SPECIAL GARDANT

SEPARATE FINANCIAL STATEMENTS OF SPECIAL GARDANT S.P.A. FOR 2021

Special Gardant S.p.A.
Registered office: Via Curtatone 3, 00185 Rome
Share capital fully subscribed and paid up - Euro 210,000.00
Tax code and Rome Business Register number 15759561002
Chamber of Commerce REA RM - 1612099
Belonging to the “Gardant Group”
Subject to the management and coordination of Gardant S.p.A.
www.gardant.eu

SPECIAL
GARDANT

SPECIAL GARDANT

10,9 billions — **Assets under special servicer**

393 milions — **Cash collections**(1)

Assets	163	milions
Net Equity	112	milions
Net financial position	29,0	milions
Total revenues	11,7	milions
EBITDA	4,3	milions

S&P Fitch — **Above Average RSS2+/CSS2+**

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

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

Consolidated data as of 31th December 2021
Euro

Collections
(Milions Euro)

Increasing effectiveness recovery activity

+27%

CAGR: 2017/2021

Assets under Managment
(Bilions Euro)

Exponential development of servicing agreements

+22%

CAGR: 2017/2021

Consolidated data as of 31th December 2021
Euro

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SPECIAL GARDANT

CORPORATE OFFICERS, MANAGEMENT AND INDEPENDENT AUDITORS

Board of Directors[1]

Flavio VALERI	Chairperson
Mirko Gianluca BRIOZZO	Chief Executive Officer
Paola COLOMBO	Director

Board of Statutory Auditors and Supervisory Board[2]

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

Supervisory Board[3]

Massimo CREMONA	Chairman
Roberta BATTISTIN	Member
Corrado GATTI	Member

Independent Auditors[4]

KPMG S.p.A.

1 The new members of the Board of Directors were appointed by resolution of the Shareholders' Meeting of 29 September 2021 and with the term of office expiring on the date of approval of the financial statements as at 31 December 2023.
2 The new members of the Board of Statutory Auditors were appointed by resolution of the Shareholders' Meeting of 29 September 2021 and with the term of office expiring on the date of approval of the financial statements as at 31 December 2023.
3 The appointment was arranged with the decision of the Sole Director on 28 July 2021 and became effective as a result of the approval of the Organisational Model 231 resolved by the Board of Directors on 23 March 2022.
4 The independent auditors were appointed with the articles of association dated 24 June 2020.

SPECIAL GARDANT S.P.A.

2.1. Special Gardant S.p.A.

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

On 6 July 2021, the Shareholders' Meeting changed the company name to Special Gardant S.p.A..

2.2. 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 in 2013 when Tages acquired the bank and, after a thorough reorganisation, refocused the *business model* on the investment and management of non-performing loans.

The gradual entry of *Elliott Management Corporation*, through its vehicle Tiber Investment S.à.r.l., 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 loans, with over Euro 45 billion in loans under management and over Euro 1.2 billion in investments based, by virtue of a single model, on the integration of activities and services and on a strong specialisation in the sector of problem loans to small and medium-sized enterprises and *corporations* and *secured* loans, i.e. 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 constantly evolving market opportunities have more recently led the shareholders of Credito Fondiario to want to reorganise their activities, creating two operating poles: an industrial hub for *asset management*, *debt purchasing* and *credit servicing*, and a banking hub.

Therefore, through two different spin-off transactions, the investment and management of non-performing loans (merged into various entities of the Gardant Group) and the purely banking deposit and lending activities, which remain in the Bank, were separated.

The Gardant Group mainly consists of the following companies:
- Gardant S.p.A., the Parent Company, which includes the centralised structures and various business units, including the *capital market* and the *portfolio* and *monitoring*;
- Gardant Investor SGR S.p.A. (hereinafter also "Gardant Investor SGR" or the "SGR"), the asset management company, established and authorised in the context of the spin-off, with operations started in the last months of 2021 with the launch of two Alternative investment funds:
  - The Forward Fund, with a subscribed amount of Euro 500 million, which invests in healthcare and infrastructure receivables, with the disbursement of loans to small and medium-sized enterprises and companies linked to real estate transactions, with adequate supporting guarantees;

  - The *Italian Distressed & Special Situation Fund* (hereinafter also the "Master Fund") with a subscribed amount of Euro 60.6 million, 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, currently in the *fund raising* phase.
- Special Gardant S.p.A., a company pursuant to Article 115 of the TUB (Italian Banking Law), specialised in securitised asset management;
- Gardant Liberty Servicing S.p.A., the *joint venture* with Banco BPM specialised in the special servicing of non-performing positions originated by the Banco BPM group.

The Parent Company, Gardant, is 87% owned by the US investment fund *Elliott Management Corporation*, through its vehicle Tiber Investment S.a.r.l., and the remainder by some members of the Management Team and other private investors.

Gardant has two long-term strategic partnerships in the administration, management and investment of non-performing loans with the Carige Group (from the beginning of 2018) and with the Banco BPM Group (from the end of 2018) and also acts as *servicer* on 6 transactions assisted by State guarantee ("GACS") for an equivalent gross book value ("GBV") of Euro 32.7 billion.

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 they 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 IT and infrastructural proprietary solutions at the forefront of the sector. In fact, a *suite* of specialised management tools has been developed, and is constantly evolving, for the management of credit positions, both with a view to remittance to performing status and with a view to recovery. During the year, the Group also launched an in-house fintech lab called "Data Gardant Lab", focused on the development and application of an *advanced data analytics tools* for the Group's own management and investment activities.

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

Specifically, the first Board of Directors meeting of 27 July 2021 of the Parent Company also approved:
- *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*, 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 set out in the *policies*.

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

2.3. Shareholding structure

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

2.4. Business segments

The Company's purpose is the management, collection, including compulsory collection, reminders and recovery of unpaid receivables, on behalf of third parties, regardless of the method of contact with the debtor, as well as any other activity connected or instrumental to management and debt collection, in compliance with current regulations, as indicated in the current Articles of Association and pursuant to the provisions of Article 115 of Royal Decree no. 773 of 18 June 1931, Consolidated Law on Public Safety (TULPS).

The Company may also acquire equity investments or interests in companies and entities carrying out the same activities and in companies or entities that carry out instrumental or accessory activities to the exercise of the main activity. It may also carry out any operation necessary for, useful for, or appropriate for the purpose of achieving the corporate purpose and carry out activities related to it, similar or instrumental, including real estate activities of any kind, such as rental of real estate owned as property or other property right, or held on the basis of financial lease agreements, as part of, or with the occasion of, the provision of the above assets.

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 loans, private or public, relating to different types of assets, also with guarantee of the Status ("GACS").

2.5. Real Estate Asset Management

The Real Estate Asset Management ("REAM") department performed the analysis, management, marketing and sale of real estate assets deriving from:
- purchases of leasing portfolios;
- ReoCo's involvement in enforcement actions and bankruptcies;
- servicing activities for third parties.

The activities carried out by the REAM department can be summarised as follows:
- analysis in order to identify the best recovery strategy (timing and amount of recovery) based on the characteristics of the property (type, location, occupancy status, market, etc.);
- enforcement action to obtain repossession of the property;
- marketing of the asset through the coordination of a network of 7 area managers and 5 commercial advisors distributed throughout the country;
- formalisation of the sale of the asset (once the terms of the offer have been approved by the Committee) until the notarial deed is signed.

Gardant currently manages around 845 properties (1.2 million square meters) for a market value of around Euro 0.5 billion.

2.6. Organisational model

The organisational model adopted by the Company is lean and business-oriented, with the division of resources into management teams, with specific specialisations.

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

Figure 1: 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 & Corporate Affairs;
- 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, etc. under market conditions.

2.7. Geographical network

As at 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 2: Offices and operational offices of the Gardant Group and Special Gardant as at 31 December 2021

The choice to have physical offices in the reference area, originated from the desire to ensure physical proximity with the majority of debtors of the portfolios managed, has proved, in the last years of the SARS COVID-19 pandemic, an important point of strength. In fact, it 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.

In particular, Special Gardant operates in the offices of Rome, Genoa, and Milan.

2.8. Human resources

As at 31 December 2021, the number of employees of Special Gardant totalled 101 people.

At the end of 2021, the breakdown of personnel showed a balanced gender split between men (53%) and women (47%).

At the end of 2021, the employees recorded an age of approximately 46 years, and a seniority of approximately 23 years, demonstrating how the development of the *business* is carried out through personnel with adequate professional experience and the adopted operating model to ensure the stability of the Group's operating resources.

All employment relationships of Special 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.

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

The geographical location of Special 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, has made abundant use of the so-called agile work institute, to minimise the risk of possible contagion for its employees. In particular, periods in which all personnel were expected to be present in the office (except for the exclusions envisaged by law) alternated with other periods in which, in consideration of the trend of the pandemic guaranteeing a presence of 50%, all employees were given free choice as to whether or not to attend the Company's offices.

After a year of substantial freezing of hiring due to the SARS COVID-19 pandemic, in 2021 the Company launched a hiring plan through a *recruitment* process to ensure equal opportunities for candidates of both genders for every position.

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

Company	days/illness	days / parental leave	days/maternity	days/injury
Special Gardant S.p.A.	142	9,5	–	–

Table 1: days of sickness or injury recorded in 2021

2.9. Technological resources

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

The Group's *IT 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 Gardant Group's IT architecture is the *Data Warehouse*, *built by-design* to be a *business enabler* and 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 service* and investor activities (since the first years of *business* operations by Credito Fondiario). In this context, the architectural approach and the intense rationalisation of the overall *data model allow the volume of information to be translated into information that is 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 Gardant, based on a natively flexible and distributed architectural approach, able to support the adoption of innovative operating models also in collaboration with institutional *partners*, investors and customers.

2.10. Rating

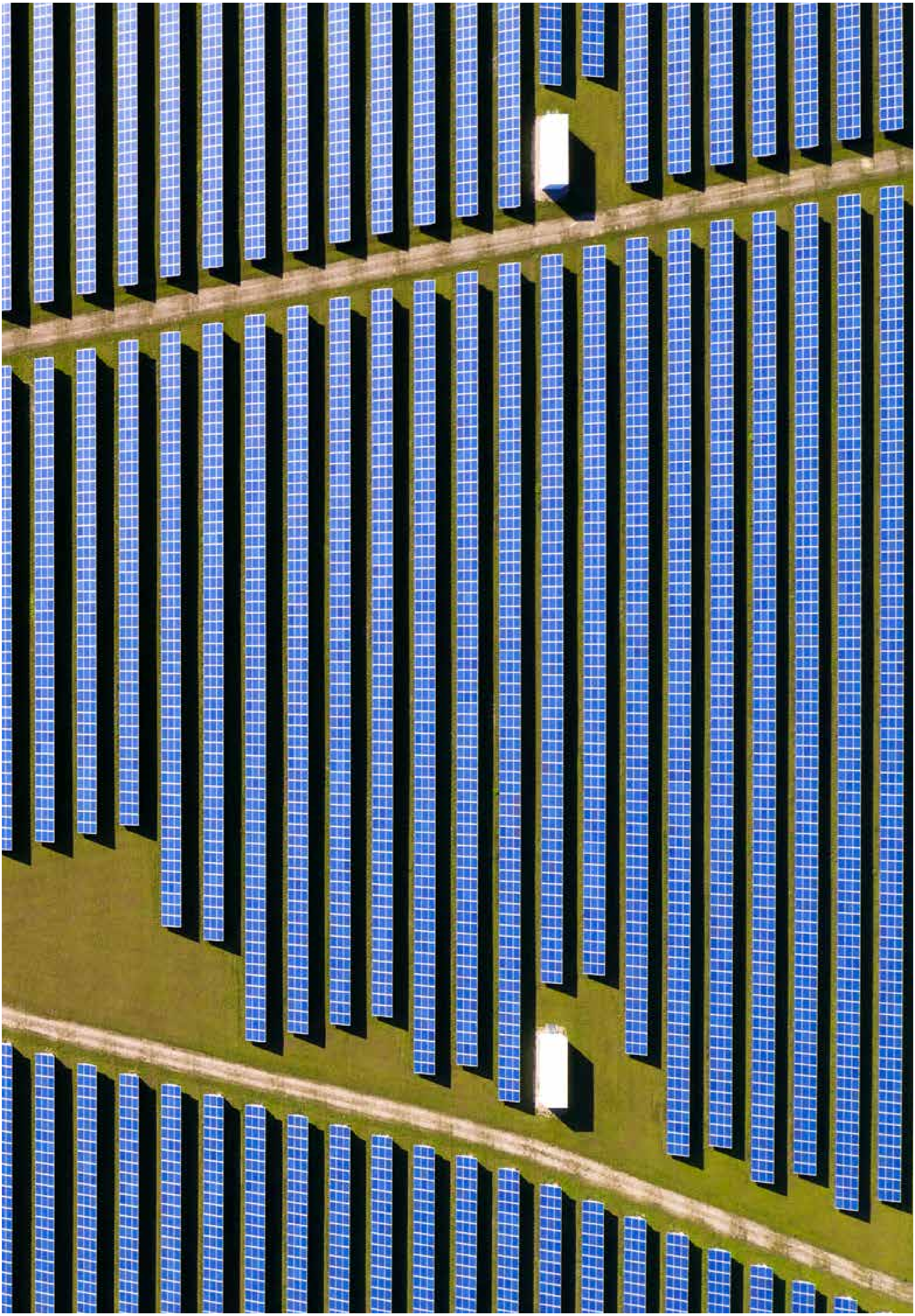
A consolidated cutting-edge non-performing loan management platform, developed on industry professionals, cutting-edge IT and organisational tools, and a constructive and structured approach, in relation to both *master servicing* and special servicing, is assessed by two leading rating agencies, Fitch Ratings and S&P with an excellent rating that reflects:

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

Currently, the ratings on *special servicing* issued by the two rating agencies are:

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

Table 2: Rating



MANAGERIAL REPORT

3.1. Macroeconomic scenario

Greater focus on UtPs

In 2021, the banking sector recorded very positive signs, 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 2021, in Italy 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 are central for the Italian economy, although they are no longer focused on activities dedicated to NPLs, but rather to UtPs. It will be increasingly essential over the next few years to be specialised and ready to accompany, when possible, companies in difficulty towards a return to performing status.

Macroeconomic situation

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

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

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

Also for Italy, as for the rest of Europe and for many countries of the world, the further increase in the costs of raw materials and energy will further push inflation and the GDP in 2022 is expected to grow lower 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

As regards the sector of investments and the management of non-performing loans, it is still very important in Italy, despite the fact that Italian banks have gradually reduced the stock of *non-performing exposures* ("NPE") 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 specialised *servicers*. Despite the *deleverage* carried out by banks in recent years, a significant stock of NPEs remains to be managed, currently estimated at around Euro 400 billion in non-performing loans, both from banks and owned by investors.

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

Italian banks still remain vulnerable, particularly those with higher exposures to the sectors most affected by the pandemic or exposed to Eastern European countries. Moreover, some first signs of a possible new credit deterioration are starting to be observed among the *originators*: the loans classified as Stage 2 - or exposures that have shown a significant increase in credit risk since initial recognition - by Italian banks reached Euro 219 billion in June 2021 (+ 23% YoY), representing the 14.3% of total gross loans of banks and over 60,000 Italian SMEs are estimated to have been affected by the pandemic, with repercussions on their sustainability prospects. The economic manoeuvres of the Government issued between the end of 2020 and 2021 to deal with the emergency have, in fact, granted temporary postponement for 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 signs 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 other European countries: expectations of new operations on these asset classes in Italy are higher than in other areas of interest for the investors of these assets and therefore a very dynamic market is expected for the next few years.

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

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

The securitisation instrument continues to be prevalent in the *de-leveraging* of NPEs by *originator* banks, but also to restructure existing transactions, or also to carry out transactions on portfolios that include loans classified as UtP, also thanks to the changes and legislative and regulatory adjustments that, from time to time, affected this instrument, in order to make it more responsive to the needs of the transferring banks and investors. The growing number of securitisation transactions entails a consequent growing interest within the sector of the related services for securitisation transactions.

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

3.2. 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, Special Gardant (effective 1 August 2021), was the beneficiary of a spin-off of Credito Fondiario.

The spin-off 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 mainly received the following contracts, assets and liabilities:
- contracts relating to "special servicing" services and other ancillary roles within the scope of securitisations already in place as at 1 August 2021 for a total value of Euro 10.5 billion in nominal value of assets under administration and/or management;
- 99 resources linked to debt collection activities;
- equity investments in the companies Gardant Liberty Servicing S.p.A. (formerly CF Liberty Servicing S.p.A.), for a value of Euro 100,000 thousand, and the equity investments in the special purpose entities Law 130/99 Elmo SPV S.r.l., Sallustio SPV S.r.l., Lucullo S.r.l., Ponente SPV S.r.l., New Levante SPV S.r.l., Sesto SPV S.r.l., Bramito SPV S.r.l., Cosmo SPV S.r.l., Novus Italia 1 S.r.l., Artemide SPV S.r.l., Leviticus SPV S.r.l., Aurelia SPV S.r.l., Tiberina SPV S.r.l., Celio SPV S.r.l., Viminale SPV S.r.l., Piave SPV S.r.l., Lutezia SPV S.r.l., POP NPLs S.r.l. (formerly Acqua SPV S.r.l.) and Vette SPV S.r.l. for a total of Euro 32 thousand;
- intangible assets for goodwill and intangible assets recorded on the Gerica credit recovery platform (by Cassa di Risparmio di Genova): the bank transferred the goodwill recorded for Euro 9,300 thousand and the intangible assets were recorded at Euro 9,760 thousand;
- tax receivables, previous losses and Aid to Economic Growth (ACE) for the following amounts:
  - deferred tax assets on previous losses already recognised in the financial statements for Euro 904 thousand;
  - deferred tax assets pursuant to Law 214/2011 recorded in the financial statements for Euro 473 thousand;
  - previous tax losses and ACE for a total of Euro 20,437 thousand;
  - tax receivables pursuant to Law Decree no. 18 of 17 March 2020 (known as Cura Italia Decree) for Euro 3,755 thousand;
  - other deferred tax assets related to the actuarial valuation of the employee severance indemnity provision for Euro 12 thousand;
  - receivables for deferred tax assets deriving from the exemption of amounts recorded in the consolidated financial statements of the Credito Fondiario Group and related to the equity investment of the bank in Gardant Liberty Servicing S.p.A. for Euro 28,180 thousand;
  - tax payables for deferred taxes related to the exemption of amounts recorded in the consolidated financial statements of the mortgage loan Group and related to the investment of the bank in Gardant Liberty Servicing for Euro 640 thousand;
- shareholders 'equity reserves for Euro 118,239 thousand;
- the payable for a credit line from banks for Euro 42,403 thousand.

The demerged complex can be summarised as follows:

Assets (thousands of Euro)	
Intangible assets	19,060
Property, plant and equipment	31
Investments	100,032
Tax assets	29,568
Other financial assets	5,032
Trade receivables	6,941
Current tax receivables	3,755
Other receivables	10
Total assets	**164,429**

Liabilities (thousands of Euro)	
Long-term loans	42,435
Employee benefits	677
Provisions for future risks and charges	-
Other liabilities	3,078
Total liabilities	**46,190**

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

New mandates obtained in 2021

During the last 5 months of 2021, the Company obtained new mandates from:
- 5 securitisation SPVs relating to healthcare receivables for a nominal value of Euro 528.6 million;
- 1 securitisation of bank loans classified as non-performing, for a total of Euro 43 million.

As a result of these new mandates and the collections on the portfolios under management, and the assets under management at 31 December 2021, they amounted to Euro 10.9 billion of nominal value, which becomes Euro 20 billion if the assets managed through the subsidiary Gardant Liberty Servicing are also included.

Servicing-driven industrial business model

With the reorganisation process of Credito Fondiario and the establishment of the Gardant Group, it was possible for Special 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 unlikely to pay 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.

On 24 November 2021, the Board of Special Gardant also approved the three-year business plan of 2022 - 2024.

Special Gardant's mission is to implement the first of the above guidelines, the Group's main revenue driver. The company will continue to carry out the following activities:
- the proactive management of judicial and/or extra-judicial debt collection;
- the management of credit positions classified as NPL/UTP/performing;
- the collateral activities to support servicing;
- the management of all phases of the life cycle of the underlying properties or those related to credit positions under management.

The Group's commercial strategy, through Special Gardant, envisages operating as a special servicer both for captive portfolios (purchased directly or through managed funds) and as a "pure" special servicer for third party portfolios (third party).

3.3. 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.

3.4. Information on operations

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 indicators of Special Gardant

The table below presents the main figures of Special Gardant as at 31 December 2021:

Key financial and structural data (euro)	
Credit assets under management/servicing (nominal value)	10.9 miliardi
Collections	159.6 milioni
Shareholders' Equity	112.2 milioni
EBITDA	8.4 milioni
Net profit	6.0 milioni
Employees (number)	# 101[5]

Table 3: Company financial data

5 As at 31 December 2021, there were 100 employees, including 2 resources seconded by Gardant Liberty Servicing and 3 resources seconded to Gardant Liberty Servicing.

Analysis of the economic trend

euro thousands

Reclassified income statement	2021 (former NRI)	NRI	2021
Commissions net of *special servicing*	9,473	-	9,473
Gross fees from special servicing	10,490	-	10,490
Outsourcing commissions	(1,017)	-	(1,017)
Other revenues	1,282	-	1,282
Result from participations	4,844	-	4,844
Total net revenues	**15,599**	**-**	**15,599**
of which Gross revenues related to core business	*11,729*	-	*11,729*
Personnel expenses	(4,236)	-	(4,236)
Net operating costs	(2,829)	-	(2,829)
Other operating expenses	(115)	-	(115)
Total costs	**(7,179)**	**-**	**(7,179)**
EBITDA	**8,420**	**-**	**8,420**
Amortisation, depreciation and write-downs	(635)	(12,100)	(12,735)
EBIT	**7,785**	**(12,100)**	**(4,315)**
Financial charges	(736)	-	(736)
Profit before tax	**7,048**	**(12,100)**	**(5,052)**
Taxes for the year	(1,081)	-	(1,081)
Result for the year	**5,967**	**(12,100)**	**(6,133)**
EBITDA margin (%)	*54.0%*	-	*54.0%*

The Company's operating profitability reflects the high standards of efficiency in collection activities and the positive performance recorded in collection flows during the 2021 financial period. The result for the year, net of components not attributable to the Company's operations, was Euro 6 million.

However, the Company's overall profit was a loss, as it was negatively affected by two valuation components such as:

- the write-down of goodwill relating to the platform for the management of non-performing loans of the Carige Group, acquired in 2018 and named "Gerica" for Euro 1.7 million;
- the write-down of the equity investment in Gardant Liberty Servicing S.p.A. for Euro 10.4 million.

These adjustments relate to the outcome of the sensitivity analyses conducted in the development of the impairment test conducted in the consolidated financial statements on the goodwill recorded on said equity investment, in order to prudently take into account more conservative development scenarios.

The impairment test was carried out by identifying the Cash Generating Unit ("CGU") on which the goodwill is estimated, equal to the component of the Group that handles special servicing activities, consisting of Special Gardant and Gardant Liberty Servicing.

Total net revenues mainly consist of commissions income for services provided by the Company and dividends from the investee Gardant Liberty Servicing.

Gross revenues from special servicing commissions amounted to Euro 10.5 million; net of outsourcing commissions for part of the collection process (equal to Euro 1 million), net commissions amounted to Euro 9.5 million.

The Company also received dividends from the investee Gardant Liberty Servicing for Euro 4.8 million.

Total costs for the year, equal to Euro 7.2 million, are mainly related to personnel costs (Euro 4.2 million) and administrative expenses for Euro 2.9 million relating to consulting and corporate services costs.

Amortisation and depreciation amounted to Euro 0.6 million and mainly concern the amortization of the intangible assets recognised in the financial statements relating to the platform for the management of non-performing loans of the Carige Group, acquired in 2018 and called "Gerica".

Financial charges refer to interest expense on the credit line and the related interest rate hedging derivative ("IRS"), totalling Euro 0.7 million.

The result for the period was affected by direct taxes of Euro 0.6 million, calculated on the basis of the current applicable tax regulations. In fact, the write-downs of goodwill and the equity investment are not deductible.

Taxes for the year also include Euro 495 thousand relating to Deferred Tax Assets ("DTA") received as part of the spin-off from Credito Fondiario.

Analysis of the financial position

euro thousands

Reclassified Balance Sheet	2021
Cash and cash equivalents	1,349
Property, plant and equipment	27
Intangible assets	16,765
Financial assets	89,632
Tax assets	31,243
of which "Cura Italia"	2,517
Trade receivables	10,476
Other assets	13,185
of which cash pooling with the Parent Company	11,807
Total assets	**162,677**
Financial liabilities	44,263
Trade payables	954
Tax liabilities	181
Employee benefits	675
Other liabilities	4,405
Total liabilities	**50,479**
Shareholders' Equity	**112,199**
Net financial position	*29,266*

The balance sheet assets include the equity investment in Gardant Liberty Servicing, the equity investments in Law 130/99 of the Group, as well as the intangibles (Euro 9.2 million) and the residual goodwill (Euro 7.6 million) of the management platforms of the Carige Group.

The capital structure of the Company highlights its operational nature, strongly characterised by current components, namely:

- trade receivables, amounting to Euro 10.5 million include, in addition to invoices issued to be collected for Euro 2.1 million, the invoices to be issued relating to commissions on collection activities;
- trade payables, equal to Euro 0.9 million, which represent the residual debt for purchases of goods and services carried out during the year;
- cash and cash equivalents of Euro 1.3 million at 31 December 2021, fully deposited in bank current accounts of leading institutions, in addition to Euro 11.8 million that the Company transferred to the parent company Gardant S.p.A. as part of the cash pooling agreement in order to optimise the management of the liquidity of the Gardant Group, recognised among other assets.

Deferred tax assets amounted to Euro 28.7 million and consist of DTAs from tax relief on goodwill and intangible assets recorded by Credito Fondiario on the Banco BPM platform and for the remainder by DTAs on previous losses and ACEs also acknowledged in the spin-off from Credito Fondiario.

Financial liabilities at 31 December 2021, amounting to Euro 44.3 million, represent the residual debt in terms of principal and accrued interest on the existing credit line.

The other liability items mainly concern:
- tax liabilities, amounting to Euro 0.2 million, which represent the IRAP tax burden calculated on the result for the period;
- other liabilities, consisting of Euro 2.8 million in payables due to personnel and related contributions and Euro 1.6 million in contributions and withholdings to be paid relating to personnel; and
- the provision for employee termination indemnities, which amounts to Euro 0.7 million.

Shareholders' equity amounted to Euro 112.2 million, net of the loss for the year of Euro 6.1 million.

3.5. Assets under administration

Assets under administration amounted to Euro 10.9 billion in nominal value from the Special Gardant alone, which becomes Euro 20 billion if the assets managed through the subsidiary Gardant Liberty Servicing are also included.

Volumes managed were essentially stable compared to Euro 20.1 billion under management at the actual start-up of the Company's operations (1 August 2021) thanks to new mandates acquired in the last months of 2021 which substantially offset the natural reduction in volumes for collections and write-offs.

3.6. Other information

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

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

3.7. Risk management

With reference to risk management, please refer to Section D of the Notes to the Financial Statements.

3.8. Events after the close of the year

The Directors considered, also for the purpose of preparing the financial statements as at 31 December 2021, the adoption of the going concern assumption adequate, not having any doubt about the possibility of the Company continuing 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 several 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.

3.9. 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 2,250 thousand for these services.

The Company also has sub-lease contracts in place with the Parent Company in Rome, Genoa and Milan, which in 2021 entailed a cost of Euro 156 thousand.

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

Lastly, two resources from Gardant Liberty Servicing work on secondment at the Company, while at Gardant Liberty Servicing three Special Gardant resources work on a secondment basis, with a net revenue of Euro 217 thousand.

3.10. Business outlook and considerations on business continuity

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

ALLOCATION OF THE PROFIT FOR THE YEAR

The year 2021 closed with a loss of Euro 6,133,114.26.

It is proposed to this Board of Directors to cover this loss and the loss for the year 2020 of Euro 18,039, with the use of the extraordinary reserve for a total of Euro 6,151,153.26.

FINANCIAL STATEMENTS

Balance sheet as at 31 December 2021

units of euro

ASSETS BALANCE SHEET	2021	2020
NON-CURRENT ASSETS		
Property, plant and equipment	26,828	-
Intangible assets	16,764,945	-
Investments	89,632,014	
Deferred tax assets	28,689,314	
Other non-current financial assets	5,032	
of which related parties	-	-
Total non-current assets	**135,118,133**	**-**
CURRENT ASSETS		
Trade receivables	10,476,474	-
of which related parties	1,029,490	-
Tax receivables	2,553,268	-
Other current assets	13,180,358	121
of which related parties	11,871,639	-
Cash and cash equivalents	1,348,959	210,000
Total current assets	**27,559,059**	**210,121**
Total assets	**162,677,192**	**210,121**

units of euro

BALANCE SHEET LIABILITIES	2021	2020
SHAREHOLDERS' EQUITY		
Capital	210,000	210,000
Legal reserve	3,422,687	-
Share premium reserve	95,696,827	-
Other reserves	19,002,232	-
Profit/(loss) for the year	(6,133,114)	(18,039)
Total shareholders' equity	**112,198,632**	**191,961**
NON-CURRENT LIABILITIES		
Non-current loans	44,252,769	-
Deferred tax liabilities	661,488	
Employee benefits	675,109	-
Total non-current liabilities	**45,589,366**	**-**
CURRENT LIABILITIES		
Trade payables	953,828	18,160
Current loans	10,428	
Current tax payables	181,386	-
Other payables	3,743,552	
Total current liabilities	**4,889,194**	**18,160**
Total liabilities	**162,677,192**	**210,121**

Income statement as at 31 December 2021

units of euro

INCOME STATEMENT	2021	2020
Revenues	11,729,135	-
of which related parties	2,706,896	-
Other income	42,233	-
of which related parties	-	-
Total revenue and other income	11,771,368	-
Costs for services	(3,689,381)	-
Expenses for the use of third-party assets	(156,260)	-
Personnel expenses	(4,235,594)	-
Amortisation, depreciation and write-downs	(2,335,261)	-
of which non-recurrent	(1,700,000)	-
Other operating expenses	(114,605)	(18,039)
Operating result	**1,240,267**	**(18,039)**
Results from investments	4,844,417	-
Financial charges	(736,348)	-
Value adjustments on participations	(10,400,000)	-
of which non-recurrent	(10,400,000)	-
Profit before tax	**(5,051,664)**	**(18,039)**
Tax	**(1,081,450)**	**-**
Result for the year	**(44,047)**	**(18,039)**
Other comprehensive income:		
Profit/(loss) on post-employment benefits	15,395	-
Overall result for the year	**(6,133,114)**	**(18,039)**

SPECIAL
GARDANT

Cash flow statement

units of euro

OPERATING ACTIVITIES	2021	2020
1. Management	7,574,881	(18,039)
result for the year (+/-)	(6,133,114)	(18,039)
net value adjustments/reversals on tangible and intangible fixed assets (+/-)	2,295,126	-
net provisions for risks and charges and other costs/revenues (+/-)	10,417,169	-
unpaid taxes, fees and tax credits (+/-)	1,081,450	-
other adjustments (+/-)	(85,750)	-
2. Liquidity generated/absorbed by financial assets	(16,711,198)	(121)
trade receivables	(3,535,818)	(121)
other assets	(13,175,380)	-
3. Liquidity generated/absorbed by financial liabilities	430,859	18,160
trade payables	727,923	-
loans	(1,828,534)	-
other liabilities	1,531,470	18,160
Net cash generated by/used in operating activities	(8,705,458)	-
INVESTMENT ACTIVITIES		
1. Liquidity generated from:	4,844,417	-
sales of participations	-	-
dividends collected on equity investments	4,844,417	-
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	4,844,417	-
FUNDING ACTIVITIES		
issues/purchases of own shares	-	210,000
issue/purchase of equity instruments	-	-
distribution of dividends and other purposes	-	-
spin-off liquidity	5,000,000	-
Net liquidity generated/absorbed by funding activities	5,000,000	210,000
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**1,138,959**	**210,000**

Reconciliation

Balance sheet items	2021	2020
Cash and cash equivalents at the beginning of the year	210,000	-
Total net liquidity generated/absorbed during the year	1,138,959	210,000
Cash and cash equivalents at the close of the year	1,348,959	210,000

Statement of changes in shareholders' equity 2021

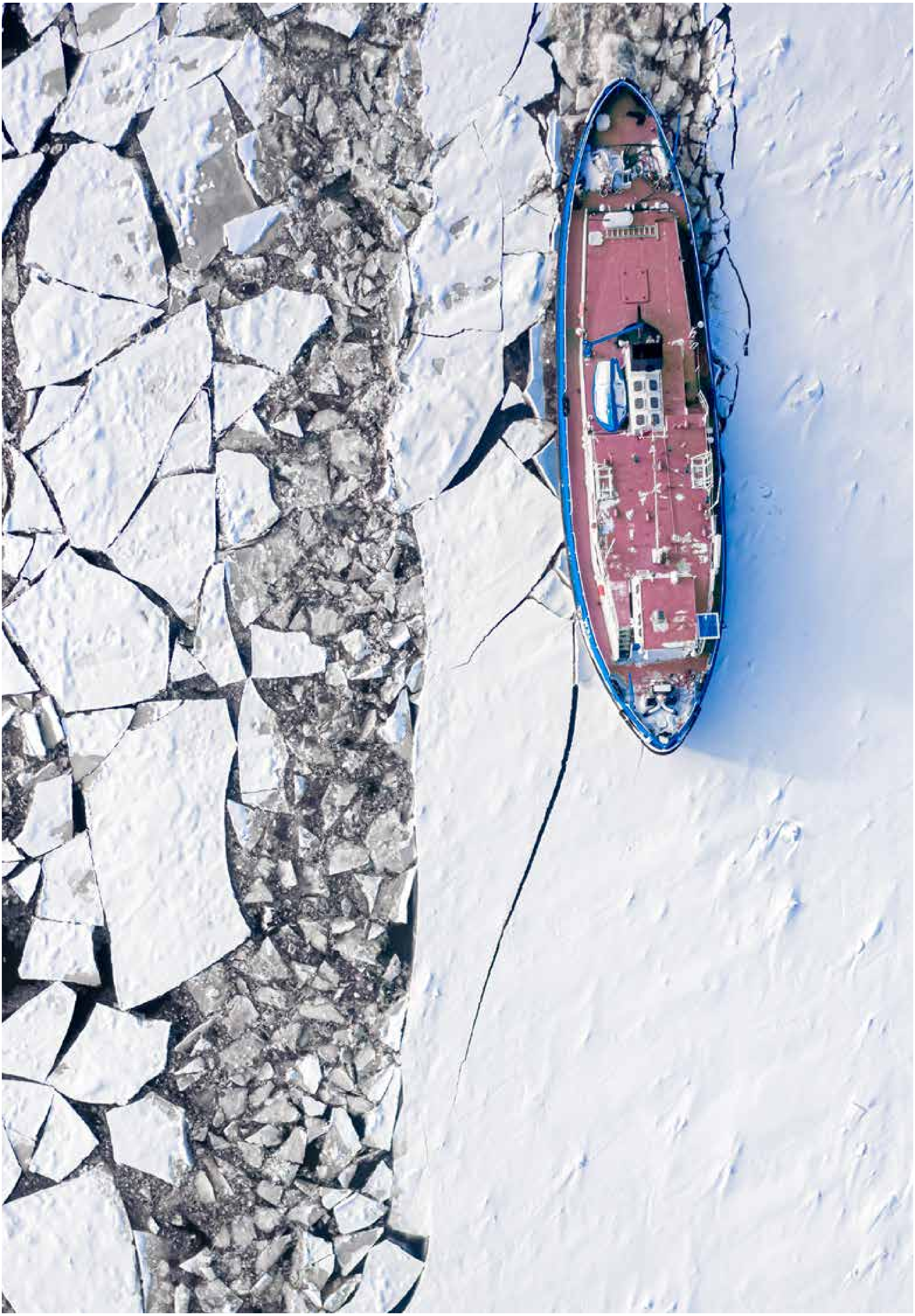
units of euro

Shareholders' equity item	Balance as at 31.12.2020	Allocation of the yearly result	Spin-off contributions	Overall profitability for the year	Total 31.12.2021
Share capital	210,000	-	-	-	210,000
Legal reserve	-	-	3,422,687	-	3,422,687
Premium reserve	-	-	95,696,827	-	95,696,827
Other reserves	-	(18,039)	19,004,876	15,395	19,002,232
Result for the year	(18,039)	18,039	-	(6,133,114)	(6,133,114)
Total	**191,961**	**-**	**118,124,390**	**(6,117,719)**	**112,198,632**

Statement of changes in shareholders' equity 2020

units of euro

Shareholders' equity item	Balance as at 31.12.2019	Contribution of share capital	Spin-off contributions	Overall profitability for the year	Total 31.12.2020
Share capital	-	210,000	-	-	210,000
Legal reserve	-	-	-	-	-
Premium reserve	-	-	-	-	-
Other reserves	-	-	-	-	-
Result for the year	-	-	-	(18,039)	(18,039)
Total	**-**	**210,000**	**-**	**(18,039)**	**191,961**



EXPLANATORY NOTES

This document was prepared by the Board of Directors of the Company on 23 March 2022 for the approval of the Shareholders' Meeting of 29 April 2022.

6.1. PART A - ACCOUNTING POLICIES

A. 1 - GENERAL PART

Section 1 - Declaration of compliance with international accounting standards

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

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

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

In addition to the accounting data as at 31 December 2021, the financial statements show the following comparative information:
- balance sheet as at 31 December 2020;
- income statement as at 31 December 2020;
- statement of comprehensive income as at 31 December 2020;
- statement of changes in shareholders' equity as at 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, the Cash Flow Statement and the Notes to the Financial Statements; it is also accompanied by the Managerial report on operations and on the situation of the company, as required by IFRS.

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

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

The Cash Flow Statement is presented using the indirect method.

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

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

a) Going concern. The valuations of assets, liabilities and off-balance sheet transactions are carried out on a going concern basis, on the basis of operating values, as there are reasonable expectations that the bank will continue its operating existence for a future period of at least 12 months from the closing date of the financial statements. It is also believed that no further analyses are necessary to support this assumption, in addition to the disclosure that emerges from the contents of the financial statements and the report on operations.
b) Economic competence. Except in the cash flow statement, costs and revenues are recognised according to the accrual and correlation principles.
c) Consistency of presentation. The criteria for the presentation and classification of the financial statement items are kept constant from one period to the next in order to guarantee the comparability of the information, unless their change is prescribed by an international accounting standard or by an interpretation or if the change is not necessary to increase the significance and reliability of the accounting representation. In the event of a change, the new criterion is adopted retroactively (as far as possible) and the nature, reason and amount of the items affected by the change, as well as the reasons and the resulting equity, economic and financial repercussions are indicated.
d) Relevance and aggregation. In accordance with the provisions issued by the Bank of Italy for the financial statements of banks, the various classes of elements are presented separately, if significant. The different elements, if relevant, are instead shown separately from each other.
e) Prohibition of offsetting. Except as provided or permitted by IFRS, assets and liabilities as well as costs and revenues are not offset.
f) Comparative information. These comparative financial statements report the accounting data relating to the previous year.
g) Exceptional exceptions. If, in exceptional cases, the application of a provision envisaged by IFRS is incompatible with a true and fair view of the equity, financial position and economic result, it must not be applied. The reasons for the derogation and its influence on the representation of the equity, financial position and economic result are explained in the Explanatory Notes. No exceptions were made in these financial statements.

In preparing the financial statements, the IAS/IFRS standards endorsed and in force as at 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.

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

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

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

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

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

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

Section 3 - Events after the reporting date

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

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.

The main cases for which the use of subjective assessments by company management is required are:
- quantification of value adjustments or write-backs 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.

Independent Auditors

The company's financial statements are audited by KPMG S.p.A. in accordance with the articles of association of 24 June 2020.

The audit engagement will have a duration of three years with reference to the financial statements ending from 31 December 2020 to 31 December 2022.

Approval of the financial statements

On 23 March 2022, the directors approved the draft financial statements and their availability to the Shareholders in accordance with Article 2429 of the Italian Civil Code. These financial statements will be submitted for approval to the Shareholders 'Meeting on 28 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 most significant accounting standards and valuation criteria used to prepare the Financial Statements are shown below.

1 - Intangible assets

Entry criteria

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

Classification criteria

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

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

Evaluation criteria

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

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

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

Cancellation criteria

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

Criteria for recognising income components

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

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

2 - Property, plant and equipment

Entry criteria

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

Classification criteria

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

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

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

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

Evaluation criteria

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

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

Cancellation criteria

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

Criteria for recognising income components

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

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

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

3 - Current and deferred taxation

Entry criteria

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

a) current tax assets, i.e., excess payments over tax obligations to be discharged under current corporate income tax rules;
b) current tax liabilities, i.e., tax debts to be paid in accordance with current corporate income tax rules;
c) deferred tax assets, i.e., income tax savings that may be realised in future periods as a result of deductible temporary differences (represented mainly by charges deductible in the future, according to current tax regulations, on the company's income);
d) deferred tax liabilities, i.e., income tax liabilities to be paid in future periods as a result of taxable temporary differences (represented mainly by the deferral of taxation of revenues or the acceleration of the deduction of expenses, in accordance with current tax regulations, on the company's income).

Classification criteria

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

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

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

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

Evaluation criteria

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

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

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

Criteria for recognising income components

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

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

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

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

5 - Loans and other financial liabilities

Entry criteria

The items indicated include financial liabilities measured at amortised cost. The first recognition of such financial liabilities takes place on the date the contract is entered into, which normally coincides with the receipt of the funds raised or the issue of the debt securities.

Initial recognition is on the basis of the *fair value* of the liabilities, normally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issuance transaction. Internal costs of an administrative nature are excluded.

Classification criteria

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

Evaluation criteria

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

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

Cancellation criteria

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

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

Criteria for recognising income components

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

6 - Provisions for risks and charges

Entry criteria

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

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

Classification criteria

A provision, if it meets the recognition requirements, is recognised under "Provisions for risks and charges".

The provisions include in particular provisions for employee loyalty bonuses.

Evaluation criteria

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

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

Cancellation criteria

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

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Criteria for recognising income components

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

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

7 – Employee benefits

The item is represented by the provision for post-employment benefits. Severance pay is a "post-employment benefit" classified as:
- "defined contribution plan" for the portions of post-employment benefits accruing from 1 January 2007 (i.e. after 1 January 2007, the date of entry into force of the supplementary pension reform pursuant to Legislative Decree 5) 252 of December 2005) both in the case of the employee opting for the supplementary pension scheme and in the case of allocation to the INPS treasury fund. The amount of the allowances is accounted for in personnel costs and is determined on the basis of the contributions due without the application of actuarial calculation methods;
- "defined benefit plan" for the portion of employee severance indemnity accrued up to 31 December 2006. The quotas in question are recorded on the basis of their actuarial value determined using the "Projected Unit Credit" method, without applying the pro-rata for service rendered as the *current service cost* of the post-employment benefits is almost entirely matured and its revaluation, for the years to come, is not expected to give rise to significant benefits for employees.

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

8 - Recognition of revenues and costs

Revenue is the gross inflow of economic benefits arising in the course of the ordinary activities of the enterprise and is recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration to which the customer is expected to be entitled. In particular, revenue recognition is performed by applying a model that must meet the following criteria:
- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual *performance obligations* contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods and/or services to the customer;
- allocation of the transaction price to each *performance obligation*, based on the sale prices of the individual bond;
- recognition of revenue when (or as and when) the obligation to do something is performed by transferring the promised good or service to the customer.

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

a) interest paid is recognised on a pro-rata basis, based on the contractual interest rate or the effective interest rate if amortised cost is applied;

b) interest on arrears, possibly envisaged by contract, is recorded in the account

c) commissions for revenues from services are recorded, on the basis of the existence of contractual agreements, in the period in which the services were provided;

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

Business combinations

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

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

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

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

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

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

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

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

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

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

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

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

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

6.2. PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Property, plant and equipment and intangible fixed assets

Property, plant and equipment relate to the value in use of motor vehicles used by personnel and amount to Euro 27 thousand.

Intangible assets relate to the value of goodwill and the intangible assets (on inherited contracts) recorded on the Gerica credit recovery platform (purchased by Credito Fondiario from Cassa di Risparmio di Genova and transferred to the Company as a spin-off). The residual value of the intangible asset is Euro 9,165 thousand as at 31 December 2021, while the value of the goodwill initially taken over in the spin-off for Euro 9,300 thousand was written down by Euro 1,700 thousand (remaining Euro 7,600 thousand).

Investments

The equity investments were all acquired at the time of the spin-off and concern directly owned companies, namely:
- Gardant Liberty Servicing for Euro 89,600 thousand, which was written down for Euro 10,400 thousand.

The following SPVs pursuant to Law 130/99, for a total of Euro 32 thousand:

euro

Company name	Headquarters	Capital	Shareholders' Equity	Result for the year	Book value
Gardant Liberty Servicing	Via Piemonte 38, Rome	150,000	19,259,696	12,234,021	89,600,000
Artemide SPV Srl	Via Piemonte 38, Rome	10,000	22,535	(191,566)	1
Aurelia SPV Srl	Via Piemonte 38, Rome	10,000	8,804	-	6,000
Bramito SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Celio SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Cosmo SPV Srl	Via Piemonte 38, Rome	10,000	136,655	(20,224)	1
Elmo SPV Srl	Via Piemonte 38, Rome	10,000	64,739	1,604	1
Leviticus SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Lucullo SPV Srl	Via Piemonte 38, Rome	10,000	11,342	1,007	1
Lutezia SPV Srl	Via Piemonte 38, Rome	10,000	18,278	(122,789)	8,000
New Levante SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Novus SPV Srl	Via Piemonte 38, Rome	12,000	130,309	(5,978)	1
Piave SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	6,000
Ponente SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Pop NPL 2020 SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Sallustio SPV Srl	Via Piemonte 38, Rome	10,000	11,656	(62,046)	1
Sesto SPV Srl	Via Piemonte 38, Rome	10,000	19,097	(59,867)	1
Tiberina SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	6,000
Vette SPV Srl	Via Piemonte 38, Rome	10,000	10,000	-	1
Viminale SPV Srl	Via Piemonte 38, Rome	10,000	(10,639)	(639)	6,000

Prepaid taxes

Deferred tax assets, totalling Euro 28,689 thousand, concern the DTAs pursuant to Law 214/2011 for Euro 378 thousand and the tax impact on the actuarial valuation of the employee severance indemnity fund for Euro 15 thousand. In addition, at the time of the spin-off, the Company received the DTAs from the exemption of the values relating to the equity investment of Gardant Liberty Servicing for Euro 27,797 (reversed for Euro 383 thousand following the probability test carried out with reference to 31 December 2021) and the DTAs from previous losses for Euro 499 thousand.

Trade receivables and other asset items

Trade receivables amount to Euro 10,476 thousand and concern invoices issued or to be issued for debt collection activities. These receivables are subject to collective write-downs of Euro 48 thousand.

The Company's tax receivables refer to VAT for Euro 36 thousand and receivables from the "Cura Italia" Decree for Euro 2,517 thousand.

Cash and cash equivalents amount to Euro 1,349 thousand.

Other assets include receivables due from the Parent Company for the amounts transferred to the Holding company by virtue of the cash pooling agreement for Euro 11,807 thousand.

LIABILITIES

Long-term loans

The Company received a credit line from a leading Italian bank which, as at 31 December 2021, had a residual principal value of Euro 44,091 thousand.

An IRS was set in place on the credit line, which at the end of 2021 had a negative value of Euro 3 thousand. This negative value, since the hedging IRS is of the cash flow hedging type was recognised as a counter-entry in a special negative equity reserve of the same amount.

Liabilities related to the recognition of vehicles used by personnel for personal and business use pursuant to IFRS 16 amounted to Euro 27 thousand, of which the long-term portion amounts to Euro 16 thousand.

Employee benefits

The employee severance indemnity provision amounts to Euro 675 thousand and is valued actuarially in compliance with IAS 19.

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

• Discount/discount rate	0,70%
• Inflation rate	1,80%
• Wage growth rate	N/A
• Expected mortality rate	IPS55
• Expected disability rate	INPS model

At the time of the spin-off, the employee severance indemnity included in the demerged complex was Euro 661 thousand. During the last 5 months of the year, a provision of Euro 173 thousand was set aside and Euro 175 thousand used. At the end of the year, an amount of Euro 16 thousand was recognised on personnel fees allocated at the end of the year.

Deferred taxes

Deferred taxes refer to the value of the goodwill of the debt collection platform of the Carige Group (Gerica), which can be amortised for tax purposes over 18 years.

Other liability items

The other liability items concern, inter alia:
- trade payables for Euro 954 thousand relating to invoices received or to be received for purchases of goods and services;
- current tax payables for Euro 181 thousand;
- amounts to be paid to personnel and related contributions for Euro 2,819 thousand.

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Revenues

The revenues of the Company mainly concern the commissions paid to the Company for credit collection activities carried out in compliance with the special servicing mandates obtained by the companies managed. The amount of these revenues at 31 December 2021 was Euro 11,729 thousand.

Costs

Costs for services

Costs for services can be summarised as follows:

euro thousand

Costs for services	2021	2020
Corporate services by the Parent Company	2,250	-
Support services to the activities of Master Gardant	252	-
IT costs	1	-
Consultations	1	-
Administrative support to debt collection activities	936	-
External support for activities	38	-
Land registry searches and mortgage records	109	-
Accounting audit	43	-
Corporate bodies	43	-
Notary fees	7	-
Others	9	-
Total	**3,689**	**-**

Personnel expenses

Personnel expenses can be summarised as follows:

euro thousand

Personnel expenses	2021	2020
Wages and salaries	3,300	-
Social security charges	930	-
Post-employment benefits	173	-
Net revenue from secondment of personnel	(216)	
Other personnel expenses	49	-
Total	**4,236**	**-**

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs regarded:

euro thousand

Write-downs and amortization/depreciation	2021	2020
Amortisation pursuant to IFRS 16	5	-
Intangible depreciation	595	-
Write-down of trade receivables	35	-
Write-down of goodwill	1,700	-
Total	**2,335**	**-**

As illustrated in the report on operations, the goodwill of the management platform of the Carige Group was subjected to an impairment test and written down by Euro 1,700 thousand. The intangibles recorded on the same platform are subject to amortisation for which the 2021 portion (relating only to the last five months) amounts to Euro 595 thousand.

Results from investments

In December 2021, the Company received the payment of an extraordinary dividend from Gardant Liberty Servicing, amounting to Euro 4,844 thousand.

Financial charges and write-downs of equity investments

Financial charges amounted to Euro 736 thousand and concern interest on the bank credit line for Euro 666 thousand and interest expense on the IRS contract to protect the cash flow of bank liabilities (Euro 70 thousand).

The equity investment in Gardant Liberty Servicing was written down by Euro 10,400 thousand as a result of the impairment test carried out in the consolidated financial statements on the goodwill recorded on said equity investment.

Tax

Taxes for the year can be broken down as follows:

euro thousand

Tax	2021	2020
Reversal of deferred tax assets to the income statement	474	-
Deferred taxes charged to the income statement	21	-
IRES on income for the year	405	-
IRAP on income for the year	181	-
Total	**1,081**	**-**

The tax burden of the company is the result of the non-deductibility of the value adjustment made on the goodwill of the platform for the management of non-performing loans of the Carige Group (Gerica) and the write-down of the equity investment in Gardant Liberty Servicing.

Part D - OTHER INFORMATION

Related party transactions

The Company has several contracts with Group companies regarding:
- corporate centre services that it receives from the parent company, which entailed a charge during the year of Euro 2,250 thousand;
- cash pooling agreement, entered into between Group companies in order to optimise liquidity management, with a receivable of Euro 11,807 thousand as at 31 December 2021;
- tax consolidation contract for direct taxes;
- an office rental contract by the parent company, which generated a cost of Euro 156 thousand in 2021;
- an administrative assistance contract by the Group company Master Gardant S.p.A. which generated a cost of Euro 252 thousand in 2021 and a payable at the end of the year for the same amount;
- personnel seconded to and from other Group companies, which resulted in a net revenue of Euro 217 thousand. At the end of the year, there was a receivable of Euro 4 thousand for personnel seconded to Master Gardant, Euro 134 thousand from Gardant Liberty Servicing;
- receivables due from Credito Fondiario for Euro 180 thousand for debt collection activities on lease portfolios in the bank’s financial statements.

Disclosure of risks and related hedging policies

Risk management

Special Gardant, as a subsidiary of the Gardant Group, makes use of Gardant S.p.A. (the Parent Company), through the Group Controls structure, for the performance of risk control and management activities.

The objective of outsourcing these services to the Parent Company is to ensure efficient management and to benefit from economies of scale available at Group level by carrying out risk management activities within the reference consolidated organisational model.

The activities of Special Gardant are exposed to the following risks:
- Liquidity Risk
- Credit risk,
- Operational risk,
- Interest rate risk.

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

Liquidity Risk

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

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

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

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

To this end, a Group cash pooling mechanism was activated.

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

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

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

Credit risk

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

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

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

With reference to trade receivables, characterised by a short-term life that is extinguished with the balance of the invoice, it should be noted that they are substantially attributable to Euro 10.4 million to counterparties belonging to the Group or securitisation vehicles under management.

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

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

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

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

Interest rate risk

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

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

The Company does not hold financial assets other than liquidity with banks and uses as a source of funding a medium/long-term loan agreement granted by Banco BPM for an amount of Euro 50 million disbursed through a single credit line with an interest rate variable remuneration. Changes in market interest rates therefore affect the level of related net financial expenses.

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

Operational risk

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

This includes, among other things, losses resulting from fraud, human error, business interruption, system failure, breach of contract and natural disasters. Strategic and reputational risks are not included in this area, while legal risk is included (i.e. the risk deriving from violations or lack of compliance with laws or regulations or lack of transparency regarding the rights and duties of counterparties in a transaction) and conduct risk (i.e. the risk of incurring losses as a result of an inappropriate offer of financial services and the resulting legal costs, including cases of intentionally inadequate or negligent conduct).

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

Special Gardant, through the operational risk framework defined by the Parent Company, aims to strengthen the process of collection of operational loss data (Loss Data Collection) characterising it with a strictly bottom-up approach, in order to allow the recognition and registration of the losses generated or potential resulting from operational risk events.

Special 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 organizational, 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.

Remuneration of directors and auditors

The total fees paid to the statutory auditors amounted to Euro 43 thousand; the directors do not receive compensation but only reimbursement of expenses.

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

Average number of employees broken down by category

The average number of employees in 2021 was as follows:

- Managers 6
- Middle managers 50
- Other employees 44

Proposal to cover the loss for the year

For the proposal to cover the loss for the year, please refer to the specific part of the Management Report.

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

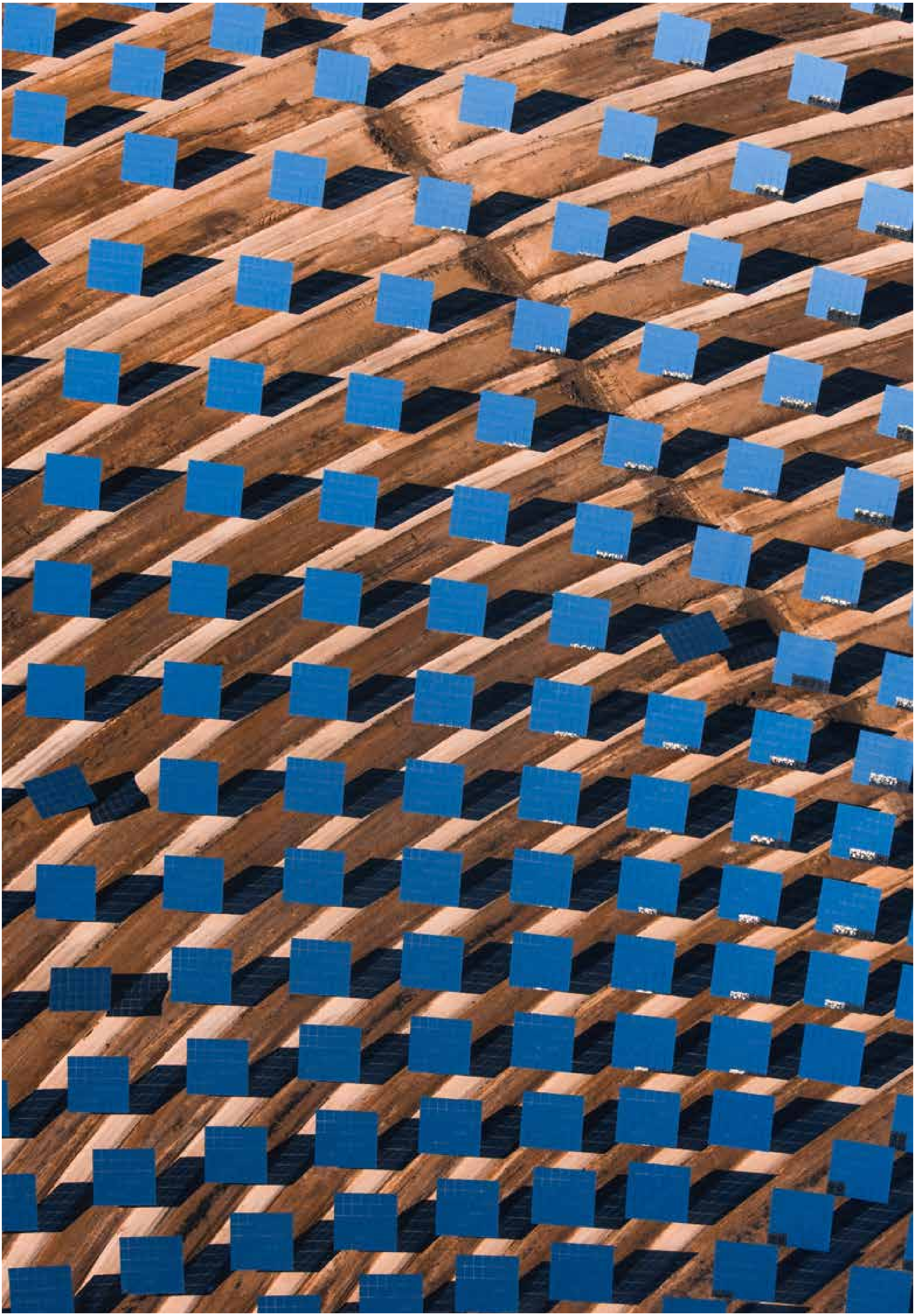
The figures of the last approved financial statements of the company Gardant S.p.A. as a party that exercises management and coordination activities pursuant to Article 2497-bis et seq. of the Italian Civil Code are reported below.

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	0
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	-
	(21,443)



GARDANT

Your Investment and Servicing Partner