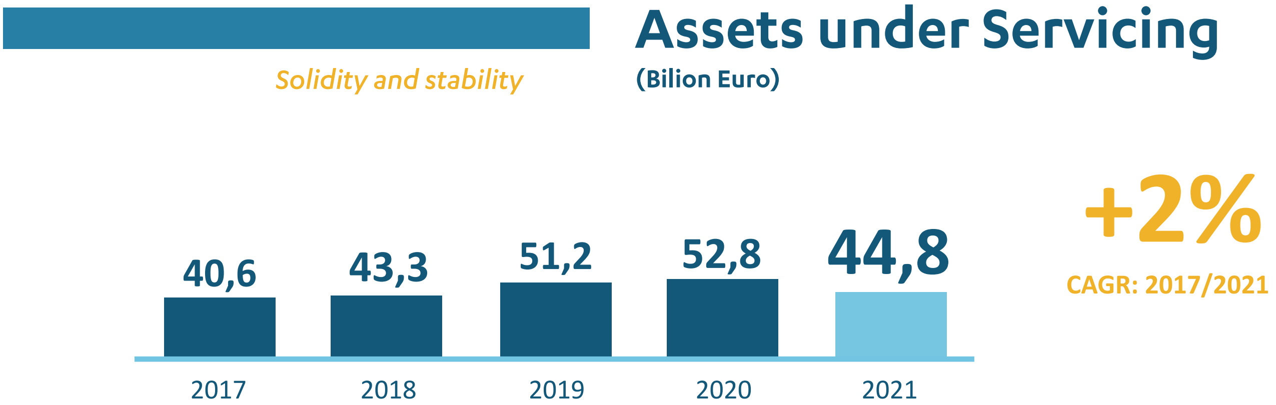

Figure 6: Masses serviced by the Gardant Group as at 31 December 2021

Organisational model

The organisational model adopted in the Gardant Group is based on a specialisation in the various activities by the specific operating entities, in order to enhance the skills within them, benefit from economies of scale and synergies deriving from overall coordination at consolidated level.

Figure 5: Organisational model of the Gardant Group

In particular, on the one hand, the specific activities were centralised in the operating companies specialised in asset management, debt purchasing and credit servicing, while on the other hand all corporate centre services were centralised within the Parent Company.

The following activities were centralised within the Parent Company:
- IT business systems and *help desk* support;
- support for ICT security and data protection;
- Central HR & *Organisation* support;
- central accounting and financial support;

- legal and corporate affairs;
- internal control system;
- support to special servicing activities (transaction servicing, legal assistance, monitoring and reporting of special servicing);
- general affairs;
- *marketing* & communication.

The centralised management of these activities for all companies of the Group makes it possible to optimise the operations of the functions and also their costs, with benefits for the comprehensive income at Individual and consolidated level.

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.

As at 31 December 2021, the following activities were outsourced to the Group:
- IT system for administrative and accounting management;
- facility management services for the cloud data centre
- management of e-mail services and other software applications;
- preparation of wages and contributions and related relations with public offices;
- archive management and paper documentation
- administrative, accounting, supervisory and internal control and audit services of Gardant Investor SGR and the managed funds.

In order to prevent the commission of offences from which the administrative liability of entities pursuant to Legislative Decree no. 231/2001, the Parent Company adopted an Organisation, Management and Control Model, with resolution of the Board of Directors of 24 February 2022. In compliance with the aforementioned regulations, the Parent Company has also appointed the Board of Statutory Auditors as Supervisory Body, whose members have proven experience in economic, corporate and legal matters whose mandate will expire with approval of the financial statements as at 31 December 2023.

Geographical network

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

Figure 6: Offices and operating sites of the Gardant Group as at 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 for the Group. Actually, 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.

Human resources

Breakdown by company and activity

As at 31 December 2021, the number of employees of the Gardant Group amounted to 333 people, mainly concentrated in the Group's operating companies.

Company	Operating area	HC
Gardant S.p.A.	Holding & Corporate Center	83
Master Gardant S.p.A.	Master Servicing	47
Special Gardant S.p.A.	Special Servicing	101
Gardant Liberty Servicing S.p.A.	Special Servicing	92
Gardant Investor SGR S.p.A.	Asset Management	10
Total		**333**

Table 1: Breakdown of personnel at 31 December 2021 by company

About 80% of employees are dedicated to special and master servicing activities; the percentage rises to 87% if the other services offered by the Group are also considered, in relation to investment activities and other activities directly linked to securitisation transactions. This aspect emphasises the efficiency of the chosen business model, in which the centralisation of activities and functions supporting the business is maximised, in order to reduce the incidence of indirect costs on the core operations of the Group and consequently on the costs charged to the investors for portfolio management and other services provided.

Breakdown by activity	HC	%
Special servicing	191	57%
Master servicing	77	23%
Other business activities	20	6%
Staff and control activities	45	14%
Total	**333**	**100%**

Table 2: Breakdown of personnel at 31 December 2021 by business and support activities

Breakdown by type

At the end of 2021, the composition of the personnel shows a balanced breakdown by gender (45% of employees are female and 55% are male). The Group has launched a series of initiatives aimed at maximum respect for gender equality, also in the process of selecting new personnel: in 2021, 50% of the resources hired, including those hired by Credito Fondiario that were then merged into the Group, were 50% female and 50% male).

Chart 7: Breakdown of personnel at 31 December 2021 by gender

At the end of 2021, the employees recorded an age of approximately 46 years, and a seniority of approximately 14 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.

Contractual classification	HC	Average Age	Average Seniority in the Group
Manager	20	49.20	8.56
Level 4 Framework	47	53.17	18.99
Level 3 Framework	29	51.21	19.57
Level 2 Framework	41	48.22	14.78
Level 1 Framework	53	43.57	10.85
A3 Level 4	41	47.63	17.07
A3 Level 3	44	45.41	16.49
A3 Level 2	30	40.63	10.54
A3 Level 1	28	35.71	6.60
Total	**333**	**46.32**	**14.23**

Table 3: Breakdown of personnel at 31 December 2021 by category and seniority

All employment relationships of Gardant Group 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 at 31 December 2021, the breakdown of personnel at consolidated level 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.

Breakdown of employees by location

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.

Rome is still the site where more than 60% of employees are located, Lombardy (including Milan, Bergamo and Lodi) accounts for another 20% and Genoa for about 15%.

Two other small offices in Verona and Naples are the result of the acquisition of the Banco-BPM Group platform and are used to cover the local markets (North-East for Verona) or as a satellite office in Rome (Naples).

Location by headquarters	HC
Rome	208
Genoa	49
Milan	42
Verona	14
Lodi	11
Bergamo	7
Naples	2
Total	**333**

Table 4: Breakdown of personnel at 31 December 2021 by geographical location

As at 1 August 2021, the date of actual start-up, the total personnel of the Group amounted to 328 units; as at 31 December 2021, there was an increase of 5 units. Overall, around 35 new hires were finalised in 2021, including those made before the spin-off and then merged into Gardant, reflecting an intense investment in human resources, after an initial slowdown in hiring due to the pandemic of SARS COVID-19.

During the 2021 financial year, in consideration of the persisting health emergency due to the SARS COVID-19 pandemic, in compliance with the in-force regulation, the Gardant Group was supported by a technological infrastructure that allowed it to perform remotely substantially 100% of business, to abundantly resort to the so-called agile work institute, minimising 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) had been 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 to work in the Company's offices or in remote mode.

Recruiting

After a year of substantial freezing of hiring due to the SARS COVID-19 pandemic, in 2021 the Gardant Group launched a recruitment plan.

The recruiting process ensured equal opportunities for candidates of both genders for each position, as confirmed by the percentage of female hires completed in the 12 months of 2021 (50%).

The channels used by the Group for personnel selection were:
- publication of job postings on the LinkedIn platform;
- recourse to specialised head-hunters, for senior/middle management figures or to search for specific professionals not very common on the market;
- access to the network of knowledge on the market by the Group's management team;
- interaction with universities, mainly for the use of internships.

The attractiveness of the Group for specialised and expert professionals is demonstrated by more than 9,000 applications received through LinkedIn, of which more than 7,000 considered for the searches carried out.

The search for expert professionals aligned with the qualitative and quantitative work standards required within the Gardant Group is carried out through an in-depth, articulated and progressive selection process: in fact, the selection process involves the reference manager or team leader, Human Resources Area specialists and, possibly, also the senior management and internal stakeholders.

Health and safety

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

Company	days/illness	days/parental leave	days/maternity	days/injury
Gardant S.p.A.	21	55	54	-
Master Gardant S.p.A.	16	-	93	-
Special Gardant S.p.A.	142	9.5	-	-
Gardant Liberty Servicing S.p.A.	624	368	38	-
Gardant Investor SGR S.p.A.	2	-	-	-

Table 5: Days of sickness or injury recorded as at 31 December 2021

Mapping of skills and training

The Gardant Group maintains the detailed mapping of roles and positions, as well as the individual skills of each employee.

In particular, the skills necessary to cover the various positions in the company are constantly identified and updated, also taking into account regulatory requirements (e.g. compliance, anti-money laundering, physical and IT security, etc.).

On the basis of this mapping, the Group's resources, adequate to cover different roles, are identified (also with a view to succession plans in the event of exit from the Group or change of position) and any individual skills gap and training need is identified, comparing the level of each individual skills with respect to those required by the target profile and thus activating specific training courses.

For some key roles, ad hoc structured courses have been planned (such as, for example, the Academy Project), which act both as a training tool and as employee retention and attraction for new candidates.

In addition, an induction and onboarding course was identified, mainly intended for new hires, aimed at getting to know the Gardant Group, in addition to the entire standard day dedicated to new hires by representatives of the management and control functions.

At Group level, there is a three-year training catalogue structured to cover the training needs of employees, broken down by different levels and tasks.

In December 2021, the training process followed by the Gardant Group obtained the ISO 9001:2015 Quality Certification.

Technological resources

Information & Communication Technology

The IT systems are managed at the level of the Parent Company Gardant and are built around the needs of the Group, taking into account the specificities of each entity, in line with its operating model and in constant support of its development.

The Group's ICT Strategy is based on the following pillars:
- clear strategic design, closely integrated with the Group's business plan, based on data driven logic;
- proprietary software solutions, created with innovative coding methods, to support selected value-added activities, aimed at building a distinctive IT platform fully integrated into the business model;
- market *software* solutions, offered by *providers* of primary *standing* and consolidated experience, for the remaining activities including those of the *corporate centre*, including regulatory *reporting* tools, in line with features of continuous updating, integration and scalability;
- 100% infrastructure on *private cloud data centres*, focus on *cyber security* issues (i.e. Gardant IT Security Program);
- implementation of significant development programmes for IT systems and platforms, with a view to continuous improvement and in close cooperation with *business* functions.

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.

Data Gardant Lab (#DG Lab)

A distinctive element in the technological evolution of the Gardant Group is the establishment of the Data Gardant Lab (#DG Lab), an organisational team created with the aim of supporting management in defining technological innovation strategies and evaluating development initiatives, also through collaborations with public and private partners, in particular in the Data Science & Advanced Analytics area.

On this basis, #DGLab studies and discusses the evolution of know-how in the sectors of interest, verifies the instruments available on the market, analyses the functional initiatives in the evolution of the business.

The activities of the #DGLab also include:
- defining the guidelines in the Data & Advanced Analytics area, based on the business plan and the specific needs of

the business, also with regard to the application, architectural and security aspects;
- determining the needs expressed by the company functions, guiding the various initiatives in terms of planning;
- analyse, for each initiative identified, priorities, costs and timing, expected benefits, budget coverage and, if necessary, approve its launch;
- assessing partnerships and collaborations with Italian and European universities that stand out in the areas of research of interest to the Group, companies characterised by a high rate of technological innovation or that are at the forefront of specific issues of interest.

#DGLab, despite its recent establishment, follows selected development projects that have already determined a tangible impact on the distinctive activities of the Group.

Rating

The platform for the management of non-performing loans of the Gardant Group, developed on sector professionals, cutting-edge IT and organisational tools and a constructive and structured approach, in relation to both master servicing and special servicing, is assessed by two leading credit rating agencies, Fitch Ratings and S&P with a judgement of excellence that reflects:
- 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 ICT systems;
- the ability to manage complex portfolios.

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

Rating Agency	Special Servicer Rating	Master Servicer Rating
S&P	Above Average	Above Average
Fitch Ratings	RSS2+ / CSS2+	MS2+

Table 6: Rating

MANAGERIAL REPORT

Macroeconomic scenario

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 a worsening of the overall performance of the economy. Already in Italy in 2021, some first signs 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.

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 COVID-19 SARS 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 support actions for 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 at the end 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.

Credit sector in Italy

The NPE investments and management sector 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 its financial statements, transferring the ownership of these positions to third-party investors and the management to special servicers. Despite the *deleveraging* carried out by banks during the recent years, a significant stock of NPEs remains to be managed, currently estimated at around Euro 400 billion, both owned by banks and owned by 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 UtPs, in order to prevent and reduce the impacts of the imminent application of calendar provisioning. State support for these transactions through the GACS was decisive in accelerating the securitisation of non-performing loans 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: loans classified as Stage 2 (i.e. exposures that have shown a significant increase in credit risk since initial recognition) by banks Italian banks reached Euro 219bn in June 2021 (+ 23% compared to the same period of the previous year), representing 14.3% of total gross loans 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 government's economic manoeuvres issued between the end of 2020 and 2021 to deal with the emergency made it possible to temporarily postpone the emergence of potential problems in many production sectors. While the expansionary budget policies and the National Recovery and Resilience Plan can, on the one hand, consolidate the support to businesses and households in a more structural manner, on the other hand, the recent signs of recovery of the inflationary pressure, driven by the increase in costs of raw materials and energy, as well as the recent outbreak of the war in Ukraine, make the expectations of the NPE sector possible to grow again.

All this is taking place in a context in which, in terms of credit quality, the Italian banking system still 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.

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

The securitisation instrument continues to be as 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 related services for securitisation transactions.

In addition, further growth is expected, as alternative financing complementary to those offered by the banking system, supporting companies (including performing) in obtaining medium/long-term finance, with a greater propensity to risk and the ability to assess more complex business situations and to find financial sources 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 Multi-annual Financial Framework ("MFF") and the NRRP reach companies, especially smaller ones, quickly and on the basis of medium and long-term development strategies.

Significant events in 2021

Establishment of the Gardant Group

The Gardant Group was established on 1 August 2021 from the spin-off of the activities of asset management, debt purchasing and credit servicing of Credito Fondiario, after a course of study and implementation of the new corporate, organisational, operational, business and IT, accounting and IT set-up tax.

Through two different demergers, the asset management, debt purchasing and credit servicing activities (merged into different entities of the Gardant Group) and the purely banking activities remained in the Bank were separated.

Gardant's shareholders therefore remained the American investment fund Elliott Corporate Investment, through the subsidiary Tiber Investments S.à.r.l. and some members of the Top Management and other private investors, with the same equity investments previously held in the Bank. Continuity of governance was also maintained at management and operational level, with key Top Management figures at the basis of the development of the investment and loan management business since 2013, who have remained in the Gardant Group with leading roles.

Spin-off of Credito Fondiario S.p.A.

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

With the first deed of spin-off, Credito Fondiario transferred:
- to Master Gardant S.p.A., the master servicing mandates and those relating to the ancillary roles of the securitisations already in place at the date of the spin-off as well as the equity investments in the supporting special purpose vehicles pursuant to Article 7 of Law 130/99 ("LeaseCo");
- to Special Gardant S.p.A., the special servicing mandates already in place at the date of the spin-off, as well as the equity investments in Gardant Liberty Servicing S.p.A. and the majority equity investments in the vehicles Law 130/99 that are part of the Gardant Group;
- to Gardant Investor SGR S.p.A. the assets and liabilities relating to personnel to conduct investment and savings activities on behalf of the Group.

With the second deed of spin-off, Credito Fondiario transferred to Gardant the equity investments in the three companies benefiting from the first deed of spin-off, plus certain other investments of the Bank in portfolios of non-performing loans.

The assets and liabilities subject to the spin-off were accounted for by the beneficiaries with continuity of representation and values between the demerged and the beneficiary company.

Some investments subject to spin-off were included in the beneficiaries as "Assets sold and not de-recognised".

The aggregate of the complexes demerged from Credito Fondiario as at 1 August 2021 is summarised in the table below.

Assets (euro)	
Property, plant and equipment	5,808
Intangible assets	19,616
Investments	100,142
Deferred tax assets	1,056
Tax assets	30,146
Other financial assets	386,846
Other non-current assets	32
Non-current assets	**543,649**
Trade receivables	9,941
Current tax receivables	7,718
Other current assets	41,672
Current assets	**59,333**
Total assets	**602,982**

Liabilities (euro)	
Long-term loans	42,402
Employee benefits	1,665
Other non-current payables	294,003
Total non-current liabilities	**338,072**
Trade payables	10,043
Other liabilities	10,043
Income tax payables	640
Total current liabilities	**10,683**
Total liabilities	**348,756**

Table 7: Summary of assets and liabilities demerged from Credito Fondiario S.p.A. to the Gardant Group's entities

As regards more specifically the complex demerged into Gardant S.p.A., the complex demerged into the Company is as follows:

Assets (euro)	
Property, plant and equipment	5,777
Intangible assets	556
Investments	131,699
Deferred tax assets	526
Tax assets	983
Other financial assets	372,815
Non-current assets	**512,388**
Trade receivables	1,336
Current tax receivables	3,634
Other current assets	40,485
Current assets	**45,454**
Total assets	**557,843**

Liabilities (euro)	
Long-term loans	-
Employee benefits	695
Provisions for future risks and charges	-
Other non-current payables	293,972
Total non-current liabilities	**294,667**
Short-term loans	-
Trade payables	5,890
Income tax payables	-
Total current liabilities	**5,890**
Total liabilities	**300,557**

Table 8: Summary of assets and liabilities demerged from Credito Fondiario S.p.A. to Gardant S.p.A.

The activity reorganisation process of the Gardant Group was completed in December 2021 with the disposal of the majority of its ABS securities investments by Gardant S.p.A. to the Italian Distressed & Special Situations Fund, managed by Gardant Investor SGR. The disposal was carried out at market values which led to the recognition in the financial statements of the Parent Company of a negative differential of Euro 42.8 million, partially offset by the recognition at the time of the spin-off of a higher amount of interest margin, by virtue of the recognition of some investments as "assets disposed of and not de-recognised", and the positive tax effect. The net loss of this transfer amounted to Euro 27.5 million.

Change of name

With the reorganisation of Credito Fondiario's activities, it was also decided to identify the new name for the Group, choosing the name Gardant, to emphasize the desire to be the entity able to actively protect and proactively monitor investments of the parties that invest in portfolios of the asset classes managed, and a logo that represents a figure that shows its proud, decisive and direct gaze but also a protection shield, to emphasise how the mission of the Gardant Group is to protect the investments of the parties that, through the Group, invest in assets managed by the Group.

Servicing driven industrial business model

With the reorganisation process of Credito Fondiario and the establishment of the Gardant Group, it was possible to adopt a business model focused on areas of activity remunerated on a commission basis (special servicing, master servicing, other securitisation servicing roles, advisory, underwriting and fund management), limiting - significantly - direct investment commitments on its financial statements, through pari passu investments, only for the components that allow an enforcement of the alignment of interests between the Group as servicer and the main investors of the portfolios managed.

Asset light balance sheet structure

Thanks to the new business model, the Gardant Group was able to achieve a so-called "asset light model", optimising its financial and capital structure to the advantage of a more streamlined model and a better identification and separate management, albeit coordinated, of interests and purposes of all stakeholders involved.

Launch of two alternative investment funds by Gardant Investor SGR

In line with its mission as asset manager of the Gardant Group, in the last five months of 2021, Gardant Investor SGR launched two alternative investment funds:
- the Forward Fund with subscribed capital of Euro 500 million (of which Euro 10 million subscribed by Gardant S.p.A.). At 31 December 2021, Euro 388 million of the initial commitment had been called and investments were made in senior notes of securitisations with ABS like healthcare receivables, fundamental infrastructure funds and networks, both moveable and real estate, credit assets issued and/or purchased, also as part of a syndication process, with debtors of small and medium-sized enterprises, characterized by stability or future growth of cash flows, with a well-defined market position, valid business guidance and a managerial group trained and experienced, loans to companies linked to real estate transactions, with guarantees that extend to the ownership of the same and corporate lending funds with a focus on performing secured lending and performing real estate senior lending with adequate supporting guarantees;
- the *Italian Distressed & Special Situations Fund* ("Master Fund") with a capital amount of Euro 60.6 million, of which Euro 52.8 million already invested in mezzanine and junior notes of securitisations with ABS like banking and leasing loans already classified as non-performing.

Business plan of the Gardant Group 2022–2024

Following the establishment of the Gardant Group, on 24 November 2021, the Board of Directors of the Parent Company formalised the development guidelines of the Group for the three-year period 2022-2024.

The Gardant Group intends to develop its core business and grow in the NPE market, according to three main guidelines:

1. consolidate the NPL management business through further specialisation, industrialisation of processes and acquisition of ancillary businesses, in a market that seems to be heading towards a phase of maturity and in which operators will be required to be more specialised in order to market segments, with particular reference to particularly profitable market niches, investments in technology and digitalisation of processes to improve recovery performance and increase asset returns and the development of rationalisation and industrialisation processes to improve efficiency;
2. increase the presence in the UtP segment, fully expanding, building a dedicated operating model, based on a different management approach in pricing the loans, a prospective vision that considers the return to performing status of the debtor as a key aspect of the relationship, a drive to industrialise processes with increased information, automated analysis of debtor repayment capacity and automated portfolio clustering with effective restructuring strategies;
3. to grow in fund raising and management activities, with the launch and management of specialised funds in the illiquid and non-performing loans sector and (in the future) in real estate.

The critical success factors, enablers for the achievement of these objectives, are already core for the organizational and business model of the Group, namely:

- an advanced, flexible and scalable IT infrastructure;
- human resources characterised by consolidated experience, professionalism and knowledge of sector and business, with a strong focus on the objective;
- an offer of integrated services for asset management, debt purchasing and credit servicing, unique in Italy.

The target achievement that the Group has set itself will be measured with precise and advanced monitoring systems in order to apply the same “attention”, “guardianship” and “protection of investments” promised to investors, also internally.

Long Term Incentive Plan

Aiming to incentivise the employees of each group’s companies, who are relevant in contributing to the achievement of the objectives set by the 2022-2024 business plan, the Parent Company is evaluating the possibility of adopting a long-term incentive plan for the three-year period 2022 - 2024 (the “LTI Plan”) as a variable, medium and long-term component of the personnel incentive system, linked to the increase in value of the Group over time.

Information on the SARS COVID-19 phenomenon

The SARS COVID-19 pandemic, developed during 2020, also affected 2021, albeit with a lower impact in terms of health and social life.

The Gardant Group has always maintained a high level of attention to the protection of its personnel through a shift of attendance in its offices in order to facilitate compliance with safety distances to safeguard the health of employees and customers, as well as suitable health facilities and constant monitoring of any contagion.

Remote work continued for many colleagues, also thanks to an IT platform and hardware equipment capable of ensuring connection to company systems and operational continuity at any time and from any logistics point.

The pandemic also affected loan recoveries and, during 2021, the forecasts of collections on managed portfolios were prudentially revised, in order to appropriately take into account a possible postponement of collection times and a limited difference in terms of absolute values.

The pandemic crisis was also taken into account in the context of the stress scenario that led to the write-down of goodwill.

Information on consolidated operations

Consolidated economic performance

The year 2021 was characterised by the Credito Fondiario's demerger which took place on 1 August 2021, with legal and accounting effectiveness on the same date. Therefore, the full management of the activity by the Group only took place in the last five months of the year.

The main results reclassified at consolidated level for 2021 are shown below.

Euro thousands

Reclassified income statement	2021 (former NRI)	Non-Recurring Items (NRI)	2021
Net fees and commissions from special servicing	23,403	-	23,403
Gross fees from special servicing	25,502	-	25,502
Outsourcing commissions	(2,099)	-	(2,099)
Net gains on investments in ABS securities	11,669	-	11,669
Gross income on investments in ABS/receivables	15,244	-	15,244
Interest expense on third-party ABS securities	(3,575)	-	(3,575)
Other revenues from sales of services	5,320	-	5,320
Other revenues	2,407	-	2,407
Total net revenues	**42,798**	**-**	**42,798**
of which Gross revenues relating to the core business	46,066	-	46,066
Personnel expenses	(14,969)	-	(14,969)
Net operating costs	(8,454)	-	(8,454)
Other operating expenses	(626)	-	(626)
Total costs	(24,048)	**-**	(24,048)
EBITDA	**18,749**	**-**	**18,749**
Amortisation, depreciation and write-downs	(5,243)	(12,100)	(17,343)
EBIT	**13,506**	**(12,100)**	**1,406**
Financial charges	(802)	-	(802)
Losses on securities	-	(42,756)	(42,756)
Profit before taxes	**12,704**	**(54,856)**	**(42,152)**
Taxes for the year	(1,895)	-	(1,895)
Profit for the year	**10,809**	**(54,856)**	**(44,047)**
EBITDA margin (%)	*43.8%*	-	*43.8%*

Table 8: Reclassified consolidated income statement for 2021 and main indicators

The consolidated income statement for 2021 closed with a loss of Euro 44 million, impacted predominantly by two non-recurring and valuation-related components linked to the start-up of the Group's business:

- the loss deriving from the disposal to the Master Fund of the majority of the investments in ABS mezzanine and junior securities received in spin-off from Credito Fondiario, for Euro 42.8 million;
- the adjustments related to the impairment of the goodwill of the two debt collection platforms of the Carige Group ("Gerica") and of the Banco BPM Group (Gardant Liberty Service) originally purchased from Credito Fondiario and included in the demerged complex, for a total of Euro 12.1 million.

The loss from the disposal of securities to the Master Fund derives from the disposal at market prices of the majority of securities held by the Parent Company. The sale, already planned at the time of the spin-off project, responds to the Group's decision to be an asset-light entity as required by the reference market in order to be competitive and financially efficient.

These adjustments linked to the impairment of the goodwill of the two debt collection platforms are based on the sensitivity analyses carried out in the development of the impairment test carried out in the consolidated financial statements on the goodwill recorded on said equity investment, in order to prudently take into account credit scenarios more conservative development.

The impairment test on goodwill was carried out by identifying, as the Cash Generating Unit ("CGU"), the part of the Group that carries out special servicing activities, consisting of Special Gardant and Gardant Liberty Servicing.

In 2021, gross revenues relating to the Group's core business amounted to Euro 46.1 million (Euro 40.4 million net of liabilities), mainly consisting of commissions received for credit servicing activities and interest on securities of the securitisations held. Details of the revenue components are as follows:

- net fees and commissions income relating to special servicing activities (Euro 3.3 million) represented 55% of the Group's total net revenues, and were almost entirely related to the collection and collection performance of the positions managed;
- commissions income relating to master servicing and other securitisation services amounted to Euro 3.7 million;
- commissions income relating to the management of the Funds by Gardant Investor SGR amounted to Euro 0.8 million;
- penalties received for Euro 1.2 million;
- net interest accrued on investments in ABS securities for Euro 11.7 million.

Other revenues and income amounted to Euro 2.4 million and mainly refer to the recovery of social security charges and the recovery of expenses paid in advance by the Group companies on behalf of the SPEs managed.

Operating costs amounted to Euro 24 million, Euro 15 million of which relate to personnel expenses and the remainder relates to other administrative costs, including costs for services which in turn include consultancy costs for Euro 1.5 million, of which Euro 0.3 million relating to the portion of the consultancy costs for the start-up of Gardant Liberty Servicing, business development costs for Euro 0.3 million, IT costs for Euro 0.6 million and expenses for the Corporate Bodies, for Euro 0.6 million. Operating costs also include expenses for the use of third-party assets, equal to Euro 0.9 million, which refer essentially to the annual fees for IT products used by the Group.

Amortisation, depreciation and write-downs totalled Euro 17.3 million and include the extraordinary goodwill impairment component for Euro 12.1 million, and the amortisation of the intangible assets of the two debt collection platforms relating to the Carige Group and the BPM Banco Group for a total of Euro 3.7 million.

Financial expenses amounted to Euro 43.6 million, of which Euro 42.8 million relating to the loss from the disposal of the majority share of the investments to the Master Fund. The remaining costs relate to interest expense on credit lines received from banks.

Tax charges for 2021 amounted to Euro 1.9 million.

The consolidated financial statements therefore close with a loss for the year of Euro 44 million; net of extraordinary items, the Group's profit in 2021 was Euro 10.8 million.

Consolidated statement of financial position

The reclassified financial position of the Group as at 31 December 2021 is represented below.

Euro thousands

Reclassified Balance Sheet	2021
Cash and cash equivalents	29,046
Property, plant and equipment	6,089
Intangible assets	130,163
of which intangible assets and goodwill	129,482
Financial assets	38,322
of which investments in ABS fund units	38,310
Tax assets	34,897
of which Cura Italia	5,371
Trade receivables	35,840
Other assets	10,114
Total assets	**284,472**
Financial liabilities	49,876
of which credit lines to banks	44,233
Trade payables	10,551
Tax liabilities	20,247
Employee benefits	2,991
Provision for risks and charges	72
Other liabilities	15,095
Total liabilities	**98,831**
Group shareholders' equity	**185,640**
of which minority interests	*20,076*
Tangible equity	*26,350*
as % of tangible assets	*21%*
Net financial position	*18,450*

Table 9: Reclassified consolidated balance sheet as at 31 December 2021 and main indicators

The new group capital structure reflects the desire to refocus on servicing activities with an asset-light approach.

The main component of the statement of financial position is represented by intangible assets, which amounted to a total of Euro 130.2 million, of which Euro 54.4 million relating to goodwill recorded on the credit recovery platforms of Banco BPM and Carige, purchased in 2018 and Euro 75.1 million relating to the residual value of the intangible assets recorded in the financial statements of said platforms. These intangible components are more than fully covered by the Group's equity.

The remainder of intangible assets refers to the Group's software products.

The Group's property, plant and equipment amounted to Euro 6.1 million, mainly relating to the value of the properties where the Group's offices are located, recognised in the financial statements in compliance with the provisions of IFRS 16.

The deferred tax assets recognised in the balance sheet refer to the Deferred Tax Assets ("DTA") of which the Group was beneficiary at the time of the spin-off from Credito Fondiario. Their residual value takes into account the probability test carried out at the end of the year to verify their prospective recoverability.

Financial assets and non-current assets include Euro 28.2 million in investments in mezzanine and junior notes of securitisations of NPLs held by the Parent Company and complementary to the Master Fund, as well as the shareholding in the Forward Fund for Euro 10 million.

Current assets consist of Euro 35.8 million in trade receivables relating to credit servicing commissions (master and special) accrued at 31 December 2021, current tax receivables of Euro 5.4 million and other current assets for a total of Euro 10.1 million.

Cash and cash equivalents amounted to Euro 29 million at 31 December 2021.

The Group was financed through a credit line of a leading Italian bank for Euro 49.9 million, in place at 31 December 2021 for a residual value of Euro 44 million.

Tax liabilities are composed of deferred taxes for Euro 18.5 million, which refer to the DTL received at the time of the spin-off from Credito Fondiario and recognised against the exemption of the capital gain recognised in the Bank, following the purchase of the 70% equity investment of Gardant Liberty Servicing, and the remaining amount (Euro 1.7 million) in current taxes.

Other liability items refer for Euro 10.6 million to trade payables to suppliers of goods and services, for Euro 3 million to employee benefits (Post-employment severance indemnity) and for Euro 15 million mainly to payables for payables to suppliers of goods and services to personnel and related contributions, as well as withholdings and taxes to be paid.

At 31 December 2021, the Group's shareholders' equity amounted to Euro 185.6 million, guaranteeing full coverage of all the Group's intangible assets and a solid and stable capitalisation base for the Group's core operations.

GARDANT

Information on individual management

Individual income statement

Also at the individual level, the financial statements for the year 2021 reflect the full operations of the Company starting from 1 August 2021 and therefore for only five months.

The main reclassified individual economic results are shown below.

Euro thousands

Reclassified income statement	2021 (former NRI)	NRI	2021
Net gains on investments in ABS securities	11,669	-	11,669
Gross income on investments in ABS/receivables	15,244	-	15,244
Interest expense on third-party ABS securities	(3,575)	-	(3,575)
Other revenues from sales of services	3,875	-	3,875
Other revenues	621	-	621
Total net revenues	**16,164**	**-**	**16,164**
of which Gross revenues relating to the core business	*19,119*	-	*19,119*
Personnel expenses	(4,489)	-	(4,489)
Net operating costs	(4,714)	-	(4,714)
Other operating expenses	(182)	-	(182)
Total costs	**(9,384)**	**-**	**(9,384)**
EBITDA	**6,780**	**-**	**6,780**
Amortisation, depreciation and write-downs	(1,335)	-	(1,335)
EBIT	**5,445**	**-**	**5,445**
Financial charges	(60)	-	(60)
Losses on securities	-	(42,756)	(42,756)
Profit before taxes	**5,385**	**(42,756)**	**(37,371)**
Taxes for the year	2,835	-	2,835
Profit for the year	**8,220**	**(42,756)**	**(34,537)**
EBITDA margin (%)	41.9%	-	41.9%

Table 10: Reclassified separate income statement as at 31 December 2021 and main indicators

Net revenues amounted to Euro 16.2 million and mainly concern net interest on investments in ABS securities, for a total of Euro 11.7 million, and commissions for corporate centre activities carried out on behalf of the investees, for a total of Euro 3.9 million. The item was positively affected by the method of accounting for assets sold and not de-recognised, which involves the recognition of interest income on the portfolios subject to investment and the simultaneous recognition of interest expense relating to ABS securities owned by third parties under financial charges.

Other revenues for the year relate to the rental income received by the investees and by Credito Fondiario for a total of Euro 0.6 million and other minor revenues for Euro 0.1 million.

Operating costs are mainly represented by:

- costs for services, for a total of Euro 3.7 million, including IT costs for Euro 0.4 million, costs incurred for the development of the business for Euro 0.3 million, consultancy services for Euro 1 million, maintenance for Euro 0.3 million and costs for corporate bodies of Euro 0.4 million;
- costs for the use of third-party assets, totalling Euro 1 million, of which Euro 0.9 million relate to costs related to annual fees for IT products used by the Group;
- personnel costs, for a total of Euro 4.5 million, of which Euro 0.5 million relating to variable remuneration.

Amortization, depreciation and write-downs, totalling Euro 1.3 million, mainly concerned the amortisation charges pursuant to IFRS 16 calculated on the rights of use of the Group's offices (Euro 0.7 million), the depreciation of tangible assets, for Euro 0.2 million, and depreciation on software in the financial statements, for Euro 0.4 million. Write-downs were made only on trade receivables for Euro 50 thousand.

Financial charges, totalling Euro 42.8 million, relate to the loss from the disposal of the majority of the investments in ABS securities to the Master Fund.

Taxes for the year show a positive amount of Euro 2.8 million, deriving largely from the positive offsetting in the tax consolidation of the tax loss generated in 2021 to offset the taxable income of the investee Gardant Liberty Servicing.

Therefore, the individual result of Gardant for 2021 was negative by Euro 34.5 million.

Individual balance sheet

The reclassified balance sheet of Gardant S.p.A. as at 31 December 2021 is shown below.

Euro thousands

Reclassified Balance Sheet	2021
Cash and cash equivalents	13,825
Property, plant and equipment	5,149
Intangible assets	680
of which intangible assets and goodwill	-
Financial assets	170,021
of which investments in ABS fund units	38,310
Tax assets	3,539
of which Cura Italia	5,371
Trade receivables	2,895
Other assets	4,456
Total assets	**200,566**
Financial liabilities	5,021
Trade payables	3,828
Employee benefits	662
Other liabilities	22,922
Total liabilities	**32,433**
Shareholders' equity	**168,132**
Net financial position	(13,513)

Table 11: Reclassified separate balance sheet as at 31 December 2021 and main indicators

The equity structure reflects the Group's decision to act as an asset light structure.

Total assets amount to Euro 200.6 million. The main component is the value of the equity investments in the Group companies, Master Gardant, Special Gardant and Gardant Investor SGR, which amount to Euro 131.7 million.

Tangible fixed assets, amounting to Euro 5.1 million, refer to the values in use calculated in accordance with IFRS 16 on the premises where the Group's activities are carried out, for Euro 4.5 million, as well as furniture and equipment. Group electronics and telecommunications, for Euro 0.4 million.

Intangible assets amount to 0.7 million euro and represent the value of software used by the Group.

Tax assets concern the DTAs received in the spin-off net of those reversed to the income statement as a result of the probability test conducted at the end of 2021.

Financial assets represent the residual investments after the disposal to the Master Fund and concern ABS securities relating to non-performing banking and lease portfolios for Euro 28.3 million and the units of the Forward Fund managed by Gardant Investor SGR for Euro 10 million.

Current assets include:
- trade receivables for Euro 2.9 million;
- tax receivables of Euro 3.2 million, of which Euro 2.9 million relating to receivables pursuant to the Cura Italia Decree;
- receivable for the tax loss made available to Gardant Liberty Servicing for Euro 4 million.

Non-current liabilities refer to:
- payables for lease payments pursuant to IFRS 16 for Euro 5 million;
- employee benefits (TFR provision) for Euro 0.7 million.

Current liabilities include:
- trade payables for Euro 3.8 million;
- payables for the amounts transferred as part of the cash pooling agreement by the Group companies for Euro 16.8 million;
- amounts to be paid to personnel and the relative contributions totalling Euro 3.6 million;
- withholdings and taxes to be paid at the end of the year for Euro 0.8 million;
- contributions to be paid for 0.7 million euro.

Individual shareholders' equity amounted to Euro 168.2 million, including the net loss for the year.

Statement of reconciliation between shareholders' equity and profit of the Parent Company and shareholders' equity and consolidated profit

euro thousands

	Shareholders' Equity	Profit for the year
Parent Company Gardant	168,132	(34,537)
CF Liberty Servicing S.p.A.	19,260	6,837
Master Gardant	8,487	292
Special Gardant	112,199	(6,133)
Gardant Investor SGR	4,030	(1,015)
Consolidated Vehicles	628	(465)
Changes/eliminations of CF Liberty Servicing S.p.A. consolidation	7,558	(1,346)
Changes/eliminations of consolidation of Master Gardant	(8,410)	(212)
Changes/cancellations of Special Gardant consolidation	(121,059)	(7,454)
Changes/eliminations of consolidation of Gardant Investor SGR	(5,050)	-
Changes/eliminations in consolidation of securitisation vehicles	(135)	(14)
Consolidated Financial Statements (Gross of Minority Interest)	**185,640**	**(44,047)**
Pertaining to third parties	**20,076**	**1,381**
Consolidated Financial Statements (Share attributable to the Parent Company)	165,564	(45,428)

GARDANT

Significant events after the close of the year and business outlook

Action plan 2022-202

In February 2022, the Parent Company launched a project for the 2022-2024 Action plan definition aimed at operationally setting out the objectives, resources, timelines and the monitoring system of the objectives included in the Group's 2022-2024 business plan approved by Board of Directors of the Parent Company in November 2021.

In this project, the Group structures will be assisted by appropriately selected first-rate advisors.

Sustainability report

The Group also produced the first Sustainability Report, prepared on a voluntary basis, bearing witness to the Group's conviction to include sustainability from the very first steps of this new beginning. The report is prepared on the basis of the guidelines of the "Global Reporting Initiative" (GRI), according to the "Referenced" option.

Confirmation of the Fitch rating

On 22 February 2022, Gardant obtained confirmation of the rating at 'CSS2 +' and 'RSS2 +' from Fitch Ratings for the Commercial and Residential Special Servicer activities, respectively.

The rating of 'MS2 +' was also confirmed for the activity of master servicer of mortgage-backed and unsecured loans in Italy.

The agency also removed the Rating Watch Evolving from the Group's activities.

War conflict in Ukraine

In February 2022, tensions intensified between Russia and Ukraine, leading to an armed conflict involving the two countries, but which has socio-demographic and economic impacts of global reach.

Already after the first few weeks, the effects of instability of the financial markets at global level are evident, as well as the increase in the cost of fuels and raw materials and the consequences, which could be very important, are already evident in the near future, also on the national economy.

The evolution of the war conflict and the new geopolitical and economic balances that will be formed will be decisive in defining the future context in which the Group will be called upon to operate in the coming months and years.

Business outlook

In phases of economic crisis, the Group's business model is counter-cyclical and therefore resilient.

The wealth of data collected and managed on the portfolios managed in the past allows, also through the use of specific calculation algorithms, the management and development of the Group's capacity to effectively carry out its mission of debt collection and maximize the investments made by third parties and the Group itself.

On the basis of the overall economic framework and the long-term business plans approved by the Boards of the Group companies, there are no risks relating to business continuity.

Going concern

In addition to the information provided above, owing to the absence of equity, financial or management indicators that could compromise the Group's operating capacity, there are no elements that would call into question the ability to operate on a going concern basis. Therefore, these financial statements were prepared on a going concern basis.

Main risks and uncertainties

The Group is exposed to market risks (interest rate risk and price risk), liquidity risk and credit risk.

The main uncertainties, given the Group's business, are essentially related to the macroeconomic situation, which could have repercussions on the general performance of the economy and therefore on the ability of debtors to repay their exposures.

In this regard, to date the greatest market risks to which the Group is exposed concern:
- the national and international scenario was characterised by the spread of SARS COVID-19 and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned;
- the recent outbreak of war in Ukraine, with enormous repercussions on the prices of the main energy sources, raw materials, as well as repercussions on the financial markets.

These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, whose developments and related effects are not predictable. Any support measures ordered by the authorities could have impacts on future recoveries and, consequently, on its profitability.

Liquidity risk is managed through a careful analysis of future cash flows and the inclusion of a liquidity buffer that ensures the Group is able to meet its commitments even in a stressful scenario.

Credit risk refers to trade receivables and investments of the Parent Company in financial assets.

More information on risks and their management is provided in the Notes to the Financial Statements.

Management and coordination activities

The Gardant Group is not subject to management and coordination activities carried out by third parties.

The Parent Company carries out management and coordination activities for the subsidiaries.

Related-party transactions

For related-party transactions, please refer to the relevant part of the Notes to the Financial Statements.

Other information

Treasury shares

The Group's companies did not hold treasury shares or shares of the Parent Companies as at 31 December 2021.

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Research and development

The Gardant Group carries out research and development as part of its core business. In particular, the Group is developing numerous IT development activities through the #DGLab, including the definition of calculation algorithms to optimise its credit recovery strategies under management.

Development costs, for which the requirements of IAS 38 are met, are recorded under intangible fixed assets.

Independent auditors

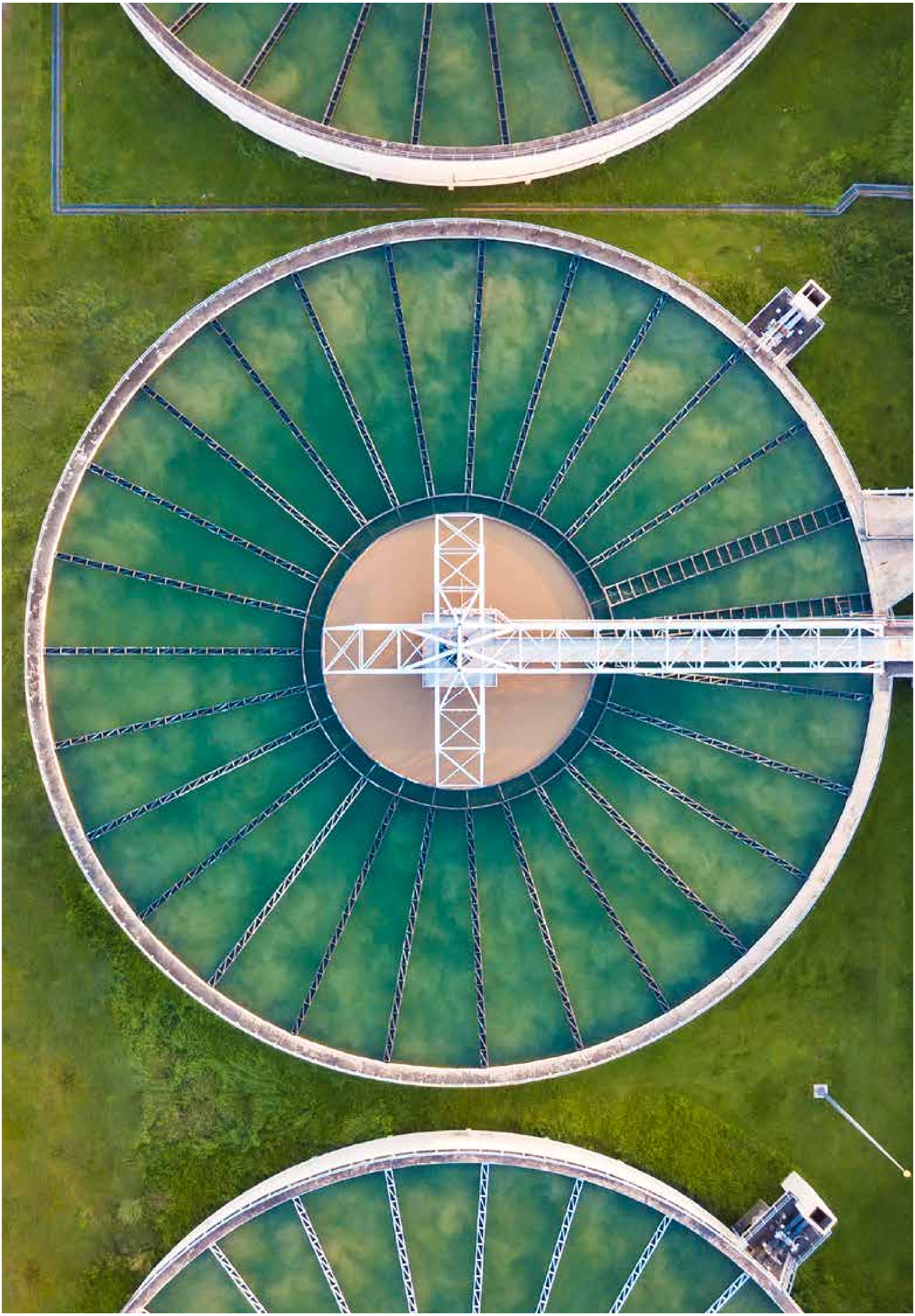
Pursuant to arts. 13 and 17 of Italian Legislative Decree no. 39 of 27 January 2010, on 29 June 2020 the Shareholders' Meeting of Gardant in ordinary call, at the reasoned proposal of the Board of Statutory Auditors, resolved to appoint KPMG S.p.A. as the independent auditor for the financial years 2020-2023, effective from the date of approval of the 2020 financial statements.

The Shareholders' Meeting of 23 December 2021 extended the mandate also to the consolidated financial statements for 2021 and 2022.

ALLOCATION OF THE PROFIT FOR THE YEAR

The result for the year 2021 of Gardant S.p.A. was negative for Euro 34,536,556.01.

The Board of Directors proposed to the Shareholders' Meeting, that approved, to cover the loss for the year and the loss for the year 2020 of Euro 21,443.23 with the use of the extraordinary reserve for Euro 27,669,039 and the capital reserve for Euro 6,888,960.



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet as at 31 December 2021

euro thousands

ASSETS	31 December 2021	31 December 2020
NON-CURRENT ASSETS		
Property, plant and equipment	6,089	-
Intangible assets	130,163	-
Deferred tax assets	29,128	-
Investments	12	-
Other non-current financial assets	38,310	-
Other non-current assets	2,476	-
Total non-current assets	**206,178**	**-**
CURRENT ASSETS		
Trade receivables	35,840	-
Tax receivables	5,770	-
Other current assets	7,638	-
Cash and cash equivalents	29,046	-
Total current assets	**78,294**	**-**
Total assets	**284,472**	**-**

GARDANT

SHAREHOLDERS' EQUITY AND LIABILITIES	31 December 2021	31 December 2020
SHAREHOLDERS' EQUITY		
Capital	210	-
Share premium	157,658	-
Valuation reserve	(69)	-
Reserves	53,193	-
Group's profit/(loss) for the year	(45,428)	-
Third party shareholders' equity	20,076	-
Total shareholders' equity	**185,640**	**-**
NON-CURRENT LIABILITIES		
Non-current loans	49,281	-
Deferred tax liabilities	19,195	-
Employee benefits	2,991	-
Provisions for Risks and Charges	72	-
Total non-current liabilities	**71,539**	**-**
CURRENT LIABILITIES		
Trade payables	10,551	-
Current loans	595	-
Other payables	15,095	-
Tax payables	1,052	-
Total current liabilities	**27,293**	**-**
Total Liabilities	**284,472**	**-**

Consolidated income statement

euro thousands

INCOME STATEMENT	31 December 2021	31 December 2020
Revenues	46,066	-
Other income	2,406	-
Total revenues and other income	48,472	-
Costs for services	(9,633)	-
Expenses for the use of third-party assets	(920)	-
Personnel expenses	(14,969)	-
Amortisation, depreciation and write-downs	(17,343)	-
of which non-recurring	(12,100)	-
Other operating expenses	(626)	-
Operating result	4,981	-
Financial charges	(47,134)	-
of which non-recurring	(42,756)	-
Profit before taxes	(42,153)	-
Taxes	(1,894)	-
Profit for the year	(44,047)	-
Profit for the year attributable to non-controlling interests	1,381	-
Group profit for the year	(45,428)	-

GARDANT

Statement of Comprehensive Income

euro thousands

	31 December 2021	31 December 2020
Profit/(Loss) for the Year	(44,047)	-
Other income components net of taxes without reversal to the Income Statement	(29)	-
Defined benefit plans	(29)	-
Total other income components net of taxes	(29)	-
Overall profitability	**(44,076)**	**-**
Total income attributable to non-controlling interests	**1,368**	**-**
Total income attributable to the Parent Company	**(45,444)**	**-**

Statement of changes in consolidated shareholders' equity

euro thousands

Shareholders' equity item	Balance as at 31.07.2021	Contribution of reserves under spin-off	Third-party shareholders' equity reserve	Change in Reserves	Overall profitability	Total shareholders' equity 31.12.2021	Shareholders' equity of the Group 31.12.2021	Third party shareholders' equity 31.12.2021
Share capital	210	-	45	-	-	255	210	45
Reserves	(21)	64,678	20,739	(13,540)	-	71,856	53,193	18,663
Premium reserve	-	192,639	-	(34,981)	-	157,658	157,658	-
Valuation reserve	-	(31)	(22)	-	(29)	(82)	(69)	(13)
Profit for the year	-	-	-	-	(44,047)	(44,047)	(45,428)	1,381
Total shareholders' equity	**189**	**257,286**	**20,762**	**(48,521)**	**44,076**	**185,640**	**165,564**	**20,076**
Group shareholders' equity	**189**	**257,286**	**-**	**(46,467)**	**45,444**	**165,564**	**165,564**	**-**
Third party shareholders' equity	**-**	**-**	**20,762**	**(2,054)**	**1,368**	**20,076**	**-**	**20,076**

Consolidated cash flow statement

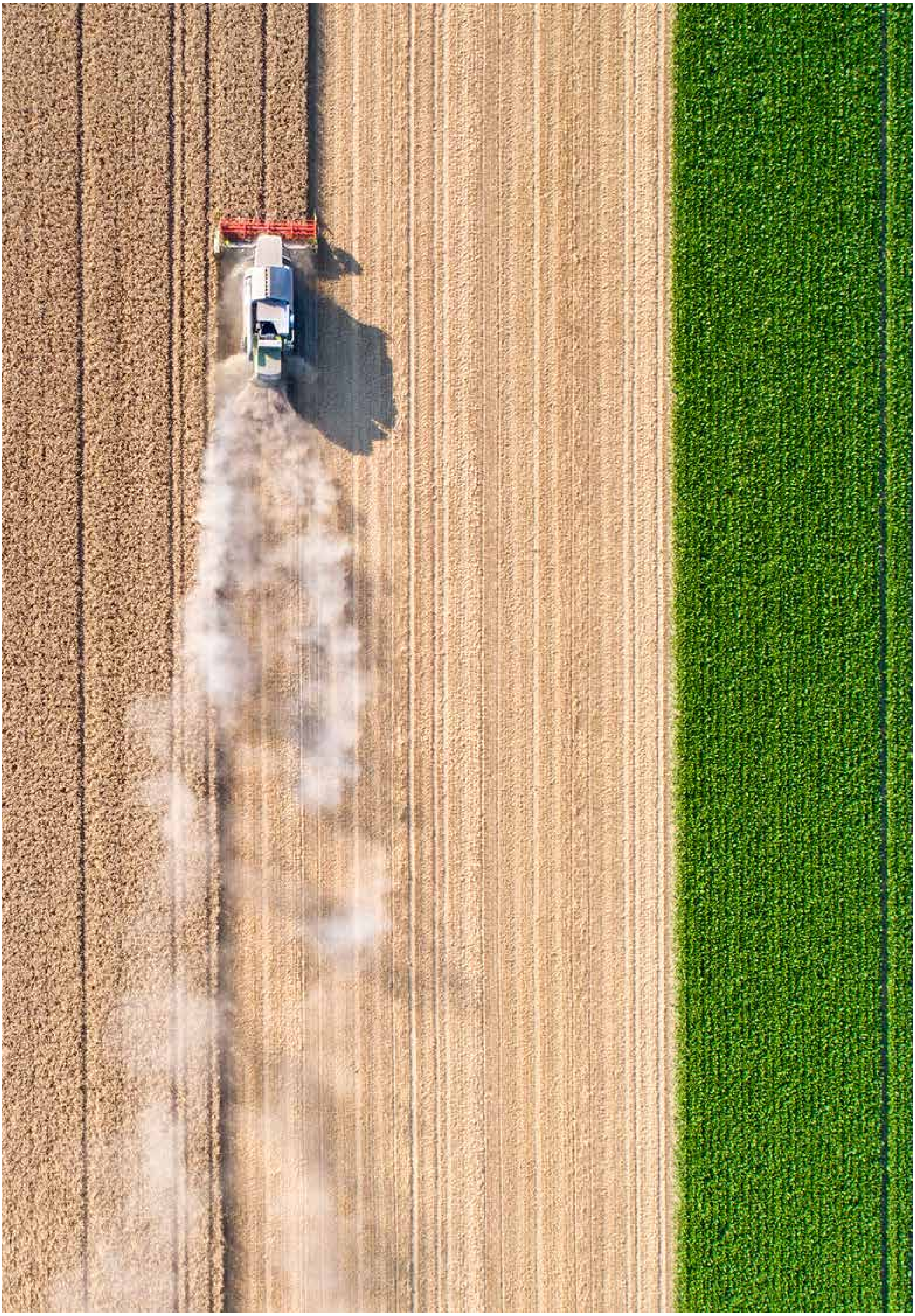
thousands of euro

A. OPERATING ACTIVITIES	2021 Amount	2020 Amount
1. Management	(15,184)	-
- result for the year (+/-)	(44,047)	-
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	6,089	-
- net provisions for risks and charges and other costs/revenues (+/-)	15,508	-
- unpaid taxes, duties and tax credits (+/-)	7,017	-
- other adjustments (+/-)	249.08	-
2. Liquidity generated/absorbed by financial assets	321,598	-
- trade receivables	(11,682)	-
- other assets	333,280	-
3. Liquidity generated/absorbed by financial liabilities	(265,258)	-
- trade payables	349	-
- loans	(289,195)	-
- other liabilities	23,588	-
- Net cash generated by/used in operating activities	41,155	-
B. INVESTMENT ACTIVITIES	**Amount**	**Amount**
1. Cash generated by	4,844	-
- sales of participations	-	-
- dividends collected on equity investments	4,844	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	(56,690)	-
- purchases of participations	-	-
- extraordinary distribution of reserves	(56,676)	-
- purchases of property, plant and equipment	(14)	-
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net cash generated by/absorbed in operating activities	(51,846)	-

C. FUNDING ACTIVITIES	Amount	Amount
- issues/purchases of own shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	-	-
- spin-off liquidity	39,736	-
Net liquidity generated/absorbed by funding activities	39,736	-
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**29,046**	**-**

Reconciliation

Balance sheet items	2021	2020
- Cash and cash equivalents at the beginning of the year	-	-
- Total net liquidity generated/absorbed during the year	29,046	-
- Cash and cash equivalents at the close of the year	29,046	-



CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

This document was prepared by the Company's Board of Directors on 25 March 2022 for approval by the Shareholders' Meeting on 29 April 2022.

PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Summary of accounting standards

The consolidated financial statements of the Group (the "Consolidated Financial Statements") were prepared on the basis of the going concern assumption.

The consolidated financial statements and the financial statements of the company belonging to them were drawn up in compliance with Legislative Decree no. 38 of 28 February 2005, and 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 referred to as "IFRS" or "IAS") in accordance with the procedure set forth in Article 6 of EU Regulation no. 1606 of 19 July 2002.

These consolidated financial statements provide an analysis of the main items in the financial statements.

The accounting statements show the comparison with the previous year.

The consolidated financial statements are drawn up in thousands of Euro, unless otherwise indicated.

The consolidated financial statements consist of:
- consolidated balance sheet;
- consolidated income statement;
- consolidated statement of cash flows;
- statement of changes in consolidated shareholders' equity
- consolidated notes to the financial statements

they are also accompanied by the managerial report on operations and on the situation of the group, as required by IFRS.

If present, income and expenses deriving from non-recurring transactions and expenses deriving from extraordinary transactions are indicated separately in the income statement.

The financial statements of all consolidated companies closed on 31 December.

Where the financial statements of the consolidated companies are prepared in compliance with the layouts imposed by the Bank of Italy Circulars (Master Gardant S.p.A. and Gardant Investor SGR S.p.A.), the financial statement items have been appropriately reclassified to adapt them to the statements of the Parent Company.

The financial statements are prepared on the basis of the going concern assumption of the Group and the entities consolidated therein, as the Directors of the Parent Company have verified that there are no financial, operational or other indicators that could indicate critical issues regarding the Group's capacity and of the companies belonging to it, to meet their obligations in the foreseeable future and in particular in the next 12 months.

The assets and liabilities received from the companies of the Group as beneficiaries of the spin-off transactions of Credito Fondiario S.p.A., which took place on 1 August 2021, were recognized in continuity of representation and value, based on the characteristics of the spin-off that was carried out of a partial proportional type and took place under common control.

Scope and principles of consolidation

The Consolidated Financial Statements include the financial statements of the Parent Company Gardant and those of the companies in which it directly or indirectly controls the majority of votes that can be exercised at the ordinary shareholders 'meeting.

The scope of consolidation takes into account the criteria imposed by IFRS 10 "Consolidated Financial Statements" and, therefore, includes the companies for which there is the assumption of control that occurs when all three of the following elements are verified:

- power over the company;
- exposure to the risk or rights deriving from the variable returns linked to its involvement;
- ability to influence key company decisions on which variable returns may depend.

Subsidiaries are consolidated on a line-by-line basis from the date on which control is actually acquired and are no longer consolidated from the date on which control is transferred to third parties.

The criteria adopted for line-by-line consolidation are:

- the assets, liabilities, charges and income of the subsidiaries are taken on a line-by-line basis, attributing to the minority shareholders, where applicable, the portion of shareholders' equity and of the net profit for the period due to them;
- reciprocal items are eliminated.

The companies included in the scope of consolidation are:

Company	Registered Office	Share capital (Euro/000)	% held (direct and indirect)	Consolidation method
Gardant S.p.A. (Parent Company)	Via Piemonte, 38 - Rome	210,000	-	Integral Method
Master Gardant S.p.A.	Via Piemonte, 38 - Rome	2,160,000	100	Integral Method
Special Gardant S.p.A.	Via Piemonte, 38 - Rome	210,000	100	Integral Method
Gardant Investor SGR S.p.A.	Via Piemonte, 38 - Rome	690,000	100	Integral Method
Gardant Liberty Servicing	Via Piemonte, 38 - Rome	10,000	70	Integral Method
Artemide SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Aurelia SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Bramito SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Celio SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Cosmo SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Elmo SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method

Leviticus SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Lucullo SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Lutezia SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
New Levante SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Novus Italia 1 S.r.l.	Via Piemonte, 38 - Rome	12,000	60	Integral Method
Piave SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Ponente SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
POP NPLs 2020 S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Sallustio S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Sesto SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Tiberina SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Vette SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
Viminale SPV S.r.l.	Via Piemonte, 38 - Rome	10,000	60	Integral Method
LeaseCo One S.r.l.	Via Piemonte, 38 - Rome	50,000	100	Integral Method
LeaseCo Europa S.r.l.	Via Piemonte, 38 - Rome	50,000	100	Integral Method
LeaseCo Piave S.r.l.	Via Piemonte, 38 - Rome	10,000	100	Integral Method

Table: Companies included in the scope of consolidation as at 31 December 2021

Taking into account the Framework for the preparation and presentation of the financial statements (Framework) and the concepts of "materiality" and "materiality" referred to therein, it is hereby specified that the inclusion of the Luxembourg-registered wholly-owned subsidiary Gardant GP in the consolidated financial statements was deemed to be of no substantial use:

- the negligible impact of the latter at the aggregate level, given the insignificance of the assets of the subsidiary Gardant GP, with respect to the total aggregate assets;
- the absence of minority interests in the shareholding structure of the subsidiary;
- the irrelevance of any additional information deriving from a possible consolidation of the subsidiary and the effects deriving from the same;
- the substantial representation of the equity and profitability of the Group already reflected in the financial statements of the Parent Company and in these consolidated financial statements.

The consolidated and separate financial statements of the Group companies are audited by KPMG S.p.A.

Use of accounting estimates

The application of IFRS for the preparation of the financial statements requires the companies 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 value adjustments or write-backs on financial assets measured at amortised cost;
- the quantification of provisions for personnel and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

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.

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

GARDANT

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

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

The measurement criteria adopted for the preparation of the financial statements in application of the IAS/IFRS accounting standards in force are illustrated below.

Evaluation criteria

The most significant accounting standards and valuation criteria used to prepare the Consolidated Financial Statements are shown below.

GARDANT

1 - Property, plant and equipment

Entry criteria

Property, plant and equipment are accounted for at acquisition cost, including the purchase price, related trade discounts and rebates, non-recoverable purchase taxes (for example, non-deductible value added tax and registration taxes) and all costs directly attributable to the commissioning depending on the asset for which it was purchased.

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 includes assets subject to finance lease transactions (for lessees) and operating leases (for lessors), as well as improvements and incremental expenses incurred on third-party assets.

In order to determine whether a contract contains a lease, reference is made to the interpretation IFRS 16. 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.

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 instrumental in nature, are recorded at cost net of accumulated depreciation and any impairment that has occurred 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 when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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 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.

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.

2 – Leasing

Entry criteria

On the date of signing the contract, the company verifies whether the contract contains or represents a lease, i.e. if it confers the right to control the use of an asset identified for an established period of time in exchange for a consideration. This right exists if the right to obtain substantially all the economic benefits deriving from the use of the asset, as well as the right to direct its use, is held over the period of use.

At the start date of the lease agreement (i.e. the date on which the asset is made available for use), the company recognises, in the balance sheet, an asset representing the right of use of the asset and a liability representing the obligation to make the payments envisaged in the contract. In particular, the liability is initially recognised at an amount equal to the present value of the payments due under the contract.

Evaluation criteria

After initial recognition, the lease liability is measured at amortised cost.

The right to use a leased asset is initially recognised at cost. After initial recognition, the right of use is adjusted to take account of the accumulated depreciation and any accumulated impairment losses.

The determination of the reasonable certainty of exercising or not the option of extension and/or termination envisaged by the lease agreement is the result of a process that involves complex judgements by the Company Management. In this regard, the reasonable certainty of exercising these options is verified at the start date, considering all the facts and circumstances that generate an economic incentive to exercise them, as well as when significant events or changes occur in the circumstances that are under the control of the lessee and that influence the valuation previously carried out.

3 – 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.

GARDANT

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;
- intangible assets linked to customers represented by the valuation, at the time of business combinations, of asset management relationships and of the insurance portfolio. These assets, with a finite useful life, are originally valued by discounting, using a rate representative of the time value of money and the specific risks of the asset, the flows representing the profit margins over a period expressing the residual duration, contractual or estimated, of the relations in place at the time of the business combination. They are amortized, for asset management relationships, on a straight-line basis over the period of greatest inflow of expected economic benefits in the case of relationships without a predetermined maturity and, for relationships linked to insurance contracts, in decreasing amounts corresponding to the duration of the contracts in the case of relationships with a definite expiry (residual life of the policies);
- intangible assets linked to marketing represented by the enhancement of the brand name, also recorded at the time of business combinations. This asset is considered to have an indefinite life as it is believed that it may contribute for an indefinite period to the formation of income flows.

Goodwill

Lastly, intangible assets include goodwill.

Goodwill can be recognised, as part of business combinations, when the positive difference between the consideration transferred and the possible recognition at fair value of the minority interest and the fair value of the equity elements acquired is representative of the future income-generating capacity of the company equity investment (goodwill).

If this difference is negative (badwill) or in the event that the goodwill is not justified by the future income-generating capacity of the investee, the difference is recorded directly in the income statement.

Every year (or each time there is evidence of impairment), an adequacy test is carried out on the value of goodwill. To this end, the cash-generating unit to which the goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the book value of the goodwill and its recovery value, if lower. Said recoverable amount is equal to the higher of the fair value of the cash-generating unit (CGU), net of any costs to sell, and the related value in use. The resulting value adjustments are recognised in the income statement.

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.

4 - Investments

Recognition, classification, and measurement criteria

The item includes interests held in subsidiaries, jointly controlled companies, and associates.

Subsidiaries are entities, including structured entities, over which the Company has direct or indirect control. Control over an entity is evidenced by:
- the existence of power over the relevant activities;
- exposure to the variability of returns;
- the ability to use the power held to influence the returns to which the Company is exposed.

In order to verify the existence of control, the Company considers the following factors:
- the purpose and establishment of the investee, in order to identify the objectives of the entity, the activities that determine its returns and how these activities are governed;
- the power, in order to understand whether the Company has contractual rights that attribute the ability to govern the relevant activities; to this end, only substantive rights that provide practical governance capacity are considered;
- the exposure to the investee, in order to assess whether the Company has relations with the investee whose returns are subject to changes depending on the performance of the investee;
- the existence of potential principal-agent relationships.

Where the relevant activities are governed through voting rights, the existence of control is subject to verification by considering the voting rights, even potential, held and the existence of any agreements or shareholders' agreements that attribute the right to control the majority of the shareholders voting rights themselves, to appoint the majority of the governing body or in any case the power to determine the financial and operating policies of the entity.

Subsidiaries may also include so-called "structured entities" in which the voting rights are not significant for the purposes of the existence of control, including companies or special purpose entities and investment funds.

In the case of structured entities, the existence of control is subject to verification considering both the contractual rights that allow the governance of the relevant activities of the entity (i.e. those that contribute most to the results) and the exposure of the Company to the variable returns deriving from these activities.

Entities are considered to be joint ventures when, on a contractual basis, control is shared between the company and one or more other parties, or when unanimous consent of all parties that share control is required for decisions regarding the relevant activities.

Companies subject to significant influence (associates) are entities in which the company owns at least 20% of the voting rights (including "potential" voting rights), or in which (although with a lower proportion of voting rights< it has the power to participate in determining the financial and operating policies of the investee by virtue of particular legal ties such as participation in shareholders' agreements. Certain interests exceeding 20% are not considered to be subject to significant influence, in which the company holds only equity rights on a portion of the returns on investments, has no access to management policies and may exercise governance rights limited to the protection of equity interests.

Equity investments in subsidiaries, jointly controlled companies and associates are valued at cost less any impairment.

If there is evidence that the value of an investment may have decreased, the recoverable value of the investment is estimated, taking into account the present value of the future cash flows that the investment may generate, including the final disposal value of the investment.

If the recoverable amount is lower than the book value, the relative difference is recognised in the income statement.

If the reasons for the impairment are eliminated as a result of an event occurring after the recognition of the impairment, write-backs are booked to the income statement.

Cancellation criteria

Equity investments are de-recognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the equity investment is sold, substantially transferring all the risks and benefits connected to it.

5 – Financial instruments

Recognition and classification criteria

Depending on the characteristics of the instrument and the business model adopted, financial assets, which represent debt instruments, are classified into the following three categories:
- financial assets measured at amortised cost;
- financial assets measured at fair value with the recognition of the effects among the other components of the comprehensive result ("OCI") ("FVTOCI");
- financial assets measured at fair value through profit or loss ("FVTPL").

These assets are initially recognised at fair value.

For trade receivables without a significant financial component, the initial recognition value is the transaction price.

Measurement and recognition criteria of income components

After initial recognition, financial assets that generate contractual cash flows exclusively representing payments of principal and interest are measured at amortised cost if held for the purpose of collecting the contractual cash flows ("Held to Collect" business model). According to the amortised cost method, the initial book value is subsequently adjusted to take into account the principal repayments, any write-downs and the amortisation of the differences between the repayment value and the initial book value.

Amortisation is carried out on the basis of the effective interest rate, which represents the rate that makes the present value of expected cash flows equal to the initial recognition value at the time of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the related bad debt provision.

Financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains from disposal ("Held to collect and sale" business model), are measured at fair value with imputation of the effects to OCI. In this case, changes in the fair value of the instrument are recognised in equity among the other components of the overall result. The cumulative amount of changes in fair value, booked to the equity reserve, which includes the other components of the comprehensive result, is subject to reversal in the income statement when the instrument is de-recognised. Interest income calculated using the effective interest rate, any exchange rate differences and write-downs are recognised in the income statement.
Financial assets held for sale or their contractual cash flows are not composed exclusively of principal and interest, but are measured at fair value through profit or loss.

The valuation of the recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is carried out on the basis of the so-called "Expected credit loss model".

Expected losses are determined on the basis of the product of: (i) the exposure due to the counterparty net of the related mitigating agents (Exposure at default); (ii) the probability that the counterparty will not comply with its obligation (Probability of default); (iii) the estimate, in percentage terms, of the amount of credit that will not be able to be recovered in the event of default (Loss given default), defined on the basis of past experience and possible recovery actions that can be carried out.

Write-downs of trade receivables and other receivables are recognised in the income statement, net of any write-backs, under the item "Write-downs of receivables and other provisions".

Cancellation criteria

The financial assets sold are eliminated from the balance sheet assets when the contractual rights related to obtaining the cash flows associated with the financial instrument expire, or are transferred to third parties.

6 – 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:
- current tax assets, i.e., excess payments over tax obligations to be discharged under current corporate income tax rules;
- current tax liabilities, i.e., tax debts to be paid in accordance with current corporate income tax rules;
- 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);
- 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 tax positions vis-à-vis 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 off-setting with taxes from subsequent years has been requested.

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 taxable person 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.

7 - 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" (item 120).

The provisions include in particular the provisions to cover:
- the Company's legal disputes, with particular reference to the risks associated with possible revocation actions, and operational risks associated with the provision of services on behalf of third parties, and in general against any other operational risk as a result of complaints received by the customers.
- any other provision committed against specific charges and/or risks of a different nature, which the Company has contractually or voluntarily assumed to satisfy the effects for certain, even if at the date of the financial statements they are not still specifically formalised.

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.

The allocation to provisions for risks and charges for corporate restructuring covers significant reorganisations that have a significant effect on the nature and strategic direction of the business activities. The provision mainly includes consultancy costs for the restructuring plan.

Provisions made against provisions for risks and charges are included in the income statement item "net provisions for risks and charges".

8 - Financial liabilities measured at amortised cost

Entry criteria

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

Deposits from banks and customers, and Debt securities issued include the various forms of interbank funding and with customers, repurchase agreements with forward repurchase obligations and deposits made through certificates of deposit, bonds and other instruments of outstanding deposits, net of any repurchased amounts.

Also included are payables recognised by the company as lessee in leasing transactions.

Evaluation criteria

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

An exception to this are 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".

9 - Derivative instruments

Recognition, classification, and measurement criteria

Derivative financial instruments, including embedded ones, are assets and liabilities measured at fair value.

The qualification of the transactions as hedges requires: (i) verification that there is an economic relationship between the hedged item and the hedging instrument, so that changes in value are offset against each other and that this offsetting ability is not impaired by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives, as part of the defined risk management strategy, and where necessary carrying out the appropriate rebalancing actions.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments, the derivatives are recognised at fair value with the effects recognised in the income statement. When the derivatives hedge the risks of changes in the cash risks of the hedged instruments, the changes in fair value of the derivatives considered effective are initially recognised in the equity reserve relating to the other components of the comprehensive result and subsequently recognised in the income statement in line with the economic effects generated by the hedged transaction.

10 - Accruals and deferrals

Accruals and deferrals that include charges and income pertaining to the period accrued on assets and liabilities are recognised in the financial statements as an adjustment to the assets and liabilities to which they refer.

11 - 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. Interest income (or interest expense) also includes positive (or negative) spreads or margins accrued up to the reporting date, relating to financial derivative contracts:
   - hedging of assets and liabilities that generate interest;
   - classified in the Statement of financial position in the trading book, but operationally linked to financial assets and/or liabilities measured at fair value (fair value option);
   - operationally connected with assets and liabilities classified in the trading book and which envisage the settlement of spreads or margins with multiple maturities;

b) interest on arrears, possibly envisaged by contract, is recorded in the income statement only at the time of their actual collection;

c) dividends are recognised in the income statement during the year in which their distribution is resolved;

d) 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. Commissions considered in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;

e) profits and losses deriving from the trading of financial instruments are recognised in the income statement at the time of finalisation of the sale, based on the difference between the amount paid or collected and the book value of the instruments;

f) Revenues from the sale of non-financial assets are recognised when the sale is completed, unless most of the risks and benefits associated with the asset have been retained.

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.

12 - 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 5) 252 of 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.

13 - Cash and cash equivalents

Cash and cash equivalents provisions include cash and available bank deposits and other forms of short-term investment, with a maturity of less than three months.

14 - Treasury shares

The Parent Company and the other Group companies do not hold treasury shares.

16 - Shareholders' equity

Shareholders' equity includes:
- share capital;
- the share premium reserve;
- legal reserve;
- other reserves;
- losses from previous years not yet covered;
- the result for the period.

Estimates and assumptions

The preparation of these consolidated financial statements requires the Directors to apply accounting standards and methods which, for some items, are based on subjective valuations and estimates based on historical experience and on assumptions that are considered reasonable in certain circumstances.

The areas that required greater subjectivity are:
- *impairment test*: the performance of tests to determine any impairment of asset items requires the adoption of subjective assessments based on information available within the Group and on the market;
- amortisation/depreciation: the economic life of tangible and intangible assets is estimated at the time of their acquisition on the basis of historical experience relating to similar assets, as well as on future forecasts that could have effects on the useful life of the assets;
- employee benefits: the values of provisions for risks related to personnel or the provision for employee severance indemnity are calculated on an actuarial basis. Any changes in the discount rate used affect the present value of these provisions. The rate used corresponds to that of "high quality corporate" bonds recorded on the market.
- financial assets measured at fair value: these assets are measured through the use of business plans relating to the portfolios underlying the ABS securities. These business plans are reviewed on a semi-annual basis on the basis of the actual performance of loan recoveries and the performance of the reference market of the underlying guarantees;
- derivatives: derivatives are measured at fair value on the basis of appropriate valuation techniques that use financial variables observable on the market where possible;

Business combinations: the recognition of business combinations implies the attribution to the assets and liabilities of the acquired company/platform of the difference between the purchase cost and the net book value. For the part not attributed to the assets and liabilities, the difference is recorded in the item "Goodwill".

A.3 - INFORMATION ON THE TRANSFER OF PORTFOLIOS OF FINANCIAL ASSETS

During the year, no transfers were made between different portfolios of assets held.

A.4 - INFORMATION ON FAIR VALUE

The fair value represents the consideration that could be received to sell an asset, or paid to transfer a liability, in a regular transaction between market participants at the measurement date. Reference is made to an ordinary transaction between independent counterparties in possession of a reasonable degree of knowledge of market conditions and of the relevant facts connected with the subject matter of the negotiation. In defining fair value, the assumption that an entity is in normal operating conditions and does not have an urgent need to liquidate or significantly reduce a position is fundamental. The fair value of an instrument reflects, among other factors, its credit quality as it incorporates the risk of default of the counterparty or issuer.

For financial instruments, the fair value is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns the highest priority to quoted prices (not modified) in active markets and less importance to unobservable inputs. Three different input levels are identified:
- Level 1: inputs represented by quoted prices (not modified) in active markets for identical assets or liabilities that the company can access at the measurement date;
- Level 2: inputs other than quoted prices included in level 1 that are observable, directly or indirectly, for the assets or liabilities to be measured;
- Level 3: inputs that are not based on data observable on the market.

The above-mentioned valuation approaches must be applied in hierarchical order. Therefore, if a price quoted in an active market is available, valuation approaches different from that of Level 1 cannot be followed. Moreover, the valuation technique adopted must maximise the use of observable factors on the market and, therefore, rely as little as possible on subjective parameters or "private information".

In the case of financial instruments not listed on active markets, the placement within the fair value hierarchy must be defined by considering among the significant inputs used to determine the fair value of the one that assumes the lowest level in the hierarchy. To this end, the significance of the inputs must be assessed with respect to the determination of the fair value in its entirety. This assessment requires a judgement that must take into account the specific factors of the asset or liability.

The valuation techniques used to determine the fair value are periodically calibrated and validated using variables observable on the market, to ensure that these represent the real market conditions and to identify any weaknesses in the same.

The fair value hierarchy was introduced in IFRS 7 exclusively for disclosure purposes and not for financial statement measurements. The latter, therefore, are carried out on the basis of the matters envisaged by IFRS 13.

Level 1

A financial instrument is considered to be listed on an active market when the relative price is:
- readily and regularly available from stock exchanges, MTFs, intermediaries, information providers, etc.;
- significant, i.e. it represents actual market transactions that regularly take place in normal trading.

To be considered Level 1, the price must also be unadjusted and, therefore, not adjusted through the application of a valuation adjustment factor. Otherwise, the fair value measurement of the financial instrument will be Level 2.

Level 2

A financial instrument is included in Level 2 when all significant inputs (other than the listed prices included in Level 1) are used directly or indirectly for the valuation of the same are observable on the market.

The Level 2 inputs are as follows:
- prices quoted in active markets for similar financial assets or liabilities;
- prices quoted in non-active markets for identical or similar financial assets or liabilities;
- inputs other than quoted prices, which are directly observable for the financial asset or liability (risk-free rate curve, credit spread, volatility, etc.);
- inputs that derive mainly or are corroborated (through correlation or other techniques) by market-corroborated inputs.

An input is defined as observable when it reflects the assumptions that market participants would use in pricing a financial asset or liability on the basis of market data provided by sources independent of the person making the valuation.

If a fair value measurement uses observable data, which requires a significant adjustment based on non-observable inputs, this measurement is included in Level 3.

Level 3

Level 3 of the fair value hierarchy includes the financial instrument whose fair value is estimated using a valuation technique that uses inputs not observable on the market, even indirectly. More specifically, to be included in Level 3 it is sufficient that at least one of the significant inputs used for the valuation of the instrument is not observable on the market.

In particular, this classification must be made if the inputs used reflect the evaluator's own assumptions, developed on the basis of available information.

Fair value levels 2 and 3: valuation techniques and inputs used

For financial instruments, the fair value is determined through the use of prices acquired from financial markets, in the case of instruments listed on active markets, or through the use of internal valuation models for other financial instruments.

In the absence of a listing of an active market or in the absence of a regular operation of the market, the determination of the fair value is mainly carried out through the use of valuation techniques with the objective of establishing the price of a hypothetical independent transaction, motivated by normal market considerations. These assessments include:
- the reference to market values indirectly linked to the instrument to be measured and inferred from similar products in terms of risk characteristics;
- valuations made (even only partially) by using inputs not taken from parameters observable on the market, for which recourse is made to estimates and assumptions made by the valuer.

Processes and sensitivity of valuations

The fair value measurements classified as Level 3, for positions other than short-term positions, regarded: ABS securities classified as financial assets measured at fair value through profit or loss and financial assets measured at amortised cost.

The valuation of the ABS securities was carried out using the income method with the present value technique, for which both an estimate of future cash flows and an adequate discount rate that incorporates the time value of money and the risk premium are required. The cash flows are taken from the business plans of the reference securitisations, appropriately adjusted to take into account the risks of a non-performance of the portfolio with respect to the baseline forecasts. The discount rate is based on a risk-free interest rate plus the risk premium.

The fair value measurement of residential mortgages was also carried out by discounting the expected cash flow of the loans, adopting an increased risk-free rate.

Other information

The Company does not avail itself of the exception provided by paragraph 48 of IFRS 13 (fair value based on the net position) in relation to financial assets and liabilities with positions that offset with reference to market risk or counterparty risk.A.4.1. Fair value levels 2 and 3: valuation techniques and inputs used

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In the absence of a listing of an active market or in the absence of a regular operation of the market, the determination of the fair value is mainly carried out through the use of valuation techniques with the objective of establishing the price of a hypothetical independent transaction, motivated by normal market considerations. These assessments include:
- the reference to market values indirectly linked to the instrument to be measured and inferred from similar products in terms of risk characteristics;
- valuations made (even only partially) by using inputs not taken from parameters observable on the market, for which recourse is made to estimates and assumptions made by the valuer.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment: property, plant, machinery

Property, plant and equipment consist of assets received at the time of the spin-off from Credito Fondiario.

	2021	2020
Electronic machines and computers	499	-
Furniture and furnishings	326	-
Telephony and telecommunication systems	42	-
Property recognised in accordance with IFRS 16	5,111	-
Cars recognised under IFRS 16	111	-
Total	**6,089**	**-**
of which:		
historical cost	9,527	-
depreciation for the year	(1,342)	-

Goodwill and other intangible assets

All intangible assets were received by the Group as part of the spin-off from Credito Fondiario.

	2021	2020
Goodwill	54,402	-
Intangible	75,081	-
Software	680	-
Total	**130,163**	**-**

Goodwill and intangibles concern the two platforms for the management of NPL loans of the Banco-BPM Group and the Carige Group, purchased in previous years by Credito Fondiario.

As at 31 December 2021, the values of the two platforms are as follows:
- with regard to the "Gerica" platform, of the Carige Group:
  - goodwill of Euro 7,600 thousand;
  - *intangible* assets Euro 9,165 thousand;
- with regard to the "Gardant Liberty Servicing" platform of Banco-BPM Group:
  - goodwill of Euro 46,802 thousand;
  - *intangible* assets Euro 65,916 thousand.

The intangibles are amortised on the basis of the useful life of the servicing contracts negotiated at the time of purchase of the two platforms.

Goodwill is subject to an impairment test.

In consideration of the corporate reorganization of Credito Fondiario, which gave rise to the Gardant Group and of the repercussions that the SARS COVID-19 pandemic has had on special servicing activities, it was considered appropriate and prudent to carry out the impairment test of both the goodwill and intangibles recognised in the financial statements.

It was necessary to determine the scope of the Cash Generating Unit (CGU) of reference for goodwill and intangibles. In light of the business model chosen and the actual operations in the performance of special servicing activities, it was considered that the reference CGU is to be considered equivalent to the aggregate of the two Group companies that carry out special servicing activities, i.e. Gardant Liberty Service.

The valuation, conducted on the basis of the principles and methods approved by the Board of Directors of the companies concerned, in both a baseline and stress scenario, led to the belief that the goodwill of the Gerica platform for Euro 1,700 thousand and the Gardant Liberty Servicing platform for Euro 10,400 thousand were appropriate and prudent.

Deferred tax assets

	2021	2020
Deferred tax assets on redemption of the higher value of Liberty Servicing	27,797	-
Deferred tax assets on previous losses	532	-
Deferred tax assets Law 214/2011	767	-
Deferred tax assets on actuarial valuation of post-employment benefits	32	-
Total	**29,128**	**-**

All deferred tax assets were received by the Group at the time of the spin-off from Credito Fondiario. In particular, deferred tax assets from exemption of the higher value of Liberty Servicing derive from the tax redemption of goodwill and intangible assets recognised in the consolidated financial statements of Credito Fondiario at the time of purchase of 70% of the equity investment in the company.

As at 31 December 2021, deferred tax assets were subject to a probability test to verify their recoverability over time.

Other financial assets

The Group's financial assets are all held by the Parent Company and concern:

	2021	2020
ABS securities	28,310	-
Forward Fund shares	10,000	-
Total	**38,310**	**-**

The residual value of the ABS securities in the portfolio reflects the fair value of the residual investments following the disposal to the Master Fund already illustrated in the Management Report.

Other non-current assets

Other non-current assets amount to Euro 2,476 thousand and refer for Euro 2,438 to the start-up costs of the Gardant Liberty Servicing business that the company has been recognising over the years. The remainder are security deposits for various reasons.

CURRENT ASSETS

Trade receivables

At 31 December 2021, trade receivables amounted to Euro 35,840 thousand and concern fees accrued at the end of 2021 invoiced or to be invoiced for services provided by Group companies.

Current tax receivables

Current tax receivables concern:

	2021	2020
Credit VAT	399	-
"Cura Italia" tax credit	5,371	-
Total	**5,770**	**-**

Other assets

The other assets are composed of:

	2021	2020
Receivables for expenses advanced to SPV	22	-
Advances to personnel	13	-
Prepayments of deferred costs	509	-
Credit notes to be received	58	-
Receivables from segregated assets for prepaid expenses and establishment funds	338	-
Tax advances	4,026	-
Other SPV assets	1,267	-
Non-deductible VAT	224	-
Other	1,181	-
Total	**7,638**	**-**

SHAREHOLDERS' EQUITY

Share capital

As at 31 December 2021, the Parent Company's share capital amounted to Euro 210,000, divided into 210,000 ordinary shares with a nominal value of Euro 1.00 each, and it was fully paid up and subscribed.

The company has no treasury shares in its portfolio.

Reserves

The changes in shareholders' equity reserves during the year are shown in the tables of these financial statements.

LIABILITIES

Loans

For the non-recurring part, the loans concern:

	2021	2020
Credit line from banks	44,234	-
Financial debt from application of IFRS 16	5,045	-
Value of fair value hedging derivatives	2	-
Total	**49,281**	**-**

Employee benefits and Provisions for risks

As at 31 December 2021, Employee benefits included the Provision for Post-Employment Benefits for a total of Euro 2,991. This provision is calculated on an actuarial basis in accordance with IAS 19.

The economic and demographic assumptions used in the actuarial valuations are detailed below:

Discount/discount	rate 0.70%
Inflation rate	1.80%
Wage growth rate	N/A
Expected mortality rate	IPS55
Expected disability rate	INPS model

The existing provision for risks of Euro 72 thousand concerns the loyalty bonuses envisaged for the employees of Gardant Liberty Servicing, also calculated with the actuarial method required by IAS 19.

Trade payables

Trade payables amount to Euro 10,551 thousand and refer to invoices received or to be received for the purchase of goods and services.

Other liabilities

Other liabilities amount to Euro 15,095 thousand and refer to:

	2021	2020
Contributions to be paid	1,078	-
Taxes and withholdings to be paid	3,041	-
Remuneration to corporate bodies	257	-
Amounts to be paid to personnel and related contributions	9,796	-
Deferred income	247	-
Other Liabilities SPV	142	-
Others	534	-
Total	**15,095**	**-**

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

REVENUES

The item revenues is broken down in the following table:

Revenues	2021	2020
Net gains on investments in ABS securities	15,244	-
Special servicing fees	26,742	-
Fees of master servicing and administrative management	3,278	-
Income from management of AIF Funds	802	-
Total	**46,066**	**-**

All revenues are generated in Italy.

Other revenues

The item is broken down as follows:

Other revenues	2021	2020
Recovery of personnel contributions	112	-
Rental income	179	-
Release of IRAP tax provision	112	-
Other SPV revenues	1,679	-
Other	324	-
Total	**2,406**	**-**

The release of the IRAP tax provision concerns the release of the provision set aside in 2020 in Gardant Liberty Servicing as a result of the repeal for that year of this tax following the pandemic crisis.

GARDANT

COSTS

Costs for services

The table below details the costs for services:

Costs for services	2021	2020
IT costs	558	-
Costs for business development	304	-
Consultations	1,483	-
External support for debt collection activities	2,018	-
External support for activities	695	-
Land registry entries and mortgage registrations	108	-
Services received for personnel selection and payroll processing	225	-
Accounting audit	194	-
Rating agencies	34	-
Maintenance	283	-
Telephone	191	-
Representation	143	-
Corporate bodies	750	-
Policies	185	-
Cleaning	114	-
Notary fees	106	-
Outsourcing expenses	72	-
Others	2,170	-
Total	**9,633**	**-**

The cost of consultancy is affected by both the cost of the initial consultancy for the establishment of Gardant Liberty Servicing, which are spent in several years and weigh on 2021 for Euro 390 thousand, and the consultancy provided to the Group at the time of start-up.

Use of third-party assets

The breakdown of costs for use of third party assets is provided below:

Type of expenditure on the use of third-party assets	2021	2020
Annual fees for IT products	901	-
Equipment rental	17	-
Car rental	2	-
Total	**920**	**-**

Personnel costs

Details of personnel expenses are as follows:

Personnel costs	2021	2020
Wages and salaries	11,228	-
Social security charges	3,079	-
Post-employment benefits	452	-
Net revenue from secondment of staff	(64)	-
Other personnel expenses	274	-
Total	**14,969**	**-**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

Amortisation, depreciation and write-downs

The item amortisation, depreciation and write-downs is detailed below:

Nature of write-downs and amortisation/depreciation	2021	2020
Depreciation of tangible assets	254	-
Amortisation pursuant to IFRS 16	775	-
Software amortisation	356	-
Amortisation of intangible assets	3,705	-
Write-down of receivables	153	-
Write-down of goodwill	12,100	-
Total	**17,343**	**-**

The write-down of goodwill is to be considered of an extraordinary nature. In fact, following the spin-off from Credito Fondiario, the new CGU ("Cash Generating Unit") was established, which in Credito Fondiario coincided with the entire company, and which in the newly established industrial group was identified in the entities dedicated to the activities of special servicing consisting of Special Gardant and its investee Gardant Liberty Servicing.

The new perimeter of the company was joined by the use of a stress scenario that considered the last two years of the pandemic crisis and the uncertainty of its evolution, as well as the expected rise in interest rates.

FINANCIAL INCOME AND EXPENSES

The item includes the following amounts:

Financial charges	2021	2020
Loss from trading securities	42,756	-
Interest expense on notional liabilities (assets sold and not de-recognised)	3,575	-
Charges arising from the adoption of IFRS 16	60	-
Interest from bank loans	667	-
Negative differentials on derivatives	70	-
Bank costs	6	-
Total	**47,134**	**-**

The loss from securities trading derives from the transaction described in the report on operations to which reference is made.

Interest expense on fictitious liabilities relate to interest expense accrued for the period of permanence of the financial assets sold and not de-recognised that were removed from the financial statements of the group in December 2021.

TAXES

Taxes are broken down as follows:

Taxes	2021	2020
Reversal of deferred tax assets to the income statement	1,654	-
Deferred taxes charged to the income statement	24	-
Tax effects of consolidation entries	(868)	-
IRES on income for the year	550	-
IRAP on income for the year	534	-
Total	**1,894**	**-**

Current taxes were determined on the basis of the tax rates in force.

The Group is able to optimise the IRES taxes to be paid on income by taking advantage of the possibility of offsetting, as part of the tax consolidation contract, the taxable income generated by some companies with the tax losses generated by others. In this way, IRES taxes amount to only Euro 550 thousand.

IRAP taxes due totalled Euro 534.

In 2021, a total of Euro 1,654 thousand was reversed to the income statement as a result of the probability test conducted pursuant to IAS 12.

PART D – OTHER INFORMATION

Risk management

The Group has a complex Internal Control System ("ICS"), which operates within the reference organisational model, in order to support the systematic execution of all operational and business activities carried out in line with the assigned mission, the strategies, and objectives pursued. The Internal Control System is therefore configured as a tool for overseeing the assumption and ongoing management of risks, with the aim of defining and supervising the application of a risk-based culture, which makes it possible to contribute to a sustainable value creation process, ensuring at the same time regulatory compliance and providing for an integrated use of human resources, technologies, and methodologies.

The ICS does not only concern the Functions responsible for controls, but involves all the corporate structures of the Group Companies, through the definition, application and development of mechanisms, methodologies and tools capable of identifying, measuring/assessing, managing/mitigating risks and ensure adequate disclosure to the corporate bodies.

The Parent Company, through Group Controls, ensures the coordination of the entire Internal Control System of the Group, without prejudice to the autonomy and independence of the Control Functions of the supervised Companies.

Within the Gardant Group, the Internal Control System consists of:
1. *First-level controls*: carried out directly at operational level by the company structures during the *day-to-day* business operations (through the information system, powers, and authorities delegated or envisaged by regulations, policies, and internal procedures).
2. Second-level controls, carried out by the following structures:
   - *Group Controls*, in the parent company Gardant, under the responsibility of the Chief Controls Officer (CCO), carries out second-level controls on the parent company and on the subsidiary Special Gardant (including the subsidiary Gardant Liberty Servicing); the structure also supports the Control Functions of Master Gardant and Gardant Investor SGR, ensuring the harmonisation of models and processes for identifying, measuring and monitoring risks, ensuring an adequate level of independence in the performance and execution of control activities. Within *Group Controls* there is also the *Data Protection & IT Risk* Function, which has the aim of ensuring the monitoring of personal data processed by the Group and the entities managed and carrying out second-level control activities in the IT risk area;
   - *Risk Management*, *Compliance and Anti-Money Laundering* Function in Master Gardant, dedicated to second-level controls for Master Gardant, including those imposed by reference regulations, in the Risk, Compliance and AML area;
   - The Risk Management Function of Gardant Investor SGR, has the objective of ensuring the assessment and monitoring, both current and forward-looking, of the different types of risk, guaranteeing the continuous identification, assessment/measurement and monitoring of all company risks, as well as the definition and implementation of second-level controls;
   - The Compliance & AML Function of Gardant Investor SGR, outsourced to TMF Compliance (Italy) S.r.l., has the objective of periodically checking and assessing the adequacy and effectiveness of the measures, policies and procedures adopted by the Company with respect to the Directive 2011/61/EU ("AIFMD") and the measures defined to remedy any shortcomings in the fulfilment of the obligations envisaged.
3. *Third-level controls*, carried out by the following structures:
   - *Group Controls*, in the parent company Gardant, under the responsibility of the Chief Controls Officer (CCO), carries out third-level controls on the parent company and on the subsidiary Special Gardant (including the subsidiary Gardant Liberty Servicing);
   - The Internal Audit Function of Master Gardant and of Gardant Investor SGR (outsourced to the company Protiviti Italy S.r.l.), are respectively responsible for the performance of third-level controls of Master Gardant and Gardant Investor SGR.

The following sections provide summary information on the management of the various risks within the Group. For details on the risk management process of the individual Group companies, please refer to the Notes to the respective individual financial statements.

Credit risk

Credit risk is the risk that a counterparty will not fulfil its obligations linked to a financial instrument or a commercial contract, therefore leading to a financial loss. This risk mainly derives from economic and financial factors, or from the possibility that a counterparty *defaults*.

The Gardant Group is mainly exposed to credit risk deriving primarily from its operating activities, i.e. from trade receivables and deposits with leading banks and financial institutions and other financial instruments.

At each balance sheet date, these receivables are also subject to an assessment to determine whether there is any evidence that the carrying amount of the assets may not be fully recoverable.

As of 31 December 2021, the main commercial counterparties are banks and important investment funds with a high credit standing, as well as special purpose vehicles established pursuant to Law No. 130 of 1999.

For a quantitative analysis, please refer to the note on trade receivables.

As regards the credit risk relating to relations with banks and financial institutions, the Gardant Group only makes use of interlocutors with high credit standing. As at 31 December 2021, the liquidity of Gardant was invested in bank deposits held with leading credit institutions.

With reference to the operations of Master Gardant, an intermediary formerly 106 of the TUB (Italian Banking Law) and subject to supervision, in consideration of the nature of the activity carried out, the Company is exposed to a limited extent to credit risk, mainly in the case of assuming the role of risk retainer by underwriting of a portion of the bond issues or of the loan disbursed by the SPVs, or in the case of the granting of loans necessary to guarantee the management of the Real Estate Owned Companies (ReoCo), as there are no direct lending activities.

In line with the Supervisory Provisions applicable to Class 3 financial intermediaries[5], the Company uses the standardised method to determine the regulatory capital requirement and the internal capital against credit risk.

With reference to Gardant Investor SGR, the Company is exposed to credit risk mainly due to its deposits with other intermediaries and the management fees and expenses collected by the Funds managed. The Risk Management Function assesses and manages the SGR's credit risk according to the guidelines defined in the risk management policy.

Liquidity risk

Liquidity risk is the risk of not being able to meet its payment commitments due to the inability to raise funds on the market (funding liquidity risk) or to sell its assets (market liquidity risk). The sources of risk are therefore mainly classified as follows:
- *operational liquidity imbalances*, connected to the ratio between incoming and outgoing cash flows, the monitoring of which is aimed at verifying the ability to meet expected payment commitments;
- *structural liquidity imbalances*, connected to the ratio between total liabilities and medium/long-term assets, whose monitoring is aimed at ensuring the stability and balance of the liquidity profile of asset and liability items. Liquidity risk is considered a measurable risk against which no current internal capital is calculated or future internal capital is estimated.

The establishment of the Group allowed the implementation of a centralised liquidity management at a consolidated level in order to optimise the overall liquidity balance, preserving the peculiarities of the business of each subsidiary.

The Group's objective is to maintain a balanced management of its financial exposure over time, in order to guarantee the coherence of the liability structure with the composition of the balance sheet assets, while ensuring the necessary operating flexibility through the use of the liquidity generated by current operating activities and recourse to bank loans.

The ability to generate liquidity from ordinary operations, together with its borrowing capacity, therefore allows the Group to adequately meet its operating needs, financing the operating working capital and investments, as well as meeting its financial obligations.

Following the establishment of the Group, the management of the Treasury of the Gardant Group has changed from a model centralised on the current accounts of a single legal entity (i.e. Credito Fondiario S.p.A.) to a split model on the following four companies:
- Gardant S.p.A.;
- Master Gardant S.p.A;
- Special Gardant S.p.A.;
- Gardant Investor SGR S.p.A.

5 See Circular 288/2015, Title IV, Chapter 14, Section III, para. 2: "Class 3. Financial groups and intermediaries that use standardized methods, with consolidated or individual assets equal to or less than Euro 3.5 billion"

In order to replicate the advantages of the centralised management of the Group Treasury and to meet the need to formalize the underlying financial relationship between the aforementioned companies, a Group cash pooling mechanism was activated.

The Group's financial policy and the management of related financial risks are centrally guided and monitored. In this regard, the Parent Company, through the Group Controls structure and with the support of Planning & Control and the Treasury, carries out a quarterly monitoring of the Group's consolidated liquidity level 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.

Specifically, the analysis of the actual and prospective level of liquidity is performed with respect to a minimum liquidity buffer to be held at Group level to ensure ordinary operating activities.

In the presence of a negative deviation from the reference Liquidity Buffer, a process has been defined to activate specific escalation mechanisms towards the Corporate Bodies and potential remedial actions have been identified to be implemented based on the severity and persistence of the deviation.

With regard to Master Gardant, in accordance with supervisory regulations, the Risk Management, Compliance and Anti-Money Laundering Function supports the Board of Directors in formulating policies on liquidity risk, carrying out a reconciliation function between the strategic phase and the operational phase in the process of managing this risk, preparing periodic reporting on the results obtained from liquidity monitoring.

With reference to Gardant Investor SGR, the liquidity risk pertains to the risk related to the fact that the investments made by the SGR, on its own account, will not be transformed into cash in a sufficiently adequate time to meet the ordinary and/or needs. overtime that the SGR may have to face.

The Risk Management Function assesses and manages the SGR's liquidity risk according to the guidelines defined in the risk management policy.

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 Gardant Group uses external financial resources in the form of debt and uses available liquidity in bank deposits. Changes in market interest rates affect the cost and return of the various forms of financing and lending, therefore affecting the level of financial charges and income of the Group.

The Group regularly assesses and monitors its exposure to the risk of changes in interest rates.

With regard to Master Gardant S.p.A., in accordance with the supervisory regulations applicable to Class 3 financial intermediaries, the Company measures the interest rate risk on the banking book for regulatory purposes by applying the method indicated in Title IV, Chapter 14, Annex C.

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) and conduct risk (i.e. the risk of incurring losses as a result of an inappropriate offer of financial services and the resulting legal costs, including cases of intentionally inadequate or negligent conduct).

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 Gardant Group has strengthened the process of collecting operational loss data (Loss Data Collection), characterising it with a strictly bottom-up approach, in order to allow the recognition and registration of the losses generated or potential resulting from operational risk events. The purpose of this framework is to feed the Group's data warehouse on operational risks with the information necessary for: (a) identifying the causes of losses (risk factors); (b) the identification of mitigation actions, retention and transfer strategies; (c) reporting/analysis, within the periodic reporting, of operational risk events. This process is based on a decentralised loss data collection model, in which the reporting and validating Risk Owners with the support of the Group Controls and Accounting Department record the information necessary to feed the operating loss data warehouse on the basis of a defined data model.

The Gardant Group has also 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.

Business continuity refers to the availability of critical resources, such as information, people, infrastructure, technology, communication networks, premises, which are needed to ensure the operation of the most critical business processes in emergency/crisis situations. The sudden unavailability of these resources may result in the interruption of operations, with consequent economic, regulatory and image impacts.

The Gardant Group 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.

With regard to the supervised companies Master Gardant and Gardant Investor SGR, the risk analysis is carried out with an approach focused on the Risk self-assessment technique of the exposure to operational risks supplemented by appropriate interviews with the various organisational units and company functions in order to identify both potential risks and the control systems adopted to mitigate them.

With reference to Master Gardant, in line with the Supervisory Provisions applicable to Class 3 financial intermediaries, the Company uses the BIA (Basic Indicator Approach) method to determine the regulatory capital requirement.

GARDANT

Other risks

Concentration Risk

Concentration risk is the risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity, as well as from the application credit risk mitigation techniques, particularly including risks deriving from indirect exposures, for example, with respect to individual guarantee providers.

Specifically, concentration risk is divided into the following sub-categories:

- *single name* concentration risk, i.e. risk deriving from excessive exposure to individual counterparties or groups of related counterparties. The possibility of insolvency of a counterparty or of counterparties connected to each other may result in losses such as to compromise the stability of the Company;
- *geo-sectorial concentration risk*, or the risk deriving from excessive exposure to counterparties in the same economic sector or carrying out the same activity or belonging to the same geographical area. The relative possibility of insolvency may result in losses that could compromise the stability of the Company.

With reference to the operations of Master Gardant, a former 106 TUB (Italian Banking Law) intermediary subject to supervision, it is believed that this risk can be broken down only in the single name concentration component, connected to the recovery forecasts for individual debtors or groups of connected debtors. It should also be noted that the Supervisory Provisions[6] pay particular attention to the concentration of exposures by providing a specific framework that establishes, among other things:

- the monitoring of “large exposures”, i.e. those whose value is equal to or greater than 10% of the eligible capital as defined on the basis of Article 392 CRR;
- that the amount of the exposure to a single customer or a group of related customers does not exceed 25% of the admissible capital (Article 395 ordinary concentration limit CRR).

Securitisation risk

A particular type of credit risk is the securitisation risk, i.e. the risk of incurring losses due to the fact that the economic substance of the securitisation transaction is not fully reflected in the risk assessment and management decisions. Securitisation risk arises when a Group company purchases part of the notes issued by securitisation vehicles with ABS loans.

Related party transactions

Relations with related parties mainly concern relations with Credito Fondiario for which the Group companies perform servicing activities or sub-rent the spaces of their operating offices.

6. See Circular 288/2015 of the Bank of Italy, Title IV, Chapter 12 “Large exposures”

The breakdown of transactions with related parties (only Credito Fondiario) can be broken down as follows:

euro thousands

Receivables:	
Invoices to be issued to CF+	217
Amounts collected from CF+ pertaining to the group	51
	268
Payables:	
Payables to CF+ for expenses advanced by the bank	28
Payable to CF+ for Group VAT adjustment	519
	574
Revenues:	
Rental income from CF+	174
Master servicing fees from CF	125
	299

Remuneration to directors and statutory auditors

The total fees paid to directors and statutory auditors of the various Group companies amount to Euro 556 thousand; those of the Boards of Statutory Auditors of Euro 213 thousand.

No Group company disbursed advances or loans to the members of the corporate bodies.

Number of employees of the Group broken down by categories

The average number of Group employees can be broken down as follows:

- managers 20
- middle managers 171
- other employees 14

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Section dedicated to Segregated Assets

Segregated assets for "Cube Gardenia"

On 26 April 2017, Credito Fondiario established the "Cube Gardenia" Segregated Assets pursuant to articles 2447-bis et seq. of the Italian Civil Code. The specific reference business of the assets in question is the purchase en bloc pursuant to Article 58 of the Consolidated Law on Banking of legal relations deriving from lease contracts with debtors classified as unlikely to pay (the "UTP leases") and of the assets deriving from said contracts, as well as certain residual legal relationships in relation to financial lease contracts already terminated ("Non-performing Leases") and the assets deriving from the aforementioned Non-performing Leases. This purchase is in support of the securitisation of lease receivables carried out by the vehicle Gardenia SPV S.r.l. ("Gardenia") as part of the Cube transaction (described in the Interim Directors' Report). The management and liquidation of the assets acquired in the interest of Gardenia in particular is for the purpose of enhancing the value and obtaining the sale of the assets purchased which, from an economic/substantial point of view, constitute the "guarantee" underlying the receivables of the vehicle. In addition to being considered in some respects as an "instrumental" activity, this activity is strictly connected, in particular, with the role of servicer that Credito Fondiario assumed in the Gardenia securitisation and therefore, attributable to this role.

At the time of establishment, the Segregated Assets was provided with an endowment fund of Euro 100,000 in order to allow it to cover the costs for its establishment.

On 1 August 2021, the Segregated Assets were transferred to Master Gardant as part of the spin-off of Credito Fondiario.

The purchase of the assets was concluded on 28 April 2017 and produced its effects when the conditions precedent set forth therein were met on 10 May 2017.

The purchase price of the contracts and assets was set at Euro 29,463,429.17. The purchase price was entirely financed by a limited recourse loan granted (pursuant to Article 2447 - decies of the Italian Civil Code) by the transferring banks (Nuova Banca delle Marche S.p.A. and Nuova Banca dell'Etruria e del Lazio S.p.A.); this loan was then transferred on the same disbursement date to the vehicle Gardenia. Interest, also with limited recourse, accrues at the rate of 5.25% on the Intended Loan.

The VAT calculated on the purchase price was advanced by Credito Fondiario with its general assets; the resulting tax credit will be recovered from time to time by the bank as an offsetting of the tax payable or as a result of reimbursement by the Tax Authority. For this financial advance, the Segregated Assets will recognize an annual flat-rate fee of Euro 200,000 to be paid in advance as at 31 July 2017. This fee is envisaged for the periods 31 July 2017 and 31 July 2018.

The contracts and assets are used for the Gardenia securitisation. All income deriving from the sale or other re-placement of the Assets of the Segregated Assets are used either to cover the costs of the Assets themselves or are used to repay the Intended Loan.

The Segregated Assets is covered from any risks by virtue of a series of contractual provisions envisaged as part of the securitisation structure that envisage a series of insurance and risk coverage mechanisms, as well as the cash reserves made available to the Segregated Assets.

All operating, maintenance and marketing costs of the assets are borne by the securitisation.

At 31 December 2021, implicit receivables amounted to Euro 25,894 thousand, while the Loan to be repaid amounted to Euro 29,352 thousand.

Segregated Assets intended for "Este Restart"

On 16 June 2017, Credito Fondiario established the "Este Restart" Segregated Assets pursuant to articles 2447-bis et seq. of the Italian Civil Code. The specific business of reference of the assets in question is represented by the specific activity of purchase of the legal relationships and of the assets connected to the receivables sold by Nuova Cassa di Risparmio di Ferrara S.p.A. as part of the ESTE transaction (described in the Interim Directors' Report) to the vehicle pursuant to Law 130/99 Restart S.r.l. ("Restart") and the management and liquidation of the same in the interest of Restart in particular in order to ultimately allow the valuation and realisation of the assets purchased that constitute the economic/substantial "guarantee" underlying the receivables of the vehicle. This activity, in addition to being considered in some respects as an "instrumental" activity, is an activity strictly connected, in particular, with the role of servicer that Credito Fondiario assumed in the Restart securitisation and therefore, attributable to this role.

At the time of establishment, the Segregated Assets was provided with an endowment fund of Euro 50.000 in order to allow it to cover the costs for its establishment.

On 1 August 2021, the Segregated Assets were transferred to Master Gardant as part of the spin-off of Credito Fondiario.

The lease receivables portfolio was divided into three groups, due to the existence of various impediments to the transferability of the properties included in the portfolio. Therefore, it is envisaged that the Segregated Assets will proceed with the purchase of the legal relationships and the assets at three different times, at the time of the disposal of each group of receivables to Restart.

The purchase of the first group was signed on 20 June 2017 and produced its effects when the conditions precedent set forth on 28 June 2017 were met. In June 2018, a second set of receivables was purchased for a total value of Euro 84 thousand. The acquisition of the third unit was finalised in March 2019. The purchase price was Euro 2,592 thousand and was entirely financed by a limited recourse loan granted (pursuant to Article 2447 - decies of the Italian Civil Code) by the transferor bank (Nuova Cassa di Risparmio di Ferrara); this loan was then transferred on the same disbursement date to the Restart vehicle. Interest, also with limited recourse, accrues at the rate of 5% on the Intended Loan.

The VAT calculated on the purchase price was advanced by Credito Fondiario with its general assets; the resulting tax credit will be recovered from time to time by the bank as an offsetting of the tax payable or as a result of reimbursement by the Tax Authority.

The contracts and assets are used for the Restart securitisation. All income deriving from the sale or other re-placement of the Assets of the Segregated Assets are used either to cover the costs of the Assets themselves or are used to repay the Intended Loan.

The Segregated Assets is covered from any risks by virtue of a series of contractual provisions envisaged as part of the securitisation structure that envisage a series of insurance and risk coverage mechanisms, as well as the cash reserves made available to the Segregated Assets.

All operating, maintenance and marketing costs of the assets are borne by the securitisation.

At 31 December 2021, implicit receivables amounted to Euro 1,311 thousand, while the Loan to be repaid amounted to Euro 1,898 thousand.

Segregated Assets intended for "Gimli New Levante"

On 19 September 2018, Credito Fondiario established the "Gimli New Levante" Segregated Assets pursuant to articles

2447-bis et seq. of the Italian Civil Code. The specific business of reference of the equity in question is represented by the specific activity of purchase of the legal relationships and of the assets connected to the receivables sold by Banca Piccolo Credito Valtellinese S.p.A. ("Creval") as part of the Gimli transaction (described in the Management section) to the vehicle pursuant to Law 130/99 New Levante S.r.l. ("Levante") and the management and liquidation of the same in the interest of Levante in particular in order to ultimately allow the valuation and realisation of the assets purchased that constitute the economic/substantial "guarantee" underlying the receivables of the vehicle. This activity, in addition to being considered in some respects as an "instrumental" activity, is an activity strictly connected, in particular, with the role of servicer that Credito Fondiario assumed in the Levante securitisation and therefore, attributable to this role.

At the time of establishment, the Segregated Assets was resolved to provide it with an endowment fund of Euro 50,000 in order to allow it to cover the costs for its establishment.

On 1 August 2021, the Segregated Assets were transferred to Master Gardant as part of the spin-off of Credito Fondiario.

The purchase of the contracts and assets was signed on 28 September 2018 and has had economic effects since 1 January 2018.

The purchase price of the contracts and assets was set at Euro 150,000. The purchase price was entirely financed by a limited recourse loan granted (pursuant to Article 2447 - decies of the Italian Civil Code) by the transferor bank; this loan was then transferred on the same disbursement date to the Levante vehicle. Interest, also with limited recourse, accrues at the rate of 5% on the Intended Loan.

The VAT calculated on the purchase price was advanced by Credito Fondiario with its general assets; the resulting tax credit will be recovered from time to time by the bank as an offsetting of the tax payable or as a result of reimbursement by the Tax Authority.

The assets underlying the contracts are all immovable.

The contracts and assets are used for the Levante securitisation. All income deriving from the sale or other re-placement of the Assets of the Segregated Assets are used either to cover the costs of the Assets themselves or are used to repay the Intended Loan.

The Segregated Assets is covered from any risks by virtue of a series of contractual provisions envisaged as part of the securitisation structure that envisage a series of insurance and risk coverage mechanisms, as well as the cash reserves made available to the Segregated Assets.

All operating, maintenance and marketing costs of the assets are borne by the securitisation.

At 31 December 2021, implicit receivables amounted to Euro 96 thousand, while the Loan to be repaid amounted to Euro 150 thousand. Restart

INDIVIDUAL FINANCIAL STATEMENTS OF THE YEAR

Separate balance sheet as at 31 December 2021

ASSETS

euro

BALANCE SHEET ASSETS	31 December 2021	31 December 2020
NON-CURRENT ASSETS		
Property, plant and equipment	5,148,710	-
Intangible assets	680,381	-
Investments	131,711,173	-
Deferred tax assets	358,291	-
Other non-current financial assets	38,330,311	-
of which related parties		
Total non-current assets	**176,228,866**	**-**
CURRENT ASSETS		
Trade receivables	2,895,069	-
of which related parties	-	-
Tax receivables	3,180,430	-
Other current assets	4,435,675	121
of which related parties	-	-
Cash and cash equivalents	13,825,481	210,000
Total current assets	**24,336,655**	**210,121**
Total assets	**200,565,521**	**210,121**

Liabilities

euro

BALANCE SHEET LIABILITIES	31 December 2021	31 December 2020
SHAREHOLDERS' EQUITY		
Capital	210,000	210,000
Legal reserve	9,296,798	-
Share premium reserve	157,657,733	-
Other reserves	35,504,283	-
Profit/(loss) for the year	(34,536,556)	(21,443)
Total shareholders' equity	**168,132,258**	**188,557**
NON-CURRENT LIABILITIES		
Non-current loans	4,553,384	-
Employee benefits	662,264	-
Total non-current liabilities	**5,215,648**	**-**
CURRENT LIABILITIES		
Trade payables	3,828,261	21,564
Current loans	467,794	-
Other payables	22,921,560	-
Total current liabilities	**27,217,615**	**21,564**
Total liabilities	**200,565,521**	**210,121**

GARDANT

Individual income statement as at 31 December 2021

euro

INCOME STATEMENT	31 December 2021	31 December 2020
Revenues	19,118,624	-
of which related parties	3,874,708	-
Other income	620,993	-
of which related parties	598,282	
Total revenues and other income	**19,739,617**	**-**
Costs for services	(3,749,898)	-
Expenses for the use of third-party assets	(963,730)	-
Personnel expenses	(4,488,610)	-
Amortisation, depreciation and write-downs	(1,335,039)	-
Other operating expenses	(182,221)	(21,443)
Operating result	**9,020,119**	**(21,443)**
Financial charges	(46,391,475)	-
of which non-recurring	(42,756,086)	-
Profit before taxes	**(37,371,356)**	**(21,443)**
Taxes	2,834,800	-
Profit for the year	**(34,536,556)**	**(21,443)**
Other comprehensive income:		
(Actuarial gain (loss)) on post-employment benefits	17,546	-
Overall result for the year	**(34,519,010)**	**(21,443)**

GARDANT

Statement of changes in Individual shareholders' equity 2021

euro

Shareholders' equity item	Balance as at 31.12.2020	Allocation of the yearly result	Spin-off contributions	Distribution to shareholders	Overall profitability for the year	Total 31.12.2021
Share capital	210,000	-	-	-	-	210,000
Legal reserve	-	-	9,296,798	-	-	9,296,798
Premium reserve	-	-	192,639,440	(34,981,707)	-	157,657,733
Other reserves	-	(21,443)	55,126,473	(19,618,293)	17,546	35,504,283
Profit/(loss) for the year	(21,443)	21,443	-	-	(34,536,556)	(34,536,556)
Total	**188,557**	**-**	**257,062,711**	**(54,600,000)**	**(34,519,010)**	**168,132,258**

Statement of changes in Individual shareholders' equity 2020

euro

Shareholders' equity item	Balance as at 31.12.2019	Contribution of share capital	Spin-off contributions	Distribution to shareholders	Overall profitability for the year	Total 31.12.2020
Share capital	-	210,000	-	-	-	210,000
Legal reserve	-	-	-	-	-	-
Premium reserve	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	(21,443)	(21,443)
Total	**-**	**210,000**	**-**	**-**	**(21,443)**	**188,557**

Individual cash flow statement as at 31 December 2021

euro

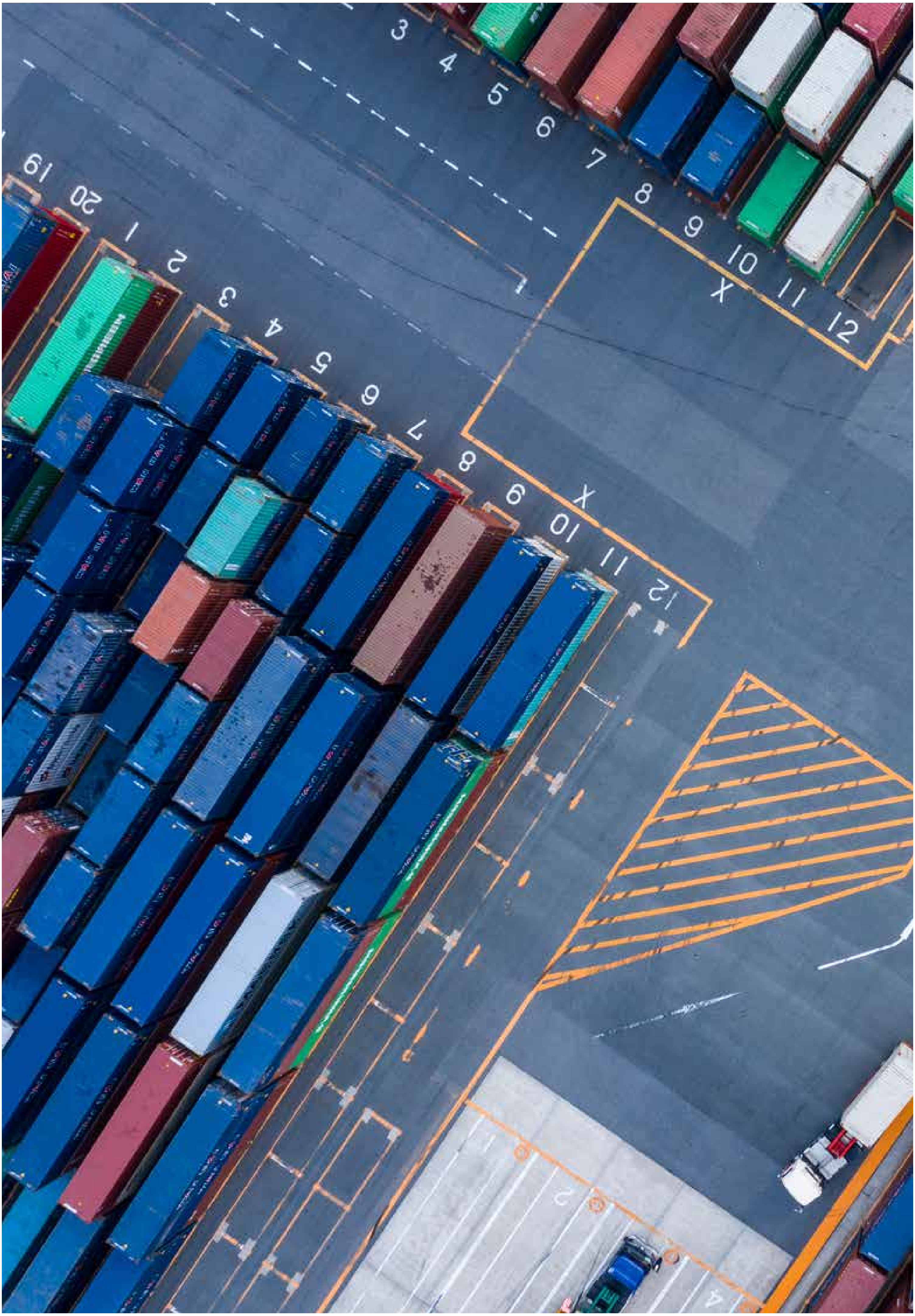
A. OPERATING ACTIVITIES	2021	2020
1. Management	(32,733,257)	(21,443)
- result for the year (+/-)	(34,536,556)	(21,443)
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	1,285,117	-
- net provisions for risks and charges and other costs/revenues (+/-)	191,733	-
- unpaid taxes, duties and tax credits (+/-)	1,151,246	-
- other adjustments (+/-)	(824,797)	-
2. Liquidity generated/absorbed by financial assets	357,685,426	(121)
- trade receivables	(1,559,203)	(121)
- other assets	359,244,629.00	-
3. Liquidity generated/absorbed by financial liabilities	(268,090,926)	21,564
- trade payables	2,606,236	-
- loans	(288,950,695)	-
- other liabilities	18,253,533	21,564
Net cash generated by/used in operating activities	56,861,243	-

B. INVESTMENT ACTIVITIES	Amount	Amount
1. Cash generated by	-	-
- sales of participations	-	-
- dividends collected on equity investments	-	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	(54,600,000)	-
- purchases of participations	-	-
- extraordinary distribution of reserves	(54,600,000)	-
- purchases of property, plant and equipment	-	-
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net cash generated by/absorbed in operating activities	(54,600,000)	-

C. FUNDING ACTIVITIES	Amount	Amount
- issues/purchases of own shares	-	210,000
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	-	-
- spin-off liquidity	11,352,691	-
Net liquidity generated/absorbed by funding activities	**11,352,691**	**210,000**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**13,613,934**	**210,000**

Reconciliation

Balance sheet items	2021	2020
- Cash and cash equivalents at the beginning of the year	210,000	-
- Total net liquidity generated/absorbed during the year	13,613,934	210,000
- Cash and cash equivalents at the close of the year	**13,823,934**	**210,000**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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

This document was prepared by the Board of Directors of the Company on 25 March 2022 for the approval of the Shareholders' Meeting of 29 April 2022

PART A

A. 1 - GENERAL PART

Summary of accounting standards

The Separated Financial Statements were prepared on the basis of the going concern assumption.

The Company's financial statements were prepared in compliance with Italian Legislative Decree no. 38 of 28 February 2005, were prepared according to 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 (in jointly referred to as "IFRS" or "IAS") in accordance with the procedure set forth in Article 6 of EU Regulation no. 1606 of 19 July 2002.

These financial statements provide an analysis of the main items in the financial statements.

The accounting statements show the comparison with the previous year.

The Separated Financial Statements are drawn up in thousands of Euro, unless otherwise indicated.

The Separated Financial Statements consist of:
- Separate Balance Sheet;
- Separate Income Statement;
- Separate Cash Flow Statement;
- Statement of changes in Separate Shareholders' Equity
- Notes to the Separate Financial Statements.

If present, income and expenses deriving from non-recurring transactions and expenses deriving from extraordinary transactions are indicated separately in the income statement.

The Company's financial statements closed on 31 December and were all drawn up on the basis of IAS/IFRS accounting standards.

The financial statements are prepared on the basis of the going concern assumption, as the Directors have verified that there are no financial, operational or other indicators that could indicate critical issues regarding the Company's ability to meet its obligations in the foreseeable future and in particularly in the next 12 months.

The assets and liabilities received by the Company as beneficiary of the spin-off transactions of Credito Fondiario S.p.A. that took place on 1 August 2021 were recognized with continuity of representation and value, based on the characteristics of the spin-off, which was of a proportional partial type. and took place under common control.

The separated financial statements are audited by KPMG S.p.A.

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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 value adjustments or write-backs on financial assets measured at amortised cost;
- the quantification of provisions for personnel and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

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.

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

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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

Standards of first or recent adoption

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Rental concessions related to COVID-19 subsequent to 30 June 2021 (amendment to IFRS 16)	01-Aug-21	01-Jan-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

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Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
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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):

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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

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

The measurement criteria adopted for the preparation of the financial statements in application of the IAS/IFRS accounting standards in force are illustrated below.

Evaluation criteria

The most significant accounting standards and valuation criteria used to prepare the Separated Financial Statements are shown below.

1 - 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 includes assets subject to finance lease transactions (for lessees) and operating leases (for lessors), as well as improvements and incremental expenses incurred on third-party assets. In order to determine whether a contract contains a lease, reference is made to the interpretation IFRS 16. 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.

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 when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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 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.

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.

2 – Leasing

Entry criteria

On the date of signing the contract, the Company verifies whether the contract contains or represents a lease, i.e. if it confers the right to control the use of an asset identified for an established period of time in exchange for a consideration. This right exists if the right to obtain substantially all the economic benefits deriving from the use of the asset, as well as the right to direct its use, is held over the period of use.

At the start date of the lease agreement (i.e. the date on which the asset is made available for use), the Company recognises, in the balance sheet, an asset representing the right of use of the asset and a liability representing the obligation to make the payments envisaged in the contract. In particular, the liability is initially recognised at an amount equal to the present value of the payments due under the contract.

Evaluation criteria

After initial recognition, the lease liability is measured at amortised cost.

The right to use a leased asset is initially recognised at cost. After initial recognition, the right of use is adjusted to take account of the accumulated depreciation and any accumulated impairment losses.

The determination of the reasonable certainty of exercising or not the option of extension and/or termination envisaged by the lease agreement is the result of a process that involves complex judgements by the Company Management. In this regard, the reasonable certainty of exercising these options is verified at the start date, considering all the facts and circumstances that generate an economic incentive to exercise them, as well as when significant events or changes occur in the circumstances that are under the control of the lessee and that influence the valuation previously carried out.

3 – 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;
- intangible assets linked to customers represented by the valuation, at the time of business combinations, of asset management relationships and of the insurance portfolio. These assets, with a finite useful life, are originally valued by discounting, using a rate representative of the time value of money and the specific risks of the asset, the flows representing the profit margins over a period expressing the residual duration, contractual or estimated, of the relations in place at the time of the business combination. They are amortized, for asset management relationships, on a straight-line basis over the period of greatest inflow of expected economic benefits in the case of relationships without a predetermined maturity and, for relationships linked to insurance contracts, in decreasing amounts corresponding to the duration of the contracts in the case of relationships with a definite expiry (residual life of the policies);
- intangible assets linked to marketing represented by the enhancement of the brand name, also recorded at the time of business combinations. This asset is considered to have an indefinite life as it is believed that it may contribute for an indefinite period to the formation of income flows.

Goodwill

Lastly, intangible assets include goodwill.

Goodwill can be recognised, as part of business combinations, when the positive difference between the consideration transferred and the possible recognition at fair value of the minority interest and the fair value of the equity elements acquired is representative of the future income-generating capacity of the company equity investment (goodwill).

If this difference is negative (badwill) or in the event that the goodwill is not justified by the future income-generating capacity of the investee, the difference is recorded directly in the income statement.

Every year (or each time there is evidence of impairment), an adequacy test is carried out on the value of goodwill. To this end, the cash-generating unit to which the goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the book value of the goodwill and its recovery value, if lower. Said recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of any costs to sell, and the related value in use. The resulting value adjustments are recognised in the income statement.

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.

4 - Investments

Recognition, classification, and measurement criteria

The item includes interests held in subsidiaries, jointly controlled companies, and associates.

Subsidiaries are entities, including structured entities, over which the Company has direct or indirect control. Control over an entity is evidenced by:
- the existence of power over the relevant activities;
- exposure to the variability of returns;
- the ability to use the power held to influence the returns to which the Company is exposed.

In order to verify the existence of control, the Company considers the following factors:
- the purpose and establishment of the investee, in order to identify the objectives of the entity, the activities that determine its returns and how these activities are governed;
- the power, in order to understand whether the Company has contractual rights that attribute the ability to govern the relevant activities; to this end, only substantive rights that provide practical governance capacity are considered;
- the exposure to the investee, in order to assess whether the Company has relations with the investee whose returns are subject to changes depending on the performance of the investee;
- the existence of potential principal-agent relationships.

Where the relevant activities are governed through voting rights, the existence of control is subject to verification by considering the voting rights, even potential, held and the existence of any agreements or shareholders' agreements that attribute the right to control the majority of the shareholders voting rights themselves, to appoint the majority of the governing body or in any case the power to determine the financial and operating policies of the entity.

Subsidiaries may also include so-called "structured entities" in which the voting rights are not significant for the purposes of the existence of control, including companies or special purpose entities and investment funds.

In the case of structured entities, the existence of control is subject to verification considering both the contractual rights that allow the governance of the relevant activities of the entity (i.e. those that contribute most to the results) and the exposure of the Company to the variable returns deriving from these activities.

Entities are considered to be joint ventures when, on a contractual basis, control is shared between the company and one or more other parties, or when unanimous consent of all parties that share control is required for decisions regarding the relevant activities.

Companies subject to significant influence (associates) are entities in which the company owns at least 20% of the voting rights (including "potential" voting rights), or in which (although with a lower proportion of voting rights< it has the power to participate in determining the financial and operating policies of the investee by virtue of particular legal ties such as participation in shareholders' agreements. Certain interests exceeding 20% are not considered to be subject to significant influence, in which the company holds only equity rights on a portion of the returns on investments, has no access to management policies and may exercise governance rights limited to the protection of equity interests.

Equity investments in subsidiaries, jointly controlled companies and associates are valued at cost less any impairment. If there is evidence that the value of an investment may have decreased, the recoverable value of the investment is estimated, taking into account the present value of the future cash flows that the investment may generate, including the final disposal value of the investment.

If the recoverable amount is lower than the book value, the relative difference is recognised in the income statement. If the reasons for the impairment are eliminated as a result of an event occurring after the recognition of the impairment, write-backs are booked to the income statement.

Cancellation criteria

Equity investments are de-recognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the equity investment is sold, substantially transferring all the risks and benefits connected to it.

5 – Financial instruments

Recognition and classification criteria

Depending on the characteristics of the instrument and the business model adopted, financial assets, which represent debt instruments, are classified into the following three categories:
- financial assets measured at amortised cost;
- financial assets measured at fair value with the recognition of the effects among the other components of the comprehensive result ("OCI") ("FVTOCI");
- financial assets measured at fair value through profit or loss ("FVTPL").

These assets are initially recognised at fair value.

For trade receivables without a significant financial component, the initial recognition value is the transaction price.

Measurement and recognition criteria of income components

After initial recognition, financial assets that generate contractual cash flows exclusively representing payments of principal and interest are measured at amortised cost if held for the purpose of collecting the contractual cash flows ("Held to Collect" business model). According to the amortised cost method, the initial book value is subsequently adjusted to take into account the principal repayments, any write-downs and the amortisation of the differences between the repayment value and the initial book value.

Amortisation is carried out on the basis of the effective interest rate, which represents the rate that makes the present value of expected cash flows equal to the initial recognition value at the time of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the related bad debt provision.

Financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains from disposal ("Held to collect and sale" business model), are measured at fair value with imputation of the effects to OCI. In this case, changes in the fair value of the instrument are recognised in equity among the other components of the overall result. The cumulative amount of changes in fair value, booked to the equity reserve, which includes the other components of the comprehensive result, is subject to reversal in the income statement when the instrument is de-recognised. Interest income calculated using the effective interest rate, any exchange rate differences and write-downs are recognised in the income statement.

Financial assets held for sale or their contractual cash flows are not composed exclusively of principal and interest, but are measured at fair value through profit or loss.

The valuation of the recoverability of financial assets representing debt instruments not measured at fair value through profit or loss is carried out on the basis of the so-called "Expected credit loss model".

Expected losses are determined on the basis of the product of: (i) the exposure due to the counterparty net of the related mitigating agents (Exposure at default); (ii) the probability that the counterparty will not comply with its obligation (Probability of default); (iii) the estimate, in percentage terms, of the amount of credit that will not be able to be recovered in the event of default (Loss given default), defined on the basis of past experience and possible recovery actions that can be carried out.

Write-downs of trade receivables and other receivables are recognised in the income statement, net of any write-backs, under the item "Write-downs of receivables and other provisions".

Cancellation criteria

The financial assets sold are eliminated from the balance sheet assets when the contractual rights related to obtaining the cash flows associated with the financial instrument expire, or are transferred to third parties.

6 – 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 vis-à-vis 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 Company 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 Company 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.

7 - 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" (item 120).

The provisions include in particular the provisions to cover:
- the Company's legal disputes, with particular reference to the risks associated with possible revocation actions, and operational risks associated with the provision of services on behalf of third parties, and in general against any other operational risk as a result of complaints received by the customers.
- any other provision committed against specific charges and/or risks of a different nature, which the Company has contractually or voluntarily assumed to satisfy the effects for certain, even if at the date of the financial statements they are not still specifically formalised.

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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.

The allocation to provisions for risks and charges for corporate restructuring covers significant reorganisations that have a significant effect on the nature and strategic direction of the business activities. The provision mainly includes consultancy costs for the restructuring plan.

Provisions made against provisions for risks and charges are included in the income statement item “net provisions for risks and charges”.

8 - Financial liabilities measured at amortised cost

Entry criteria

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

Deposits from banks and customers, and Debt securities issued include the various forms of interbank funding and with customers, repurchase agreements with forward repurchase obligations and deposits made through certificates of deposit, bonds and other instruments of outstanding deposits, net of any repurchased amounts.

Also included are payables recognised by the company as lessee in leasing transactions.

Evaluation criteria

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

An exception to this are 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".

9 - Derivative instruments

Recognition, classification, and measurement criteria

Derivative financial instruments, including embedded ones, are assets and liabilities measured at fair value.

The qualification of the transactions as hedges requires: (i) verification that there is an economic relationship between the hedged item and the hedging instrument, so that changes in value are offset against each other and that this offsetting ability is not impaired by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives, as part of the defined risk management strategy, and where necessary carrying out the appropriate rebalancing actions.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments, the derivatives are recognised at fair value with the effects recognised in the income statement. When the derivatives hedge the risks of changes in the cash risks of the hedged instruments, the changes in fair value of the derivatives considered effective are initially recognised in the equity reserve relating to the other components of the comprehensive result and subsequently recognised in the income statement in line with the economic effects generated by the hedged transaction.

10 - Accruals and deferrals

Accruals and deferrals that include charges and income pertaining to the period accrued on assets and liabilities are recognised in the financial statements as an adjustment to the assets and liabilities to which they refer.

11 - 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:

g) 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. Interest income (or interest expense) also includes positive (or negative) spreads or margins accrued up to the reporting date, relating to financial derivative contracts:
   - hedging of assets and liabilities that generate interest;
   - classified in the Statement of financial position in the trading book, but operationally linked to financial assets and/or liabilities measured at fair value (fair value option);
   - operationally connected with assets and liabilities classified in the trading book and which envisage the settlement of spreads or margins with multiple maturities;

h) interest on arrears, possibly envisaged by contract, is recorded in the income statement only at the time of their actual collection;

i) dividends are recognised in the income statement during the year in which their distribution is resolved;

j) 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. Commissions considered in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;

k) profits and losses deriving from the trading of financial instruments are recognised in the income statement at the time of finalisation of the sale, based on the difference between the amount paid or collected and the book value of the instruments;

l) Revenues from the sale of non-financial assets are recognised when the sale is completed, unless most of the risks and benefits associated with the asset have been retained.

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.

12 - 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 5) 252 of 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.

13 - Cash and cash equivalents

Cash and cash equivalents provisions include cash and available bank deposits and other forms of short-term investment, with a maturity of less than three months.

14 - Treasury shares

The Company does not hold treasury shares.

15 - Shareholders' equity

Shareholders' equity includes:
- share capital;
- the share premium reserve;
- legal reserve;
- other reserves;
- losses from previous years not yet covered.

Estimates and assumptions

The preparation of these consolidated financial statements requires the Directors to apply accounting standards and methods which, for some items, are based on subjective valuations and estimates based on historical experience and on assumptions that are considered reasonable in certain circumstances.

The areas that required greater subjectivity are:
- impairment test: the performance of tests to determine any impairment of asset items requires the adoption of subjective assessments based on information available within the group and on the market;
- amortisation/depreciation: the economic life of tangible and intangible assets is estimated at the time of their acquisition on the basis of historical experience relating to similar assets, as well as on future forecasts that could have effects on the useful life of the assets;
- employee benefits: the values of provisions for risks related to personnel or the provision for employee severance indemnity are calculated on an actuarial basis. Any changes in the discount rate used affect the present value of these provisions. The rate used corresponds to that of "high quality corporate" bonds recorded on the market.
- Financial assets measured at fair value: these assets are measured through the use of business plans relating to the ABS securities. These business plans are reviewed on a semi-annual basis on the basis of the actual performance of loan recoveries and the performance of the reference market of the underlying guarantees;
- Derivatives: derivatives are measured at fair value on the basis of appropriate valuation techniques that use financial variables observable on the market where possible;

Business combinations: the recognition of business combinations implies the attribution to the assets and liabilities of the acquired company/platform of the difference between the purchase cost and the net book value. For the part not attributed to the assets and liabilities, the difference is recorded in the item "Goodwill".

A.3 - INFORMATION ON THE TRANSFER OF PORTFOLIOS OF FINANCIAL ASSETS

During the year, no transfers were made between different portfolios of assets held.

A.4 - INFORMATION ON FAIR VALUE

The fair value represents the consideration that could be received to sell an asset, or paid to transfer a liability, in a regular transaction between market participants at the measurement date. Reference is made to an ordinary transaction between independent counterparties in possession of a reasonable degree of knowledge of market conditions and of the relevant facts connected with the subject matter of the negotiation. In defining fair value, the assumption that an entity is in normal operating conditions and does not have an urgent need to liquidate or significantly reduce a position is fundamental. The fair value of an instrument reflects, among other factors, its credit quality as it incorporates the risk of default of the counterparty or issuer.

For financial instruments, the fair value is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns the highest priority to quoted prices (not modified) in active markets and less importance to unobservable inputs. Three different input levels are identified:
- Level 1: inputs represented by quoted prices (not modified) in active markets for identical assets or liabilities that the company can access at the measurement date;
- Level 2: inputs other than quoted prices included in level 1 that are observable, directly or indirectly, for the assets or liabilities to be measured;
- Level 3: inputs that are not based on data observable on the market.

The above-mentioned valuation approaches must be applied in hierarchical order. Therefore, if a price quoted in an active market is available, valuation approaches different from that of Level 1 cannot be followed. Moreover, the valuation technique adopted must maximise the use of observable factors on the market and, therefore, rely as little as possible on subjective parameters or "private information".

In the case of financial instruments not listed on active markets, the placement within the fair value hierarchy must be defined by considering among the significant inputs used to determine the fair value of the one that assumes the lowest level in the hierarchy. To this end, the significance of the inputs must be assessed with respect to the determination of the fair value in its entirety. This assessment requires a judgement that must take into account the specific factors of the asset or liability.

The valuation techniques used to determine the fair value are periodically calibrated and validated using variables observable on the market, to ensure that these represent the real market conditions and to identify any weaknesses in the same.

The fair value hierarchy was introduced in IFRS 7 exclusively for disclosure purposes and not for financial statement measurements. The latter, therefore, are carried out on the basis of the matters envisaged by IFRS 13.

Level 1

A financial instrument is considered to be listed on an active market when the relative price is:
- readily and regularly available from stock exchanges, MTFs, intermediaries, information providers, etc.;
- significant, i.e. it represents actual market transactions that regularly take place in normal trading.

To be considered Level 1, the price must also be unadjusted and, therefore, not adjusted through the application of a valuation adjustment factor. Otherwise, the fair value measurement of the financial instrument will be Level 2.

Level 2

A financial instrument is included in Level 2 when all significant inputs (other than the listed prices included in Level 1) are used directly or indirectly for the valuation of the same are observable on the market.

The Level 2 inputs are as follows:
- prices quoted in active markets for similar financial assets or liabilities;
- prices quoted in non-active markets for identical or similar financial assets or liabilities;
- inputs other than quoted prices, which are directly observable for the financial asset or liability (risk-free rate curve, credit spread, volatility, etc.);
- inputs that derive mainly or are corroborated (through correlation or other techniques) by market-corroborated inputs.

An input is defined as observable when it reflects the assumptions that market participants would use in pricing a financial asset or liability on the basis of market data provided by sources independent of the person making the valuation.

If a fair value measurement uses observable data, which requires a significant adjustment based on non-observable inputs, this measurement is included in Level 3.

Level 3

Level 3 of the fair value hierarchy includes the financial instrument whose fair value is estimated using a valuation technique that uses inputs not observable on the market, even indirectly. More specifically, to be included in Level 3 it is sufficient that at least one of the significant inputs used for the valuation of the instrument is not observable on the market.

In particular, this classification must be made if the inputs used reflect the evaluator's own assumptions, developed on the basis of available information.

Fair value levels 2 and 3: valuation techniques and inputs used

For financial instruments, the fair value is determined through the use of prices acquired from financial markets, in the case of instruments listed on active markets, or through the use of internal valuation models for other financial instruments.

In the absence of a listing of an active market or in the absence of a regular operation of the market, the determination of the fair value is mainly carried out through the use of valuation techniques with the objective of establishing the price of a hypothetical independent transaction, motivated by normal market considerations. These assessments include:

- the reference to market values indirectly linked to the instrument to be measured and inferred from similar products in terms of risk characteristics;
- valuations made (even only partially) by using inputs not taken from parameters observable on the market, for which recourse is made to estimates and assumptions made by the valuer.

Processes and sensitivity of valuations

The fair value measurements classified as Level 3, for positions other than short-term positions, regarded: ABS securities classified as financial assets measured at fair value through profit or loss and financial assets measured at amortised cost.

The valuation of the ABS securities was carried out using the income method with the present value technique, for which both an estimate of future cash flows and an adequate discount rate that incorporates the time value of money and the risk premium are required. The cash flows are taken from the business plans of the reference securitisations, appropriately adjusted to take into account the risks of a non-performance of the portfolio with respect to the baseline forecasts. The discount rate is based on a risk-free interest rate plus the risk premium.

The fair value measurement of residential mortgages was also carried out by discounting the expected cash flow of the loans, adopting an increased risk-free rate.

Other information

The Company does not avail itself of the exception provided by paragraph 48 of IFRS 13 (fair value based on the net position) in relation to financial assets and liabilities with positions that offset with reference to market risk or counterparty risk.

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

For financial instruments, the fair value is determined through the use of prices acquired from financial markets, in the case of instruments listed on active markets, or through the use of internal valuation models for other financial instruments.

In the absence of a listing of an active market or in the absence of a regular operation of the market, the determination of the fair value is mainly carried out through the use of valuation techniques with the objective of establishing the price of a hypothetical independent transaction, motivated by normal market considerations. These assessments include:

- the reference to market values indirectly linked to the instrument to be measured and inferred from similar products in terms of risk characteristics;
- valuations made (even only partially) by using inputs not taken from parameters observable on the market, for which recourse is made to estimates and assumptions made by the valuer.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment: property, plant, machinery

Property, plant and equipment consist of assets received at the time of the spin-off from Credito Fondiario.

Euro migliaia

Immobilizzazioni materiali	2020	da scissione	acqisti	ammortamenti	2021
Macchine elettroniche e computer	-	382	26	(120)	288
Mobili e arredi	-	258	43	(86)	215
Telefonia e impianti di telecomunicazione	-	29	5	(5)	29
Immobili iscritti ai sensi dell'IFRS 16	-	5,038	206	(705)	4,539
Autovetture iscritte ai sensi dell'IFRS 16	-	70	23	(15)	78
Totale	**-**	**5,777**	**303**	**(931)**	**5,149**
di cui:					
costo storico	-	*6,080*	-	-	-
ammortamento	-	*931*	-	-	-

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Intangible assets

Intangible assets relate exclusively to the software used by the Group, which at 31 December 2021 had a residual value of Euro 680 thousand.

Euro migliaia

Immobilizzazioni immateriali	2020	da scissione	acqisti	ammortamenti	2021
Avviamento	-	-	-	-	-
Intangibile	-	-	-	-	-
Software	-	556	478	(354)	680
Totale	**-**	**556**	**478**	**(354)**	**680**

Investments

The equity investments were all acquired at the time of the spin-off and concern directly owned Group companies:

- Special Gardant for Euro 118,449 thousand;
- Master Gardant for Euro 8,198 thousand;
- Gardant Liberty Servicing for Euro 5,051 thousand;

and the Luxembourg-based company Gardant GP S.a.r.l. for Euro 12 thousand.

The figures relating to the equity investments required by regulations are shown below:

Denominazione	sede	capitale	patrimonio netto	utile (perdita) d'esercizio	valore di bilancio
Special Gardant S.p.A.	Via Piemonte, 38 Roma	210,000	112,198,634	(6,133,114)	118,449,448
Master Gardant S.p.A.	Via Piemonte, 38 Roma	2,160,000	8,487,378	291,640	8,198,410
Gardant Investor SGR S.p.A.	Via Piemonte, 38 Roma	690,000	4,029,720	(1,015,084)	5,051,351
Gardant GP S.a.r.l.	42-44 Avenue de la Gare Luxembourg	non disponibile	non disponibile	non disponibile	12,000.00

Deferred tax assets

Deferred tax assets, totalling Euro 358 thousand, concern the DTAs pursuant to Law 214/2011 for Euro 350 thousand and the tax impact on the actuarial valuation of the employee severance indemnity fund for Euro 8 thousand.

Prepaid taxes	2021	2020
Deferred tax assets on redemption of the higher value of Liberty Servicing	-	-
Deferred tax assets on previous losses	-	-
Deferred tax assets Law 214/2011	350	-
Deferred tax assets on actuarial valuation of post-employment benefits	9	-
Total	**359**	**-**

Other financial assets

The financial assets, in addition to a security deposit of Euro 20 thousand, concern:

	2021	2020
ABS securities	28,310	-
Forward Fund shares	10,000	-
Total	**38,310**	**-**

The Company's financial assets concern ABS for Euro 28,310 thousand and the units of the Forward Fund for Euro 10,000 thousand.

As explained in detail in the Management Report, the Company sold the majority of the investments received in the spin-off in order to achieve the capital light model chosen for the Group.

CURRENT ASSETS

Trade receivables

Trade receivables amount to Euro 2,895 thousand, of which Euro 167 thousand relating to other Group companies; trade receivables are written down on a collective basis by Euro 64 thousand.

Current tax receivables

Current tax credits refer to the receivables pursuant to the Cura Italia Decree (received in spin-off from Credito Fondiario), which have a residual value as at 31 December 2021 of Euro 2,854 thousand, and to the VAT credit which amounts to Euro 327 thousand.

Current tax receivables	2021	2020
Credit VAT	327	-
"Cura Italia" tax credit	2,854	-
Total	**3,181**	**-**

Other current assets

- Other current assets comprise of: multi-year prepaid expenses of Euro 193 thousand;
- receivables due from Group companies for advances on expenses for Euro 5 thousand;
- receivable from Gardant Liberty Servicing for the compensation for making the tax loss for the year available to offset the taxable income of the investee company for Euro 3,986;
- advances to personnel for Euro 13 thousand;
- receivables due from SPV Law 130/99 for advances on expenses for Euro 22 thousand;
- other receivables for Euro 217 thousand.

Cash and cash equivalents

Cash and cash equivalents amount to Euro 13,826 thousand.

SHAREHOLDERS' EQUITY

Share capital

As at 31 December 2021, the share capital amounted to 210,000.00, divided into 210,000 ordinary shares with a nominal value of Euro 1.00 each, and it was fully paid up and subscribed.

The Company has no treasury shares in its portfolio.

Reserves

The changes in shareholders' equity reserves during the year are shown in the tables of these financial statements.

LIABILITIES

Loans

The loans concern:

Long-term loans concern all liabilities related to the recognition pursuant to IFRS 16 of leased assets and offices. These amounted to Euro 4,553 thousand for the non-current portion and to Euro 468 thousand for the current portion.

Employee benefits and Provisions for risks

As at 31 December 2021, Employee benefits included the Provision for Post-Employment Benefits for a total of Euro 662. This provision is calculated on an actuarial basis in accordance with IAS 19.

The economic and demographic assumptions used in the actuarial valuations are detailed below:
- Discount/discount rate 0.70%
- Inflation rate 1.80%
- Wage growth rate N/A
- Expected mortality rate IPS55
- Expected disability rate INPS model

The spin-off received a post-employment benefits fund of Euro 681 thousand. During the year, the Fund was used for Euro 175 thousand; the provision for the year was Euro 142 thousand if we also consider the amount of Euro 14 thousand set aside on fees to be paid to personnel in the future year.

Trade payables

Trade payables refer to invoices received or to be received for the purchase of goods or services. At 31 December 2021, they amounted to Euro 3,828 thousand.

Other liability items

Other liabilities include:
- amounts to be paid to personnel and the related contributions for Euro 3.603 thousand;
- payables for cash pooling with Group companies for Euro 16,672 thousand;
- deferred income for Euro 27 thousand;
- withholdings to be paid for Euro 810 thousand;
- contributions for Euro 653 thousand.

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PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

REVENUES

Revenues

The Company's revenues regard interest income received during the year for Euro 15,245 thousand and fees paid to the parent company by the Group companies for the role of corporate centre for Euro 3,874 thousand.

Nature of revenues	2021	2020
Net gains on investments in ABS securities	15,245	-
Corporate servicing fees for Group companies	3,874	-
Total	**19,119**	**-**

All revenues are generated in Italy.

Other revenues

Other revenues concerned the recovery of social security contributions for Euro 23 thousand, rental income received by Group companies for Euro 425 thousand and rent receivable from Credito Fondiario for Euro 174 thousand.

	2021	2020
Recovery of personnel contributions	23	-
Rental income	552	-
Other	46	-
Total	**621**	**-**

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COSTS

Costs for services

The table below details the costs for services:

	2021	2020
IT costs	410	-
Costs for business development	304	-
Consultations	958	-
External support for debt collection activities	-	-
External support for activities	135	-
Land registry entries and mortgage registrations	-	-
Services received for personnel selection and payroll processing	227	-
Accounting audit	66	-
Rating agencies	34	-
Maintenance	276	-
Postal services	38	-
Telephone	111	-
Representation	77	-
Corporate bodies	418	-
Policies	185	-
Cleaning	92	-
Notary fees	71	-
Others	348	-
Total	**3,750**	**-**

Costs for use of third-party assets

The breakdown of costs for use of third party assets is provided below:

Expenditure type on the use of third-party assets	2021	2020
Annual fees for IT products	903	-
Rent and condominium head office charges	43	-
Equipment rental	16	-
Car rental	2	-
Total	**964**	**-**

Personnel costs

Details of personnel expenses are as follows:

Nature of personnel costs	2021	2020
Wages and salaries	3,454	-
Social security charges	751	-
Revenue from secondment of staff	(4)	-
Post-employment benefits	142	-
Other personnel expenses	146	-
Total	**4,489**	**-**

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The item amortisation, depreciation and write-downs is detailed below:

Nature of write-downs and amortisation/depreciation	2021	2020
Depreciation of tangible assets	211	-
Amortisation pursuant to IFRS 16	720	-
Software amortisation	354	-
Amortisation of intangible assets	-	-
Write-down of trade receivables	50	-
Write-down of goodwill	-	-
Total	**1,335**	**-**

OTHER OPERATING EXPENSES

Other operating expenses, which amounted to Euro 182 thousand at 31 December 2021, concerned:
- expenses for COVID-19 medical supplies for Euro 89 thousand;
- indirect taxes of Euro 11 thousand;
- volumes, magazines and publications for Euro 15 thousand;
- expenses for stationery for Euro 19 thousand;
- entertainment expenses for Euro 18 thousand;
- other expenses for Euro 30 thousand.

FINANCIAL INCOME AND EXPENSES

The item includes the following amounts:

Financial charges: detail	2021	2020
Loss from trading securities	42,756	-
Interest expense on notional liabilities (assets sold and not de-recognised)	3,575	-
Charges arising from the adoption of IFRS 16	54	-
Bank costs	6	-
Total	**46,391**	**-**

The loss from securities trading is a non-recurring cost deriving from the disposal to Fondo Master of the majority of the investments received by the Company under spin-off and disposed of in order to achieve the capital light model chosen for the Group.

The interest expense recorded on fictitious liabilities recorded against the assets sold and not de-recognised corresponds to the interest accrued on the ABS notes of third-party investors during the period of maintenance of the investment in these assets.

TAXES

Taxes for the year show a positive balance of Euro 2,835 thousand.

The Company made available, at the tax consolidation level, its own loss for the year to offset the taxable amount of the company Gardant Liberty Servicing, with a fee due of Euro 3,986 thousand, equal to the taxable income multiplied by the rate in force.

On the other hand, DTAs received in the spin-off and not usable according to the probability test conducted at 31 December 2021 for a total of Euro 1,151 thousand were reversed off balance during the year.

PART D - OTHER INFORMATION

Disclosure of risks and related hedging policies

The Group has a complex Internal Control System ("ICS"), which operates within the reference organisational model, in order to support the systematic execution of all operational and business activities carried out in line with the assigned mission, the strategies, and objectives pursued. The Internal Control System, as a tool for monitoring the assumption and ongoing management of risks, concerns not only the Functions responsible for controls, but involves all the corporate structures of the Group Companies through the definition, application and development of mechanisms, methodologies and tools capable of identifying, measuring/assessing, managing/mitigating risks and ensure adequate disclosure to the corporate bodies.

The Group Controls structure, under the responsibility of the Chief Controls Officer (CCO), carries out audits on the Parent Company, with particular reference to the investments area, and oversees/performs controls on a centralised level on the Special Gardant operations, including those of the subsidiary Gardant Liberty Servicing. The structure supports the Control Functions of Master Gardant and Gardant Investor SGR, ensuring the harmonisation of the models and processes for identifying, measuring and monitoring risks and guaranteeing an adequate level of independence of the same in carrying out and executing control activities.

The structure also provides for the centralised management of controls in the Data Protection & IT Risk area, ensuring the integrated monitoring of personal data processed by Gardant, as well as all Group companies, in compliance with the provisions of the GDPR "European Regulation of the Protection of Personal Data"; it also carries out second-level controls on IT risks for all Group companies.

Support to the structures and resources dedicated to the internal control activities of each subsidiary and the control structure of Gardant is ensured through:

preparation of a management framework for the main risks (e.g. credit, operational, liquidity) identified at Group level, and shared with the individual subsidiaries;

alignment and standardisation of the methodologies, tools and operating practices used in terms of controls and also in the context of regulatory support and internal procedures;

constant monitoring and development of the external regulatory context and updating of all the Functions involved, both at Parent Company and Group company level.

The structure also guarantees the second and third level controls of Special Gardant and Gardant Liberty Servicing, through the provision of the services defined in the "Corporate Centre" contract.

Group Controls reports directly to the Board of Directors; it periodically reports to the BoD and the Board of Statutory Auditors on the initiatives undertaken, on the dysfunctions ascertained, and on the related corrective actions to be taken, as well as on the integrated risk reporting.

The Group Controls structure also collaborates with the Supervisory Body to carry out its control activities, bringing to the attention of the same any critical issues found during its audit activities, with particular reference to those potentially connected to profiles of risk of committing significant offences pursuant to the Decree and monitoring that the competent corporate structures carry out the mitigation actions identified in relation to these critical issues.

The Parent Company's activities are exposed to the following risks:
- Liquidity risk,
- Credit risk,
- Operational risk,
- Interest rate risk.

The following sections provide guidance on the incidence of these risks.

Liquidity risk

The establishment of the Group allowed the implementation of a centralised liquidity management at a consolidated level in order to optimise the overall liquidity balance, preserving the peculiarities of the business of each subsidiary.

The Group's objective is to maintain a balanced management of its financial exposure over time, in order to guarantee the coherence of the liability structure with the composition of the balance sheet assets, while ensuring the necessary operating flexibility through the use of the liquidity generated by current operating activities and recourse to bank loans.

The ability to generate liquidity from ordinary operations, together with its borrowing capacity, therefore allows the Group to adequately meet its operating needs, financing the operating working capital and investments, as well as meeting its financial obligations.

Following the establishment of the Group, the management of the Treasury of the Gardant Group has changed from a model centralised on the current accounts of a single legal entity (i.e. Credito Fondiario S.p.A.) to a split model on the following four companies:
- Gardant S.p.A.;
- Master Gardant S.p.A;
- Gardant Investor SGR S.p.A.;
- Special Gardant S.p.A.

In order to replicate the advantages of the centralised management of the Group Treasury and to meet the need to formalize the underlying financial relationship between the aforementioned companies, a Group cash pooling mechanism was activated.

The Group's financial policy and the management of related financial risks are centrally guided and monitored. In this regard, the Parent Company, through the Group Controls structure and with the support of Planning & Control and the Treasury, carries out a quarterly monitoring of the Group's consolidated liquidity level 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.

Specifically, the analysis of the actual and prospective level of liquidity is performed with respect to a minimum liquidity buffer to be held at Group level to ensure ordinary operating activities.

In the presence of a negative deviation from the reference Liquidity Buffer, a process has been defined to activate specific escalation mechanisms towards the Corporate Bodies and potential remedial actions have been identified to be implemented based on the severity and persistence of the deviation.

Credit risk

Credit risk is the risk that a counterparty will not fulfil its obligations linked to a financial instrument or a commercial contract, therefore leading to a financial loss. This risk mainly derives from economic and financial factors, or from the possibility that a counterparty defaults. Gardant is exposed to credit risk deriving primarily from its operating activities, i.e. from trade receivables and deposits with leading banks and financial institutions and other financial instruments.

With reference to trade receivables, characterised by a short-term life that is extinguished with the balance of the invoice, it should be noted that they amount to 2.9 million mainly attributable to counterparties belonging to the group (i.e. intercompany receivables).

At each balance sheet date, these receivables are also subject to an assessment to determine whether there is any evidence that the carrying amount of the assets may not be fully recoverable.

As of 31 December 2021, the main commercial counterparties are banks and important investment funds with a high credit standing, as well as special purpose vehicles established pursuant to Law No. 130 of 1999.

For a quantitative analysis, please refer to the note on trade receivables.

As regards the credit risk relating to relations with banks and financial institutions, Gardant only makes use of interlocutors of high credit standing. As at 31 December 2021, the liquidity of Gardant was invested in bank deposits held with leading credit institutions.

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).

Gardant uses external financial resources in the form of debt and uses available liquidity in bank deposits. Changes in market interest rates affect the cost and return of the various forms of financing and lending, therefore affecting the level of financial charges and income of Gardant.

The Company regularly assesses and monitors its exposure to the risk of changes in interest rates.

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) and conduct risk (i.e. the risk of incurring losses as a result of an inappropriate offer of financial services and the resulting legal costs, including cases of intentionally inadequate or negligent conduct).

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.

Gardant has strengthened the process of collecting operational loss data (Loss Data Collection), characterising it with a strictly bottom-up approach, in order to allow the recognition and registration of the losses generated or potential resulting from operational risk events. The purpose of this framework is to feed the Group's data warehouse on operational risks with the information necessary for: (a) identifying the causes of losses (risk factors); (b) the identification of mitigation actions, retention and transfer strategies; (c) reporting or analysis, within the periodic reporting, of operational risk events. This process is based on a decentralised loss data collection model, in which the reporting and validating Risk Owners with the support of the Group Controls and Accounting Department record the information necessary to feed the operating loss data warehouse on the basis of a defined data model.

Gardant has also developed a Business Continuity strategy that envisages the analysis of the impacts on operations and the identification of some crisis or 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.

Business continuity refers to the availability of critical resources, such as information, people, infrastructure, technology, communication networks, premises, which are needed to ensure the operation of the most critical business processes in emergency/crisis situations. The sudden unavailability of these resources may result in the interruption of operations, with consequent economic, regulatory and image impacts.

Gardant 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 (hereinafter also referred to as "BCP") provides for roles and 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.

Related party transactions

The Company has several servicing contracts with Group companies regarding:
- corporate centre services that the Company provides to other Group companies;
- cash pooling agreement entered into between Group companies in order to optimise liquidity management;
- tax consolidation management contract for direct taxes (IRES and IRAP).

On the basis of these contracts, the Company presents as at 31 December 2021 the following balances with Group companies:

Receivables	
Invoices to be issued to Gardant Liberty Servicing	47
Invoices to be issued to Master Gardant	61
Invoices to be issued to Credito Fondiario	36
Various receivables from Gardant Investor SGR	5
	149

Payables	
Payables to Special Gardant for cash pooling	11,807
Payables to Master Gardant for cash pooling	2,006
Payables from Gardant Investor SGR for cash pooling	2,859
Payables from Special Gardant for Group VAT	50
Payables from Master Gardant for Group VAT	62
Payables from Gardant Investor SGR for Group VAT	112
Deferred rent receivable from Special Gardant	11
Deferred rent receivable from Master Gardant	5
Deferred rent receivable from Gardant Investor SGR	2
	16,914

Revenues	
Corporate fees from Special Gardant	2,250
Corporate fees from Special Gardant	350
Corporate fees from Gardant Investor SGR	650
Corporate fees from Gardant Liberty Servicing	625
Rental income from Gardant liberty Servicing	132
Rental income from Special Gardant	156
Rental income from Gardant Investor SGR	24
Rental income from Master Gardant	66
Rental income from Credito Fondiario	174
	4,427

Remuneration of directors and auditors

The total remuneration paid to directors amounts to Euro 353 thousand; those paid to the auditors of Euro 54 thousand.

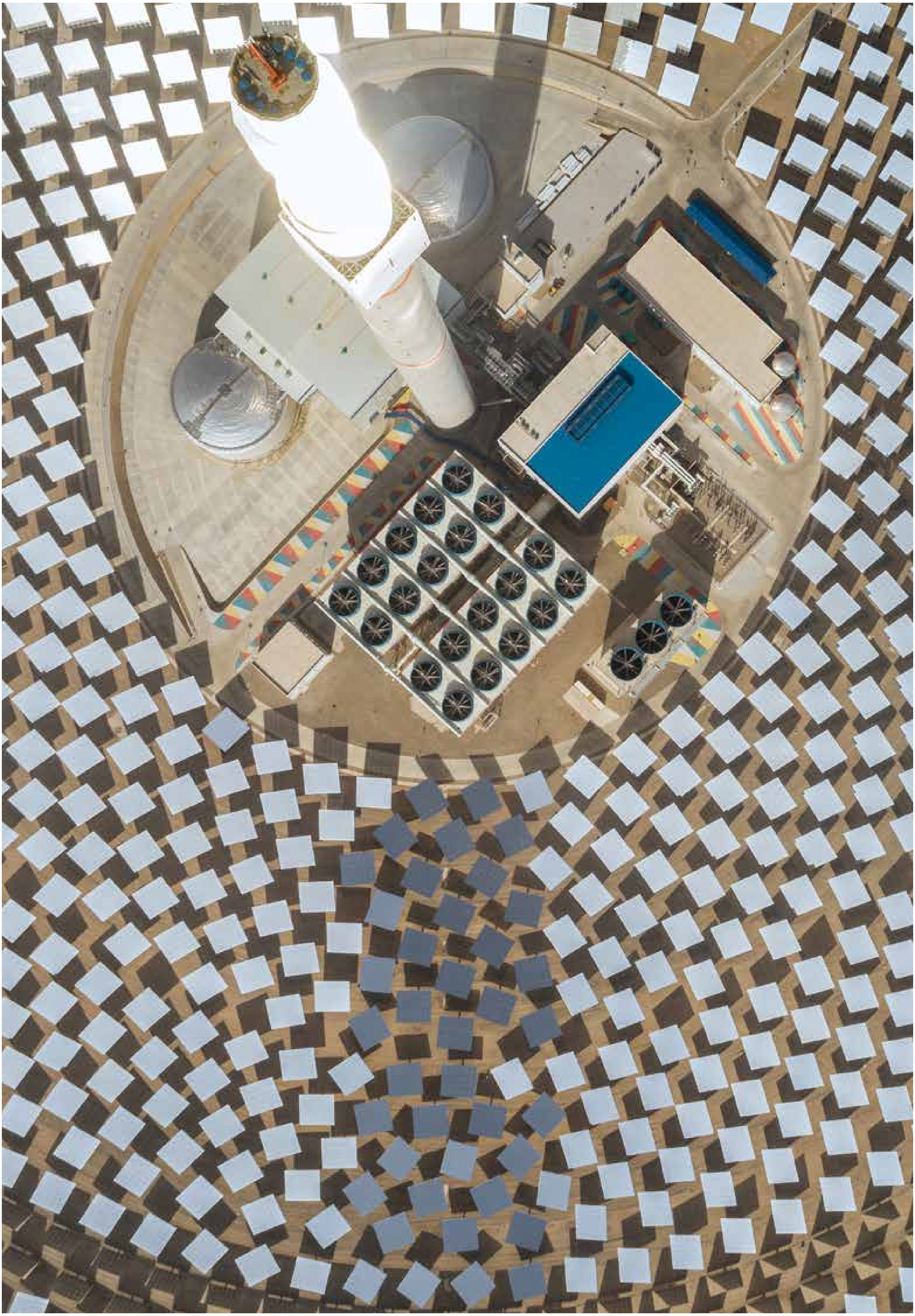
No advances or loans were paid to the members of the corporate bodies.

Average number of employees broken down by category

The average number of employees in 2021 was as follows:
- managers 9
- middle managers 47
- other employees 26

Proposal to cover the loss for the year

For the proposed coverage of the year, please refer to the specific part of the Management Report.



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