MASTER GARDANT

SEPARATED FINANCIAL STATEMENTS OF MASTER GARDANT S.P.A. FOR 2021

Master Gardant S.p.A.
Registered office: Via Curtatone 3, 00185 Rome
Fully subscribed and paid-up share capital - Euro 2,160,000.00
Tax code and Rome Business Register number 15758471005
Chamber of Commerce Economic
and Administrative Index (REA) RM - 1612039
Registration number in the Register pursuant to article 106 of the
Consolidated Law on Banking - 247
Belonging to the “Gardant Group”.
Subject to the management and coordination of Gardant S.p.A.
www.gardant.eu

MASTER
GARDANT

41,5 billions — Assets under master servicing

40 # — Managed vehicles

Assets — **10,8** milions

Net Equity — **8,5** milions

Regulatory capital — **8,5** milions

TCR % — **27,6** %

Total revenues — **3,4** milions

EBITDA — **0,5** milions

S&P — Above Average

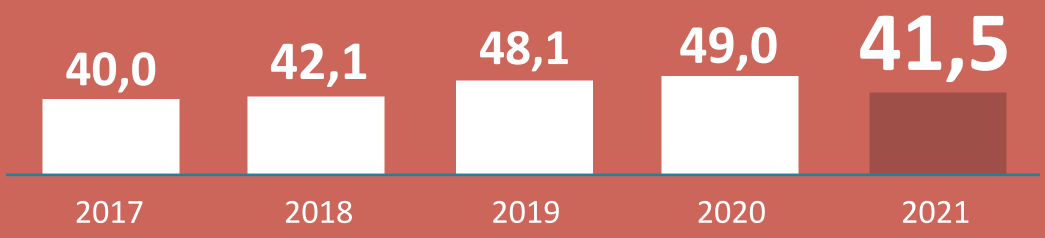
Fitch — MS2+

48 # — Employees
(incl. Secondments from/to
other legal eneities of the Group)

Assets under Managment

Solidity and stability

(Bilions Euro)



+1%

CAGR: 2017/2021

Consolidated data as of 31th December 2021
Euro

CONTENTS

CORPORATE OFFICERS, MANAGEMENT, SUPERVISORY BODY AND INDEPENDENT AUDITORS	**7**
Board of Directors	7
Board of Statutory Auditors	7
Supervisory Body pursuant to Italian Legislative Decree no. 231/2001	7
Independent auditors	7
MASTER GARDANT S.P.A.	**8**
Master Gardant s.P.A.	8
Gardant Group	8
Shareholding structure	10
Business segments	10
Master Servicing assets	11
Organisational model	11
Geographical network	12
Human resources	13
Technological resources	13
Rating	14
MANAGERIAL REPORT	**15**
Macroeconomic scenario	15
Greater focus on UtPs	*15*
Macroeconomic situation	*15*
Credit sector in Italy	*16*
UtP loans as a new asset class and servicing of performing loans	*16*
Significant events in 2021	17
Establishment of the Gardant Group	*17*
Spin-off of Credito Fondiario S.p.A.	*17*
Change of name	*19*
New mandates obtained in 2021	*19*
Mandates terminated in 2021	*19*
Servicing driven industrial business model	*19*
Asset light balance sheet structure	*19*
Approval of the 2022-2024 business plan	*20*
Information on the SARS COVID-19 phenomenon	20
Information on operations of Master Gardant	21
Main economic-financial and dimensional indicators of Master Gardant	*21*
Analysis of the economic trend	*22*
Reclassified income statement	*23*

MASTER GARDANT

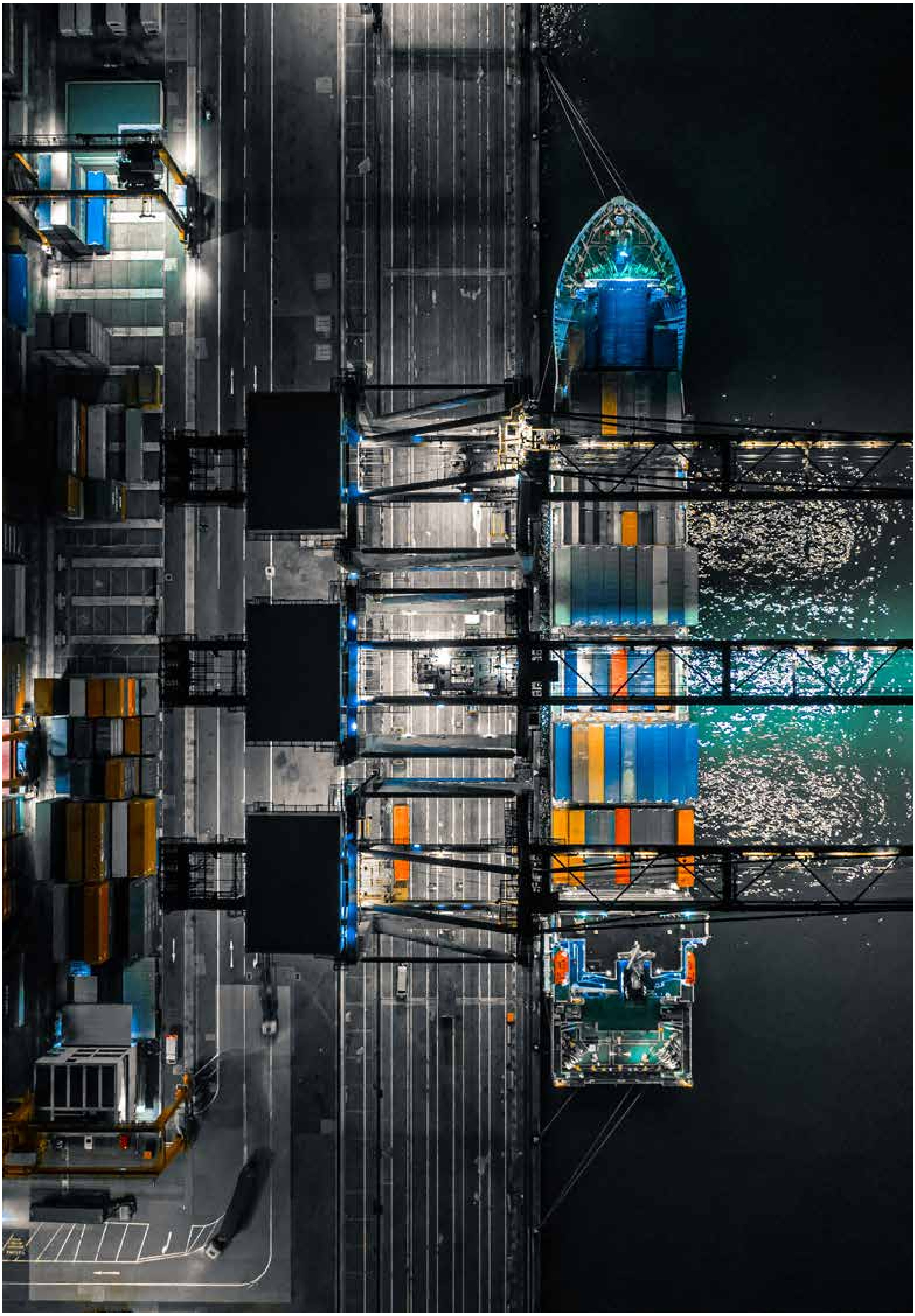
Analysis of the financial position 24
Master Gardant segregated assets 25
Assets under administration 25
Other information 25
Research and development activities 25
Treasury shares 25
Risk management 25
Events after the close of the year 26
Relations with Group companies 26
Business outlook and considerations on business continuity 26
ALLOCATION OF THE PROFIT FOR THE YEAR **27**
FINANCIAL STATEMENTS **28**
Balance sheet as of 31 December 2021 28
Income statement as of 31 December 2021 30
Cash flow statement 31
Statement of Comprehensive Income 33
Statement of changes in shareholders' equity 2021 34
Statement of changes in shareholders' equity 2020 35
EXPLANATORY NOTES **36**
PART A – ACCOUNTING POLICIES 36
A. 1 – GENERAL PART 36
Section 1. Declaration of compliance with international accounting standards 36
Section 2. General preparation principles 36
Section 3. Events after the reporting date 38
Section 4. Other aspects 38
Use of accounting estimates 38
Master Gardant segregated assets 39
Independent Auditors 39
Interest rate risk 39
Approval of the financial statements 40
A.2 – SECTION ON THE MAIN ITEMS OF THE FINANCIAL STATEMENTS 40
1 – Financial assets measured at fair value through profit or loss (FVTPL) 40
Entry criteria 40
Classification criteria 40
Evaluation criteria 41
Cancellation criteria 41
Criteria for recognising income components 42
2 – Financial assets measured at fair value through other comprehensive income (FVOCI) 42
Entry criteria 42
Classification criteria 42
Evaluation criteria 42
Cancellation criteria 43
Criteria for recognising income components 43

3 – Financial assets measured at amortised cost 44
Entry criteria 44
Classification criteria 44
Evaluation criteria 45
Cancellation criteria 46
Criteria for recognising income components 47
4 - Investments 47
Recognition, classification, and measurement criteria 47
Cancellation criteria 48
5 – Property, plant and equipment 48
Entry criteria 48
Classification criteria 48
Evaluation criteria 49
Cancellation criteria 49
Criteria for recognising income components 49
6 – Intangible assets 49
Entry criteria 49
Classification criteria 49
Evaluation criteria 49
Cancellation criteria 50
Criteria for recognising income components 50
7 – Current and deferred taxation 50
Entry criteria 50
Classification criteria 50
Evaluation criteria 51
Criteria for recognising income components 51
8 – Financial liabilities measured at amortised cost 51
Entry criteria 51
Classification criteria 51
Evaluation criteria 52
Cancellation criteria 52
Criteria for recognising income components 52
9 – Provisions for risks and charges 52
Entry criteria 52
Classification criteria 52
Evaluation criteria 53
Cancellation criteria 53
Criteria for recognising income components 53
10 – Other information 53
Treasury shares 53
Accruals and deferrals 53
The classification criteria for financial assets 53
SPPI test 53

Business model 54
Methods for determining the amortised cost 55
Methods for determining impairment losses 56
Impairment of financial assets 56
Impairment losses on performing financial assets 56
Impairment losses on non-performing financial assets 57
Recognition of revenues and costs 58
Post-employment benefits 59
A3 – INFORMATION ON THE TRANSFER OF PORTFOLIOS OF FINANCIAL ASSETS 59
A4 – INFORMATION ON FAIR VALUE 59
Qualitative disclosure 59
A.4.1. Fair value levels 2 and 3: valuation techniques and inputs used 59
Level 1 60
Level 2 60
Level 3 60
Fair value levels 2 and 3: valuation techniques and inputs used 61
A.4.2. Processes and sensitivity of valuations 61
A.4.3. Fair value hierarchy 61
A.4.4. Other information 61
Quantitative disclosure 62
A.4.5. Fair value hierarchy 62
A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level 62
A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3) 62
A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3) 62
A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level. 62
A5 – INFORMATION ON THE SO-CALLED "DAY ONE PROFIT/LOSS" 62
PART B – INFORMATION ON THE BALANCE SHEET 62
Asset 63
Section 1 – Cash and cash equivalents 63
Section 4 – Financial assets measured at amortised cost 64
Section 7 – Participations 69
Section 10 – Tax assets and tax liabilities - Asset Item 100 and Liability Item 60 60
Section 12 – Other assets 70
Liabilities 70
Section 1 – Financial liabilities measured at amortised cost - Item 10 70
Section 6 – Tax liabilities – Item 60 70
Section 8 – Other liabilities – Item 80 70
Section 9 – Post-employment benefits 71
Section 11 – Items 110, 120, 130, 140, 150, 160, and 170 71
PART C – INFORMATION ON THE INCOME STATEMENT 72
Revenues 72
Section 2 – Fees and commissions – Items 40 and 50 72

Section 8 – Net value adjustments/reversals due to credit risk – Item 130 73
Section 10 – Administrative expenses – Item 160 74
Section 14 – Other operating income and expenses – Item 200 75
Section 19 – Income taxes for the year – Item 270 76
PART D – OTHER INFORMATION 77
Section 3 – Disclosure of risks and related hedging policies 77
Introduction 77
3.1 Credit risk 78
Qualitative disclosures *78*
General aspects *78*
Impacts deriving from the COVID-19 pandemic *78*
Credit risk management policies *79*
Non-performing financial assets *79*
3.2 Market risk *79*
Interest rate risk on the banking book *84*
Models and other methods for measuring and managing interest rate risk *85*
3.3 Operational risk 85
Qualitative disclosures *85*
Operational risk management and monitoring *86*
Quantitative disclosures *86*
3.4 Liquidity risk 87
Qualitative disclosures *87*
The liquidity risk measurement and management system *87*
Quantitative disclosures *88*
3.5 Concentration risk 89
Qualitative disclosures *89*
The concentration risk measurement and management system *89*
Quantitative disclosures *90*
Section 4 – Information on equity 90
4.1 Company equity 90
4.1.1 Qualitative disclosures *90*
4.1.2 Quantitative disclosures *91*
4.2 Own funds and regulatory ratios 91
4.2.1 Own funds *91*
4.2.1.2 Quantitative disclosures *91*
4.2.2 Capital adequacy *92*
Section 5 – Statement of Comprehensive Income 93
Section 6 – Related-party transactions 94
6.1 Information on remuneration of key management personnel 94
6.2 Loans and guarantees issued in favour of directors and statutory auditors 94
6.3 Information on transactions with related parties 94
Other information 94
Disclosure pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code 95

SECTION DEDICATED TO SEGREGATED ASSETS 97
Assets for "Cube Gardenia" 97
Assets intended for "Este Restart" 98
Assets intended for "Gimli New Levante" 99



CORPORATE OFFICERS, MANAGEMENT, SUPERVISORY BODY AND INDEPENDENT AUDITORS

Board of Directors[1]

Bruno MANZONE	Chairman
Alberto DE MAGGI	Chief Executive Officer
Paola COLOMBO	Director

Board of Statutory Auditors[2]

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

Supervisory Body pursuant to Italian Legislative Decree no. 231/2001

Massimo CREMONA	Chairman
Roberta BATTISTIN	Member
Corrado GATTI	Member

Independent auditors[3]

KPMG S.p.A.

1 The new members of the Board of Directors were appointed by resolution of the Shareholders' Meeting of 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 31 May 2019 and with the term of office expiring on the date of approval of the financial statements as of 31 December 2021. By means of resolution of 11 December 2019, it was also appointed Supervisory Body pursuant to Legislative Decree 231/2001.
3 The current task of the independent auditors was assigned at the time of incorporation of the Company, expiring on the date of call of the shareholders' meeting for the approval of the financial statements as of 31 December 2022. Subsequently, following the attainment of the authorisations from the Bank of Italy, on 12 October 2021 the Board of Directors acknowledged the new proposal of the independent auditors relating to the temporal extension of its mandate until the date of approval of the annual financial statements as of 31 December 2029. The current mandate of the independent auditors was extended, by resolution of the Shareholders' Meeting of 24 November 2021, to the date of the Shareholders' Meeting to approve the annual financial statements as of 31 December 2029.

MASTER GARDANT S.p.A.

Master Gardant S.p.A.

Master Gardant S.p.A. ("Master Gardant" or the "Company"), was established on 24 June 2020 as CF Master Servicing S.p.A. and is 100% owned by Gardant S.p.A. (hereinafter also referred to as "Gardant" or the "Parent Company", or the "Company", formerly "CF HoldCo S.p.A.""), Parent Company of the Gardant Group of the same name to which it belongs (hereinafter also the "Group").

The Company carries out the collection of transferred receivables and cash and payment services as part of securitisation transactions with the public (so-called servicing), the activity of granting loans in any form, with the exception of the issue of guarantees as well as related or instrumental activities, in compliance with the regulations established by the Bank of Italy.

In the role of Master Servicer, the Company assumes control and monitoring of the entire securitisation transaction pursuant to Law 130/1999, when portfolio management is entrusted to third-party companies (the "sub-servicers") and may, among other things:
- verify the suitability of the sub-servicer structure to manage the securitised assets;
- check the compliance of the transaction on the basis of the contracts and Law 130/1999;
- monitor cash flows and verify debt collection activities;
- verify and issue the periodic reports required by each transaction.

The Company obtained the authorisation to operate as a Financial Company registered under Article 106 of the TUB (Italian Banking Law) on 22 June 2021.

Gardant Group

The Gardant Group is an industrial group that provides services mainly related to receivables.

The Parent Company is Gardant S.p.A.

The Gardant 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", formerly Fonspa S.p.A.), developed since 2013 at the time when Tages acquired Fonspa S.p.A. and, after a thorough reorganisation, refocused the business model on the investment and management of non-performing exposures.

The gradual entry of Elliott Management Corporation into the Bank's shareholding structure between 2015 and 2017 and the achievement of important partnerships with the Banco-BPM Group and with the Carige Group between 2018 and 2021 made it possible to become one of the leading market operators in Italy in the sector of investment and management of non-performing exposures, with servicing contracts for over Euro 45 billion in loans under management and over Euro 1.2 billion (of the price paid) in investments, by virtue of a single model, based on the integration of activities and services and on a strong specialisation in the sector of problem corporate loans and those secured by mortgages on real estate.

The search for new models of operational and financial efficiency and the desire to be increasingly proactive in seizing the market opportunities have more recently led the shareholders of Credito Fondiario to reorganise their activities, creating two operating hubs: an industrial hub for asset management, debt purchasing and credit servicing, and a banking hub.

Through two different spin-off transactions, the investment and management activities of non-performing exposures were merged into different entities of the Gardant Group.

The Group mainly consists of the following companies:
- Gardant S.p.A. (hereinafter "Gardant" or the "Parent Company" or the "Company", formerly "CF HoldCo S.p.A.""), the parent company which incorporates all the centralised structures and various *business* units, including the *capital markets* and the *portfolio monitoring*;
- Gardant Investor SGR S.p.A. (hereinafter also "Gardant Investor SGR" or "SGR"), the *asset management* company 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* ("Master Fund"), currently still in the *fund raising* phase, which raised capital of Euro 60.6 million at the end of 2021, of which Euro 52.8 million already invested in *mezzanine* and *junior* notes of securitisations with asset-backed securities 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 non-performing exposures 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 non-performing positions originated by Banco BPM Group.

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

The Gardant Group has two long-term strategic partnerships in the administration, management and investment of non-performing exposures 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 counter value of 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 spin-off: for example, Mirko Briozzo (current CEO of Gardant), and Guido Lombardo (current CEO of Gardant Investor SGR), were key members of the group of entrepreneurs and investors who worked on the development of the business, model and organisation from 2013 to the launch of the Gardant Group. The Group management team has been enriched, even more recently, with numerous new professionals, to support the growth and development of the business.

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

At the time of establishment of the new Group, a Group ESG strategy was adopted to promote and integrate environmental, social and governance issues related to the Group's business and activities into the decision-making process and operations, with the aim of contributing to development for a sustainable future. Specifically, the first Board of Directors' meeting of 27 July 2021 of the Parent Company also approved:
- *ESG Policy*, which outlines the commitment and related roles and responsibilities within the Group to integrate ESG factors into various aspects of its operations and business;
- *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;
- ESG Master Plan, which sets out on a multi-annual basis the concrete actions to ground the principles and objectives

established in the policies.

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

Shareholding structure

As of 31 December 2021, the Company is wholly owned by Gardant S.p.A. and is part of the Gardant Group.

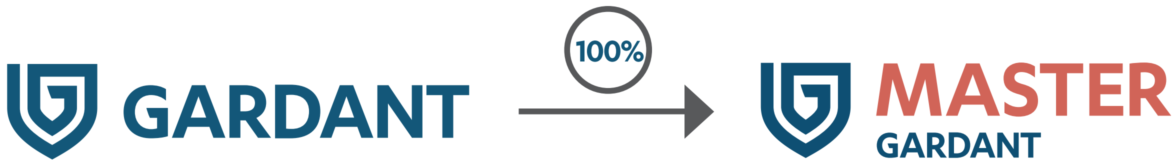


Figure 2: Shareholders of Master Gardant S.p.A.

Business segments

Thanks to an advanced technological infrastructure, Master Gardant is able to cover the entire chain of services for securitisation transactions, such as the establishment of special purpose entities under Law 130/99 ("SPV"), corporate servicer, calculation agent, representative of noteholders, monitoring agent, paying agent, and cash manager.

In particular, the Company may carry out:
- provision of mandates for the management, recovery and collection of receivables, as well as servicer activities in the context of transactions carried out pursuant to Law no. 130 of 30 April 1999 and its subsequent amendments and additions, within its permitted limits;
- provision of administrative, technical, consultancy, assessment, and organisational assistance and statistical analysis services provided to banks, financial institutions, and companies operating in the context of securitisation transactions pursuant to Law no. 130 of 30 April 1999;
- possibility of subscribing a portion of the bond issues or of the loan, also for the purpose of fulfilling retention obligations pursuant to the reference regulatory provisions, in transactions in which the Company acts as sponsor, appointed party pursuant to art. 1, paragraph 1-ter, letter c) of Law no. 130 of 30 April 1999, originator, and/or assumes the role of servicer;
- assistance in financial structuring in the context of securitisation transactions, the identification of borrowers of loans granted by the securitisation companies pursuant to art. 1, paragraph 1-ter, letter a) of Law no. 130 of 30 April 1999;
- the purchase and management of loan agreements or credit agreements and the related disbursement commitments and the management of the loans sold and the loans granted by the securitisation companies pursuant to art. 3 of Law no. 130 of 30 April 1999;
- activities related to the disbursement of loans by special purpose vehicles pursuant to Law no. 130 of 30 April 1999; assistance, consultancy, and administrative services in favour of companies (other than those established pursuant to Law no. 130 of 30 April 1999) issuing bonds/minibonds;
- processing, preparation, and control of accounting data and anything else pertaining to services relating to economic and administrative matters; the preparation of financial statements, statements, and communications due to Public Administrations and supervisory reports; the coordination of legal actions (to be entrusted to lawyers enrolled in the registers) for the recovery of individual receivables or items of outstanding or substandard receivables, including the administrative and accounting organisation relating to the various debt positions;
- supervisory obligations and provision of reporting and/or advisory services to the various national and/or European

Union control and/or supervisory bodies;
- incorporation, registration and administration of special purpose vehicles and Lease.co and Reo.co. support vehicles as well as all related and instrumental transactions.

The strong collaboration of the Company with the other companies of the Gardant Group makes it possible to offer an integrated and complete solution of services in the context of securitisation transactions of performing and non-performing exposures, private or public, relating to different types of assets, also with government guarantee.

Master Servicing assets

As of 31 December 2021, the total assets under administration by Master Gardant amounted to Euro 41.5 billion, divided among 727 thousand positions and 67 portfolios.

Administered volumes decreased compared to the previous year as the 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. (under compulsory liquidation) and Veneto Banca in L.c.a. (under compulsory liquidation) was taken over by Amco S.p.A. already appointed manager of the two Segregated Assets pursuant to Italian Law Decree 99/2017 and Ministerial Decree 221/2018.

In addition, during the year, the Danubio S.r.l. securitisation was sold to third parties and the Tibullo SPV S.r.l. securitisation was closed due to the termination of the underlying loans.

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 scale economies and synergies deriving from overall coordination at a consolidated level.

Figure 2: Organisational model of the Gardant Group

In particular, at Group level, on the one hand, the specific activities were centralized 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 Group companies makes it possible to optimise the operations of the functions and 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, and the terms and conditions.

Geographical network

As of 31 December 2021, the Gardant Group is present in Italy with 7 offices: the registered and operational headquarters in Rome, the representative office and another primary operational office 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 3: Offices and operational offices of the Gardant Group as of 31 December 2021

The decision to have physical offices in the reference territory, originating from the desire to ensure physical proximity with the majority of the borrowers of the managed portfolios has proved, in the last few years of the SARS COVID-19 pandemic, to be an important point of strength that has enabled the managers and all the Group's personnel, 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.

Within the Gardant Group, taking into account the specific activities carried out and the desire to enhance the related scale economies, Master Gardant concentrates its operations in the offices of Rome, Genoa, and Milan.

Human resources

As of 31 December 2021, the number of employees of Master Gardant totalled 47 people.

At the end of 2021, the composition of the personnel showed a slight prevalence of female resources (57%).

The recorded age of approximately 45 years, and a seniority of approximately 12 years, demonstrates 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.

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

All employment relationships of Master Gardant 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.

The geographical location of Master Gardant employees is distributed in 3 cities in which the Group operates. In each city there is only one operational office.

During the 2021 financial year, in consideration of the persisting health emergency due to the SARS COVID-19 pandemic, the Company, like the other Group companies and in compliance with the legal provisions in force, supported by a technological infrastructure that allows it to be able to perform substantially 100% of the work activities remotely, and has made abundant use of the agile work institute to minimise the risk of possible contagion for its employees. In particular, periods in which all personnel were expected to be present in the office (except for the exclusions envisaged by Law) alternated with other periods in which, in consideration of the trend of the pandemic guaranteeing a presence of 50%, all employees were given free choice to work in the Company's offices or in remote mode.

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

Company	days/illness	days/parental leave	days/maternity	days/injury
Master Gardant S.p.A.	16	-	93	-

Table 1: days of sickness or injury recorded in 2021

Technological resources

The IT systems are managed at the level of the Parent Company and are built around the same 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.

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*.

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

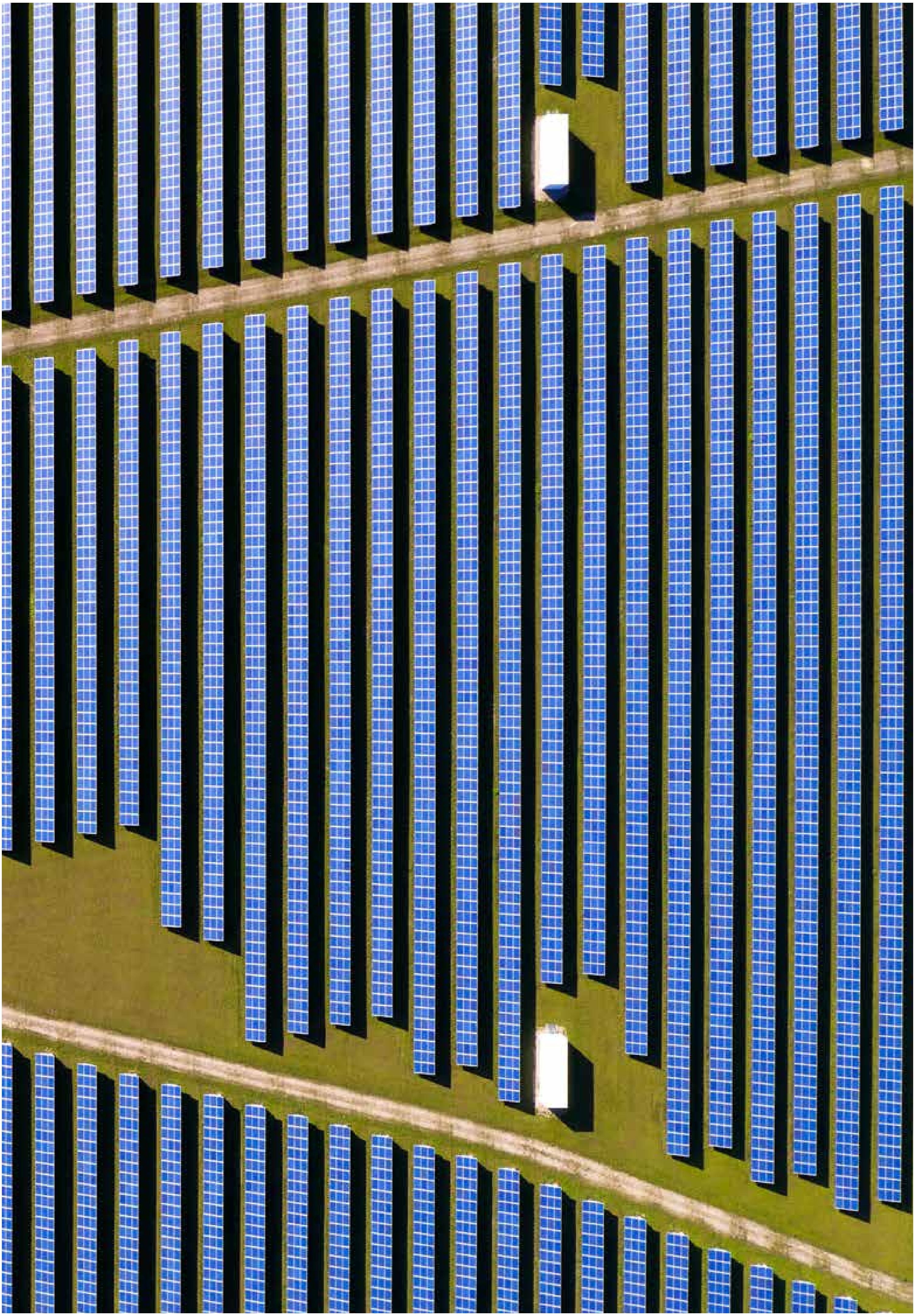
Rating

The platform for the management of non-performing exposures 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 on Master servicing issued by the two rating agencies are:

Rating Agency	Master Servicer Rating
S&P	Above Average
Fitch Ratings	MS2+

Table 2: 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 SARS COVID-19 pandemic. Since the second half of 2021, however, inflation has also risen, driven by the increase in the price of energy and raw materials.

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

In Italy, the growth of productive activities in 2021 was +6.5%, recovering most of the drop recorded in 2020. This growth was made possible not only by the recovery of the global economy in general, but also by the vigorous 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 sector of investments and management of non-performing loans remains fundamental in Italy, despite the fact that Italian banks have gradually reduced the stock of non-performing exposures ("NPEs") from Euro 341 billion in 2015 to Euro 99 billion at the end of 2020 through numerous de-risking and deleveraging transactions of their financial statements, transferring the ownership of these positions to third-party investors and the management to special servicers. Despite the deleveraging carried out by banks in recent years, a significant stock of NPEs remains to be managed, currently estimated at around Euro 400 billion, both owned by banks and 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 UtP receivables, 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 exposures by many banks. During 2021, there were also several NPL transactions on the secondary market, with a streamlining of transaction structures and/or a more specific segmentation of portfolios aimed at increasing the efficiency and effectiveness of operational management.

Italian banks still remain vulnerable, particularly those with higher exposures to the sectors most affected by the pandemic or exposed to Eastern European countries. Moreover, some first signals of a possible new credit deterioration are starting to be observed among the originators: receivables classified as Stage 2 (i.e. exposures that have shown a significant increase in credit risk since initial recognition) by Italian banks reached Euro 219 billion in June 2021 (+23% compared to the same period of the previous year), representing 14.3% of total gross receivables of banks and more than 60,000 positions are attributable to small and medium-sized Italian 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. If 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 way, the recent signals of recovery of the inflationary push, driven by the increase in the costs of raw materials and energy, as well as the recent outbreak of war in Ukraine can possibly make the expectations of the NPE sector 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 scale economies, process automation, digitalisation of information, refinement of valuation and decision-making models through the enhancement of data warehouses. 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 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 in the complementarity of alternative financing instruments with respect to those offered by the banking system, with the aim of supporting companies (including performing ones) in obtaining medium/long-term finance, with a greater propensity to risk and the ability to assess more complex business situations and to find sources of financing at more advantageous conditions or more quickly. The use of alternative and complementary forms of financing to the traditional banking channel, together with the expansion of public support measures offered to SMEs, including mini-bonds and basket bonds, will allow companies in difficulty not only to find the liquidity necessary to finance their medium/long-term objectives, but also to strengthen the capital structure both in terms of source diversification and maturity. In this context, basket bonds could also be one of the key tools to ensure that the huge funds allocated under the 2021-2027 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 tax set-up.

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

The shareholders of Gardant S.p.A. 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 and certain other investments of the Bank in portfolios of non-performing exposures.

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.

Specifically regarding Master Gardant (effective 1 August 2021), the Company was the beneficiary of a spin-off of Credito Fondiario S.p.A.

This was a proportional partial spin-off of the Bank and between parties "under common control"; as a result, all the assets and liabilities of which the Company was beneficiary were recorded based on continuity of representation and values.

The spin-off took place with a corresponding increase in the Company's shareholders' equity.

As part of the demerged complex, the Company received the following contracts, assets and liabilities:
- contracts relating to "master servicing" solutions and other ancillary roles within the scope of securitisations already in place as of 1 August 2021 for a total value of Euro 41.6 billion in nominal value of assets under administration and/or management;
- contracts with suppliers to support the execution of operational and/or administrative activities;
- 48 resources linked to the supply of services for securitisations with the exclusion of debt collection activities;
- equity investments in LeaseCo One S.r.l., LeaseCo Europa S.r.l. and LeaseCo Piave S.r.l. for a total of Euro 110 thousand;
- cash and cash equivalents of Euro 4 million.

The complex demerged from Credito Fondiario to Master Gardant as of 1 August 2021 is summarised in the table below.

Assets (euro)	
Financial assets	4,000
Trade receivables	1,665
Investments	110
Other assets	1.445
Total assets	**7,220**

Liabilities (euro)	
Financial liabilities	-
Other liabilities	889
Post-employment benefits	293
Provisions for risks and charges	-
Total liabilities	**1,182**

Table 3: Summary of the spin-off

The demerged complex also includes the Segregated Assets established by the Bank pursuant to art. 2447-bis, paragraph 1, lett. a), Italian Civil Code et seq. Therefore, starting from the Effective Date, the Company took over the jumble of rights and obligations (including therein the loans allocated pursuant to art. 2447-decies of the Italian Civil Code) relating to the Segregated Assets, and is liable, within the limits of Segregated Assets, in relation to the obligations that have been entered into to pursue the specific business for which the Segregated Assets are preordained, except for unlimited liability only for the obligations from unlawful business, deriving from (and connected to) the Segregated Assets, provided that arose after the Effective Date of the Spin-off.

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.

In line with this decision, on 6 July 2021 the Shareholders' Meeting of Master Gardant S.p.A. changed the company name from CF Master S.p.A. to Master Gardant S.p.A.

New mandates obtained in 2021

During the last 5 months of 2021, the Company obtained new mandates from:
- SBB SPV S.r.l., a mini-bond securitisation for a nominal value of Euro 24.5 million;
- 2 securitisations of bank loans, UtP, and non-performing exposures, for a total of Euro 171 million.

As a result of these new mandates, assets under management as of 31 December 2021 amounted to Euro 41.5 billion of nominal value.

Mandates terminated in 2021

In 2021, 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. (under compulsory liquidation) and Veneto Banca in L.c.a. (under compulsory liquidation) was taken over by Amco S.p.A. already appointed manager of the two Segregated Assets pursuant to Italian Law Decree 99/2017 and Ministerial Decree 221/2018.

In addition, during the year, the Danubio S.r.l. securitisation was sold to third parties and the Tibullo SPV S.r.l. securitisation was closed due to the termination of the underlying loans.

Servicing driven industrial business model

With the reorganisation process of Credito Fondiario and the creation of the Gardant Group, it was possible for Master Gardant to adopt a business model focused on areas of activity remunerated on a commission basis eliminating direct investment commitments on its financial statements, and allowing investments in the portfolios to be made directly by the funds managed by the SGR or by the Parent Company 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 managed portfolios.

Asset light balance sheet structure

Thanks to the new business model of the Gardant Group, the Company was able to achieve a so-called asset light model, therefore also 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.

Approval of the 2022-2024 business plan

On 24 November 2021, the Board of Directors of the Parent Company Gardant S.p.A. approved the 2022-2024 business plan of the Gardant Group, which identifies the development of the business according to three main guidelines:
- the consolidation of banking/leasing NPLs management, also through further specialisation, industrialisation of processes and development of other ancillary services;
- the further development of the management of loans classified as UtP by banks, evolving what has already been developed with a dedicated operating model;
- the consolidation and diversification of the recently launched activities of managers of investment funds specialised in the reference sectors.

The development of the business will be supported by enablers, in terms of resources, processes and systems, who will be able to lay the foundations for the achievement of the plan objectives.

In this context, the mission of Master Gardant is to support the growth of the core business of the Gardant Group by offering:
- a wide range of services along the entire chain of securitisation management pursuant to Law 130/99, such as master servicing, corporate servicing and ancillary roles;
- support, administrative, and back office services for the other operating companies of the Gardant Group.

In addition to the captive business, Master Gardant offers its services to external counterparties with reference to:
- activities related to securitisation transactions (e.g. master servicing, corporate servicing, calculation agent, cash manager monitoring agent, paying agent, representative of noteholders);
- assumption of the role of fronting entity, with reference to the so-called “unresolved” contracts relating to loans (typically UtP) sold to SPVs as part of securitisation transactions;
- assumption of the role of risk retainer with the fulfilment of retention obligations in transactions in which a vehicle company disburses loans and the Company handles the preliminary investigation and/or assumes the role of master servicer and/or primary servicer;
- services linked to securitisations of minibonds/basket bonds;
- other minor services connected to rating-backed securitisations, such as pool audits.

Consistent with the provisions of the supervisory regulations, which envisage the obligation of the intermediaries involved in the identification of borrowers in disbursements of new loans - by the securitisation vehicles - to adopt the same criteria and controls that they are required to apply in the case of their own lending activities, Master Gardant will gradually launch its own lending activities, in parallel with the “risk retention” activity. In-house lending activities will be carried out with reference to parties active in the overall securitisation and servicing sector, such as ReoCos.

Information on the SARS COVID-19 phenomenon

The development of the SARS COVID-19 pandemic 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 operations of Master Gardant

Taking into account that the spin-off from Credito Fondiario took effect on 1 August 2021, the actual operations of the Company refer to only five months of the year, being previously essentially represented by an inactive corporate vehicle.

Main economic-financial and dimensional indicators of Master Gardant

The table below presents the main figures of Master Gardant as of 31 December 2021.

euro thousands

Key financial and structural data	
Lending activities under master servicing (nominal value)	41.5 billion
Shareholders' equity	8.5 million
Regulatory Capital	8.5 million
TCR (in percentage)	27.76 %
EBITDA	0.5 million
Employees (number)	# 47

Table 7: Main KPIs of the Company as of 31 December 2021

Analysis of the economic trend

The Company's economic situation shows a substantial balance between revenues and costs. The decision to ensure coverage of operating costs through adequate and market pricing, while maintaining low margins, is part of the broader strategic plan of market positioning of the Gardant Group: in fact, the Group acts as a true manager and investment partner for its counterparties, thus favouring remuneration based on actual collection and recovery performance (special servicing). The master servicing activity is considered primarily as an activity of objective monitoring and supervision of the performance of the special servicers and the remuneration structure is therefore limited and linked mainly to the coverage of costs to ensure business balance and continuity over time.

euro thousands

Reclassified income statement	2021
Net fees	3,415
Master servicing fees	3,261
Other commissions	154
Other income	384
Total net revenues	**3,799**
of which Gross revenues relating to the core business	3,415
Personnel expenses	(1,785)
Net operating costs	(1,463)
Other operating expenses	(47)
Total costs	**(3,295)**
EBITDA	**504**
Amortisation, depreciation and write-downs	(19)
EBIT	**485**
Financial charges	-
Profit before taxes	**485**
Taxes for the year	(193)
Net profit for the year	**292**
EBITDA margin (%)	***13.3%***

Revenues for the year mainly consist of:
- commissions income of Euro 3.4 million, consisting mainly of commissions for services provided by the Company to the SPV companies pursuant to Law 130/99 and the related support/real estate SPVs for which Master Gardant operates;

- other commissions, amounting to Euro 252 thousand, accrued for administrative services supporting debt collection activities, carried out for Special Gardant S.p.A.

The costs incurred during the year relate to:
- personnel expenses for Euro 1.8 million, of which Euro 0.2 million for variable remuneration and related contributions;
- costs for services for Euro 1.4 million, of which:
  - remuneration paid to the Parent Company Gardant S.p.A. for corporate provider activities for Euro 0.7 million;
  - external support to the administrative-accounting activities of the SPVs (main suppliers Accenture and F2A) for Euro 0.5 million;
  - consulting fees for Euro 0.1 million.

The net result for the year (recorded in 5 months of actual activity) amounted to Euro 0.3 million.

Analysis of the financial position

The equity structure is based on the management of the working capital and the short-term, as it has no investments in fixed assets or medium/long-term loans and since the corporate services have been outsourced to the Parent Company.

Euro thousands

Reclassified Balance Sheet	2021
Cash and cash equivalents	4,100
Financial assets	110
Tax assets	55
Trade receivables	3,007
Other assets	3,531
of which cash pooling with the Parent Company	2,006
Total assets	**10,803**
Trade payables	517
Tax liabilities	143
Employee benefits	289
Other liabilities	1,367
Total liabilities	**2,316**
Shareholders' equity	**8,487**
Net financial position	***(5,816)***

Assets amounted to Euro 10.8 million and consist of:
- amounts due from banks, corresponding to amounts deposited in bank current accounts, for Euro 4.1 million;
- trade receivables, corresponding to receivables for invoices issued or to be issued for master servicing and auxiliary activities, amount to Euro 2.9 million. The largest exposure is to SPV pursuant to Law 130/99 Ticino SPV S.r.l. for Euro 316 thousand;
- equity investments in the companies LeaseCo One S.r.l., LeaseCo Europa S.r.l. and LeaseCo Piave S.r.l., assigned as part of the complex demerged from Credito Fondiario S.p.A., for Euro 110 thousand;
- tax receivables for Euro 56 thousand;
- other assets, for Euro 3.6 million, regarding: receivables from the parent company for the amounts transferred as part of the cash pooling relationships in place in the Gardant Group, for Euro 2 million; the endowment funds of the investee LeaseCos for Euro 0.7 million; receivables due from the three segregated assets (CUBE-Gardenia, ESTE-Restart and GIMLI-New Levante) for Euro 0.5 million; the VAT receivable from the parent company Gardant S.p.A. for Euro 0.1 million and prepaid expenses incurred in advance of Euro 0.3 million.

The Company is liquid, with a net financial position of over Euro 5.8 million of surplus cash and cash equivalents.

Liabilities amounted to Euro 2.3 million, mainly consisting of:
- payables to suppliers for invoices received or to be received, for Euro 0.5 million;
- amounts to be paid to employees, for Euro 0.5 million;
- tax payables (withholding taxes) or social security contributions to be paid in January 2022, for Euro 1.0 million;
- post-employment benefits (TFR) for Euro 0.3 million.

The Company has significant capitalisation, with shareholders' equity of approximately Euro 8.5 million and a ratio of shareholders' equity to total assets of over 78%.

Master Gardant segregated assets

Pursuant to articles 2447-bis et seq. of the Italian Civil Code, Master Gardant holds, through three segregated assets called "Segregated Asset CUBE - Gardenia" (Nuova Banca Marche S.p.A., Banca dell'Etruria e del Lazio S.p.A.), "Segregated Asset ESTE - Restart" (Cassa di Risparmio di Ferrara S.p.A.) and "Segregated Asset ESTE - Gimli - New Levante" ("Banca Piccolo Credito Valtellinese S.p.A.) (the "Segregated Assets"), some legal relationships deriving from securitised leasing contracts and of the assets deriving from these contracts.

These assets are underlying lease contracts included in the relevant securitisation vehicles under Law 130/99, the management and liquidation of which must be carried out in order to ultimately allow the valuation and realisation of the assets purchased that constitute the economic/substantial "guarantee" underlying the receivables held by the vehicle.

Since the Company did not allocate its own assets and liabilities for the establishment of the Segregated Assets, but these were established through the purchase of assets and lease contracts through the assumption of loans intended for third parties, in the Company's balance sheet, the assets and relationships included in the segregated assets have not been indicated separately in a special column.

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

As of 31 December 2021 in Este Restart, implicit receivables amounted to Euro 1,311 thousand, while the Loan to be repaid amounted to Euro 1,898 thousand.

As of 31 December 2021 in Gimli New Levante, implicit receivables amounted to Euro 96 thousand, while the Loan to be repaid amounted to Euro 150 thousand.

Assets under administration

Assets under administration totalled Euro 41.5 billion, divided among 727 thousand positions and 67 portfolios, and were essentially stable compared to Euro 41.6 billion under management when the Company started operating (1 August 2021).

Administered volumes decreased compared to the previous year as the master servicing of the Ambra and Flaminia securitisations held by the Segregated Assets relating to BPVI in L.c.a. (under compulsory liquidation) and Veneto Banca in L.c.a. (under compulsory liquidation) was taken over by Amco S.p.A. already appointed manager of the two Segregated Assets pursuant to Italian Law Decree 99/2017 and Ministerial Decree 221/2018, the Danube securitisation was sold to third parties and the Tibullo securitisation was closed due to the termination of the underlying loans.

The reduction in assets under administration was partly offset during the last 5 months of 2021 through two new mandates, received from:

- SBB SPV S.r.l., a mini-bond securitisation for a nominal value of Euro 24.5 million;
- 2 securitisations of bank loans, UtP, and non-performing exposures, for a total of Euro 171 million.

Other information

Research and development activities

The Company did not carry out research and development activities in 2021.

Treasury shares

In 2021, the Company did not hold any shares or holdings of treasury shares.

Risk management

With regard to risk management by the Company, please refer to the specific Section of the Notes to the Financial Statements.

Events after the close of the year

There were no events after the end of the year that had an impact on the equity, financial and economic values shown in these financial statements.

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 Company will be called upon to operate in the coming months and years. On the basis of the overall economic framework and the multi-year business plan approved by the Company Boards, there are no risks relating to business continuity. In addition, given the absence of equity, financial or management indicators that may compromise the Company's operating capacity, there are no elements that would cast doubt on its ability to operate on a going concern basis. Therefore, these financial statements were prepared on a going concern basis.

Relations with Group companies

The Company has relations with both the Parent Company, Gardant, and the other Group companies.

An agreement was signed with the Parent Company Gardant for the supply of corporate services that regulates the services that the parent company provides to the Company in relation to personnel management, accounting, centralised finance and treasury, planning & control services, IT services and facilities. In 2021, the Company incurred a total cost of Euro 650 thousand for these services. The Company also has sub-lease contracts in place with the Parent Company Gardant in Rome, Genoa and Milan, which in 2021 entailed a cost of Euro 66 thousand.

With the company Special Gardant S.p.A., the Company has an agreement in place for the performance of administrative support services to debt collection activities, that governs all services provided in order to facilitate the debt collection process. In 2021, the Company recognised revenues deriving from this contract of Euro 252 thousand.

Lastly, the Company is fully or partially seconded by other Group companies for a total of approximately 4 FTEs (full time equivalent), at a cost of Euro 144 thousand. The main seconding companies are Gardant Liberty Servicing S.p.A. (1 FTE) and Gardant S.p.A. (3 FTEs).

Business outlook and considerations on business continuity

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

In fact, the Company believes that in the course of 2022, it will be able to obtain new servicing mandates and a net increase in assets under management.

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

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

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

ALLOCATION OF THE PROFIT FOR THE YEAR

The year closed with a net profit of Euro 291,640.21.

The Board of Directors proposes that the Shareholders' Meeting allocates the profit for the year primarily to cover the loss for the year 2020 for Euro 7,378.60, and to allocate the remaining Euro 284,261.61 to the extraordinary reserve.

FINANCIAL STATEMENTS

Balance sheet as of 31 December 2021

(units of euro)

	Asset items	2021	2020
10.	Cash and cash equivalents	4,099,687	2,160,000
20.	Financial assets at fair value through profit or loss	-	-
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets required to be measured at fair value	-	-
30.	Financial assets at fair value with impact on the on overall profitability	-	-
40.	Financial assets measured at amortised cost	2,911,430	-
	a) receivables from banks	4,013	-
	b) receivables from financial companies	2,902,287	-
	c) receivables from customers	5,130	-
50.	Hedging derivatives	-	-
60.	Value adjustment of financial assets subject to general hedging (+/-)	-	-
70.	Investments	110,000	-
80.	Property, plant and equipment	-	-
90.	Intangible assets	-	-
	of which		
	- goodwill	-	-
100.	Tax assets	55,298	-
	a) current	30,058	-
	b) prepaid	25,240	-
110.	Non-current assets and groups of assets held for disposal	-	-
120.	Other assets	3,626,740	132
	of which Segregated Assets	487,513	-
	Total assets	**10,803,155**	**2,160,132**

(units of euro)

	Liability items	2021	2020
10.	Financial liabilities measured at amortised cost	274	-
	a) payables	274	-
	b) securities issued	-	-
20.	Financial trading liabilities	-	-
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	-	-
50.	Adjustment of the value of financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	142,859	-
	a) current	142,859	-
	b) deferred	-	-
70.	Liabilities associated with discontinued assets	-	-
80.	Other liabilities	1,883,263	7,511
90.	Post-employment benefits	289,381	-
100.	Provisions for risks and charges	-	-
	a) commitments and guarantees given	-	-
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	-	-
110.	Capital	2,160,000	2,160,000
120.	Treasury shares (-)	-	-
130.	Capital instruments	-	-
140.	Share premium	4,645,366	-
150.	Reserves	1,398,904	-
160.	Valuation reserves	(8,532)	-
170.	Profit/(loss) for the year (+/-)	291,640	(7,379)
	Total liabilities and shareholders' equity	**10,803,155**	**2,160,132**

MASTER GARDANT

Income statement as of 31 December 2021

(units of Euro)

	INCOME STATEMENT	31/12/2021	31/12/2020
10.	Active interests and similar income	-	-
20.	Passive interests and similar charges	-	-
30.	**Interest margin**	**-**	**-**
40.	Commissions income	**3,434,898**	**-**
50.	Passive fees	**(20,297)**	**-**
60.	**Net fees**	**3,414,601**	**-**
70.	Dividends and similar income	-	-
80.	Net trading income	-	-
90.	Net hedging income	-	-
100.	Profit (loss) on disposal or repurchase of:		
	a) financial assets measured at amortised cost	-	-
	b) financial assets measured at fair value through profit or loss	-	-
	c) financial liabilities	-	-
110.	Net profit/(loss) from financial assets and liabilities measured at fair value	-	-
120.	**Intermediation margin**	**3,414,601**	**-**
130.	Net impairment adjustment/reversals of impairment losses on:	**(19,114)**	**-**
	a) financial assets designated at amortised cost	(19,114)	-
	b) other financial assets mandatorily measured at fair value	-	-
150.	**Net result from financial management**	**3,395,487**	**-**
160.	Administrative expenses:	**(3,247,997)**	**(7,379)**
	a) personnel expenses	(1,785,451)	-
	b) other administrative expenses	(1,462,546)	(7,379)
170.	Net provisions for risks and charges	-	-
180.	Net value adjustments/reversals on tangible assets	-	-
190.	Net value adjustments/reversals on proprety, plant and equipment	-	-
200.	Other operating income/expenses	**337,085**	**-**
210.	**Operating costs**	**(2,910,912)**	**(7,379)**
220.	Profit/(losses) on equity investments	-	-
230.	Net result of vair value measurement of property, plant and equipment and intangible assets	-	-
240.	Goodwill value adjustments	-	-
250.	Profits/(losses) on disposal of investments	-	-
260.	**Profit/(loss) from current operations before tax**	**484,575**	**(7,379)**
270.	Income tax for thr year on current operations	**(192,935)**	**-**
280.	**Profit/(loss) from current operations after tax**	**291,640**	**(7,379)**
290.	Profits/(loss) from discontinued operations, net of taxes	-	-
300.	**Profit/(loss) for the year**	**291,640**	**(7,379)**

Cash flow statement

(units of Euro)

A. OPERATIONAL ACTIVITY	Amount	
	31/12/2021	31/12/2020
1. Management	**712,040**	**(7,379)**
- result for the year (+/-)	291,640	(7,379)
- gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value with impact on the income statement (-/+)	-	-
- gains/losses on hedging activities (-/+)	-	-
- net adjustments/reversals for credit risk (+/-)	19,114	-
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	-	-
- net provisions for risks and charges and other costs/revenues (+/-)	62,565	-
- unpaid taxes, fees and tax credits (+/-)	335,794	-
- net value adjustments/reversals to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	2,927	-
2. Liquidity generated/absorbed by financial assets	**(3,767,117)**	**(132)**
- financial assets held for trading	-	
- financial assets designated at fair value	-	
- other assets mandatorily measured at fair value	-	
- financial assets measured at fair value through other comprehensive income	-	
- financial assets measured at amortised cost	(1,321,890)	
- other assets	(2,445,227)	(132)
3. Liquidity generated/absorbed by financial liabilities	**994,764**	**7,511**
- financial liabilities measured at amortised cost	274	
- financial trading liabilities	-	
- financial liabilities designated at fair value	-	
- other liabiliteis	994,491	7,511
Net cash generated by/used in operating activities	**(2,060,313)**	**-**

B. INVESTMENT ASSETS	31/12/2021	31/12/2020
1. Cash generated by	**-**	**-**
- sales of participations	-	-
- dividends received on participations	-	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**-**	**-**
- purchases of participations	-	-
- purchases of property, plant and equipment	-	-
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net cash generated by/absorbed in operating activities	**-**	**-**
C. FUNDING ACTIVITIES	**31/12/2021**	**31/12/2020**
- issues/purchases of own shares	-	2,160,000
- issue/purchase of equity instruments	-	-
- spin-off liquidity	4,000,000	-
Net liquidity generated/absorbed by funding activities	**4,000,000**	**2,160,000**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**1,939,687**	**2,160,000**

Legend:
(+) Generated
(-) Absorbed

As a result of the spin-off on 01/08/2021, the company was endowed with a cash balance of a €/mln 4

Reconciliation

Balance sheet items	Amount	
	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	**2,160,000**	**-**
Total net liquidity generated/absorbed during the year	1,939,687	2,160,000
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the close of the year	**4,099,687**	**2,160,000**

Statement of Comprehensive Income

(units of Euro)

	Items	31/12/2021	31/12/2020
10.	Profit/(loss) for the year	291,640	(7,379)
	Other income components net of taxes without reversal to the income statement:		
70.	Defined benefit plans	8,532	-
170.	Total other income components net of taxes	**8,532**	**-**
180.	**Overall profitability (Item 10+170)**	**300,172**	**(7,379)**

Statement of changes in shareholders' equity 2021

	Outstanding as at 31.12.2020	Change in opening balance	Outstanding as at 1.1.21	Allocation of previous years' result: Reserves	Allocation of previous years' result: Dividends and other allocations	Changes in the year: Change in reserves	Changes in the year – Equity transactions: Issue of new shares	Changes in the year – Equity transactions: Acquisition of treasury shares	Changes in the year – Equity transactions: Extraordinary dividend distribution	Changes in the year – Equity transactions: Variations in capital instruments	Changes in the year: Other variations	Overall profitability for the year 2021	Shareholders' equity as at 31.12.2021
Capital													
a) ordinary shares	2,160,000	-	2,160,000	-	-	-	-	-	-	-	-	-	2,160,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	4,645,366	-	4,645,366
Reserves:													
a) of profits	-	-	-	(7,379)	-	-	-	-	-	-	1,183,653	-	1,176,274
b) other	-	-	-	-	-	-	-	-	-	-	222,630	-	222,630
Valuation reserves	-	-	-	-	-	-	-	-	-	-	-	(8,532)	(8,532)
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	(7,379)	-	(7,379)	7,379	-	-	-	-	-	-	-	291,640	291,640
Shareholders' equity	**2,152,621**	**-**	**2,152,621**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,051,649**	**283,108**	**8,487,378**

Statement of changes in shareholders' equity 2020

				Allocation of previous years' result		Changes in the year							
							Equity transactions						
	Outstanding as at 31.12.2019	Change in opening balance	Outstanding as at 1.1.20	Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Acquisition of treasury shares	Extraordinary dividend distribution	Variations in capital instruments	Other variations	Overall profitability for the year 2020	Shareholders' equity as at 31.12.2020
Capital													
a) ordinary shares	-	-	-	-	-	-	2,160,000	-	-	-	-	-	2,160,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:													
a) of profits	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	(7,379)	(7,379)
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,379**	**2,152,621**

EXPLANATORY NOTES

This document was prepared by the Company's Board of Directors on 22 March 2022 for approval by the Shareholders' Meeting on 26 April 2022.

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL PART

Section 1. Declaration of compliance with international accounting standards

The Financial Statements as of 31 December 2021 are prepared in accordance with the International Financial Reporting Standards and the International Accounting Standards issued by the International Accounting Standards Board (IASB) and the related interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission (hereinafter jointly "IFRS" or "IAS") in accordance with the procedure set forth in Article 6 of EU Regulation no. 1606 of 19 July 2002, as well as according to the formats and compilation rules contained in the provision issued by the Bank of Italy "The Financial Statements of IFRS Intermediaries other than Banking Intermediaries" in the updated version of 29 October 2021.

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

In addition to the accounting data as of 31 December 2021, the financial statements show the following comparative information:
- balance sheet as of 31 December 2020;
- income statement as of 31 December 2020;
- statement of comprehensive income as of 31 December 2020;
- statement of changes in shareholders' equity as of 31 December 2020.

Section 2. General preparation principles

The Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Notes to the Financial Statements, prepared in accordance with the technical formats and forms defined by the Bank of Italy; it is also accompanied by the Managerial report on operations and on the situation of the company, as required by IFRS.

The Financial Statements have been 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 particular in the next 12 months.

The assets and liabilities received by the Company as beneficiary of the spin-off transaction of Credito Fondiario S.p.A. that took place with the effective date of 1 August 2021, were recognised 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 Company does not prepare consolidated financial statements with its subsidiaries as the consolidation takes place at the level of the parent company, Gardant S.p.A.

In compliance with the provisions of Article 5, paragraph 2 of Legislative Decree no. 38 of 28 February 2005, the financial statements were prepared using the euro as the reporting currency.

Unless otherwise specified, the amounts in the financial statements are stated in units of Euro.

In preparing the financial statements, the IAS/IFRS standards approved and in force as of 31 December 2020 were applied.

The following table shows the new international accounting standards or amendments to accounting standards already in force, with the related endorsement regulations approved by the European Commission, which entered into force in 2021.

New documents issued by the IASB and endorsed by the EU, for mandatory adoption from the financial statements for years beginning on 1 January 2021

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication	Notes and references to this checklist
Reform of the benchmarks for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021	See new paragraphs 280-281
Rental concessions related to COVID-19 subsequent to 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021[4]	30 August 2021	(EU) 2021/1421 31 August 2021	See new paragraph 368
Temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020	No impact on disclosures

4 The IASB document enters into force for years starting on or after 1 April 2021, but early application is permitted also for financial statements not authorised for publication by 31 March 2021 (date of publication of the amendment to the IFRS 16). The endorsement regulation of the European Union, published in August 2021, provides that the amendment to IFRS 16 must be applied at the latest from 1 April 2021 for financial years starting on 1 January 2021.

The following table instead shows the new international accounting standards or amendments to accounting standards already in force, with the related endorsement regulations approved by the European Commission, whose compulsory application starts after 1 January 2021.

IAS/IFRS and related IFRIC interpretations applicable to financial statements for years beginning after 1 January 2022
Documents endorsed by the EU as of 31 December 2022

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication	Notes and references to this checklist
Improvements to IFRS (2018-2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16[5] and IAS 41]	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021	See new paragraphs 513-515
Property, plant and equipment – Income before intended use (Amendments to IAS 16)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021	See new paragraphs 516-517
Onerous contracts - Costs necessary to fulfil a contract (Amendments to IAS 37)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021	See new paragraph 518
Reference to the *Conceptual Framework* (Amendments to IFRS 3)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021	No impact on disclosures
IFRS 17 – Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 2021	See new paragraphs 519-557

Section 3. Events after the reporting date

There are no events subsequent to the date of the financial statements that produce effects on the equity, economic, and financial position as of 31 December 2021.

Section 4. Other aspects

Use of accounting estimates

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

In addition, changes in the conditions underlying the judgements, assumptions and estimates made may have an impact on subsequent results.

5 The amendment to IFRS 16 was not endorsed by the European Union because the amendment refers to an illustrative example that is not an integral part of the Standard.

The main cases for which the use of subjective assessments by company management is required are:
- quantification of value adjustments or reversals on financial assets measured at amortised cost;
- use of valuation models to measure the fair value of financial instruments not listed on active markets, if any;
- quantification of provisions for personnel and provisions for risks and charges; and
- 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 preparing the financial statements.

Master Gardant segregated assets

On 26 April 2017, 16 June 2017, and 19 September 2018, Credito Fondiario S.p.A. resolved the establishment of three segregated assets for "Segregated Asset CUBE - Gardenia", "Segregated Asset ESTE - Restart" and "Segregated Asset ESTE - Gimli - New Levante" (the "Segregated Assets").

The segregated assets were established pursuant to articles 2447-bis et seq. of the Italian Civil Code and their specific business is the purchase en bloc pursuant to article 58 of the Consolidated Law on Banking of legal relationships deriving from securitised lease contracts and the assets deriving from said contracts.

These assets financed the purchase through loans intended pursuant to art. 2447-decies of the Italian Civil Code.

At the time of the spin-off, the Bank transferred, inter alia, the three Segregated Assets to Master Gardant.

Since the Company did not allocate its own assets and liabilities for the establishment of the Segregated Assets, but these were established through the purchase of assets and lease contracts through the assumption of loans intended for third parties, in the Company's balance sheet, the assets and relationships included in the segregated assets have not been indicated separately in a special column.

In any case, it should be noted that the Bank, for the purposes of initial liquidity, had provided endowment funds to segregated assets for Euro 100 thousand (CUBE Gardenia) and Euro 50 thousand (ESTE Restart and Gimli - New Levante). These endowment funds are highlighted, with specific "of which", among the other assets. The Company, by virtue of the contractual provisions of the two transactions, does not have any risk or benefit since the segregated assets are set up to service the receivables of the special purpose vehicles pursuant to Law 130/99 that securitised the receivables.

Independent Auditors

The financial statements of the Company are audited by KPMG S.p.A.

The current task of the independent auditors was assigned at the time of establishment of the Company, expiring on the date of call of the Shareholders' Meeting for the approval of the financial statements as of 31 December 2022. Subsequently, following the attainment of the authorisations from the Bank of Italy, on 12 October 2021 the Board of Directors acknowledged the new proposal of the independent auditors relating to the temporal extension of its mandate until the date of approval of the annual financial statements as of 31 December 2029. The current mandate of the independent auditors was extended, by resolution of the Shareholders' Meeting of 24 November 2021, to the date of the Shareholders' Meeting to approve the annual financial statements as of 31 December 2029.

Interest rate risk

It should be noted that the Company is not exposed from an operational or risk point of view to the reform of the reference indices for determining interest rates.

Approval of the financial statements

On 22 March 2022, the Directors approved the draft financial statements and their availability to the Shareholders in accordance with Article 2429 of the Italian Civil Code.

These financial statements are submitted for approval to the Shareholders' Meeting on 26 April 2022 and will also be filed within the terms set forth in Article 2435 of the Italian Civil Code.

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

The accounting standards adopted for the preparation of the Accounting Statements are reported below.

1 – Financial assets measured at fair value through profit or loss (FVTPL)

Entry criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Classification criteria

Financial assets other than those classified as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:
- financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading;
- financial assets designated at fair value, i.e. financial assets defined as such at the time of initial recognition and where the conditions are met. In relation to this case, an entity can irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if by doing so, it eliminates or significantly reduces a valuation inconsistency;
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not exclusively provide for repayments of principal and interest payments on the amount of principal to be repaid (so-called "SPPI test" not passed) or that are not held as part of a business model whose objective is to own assets for the collection of contractual cash flows ("Held to Collect" Business model) or whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets ("Held to Collect and Sell" Business model).

Therefore, this item includes:
- debt securities and loans that are included in an Other/Trading business model (therefore not attributable to the "Held to Collect" or "Held to Collect and Sell" business models) or that do not pass the SPPI test. In fact, this last case includes the ABS securities in which the Company has invested according to a "Held to Collect" business model and which, having not passed the SPPI test, are therefore accounted for at fair value;
- equity instruments (not qualifying as controlling, associated and joint control instruments) held for trading purposes or for which, at the time of initial recognition, designation at fair value through other comprehensive income was not chosen;
- UCITS units.

The item also includes derivative contracts, recognised as financial assets held for trading, which are represented as assets if the fair value is positive and as liabilities if the fair value is negative. It is possible to offset the positive and negative current values deriving from transactions in place with the same counterparty only if there is currently the legal right to offset the amounts recognised in the accounts and it is intended to proceed with the settlement on a net basis of the positions subject to offsetting.

Derivatives also include those embedded in complex financial contracts (in which the host contract is a financial liability), which were recognised separately because:
- their economic characteristics and risks are not strictly related to the characteristics of the underlying contract;
- the embedded instruments, even if separate, meet the definition of derivative;
- the hybrid instruments to which they belong are not measured at fair value with the related changes recognised in the Income Statement.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets are not allowed except in the case in which the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial Assets measured at amortised cost or Financial Assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification apply prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value at the reclassification date and this date is considered as the initial recognition date for the allocation to the various stages of credit risk (stage assignment) for impairment purposes.

Evaluation criteria

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criterion are recognised in the Income Statement.

For the determination of the fair value, please refer to the section “Information on fair value” in this Part.

Cancellation criteria

Financial assets are de-recognised from the financial statements only if the disposal entails the substantial transfer of all risks and benefits associated with the assets. On the other hand, if a significant portion of the risks and benefits relating to the financial assets sold has been maintained, they continue to be recognised in the financial statements, even if legal ownership of the assets has actually been transferred.

If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are de-recognised from the financial statements if no type of control has been maintained over them. Otherwise the retention, even in part, of this control results in the assets being retained in the financial statements to an extent of the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in their cash flows.

Lastly, the financial assets sold are de-recognised from the financial statements if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay only these flows, without a significant delay, to other third parties.

Criteria for recognising income components

Interest income, calculated on the basis of the internal rate of return of the investment with regard to ABS securities, is recorded in the income statement item “interest and similar income”.

Profits and losses, as well as capital gains and losses resulting from changes in fair value, are reported in the income statement under item “110. Net result of other financial assets and liabilities measured at fair value with impact on the income statement”.

2 – Financial assets measured at fair value through other comprehensive income (FVOCI)

Entry criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments and on the disbursement date for loans.

Upon initial recognition, the assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument itself.

Classification criteria

Financial assets that meet both of the following conditions are included in this category:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractually envisaged cash flows and through sale (“Held to Collect and Sell” Business model), and
- the contractual terms of the financial asset envisage on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (so-called “SPPI test” passed).

This item also includes equity instruments, not held for trading, for which the option to designate at fair value through other comprehensive income was exercised at the time of initial recognition.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets are not allowed except in the case in which the entity changes its business model for the management of financial assets.

In these cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value with impact on the comprehensive income to one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification apply prospectively from the date of reclassification. In the event of reclassification from the category in question to that of amortised cost, the cumulative profit (loss) in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. In the event of reclassification to the fair value category through profit or loss, the cumulative profit (loss) previously recognised in the valuation reserve is reclassified from equity to profit/(loss) for the year.

Evaluation criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equities, are measured at fair value, with the recognition in the Income Statement of the impacts deriving from the application of the amortised cost, of the effects of the impairment and any exchange rate effect, while other gains or losses deriving from a change in fair value are recognised in a specific equity reserve until the financial asset is de-recognised. At the time of total or partial disposal, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the Income Statement.

The equity instruments for which the choice was made for classification in this category are measured at fair value and the amounts recognised as a balancing entry to shareholders’ equity (Statement of comprehensive income) must not be subsequently transferred to the income statement, not even in the case of disposal.

The only component referring to the equity securities in question that is recognised in the income statement is represented by the related dividends.

For the determination of the fair value, please refer to the section "Information on fair value" in this part.

Financial Assets measured at fair value through other comprehensive income (both in the form of debt securities and receivables) are subject to the verification of the significant increase in credit risk (impairment) envisaged by IFRS 9, in the same way as Assets at amortised cost, with subsequent recognition in the income statement of a value adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk with regard to the initial recognition date) a one-year expected loss is recognised at the date of initial recognition and at each subsequent reporting date. On the other hand, for instruments classified in stage 2 (performing for which there was a significant increase in credit risk compared to the initial recognition date) and in stage 3 (non-performing exposures) an expected loss is recorded for the entire residual life of the financial instrument. Vice versa, equity instruments are not subject to impairment.

Cancellation criteria

Financial assets are de-recognised from the financial statements only if the disposal entails the substantial transfer of all risks and benefits associated with the assets. On the other hand, if a significant portion of the risks and benefits relating to the financial assets sold has been maintained, they continue to be recognised in the financial statements, even if legal ownership of the assets has actually been transferred.

If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are de-recognised from the financial statements if no type of control has been maintained over them. Otherwise the retention, even in part, of this control results in the assets being retained in the financial statements to an extent of the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in their cash flows.

The financial assets sold are de-recognised from the financial statements if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay only these flows, without a significant delay, to other third parties. If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are de-recognised from the financial statements if no type of control has been maintained over them. Otherwise the retention, even in part, of this control results in the assets being retained in the financial statements to an extent of the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in their cash flows.

Criteria for recognising income components

Profits and losses on disposal are reported in the income statement item "100. Profits/(losses) on disposal or repurchase of: b) financial assets measured at fair value with impact on the comprehensive income". Capital gains and losses resulting from fair value measurement are recognised directly in shareholders' equity ("110. Valuation reserves") and will be transferred to the income statement (item "100. Profits/(losses) on disposal or repurchase of: b) financial assets measured at fair value with impact on comprehensive income") at the time of realisation due to the disposal, or when impairment losses are recognised, however, under item "130. Net value adjustments/reversals for credit risk relating to: b) financial assets measured at fair value through other comprehensive income". This item shows the net balance of impairment losses and of the subsequent reversals, limited however, to debt securities, as for listed equities, they are attributed directly to shareholders' equity ("valuation reserves"), while for unlisted equity securities no reversals can be recognised.

3 – Financial assets measured at amortised cost

Entry criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date in the case of receivables. Upon initial recognition, the assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument itself.

With particular regard to loans, the disbursement date normally coincides with the date of signing the contract. If this coincidence does not occur, at the time of signing the contract, a commitment to disburse funds is recorded, which ends on the date of disbursement of the loan. The receivable is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual receivable and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the aforementioned characteristics, are subject to reimbursement by the debtor counterparty or are included among the normal internal administrative costs are excluded.

Classification criteria

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:
- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows ("Held to Collect" Business model), and
- the contractual terms of the financial asset envisage on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "SPPI test" passed).

More specifically, this item includes:
- loans with banks in the various technical forms that meet the requirements set forth in the previous paragraph;
- loans to customers in the various technical forms that meet the requirements set forth in the previous paragraph;
- debt securities that meet the requirements set forth in the previous paragraph.

This category also includes operating receivables associated with the provision of financial assets and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (for example, for the distribution of financial products and servicing activities).

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not allowed except in the case in which the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification apply prospectively from the date of reclassification. Profits or losses resulting from the difference between the amortised cost of the financial asset and the related fair value are recognised in the Income Statement in the case of reclassification under Financial assets measured at fair value through profit or loss and in Shareholders' equity, in the valuation reserve, in the case of reclassification under Financial assets measured at fair value through other comprehensive income.

Evaluation criteria

Following the initial recognition, financial assets under review are measured at amortised cost using the effective interest rate method. In these terms, the asset is recognised in the financial statements for an amount equal to the initial recognition value less capital repayments, plus or minus the cumulative amortisation (calculated with the mentioned effective interest rate method) of the difference between said initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset) and adjusted by any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the present value of future flows of the asset, in terms of principal and interest, to the amount disbursed including the costs/income attributable to the financial asset. This accounting method using a financial logic, makes it possible to distribute the economic effect of costs/income directly attributable to a financial asset over its expected residual life.

The amortised cost method is not used for assets (valued at historical cost) whose short duration makes the effect of the application of the discounting logic negligible, for assets without a defined maturity and for revocable receivables.

The criteria for determining impairment/revaluation are strictly related to the inclusion of the instruments in question in one of the three stages (credit risk stages) envisaged by IFRS 9, the last of which (stage 3) includes non-performing financial assets and the remainder (stage 1 and 2) the performing financial assets.

With reference to the accounting representation of the aforementioned valuation effects, the value adjustments referring to this type of asset are recognised in the Income Statement:
- upon initial recognition, for an amount equal to the expected loss at twelve months;
- at the time of the subsequent valuation of the asset, if the credit risk has not increased significantly compared to the initial recognition, in relation to the changes in the amount of value adjustments for losses expected in the following twelve months;
- at the time of the subsequent valuation of the asset, if the credit risk has increased significantly compared to the initial recognition, in relation to the recognition of value adjustments for expected losses referring to the entire residual life envisaged contractually for the asset;
- at the time of the subsequent valuation of the asset, where (after a significant increase in credit risk with respect to the initial recognition) the "significance" of this increase is no longer valid, in relation to the adjustment of cumulative value to take into account the transition from an expected loss over the entire residual life of the instrument to twelve months.

The financial assets in question, if they are performing, are subject to a valuation, aimed at defining the value adjustments to be recognised in the financial statements, at the level of individual credit relationship (or "tranche" of security), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset (classified as "non-performing", as is the case with all other transactions with the same counterparty) and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically attributed to each position and takes into account, as detailed in the chapter "Impairment of financial assets", forward looking information and possible alternative recovery scenarios.

The category of non-performing assets includes financial instruments that have been attributed to the status of non-performing, unlikely to pay, or past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Union Supervisory regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if a restructuring of the relationship has taken place, which has led to a change in the contractual rate and even if the relationship becomes interest-free in practice.

If the reasons for the impairment are eliminated as a result of an event occurring after the recognition of the impairment, reversals are booked to the Income Statement. The reversal cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Reversals associated with the passing of time are recognised in the interest margin.

In some cases, during the life of the financial assets in question and, in particular of the receivables, the original contractual conditions are subsequently modified by the parties to the contract. When, during the life of an instrument, the contractual clauses are subject to change it is necessary to verify whether the original asset must continue to be recognised in the financial statements, or whether on the contrary the original instrument must be de-recognised from the financial statements and a new financial instrument must be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantiality" of the change must be carried out considering both qualitative and quantitative elements. In some cases in fact, it may be clear without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given activity while in other cases, further analyses (also quantitative) will have to be carried out to appreciate its effects and verify the need to proceed with the de-recognition of the asset and the recognition of a new financial instrument.

The (quali-quantitative) analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset must therefore consider:
- the purposes for which the changes were made: for example, re-negotiations for commercial reasons and concessions due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer involve a debtor who is not in a situation of financial difficulty. This case includes all the re-negotiation transactions aimed at adjusting the debt burden to market conditions. These transactions involve a change in the original conditions of the contract, usually requested by the debtor, which concerns aspects related to the cost of the debt with a consequent economic benefit for the debtor. In general it is believed that whenever the Company carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered substantial because if it were not carried out the customer could obtain financing from another intermediary and the Company would suffer a decrease in expected future revenues;
  - the latter carried out for "credit risk reasons" (forbearance measures) are attributable to the Company's attempt to maximise the recovery of cash flows of the original loan. The underlying risks and benefits, subsequent to the amendments, are not normally substantially transferred and consequently, the accounting representation that offers the most relevant information for the reader of the financial statements (except for what will be said later on objective elements), is that carried out via the "modification accounting", which involves the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate, and not through de-recognition;
- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, the change of currency or the change in the type of risk to which one is exposed, where it is related to equity and commodity parameters), which are considered to involve de-recognition in consideration of their impact (expected to be significant) on the original contractual flows.

Cancellation criteria

Financial assets are de-recognised from the financial statements only if the disposal entails the substantial transfer of all risks and benefits associated with the assets. On the other hand, if a significant portion of the risks and benefits relating to the financial assets sold has been maintained, they continue to be recognised in the financial statements, even if legal ownership of the assets has actually been transferred.

If it is not possible to ascertain the substantial transfer of the risks and benefits, the financial assets are de-recognised from the financial statements if no type of control has been maintained over them. Otherwise the retention, even in part, of this control results in the assets being retained in the financial statements to an extent of the residual involvement, measured by the exposure to changes in value of the transferred assets and to changes in their cash flows.

Lastly, the financial assets sold are de-recognised from the financial statements if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay only these flows, without a significant delay, to other third parties.

Criteria for recognising income components

Interest income, computed at the nominal interest rate, is recorded in the income statement item "interest income and similar profit". Interest on arrears is recognised in the income statement at the time of collection.

Recoveries of part or entire receivables previously depreciated are recognised as a reduction of item “130. Net value adjustments/reversals for credit risk of: a) financial assets measured at amortised cost”.

If, in a subsequent year, the amount of the impairment losses decreases and the decrease can be objectively related to an event that occurred after said recognition, the impairment loss is reversed directly, or through adjustment of the provision. The amount of the reversal is recognised in the income statement.

In the event of de-recognition, any losses are recognised in the income statement net of the provision for previously allocated devaluations.

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, reversals 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 – 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

Tangible 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.

6 – 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

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.

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.

7 – 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 the Company's tax positions towards the tax authorities. In particular, current tax liabilities represent the tax expense due for the year; current tax assets include payments on account and other tax credits for withholding taxes or other tax credits from previous years for which the Company has requested offsetting 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.

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

Payables recorded in this category may 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.

Payables recognised by the company as lessee in lease transactions may also be included.

Evaluation criteria

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

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

Cancellation criteria

Financial liabilities are derecognised 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.

MASTER GARDANT

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 – Provisions for risks and charges

Entry criteria

The item Provisions for risks and charges includes 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.

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

10 – Other information

Treasury shares

The Company does not hold treasury shares.

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.

The classification criteria for financial assets

The classification of financial assets into the three categories envisaged by the standard depends on two classification criteria or drivers: the business model with which the financial instruments are managed (or Business Model) and the contractual characteristics of the cash flows of the financial assets (or SPPI Test).

The classification of financial assets derives from the combined provisions of the two drivers mentioned above, as shown below:
- Financial assets measured at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets measured at fair value with an impact on comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on what emerged from the business model assessment or from the test on the characteristics of contractual flows (SPPI test failed).

SPPI test

In order for a financial asset to be classified at amortised cost or at FVOCI (in addition to the analysis relating to the business model) it is necessary that the contractual terms of the asset provide, on certain dates, cash flows represented solely by payments of principal and of the interest on the amount of principal to be repaid ("solely payment of principal and interest" - SPPI). This analysis must be carried out, in particular, for loans and debt securities.

The SPPI test must be performed on each individual financial instrument at the time of recognition in the financial statements.

After initial recognition, and as long as it is recognised in the financial statements, the asset is no longer subject to new measurements for the purposes of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, the SPPI test must be carried out on the new asset.

For the purposes of the application of the SPPI test, IFRS 9 provides the definitions of:

- Capital: this is the fair value of the financial asset at the time of initial recognition. This value may change during the life of the financial instrument, for example due to repayments of part of the capital;
- Interest: it is the consideration for the time value of money and for the credit risk associated with the capital outstanding in a particular period of time. It may also include remuneration for other basic risks and costs associated with the lending activity and a profit margin.

In assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 refers to the general concept of "basic lending arrangement", which is independent of the legal form of the asset. When the contractual clauses introduce exposure to risks or volatility of contractual cash flows that is not consistent with the definition of basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires a subjective judgement and, therefore, the definition of internal application policies.

In cases where the time value of money is modified (modified time value of money), for example, when the interest rate of the financial asset is recalculated periodically, but the frequency of the restatement or the frequency of the coupon payment does not reflect the nature of the interest rate (for example, the interest rate is revised monthly on the basis of a one-year rate), or when the interest rate is periodically restated on the basis of an average of particular short or medium-long rates term - the company must assess, using both quantitative and qualitative elements, whether the contractual flows still meet the definition of SPPI (so-called benchmark cash flow test). If the test shows that the contractual cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (i.e. without the modified time value element), contractual cash flows cannot be regarded as meeting the definition of SPPI.

Particular analyses (so-called "look through tests") are required by the standard and are consequently carried out also for multiple contractually linked instruments (CLI) that create concentrations of credit risk for the settlement of the debt and for non-recourse assets, for example in cases where the receivable can be enforced only in relation to certain assets of the debtor or the cash flows deriving from certain assets.

The presence of contractual clauses that may change the frequency or amount of contractual cash flows must also be considered to assess whether these flows meet the requirements to be considered SPPI (e.g. prepayment options, possibility of deferring contractually agreed cash flows, instruments with embedded derivatives, subordinated instruments, etc.).

However, as required by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it can only have a de minimis effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if a characteristic of the cash flows is not genuine, or if it affects the contractual cash flows of the instrument only when an extremely rare, very unusual, and very unlikely event occurs, it does not affect the classification of the financial asset.

Business model

With regard to the business model, IFRS 9 identifies three cases in relation to the manner in which cash flows and sales of financial assets are managed:

- Held to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the associated portfolios. The inclusion of a portfolio of financial assets in this business model does not necessarily make it impossible to sell the instruments, even if it is necessary to consider the frequency, value, and timing of sales in previous years, the reasons for the sales and the expectations regarding future sales;
- Held to Collect and Sell (HTCS): this is a mixed business model, the objective of which is achieved through the collection of contractual cash flows from financial assets in the portfolio and (also) through a sale activity that is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the objective of the business model. Therefore, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Others/Trading: this is a residual category that includes both financial assets held for trading purposes and financial

assets managed with a business model not attributable to the previous categories (Held to Collect and Held to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured on the basis of fair value.

The business model reflects the methods with which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management through the appropriate involvement of the business structures.

It is defined by considering how financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows are derived from the collection of contractual flows, the sale of financial assets, or both. The assessment does not take place on the basis of scenarios that, based on the entity's reasonable forecasts, are not destined to occur, such as the so-called "worst case" or "stress case" scenarios. For example, if the entity expects to sell a given portfolio of financial assets only in a "stress case" scenario, that scenario does not affect the assessment of the entity's business model for those assets if that scenario, based on the entity's reasonable expectations, is not likely to occur.

The business model does not depend on the intentions that management has with regard to a single financial instrument, but refers to the methods with which the groups of financial assets are managed in order to achieve a specific business objective.

In summary, the business model:
- reflects the ways in which financial assets are managed to generate cash flows;
- it is defined by top management, through the appropriate involvement of the business structures;
- must be observable considering the methods of management of financial assets.

In operational terms, the assessment of the business model is carried out in line with the company organisation, the specialisation of the business functions, the risk model, and the assignment of delegated powers (limits).

In carrying out the business model assessment, all relevant factors available at the date of the assessment are used. The elements mentioned above include strategy, risks and their management, remuneration policies, reporting, and amount of sales. In analysing the business model, it is essential that the elements investigated show consistency with each other and, in particular, are consistent with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and adequately justified.

For the Held to Collect portfolios, the Company defined the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, parameters were established to identify sales consistent with this business model as they are attributable to an increase in credit risk.

Methods for determining the amortised cost

The amortised cost of a financial asset or liability is the value at which the financial asset or liability was measured at initial recognition, net of principal repayments, increased or decreased by total amortisation, calculated using the effective interest rate method, of the differences between the initial value and that at maturity and net of any impairment.

The effective interest rate is the rate that equates the present value of a financial asset or liability to the contractual flow of future payments in cash or received until maturity or the next date of recalculation of the price. For the calculation of the present value, the effective interest rate is applied to the flow of future collections or payments over the entire useful life of the financial asset or liability or for a shorter period in the presence of certain conditions (for example, revision of interest rate market).

After initial recognition, the amortised cost makes it possible to allocate revenues and costs reduced or increased over the entire expected life of the same through the amortisation process. The calculation of the amortised cost differs depending on whether the financial assets/liabilities subject to valuation are at a fixed or variable rate and (in the latter case) depending on whether the variability of the rate is known or not.

The measurement at amortised cost is carried out for financial assets measured at amortised cost and for those measured at fair value with an impact on comprehensive income and on the income statement, as well as for financial liabilities measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs, and directly attributable commissions.

As indicated by IFRS 9, in some cases, a financial asset is considered non-performing at the time of initial recognition because the credit risk is very high and, in the case of its purchase, it is done so with large discounts (compared to the initial disbursement value). If the financial assets in question, based on the application of classification drivers (i.e. SPPI test and business model), are classified under assets measured at amortised cost or at fair value through other comprehensive income, they are qualified as "Purchased or Originated Credit Impaired Asset" ("POCI" for short) and subject to specific treatment with regard to the impairment process. Moreover, on the date of initial recognition, a credit-adjusted effective interest rate is calculated on the financial assets qualified as POCI, for the identification of which it is necessary to include, in the estimates of the cash flows, the initial expected losses. For the application of the amortised cost, and the consequent calculation of the interest, this effective interest rate adjusted for the receivable is applied.

The amortised cost valuation criterion is not applied for financial assets/liabilities whose short duration makes the economic effect of discounting negligible, nor for receivables without a defined maturity or revocable.

Methods for determining impairment losses

Impairment of financial assets

At each balance sheet date, under IFRS 9, financial assets other than those measured at fair value with an impact on the income statement are subject to an assessment to determine whether there is any evidence that the carrying amount of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to disburse funds and guarantees issued that fall within the scope of impairment pursuant to IFRS 9.

If such evidence exists (so-called "evidence of impairment"), the financial assets in question, if any, (where they consistently exist with all the remaining financial assets pertaining to the same counterparty) are considered non-performing and are included in stage 3. Against these exposures represented by classified financial assets (pursuant to the provisions of Circular no. 217/1996 of the Bank of Italy) in the categories of non-performing exposures, probable defaults, and exposures past due/in arrears for more than ninety days, value adjustments equal to the expected losses relating to their entire residual life must be recognised.

Impairment losses on performing financial assets

For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary to verify whether there are such indicators for which the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this verification, from the point of view of classification (or, more properly, of staging) and valuation, are as follows:
- where these indicators exist, the financial asset is included in stage 2. The valuation, in this case, in line with the provisions of the international accounting standards and even in the absence of a manifest impairment, provides for the recognition of value adjustments equal to expected losses over the entire residual life of the financial instrument. These adjustments are subject to review at each subsequent reporting date, both to periodically verify their consistency with respect to the constantly updated loss estimates, and to take into account (in the event that the indicators of a "significantly increased" credit risk no longer exist) the changed forecasting horizon for calculating the expected loss;
- where these indicators do not exist, the financial asset is included in stage 1. The valuation, in this case, in line with the provisions of the international accounting standards and even in the absence of manifest impairment, provides for the recognition of expected losses for the specific financial instrument over the following twelve months. These adjust-

ments are subject to review at each subsequent balance sheet date, both to periodically verify their consistency with respect to the constantly updated loss estimates, and to take into account (if indicators of a "significantly increased" credit risk should arise) the changed forecasting horizon for calculating the expected loss.

With regard to the valuation of financial assets and, in particular, the identification of a “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset subject to valuation in stage 2), the elements that, according to the principle and its operationalisation by Master Gardant, make up the main determinants to be taken into account are the following:

- For ABS securities not measured at fair value through profit or loss:
- net collections realised from the start date of the securitisation of less than 20% of the collections estimated by the business plan;
- decrease in the external rating of 3 notches for listed securities, if the reduction of the rating does not directly determine the classification in stage 3 (junk grade);
- business plan revised by the Portfolio Management & Acquisition Department downwards by more than 20% of the “Net Recoveries”, if the new business plan does not result in the zeroing of the value of the junior and mezzanine notes belonging to the same transaction measured at fair value, if any. In this case, the classification of the instruments in question would pass directly to Stage 3;
- business plan revised extending the expected closing time of recovery operations by more than 3 years, if the new business plan does not result in the zeroing of the value of the junior and mezzanine notes belonging to the same transaction measured at fair value, if any. In this case, the classification of the instruments in question would pass directly to Stage 3.

For Other Securities:

- decrease in the external rating of 3 notches up to BBB+, by 2 notches from BBB to BBB-, and by 1 notch if lower level, provided that the reduction of the rating does not directly determine the classification in stage 3 (junk grade);
- analytical assessment of the risk of the instrument (issuer risk, country risk, etc.).

For Loans to customers (Mortgages/Subsidies receivable/Leases):

- the presence of a past due which (without prejudice to the significance thresholds identified by the regulations), has been such for at least 30 days. In the presence of this case, in other words, the credit risk of the exposure is presumed to be “significantly increased”, and therefore the “transfer” to stage 2 follows (if the exposure was previously included in stage 1);
- the possible presence of forbearance measures, which (again on a presumptive basis) entail the classification of exposures among those whose credit risk is “significantly increased” compared to the initial recognition.

For Loans and receivables from banks:

- decrease in the external rating of the counterparty or, if not available, the counterparty's country of origin, of 3 notches up to BBB+, by 2 notches from BBB to BBB-, and by 1 notch if lower level, provided that the reduction of the rating does not directly determine the classification in stage 3 (junk grade);
- analytical assessment of the risk of the counterparty (issuer risk, Country risk, etc.).

Once the allocation of the exposures in the different stages of credit risk has been defined, the determination of the expected losses (ECL) is carried out, at the level of each transaction or tranche of security, based on the parameters of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Impairment losses on non-performing financial assets

Stage 3 includes all relations relating to the non-performing portfolio, including those with a past due date of more than 90 days, regardless of the materiality of the amount. Or, in the specific case of securities, all tranches associated with securities in default are included.

The Company provides for direct transfers from Stage 1 to Stage 3 on an exceptional basis, in the event that the creditworthiness deteriorates rapidly and the default is concluded before an interim recognition of the creditworthiness is obtained. It should be noted that the Company’s Business Model also envisages the investment in Purchased or Originated Credit Impaired assets (hereinafter “POCI”), therefore falling directly to inception in stage 3.

In particular, the financial assets acquired or originated already non-performing, POCI, have particular characteristics in terms of impairment. In this regard, value adjustments equal to the ECL lifetime must be accounted for from the date of initial recognition and for the entire life of the instruments in question. Therefore, the lifetime Expected Credit Losses (hereinafter “ECL”) must be adjusted at each subsequent reporting date, recognising any change in lifetime expected credit losses in the income statement of the receivable as a gain or loss due to impairment. In light of the above, the POCI financial assets are initially recognised in stage 3, without prejudice to the possibility of being subsequently transferred to performing loans, on which however, an expected loss equal to the lifetime ECL will continue to be recognised.

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:

- 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;
- interest on arrears, possibly envisaged by contract, is recorded in the income statement only at the time of their actual collection;
- dividends are recognised in the income statement during the year in which their distribution is resolved;
- 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;
- 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;
- 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.

Post-employment benefits

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

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

A3 – INFORMATION ON THE TRANSFER OF PORTFOLIOS OF FINANCIAL ASSETS

There were no transfers between portfolios of financial assets in 2021.

A4 – INFORMATION ON FAIR VALUE

Qualitative disclosure

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

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 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) 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.

A.4.2. 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.

A.4.3. Fair value hierarchy

In 2021, there were no transfers between the levels of the fair value hierarchy.

A.4.4. Other information

La Società non si avvale dell'eccezione prevista dal paragrafo 48 dell'IFRS 13 (*fair value* sulla base della posizione netta) in relazione ad attività e passività finanziarie con posizioni che si compensano con riferimento al rischio di mercato o al rischio di controparte.

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.

Quantitative disclosure

A.4.5. Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

This case is not present.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

This case is not present.

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

This case is not present.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

This case is not present.

A5 – INFORMATION ON THE SO-CALLED "DAY ONE PROFIT/LOSS"

The recognition value of the financial instruments in the financial statements is equal to their fair value on the same date. In the case of financial instruments other than those at fair value recognised in the income statement, this is normally assumed to be equal to the amount collected or paid on the date of recognition. In the case of financial instruments measured at fair value through profit or loss and classifiable as Level 3, any difference with respect to the amount collected or paid could in principle be recognised in the income statement under the pertinent items, generating a so-called "day one profit/loss" (DOP). This difference must be recognised in the income statement only if it derives from changes in the factors on which market participants base their valuations in setting prices (including the time effect). If the instrument has a defined maturity and a model that monitors changes in the factors on which the operators base the prices is not immediately available, the transit of the DOP to the income statement throughout the life of the financial instrument is permitted.

Master Gardant did not generate "day one profit/loss" from financial instruments in accordance with paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

PART B – INFORMATION ON THE BALANCE SHEET

Asset

Section 1 – Cash and cash equivalents

The cash and cash equivalents amount to Euro 4,100 thousand.

(thousands of euro)

	2021	2020
Cash and cash equivalents	4,100	2,160
Total	**4,100**	**2,160**

Starting from the 2021 financial statements, by virtue of the update of the reference Bank of Italy regulations, the item Cash and cash equivalents includes deposits in on-demand current accounts with banks. The figure for 2020 was adjusted accordingly.

Section 4 – Financial assets measured at amortised cost

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro)

Composition	Total 31.12.2021						Total 31.12.2020					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stage	Third stage	Impaired acquired or origi-nated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or origi-nated	L1	L2	L3
1. Deposits with maturity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Current accounts	**4**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Factoring:	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
3.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
4. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
4.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
5. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**4**	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**

L1= level 1; L2= level 2; L3= level 3

4.2 Financial assets measured at amortised cost: breakdown by type of loans to financial companies

(thousands of euro)

Composition	Total 31.12.2021						Total 31.12.2020					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3
1. Loans	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring:	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**2,902**	-	-	-	-	**2,902**	-	-	-	-	-	-
Total	**2,902**	-	-	-	-	**2,902**	-	-	-	-	-	-

L1= level 1; L2= level 2; L3= level 3

4.3 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro)

Composition	Total 31.12.2021						Total 31.12.2020					
	Balance sheet value			Fair value			Balance sheet value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3
1. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Loans of leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final call option												
1.2 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pledged loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Loans granted inrelation to payment services provided	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
of which: from enforcement of guarantees and commitments												
2. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**5**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**5**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**-**

L1= level 1; L2= level 2; L3= level 3

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

(thousands of euro)

Composition	Total 31.12.2021			Total 31.12.2020		
	First and second stage	Third stage	of which: acquired or oroginated impaired assets	First and second stage	Third stage	of which: acquired or oroginated impaired assets
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administration	-	-	-	-	-	-
b) Other financial companies of which: insurance companies	-	-	-	-	-	-
c) non-financial companies	-	-	-	-	-	-
2. Financing to	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Other financial companies	-	-	-	-	-	-
c) of which: insurance companies	-	-	-	-	-	-
d) non-financial companies	-	-	-	-	-	-
e) Households	-	-	-	-	-	-
3. Other assets	**5**	**-**	**-**	**-**	**-**	**-**
Total	**5**	**-**	**-**	**-**	**-**	**-**

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

(thousands of euro)

	Gross value					Total value adjustments				
	First stage	of which: with low credit risk	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	Total partial write-off*
Debt securities	-	-	-			-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Other assets	2,941	2,941	-	-	-	30	-	-	-	-
Total 2021	**2,941**	**2,941**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

*Value to be disclosed for information purposes

Section 7 – Participations

7.1 Participations: information on participatory relationships

The participatory relationships amounted to Euro 110 thousand and relate to the three LeaseCos referring to their respective securitisation transactions for which the Company is the master servicer.

(thousands of euro)

Names	Registered office	Operational office	Equity investment %	Votes available %	Balance sheet value	Fair value
A. Exclusively controlled companies						
1. LeaseCo One S.r.l.	Rome	Rome	1.00	100%	50	50
2. LeaseCo Europa S.r.l.	Rome	Rome	1.00	100%	50	50
3. LeaseCo Piave S.r.l.	Rome	Rome	1.00	100%	10	10
Total					**110**	**110**

7.2 Annual changes in participations

The participations were received as part of the spin-off that took place on 1 August 2021.

(thousands of euro)

	Group equity investments	Non-group equity investments	Total
A. Opening balance	**-**	**-**	**-**
B. Purchases			
B.1 Purchases	-	-	-
B.2 Value recovery	-	-	-
B.3 Revaluations	-	-	-
B.4 Other variations	110	-	110.00
C. Decreases			
C.1 Sales	-	-	-
C.2 Value adjustments	-	-	-
C.3 Write-downs	-	-	-
C.4 Other changes	-	-	-
D. Closing inventory	**110**	**-**	**110.00**

Section 10 – Tax assets and tax liabilities - Asset Item 100 and Liability Item 60

10.1 Current and deferred tax assets: breakdown

Current tax assets refer to the VAT credit as of 31 December 2021 of Euro 30 thousand.

Deferred tax assets relate to the Deferred Tax Assets ("DTA") recognised pursuant to Law 214/2011 for Euro 24 thousand and the DTAs calculated on the actuarial valuation of the post-employment benefits for Euro 1 thousand.

10.2 Current and deferred tax liabilities: breakdown

Current tax liabilities refer to the provision for income taxes for the year 2021 to be paid, of which Euro 90 thousand for IRES and Euro 53 thousand for IRAP.

Section 12 – Other assets

Other assets amount to Euro 3,627 thousand.

(thousands of euro)

	2021	2020
Receivables for amounts in cash pooling with the parent company	2,006	-
Receivables from segregated assets	488	-
VAT credit to the parent company	62	-
Receivables from LeaseCo One S.r.l.	694	-
Deferred income	320	-
Other assets	57	-
Total Other assets	**3,627**	**-**

Liabilities

Section 1 – Financial liabilities measured at amortised cost - Item 10

Financial liabilities measured at amortised cost – breakdown of debts by type

The Company has a payable of Euro 274 to Banca CF+.

Section 6 – Tax liabilities – Item 60

See the description of Section 10 of the Assets.

Section 8 – Other liabilities – Item 80

Other liabilities amount to Euro 1,883 thousand.

(thousands of euro)

	2021	2020
Payables to suppliers	517	8
Withholdings and contributions to be paid	428	-
Amounts to be paid to personnel	457	-
Contributions on sums to be paid to personnel	155	-
Other deferred income	209	-
Other liabilities	117	-
Total Other Liabilities	**1,883**	**8**

Section 9 – Post-employment benefits

9.1 Post-employment benefits: annual changes

Post-employment benefits amounted to Euro 289 thousand.

(thousands of euro)

	2021	2020
A. Opening balance	**-**	**-**
B. Increases	**294**	**-**
B.1 Provisions for the year	-	-
B.2 Other variations in increases	294	-
C. Decreases	**5**	**-**
C.1 Settlements made	2	-
C.2 Other variations in decreases	3	-
D. Closing stocks	**289**	**-**

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

11.1 Capital – breakdown

The share capital amounts to Euro 2,160 thousand, broken down by 2,160,000 ordinary shares of Euro 1 each.

(thousands of euro)

Types	Amount
1. Capital	
1.1 Ordinary shares	2,160
1.2 Other variations	-

11.4 Share premium

The share premium received in spin-off from Credito Fondiario amounted to Euro 4,645 thousand.

11.5 Other information

The company issued 2,160,000 ordinary shares of Euro 1 each.

The reserves included in shareholders' equity consist of:
- the legal reserve for Euro 434 thousand obtained as part of the complex demerged from Credito Fondiario;
- the extraordinary reserve for Euro 927 thousand obtained as part of the complex demerged from Credito Fondiario;
- the share premium reserve of Euro 4,645 thousand obtained as part of the complex demerged from Credito Fondiario;
- negative reserves from FTA of IAS/IFRS for Euro 95 thousand.

MASTER GARDANT

PART C – INFORMATION ON THE INCOME STATEMENT

Revenues

Section 2 – Fees and commissions – Items 40 and 50

2.1 Commissions income: breakdown

Commissions income amounted to Euro 3,435 thousand.

(thousands of euro)

	2021	2020
a) leasing transactions	-	-
b) factoring transactions	-	-
c) consumer credit	-	-
d) guarantees issued	-	-
e) services of:		
- management of funds on behalf of third parties	-	-
- foreign exchange brockerage	-	-
- product distribution	-	-
- others	-	-
f) collection and payment services	-	-
g) servicing of securitisation transactions	3,260	-
h) other commissions	175	-
Total	**3,435**	**-**

2.2 Commission payables: breakdown

Commission payables amounted to Euro 20 thousand.

(thousands of euro)

	2021	2020
a) guarantees received	-	-
b) distribution of services by third parties	-	-
c) collection and payment services	1	-
d) other commissions (commissions for property management and segregated assets)	19	-
Total	**20**	**-**

Section 8 – Net value adjustments/reversals due to credit risk – Item 130

8.1 Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost: breakdown

Value adjustments amounted to Euro 19 thousand.

(thousands of euro)

Transactions/Income components	Value adjustments						Value recovery						Total 2021	Total 2020
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage		Impaired acquired or originated			
			write off	others	write off	others			write off	others	write off	others		
1. Receivables to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	19	-	-	-	-	-	-	-	-	-	-	-	19	-
3. Loans to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- for consumer credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- loans against pledges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**-**

MASTER GARDANT

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses

Personnel expenses amounted to Euro 1,785 thousand, of which Euro 60 thousand related to remuneration to Directors and Statutory Auditors.

(thousands of euro)

Types of expenses/Amounts	2021	2020
1. Personnel expenses		
a) wages and salaries	1,151	-
b) social security charges	309	-
c) post-employment benefits	-	-
d) social security costs	-	-
e) provicion for post-employment benefits	62	-
f) allocation to the provision for pensions and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementar funds	-	-
- defined contribution	49	-
- defined benefit	-	-
h) other employee benefits	9	-
2. Other personnel in activity	**-**	**-**
3. Directors and statutory auditors	**60**	**-**
4. Personnel who have retired	**-**	**-**
5. Recovery of expenses for personnel seconded to other companies	**-**	**-**
6. Reimbursement of expenses for wmployees seconded to the company	**145**	**-**
Total	**1,785**	**-**

10.2 Average number of employees broken down by category

The employees, broken down by category as of 31 December 2021, are as follows:
- managers none
- middle managers 17
- remaining employees 29

There are no other personnel present in addition to those represented above.

10.3 Other administrative expenses: breakdown

Other administrative expenses amounted to Euro 1,463 thousand.

(thousands of euro)

Types of expenses/Amounts	2021	2020
External support to the production cycle	524	-
Expenses for corporate services of the parent company	650	-
Indirect taxes	1	-
Fees paid to notaries	16	-
Consultancies	105	-
Accounting audit	37	-
IT expenses	2	-
Rents payable	66	-
Other various expenses	62	7
Total	**1,463**	**7**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

The item, amounting to Euro 47 thousand, mainly consists of contracts acquired as part of the securitisation of the company Ticino SPV S.r.l.

14.2 Other operating income: breakdown

Other operating income amounted to Euro 384 thousand.

(thousands of euro)

Types of expenses/Amounts	2021	2020
Income for activities in favour of Special Gardant S.p.A.	252	-
Other income	132	-
Total	**384**	**-**

Section 19 – Income taxes for the year – Item 270

(thousands of euro)

Types of expenses/Amounts	2021	2020
1. Current taxes (-)	(189)	-
2. Changes in current taxes of previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year for tax credits pursuant to Law 214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	(4)	-
5. Changes in deferred taxes (+/-)	-	-
6. Total Taxes for the year	-	-
Total	**(193)**	**-**

PART D – OTHER INFORMATION

Section 3 – Disclosure of risks and related hedging policies

Introduction

Master Gardant attributes strategic importance to the Internal Control System, as it considers it a fundamental element to guarantee the protection of company assets, the efficiency and effectiveness of company processes and operations, the reliability of financial information, and compliance with laws and regulations.

In compliance with the regulations on internal controls, pursuant to which it is necessary for intermediaries to adopt an organisation aimed at ensuring sound and prudent management, risk containment and capital stability, Master Gardant has equipped with an Internal Control System structured on three levels:

- **the first-level controls**, which are aimed at ensuring the correct execution of the transactions, are carried out by the same operating structures, in charge of the relative execution (e.g. systematic and sample hierarchical controls) or incorporated in procedures, including automated ones. These structures, as those primarily responsible for the internal control and risk management process, are called upon, during daily operations, to identify, measure or assess, monitor, mitigate the risks deriving from ordinary business activities in compliance with the risk management process and applicable internal procedures;
- **second-level controls**, which aim to ensure the correct implementation of the risk management process, to verify compliance with the limits assigned to the various operating structures, to check the consistency of the operations of the latter with the risk-return objectives assigned, as well as to ensure compliance of company operations with regulations, including self-regulation.

The Risk Management, Compliance and Anti-Money Laundering Function is autonomous in the Company's organisational structure reporting directly to the Chief Executive Officer, having direct access to the Company's Corporate Bodies. It is in charge of managing (according to a risk-based approach) risk, non-compliance risk, money laundering risk, and terrorist financing risk.

The objective of the structure is to ensure both the current and prospective assessment and monitoring of Master Gardant against different types of risk, guaranteeing the continuous management and monitoring of the risk of non-compliance with mandatory regulations and self-regulation, prevention and combating the infringement of external and internal regulations to combat money laundering and terrorist financing, as well as the identification, measurement, assessment, and control of all company risks.

The main responsibilities of the structure in each area are:

- *Risk Management*: collaborates in defining the governance policies and the risk management process, the related procedures and methods of recognition and control, verifying their continuous adequacy; handles the obligations relating to the quantitative management of company risks, also through the definition of risk measurement methods, verifying compliance with the limits assigned to the various company functions, and controlling the consistency of the operations of the individual organisational units with the assigned risk-return objectives; manages the internal capital adequacy assessment process (ICAAP) and the preparation of the related Report and public disclosure (Pillar III) ensures the constant monitoring of the evolution of company risks and compliance with any operational limits to the assumption of the various types of risk, taking into account the corporate risk appetite where approved and defined by the Board of Directors and informing, to the extent of its competence, the corporate bodies of any significant deficiency found in the process of identifying, measuring, and monitoring risks;
- *Compliance*: ensures the assessment (ex ante and ex post) of the adequacy of internal organisational measures with respect to the objective of preventing the violation of mandatory rules (laws and regulations) and self-regulation (articles of association, codes of conduct, codes of self-regulation) applicable to the Company; carries out audits in the area of compliance, formulating any recommendations for the elimination of critical issues identified, monitoring their implementation through specific follow-ups; ensures compliance with regulatory provisions;
- *Anti-money laundering*: ensures the prevention and mitigation of the risk of money laundering and terrorist financing, with reference to both securitisation transactions pursuant to Law no. 130/1999 as part of which the Company carries out master servicing activities, as well as the activities carried out by the special servicers as part of the same

securitisation transactions; sees to the identification of applicable regulations, assessing their impact on internal processes and procedures; ensures that due diligence is carried out on customers with whom relations are established or transactions are carried out; ensures the definition of the Internal Control System and the procedures aimed at preventing and combating money laundering risks;
- **the third-level controls** are aimed at periodically assessing the completeness, functionality, adequacy and reliability of the Internal Control System in terms of efficiency and effectiveness in relation to the nature and intensity of the risks of business needs, also identifying any violations of the organisational measures adopted by the Company.

The Internal Audit Function of Master Gardant, as third-level control function, is responsible for carrying out periodic controls and/or inspections, according to the provisions of the audit plan or of an extraordinary nature. The frequency and scope of these controls are defined according to a risk-based logic, or are conducted in order to ascertain specific irregularities. On the basis of the findings, Internal Audit formulates specific recommendations to the Functions concerned and monitors their compliance. The Function, while respecting its role and responsibilities within the Company's business risk management system, actively and continuously collaborates and establishes communication flows aimed at promptly reporting critical issues or anomalies found.

Master Gardant identifies and monitors both the risks covered by the overall capital requirement (first pillar risks: credit, operational and market risk), and the second pillar risks, also contemplated in the internal capital adequacy assessment process (ICAAP).

3.1 Credit risk

Qualitative disclosures

General aspects

Credit risk represents the possibility of incurring losses due to counterparty default or insolvency. In a broader sense, credit risk is the risk that an unexpected change in the creditworthiness of a counterparty, with respect to which there is an exposure, generates a corresponding change in the value of the credit position.

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 MG purchases part of the notes issued by securitisation vehicles with underlying loan portfolios (in which case MG is not the sole purchaser of all notes issued by the vehicle).

The Company, in consideration of the nature of the activity carried out, 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. Other exposures may derive from receivables for invoices issued/to be issued, from any exposures to banks.

Impacts deriving from the COVID-19 pandemic

In the current context of the economic crisis generated by the COVID-19 pandemic and in relation to the risk management policies implemented by the Company, there are no loans subject to COVID-19 support measures and therefore there are no financial assets subject to commercial renegotiation and exposures under concession.

The capital adequacy test (ICAAP) at both the current and prospective level will also be conducted considering any economic and financial impacts related to the government measures adopted to contain the COVID-19 pandemic.

Credit risk management policies

Management, measurement, and control systems

The management and monitoring of credit risk are carried out through an integrated process that involves different Corporate Bodies at different levels and based on the skills of each. At strategic level, the Board of Directors is responsible for defining the guidelines for the assumption of credit risk as part of the strategic planning / budgeting process.

At operational level, MG makes use of specific Organisational Structures and Functions which, operating in their respective fields of action, ensure complete monitoring of credit risk. The performance of the transactions carried out is monitored, with particular reference to the risk retention activities of the Company, promptly reporting the emergence of any anomalies or points to be brought to the attention of the Company's management.

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

The application of this method involves:
1. the subdivision of the exposures into different classes defined by the Supervisory Board ("regulatory portfolios") according to the nature of the counterparty or the technical characteristics of the relationship or the way in which it is carried out;
2. the application of different weighting co-efficients defined by supervisory regulations to each regulatory portfolio. Capital adequacy with respect to credit risk is further monitored also through stress tests, carried out through sensitivity tests aimed at verifying the capital base in exceptional but still plausible operating conditions.

Organisational aspects and credit risk mitigation techniques

The Risk Management, Compliance and Anti-Money Laundering Function ensures the second level monitoring of the transactions carried out, verifying compliance by the operating structures involved with the envisaged processes and controls (use of updated appraisals, correct disbursement activities, etc.), as well as ensuring the adequacy of the performance control processes and the classification criteria adopted on the transactions under management (presence of irregularities and/or overruns, need to change the classification status, etc.) and intervening where deemed appropriate and/or necessary to remedy any anomalous or incorrectly managed situations.

In addition, the Risk Management, Compliance and Anti-Money Laundering Function is expected to be involved in all transactions submitted to the Board of Directors' resolution (including those deriving from risk retention activities), through the formulation of a risk opinion, in particular aimed at verifying ex-ante the risk profiles of the transaction as a whole, as well as the impacts on the capital profile and on the liquidity position of the Company, thus providing all the elements and the appropriate assessments so that the decision-making body can take decisions oriented towards sound and prudent assumption of risk, based on company objectives.

Non-performing financial assets

Master Gardant, in compliance with the new definition of default envisaged by the European Regulation on prudential requirements for credit institutions and investment firms (Article 178 of EU Reg. No. 575/2013), entered into force on 1 January 2021, classifies exposures as follows:
- ***performing exposures***: loans for which there are no reasons for considering full repayment at risk or loans which, although showing the first signs of impairment in credit quality, do not have the characteristics for classification as non-performing. This category also includes exposures under observation, represented by loans which, although presenting signs of internal or sector anomaly, do not meet the criteria for classification as non-performing. Within the category under observation, there are further sub-categories that meet specific past due criteria such as:

6 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".

- *past due and/or overdue exposures performing* (other than those indicated in the following points), represented by receivables past due and/or overdue by less than 90 days or by receivables past due and/or overdue for a period of more than 90 days for which the materiality thresholds identified by the provisions have not been exceeded;
- other performing exposures.
- Non-performing exposures, broken down into:
  - ***Past due and/or overdue exposures non-performing***: this category includes past due and/or overdue exposures of more than 90 days that can be determined by referring to the "individual debtor". The overall exposure to a "single debtor" must be recognised as past due and/or overdue non-performing if, at the reference date, the amount of principal, interest or commissions not paid on the date on which it was due exceeds both of the following thresholds: a) absolute limit of Euro 500 for exposures other than retail exposures; b) relative limit of 1% given by the ratio between the total amount past due and/or overdue and the total amount of all credit exposures to the same debtor. Exceeding the thresholds must be continuous, i.e. it must persist for 90 consecutive days. The days past due are counted from the date of the first default, for each exposure, regardless of whether the thresholds are exceeded;
  - ***unlikely to pay***: cash and "off-balance sheet" exposures whose classification is the result of the Company's judgement on the improbability that, without recourse to actions such as the enforcement of guarantees, the debtor fully discharges (in principal and/or interest) its credit obligations;
  - **NPLs**: cash and "off-balance sheet" exposures to a party in a state of insolvency (even if not legally ascertained) or in substantially equivalent situations, regardless of any expected loss of the Company.

Quantitative disclosures

1. Distribution of financial assets by portfolio and by credit quality (book values)

Portfolios/quality	Bad debt	Probable defaults	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total (net exposure)
1. Financial assets measured at amortised cost	-	-	-	-	2,911	2,911
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for disposal	-	-	-	-	-	-
Total (T)	**-**	**-**	**-**	**-**	**2,911**	**2,911**
Total (T-1)	**-**	**-**	**-**	**-**	**-**	**-**

2. Distribution of financial assets by portfolios and by credit quality (gross and net values)

Portfolio/quality	Impaired				Not impaired			
	Gross exposure	Total value adjustments	Net exposure	Total partial write-off*	Gross exposure	Total value adjustments	Net exposure	Total (esposizione netta)
1. Financial assets measured at amortised cost	-	-	-	-	2,942	31	2,911	2,911
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	X	-
4. Other financial assets required to be measured at fair value	-	-	-	-	X	X	X	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total (T)	**-**	**-**	**-**	**-**	**2,942**	**31**	**2,911**	**2,911**
Total (T-1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

6. Loan exposures to customers, banks and financial companies

6.1 Credit and off-balance sheet exposures to banks and financial companies: gross and net values

Exposure types/values		Gross exposure						Total value adjustments and total					
		First stage	Second stage	Third stage			Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	Net exposure	Total partial write-off*
A.	Cash credit exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	**On demand**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-
	b) Not impaire	2,942	-	-	-	-	-	31	-	-	-	2,911	-
A.3	**Others**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	a) Bad debt	-	-	-	-	-	-	-	-	-	-	-	-
	- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
	b) Probable non-fulfilmen	-	-	-	-	-	-	-	-	-	-	-	-
	- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
	c) Impaired past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
	- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
	d) Unimpaired past due exposures	-	-	-	-	-	-	-	-	-	-	-	-
	- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
	e) Other unimpaired exposures	-	-	-	-	-	-	-	-	-	-	-	-
	- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A)	**2,942**	**-**	**-**	**-**	**-**	**-**	**31**	**-**	**-**	**-**	**2,911**	**-**
B.	**Off-balance sheet credit exposures**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	b) Not impaired	-	-	-	-	-	-	-	-	-	-	-	-
	Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total (A+B)	**2,942**	**-**	**-**	**-**	**-**	**-**	**31**	**-**	**-**	**-**	**2,911**	**-**

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

Exposure types/values	Gross exposure: First stage	Gross exposure: Second stage	Gross exposure: Third stage	Gross exposure: Impaired acquired or originated	Total value adjustments and total: First stage	Total value adjustments and total: Second stage	Total value adjustments and total: Third stage	Total value adjustments and total: Impaired acquired or originated	Net exposure	Total partial write-off*
A. Cash credit exposures	**-**	**-**	**- -**	**- -**	**-**	**-**	**-**	**-**	**-**	**-**
a) Bad debt	-	-	- -	- -	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	- -	- -	-	-	-	-	-	-
b) Probable non-fulfilmen	-	-	- -	- -	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	- -	- -	-	-	-	-	-	-
c) Impaired past due exposures	-	-	- -	- -	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	- -	- -	-	-	-	-	-	-
d) Unimpaired past due exposures	-	-	- -	- -	-	-	-	-	-	-
- of which: exposures subject to concessions	-	-	- -	- -	-	-	-	-	-	-
e) Other unimpaired exposures	2,942	-	- -	- -	31	-	-	-	2,911	-
- of which: exposures subject to concessions	-	-	- -	- -	-	-	-	-	-	-
Total (A)	**2,942**	**-**	**- -**	**- -**	**31**	**-**	**-**	**-**	**2,911**	**-**
B. Off-balance sheet credit exposures	**-**	**-**	**- -**	**- -**	**-**	**-**	**-**	**-**	**-**	**-**
b) Not impaired	-	-	- -	- -	-	-	-	-	-	-
Total (B)	**-**	**-**	**- -**	**- -**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**2,942**	**-**	**- -**	**- -**	**31**	**-**	**-**	**-**	**2,911**	**-**

* Value to be disclosed for information purposes.

3.2 Market risk

In consideration of the operational characteristics of Master Gardant, in the area of market risk there is no exposure to price risk, understood as an unfavourable change in the value of a position in financial instruments due to the adverse trend in reference rates. Moreover, considering that the company is active only at domestic level, it is not exposed to exchange rate risk.

Considering that the majority of the assets are independent of the trend in market rates, Master Gardant is exposed to the interest rate risk that is generated on the basis of the structure of the financial statement items in relation to the residual life, for fixed rate assets and liabilities, and on the date of re-negotiation of the rate for those with floating rates.

Interest rate risk on the banking book

Qualitative disclosures

The interest rate risk on the banking book is a current or future risk, both for profits and for the economic value, deriving from adverse movements in interest rates that affect instruments sensitive to the interest rate, including gap, basis, and option risk.

Quantitative disclosures

- Distribution by residual duration (repricing date) of financial assets and liabilities

Interest rate risk

Distribution by residual duration (by repricing date) of financial assets and liabilities

Items/residual duration	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	over 10 years	Indefinite duration
1. Assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Receivables	-	-	-	-	-	-	-	-
1.3 Other assets	4,103,700	-	-	2,907,417	-	-	-	-
2. Liabilities								
2.1 Payables	274	-	-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
3.3 Other assets	-	-	-	-	-	-	-	-
3. Financial derivatives								
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

Models and other methods for measuring and managing interest rate risk

Consistent with the applicable Supervisory Provisions 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.

The application of this method involves the following steps:
- Determination of the "relevant currencies" or the currencies whose weight, measured as a share of total assets or liabilities of the banking book, exceeds 5%. Positions denominated in "relevant currencies" are considered currency by currency, while positions in "non-relevant currencies" are aggregated. In the case of MG, the only relevant currency is the Euro;
- Classification of assets and liabilities into time brackets according to the following rules: or fixed rate assets and liabilities are classified into 14 time brackets based on their residual life; or floating rate assets and liabilities are reclassified to the different time brackets on the basis of the date of renegotiation of the interest rate;
- Weighting of net exposures within each bracket: within each bracket, assets are offset with liabilities, thereby obtaining a net position. The net position of each bracket is multiplied by weighting factors, obtained as the product of a hypothetical change in rates and an approximation of the modified duration relating to the individual brackets. The value of the weighting factors is indicated in Title IV, Chapter 14, Annex C of the Supervisory Provisions;
- Sum of weighted exposures of the different time brackets: the net weighted exposures of all 14 time brackets are algebraically added together. The overall net weighted exposure obtained in this way approximates the change in the present value of the items denominated in a certain currency in the event of the assumed rate shock.
- Determination of the risk index: the amount obtained in the previous point is related to Own Funds:
- Risk index = Change in company economic value/Own Funds

The warning threshold of the risk index is set by the Supervisory Provisions at 20% and represents the limit beyond which the financial intermediary is required to intervene operationally to return to the maximum limit. The quantification of interest rate risk is a function of the distribution in the different time brackets (each of which is associated with a predetermined duration) of the assets and liabilities based on their residual life, in the case of fixed rate transactions, or based on the renegotiation date of the rate in the case of floating rate transactions and of the shock applied to the curve. In order to assess the adequacy of capital resources with respect to the risks assumed, Master Gardant conducts stress tests, as defined by supervisory regulations, which envisage the application of a shock of 200 basis points in parallel to the rates.

The management of interest rate risk on the banking book is carried out, during ordinary operations, by the Risk Management, Compliance and Anti-Money Laundering Function, which conducts a quarterly analysis on the classification of assets and liabilities in the different time brackets depending on the rate adjustment period and verifies the exposure to this risk with the same frequency using the method set out in the aforementioned Annex C.

3.3 Operational Risk

Qualitative disclosures

Operational risk is defined as 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. Operational risk includes legal risk, while strategic and reputational risk are excluded. Under the ICAAP Process, operational risk is considered a quantifiable risk against which a current internal capital is calculated or future internal capital is estimated. Operational risk includes IT risk, i.e. the current or future risk of incurring economic, reputation and market share losses in relation to the use of Information and Communication Technology - ICT.

Operational risk management and monitoring

The management and monitoring of operational risk are carried out through an integrated process that involves different Corporate Bodies at different levels and based on the skills of each. At strategic level, the Board of Directors defines the general guidelines of the system and approves the operational risk management process and any risk mitigation plans to be implemented. At the operational level, the first-level controls are allocated within all MG procedures and processes. Second-level controls are allocated to the Risk Management, Compliance, and Anti-Money Laundering Function. Lastly, third-level controls are entrusted to the Internal Audit Function, which is also responsible for verifying the level of compliance of the activities carried out by all company levels with the reference external and internal regulations.

An important oversight of operational risk is represented by the Risk Management, Compliance and Anti-Money Laundering Function which, as part of Compliance (by monitoring and overseeing the risk of non-compliance) contributes to limiting the negative effects related to the occurrence of events of operational risk. In addition, it carries out assurance activities with regard to Corporate Bodies on the appropriate management of non-compliance risks to which the Company is exposed through the continuous monitoring of business activities.

For the purposes of risk mitigation, MG uses:
1. a Risk Self Assessment, i.e. a process of periodic recognition of operational risks relating to all business processes, carried out through the direct involvement of the various Organisational Structures and aimed at identifying potential operational risk events capable of generating negative economic effects for MG;
2. the adoption of a Business Continuity Plan, with the aim of ensuring the rapid restoration of critical transactions and compliance with the obligations assumed in order to avoid the Intermediary being paralysed;
3. the conclusion of insurance policies, through the activation of insurance contracts to cover any damages caused by operational risks.

With regard to IT risk, the analysis of this risk is a tool to guarantee the effectiveness and efficiency of the measures to protect ICT resources. The assessment and monitoring of IT risk does not result in capital absorption, but requires the development of organisational controls able to mitigate the risk and provide for the interventions necessary to govern it.

Master Gardant 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 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.

Quantitative disclosures

Consistent with the Supervisory Provisions applicable to Class 3 financial intermediaries, Master Gardant uses the BIA (Basic Indicator Approach) method to determine the regulatory capital requirement. The application of this method envisages:
- the application of a fixed coefficient (15%) to the average of the last three positive observations, on an annual basis, of the relevant indicator[7];
- negative or zero observations are not taken into consideration in the calculation of the average of the relevant indicator;
- if the figure relating to the relevant indicator, for some observations of the three-year reference period, does not exist, the calculation of the requirement must be determined on the basis of the average of the observations available.

7 See Circular 288/2015 of the Bank of Italy, Title IV, Chapter 12 "Large exposures".

3.4 Liquidity risk

Qualitative disclosures

Liquidity risk is the risk of not being able to meet payment commitments due to the inability to raise funds on the market (funding liquidity risk) or to sell its assets (market liquidity risk). The definition of liquidity risk and the guidelines that financial intermediaries take into account in defining their measurement and control systems and procedures are contained in the Supervisory Provisions. 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 liquidity risk measurement and management system

The main objective of the liquidity risk measurement and management system of Master Gardant is to ensure a sufficient balance between incoming and outgoing cash flows, in order to meet its payment commitments, also in relation to its ability to finance itself.

The identification of liquidity risk is based on various analyses and assessments of the reference observation horizon, making it possible to classify liquidity risk in relation to two different liquidity "types" such as:

- *operational (or short-term) liquidity*, represented by the overall operational liquidity position and whose identification is aimed at quantifying the ability to meet its expected and unexpected payment commitments in a time horizon of up to 3 months;
- *structural liquidity*, the identification of which is aimed at identifying any structural imbalances between assets and liabilities with an expiration of up to 12 months or more than one year, within the normal course of business.

Consistent with the provisions of the supervisory regulations, the Board of Directors is responsible for: maintaining an adequate level of liquidity, defining governance policies, liquidity risk management guidelines processes, the prediction of indicators, early warning thresholds, and the consequent necessary actions to be taken when they are exceeded.

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. As part of the performance of its advisory functions on risks, the Risk Management, Compliance and Anti-Money Laundering Function expresses an opinion on the overall system of indicators for detecting the warning thresholds relating to liquidity management (early warning indicators). At operational level, first-level controls are carried out by the Treasury Department of Gardant which, as part of the treasury activities, is responsible for: preparing the maturity ladder on a monthly basis, in order to verify the balance over a 3-month horizon; to produce suitable reports on the results obtained from monitoring for the Risk Management, Compliance and Anti-Money Laundering Function.

Second-level controls are entrusted to the Risk Management, Compliance and Anti-Money Laundering Function, which is responsible for verifying compliance with the early warning thresholds. Compliance with the early warning thresholds or exceeding them is monitored by the Risk Management, Compliance and Anti-Money Laundering Function and brought to the attention of the Board of Directors of MG. The information produced by the Risk Management, Compliance and Anti-Money Laundering Function contains indications on the liquidity risk and the effectiveness of any action plans aimed at bringing the liquidity risk within the limits determined by the early warning thresholds. Third-level control is entrusted to the Internal Audit Function, which carries out periodic checks on the liquidity risk management process; adequacy of the liquidity management processes of MG.

MASTER GARDANT

Quantitative disclosures

1. Time distribution by residual contractual duration of financial assets and liabilities

Liquidity risk

Time distribution by residual contractual duration of financial assets and liabilities

Items/Time brackets	on demand	From 1 day to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	Over 5 years	Indefinite duration
Cash assets											
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	-	-	-	-	-	-	-	-	-	-	-
A.3 Other assets	4,103,715	-	-	-	-	-	2,937,896	-	-	-	-
Cash liabilities											
B.1 Payables due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	274	-	-	-	-	-	-	-	-	-	-
- Financial companies	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions											
C.1 DFinancial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

3.5 Concentration risk

Qualitative disclosures

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 activities carried out 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[8] 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).

However, when the customer is a bank, the exposure must not exceed a reasonable limit in terms of the Company's Tier 1 capital, provided that this limit:
- is knowingly determined by the competent bodies of the Company, within the framework of policies and procedures aimed at controlling concentration risk;
- is defined as not exceeding 100% of Tier 1 capital.

In this context, Master Gardant, to ensure adequate flexibility for the Company's financial operations and to allow the efficient allocation of liquidity to a limited number of bank current accounts, adequate to the Company's volumes, within the framework of a conscious assumption of the concentration risk, raised, upon approval by the Board of Directors, the concentration limit with respect to certain banks to 75% of Tier 1 capital.

The concentration risk measurement and management system

In line with the Supervisory Provisions applicable to Class 3 financial intermediaries, the Company measures concentration risk for regulatory purposes by applying the Granularity Adjustment - Herfindahl method indicated in the same Circular 288/2015, Title IV, Chapter 14, Annex B.

Concentration risk management is carried out, during ordinary operations, by the Risk Management, Compliance and Anti-Money Laundering Function, which conducts an analysis at least once every six months on the level of concentration of exposures with regard to the single name component and on a quarterly basis verifies the exposure to this risk by using the method set out in Annex B of the Supervisory Provisions.

8 See Art. 316 of the CRR

MASTER GARDANT

Quantitative disclosures

1. Distribution of cash and off-balance sheet credit exposures by sector of economic activity of the counterparty

	Total as at 31.12.2021	Incidence %
- Other operators	-	-
- Household producers	-	-
- Non-financial companies	5,130	0.07%
- Financial institutions	7,006,587	99.93%
Total	**7,011,717**	**100%**

2. Distribution of cash and off-balance sheet credit exposures by counterparty's geographical area

	Total as at 31.12.2021	Incidence %
- Other	4,125,226	59%
- Centre	2,848,079	41%
- North-East	37,811	0.54%
- South and Islands	-	-
Total	**7,011,116**	**100%**

3. Large Exposures

a) Amount (book value) 4,099,687
b) Amount (weighted value) 4,099,687
c) Number 2

Section 4 – Information on equity

4.1 Company equity

4.1.1 Qualitative disclosures

The notion of equity adopted by the Company coincides with that inferred from the regulations in force.

The size of the company's assets is constantly monitored in order to ensure its consistency with the Company's activities and the regulatory minimums required by law.

Compliance with the minimum supervisory requirements and capital adequacy is verified at least on a quarterly basis. Where the Company undertakes new transactions, their sustainability is always verified on the basis of existing assets.

4.1.2 Quantitative disclosures

4.1.2.1 Company assets: breakdown

(thousands of euro)

Types of expenses/Amounts	2021	2020
1. Capital	2,160	2,160
2. Share premium	4,645	-
3. Reserves		
- of profits		
a) legal	434	-
b) statutory	927	
c) treasury shares	-	-
d) others	(185)	
- others	223	-
4. (Treasury shares)	-	-
5. Valuation reserve	(9)	-
6. Capital instruments	-	-
7. Profit/(loss) for the year	292	(7)
Total	**8,487**	**2,153**

4.2 Own funds and regulatory ratios

4.2.1 Own funds

4.2.1.1 Qualitative disclosures

The Company's Tier 1 capital consists of the share capital and reserves shown in point 4.1.2.

The Company has no Additional Tier 1 or Tier 2 capital.

MASTER GARDANT

4.2.1.2 Quantitative disclosures

	Total (T)	Total (T-1)
A. Tier 1 capital before the application of prudential filters	**8,495,911**	**-**
B. Prudential filters of Tier 1 capital	-	-
B.1 Positive (+) IAS/IFRS prudential filters		
B.2 Negative (-) IAS/IFRS prudential filters		
C. Tier 1 capital gross of elements to be deducted (A + B)	**8,495,911**	
D. Items to be deducted from Tier 1 capital	8.532	
E. Total Tier 1 capital (TIER 1) (C - D)	**8,487,379**	
F. Tier 2 capital before the application of prudential filters		
G. Prudential filters of Tier 2 capital		
G.1 Positive IAS/IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)		
H. Tier 2 capital gross of elements to be deducted (F + G)		
I. Items to be deducted from Tier 2 capital		
L. Total Tier 2 capital (TIER 2) (H - I)		
M. Items to be deducted from total Tier 1 and Tier 2 capital		
N. Regulatory capital (E + L + M)	**8,487,379**	

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosures

The Company adopts standard risk measurement methods.

4.2.2.2 Quantitative disclosures

Categories / Values	Non-weighted amounts		Weighted amounts/ requirements	
	T	(T-1)	T	(T-1)
A. RISK ASSETS				
A1. Credit and counterparty risk	10,803,155	-	**7,655,137**	-
B. REGULAtoRY CAPITAL REQUIREMENTS				
B1. Credit and counterparty risk	-	-	459,308	-
B.2 Requirement for the provision of payment services	-	-	-	-
B.3 Requirement for the issue of electronic money	-	-	-	-
B.4 Specific prudential requirement	-	-	1,375,281	-
B.5 Total prudential requirements	**-**	**-**	**1,834,590**	**-**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets	-	-	**30,576,493**	**-**
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	-	-	**27.76%**	**-**
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)	-	-	**27.76%**	**-**

Section 5 – Statement of Comprehensive Income

(units of Euro)

	Items	31/12/2021	31/12/2020
10.	**Profit/(loss) for the year**	**291,640**	**(7,379)**
	Other income components net of taxes without reversal to the income statement:		
70.	Defined benefit plans	8,532	-
170.	**Total other income components net of taxes**	**8,532**	**-**
180.	**Overall profitability (Item 10+170)**	**300,172**	**(7,379)**

Section 6 – Related-party transactions

6.1 Information on remuneration of key management personnel

The Company has no executives in its workforce.

The total remuneration of the Board of Directors for 2021 amounts to Euro 25 thousand, while that of the Board of Statutory Auditors amounts to Euro 34 thousand.

No advances or loans were paid to the members of the Corporate Bodies.

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

The Company has not granted loans or issued guarantees to directors or statutory auditors.

6.3 Information on transactions with related parties

The Company has entered into various transactions with the other Gardant Group's entities:
- the Parent Company, Gardant S.p.A., provides corporate centre services for all Group companies. In 2021, the Company paid Euro 650 thousand for these services;
- the Company transferred, as part of a centralised treasury agreement with the Parent Company, Euro 2 million as of 31 December 2021. This contract makes it possible to optimise the management of the treasury positions of the individual Group companies;
- the Company is linked to the Group company Special Gardant S.p.A. by a contract that provides for the provision of services to support debt collection activities. In 2021, the income deriving from this contract amounted to Euro 252 thousand;
- the Company has a contract in place to receive services from Special Gardant S.p.A. for certain services related to the management of properties of the Company's Segregated Assets. In 2021, the Company paid around Euro 20 thousand to the Group company;
- the Group companies, and in particular the Parent Company, have seconded personnel to the Company whose cost in 2021 amounted to approximately Euro 145 thousand;
- the Parent Company has sub-lease agreements in place for the offices whose cost for the Company in 2021 was approximately Euro 66 thousand.

Other information

Independent auditors' fees are reported in the Group's consolidated financial statements.

The Company issued 2,160,000 ordinary shares with a nominal value of Euro 1 each.

The Company has not issued any dividend-right shares, bonds convertible into shares, warrants, options, or similar securities. Similarly, the Company has not issued other financial instruments.

The Company has not received any loans from shareholders.

No facts or events occurred after the close of the year that have had any effects of a financial or economic nature on these financial statements.

The company that draws up the consolidated financial statements is the Parent Company Gardant S.p.A. with its registered office in Rome, Via Curtatone, 3.

As highlighted in the proposals to the Shareholders' Meeting reported in the Management Report, the profit for the year will be fully attributed to the extraordinary reserve.

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

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

euro

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

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

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

SECTION DEDICATED TO SEGREGATED ASSETS

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 (“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. 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 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 Allocated Equity 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 at the time by Credito Fondiario with its own general assets; the resulting tax credit will be recovered from time to time as an offsetting of the tax payable or as a result of reimbursement by the Tax Authority. For this financial advance, the Segregated Assets recognised an annual flat-rate fee of Euro 200,000 to be paid in advance as of 31 July 2017. This fee was 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 Allocated Equity 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 Intended Equity.

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

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

MASTER GARDANT

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 before and now Gardant, in the Restart securitisation and therefore, attributable to this role.

At the time of establishment, the Allocated Equity 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 Allocated Equity will proceed with the purchase of the legal relationships and the assets at three different times, at the time of the transfer 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 Allocated Equity 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 Intended Equity.

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

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

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.

When setting up the Destined Assets, it was decided to provide it with an endowment fund of Euro 50,000 to enable it to cover the costs of 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 has been recovered from time to time 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 Allocated Equity 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 Intended Equity.

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

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

GARDANT

Your Investment and Servicing Partner