Banca CF+

2021
Annual Report

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Corporate bodies and management

Board of directors

(elected by the shareholders on 4 August 2021)

Chairman:	Panfilo TARANTELLI
Deputy chairman:	Davide CROFF
Chief executive officer:	Iacopo DE FRANCISCO*
Directors:	Salvatore BAIAMONTE
	Claudio BATTISTELLA
	Emanuela DA RIN
	Paolo VAGNONE

Board of statutory auditors

(elected by the shareholders on 4 August 2021)

Chairman:	Antonio MELE
Standing statutory auditors:	Franco VEZZANI
	Giuseppina PISANTI
Substitute statutory auditors:	Paolo CARBONE
	Fabio Maria VENEGONI

Management

General manager:	Iacopo DE FRANCISCO
Chief financial officer:	Viviana ASCANI
Chief lending officer:	Alberto BERETTA
Head of risk strategy & management:	Giovanna BENCIVENGA

(*) Appointed as CEO by the board of directors on 4 August 2021

Banca CF+

Introduction

As required by Legislative decree no. 38 of 28 February 2005, the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission as per Regulation (EC) 1606 of 19 July 2002.

They also comply with the requirements contained in Bank of Italy's Circular no. 262/2005 as subsequently amended.

The consolidated financial statements comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report.

Reference should be made to the separate financial statements of the parent, Banca CF+ S.p.A, for any information not provided herein.

Directors' report

Banca CF+ Group

BANK	Banca CF+ S.p.A. (parent)
SECURITISATION VEHICLE AS PER LAW NO. 130/99	Convento SPV S.r.l.
	Cassia SPV S.r.l.
COMPANY SPECIALISED IN TAX ASSETS	Be Credit Management S.p.A.
Other companies	Fifty S.r.l.

Competitive position

The Banca CF+ Group (formerly "Credito Fondiario Group", the "group") is a major player in the Italian credit sector. It has more than a hundred years of experience, cutting-edge technological systems and a comprehensive, integrated product range.

The Banca CF+ Group is a banking group specialised in financing solutions for companies in performing or re-performing situations. It also offers factoring services, tax asset purchase services and short and medium term financing of companies with structural and liquidity needs. Banca CF+ (the "parent") is a branchless challenger bank that operates through advanced operating and distribution models and believes in technology as a tool that facilitates and accelerates access to credit for businesses.

In recent years, the parent acted as a debt purchaser, investing directly in credit risk. It invested in performing and non-performing exposures directly and by structuring securitisations. As debt servicer and all-round credit manager, it deployed tools, professionals and best-in-class IT architecture honed over a decade of experience gained as a primary, master and special servicer.

The parent and group significantly revisited their market positioning in the second half of 2021 after they completed Project 3.0, when the demerger described in the "Key events of 2021 - Project 3.0" section became effective.

In 2021, Banca CF+ rewrote its mission to return to its origins as a corporate bank. Developing the full potential of its extensive experience achieved in over 120 years of operations, it has built a diversified product portfolio to meet the liquidity requirements of companies that need support to implement their development, consolidation or relaunch plans. This specialised offering is accompanied by an evolved technological platform, capable of making bank-business relations more efficient and rapid, especially in terms of response times and credit disbursement.

This strategic repositioning represents the natural evolution of a bank that has always been characterised by a great ability to renew itself in order to meet the needs of the market.

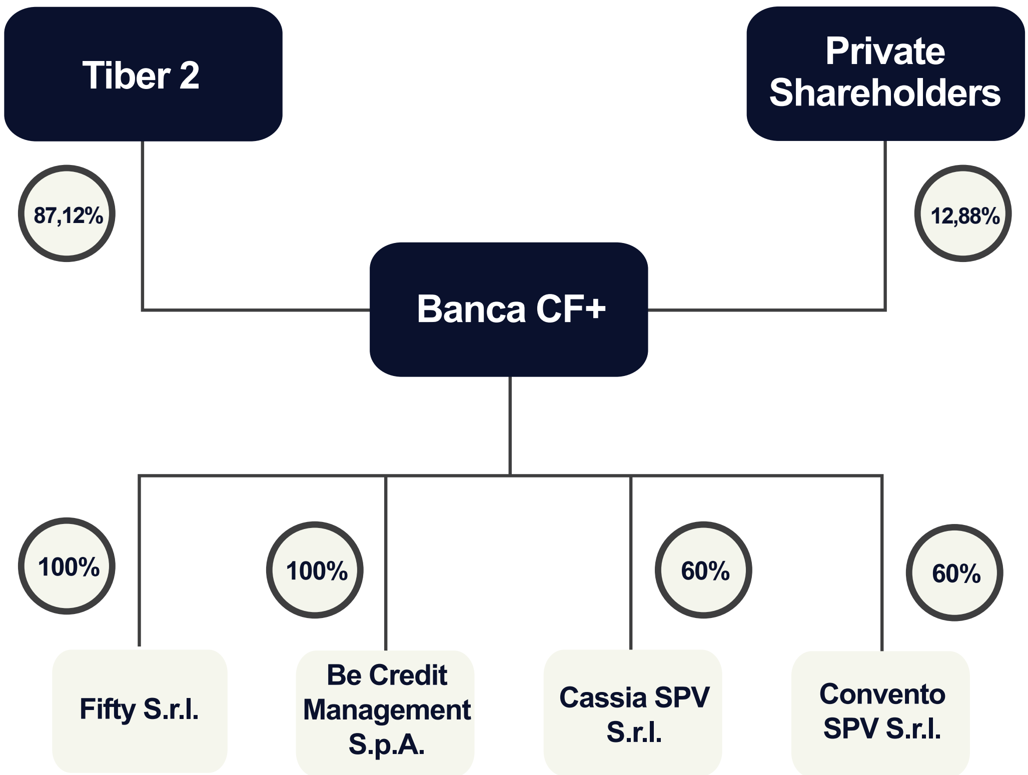
As a sign of this evolution, the parent changed its name from Credito Fondiario S.p.A. to Banca CF+ S.p.A. and the group from Credito Fondiario Group to Banca CF+ Group on 3 February 2022.

Ownership structure

On 2 August 2021, as part of the group's restructuring (described in the "Key events of the year - Project 3.0" section), Tiber Investments s.à r.l. transferred its 87.12% investment in Banca CF+ to another Luxembourg company of the Elliott Group, Tiber Investments 2 s.à r.l..

Elliott, an institutional investor leading the US market for over 40 years with equity of USD35 billion, is a key partner and investor in Banca CF+ through Tiber Investments 2 s.a.r.l..

The following table presents the ownership structure of the parent and the group at 31 December 2021:



Key figures of the group

The following table presents the group's key figures at 31 December 2021:

Proprietary investment portfolio (nominal amount)	€1,139 million
Proprietary investment portfolio (carrying amount)	€725.7 million
Retail savings (Esagon account)	€688.1 million
Equity	€122.5 million
Total capital ratio	14.29%
Employees	87

Consolidation scope

In accordance with IFRS 10, the group has checked whether it controls its investees and other entities it works with to define its consolidation scope. Specifically, it checked:
• the power to direct the relevant activities of the investee;
• exposure, or rights, to variable returns from involvement with the investee;
• the ability to use power over the investee to affect the amount of its returns.

Pursuant to IFRS 10, special purpose entities are treated as subsidiaries when the parent concurrently is:
• significantly exposed to variable returns due to its investment in the investee, the provision of financing or the supply of guarantees;
• able to direct the significant activities, including on a de facto basis.

Therefore, as well as Banca CF+ S.p.A. (formerly Credito Fondiaria S.p.A.), the consolidation scope includes Be Credit Management S.r.l., Fifty S.r.l. and the SPVs of which the parent holds all or the majority of the junior ABS issued and has de facto control as per IFRS 10. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed 47.5% of the junior securitisation notes, fall under IFRS 11 (joint control) and they are presented accordingly. More information about the consolidation scope is available in Part A Accounting policies, Section 3 - Basis of consolidation of the notes to the consolidated financial statements.

With effect from July 2021, ResLoc IT S.r.l. left the consolidation scope due to the sale of all its issued notes held by the parent to third parties, which meant that the parent lost control over it.

In addition and once the demerger (see the "Key events of the year - Project 3.0" section) became effective, on 1 August 2021 the following companies left the consolidation scope:
• CF Liberty Servicing S.p.A.;
• CF Special Servicing S.p.A.;
• CF Master Servicing S.p.A.;
• CF Asset Management SGR S.p.A.;
• Palatino SPV S.r.l.;
• Domizia SPV S.r.l.;
• LeaseCo Europa S.r.l.;
• Vette SPV S.r.l.;

• LeaseCo One S.r.l.;
• Bramito SPV S.r.l.;
• Tiberina SPV S.r.l.;
• Fondo Todi scsp.

At 31 December 2021, the consolidation scope has extended to include Lucullo SPV S.r.l. and Fifty S.r.l. as a result of the events described below.

In September 2021, the parent subscribed all the notes issued by the SPV Lucullo for €10.6 million. The underlying is a loan portfolio sold by the originator to the SPV as part of a securisation.

In December 2021, as part of the project to launch the parent on the factoring market, Banca CF+ acquired 100% of Fifty S.r.l., specialised in trade receivables factoring that has developed a proprietary fintech platform to manage products which will allow the parent to independently manage the entire factoring value chain. After its acquisition, Fifty S.r.l. was merged into the parent with effect from 1 January 2022. More information about this transaction is provided in Part G Business combinations of the notes to the consolidated financial statements.

List of consolidated companies

Group company	Shareholder	Investment %	Consolidation/ -recognition method∑
Be Credit Management S.p.A.	Banca CF+ S.p.A.	100%	Line-by-line
Fifty S.r.l.	Banca CF+ S.p.A.	100%	Line-by-line
Cassia SPV S.r.l.	Banca CF+ S.p.A.	60%	Line-by-line
Convento SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV and 100% of the junior notes	Line-by-line
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the junior notes	Line-by-line
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the junior notes	Line-by-line
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the junior notes	Line-by-line
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the junior notes	Line-by-line
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the junior notes	Line-by-line
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the mono tranche notes	Line-by-line
Lucullo SPV S.r.l.	Banca CF+ S.p.A.	100% of the mono tranche notes	Line-by-line
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.5% of the mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.5% of the mezzanine notes	Equity

Key events of the year

The group made a loss of €6.2 million for the year, including a loss of €6.9 million attributable to the owners of the parent and a profit of €0.7 million to non-controlling interests.

The key events of the year are described below.

Approval of Project 3.0

In June 2020, the parent's board of directors approved the proposed reorganisation of the Credito Fondiario banking group (now the "CF+ Group", also the "group"). The aim was to redefine the parent's mission and to set up a non-banking entity specialised in debt purchasing and debt servicing to focus on this business and benefit from greater competitiveness and efficiency.

This project (the "**project**", "**Project 3.0**" or the "**reorganisation**") provided for the parent's reorganisation through two demergers of the then Credito Fondiario after which its debt purchasing and debt servicing activities (including, inter alia, most of its investments in the companies currently part of the group) were transferred to a newco and its subsidiaries (whose businesses will consist of special servicing, master servicing and fund management activities).

The parent received authorisation from Bank of Italy in June 2021 to proceed with the reorganisation along the agreed lines.

On 28 June 2021, the parent's board of directors approved the first partial demerger to Master Gardant S.p.A., Special Gardant S.p.A. and Gardant Investors SGR in accordance with article 2506-bis of the Italian Civil Code (the "first demerger") and the second partial demerger to Gardant S.p.A. in accordance with article 2506-bis of the Italian Civil Code (the "second demerger", together the "demerger").

On 5 July 2021, the parent's shareholders approved the demerger.

The related deeds were filed with the Rome company registrar on 28 July 2021 and became effective on 1 August 2021.

Upon completion of Project 3.0, the demerged entity has kept the purely banking business, retaining its banking licence, including the resources, organisational structure and capital necessary to meet its obligations arising from funding activities, as well as the relevant reference prudential and organisational requirements. In line with the already operational tax asset business, the demerged entity also retained the 100% investment in Be Credit Management S.p.A., 60% of the SPVs Convento SPV S.r.l. and Cassia SPV S.r.l. and continues to manage some securitised NPE portfolios on a run-off basis. This revisited scope of business facilitated the demerged entity's conversion into a challenger bank, refocusing its operations to become a specialised lender in performing and re-performing situations.

The new organisational structure based on the complete separation between the banking business and the debt purchasing and debt servicing activities better reflects the needs of the servicing market which is undergoing consolidation and where the adequate enhancement of a target's value requires the definition of clear-set boundaries.

After the demerger deeds were filed, the parent:
- signed the trade union agreement and made the relevant communications to employees;
- presented the new industrial group (Gardant) to the financial community;
- approved the parent's and industrial group's new organisational structures;
- informed the counterparties of the servicing agreements and its providers.

The reorganisation go-live activities, including those for the technological demerger between the infrastructure of Credito Fondiario and Gardant, were successfully completed in August.

As a result of the second demerger, the parent's equity decreased by an amount equal to the difference between the carrying amount of the assets and liabilities transferred to Gardant S.p.A. (formerly "CF HoldCo") by means of the demerger effective from 1 August 2021. The parent's share capital decreased from €54,189,669.00 to €14,000,000.00 by cancelling 40,189,669 shares without altering its shareholders' investment percentages. After the second demerger, on 2 August 2021, Tiber Investment sold its investment in the then Credito Fondiario S.p.A. to Tiber Investments 2 s.à r.l. (also part of the Elliott Group). The companies indicated in the "Consolidation scope" section left the consolidation scope. The effects of this transaction on the parent's figures are disclosed in the directors' report on the 2021 separate financial statements ("Accounting effects of the demerger and application of IFRS 5" paragraph of the "Financial performance and position" section).

The key events that led to changes in the consolidation scope in 2021 are described below.

Non-recurring securitisation transactions

As part of the reorganisation and to streamline the investments to be transferred or retained by Banca CF+ as part of the demerger, during the first seven months of 2021 and up until the demerger's effective date, the following restructurings and disposals took place.

In May 2021, the parent acquired 100% of the units of a fund (Fondo Todi s.c.s.p.) which it paid for using the junior notes issued by the SPV Tiberina of e8.9 million.

In order to perform the "public phase" of Project Gemini, in June 2021, the notes issued by Palatino SPV entirely held by the parent were retranched through the issue of new notes, the proceeds from which were used to redeem the already issued notes. Specifically, for the restructuring transaction, a bucket of previously secured exposures was selected from the portfolio underlying Palatino's existing notes, selling the unsecured notes to Bramito SPV S.r.l.. Palatino SPV subsequently issued four new classes of ABS (new senior, mezzanine B1, mezzanine B2 and junior). The parent subscribed all these notes with a total nominal amount of €165 million and Palatino used the related proceeds to reimburse and subsequently cancel the notes originally held by the bank. During the public phase, the new rated senior notes were sold to third party investors in July 2021 (net of a retention percentage of 5%). This sale led to the recognition of losses on sales of approximately €6.7 million.

Again in June, Vette SPV S.r.l. completed its debt restructuring, transferring part of the nominal amount and outstanding principal of the class B notes (from €34.2 million to €10.2 million) to a new class of A2 notes, with a different seniority and remuneration, which were entirely subscribed by the then Credito Fondiario.

In July 2021, the parent sold ABS to third parties as part of its reorganisation. On 31 July 2021, it sold 95% of the senior notes issued by Palatino SPV S.r.l. to third parties. On 6 July 2021, it sold 95% of the class B1 notes and class B2 notes issued by Tiberina. On 26 July 2021, it continued this pattern, selling the notes issued by Resloc IT Sr.l. with the concurrent deconsolidation of this company, with a post-tax effect of €2.7 million on profit or loss.

In the same month, Bramito SPV S.r.l. restructured its securitisation, mostly to streamline its proprietary exposures and make the portfolio homogenous. This facilitated the sale of junior notes issued by it after the restructuring, thus increasing the parent's liquidity.

The restructuring involved, inter alia, the sale of some exposures owned by Bramito, mainly with the real estate company Re Vesta, to Cosmo SPV and Bramito's issue of new senior and junior ABS, which were fully subscribed by the parent. The proceeds from this issue were used to redeem, and consequently cancel, the original junior notes held by the parent and to set up a new cash reserve for the new senior notes.

Again in July as part of the corporate restructuring, Domizia SPV restructured its notes by issuing additional senior class A notes with a nominal amount of €117 million and two new mezzanine classes with a nominal amount of €105.9 million, as well as concurrently cancelling a part of the junior notes' nominal amount.

These restructuring transactions are part of the group's more far-reaching reorganisation described earlier to re-engineer and facilitate the marketing of the ABS.

Banca CF+

Development of the new bank's business lines
The parent rolled out strategic work projects in line with its new mission as part of its reorganisation in the first half of 2021.

In July 2021, the board of directors approved the new factoring product, followed by its approval of the proposed merger of Fifty S.r.l. into the parent in September 2021. Fifty S.r.l. performed, inter alia, credit brokerage activities and developed a proprietary fintech platform to manage factoring products. The merger took place with a deed of 20 December 2021 after receipt of authorisation from Bank of Italy and became effective for statutory, accounting and tax purposes on 1 January 2022. It will enable the parent to independently manage the entire factoring value chain.

In October 2021, the parent's board of directors approved the new guaranteed finance product in line with its policy for the approval of new products and services and entry into new markets.

The project hinges on the introduction of the new business lines envisaged in the parent's business plan after redefinition of its mission as a best-in-class challenger bank, specialised in financing solutions for SMEs in performing and re-performing situations.

As part of this process, during the last quarter of 2021, the parent rolled out all the processes and completed the requirements necessary for the first pilot phase of its new business, launching the fully-operational guaranteed finance business line in January 2022 to immediately exploit market opportunities and reduce performance risk by gradually launching the new business.

In order to structure the new guaranteed finance business line, in December 2021, the parent acquired Fivesixty S.r.l. ("Fivesixty"), a consultancy company with significant experience in the guarantee fund market which assisted the parent to set up the product. The partnership with Fivesixty was one of the accelerators for the launch of the new product. The parent also entered into an operating partnership with Garanzia Etica S.c., a financial intermediary as per article 106 of the Consolidated Banking Act specialised in servicing for access to guarantee funds and management of benefits.

The parent's products are mostly designed for Italian SMEs. At public guarantee fund level, the main instruments supporting SMEs that the parent will focus on are those of the Central Guarantee Fund and the Italian Guarantee Fund. Therefore, any risks on the loans will be mitigated by state backing.

Operations

This section provides key information about the group's operations. Reference should be made to the directors' report on the separate financial statements ("The bank's response to Covid-19" and "The main accounting and supervisory issues raised by Covid-19" sections) for details of the pandemic's specific impact on the group.

2021 investments mostly related to the purchase of tax assets for €81.2 million by the securitisation vehicle Convento SPV S.r.l. through the issue of ABS subscribed by the parent.

In September 2021, the SPV Lucullo sold an NPE portfolio with a nominal amount of €41.2 million as part of a securitisation with the parent subscribing all the notes issued.

At year end, the group's investments are categorised into stages:

(€'000)

	Gross carrying amount	Carrying amount		
		Performing	Non-performing	Total
POCI exposures purchased through securitisation vehicles	234,456	760	134,654	135,414
Other exposures purchased through securitisation vehicles	5,906	2,527	-	2,527
Tax assets purchased through securitisation vehicles	86,284	70,844	-	70,844
Unconsolidated ABS of the parent measured at amortised cost	156,243	154,917	-	154,917
Unconsolidated ABS of the parent measured at fair value	151,712	131,473	-	131,473
POCI exposures purchased directly by the parent	38,138	-	11,826	11,826
POCI leases purchased directly by the parent	250,789	-	4,141	4,141
Leases purchased directly by the parent	9,286	5,463	3,618	9,081
Loans disbursed by the parent	32,753	32,155	145	32,300
Factoring	28,277	28,158	-	28,158
Government bonds	113,289	113,214	-	113,214
Other treasury investments	27,275	27,275	-	27,275
Other assets	556	496	-	496
Equity instruments	4,000	4,000	-	4,000
Total	**1,138,964**	**571,282**	**154,384**	**725,666**

POCI[1] exposures purchased through securisation vehicles are recognised 1 in the consolidated financial statements through the six SPVs included in the consolidation scope.

POCI exposures purchased by the group either through the securitisation vehicles or directly by the parent are recognised at a discount compared to the loans' outstanding nominal amount. They are recognised at their recoverable amount net of the legal fees incurred to recover the loans discounted using the internal rate of return (IRR) valid when the exposures are purchased.

(1) When it applied the "simplified" approach, the group determined the IRR as the difference between the portfolio's gross disposition proceeds ("GDP") set out in the relevant business plans, net of credit collection costs, upfront costs, any servicing fees and commission expense and all other costs pre-deducted from the securities' interest payment flows.

Debt servicing
Up until 31 July 2021, when the above-mentioned demerger became effective, Banca CF+ acted as all-round servicer for securitisations as it could provide all the services and cover the positions connected to these transactions starting from their structuring to management of the notes and underlying loans. It transferred the entire servicing business to the Gardant Group and the related profits and losses accrued up to 31 July 2021 were reclassified to caption 290 of the income statement (Profit (loss) from discontinued operations).

Funding Strategy
The group has adopted a funding diversification strategy aimed at achieving the best possible cost-risk balance. Accordingly, it ensures it has access to a wide variety of sources of funds to create the perfect funding fix to avail of the best medium to long-term market conditions.

This diversification is essential to ensure the sound and prudent management of liquidity risk.

Generally speaking, the group's funding strategy is based on:
• financing source stability, in line with the planned conversion of maturities;
• optimised cost of funding while concurrently ensuring diversified sources of funding, reference markets and tools;
• a sufficient volume of high quality liquid assets, that can also be sold to the markets in difficult times and that are eligible as collateral with central banks to meet any overnight funding requirements;
• financing the parent's growth through strategic fund-raising activities, consistently with its funding profile structure;
• compliance with the regulatory metrics provided for in the risk appetite statement;
• mitigation of liquidity risk by applying market best practices (maintaining an appropriate liquidity buffer in line with its assets) and complying with regulations; specifically, this objective is achieved as a result of:
- the creation of capital cushions, which include marketable securities eligible for refinancing by central banks;
- a risk and operating limit system;
- diversified sources and channels of funding, counterparties and maturities.

The parent strategically aims to align sources of funding with its core lending business. It is mostly financed by retail customers and their deposits while it also draws on a variety of institutional funding sources, including the interbank market, the repos market and committed credit facilities.

This allows it to diversify its funding by product, counterparty and maturity.

The group's total funding amounts to €795 million at the reporting date. Specifically, it mostly has the following sources of funds:
• repurchase agreements with banks of €53.9 million;
• interbank deposits of €25 million;
• stable retail deposits of €688.1 million.

Its funding also includes securities issued by the SPV Liberio of €3.1 million subscribed by third parties and liabilities to originators for deferred prices on POCI portfolios purchased by the SPVs Ponente and New Levante for €14.8 million.

The parent has joined Bank of Italy's ABACO system (a system of accepting assets as collateral for loans) for the collateralisation of eligible exposures.

The debt to equity ratio, the disclosure of which is required by IAS 1.13, is 653% at year end and the parent does not have resources that are not recognised in its statement of financial position in accordance with the IFRS.

Financial performance and position

Accounting effects of the demerger and application of IFRS 5

As described in the "Project 3.0" section, in June 2021, the parent received authorisation from the Italian central bank to proceed with its reorganisation in line with the proposal set out in 2020. On 28 June 2021, the board of directors approved:
- the first partial demerger of the then Credito Fondiario to Master Gardant S.p.A. (former CF Master Servicing S.p.A.), Special Gardant S.p.A. (former CF Special Servicing S.p.A.) and Gardant Investors SGR (former CF Asset Management SGR S.p.A.) in accordance with article 2506-bis of the Italian Civil Code (the "first demerger" and the "beneficiaries of the first demerger");
- the second partial demerger of Credito Fondiario to Gardant S.p.A. (former CF HoldCo S.p.A.) in accordance with article 2506-bis of the Italian Civil Code (the "second demerger" and the "beneficiary of the second demerger").

The parent's shareholders approved the demerger on 5 July 2021 and the demerger deeds were filed with the competent Rome company registrar on 28 July 2021, effective from 1 August 2021 (the "demerger's effective date").

The boards of directors of the companies involved approved the scope of the demerged businesses on 22 September 2021 using the financial figures at 31 July 2021.

From an accounting standpoint, the demerger qualifies as a business combination under common control, as it consists of a reorganisation of operating activities that are part of the activities of the ultimate owner, which is the same for all the companies involved. Therefore, the transactions are presented using the carrying amounts shown in the financial statements of the individual companies and the assets and liabilities included in the demerged businesses were transferred at their carrying amounts in the financial statements of Banca CF+ (then Credito Fondiario) at 31 July 2021. A description of the main assets and liabilities is provided below.

The parent's equity at the demerger date was calculated by identifying a suitable level of regulatory capital considering each type of asset kept by the parent in line with the prudential supervisory reporting requirements and its risk appetite framework. It also considered the regulatory capital requirement necessary to allow it to continue to operate.

The equity of the demerged businesses was allocated to the beneficiaries in line with their operating requirements. The current and deferred tax assets were allocated to the individual beneficiaries in proportion to the equity assigned to them, except for the direct allocation to Special Gardant S.p.A. of deferred tax assets arising on the alignment of the carrying amount of intangible assets and goodwill recognised in the consolidated financial statements of the then Credito Fondiario Group related to the investment in CF Libery Servicing S.p.A. to their tax base.

As from 1 August 2021, the parent and the group no longer perform servicing activities. Specifically, the demerged businesses include trade receivables for fees received by the parent for its services as corporate, master and special servicer and other related roles. They also include the investments in CF Master Servicing S.p.A., CF Asset Management S.p.A., CF Special Servicing, CF Liberty Servicing, LeaseCo One, LeaseCo Europa, LeaseCo Piave and investments in the securitisation vehicles that are part of the VAT group, transferred to Gardant, except for Cassia SPV and Convento SPV, transferred to Gardant; intangible assets (goodwill and other intangible assets) related to the Gerica servicing platform, acquired from Banca Carige in 2018; software used to perform servicing activities; and deferred tax assets arising on the alignment of the carrying amount of intangible assets and goodwill recognised in the consolidated financial statements in conjunction with the acquisition of a 70% stake in CF Liberty Servicing to their tax base.

The business demerged to Gardant S.p.A. also includes the notes and/or exposures (all or part of them) of the vehicles Bramito, Tiberina, Palatino, Domizia and Vette. The other assets were allocated on the basis of the related contracts (IFRS 16 leases, property, equipment and investment property and intangible assets) and number of resources.

Reference should be made to the directors' report on the parent's separate financial statements for information on the carve-out financial statements at 1 August 2021.

At group level and as already described in the "Consolidation scope" section, the demerger led to the exclusion of the following companies from the consolidation scope:
• CF Liberty Servicing S.p.A.;
• CF Special Servicing S.p.A.;
• CF Master Servicing S.p.A.;
• CF Asset Management SGR S.p.A.;
• Palatino SPV S.r.l.;
• Domizia SPV S.r.l.;
• LeaseCo Europa S.r.l.;
• Vette SPV S.r.l.;
• LeaseCo One S.r.l.;
• Bramito SPV S.r.l.;
• Tiberina SPV S.r.l.;
• Fondo Todi scsp.

The loss for 2021 includes the profit or loss of the above companies up until the demerger date of 31 July 2021.

The statement of financial position, income statement and statement of comprehensive income included in the group's consolidated financial statements at 31 December 2021 and 2020 were prepared in accordance with IFRS 5, which requires that assets, liabilities and revenue and costs related to the disposal group be reclassified to the specific captions in the statement of financial position and income statement established by Bank of Italy in its Circular no. 262 of 22 December 2005 pursuant to IFRS 5.

A reconciliation between the pre-IFRS 5 consolidated financial statements and the consolidated financial statements and the post-tax profit from discontinued operations is provided below.

	Items	2021 pre IFRS 5 A	Effect of applying IFRS 5 B	2021 reclassified figures (A+B)
10.	Interest and similar income	93,846	(43,800)	50,046
20.	Interest and similar expense	(24,122)	3,453	(20,669)
30.	**Net interest income**	**69,724**	**(40,347)**	**29,377**
40.	Fee and commission income	28,103	(27,798)	305
50.	Fee and commission expense	(5,202)	2,931	(2,271)
60.	**Net fee and commission income**	**22,901**	**(24,867)**	**(1,966)**
80.	Net trading expense	*(24)*	-	*(24)*
100.	Net loss from sales or repurchases of:	(6,734)	6,734	-
	a) financial assets at amortised cost	*(6,734)*	*6,734*	-
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	(6,818)	7	(6,811)
	a) financial assets and liabilities designated at fair value	*(2,087)*	-	*(2,087)*
	b) other financial assets mandatorily measured at fair value	*(4,731)*	*7*	*(4,724)*
120.	**Total incom**	**79,048**	**(58,473)**	**20,576**
130.	Net impairment losses for credit risk associated with:	(10,555)	279	(10,276)
	a) financial assets at amortised cost	*(10,555)*	*279*	*(10,276)*
150.	**Net financial income (expense)**	**68,494**	**(58,194)**	**10,300**
190.	Administrative expenses:	(68,068)	36,026	(32,042)
	a) personnel expense	*(29,660)*	*21,468*	*(8,192)*
	b) other administrative expenses	*(38,408)*	*14,558*	*(23,850)*
200.	Net reversals of provisions for risks and charges	40	-	40
	b) other financial assets mandatorily measured at fair value	*40*	-	*40*
210.	Depreciation and net impairment losses on property, equipment and investment property	(1,514)	1,174	(340)
220.	Amortisation and net impairment losses on intangible assets	(6,786)	6,480	(306)
230.	Other operating income, net	986	(510)	476
240.	**Operating costs**	**(75,341)**	**43,169**	**(32,172)**
250.	Losses on equity investments	(600)	-	(600)
290.	**Pre-tax loss from continuing operations**	**(7,448)**	**(15,024)**	**(22,472)**
300.	Income taxes	1,295	(1,268)	27
310.	**Post-tax loss from continuing operations**	**(6,152)**	**(16,293)**	**(22,445)**
320.	Post-tax profit from discontinued operations	-	16,293	16,293
330.	**Loss for the year**	**(6,152)**	**-**	**(6,152)**
340.	**Profit attributable to non-controlling interests**	**687**	**-**	**687**
350.	**Profit attribuable to the owners of the parent**	**(6,839)**	**-**	**(6,839)**

The "Post-tax profit from discontinued operations" shows all the income statement items accrued to 31 July 2021 specifically related to the servicing business performed by Banca CF+ and CF Liberty Servicing (mostly fee and commission income and expense, amortisation, depreciation and impairment losses on property, equipment and investment property and intangible assets and other operating costs) and the investments included in the business transferred to Gardant S.p.A. with the second demerger (interest income, fair value gains and losses and impairment losses on the portfolios Personnel expenses were allocated in line with the resources transferred to the Gardant Group while the administrative expenses were allocated directly to the cost centres, when possible, or in line with specific drivers (based on the number of employees or the amount of revenue).

Based on the described drivers, the post-tax profit from discontinued operations for 2021 amounts to €16.3 million compared to a loss for the banking group, net of this profit, of €22.4 million. It is the sum of:
• amounts accrued on the portfolios of Bramito, Palatino, Domizia, Tiberina, Resloc and Vette, including interest income of €43.8 million and losses on sales of €6.7 million;
• interest expense of €3.5 million accrued on financial liabilities at amortised cost associated with the assets included in the transferred businesses and the deconsolidated companies, including interest on securities issued subscribed by third parties;
• net fee and commission expense of €24.9 million generated on the servicing activities performed by the parent (€9.6 million net of intragroup balances) and CFLS (€15.3 million);
• operating costs of €43.2 million, mostly related to the parent and CFLS, which contributes personnel expense of €5.4 million, other administrative expenses of €1.9 million and depreciation, amortisation and impairment losses of €4.6 million on property, equipment and investment property and intangible assets, of which amortisation of €4.3 million.

The following paragraphs include an analysis of the statement of financial position and income statement captions before the reclassifications required by IFRS 5 in order to provide a better understanding of the group's financial position at 31 December 2021 and its financial performance for the year then ended.

Financial performance

(€m)

	2021 pre IFRS 5	2020 pre IFRS 5	Variation	Var. %
Net interest income	69.7	87.0	(17.3)	(20%)
Net fee and commission income	22.9	39.6	(16.7)	(42%)
Net losses from sales of financial assets at amortised cost	(6.7)	-	(6.7)	100%
Net loss on measurement of ABS at fair value	(6.8)	(0.2)	(6.6)	3298%
Net trasing expense	(0.0)	(0.1)	0.1	(74%)
Total income	**79.0**	**126.3**	**(47.2)**	**(37%)**
Operating costs	**(75.4)**	**(89.5)**	**14.1**	**(16%)**
Net financial income	**3.7**	**36.8**	**(33.1)**	**(90%)**
Net impairment losses for credit risk	(10.6)	(34.6)	24.1	(69%)
Accruals to provisions for risks and charges	0.0	0.3	(0.3)	(88%)
Net losses on equity investments	(0.6)	-	(0.6)	100%
Pre-tax profit (loss)	**(7.4)**	**2.5**	**(10.0)**	**(394%)**
Income taxes	1.3	10.3	(9.0)	(87%)
Profit (loss) for the year	**(6.2)**	**12.9**	**(19.0)**	**(148%)**

The group made a loss of €6.2 million for the year, including a loss of €6.9 million attributable to the owners of the parent and a profit of €0.7 million to non-controlling interests (CF Liberty Servicing S.p.A.), compared to a profit of €12.9 million for 2020.

The group's financial performance continued to reflect the repercussions of the Covid-19 public health emergency, which led to the impairment of financial assets included in its portfolios and smaller fees earned on the special servicing business of both the parent and CFLS up until 31 July 2021.

Net interest income amounts to €69.7 million compared to €87 million in 2020.

Interest income came to €93.8 million (€114.2 million in 2020). The decrease is mostly due to the deconsolidated portfolios starting from 1 August 2021.

Interest expense of €24.1 million (€27.1 million in 2020) mostly refers to the Esagon on-line deposits (€16.7 million), repos and interbank deposits (€2.2 million), interest accrued up until 31 July 2021 on the senior notes issued by Domizia and subscribed by third parties (€1.1 million) and interest accrued on the deferred prices of the Ponente and New Levante portfolios (€2.2 million).

Net fee and commission income amounts to €22.9 million compared to €39.6 million for 2020. The balance clearly reflects the fact that such fees and commissions were only earned for seven months of servicing activities performed by the parent and CFLS compared to 12 months in 2020.

The **net loss from sales or repurchases of financial assets at amortised cost** of €6.7 million shows the effects of the sale of 95% of Palatino's senior notes to third parties.

The **net loss on other financial assets and liabilities at fair value through profit or loss** of €6.8 million shows the fair value losses of €4.7 million on the ABS issued by the non-consolidated companies and the fair value losses of €2.1 million on liabilities recognised by the parent.

The gain on the sale of the Resloc notes at fair value in the separate financial statements is offset by the reclassification of the relevant fair value gains accumulated in equity to profit or loss in the consolidated financial statements.

Total income amounts to €79 million compared to €126.3 million for 2020.

Impairment losses on financial assets at amortised cost amount to €10.6 million for the year (€34.6 million in 2020) and were mostly recognised on exposures purchased through the securitisation vehicles (€8.2 million) as well as impairment losses calculated by the parent individually (€2 million) and collectively (€0.4 million). The public health emergency and the delays in court proceedings continued to affect the measurements of the portfolios in which the group has invested.

Personnel expense decreased to €29.7 million from €36.7 million for 2020.

At 31 December 2021, the group's workforce numbered 87 people, including 77 with the parent and 10 with BECM. At the demerger date, the group had 387 employees, of which 279 hired by the parent, 98 by CFLS and 10 by BECM. Personnel expense recognised in the period from August to December 2021 does not include the cost of CFLS personnel or the resources transferred to the Gardant Group.

Other administrative expenses amount to €38.4 million compared to €39.4 million for 2020.

Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets amount to €8.3 million compared to €14 million for 2020. The caption includes amortisation of €4.1 million of intangible assets recognised as part of the 2019 purchase price allocation procedure for CFLS up to 31 July 2021.

The group's pre-tax loss comes to €7.4 million compared to a profit of €2.5 million for 2020.

The group recognised an **income tax** benefit of €1.3 million, which includes the tax expense of the parent (€0.5 million) and CFLS (€2.4 million) up until the demerger, reversal of deferred tax liabilities recognised on intangible assets after the acquisition of the investment in CFLS (-€1.2 million) and deferred taxes on the profits of the securitisation vehicles (-€3 million).

The group made a **loss** of €6.2 million, including a loss of €6.8 million attributable to the owners of the parent and a profit of €0.6 million attributable to non-controlling interests.

Reclassified statement of financial position

(€m)

	31/12/2021	31/12/2020 pre IFRS 5	Variation	Var. %
Cash and cash equivalents	196.8	252.6	(55.8)	(22%)
Financial assets	726.3	1,221.9	(495.6)	(41%)
- FVTPL	132.4	121.7	10.7	9%
- FVOCI	4.0	-	4.0	100%
- amortised cost	589.9	1,100.2	(510.3)	(46%)
Loans and receivables with banks	3.3	7.7	(4.4)	(57%)
Equity investments	-	0.0	(0.0)	(100%)
Property, equipment and investment property and intangible assets	6.2	161.8	(155.7)	(96%)
Tax assets (current and deferred)	16.9	70.4	(53.5)	(76%)
Other assets	4.3	30.3	(26.0)	(86%)
Total assets	**953.8**	**1,744.7**	**(790.9)**	**(45%)**
Funding and other financial liabilities	800.0	1,247.2	(447.2)	(36%)
- due to banks	97.1	292.4	(195.3)	(67%)
- due to customers	695.3	784.9	(89.6)	(11%)
- securities issued	3.1	167.2	(164.1)	(98%)
- liabilities at fair value through profit or loss	4.5	2.7	1.8	67%
Tax liabilities	8.9	37.6	(28.6)	(76%)
Other liabilities	20.4	44.6	(24.2)	(54%)
Post-employment benefits	0.6	4.1	(3.6)	(86%)
Provisions for risks and charges	1.3	1.5	(0.2)	(11%)
Share capital	14.0	54.2	(40.2)	(74%)
Reserves	115.3	323.9	(208.6)	(64%)
Equity attributable to non-controlling interests	0.0	20.1	(20.1)	(100%)
Profit (loss) for the year	(6.8)	11.4	(18.3)	(160%)
Total liabilities and equity	**953.8**	**1,744.7**	**(790.9)**	**(45%)**

Total assets amount to €953.7 million compared to €1,744.7 million at 31 December 2020. The reduction of €790.9 million is mostly due to the deconsolidation of the previously-listed companies as a result of the demerger or the sale of notes by the parent to third parties in the case of Resloc IT S.r.l..

Investments ("Other financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Loans and receivables with customers") come to €725.7 million and include:

• ABS of €131.5 million issued by the unconsolidated companies and entirely measured at fair value (Gardenia, Fedaia, Rienza, Appia, Palatino, Bramito, Domizia, Vette, Restart and ICR);
• participating financial instruments at fair value through other comprehensive income of €4 million;
• ABS of €154.9 million issued by the unconsolidated companies and entirely measured at amortised cost (Gardenia, Restart, Bramito, Palatino, Domizia and Vette);
• loans and receivables with customers of €208.7 million purchased through securitisation vehicles (including tax assets of €70.8 million purchased by Convento and Fairway and POCI exposures of €137.9 million purchased by Ponente SPV, New Levante SPV, Restart SPV, Italian Credit Recycle, Cosmo SPV, Aventino SPV, Liberio SPV and Lucullo SPV);
• loans and financing of €71 million disbursed or purchased by the parent;
• factoring loans of €28.2 million disbursed by Banca CF+;
• lease portfolios of €13.2 million purchased directly by the parent;
• government bonds of €113.2 million held by the parent;
• trade receivables of €0.5 million.

Cash held with banks amounts to €196.8 million at 31 December 2021 and, in addition to cash belonging to the parent, it includes that related to the consolidated companies (€52.8 million).

Property, equipment and investment property and intangible assets amount to €6.2 million compared to €161.8 million at 31 December 2020. Intangible assets comprise goodwill related to the acquisition of Be Credit Management S.p.A. (€0.9 million) and goodwill and other intangible assets recognised provisionally as part of the purchase price allocation procedure for the acquisition of Fifty S.r.l. (€1.3 million and €3 million, respectively).

At 31 December 2020, the caption also included other intangible assets and goodwill related to the Gerica platform and CF Liberty Servicing (€150.5 million) transferred to the Gardant Group as part of the demerger.

Tax assets of €16.9 million comprise current tax assets of €11.6 million and deferred tax assets of €5.3 million on losses and the ACE (Aid for Economic Growth) benefit recognised by the parent.

Liabilities include sources of funding such as:
• due to banks of €97.1 million, reflecting the parent's funding and the deferred prices of the portfolios purchased by Ponente SPV and New Levante SPV (€14.8 million);
• due to customers of €695.3 million, which includes the parent's funding (€689.8 million) as well as the liabilities for the consideration still to be disbursed for tax assets purchased by Convento at the end of December 2021 (€5.3 million);
• securities issued of €3.1 million, equal to the senior notes issued by the consolidated vehicle Liberio SPV held by third parties.

Tax liabilities of €8.9 million include current tax liabilities of €0.4 million and deferred tax liabilities of €8.6 million, of which €0.8 million recognised on the intangible asset of Fifty S.r.l., €1.3 million on the fair value gain on the participating financial instruments and €6.5 million on the SPVs' profits or losses.

Equity amounts to €122.5 million, of which €0.08 million is attributable to non-controlling interests, and includes the loss for the year.

Financial position and key profitability indicators

Profitability indicators	2021	2020
ROA (Gross profit/total assets)	(0.8%)	0.2%
RORAC	(4.7%)	12%
EBITDA €'000	24,974	43,579

Reconciliation between equity and the loss for the year of the parent with those of the group

(€'000)

	Equity	Loss for the year
As per the separate financial statements	**110,698**	**(4,981)**
CF Liberty Servicing S.p.A.	-	5,397
Fifty	595	-
Be Credit Management S.p.A.	143	13
Consolidated vehicles	10,559	(7,448)
Consolidation adjustments for CF Liberty Servicing S.p.A.	-	(3,107)
Consolidation adjustments for Be Credit Management S.p.A.	(1,319)	593
Consolidation adjustments for Fifty	(595)	-
Consolidation adjustments for securisation vehicles	2,402	3,381
As per the consolidated financial statements (including non-controlling interests)	**122,482**	**(6,152)**
Non-controlling interests	**8**	**687**
As per the consolidated financial statements (owners of the parent)	**122,474**	**(6,839)**

Equity attributable to non-controlling interests of €8 thousand refers entirely to the consolidated securitisation vehicles.

Specifically, the profit for the seven months ended 31 July 2021 of €5.4 million recognised by CF Liberty Servicing S.p.A. is offset by amortisation of €3.1 million of the intangible asset recognised with the subsidiary's acquisition, net of the reversal of the related deferred tax liability. Therefore, its profit for the period recognised for consolidation purposes is €2.3 million, including 30% attributable to non-controlling interests.

Other information

It is noted that at 31 December 2021:
• the group did not carry out research and development activities;
• related party transactions are presented in part H of the notes to the consolidated financial statements;
• the consolidated companies do not hold treasury shares;
• disclosures about the group's objectives and policies for the taking on, management and hedging of financial risks are provided in part E of the notes to the consolidated financial statements (Risks and hedging policies);
• the consolidated companies do not have branches;
• the consolidated companies have not entered into derivatives.

Business opportunities and going concern

The parent's directors have prepared the consolidated financial statements at 31 December 2021 on a going concern basis as there are no doubts about the parent's and the group's ability to continue as going concerns in the foreseeable future and for well beyond 12 months from the reporting date.

The group has withstood the economic effects of the pandemic which principally led to a reduction in fee and commission income (affecting the income statement up until the demerger date) and the need to impair its portfolios, especially after the postponements in payments envisaged in the various business plans as part of its servicing activities. Despite all this, the group's financial position remained healthy and it plans to continue its normal operations and introduce the new business lines as per the strategy described earlier once the Covid emergency has been resolved.

As already described, after the demerger, Banca CF+ has retained the banking business and all the resources, organisational structure and capital necessary to meet its obligations arising from funding activities, as well as the relevant prudential and organisational requirements.

Events after the reporting date and outlook

Starting from 1 January 2022, the parent set up a new VAT group with:
• Be Credit Management S.p.A., wholly owned by Banca CF+; and
• the two securitisation vehicles set up as per Law no. 130 of 30 April 1999, Convento SPV S.r.l. and Cassia SPV S.r.l., in which the parent holds 60%.

The merger with Fifty S.r.l. became effective on 1 January 2022.

On 3 February 2022, the parent completed its renaming and rebranding project, changing its name to Banca CF+ S.p.A..

On 31 January 2022, the parent's board of directors approved its 2022-2026 business plan, whose objectives include assets under management of more than €4 billion and challenging efficiency and profitability goals. The parent's objective is to reposition itself as an evolved, specialist challenger bank for Italian SMES. In order to best meet the needs of its customers (namely Italian SMEs), Banca CF+ will provide various specialised financing solutions through a state-of-the-art technological platform ranging from factoring products, loans that are guaranteed by MCC and SACE, unguaranteed loans and tax asset purchases.

The recourse and non-recourse factoring business will comprise the direct and reverse factoring of trade receivables and loans of the supply chain for performing companies, companies with limited access to the traditional banking sector and companies in financial difficulties. This business line will be strengthened by the acquisition (and merger executed on 1 January 2022) of Fifty S.r.l., a specialised fintech platform, which has led to the inclusion of highly specialised resources with in-depth knowledge of the factoring market and a cutting edge technological platform within the group.

The financing department will provide performing and re-performing companies with loans for structural or liquidity needs that can be guaranteed (or not) by MCC and SACE. The acquisition of Fivesixty S.r.l., finalised on 2 December 2021, has provided the parent with additional expertise, know-how, resources and technological infrastructure fundamental to rapidly grow its new business.

Banca CF+ will continue to purchase tax assets from performing companies and companies in complicated situations, including insolvencies and voluntary winding-ups, through the vehicle Convento. This business line has been strengthened in recent years by the strategic partnership agreement with Be Finance, a market leader in the domestic tax asset sector, signed in November 2018.

As part of the project to develop the tax asset business started up in 2018, on 9 February 2022, the parent's board

of directors approved:
- the merger of the wholly-owned BE Credit Management S.p.A. into Banca CF+ and the related merger proposal and draft application to be presented to Bank of Italy pursuant to article 57 of Legislative decree no. 385 of 1 September 1993;
- the parent's acquisition of 100% of a newco which will be set up to receive the business unit of BE TC S.r.l. that promotes the purchase of tax assets, and its subsequent merger into Banca CF+.

No adjusting events (as per the definition of IAS 10.8) took place in the period from the reporting date to the date of approval of these consolidated financial statements that would have required the group to adjust the amounts recognised in its consolidated financial statements.

In February 2022, the macroeconomic situation became unstable due to the outbreak of the war in Ukraine, which led the international community to impose large-scale sanctions on Russia, its top officials and some segments of its production and financial sectors.

These factors are non-adjusting events pursuant to IAS 10.21 as, although the situation materialised around the reporting date, the existence of an effective international-scale event only arose at the end of February 2022.

The group is not exposed to parties directly involved in the conflict in terms of credit or financial investment risks (i.e., the parent does not have exposures or investments in financial instruments with counterparty issuers or financial institutions and companies resident in the countries involved). At the date of preparation of this report, it is not possible to exclude, however, that the indirect repercussions of the conflict may affect the global and Italian macroeconomic situation, requiring a change in the outlook for future growth, and the general economy and financial markets. These indirect effects cannot be estimated or quantified at present. Nonetheless, this event does not affect the estimates made in the consolidated financial statements at 31 December 2021.

Consolidated financial statements

STATEMENT OF FINANCIAL POSITION

(€'000)

	Asset	31/12/2021	31/12/2020*
10.	Cash and cash equivalents	196,768	166,137
20.	Financial assets at fair value through profit or loss	132,362	121,667
	a) held for trading	*614*	*638*
	b) designated at fair value	-	-
	c) mandatorily measured at fair value	*131,748*	*121,029*
30.	Financial assets at fair value through other comprehensive income	4,000	-
40.	Financial assets at amortised cost	593,220	549,423
	a) loans and receivables with banks	*3,302*	*3,071*
	b) loans and receivables with customers	*589,918*	*546,352*
70.	Equity investments	-	-
90.	Property, equipment and investment property	697	1,307
100.	Intangible assets including:	5,481	1,098
	- goodwill	*2,178*	*906*
110.	Tax assets	16,895	17,726
	a) current	*11,564*	*15,545*
	b) deferred	*5,331*	*2,182*
120.	Non-current assets held for sale and disposal groups	-	868,575
130.	Other assets	4,337	18,753
		953,760	**1,744,687**

* *The figures at 31 December 2020 have been restated to account for the update to Circular no. 262 which required the reclassification of current accounts and demand deposits with banks from caption 40 a) to caption 10.*

CONTINUED: STATEMENT OF FINANCIAL POSITION

(€'000)

	Liabilities and equityLiabilities and equity	31/12/2021	31/12/2020
10.	Financial liabilities at amortised cost	795,514	952,606
	a) due to banks	*97,066*	*170,094*
	b) due to customers	*695,328*	*779,309*
	c) securities issued	*3,120*	*3,203*
30.	Financial liabilities at fair value through profit or loss	4,492	2,696
60.	Tax liabilities	8,940	12,572
	a) current	*384*	*1,600*
	b) deferred	*8,556*	*10,972*
70.	Liabilities associated with disposal groups	-	340,633
80.	Other liabilities	20,426	24,703
90.	Post-employment benefits	567	431
100.	Provisions for risks and charges:	1,339	1,420
	a) loan commitments and guarantees given	-	-
	b) pension and similar provisions	-	-
	c) other provisions	*1,339*	*1,420*
120.	Valuation reserves	2,627	(140)
150.	Reserves	36,666	80,444
160.	Share premium	76,020	243,578
170.	Share capital	14,000	54,190
190.	Equity attributable to the owners of the parent (+/-)	8	20,114
200.	Profit (loss) for the year (+/-)	(6,839)	11,441
		953,760	**1,744,687**

INCOME STATEMENT

(€'000)

	Items	2021	2020
10.	Interest and similar income	50,046	57,514
20.	Interest and similar expense	(20,669)	(22,833)
30.	**Net interest income**	**29,377**	**34,681**
40.	Fee and commission income	305	949
50.	Fee and commission expense	(2,271)	(2,745)
60.	**Net fee and commission expense**	**(1,966)**	**(1,796)**
80.	Net trading expense	(24)	(91)
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	(6,811)	(201)
	a) financial assets and liabilities designated at fair value	*(2,087)*	*(2)*
	b) other financial assets mandatorily measured at fair value	*(4,724)*	*(199)*
120.	**Total income**	**20,576**	**32,593**
130.	Net impairment losses for credit risk associated with:	(10,276)	(8,143)
	a) financial assets at amortised cost	*(10,276)*	*(8,145)*
	b) financial assets at fair value through other comprehensive income	-	*2*
150.	**Net financial income**	**10,300**	**24,451**
190.	Administrative expenses:	(32,042)	(23,384)
	a) personnel expense	*(8,192)*	*(5,479)*
	b) other administrative expenses	*(23,850)*	*(17,905)*
200.	Net accruals to provisions for risks and charges	40	331
	b) other	*40*	*331*
210.	Depreciation and net impairment losses on property, equipment and investment property	(340)	(381)
220.	Amortisation and net impairment losses on intangible assets	(306)	(232)
230.	Other operating income (expense), net	476	(1,875)
240.	**Operating costs**	**(32,172)**	**(25,541)**
250.	Net losses on equity investments	(600)	-
290.	**Pre-tax loss from continuing operations**	**(22,472)**	**(1,091)**
300.	Income taxes	27	(2,735)
310.	**Post-tax loss from continuing operations**	**(22,445)**	**(3,826)**
320.	Profit from discontinued operations	16,293	16,699
330.	**Profit (loss) for the year**	**(6,152)**	**12,873**
340.	Profit attributable to non-controlling interests	687	1,432
350.	**Profit (loss) attributable to the owners of the parent**	**(6,839)**	**11,441**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)

	Items	2021	2020
10.	**Profit (loss) for the year**	**(6,152)**	**12,873**
	Other comprehensive income (expense), net of tax, that will not be reclassified to profit or loss:	**2,645**	**(44)**
20.	Equity instruments at fair value through other comprehensive income	*2,657*	-
70.	Defined benefit plans	*(12)*	*(44)*
	Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss:	**-**	**(8)**
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	(8)
170.	**Total other comprehensive income (expense), net of tax**	**2,645**	**(52)**
180.	**Comprehensive income (expense) (captions 10 + 170)**	**(3,507)**	**12,821**
190.	Comprehensive income attributable to non-controlling interests	687	1,427
200.	**Comprehensive income (expense) attributable to the owners of the parent**	**(4,194)**	**11,394**

Statement of changes in equity for the year ended 31 December 2021

(€'000)

	Balance at 31.12.2020	Change to opening balances	Balance at 1.1.2021	Allocation of prior year profit		Changes of the year									Equity at 31.12.2021	Equity att. to the owners of the parent at 31.12.2021	Equity att. to non-controlling interests at 31.12.2021
						Changes in reserves	Equity transactions							2021 comprehensive expense			
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity investments				
Share capital:																	
a) ordinary shares	54,349	-	54,349	-	-	-	-	-	-	(40,341)	-	-		-	14,008	14,000	8
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	243,578	-	243,578	-	-	-	-	-	-	(167,557)	-	-	-	-	76,020	76,020	-
Reserves:																	
a) income-related	85,854	-	85,854	12,873	-	(76,155)	-	-	-	-	-	274	-	-	22,846	23,534	(687)
b) other	13,132	-	13,132	-	-	-	-	-	-	-	-	-	-	-	13,132	13,132	-
Valuation reserves	(160)	-	(160)	-	-	143	-	-	-	-	-	-	-	2,645	2,627	2,627	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	12,873	-	12,873	(12,873)	-	-	-	-	-	-	-	-	-	(6,152)	(6,152)	(6,839)	687
Total equity	**409,627**	**-**	**409,627**	**-**	**-**	**(76,012)**	**-**	**-**	**-**	**(207,899)**	**-**	**274**	**-**	**(3,507)**	**122,482**	**122,474**	**8**
Equity attributable to the owners of the parent	389,513	-	389,513	-	-	(55,219)	-	-	-	(207,899)	-	274	-	(4,194)	-	122,474	-
Equity attributable to non-controlling interests	20,114	-	20,114	-	-	(20,793)	-	-	-	-	-	-	-	687	-	-	8

Statement of changes in equity for the year ended 31 December 2020

(€'000)

	Balance at 31.12.2019	Change to opening balances	Balance at 1.1.2020	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes of the year: Changes in reserves	Changes of the year – Equity transactions: Issue of new shares	Changes of the year – Equity transactions: Repurchase of own shares	Changes of the year – Equity transactions: Extraordinary dividend distribution	Changes of the year – Equity transactions: Change in equity instruments	Changes of the year – Equity transactions: Derivatives on treasury shares	Changes of the year – Equity transactions: Stock options	Changes of the year – Equity transactions: Change in equity investments	Changes of the year: 2020 comprehensive income	Equity at 31.12.2020	Equity att. to the owners of the parent at 31.12.2020	Equity att. to noncontrolling interests at 31.12.2020
Share capital:																	
a) ordinary shares	37,960	-	37,960	-	-	-	16,405	-	-	-	-	-	(16)	-	54,349	54,190	160
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	139,982	-	139,982	-	-	-	103,595	-	-	-	-	-	-	-	243,578	243,578	-
Reserves:																	
a) income-related	45,206	-	45,206	40,576	-	-	-	-	-	-	-	-	72	-	85,854	67,312	18,543
b) other	133,950	-	133,950	-	-	-	(120,000)	-	-	-	(818)	-	-	-	13,132	13,132	-
Valuation reserves	(108)	-	(108)	-	-	-	-	-	-	-	-	-	-	(52)	(160)	(140)	(20)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	40,576	-	40,576	(40,576)	-	-	-	-	-	-	-	-	-	12,873	12,873	11,441	1,432
Total equity	**397,568**	**-**	**397,568**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(818)**	**-**	**56**	**12,821**	**409,627**	**389,513**	**20,114**
Equity attributable to the owners of the parent	378,862	-	378,862	-	-	-	-	-	-	-	(818)	-	75	11,394	-	389,513	-
Equity attributable to non-controlling interests	18,705	-	18,705	-	-	-	-	-	-	-	-	-	(19)	1,427	-	-	20,114

STATEMENT OF CASH FLOWS - (indirect method)

(€'000)

A. OPERATING ACTIVITIES	Amount	
	2021	2020*
1. Operations	**72,045**	**86,881**
- profit (loss) for the year (+/-)	(6,152)	12,873
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit or loss (-/+)	6,811	291
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/gains for credit risk (+/-)	10,555	8,145
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	8,300	613
- net reversals of/accruals to provisions for risks and charges and other costs/revenue (+/-)	(40)	(331)
- unsettled taxes and tax assets (+/-)	49,002	25,586
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax	-	(115)
- other adjustments (+/-)	3,570	39,818
2. Cash flows generated by financial assets	**251,838**	**260,053**
- financial assets held for trading	-	-
- financial assets at fair value through profit or loss	-	-
- other assets mandatorily measured at fair value	123,639	3,266
- financial assets at fair value through other comprehensive income	(4,000)	3,516
- financial assets at amortised cost	42,906	242,936
- other assets	89,293	10,334
3. Cash flows used for financial liabilities	**(287,455)**	**(325,266)**
- financial liabilities at amortised cost	(24,381)	(279,270)
- financial liabilities held for trading	-	-
- financial liabilities at fair value through profit or loss	1,796	(2,696)
- other liabilities	(264,871)	(43,301)
Net cash flows generated by operating activities	**36,429**	**21,667**

Continue - STATEMENT OF CASH FLOWS - (indirect method)

(€'000)

	Amount 2021	2020*
B. INVESTING ACTIVITIES		
1. Cash flows generated by	**-**	**119**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	119
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**(5,799)**	**(1,515)**
- equity investments	(600)	(6)
- property, equipment and investment property	(355)	(722)
- intangible assets	(4,844)	(787)
- business units	-	-
Net cash flows used in investing activities	**(5,799)**	**(1,396)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	(120,000)
- issue/purchase of equity instruments	-	120,000
- dividend and other distributions	-	-
Net cash flows generated by/used in financing activities	**-**	**-**
NET CASH FLOWS FOR THE YEAR	**30,630**	**20,271**

Key: (+) generated (-) used

RECONCILIATION

(€'000)

Financial statements captions	2021	2020*
Opening cash and cash equivalents	166,137	145,867
Total net cash flows for the year	30,630	20,271
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	**196,768**	**166,137**

With respect to the additional disclosures required after publication of Regulation (EU) 2017/1990 which partly amended IAS 7 "Statement of cash flows", the group does not have liabilities arising from financing activities and, therefore, paragraphs from 44A to 44E and paragraph 60 are not applicable.

** The figures at 31 December 2020 have been restated to account for the update to Circular no. 262 which required the reclassification of current accounts and demand deposits with banks from caption 40 a) to caption 10.*

Notes to the consolidated financial statements

Part A - Accounting policies

Part B - Notes to the statement of financial position

Part C - Notes to the income statement

Part D - Comprehensive income

Part E - Risks and hedging policies

Part F - Equity

Part G - Business combinations

Part H - Related party transactions

Part I - Share-based payments

Part L - Segment reporting

Part M - Leases

Part A: Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with IFRS

As required by Legislative decree no. 38 of 28 February 2005, the consolidated financial statements as at and for the year ended 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union as per the procedure set out by article 6 of Regulation (EC) 1606 of 19 July 2002. They also comply with the layout and compilation requirements contained in Circular no. 262 of 22 December 2005 (seventh revision of 29 October 2021), issued by Bank of Italy as part of its powers granted by article 43 of Legislative decree no. 136/2015.

Section 2 – Basis of preparation

The consolidated financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows (prepared using the indirect method) and these notes, drawn up in accordance with the formats and technical layouts defined by Bank of Italy. They are accompanied by a directors' report in which the directors comment on the group's performance and financial position, as required by the IFRS.

Pursuant to article 5 of Legislative decree no. 38/2005, the consolidated financial statements were prepared in Euros as the reporting currency. The amounts in the consolidated financial statements, these notes and the directors' report are presented in thousands of Euros, unless specified otherwise.

The group prepared the consolidated financial statements in line with the general principles set out in IAS 1:
a) Going concern: assets, liabilities and off-statement of financial position items are measured on a going concern basis as management is reasonably certain that the group will continue to operate for least 12 months after the reporting date. No additional work to support this assumption was necessary given the disclosures in the consolidated financial statements and the "Business opportunities and going concern" section of the directors' report.
b) Accruals basis of accounting: except in the statement of cash flows, expenses and revenue are recognised on an accruals and matching basis.
c) Consistency of presentation: the presentation and classification criteria of the captions are consistent from one period to another to ensure comparable information, unless their modification is required by a standard or an interpretation or an improvement in the materiality and reliability of the caption's presentation becomes necessary. In the case of a change in accounting policy, the new policy is applied retroactively, as far as possible, and the nature, reason for and amount of the captions affected by the change are indicated as well as the effects on the group's financial position, financial performance and cash flows. Captions are presented and classified in line with Bank of Italy's instructions for banks' financial statements in Circular no. 262 of 22 December 2005 and subsequent amendments.
d) Materiality and aggregation: in line with Bank of Italy's instructions for banks' financial statements, the various classes of similar items are presented separately, if material. Different items, if material, are presented separately.
e) Offsetting: except when required or allowed by the IFRS or Bank of Italy's instructions for banks' financial statements, assets and liabilities and expenses and revenue are not offset.
f) Comparative information: comparative information from the previous year for all amounts reported in the current year's separate financial statements is disclosed, including qualitative when deemed useful for understanding, except when IFRS permit or require otherwise. The information is analysed and illustrated and all the additional disclosures deemed necessary to provide a true and fair view of the group's financial position, financial performance and cash flows are presented. The different national and international regulations are considered, when possible, as are the Bank of Italy instructions about financial statements when preparing the schedules. The figures at 31 December 2020 have been restated to account for the update to Circular no. 262 which required, inter alia, the reclassification of current accounts and demand deposits with banks from caption 40 a) to caption 10 of the assets.

g) Departures: if, in exceptional cases, application of the requirements of the IFRS is not compatible with a true and fair view of the group's financial position, financial performance and cash flows, it is not applied. The notes explain the reasons for the departure from the standards and its effect on the group's financial position, financial performance and cash flows. No departures were made in these consolidated financial statements.

Moreover, the consolidated financial statements have been prepared in accordance with the following interpretations and guidelines issued by regulators, supervisory bodies and standard setters:
• IFRS Foundation: "IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic";
• ECB: "IFRS 9 in the context of the coronavirus (Covid-19) pandemic";
• EBA: "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis";
• ESMA Public Statement: Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
• EBA "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis";
• Commission Regulation (EU) 2020/1434 of 9 October 2020: Covid-19-related rent concessions (amendment to IFRS 16);
• EBA: "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis";
• ESMA: "European common enforcement priorities for 2021 annual financial reports".

First application/recently adopted standards

New standards or amendments issued by the IASB and endorsed by the European Union to be mandatorily adopted for periods starting on or after 1 January 2021 are as follows:

Name	Issue date	Effective date	EU endorsing regulation and publication date
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020 (EU) 2020/2097 - 16 December 2020
Interest rate benchmark reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	13 January 2021 (EU) 2021/25 – 14 January 2021
Covid-19-related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021 (*)	30 August 2021 (EU) 2021/1421 - 31 August 2021

(*) Issued by the IASB: applicable starting from annual periods that begin on or after 1 April 2021. Earlier application is allowed for financial statements whose publication was authorised after 31 March 2021 (when the amendment to IFRS 16 was published).
EU endorsement: the provisions of the EU regulation endorsing the amendment to IFRS 16 should be applied retrospectively and, therefore, the amendment shall be applied at the latest from 1 April 2021 for annual periods beginning on or after 1 January 2021.

The standards and related IFRIC applicable starting from periods that begin after 1 January 2022 are as follows:

Name	Issue date	Effective date	EU endorsing regulation and publication date
Property, plant and equipment - Proceeds before intended use (Amendments to IAS 16)	May 2020	1 January 2022	28 June 2021 (EU) 2021/1080 - 2 July 2021
Onerous contracts - Cost of fulfilling a contract (Amendments to IAS 37)	May 2020	1 January 2022	28 June 2021 (EU) 2021/1080 - 2 July 2021
Reference to the conceptual framework (Amendments to IFRS 3)	May 2020	1 January 2022	28 June 2021 (EU) 2021/1080 - 2 July 2021
Annual improvements to IFRSs – 2018-2020 cycle [Amendments to IFRS 1, IFRS 9, IFRS 16 (*) and IAS 41]	May 2020	1 January 2022	28 June 2021 (EU) 2021/1080 - 2 July 2021

New standards or amendments issued by the IASB and not yet endorsed by the European Union are as follows (they will only become applicable after being endorsed by the EU):

Name	Issue date	Effective date	EU endorsing regulation and publication date
Classification of liabilities as current or non-current (amendments to IAS 1) + Deferral effective date (*)	23 January 2020 15 July 2020	1 January 2023	TBD
Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	12 February 2021	1 January 2023	TBD
Definition of accounting estimates (Amendments to IAS 8)	12 February 2021	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 January 2023	TBD
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendment to IFRS 17)	9 December 2021	1 January 2023	TBD

(*) The amendment to IFRS 16 has not been endorsed by the EU because it relates to an example that is not an integral part of the standard.

Section 3 – Basis of consolidation

The consolidated financial statements include the separate financial statements of the parent, Banca CF+, and the financial statements of the companies it controls, regardless of whether it has an equity investment therein.

Control exists solely if and only if the investor has all of the following:
• the power to direct the relevant activities of the investee;
• exposure to variable returns from its involvement with the investee;
• the ability to use its power over the investee to affect the amount of the investor's returns.

Jointly controlled entities are those over which control is shared by the parent with other non-consolidated parties.

The parent has prepared consolidated financial statements in accordance with Legislative decree no. 136/2015 and IFRS 10. It has de facto control of the vehicles used for investment transactions, of which it holds a significant portion of junior notes and in which it has the majority of the voting rights at general meetings.

As well as Banca CF+ S.p.A., the consolidation scope includes Be Credit Management S.r.l., Fifty S.r.l. and the SPVs over which the parent has de facto control because it holds the majority of their junior notes. Investments in certain SPVs (Restart SPV S.r.l. and Italian Credit Recycle S.r.l.), of which the parent has subscribed 47.5% of the securitisation junior notes, fall under IFRS 11 (joint control) and are accounted for accordingly.

1. Investments in subsidiaries

Company name	Head office	Registered office	Type of relationship (1)	Investment		Voting rights % (2)
				Investor	%	
Be Credit Management S.p.A.	Rome	Rome	1	Banca CF+ S.p.A.	100%	100%
Fifty S.r.l.	Rome	Rome	1	Banca CF+ S.p.A.	100%	100%
Cassia SPV S.r.l.	Rome	Rome	1	Banca CF+ S.p.A.	60%	60%
Convento SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	60%	60%
Ponente SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
New Levante SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
Cosmo SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
Fairway S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
Aventino SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
Liberio SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%
Lucullo SPV S.r.l.	Rome	Rome	4	Banca CF+ S.p.A.	0%	0%

Key
(1) Type of relationship:
1= majority of the voting rights at general meetings;
2= dominant influence at general meetings;
3= owners' agreements;
4= other forms of control;
5= common control as per article 39.1 of Legislative decree no. 136/215
6= common control as per article 39.2 of Legislative decree no. 136/215
(2) Voting rights at general meetings, distinguishing between effective and potential

With respect to the consolidated SPVs, since the parent does not have any equity investment therein, their consolidation considers their assets earmarked for a specific business, also taking into account the SPVs' immaterial financial statements balances.

2. Key judgements and assumptions to identify the consolidation scope

IFRS 10 governs consolidated financial statements and defines the requirements for the identification of the consolidation scope.

According to IFRS 10, an investor controls an investee if and only if the investor has all the following:
• the power to direct the relevant activities of the investee;
• exposure, or rights, to variable returns from its involvement with the investee;
• the ability to use its power over the investee to affect the amount of the investor's returns.

Control exists when all three conditions above are concurrently met.

An investee is subject to significant influence when the parent, directly or indirectly, has at least 20% of its voting rights (including "potential" voting rights) or, if it has a smaller percentage of voting rights, when it has the power to participate in deciding operating and financing policies due to special legal relationships such as shareholder agreements.

An investee is jointly controlled when control is shared by the parent, directly or through other group companies, and one or more parties based on an agreement or when decisions about significant matters have to be taken by all the parties holding control.

The parent controls an investee when it is directly or indirectly exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The IFRS 10 requirements for the assessment of whether an investor controls an investee apply to all types of equity investments (companies, vehicles, investment funds/OEICs, etc.).

An investee is included in the Banca CF+ Group's consolidation scope when:
• the parent has the majority of the voting rights at general meetings (de jure control);
• the parent's control over a structured entity is due to factors other than voting or similar rights.

Specifically, the in-scope structured entities are as follows:

Company name	Investor	Investment %	Accounting treatment
Cassia SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital	Consolidated
Convento SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100% of its junior notes	Consolidated
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Consolidated
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Consolidated
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Consolidated
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Consolidated
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Consolidated
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the SPV's mono tranche notes	Consolidated
Lucullo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's mono tranche notes	Consolidated
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.5% of the SPV's mezzanine notes	Equity-accounted
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.5% of the SPV's mezzanine notes	Equity-accounted

Upon the completion of the demerger discussed indepth in the directors' report, the following companies left the consolidation scope. Therefore, the group's 2021 profit comprises their profits or losses up to 31 July 2021, when the demerger became effective:

CF LIBERTY SERVICING S.p.A. (now Gardant Liberty Servicing S.p.A.);
CF SPECIAL SERVICING S.p.A. (now Special Gardant S.p.A.);
CF MASTER SERVICING S.p.A. (now Master Gardant S.p.A.);
CF ASSET MANAGEMENT S.p.A. (now Gardant Investor SGR S.p.A.);
PALATINO SPV S.r.l.;
TIBERINA SPV S.r.l.;
DOMIZIA SPV S.r.l.;
BRAMITO S.r.l.;
LEASECO ONE S.r.l.;
LEASECO EUROPA S.r.l.;
FONDO TODI SCSP.

The current consolidation method entails, inter alia:
• the determination of the IRR on the basis of GDP net solely of up front costs and credit collection legal costs. This approach is in line with the requirements of IFRS 9 for POCI financial assets (most exposures are impaired when purchased or, in any case, purchased at a discount), used to calculate the portfolio's amortised cost[2];
• the recognition of the portfolio's initial carrying amount on the basis of the actual cash flows (purchase price net of collections plus the securitisations' structuring costs)[3];
• recalculation of the frequency of the collections on a monthly rather than a quarterly basis;
• measurement of the ABS subscribed by third parties and any deferred purchase price ("DPP") included in the securitisations at amortised cost.

The portfolios of the jointly-controlled vehicles (Restart and ICR) are measured using the equity method with the presentation of the related net gain or loss in the caption Financial assets at amortised cost.

2 When it applied the "simplified" approach, the group determined the IRR as the difference between the portfolio's gross disposition proceeds ("GDP") set out in the relevant business plans, net of credit collection costs, upfront costs, any servicing fees and commission expense and all other costs pre-deducted from the securities' interest payment flows.
3 The ABS subscription prices were used previously as a base.

3. Investments in subsidiaries with significant non-controlling interests

None.

4. Significant restrictions

There are no significant restrictions to report (IFRS 12.13).

Section 4 – Events after the reporting date

No events have taken place since the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of publication of the consolidated financial statements that would have affected the parent's and group's financial position, financial performance and cash flows. This considers the prudent management of risks, the qualitative and quantitative aspects of which are detailed in Part E of these notes and capital adequacy in Part F. The Events after the reporting date and outlook section of the directors' report provides more details.

Section 5 – Other issues

Partial demerger of Banca CF+ (formerly Credito Fondiario S.p.A.) and application of IFRS 5

The partial demergers of the parent, Banca CF+ (formerly Credito Fondiario S.p.A.), to Master Gardant S.p.A., Special Gardant S.p.A. and Gardant Investors SGR S.p.A. (the "first demerger") and to Gardant S.p.A. (the "second demerger" and, together with the first demerger, the "demerger") took effect on 1 August 2021, which completed Credito Fondiario Group's reorganisation project 3.0 (the "Project 3.0"). The demerger also significantly affected the Banca CF+ Group's (formerly Credito Fondiario Group) consolidation scope and, therefore, its consolidated financial statements.

Further to the completion of Project 3.0, the group's consolidated financial statements at 31 December 2021 and 2020 have been drafted in accordance with IFRS 5 governing discontinued operations.

In the case of Project 3.0, the above standard did not change the measurement of the captions affected.

Therefore, the income statement items linked to the discontinued operations have been classified to the relevant caption provided for by Bank of Italy's Circular no. 262 (caption 290 "Profit (loss) from discontinued operations").

Reference should be made to the "Financial performance and position" section of the directors' report for a description of the reclassified items.

Risks, uncertainties and impact of Covid-19

In 2021, the global economy was again impacted by the spread of Covid-19. The measures taken to support recovery have been impressive. According to generally accepted forecasts of possible future macroeconomic scenarios, thanks to the extensive government measures implemented in the European Union and in most major countries, as well as those taken to contain the virus, which have been successful, a process for the gradual elimination of the restrictions to the movement of people and a significant recovery of business activities within a relatively short timeframe has already started. The effects of the pandemic-containment measures on the productive context have already generated a rapid turnaround with a significant upturn in GDP in 2021.

In this context, the parent continued to apply all necessary measures and responded very quickly to the effects of the pandemic, continuing to apply a wide range of initiatives aimed at protecting people's health, as well as ensuring business continuity and countering the effects of the epidemic.

Specifically, following the spread of the coronavirus in Italy and the related risks and uncertainties concerning both public health and the parent's strategic and business operations, the parent took the following actions:
- in order to protect the health of all its personnel, customers and suppliers, Banca CF+ implemented specific safety and monitoring protocols, introducing remote working as a precautionary measure;
- the Esagon promotional campaign for the funding service was launched solely in an online version;
- the possible impacts in terms of business process slowdowns as a result of both internal and external factors are constantly monitored by the group's management and governance bodies, in order to promptly update strategies and policies (including risk policies) in response to the changing context;
- the current and forward-looking internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) have been carried out taking into account the financial impacts of the spread of the coronavirus, in order to incorporate the most recent forecasting updates into the group's risk models; in addition, actions to restore viability have been tested in order to respond promptly, where necessary, with policies already in place;
- in accordance with Bank of Italy's request to financial institutions, the risk management department collected reports from all the parent's departments on any operating losses occurring after 1 March 2020 and attributable to Covid-19;
- the parent completed its strategic planning revision process and approved the new 2022-2026 business plan in January 2022. The plan considers the most recent information about forecast changes in the group's objectives and strategies in the context of the parent's change in business activities after the above-mentioned demerger and considering the outlook of the reference market.

Pending a complete roll out of the new business lines on which the group intends to focus, the main consequences on its current operations are still reasonably linked to the prolonged slowdown of the courts with impacts on credit collection times, the government concession of moratorium periods for loans with possible delays to already-agreed repayment plans and a general deceleration in the national and international economies. These events have affected, in particular, the measurement of ABS and loan portfolios recognised under assets, which are detailed later on in the "*Net fair value gains (losses) on ABS*" and "*Net impairment losses on loans to customers*" sections. The effects of the government concession of moratorium periods are smaller, as can be seen in the tables presented in the various sections of these notes.

At the date of this report, the group's liquidity was not significantly affected by the current situation, including in respect of funding from retail customers and access to institutional credit lines.

<u>Nature and amount of changes in estimates with a significant impact</u>

The group's 2021 performance was affected by the ongoing public health emergency during the year as illustrated in this section.

Net fair value gains (losses) on ABS

Covid-19 triggered extreme volatility on financial markets. The group reviewed its business plans for investments, which led to the recognition of net fair value losses on the ABS due to the postponement of the collection dates (see caption 110. "Net gain (loss) on other financial assets mandatorily measured at fair value through profit or loss" showing a net loss of €4,724 thousand compared to a net loss of €201 thousand in 2020).

Net impairment losses on loans to customers

IFRS 9 requires an entity to consider relevant forward looking information when measuring credit impairment and not only historical and current information, as it deems that it can affect the recoverability of the credit exposures.

The group's update of the macro-economic scenarios based on Bank of Italy's projections, changes in the rating and staging of the exposures to be measured and the review of the business plan for the POCI portfolios led it to recognise impairment losses on financial assets measured at amortised cost of €10,276 thousand recognised in profit or loss, which are added to the €34,606 thousand impairment losses already recognised in 2020.

Operating costs

During the year, the group carried out some non-recurring work related to building management, support operating services and physical safety at its offices to ensure the safety of its employees, consultants and customers. The related costs of these activities incurred specifically to deal with the Covid-19 emergency (office sanitisation, purchases of hand sanitiser gels, face masks, single-use gloves and infrared thermometers) were immaterial.

Impairment of intangible assets with indefinite useful lives and deferred tax assets

Given the repercussions of Covid-19, the group updated its impairment test to check the recoverable amounts of its intangible assets with indefinite useful lives, goodwill and deferred tax assets, which led to the recognition of an impairment loss of €1 million on the intangible assets relating to the Gerica platform. The tests on the other assets confirmed their carrying amounts at the reporting date.

Covid-19-related modifications

1. Assessment of the "substantial nature" of modifications to the contractual cash flows of financial assets subject to moratoria for their possible derecognition (IFRS 9.B5.5.25)

The EBA compliant moratoria granted by the parent did not provide for a waiver of interest or principal, but merely a deferral/extension of payments.

As such, they do not result in the derecognition of the financial asset. Reference should be made to Part E of these notes for a quantitative analysis.

2. Amendment to IFRS 16

Commission regulation (EU) 2020/1434 has amended IFRS 16 – Leases, providing an optional, temporary practical expedient for lessees benefiting from lease payment holidays. A lessee may elect not to apply the modification accounting treatments to rent concessions occurring as a direct consequence of the Covid-19 pandemic. Banca CF+ has not applied the practical expedient introduced by the amendment to IFRS 16 (IAS 8.28).

Use of accounting estimates

Application of the IFRS to financial reporting requires management to make accounting estimates for some asset and liability captions that are considered reasonable and realistic based on the information available when the estimate is made. The estimates affect the carrying amount of the assets and liabilities and the disclosure about contingent assets and liabilities at the reporting date as well as the revenue and costs for the reporting period.

Changes in the conditions underlying the judgements, assumptions and estimates may affect subsequent period results.

The main areas for which judgements are required by management are:
• calculation of impairment losses or gains on financial assets at amortised cost, which include the ABS held by the parent and the POCI portfolios purchased by the parent and the SPVs;
• use of valuation models to calculate the fair value of financial instruments not quoted on active markets;
• calculation of employee benefits and provisions for risks and charges;
• estimates and assumptions about the recoverability of deferred tax assets;
• estimates and assumptions about the recoverability of intangible assets with indefinite useful lives.

The descriptions of the accounting policies applied to the main financial statements captions provide the information necessary to identify the main assumptions and judgements adopted by management to prepare the consolidated financial statements.

Independent auditors

KPMG S.p.A. performed the statutory audit of the group's consolidated financial statements as per the shareholders' resolution of 10 December 2013.

Pursuant to article 17.1 of Decree no. 39/2010, the audit engagement has a nine-year term (from 31 December 2013 to 31 December 2021).

Approval of the separate financial statements

On 23 March 2022, the directors approved the draft separate financial statements and their presentation to the shareholders within the terms provided for by article 2429 of the Italian Civil Code. For the purposes of IAS 10.17, the preparation date of the separate financial statements is 23 March 2021, i.e., when the board of directors approved them.

A.2 – MAIN FINANCIAL STATEMENTS CAPTIONS

The accounting policies adopted to prepare the consolidated financial statements are set out below.

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

Recognition
Debt and equity instruments are initially recognised at the settlement date, loans at the disbursement date and derivatives at the date they are entered into.

Upon initial recognition, financial assets at fair value through profit or loss are measured at fair value without considering transaction costs or revenue.

Classification
This category includes financial assets other than those classified at fair value through other comprehensive income or at amortised cost. Specifically, this caption includes:
- financial assets held for trading, which are mainly derivatives held for trading with positive fair values;
- those assets that are mandatorily measured at fair value, because they do not meet the requirements for their measurement at amortised cost or at fair value through other comprehensive income. The contractual terms of these financial assets give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding (i.e., they did not pass the SPPI test) or the asset is not held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect model) or whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model).

Therefore, this caption includes the following:
- the debt instruments and loans included in another/trading business model (therefore, not a hold to collect or hold to collect and sell model) or that do not pass the SPPI test. The latter include the ABS in which the group invested under a hold to collect business model and which are measured at fair value since they did not pass the SPPI test;
- the equity instruments that do not qualify as investments in subsidiaries, associates and joint ventures and are held for trading or that at initial recognition are not designated as measured at fair value through other comprehensive income.

This caption also includes the derivatives recognised as other assets held for trading which are presented as assets if their fair value is positive or liabilities if their fair value is negative. They may be offset if relating to transactions with the same counterparty and only if the group currently has a legally enforceable right to set off the recognised amounts and intends to settle them on a net basis.

Derivatives include, where necessary, those embedded in compound financial instruments, whose host contract is a financial liability, that have been recognised separately since:
- they have economic characteristics and risks that are not closely related to those of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid instruments that host them are not measured at fair value through profit or loss.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through profit or loss measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through other comprehensive income). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. The effective interest rate is determined on the basis of the fair value of the asset at the reclassification date, which is treated as the date of initial recognition for its assignment to the various risk stages for impairment purposes.

Measurement
After initial recognition, financial assets at fair value through profit or loss are measured at fair value and the resulting gain or loss is recognised in profit or loss.

Reference should be made to the “Fair value” section for information on fair value measurement.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue
Interest income, calculated using the IRR for ABS, is recognised as “Interest and similar income” in the income statement (caption 10).

Gains and losses and fair value gains and losses compared to the instruments’ acquisition cost are recognised under income statement caption “110. Net gain (loss) on other financial assets and liabilities at fair value through profit or loss”.

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

Recognition
Debt and equity instruments are initially recognised at the settlement date and loans at the disbursement date.

Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

Classification
A financial asset shall be classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

This category also includes equity instruments other than those held for trading which the bank has designated as measured at fair value through other comprehensive income upon initial recognition.

Under the IFRS 9 general reclassification rules for financial assets (except for equity instruments, whose reclassification is not allowed), an entity is required to reclassify financial assets if it changes its business model for managing those financial assets.

Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at amortised cost or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. If an asset is reclassified out of this category and into the amortised cost measurement category, the cumulative gain or loss previously recognised in the fair value reserve is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. If an asset is reclassified out of this category and into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognised in the fair value reserve is reclassified from equity to profit or loss.

Measurement
After initial recognition, a gain or loss on a financial asset measured at fair value through other comprehensive income other than equity instruments is recognised in a specific equity reserve, except for those arising from the application of amortised cost, impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised. When the financial asset is derecognised, in part or in its entirety, the cumulative gain or loss previously recognised in the fair value reserve is reclassified, in part or in its entirety, from equity to profit or loss.

The equity instruments that the bank has elected to classify in this category are measured at fair value and any cumulative gain or loss recognised in OCI (statement of comprehensive income) cannot be subsequently transferred to profit or loss, even when the instrument is disposed of. Only dividends on such investments are recognised in profit or loss.

Reference should be made to the "Fair value" section for information on fair value measurement.

Like for assets measured at amortised cost, the group assesses whether the credit risk of its financial assets measured at fair value through other comprehensive income (either debt instruments or loan assets) has increased significantly, in accordance with the impairment requirements of IFRS 9. If this is the case, the group recognises the expected credit loss accordingly. Specifically, it recognises a 12-month expected credit loss on its financial instruments classified at stage 1 (i.e., financial assets that are not originated credit-impaired and financial assets whose credit risk has not increased significantly since initial recognition) upon initial recognition and at each subsequent reporting date. It recognises a lifetime expected credit loss on its financial instruments classified at stage 2 (performing financial assets, whose credit risk increased significantly since initial recognition) and stage 3 (credit-impaired financial assets). Conversely, equity instruments are not subject to impairment testing.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients. If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Recognition of costs and revenue
Gains and losses on the assets' sale are recognised in caption "100. Gains/losses from sales or repurchases of: b) financial assets at fair value through other comprehensive income" in the income statement. Fair value gains and losses are recognised directly in equity (caption "110. Valuation reserves") and reclassified to the income statement (caption "100. Gains/losses from sales or repurchases of: b) financial assets at fair value through other comprehensive income") when realised due to their sale or when impairment losses are recognised. In this case, they are recognised in caption "130. Net impairment losses/gains for credit risk associated with: b) financial assets at fair value through other comprehensive income". This caption shows the net impairment gains or losses solely for debt instruments as impairment gains or losses on quoted equity instruments are recognised directly in equity (fair value reserve) while impairment gains cannot be recognised for unquoted equity instruments.

3 – Financial assets at amortised cost

Recognition
Debt instruments are initially recognised at the settlement date, while loans are recognised at the disbursement date. Upon initial recognition, the assets are measured at fair value, including directly attributable transaction costs or revenue.

The disbursement date of loans is usually the agreement signing date. If they are not the same, when signing the agreement, the group recognises a commitment to grant funds which is extinguished when the loan is disbursed. They are recognised at their fair value, which equals the amount disbursed, or their subscription price including transaction costs or revenue attributable to the individual loan and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or are administrative costs.

Classification
A financial asset (in particular, loans and debt instruments) shall be classified in this category if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (hold to collect model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed).

Specifically, the following are recognised in this caption:
- loans and receivables with banks that meet the requirements set out above;
- loans and receivables with customers that meet the requirements set out above;
- debt instruments that meet the requirements set out above.

This caption also includes trade receivables arising from the provision of financial services, as defined by the Italian Consolidated Banking Act and the Italian Consolidated Finance Act (e.g., from the distribution of financial products and from servicing).

Under the IFRS 9 general reclassification rules for financial assets, an entity is required to reclassify financial assets if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. In these cases, an entity reclassifies a financial asset out of the fair value at amortised cost measurement category and into one of the other two categories provided for by IFRS 9 (financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss). The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss, if the asset is reclassified out of this category and into the fair value through profit or loss measurement category, whereas it is recognised in the fair value reserve in equity if the asset is reclassified into the fair value through other comprehensive income category.

Measurement

After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method. Under this method, the asset is recognised at its initial carrying amount decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity (generally due to the cost/revenue directly allocated to the individual asset) and by the loss allowance, if any. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the disbursed amount, including directly attributable costs and revenue. This accounting method allows the distribution of the costs and revenue directly attributable to a financial asset over its expected residual life.

See the "Amortised cost measurement" section for further information on how financial assets are measured at amortised cost. This section also describes the accounting treatment of POCI assets.

The amortised cost method is not used for assets measured at historical cost as discounting these loans has no material impact considering their short term, and assets without a set maturity or on demand.

Impairment is strictly related to the exposures' credit staging, i.e., their classification in one of the three stages provided for by IFRS 9, the last of which (stage 3) includes credit-impaired financial assets and the other two (stages 1 and 2) include performing financial assets.

The expected credit losses on these assets are recognised in profit or loss as follows:
- upon initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has not increased significantly since initial recognition, the 12-month expected credit losses;
- upon subsequent measurements, if the credit risk has increased significantly since initial recognition, the lifetime expected credit losses;
- upon subsequent measurements, if, after the credit risk increased significantly since initial recognition, the increase is no longer significant, the amount that accounts for the change from a life-time expected credit loss to a 12-month expected credit loss.

If they are performing, these financial assets are subject to an individual impairment assessment according to their risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "credit-impaired", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss to be recognised in profit or loss is calculated based on an individual measurement or a collective measurement by group of similar assets and, then, individually allocated to each position, considering forward-looking information and possible alternative recovery scenarios as detailed in the "Impairment of financial assets" section.

Credit-impaired assets include financial assets classified as bad, unlikely to pay or overdrawn/past due by over ninety days according to the rules issued by Bank of Italy, in line with the IFRS and EU supervisory regulations.

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

The original effective rate of each asset remains unchanged over time even when it is restructured with a variation of the contractual interest rate and when the asset, in practice, no longer bears contractual interest.

When the reasons for impairment are no longer valid, the impairment loss is reversed through profit or loss. The reversal cannot exceed the amortised cost the asset would have had if it had not been impaired.

Impairment gains due to the passage of time are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual terms may be subsequently modified by the parties to the contract. When the contractual terms are modified during the lifetime of an instrument, the group assesses whether the original asset should continue to be recognised in the statement of financial position or whether, instead, it should be derecognised and a new financial asset needs to be recognised.

In general, modifications to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the modification is made using both qualitative and quantitative information. In some cases, without resorting to complex analyses, it is clear that the characteristics and/or contractual cash flows of a particular asset are substantially modified while, in other cases, further analyses (including quantitative analyses) are necessary to assess the effects of the modifications and check whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must, therefore, consider:
- the purposes for which the modifications were made, which are principally attributable to renegotiations for commercial reasons (a) and forbearance measures due to financial difficulties of the counterparty (b):
(a) the former, aimed at "retaining" the customer, involve a borrower that does not have financial difficulties. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the group carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the group would incur a decrease in expected future revenue;
(b) the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the group's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the modifications, are not normally substantially transferred and, consequently, the accounting treatment that provides the most relevant information for the consolidated financial statements users (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the existence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are expected to lead to derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Derecognition
These financial assets are derecognised only if their sale has entailed the substantial transfer of all the related risks and rewards. If a significant part of the risks and rewards of the transferred financial asset is retained, they continue to be recognised even when title has legally been transferred.

If it is not possible to ascertain the substantial transfer of risks and rewards of title, the group derecognises the financial assets if it no longer has control thereover. If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, measured as its exposure to changes in the fair value of the assets sold and variability in their future cash flows.

Transferred financial assets are derecognised when the group retains the contractual right to receive the cash flows but assumes a concurrent obligation to pay the cash flows without material delay to one or more recipients.

Recognition of costs and revenue
Interest income, calculated using the IRR, is recognised as "Interest and similar income" in the income statement (caption 10). Default interest is recognised in profit or loss when collected.

Impairment gains are recognised in caption "130. Net impairment losses/gains for credit risk associated with: a) financial assets at amortised cost".

If the amount of the impairment loss decreases in subsequent years and the decrease is objectively related to an event that took place after recognition of the impairment loss, the impairment loss is reversed directly or through the release of the allowance to profit or loss.

If the assets are derecognised, any resulting losses are recognised in profit or loss, net of the related allowance.

4 - Property, equipment and investment property

Recognition
Property, equipment and investment property are initially recognised at cost, which comprises the asset's purchase price, trade discounts and rebates, non-refundable purchase taxes (e.g., non-deductible VAT and registration taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Right-of-use assets are initially recognised as the sum of the lease liability (present value of the future lease payments over the lease term), any lease payments made at or before the commencement date, any initial direct costs and any costs to be incurred in dismantling or restoring the underlying asset.

Classification
Property, equipment, machinery and other assets used in operations are covered by IAS 16 while investment property (land and buildings) fall under the scope of IAS 40. The category comprises assets under finance lease (for the lessees) and operating lease (for the lessors) as well as leasehold improvement costs. Reference is made to IFRS 16 to determine whether an arrangement contains a lease. Property, equipment and machinery are recognised as assets when:
• it is probable that future economic benefits associated with the item will flow to the group;
• the cost of the item can be measured reliably.

Measurement
Subsequent costs, related to an asset already recognised, are added to its carrying amount when it is probable that they will increase the future economic benefits in excess of the normal output of the asset as originally estimated. All other costs are expensed when incurred.

After recognition as an asset, an item of property, equipment and investment property is recognised at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment tests are performed once a year.

Derecognition
Property, equipment and investment property are derecognised on disposal or retirement and no future economic benefits are expected from their use or disposal. Right-of-use assets are derecognised at the end of the lease term.

Recognition of costs and revenue
The depreciable amount of an asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the depreciation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an item of property and equipment or investment property has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefor are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

5 – Intangible assets

Recognition
Intangible assets are recognised at cost, adjusted for any transaction costs, only if it is probable that the future economic benefits associated with the asset will flow to the group and the asset's cost may be determined reliably. If these conditions are not met, the cost of the asset is recognised in profit or loss when incurred.

Classification
Intangible assets include goodwill, covered by IFRS 3, and other intangible assets which fall under the scope of IAS 38.

An intangible asset is recognised as such solely when it is a resource that is:
• non-monetary;
• identifiable;
• without physical substance;
• held for use in the production or supply of goods or services, lease to third parties or for administrative purposes;
• controlled by the group;
• from which future economic benefits are expected to flow to the group.

Measurement
The cost of assets with finite useful lives is amortised on a straight-line or diminishing balance basis depending on how the economic benefits are expected to flow to the group. Assets with indefinite useful lives are not amortised, but are regularly tested for impairment.

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. The impairment loss, which is recognised in profit or loss, is equal to the difference between the asset's carrying amount and recoverable amount.

In particular, intangible assets include:
a) technology related intangible assets, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. In particular, the costs incurred internally for the development of software projects are recognised under intangible assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development stage can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability to make the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Capitalised software development costs only comprise the costs directly attributable to the development stage. They are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the group from the beginning of production over the product's estimated life;
b) goodwill, which may be recognised as part of business combinations when the positive difference between the consideration transferred plus the fair value of any non-controlling interests and the fair value of the acquired assets and liabilities represents the acquiree's future income-generating potential.

If this difference is negative (negative goodwill) or if the positive difference is not justified by the acquiree's future income-generating potential, it is immediately recognised in profit or loss.

Once a year (or whenever there is indication of impairment losses), goodwill is tested for impairment. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value less costs to sell of the cash-generating unit and its value in use. Any resulting impairment losses are recognised in profit or loss.

Derecognition
Intangible assets are derecognised on disposal and if no future economic benefits are expected therefrom.

Recognition of costs and revenue
The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The useful life of an asset is defined considering its use to the group. When expectations differ significantly from previous estimates, the amortisation charge for the current and subsequent periods is adjusted.

Impairment losses are recognised if an intangible asset has undergone impairment pursuant to IAS 36. The impairment loss is fully or partially reversed if the reasons therefore are no longer valid in subsequent periods and the reversal is recognised under non-recurring income.

6 – Current and deferred taxes

Recognition
Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised as an expense on an accruals basis, in line with the costs and revenue generating them. They show the tax income (expense) for the reporting period. Under the liability method, they include:
a) current tax assets, the amount of income taxes recoverable in respect of the taxable profit (tax loss) for the period;
b) current tax liabilities, the amount of income taxes payable in respect of the taxable profit (tax loss) for the period;
c) deferred tax assets, the amount of income taxes recoverable in future periods in respect of deductible temporary differences (mainly expenses deductible in the future from taxable profit (tax loss) under the ruling tax laws);
d) deferred tax liabilities, the amount of income taxes payable in future periods in respect of taxable temporary differences (mainly deferred tax on revenue or advance deductions of expenses when determining taxable profit (tax loss) of future periods under the ruling tax laws).

Classification
Current tax assets and liabilities show the group's tax position vis-à-vis the tax authorities. Current tax liabilities include the tax liability for the reporting period while the current tax assets comprise payments on account and other tax assets for withholdings or other prior year tax assets which the group intends to use for offsetting purposes in subsequent periods.

Deferred tax assets and liabilities are classified as non-current assets and liabilities pursuant to IAS 1.56.

Therefore, deferred taxes are presented under non-current liabilities as "Deferred tax liabilities" when they are liabilities, i.e., are related to items that will become taxable in future periods, otherwise they are recognised as "Deferred tax assets" under non-current assets when they relate to items that will be deductible in future periods.
Deferred taxes are recognised under equity if they relate to transactions that affect equity.

Measurement
Corporate income tax (IRES) and the regional tax on production activities (IRAP) are calculated using a realistic estimate of the positive and negative items of the reporting period using the enacted tax rates.

Deferred tax assets are only recognised when it is probable that the group will have sufficient taxable profit in the same period as the reversal of the deductible temporary differences. Deferred tax liabilities are always recognised.

Current and deferred taxes are offset only when the group has the legally enforceable right to set off the recognised amount and intends to do so.

Recognition of costs and revenue
The balancing entry of tax assets and liabilities (current and deferred) is the caption "Income tax" in the income statement. When the current or deferred taxes to be recognised relate to transactions, the results of which are recognised directly in equity, the related tax assets and liabilities are also recognised in equity.

8 – Non-current assets held for sale, disposal groups and associated liabilities

Recognition - classification
Asset caption "110 - Non-current assets held for sale and disposal groups" and liability caption "70 - Liabilities associated with disposal groups" include the non-current assets and liabilities and groups of assets and liabilities for which the group is committed to a plan to sell and the sale is highly probable. To qualify for classification as such, a non-current asset or liability (or disposal group) must be available for immediate sale and an active programme to locate a buyer and complete the plan must have been initiated on which basis its sale is considered to be highly probable within one year from when it is classified as held for sale.

Measurement
These assets and liabilities are measured at the lower of carrying amount and fair value less costs to sell, except for certain types of assets (e.g., financial assets within the scope of IFRS 9), which are measured in accordance with the requirements of the relevant standards.

Derecognition
Non-current assets/liabilities held for sale and disposal groups are derecognised when they are sold.

Recognition of costs and revenue
The post-tax profits and losses from discontinued operations are shown separately in the income statement.

9 - Financial liabilities at amortised cost

Recognition
The group commences recognising these financial liabilities at the contract's execution date, which normally coincides with when the cash is received or the debt instruments are issued.

The financial liabilities are initially recognised at their fair value, which usually equals the cash received or the issue price, increased by any transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Internal administrative costs are excluded.

Classification
Due to banks and to customers and securities issued may comprise the various forms of the group's funding (interbank and with customers), repurchase agreements and certificates of deposit, bonds and other securities issued, net of any portions redeemed.

This caption also includes the group's lease liabilities recognised as a lessee in finance leases.

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

Current liabilities, where the time value of money is immaterial, are recognised at the amount received.

Derecognition
Financial liabilities are derecognised when they expire or are extinguished. They are derecognised even when the group has repurchased a portion of previously issued bonds. The difference between the financial liability's carrying amount and the consideration paid is recognised in profit or loss.

Replacements on the market of repurchased securities issued by the group are considered new issues and recognised at the new placing price.

Recognition of costs and revenue
Interest expense, calculated using the nominal interest rate, is recognised as "Interest and similar expense" in the income statement.

10 - Financial liabilities at fair value through profit or loss

Recognition
These financial liabilities are measured at fair value since their initial recognition. Any fair value gains or losses are immediately recognised in profit or loss.

Classification
At initial recognition, the group designates a financial liability as measured at fair value through profit or loss if:
• it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
• a group of financial assets or liabilities or financial liabilities and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
• there is a hybrid contract that contains one or more embedded derivatives, which may significantly modify the cash flows that otherwise would be required by the contract.

The election to designate a financial liability as measured at fair value through profit or loss is irrevocable, is made on an instrument-by-instrument basis and is not necessarily applied to all instruments with similar characteristics. However, such election cannot be applied to an individual component of a financial instrument, attributable to just one risk component to which the instrument is exposed. This caption includes certain liabilities whose settlement is deferred and linked to the performance of certain assets.

Measurement and recognition of costs and revenue
After initial recognition, the liabilities are measured at fair value and any fair value gain or loss is recognised in profit or loss.

Derecognition
Financial liabilities are derecognised when they expire or are extinguished.

11 - Post-employment benefits

The Italian post-employment benefits are classified as:
– defined contribution plans for the benefits accrued after 1 January 2007 (when the pension reform implemented by Legislative decree no. 252 of 5 December 2005 was enacted) when the employee has opted to transfer them to a supplementary pension fund or to the INPS (the Italian social security institution) treasury fund. The group's liability is recognised under personnel expense and is calculated considering the benefits due without applying actuarial methods;
– defined benefit plans for the benefits vested up to 31 December 2006. They are recognised at their actuarial value using the projected unit credit method, without considering the pro rata past service cost as the benefits related to the current service cost have mostly vested and its revaluation is not expected to give rise to significant employee benefits in the future.

The discount rate used is determined by reference to market yields at the reporting date on high quality corporate bonds consistent with the term of the post-employment benefit obligations, weighted to reflect the percentage of the amount paid and advanced, for each due date, compared to the total amount to be paid and advanced before final settlement of the entire obligation. The plan servicing costs are recognised as personnel expense while the actuarial gains and losses are recognised in other comprehensive income (expense) as required by IAS 19.

12 - Provisions for risks and charges

Recognition
Provisions for risks and charges include accruals for legal or labour obligations or for disputes (including tax) arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be

required to settle the obligation and a reliable estimate of the amount can be made.

A provision is recognised when and only when:
• the group has a present obligation (legal or constructive) as a result of a past event;
• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
• a reliable estimate can be made of the amount of the obligation.

Classification
If the recognition criteria are met, the group recognises the provision under "Provisions for risks and charges" (caption 120).

The provisions include accruals made to cover:
• the group's legal disputes, especially risks related to claw-back claims, operational risks on services provided on behalf of third parties and all other operational risks arising in conjunction with complaints received from customers;
• all other accruals for specific expense and/or risks for which the group has voluntarily or under contract agreed to cover even though they have not yet been specifically formalised at the reporting date.

Measurement
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and that takes risks and uncertainties that inevitably surround many events and circumstances into account.

Provisions for liabilities expected to be settled after one year are recognised at their present value.

Derecognition
A provision is reversed to profit or loss if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or at the time of its settlement.

Recognition of costs and revenue
When the effect of the time value of money is material, the provision is discounted using current market rates. The provision and increase in the provision due to the passage of time are recognised in profit or loss.

The accrual to the restructuring provision covers significant reorganisations that have a material effect on the group's nature and strategies. It mainly covers the related consultancy fees.

Accruals made to the provisions for risks and charges are recognised in the income statement caption "Net reversals of (accruals to) provisions for risks and charges".

13 – Other information

Treasury shares
The parent and the other group companies do not have treasury shares.

Prepayments and accrued income, deferred income and accrued expenses
These captions which include income and expense related to the reporting period accrued on assets and liabilities are recognised as an adjustment to the assets and liabilities to which they refer.

Classification of financial assets
The classification of the financial assets into the three categories established by the standard depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:
- financial assets at amortised cost: assets that pass the SPPI test and come under the hold to collect (HTC) business model;
- financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the hold to collect and sell (HTCS) business model;
- financial assets at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model assessment or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test
In addition to the analysis of the business model, a financial asset may be classified as at amortised cost or at FVOCI if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test). Loans and debt instruments, in particular, should be subjected to this test.

The SPPI test should be carried out on each financial instrument upon initial recognition.

After initial recognition, and as long as it is maintained in the statement of financial position, the asset is no longer subjected to the SPPI test. If a financial asset is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:
- principal: the fair value of the financial asset at initial recognition. This may change over the life of the financial asset, for example if there are repayments of part of the principal;
- interest: the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

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

When assessing a modified time value of money element – for example, when the interest rate of the financial asset is reset periodically, but the frequency of the reset or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is reset monthly on the basis of a one-year rate) or when the interest rate is reset regularly on the basis of an average of particularly short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e., without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through tests") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example when a loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

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

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each reporting period and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e., if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur, it does not affect the classification of the financial asset.

The decision-making trees, which are included in the parent's management tool, have been developed internally with the assistance of a leading consultancy company (for both debt instruments and loans). They capture any non-SPPI compliant elements and take into account the IFRS 9 guidance, in addition to the group's own interpretation of the standard.

Business model
IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:
- hold to collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- hold to collect and sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual cash flows and sale) are indispensable to achieve the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- others/trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (hold to collect and hold to collect and sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

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

It is defined by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as the so-called "worst case" or "stress case" scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In short, the business model:
- reflects the way in which financial assets are managed to generate cash flows;
- is defined by senior management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

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

All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific business model assessment policy – approved by the competent governance levels – defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the group's business structures.

For the HTC portfolios, the group has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate, or for infrequent sales even if their amount is significant) and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition decreased by principal repayments and adjusted by accumulated amortisation (calculated using the effective interest method) of the difference between the carrying amount at initial recognition and at maturity and by the loss allowance, if any.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions are met (for example, reviews of market interest rates).

After initial recognition, amortised cost enables allocation of revenue and costs directly by decreasing or increasing the instrument's carrying amount over its entire expected life via the amortisation process. Amortised cost is calculated differently depending on whether the financial assets/liabilities have fixed or variable rates and – in this last case – whether the rate volatility is known beforehand.

Amortised cost measurement is applied to financial assets at amortised cost and at fair value through other comprehensive income or profit or loss, as well as financial liabilities at amortised cost.

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

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high and, in the case of a purchase, it is purchased at a deep discount (with respect to the initial disbursement amount). If these financial assets, based on the application of the classification drivers (SPPI test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as purchased or originated credit-impaired (POCI) assets and are subject to special impairment requirements. In addition, a credit-adjusted effective interest rate is calculated at the initial recognition of POCI assets, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

The amortised cost method is not used for financial assets and liabilities with a short term, without a set maturity and on demand as discounting these loans has no material impact.

Impairment

Impairment of financial assets
Pursuant to IFRS 9, at each reporting date, financial assets other than those measured at fair value through profit or loss are tested for impairment to assess whether there is any evidence that their carrying amount may not be fully recoverable. A similar analysis is performed for commitments to disburse funds and guarantees issued that must be tested for impairment under IFRS 9.

If there is indication of impairment, these financial assets - as well as any other assets pertaining to the same counterparty - are considered credit-impaired and are included in stage 3. For these exposures, which are classified – in accordance with Bank of Italy Circular no. 262/2005 – as bad, unlikely to pay and overdrawn/past due by more than ninety days, the bank recognises a loss allowance equal to their lifetime expected credit losses.

Impairment of performing financial assets
When there is no indication of impairment (performing financial instruments), the group checks whether there is evidence that the credit risk of the individual exposures has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:
- where this evidence exists, the financial assets are included in stage 2. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the bank recognises a loss allowance equal to their lifetime expected credit losses. At each subsequent reporting date, the bank reviews the loss allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence of "significantly increased" credit risk is no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where this evidence does not exist, the financial assets are included in stage 1. In this case, in compliance with the IFRS and despite the absence of indication of impairment, the group recognises a loss allowance equal to their 12-month expected credit losses. At each subsequent reporting date, the group reviews the credit allowance, both to periodically check its adequacy with the continuously updated loss estimates and to take account – if the evidence of "significantly increased" credit risk emerges – of the change in the forecast period for the calculation of the expected credit loss.

In accordance with IFRS 9 and effective implementation by the group, the following factors constitute the key elements to be taken into account for the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset as stage 2):
• ABS not measured at fair value through profit or loss:
- net collections since inception of the securitisation 20% lower than those forecast in the business plan;
- a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
- business plan reviewed by the portfolio management office downward by over 20% of "net recoveries", if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
- business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

• Other securities (other than government bonds, to which the low credit risk exemption is applied):
- a 3-notch decrease in the external rating down to BBB+, a 2-notch decrease from BBB to BBB- and a 1-notch decrease, as long as it does not directly lead to classification as stage 3 (junk grade);
- analytical risk assessment of the instrument (issuer risk, country risk, etc.).

• Loans and receivables with customers (loans, personal loans granted to employees, subsidies and lease and factoring assets):
- a past due amount that - subject to the materiality thresholds identified by the regulations - has been as such for at least 30 days. In this case, the credit risk is presumed to have "significantly increased" and the exposure is, therefore, transferred to stage 2 (if it was previously included in stage 1);
- forbearance measures, which lead to the rebuttable presumption that credit risk has "significantly increased" since initial recognition and to the exposure's reclassification;

• Loans and receivables with banks:
- a 3-notch decrease in the counterparty's external rating or, if not available, in the counterparty's country's rating, down to BBB+, a 2-notch decrease from BBB to BBB- and a 1-notch decrease, as long as it does not directly lead to classification as stage 3 (junk grade);
- analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

Once the allocation to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, based on the PD, LGD and EAD parameters.

Impairment of credit-impaired financial assets
All credit-impaired exposures are classified as stage 3, including those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group only reclassifies assets from stage 1 directly to stage 3 in exceptional cases, i.e., when their credit standing deteriorates dramatically and default is evident before receiving an interim report on credit rating. The group's business model envisages investments in POCI assets, which are therefore directly classified as stage 3 upon initial recognition.

The group assesses its credit-impaired exposures analytically using specific models depending on the nature of the assessed asset.

In particular, its POCI assets have specific impairment characteristics. Since initial recognition and over their entire life, the group recognises a loss allowance equal to their lifetime ECL. Therefore, at each reporting date, the group recognises any impairment gains or losses as may be necessary to adjust their lifetime ECL in profit or loss. Based on the above, the POCI assets are initially classified as stage 3, although that they may be subsequently reclassified as performing exposures, nonetheless adjusted by a loss allowance equal to their lifetime ECL.

Business combinations
Business combinations are governed by IFRS 3.

The transfer of control over an entity (or an integrated set of activities and assets that is capable of being conducted and managed as a single business) is considered a business combination.

To this end, control is deemed to have been transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as, for example, in the case of the exchange of equity investments, the identification of the acquirer considers other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration or the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquiree, is recognised on the date on which the acquirer effectively obtains control over the acquired entity or businesses. When the combination occurs in a single exchange, the date of the exchange usually coincides with the acquisition date, provided that there are no agreements stipulating the transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the transaction price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. The "Fair value" section provides information on the fair value measurement of financial instruments. In the case of shares listed on active markets, the fair value is the acquisition-date quoted market price or, should that not be available, the latest price available.

The acquisition-date consideration transferred includes any contingent consideration based on future events, if provided for by the combination agreement and only if it is probable, it can be measured reliably and realised within one year of acquisition of control. Instead, any compensation for impairment losses on the assets used as consideration is not included in the purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition-related costs are those incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for appraisals and audits of financial statements, preparation of information documents required by the law, as well as advisory fees incurred to identify potential targets, if the contract provides for the payment of success fees, as well as debt or equity securities' registration and issue costs.

The acquirer must account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities are recognised in accordance with IAS 32 and IFRS 9.

Business combinations are recognised using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquiree) or liabilities assumed (including contingent liabilities) are recognised at their acquisition-date fair value.

Any excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased by any non-controlling interests (determined as above) as well as the fair value of any equity interest already held by the acquirer, and the fair value of acquired assets and liabilities is recognised as goodwill. Conversely, when the fair value of acquired assets and liabilities exceeds the sum of the consideration transferred, non-controlling interests and the fair value of any equity interest already held, the difference is recognised in profit or loss.

Business combinations may be recognised provisionally by the end of the reporting period in which the combination occurs, to be finalised within one year of the acquisition date.

Revenue and cost recognition

Revenue is the gross flow of economic benefits generated by an entity's ordinary operations. It is recognised when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled. Specifically, revenue is recognised using the model that can:

• identify the contract, defined as an agreement that creates enforceable obligations;
• identify the performance obligations in the contract;
• determine the transaction price, i.e., the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods and/or services to a customer;
• allocate the transaction price to the performance obligations on the basis of the relative stand-alone selling prices of each distinct good or service;
• recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue can be recognised at a point in time when the entity satisfies a performance obligation by transferring the promised good or service to a customer, or over time as the entity satisfies the performance obligation by transferring the promised good or service. Specifically:

a) interest is recognised on a pro rata basis, using the contractual interest rate or the effective interest rate when the amortised cost model is applied;
b) any contractually provided for default interest is recognised only when actually collected;
c) dividends are recognised in profit or loss when their distribution is approved;
d) commissions on revenue from services contractually provided for are recognised when the services are rendered. Commissions included in amortised cost to calculate the effective interest rate are recognised as interest;
e) income and expense from the trading of financial instruments is recognised when the sale is executed and is the difference between the transaction price paid or collected and the instrument's carrying amount;
f) gains on the sale of non-financial assets are recognised when the sale is executed, unless the parent has substantially retained the risks and rewards of ownership.

Costs are recognised in profit or loss on an accruals basis. Costs to obtain and fulfil a contract with a customer are recognised in profit or loss in the period in which the related revenue is recognised.

A.3 – TRANSFERS AMONG FINANCIAL ASSET PORTFOLIOS

None.

A.4 – FAIR VALUE

This section includes the disclosures on fair value required by IFRS 13.

Qualitative information

A.4.1 Levels 2 and 3: valuation techniques and inputs used

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction is a normal transaction between independent parties that have a reasonable understanding of the market conditions and significant facts about the asset or liability. Fundamental to the definition of fair value is the assumption that the entity is able to operate normally and does not need to urgently liquidate or significantly decrease a position. The fair value of an instrument reflects its credit quality as it includes the counterparty or issuer default risk among other things.

The fair value of financial instruments is determined using a hierarchy based on the origin, type and quality of the information used. This hierarchy gives maximum priority to quoted prices (unadjusted) in active markets and less priority to unobservable inputs. There are three different levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

These valuation approaches are applied hierarchically. Therefore, if a quoted price on an active market is available, the Level 1 approach must be applied. In addition, the valuation technique applied must maximise the use of factors observable on the market and, therefore, rely as little as possible on subjective parameters or “private information”.

In the case of financial instruments that are not quoted on active markets, the level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The valuation techniques used to determine fair value are calibrated regularly and validated using variable inputs observable on the market to ensure that they represent the actual market conditions and to identify any weaknesses.

The fair value hierarchy was included in IFRS 7 solely for disclosure purposes and not for measurement purposes. Therefore, the financial assets and liabilities are measured in accordance with IFRS 13.

Level 1
A financial instrument is quoted on an active market when its price is:

- readily and promptly available from stock exchanges, brokers, intermediaries, information providers, etc.;
- significant, i.e., representative of effective market transactions that take place regularly in normal trading.

In order to be considered as Level 1, the price shall be unadjusted, that is not adjusted by applying a valuation adjustment. Otherwise, the fair value measurement of the financial instrument will fall into Level 2.

Level 2
A financial instrument is included in Level 2 when all the significant inputs (other than quoted prices included in Level 1) used to measure it are observable directly or indirectly on the market.

The Level 2 inputs are:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the financial asset or liability (risk free rate curve, credit spread, volatility, etc.);
- inputs that mainly derive from or are corroborated (through correlation or other techniques) by observable market data (market-corroborated inputs).

An input is observable when it reflects the assumptions that a market participant would use when pricing a financial asset or liability using market data provided by independent sources.

If a fair value measurement uses observable data, which require significant adjustment using unobservable inputs, the measurement is categorised within Level 3 of the fair value hierarchy.

Level 3
Level 3 includes financial instruments, whose fair value is estimated using a valuation technique that uses inputs that are not observable on the market, not even indirectly. Specifically, inclusion in Level 3 takes place when at least one of the significant inputs used to measure the instrument is unobservable.

This categorisation takes place when the inputs used reflect the entity's assumptions, developed on the basis of the available information.

Levels 2 and 3: valuation techniques and inputs used
The fair value of financial instruments is determined using prices on financial markets for instruments quoted on active markets or internal valuation models for other financial instruments.

If a quoted price on an active market is unavailable or the market is not operating regularly, fair value is measured using valuation techniques to establish a price for a hypothetical independent transaction, driven by normal market considerations. These techniques include:
- reference to market values that are indirectly related to the instruments being valued and inferred from products with a similar risk profile and return;
- valuations made using, including partially, non-market inputs calculated using estimates and assumptions.

A.4.2. Valuation processes and sensitivity

Assets other than short-term exposures classified as Level 3 include the ABS at fair value through profit or loss, participating financial instruments at fair value through other comprehensive income and financial assets at amortised cost.

The group measured the ABS using the present value approach of the income method, estimating the future cash flows and a suitable discount rate that reflects the time value of money and the risk premium. The cash flows were estimated considering the securisations' business plans adjusted to consider risks of the portfolios' non-performance compared to the original forecasts. The discount rate used was the risk free rate, increased by the risk premium.

Assisted by independent experts, the group measured financial assets at fair value through other comprehensive income using market multiple or discounted cash flow models.

The fair value measurement of residential property loans also involved discounting the expected cash flows from the loans using an adjusted risk free rate.

A.4.3. Fair value hierarchy

The group did not transfer any financial assets or liabilities from one level to another during the year.

A.4.4. Other information

The group did not apply the exception provided for by IFRS 13.48 (fair value based on the net exposure) for financial assets and liabilities that offset the market or counterparty risk.

Quantitative disclosure

A.4.5. Fair value hierarchy

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

(€'000)

Assets and liabilities measured at fair value	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss, of which	-	-	-	-	-	-
a) held for trading	-	-	614	-	-	638
b) designated at fair value	-	-	-	-	-	-
c) mandatorily measured at fair value	-	-	131,748	-	-	121,029
2. Financial assets at fair value through other comprehensive income	-	-	4,000	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**136,362**	**-**	**-**	**121,667**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities at fair value through profit or loss	-	-	4,492	-	-	2,696
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**4,492**	**-**	**-**	**2,696**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

A.4.5.2. *Changes in assets measured at fair value on a recurring basis (Level 3)*

(€'000)

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehen-sive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Including: a) held for trading	Including: b) designated at fair value	Including: c) mandatorily measured at fair value				
1. Opening balance	**121,667**	**638**	**-**	**121,029**	**-**	**-**	**-**	**-**
2. Increases	-	-		-				
2.1 Purchases	390	-	-	390	-	-	-	-
2.2 Gains recognised in:	10,259	-	-	10,259	-	-	-	-
2.2.1 Profit or loss	10,259	-	-	10,259	4,000	-	-	-
- including gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	X	X	-	4,000	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	14,204	-	-	14,204	-	-	-	-
3. Decreases	-			-	-			
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Repayments	(11,589)	-	-	(11,589)	-	-	-	-
3.3 Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1 Profit or loss	(2,569)	(24)	-	(2,545)	-	-	-	-
- including losses	(2,569)	(24)	-	(2,545)	-	-	-	-
3.3.2 Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**132,362**	**614**	**-**	**131,748**	**4,000**	**-**	**-**	**-**

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (Level 3)

(€'000)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	-	2,696	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	-	-
2.2.1 Profit or loss	-	108	-
- including losses	-	108	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	1,796	-
3. Decreases	-	-	-
3.1 Repayments	-	(108)	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Profit or loss	-	-	-
- including gains	-	-	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	4,492	-

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

(€'000)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	593,220	112,754	-	481,224	622,415	107,901	-	515,712
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	868,575	-	-	868,575
Total	**593,220**	**112,754**	**-**	**481,224**	**1,490,989**	**107,901**	**-**	**1,384,286**
1. Financial liabilities at amortised cost	795,514	-	-	795,386	952,606	-		952,597
2. Liabilities associated with disposal groups	-	-	-	-	340,633	-	-	340,630
Total	**795,514**	**-**	**-**	**795,386**	**1,293,239**	**-**	**-**	**1,293,227**

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

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

The carrying amount of financial instruments equals their fair value at the reporting date. With respect to financial instruments not measured at fair value through profit or loss, their fair value is considered to equal their price collected or paid at the recognition date.

Any difference between the amount collected or paid for financial instruments measured at fair value through profit or loss and classified as Level 3 may be recognised in the relevant income statement caption, generating a day one profit or loss (DOP). The difference is recognised in profit or loss only if it is due to changes in factors on which the market participants based their assumptions when setting the price (including the time effect). When the instrument has a set maturity date and a model that monitors changes in the factors is not immediately available, the group may recognise the DOP in profit or loss over the financial instrument's term.

The group has not recognised a day one profit or loss on financial instruments as set out in IFRS 7.28 and the sections in the other related standards.

Part B: Notes to the statement of financial position

Assets

Section 1

Cash and cash equivalents – Caption 10

1. 1. Cash and cash equivalents: breakdown

(€'000)

	31/12/2021	31/12/2020
a) Cash	2	3
b) Current accounts and demand deposits with central banks	118,119	93,142
c) Current accounts and demand deposits with banks	78,647	72,992
Total	**196,768**	**166,137**

This caption includes cash-in-hand and the payment module ("PM") account the parent holds as a participant in the European real-time gross settlement system. As per European legislation, the PM account is held with Bank of Italy. In addition to the parent's liquidity, current accounts and deposits with banks include cash of €52,424 thousand deposited in the SPVs' current accounts up to the payment dates provided for by the related securitisations.

Section 2

Financial assets at fair value through profit or loss – Caption 20

2.1 Financial assets held for trading: breakdown by type

(€'000)

Item/Value	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
A Assets						
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	-	-	-	-	-
4. Financing						
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B Derivatives						
1. Financial derivatives						
1.1 trading	-	-	614	-	-	638
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives						
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**-**	**614**	**-**	**-**	**638**
Total (A+B)	**-**	**-**	**614**	**-**	**-**	**638**

The caption "Financial derivatives: 1.1. trading" includes a call option for 100% of BE TC S.r.l.. The company is deemed strategic for the development of the tax asset business.

2.2 Financial assets held for trading: breakdown by debtor/issuer

(€'000)

Item/Value	31/12/2021	31/12/2020
A. Assets	**-**	**-**
1. Debt instruments	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**-**	**-**
B. Derivatives	**-**	**-**
a) Central counterparties	-	-
b) other	614	638
Total B	**614**	**638**
Total (A+B)	**614**	**638**

2.3 Financial assets at fair value through profit or loss: breakdown by type

None.

2.4 Financial assets at fair value through profit or loss: breakdown by debtor/issuer

None.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(€'000)

Item/Value	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	131,473	-	-	120,754
2. Equity instruments	-	-	275	-	-	275
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-		-	-	
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**131,748**	**-**	**-**	**121,029**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

"Debt instruments – Other" include ABS of non-consolidated SPVs of €131,473 thousand that did not pass the SPPI test (their business model is HTC).

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(€'000)

Item/Value	31/12/2021	31/12/2020
1. Equity instruments		
of which: banks	-	-
of which: other financial companies	275	275
of which: non-financial companies	-	-
2. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	131,473	120,754
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**-**	**-**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**131,748**	**121,029**

Section 3

Financial assets at fair value through other comprehensive income – Caption 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by type

(€'000)

Item/Value	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	4,000	-	-	-
3. Financing	-	-	-	-	-	-
Total	**-**	**-**	**4,000**	**-**	**-**	**-**

At the reporting date, financial assets at fair value through other comprehensive income relate to a participating financial instrument held by the parent since 2018, which has been written back in 2021. Its level 3-fair value has been measured considering the best information available at the reporting date, with the assistance of independent experts. The fair value gain has been recognised in OCI with a balancing entry, net of tax, in the revaluation reserves under equity.

3.2. Financial assets at fair value through other comprehensive income: breakdown by debtor/issuer

(€'000)

Item/Value	31/12/2021	31/12/2020
1. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments		
a) Banks	-	-
b) Other issuers:	-	-
- Other financial companies	-	-
of which: insurance companies	-	-
- Non-financial companies	4,000	-
- Other	-	-
4. Financing		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**4,000**	**-**

3.3 Financial assets at fair value through other comprehensive income: gross carrying amount and total impairment losses

(€'000)

	Gross carrying amount					Total impairment losses				Partial/ total write-offs(*)
	Stage 1	of which: instruments with a low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt instruments	-	-	-	-		-	-	-		-
Financing	-	-	-	-		-	-	-		-
Total 31/12/2021	**-**	**-**	**-**	**-**		**-**	**-**	**-**		**-**
Total 31/12/2020	**-**	**-**	**-**	**-**		**-**	**-**	**-**		**-**

None.

3.3a Financial assets at fair value through other comprehensive income subject to Covid-19-related measures: gross carrying amount and total impairment losses

None.

Section 4

Financial assets at amortised cost – Caption 40

4.1 Financial assets at amortised cost: loans and receivables with banks broken down by type

(€'000)

Type of transaction/Value	31/12/2021						31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with central banks												
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	2,101	-	-	X	X	X	2,545	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks												
1. Financing												
1.1 Current accounts and sight deposits	-	-	-	X	X	X	5	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Other financing:	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Net investments in leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	1,201	-	-	X	X	X	521	-	-	X	X	X
2. Debt instruments												
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,302**	**-**	**-**	**-**	**-**	**3,302**	**3,071**	**-**	**-**	**-**	**-**	**3,071**

Key: L1= Level 1 L2= Level 2 L3= Level 3

This caption includes the minimum reserve held with Bank of Italy.

4.2 Financial assets at amortised cost: loans and receivables with customers broken down by type

(€'000)

Type of transaction/Value	31/12/2021						31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
Financing												
1.1. Current accounts	28,059	-	7,899	X	X	X	20,384	-	10,810	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Loans	4,594	145	48,357	X	X	X	1,859	516	128,444	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	226	-	-	X	X	X	178	-	-	X	X	X
1.5. Net investments in leases	5,462	3,618	20,795	X	X	X	6,305	3,395	67,760	X	X	X
1.6. Factoring	28,158	-	-	X	X	X	-	-	-	X	X	X
1.7. Other financing	100,144	-	74,331	X	X	X	118,154	-	68,578	X	X	X
Debt instruments												
1.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other	268,131	-	-	112,754	-	155,852	119,967	-	-	215,023	-	13,264
Total	**434,774**	**3,763**	**151,381**	**112,754**		**155,852**	**266,848**	**3,912**	**275,592**	**215,023**		**13,264**

Loans and receivables with customers amount to €589,918 thousand, net of impairment losses.

Other debt instruments include senior securities of €154,916 thousand issued by non-consolidated securitisation vehicles.

4.3 Financial assets at amortised cost: breakdown of loans and receivables with customers by debtor/issuer

(€'000)

Type of transaction/Value	31/12/2021			31/12/2020		
	Stages 1 and 2	Stage 3	Purchased or originated creditimpaired	Stages 1 and 2	Stage 3	Purchased or originated creditimpaired
1. Debt instruments						
a) Public administrations	113,214	-	-	107,122	-	-
b) Other financial companies	154,917	-	-	12,845	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:						
a) Public administrations	70,845	-	60,989	88,062	-	62,550
b) Other financial companies	27,198	-	10,195	20,384	10	20,166
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	67,720	3,369	67,643	37,611	3,309	122,400
d) Households	907	366	12,554	825	592	70,476
Total	**434,801**	**3,736**	**151,381**	**266,849**	**3,911**	**275,592**

Financing to public administrations include the tax assets purchased by the vehicles Convento SPV S.r.l. and Fairway S.r.l. (stage 1).

4.4 Financial assets at amortised cost: gross carrying amount and total impairment losses

(€'000)

	Gross carrying amount					Total impairment losses				Partial/ total write-offs (*)
	Stage 1	of which: instruments with a low credit risk	Stage 2	Stage 3	Purchased or originated creditimpaired	Stage 1	Stage 2	Stage 3	Purchased or originated creditimpaired	
Debt instruments	178,529	-	91,003	-	-	(309)	(1,092)	-	-	-
Financing	169,732	-	2,784	3,886	169,463	(2,349)	(209)	(136)	(18,082)	(5,089)
Total 31.12.2021	**348,261**	**-**	**93,787**	**3,886**	**169,463**	**(2,658)**	**(1,301)**	**(136)**	**(18,082)**	**(5,089)**
Total 31.12.2020	**342,723**	**-**	**1,780**	**3,980**	**310,911**	**(1,393)**	**(107)**	**(29)**	**(35,450)**	**(1,176)**

(*) To be shown for disclosure purposes

4.4A Financial assets at amortised cost subject to Covid-19-related measures: gross carrying amount and total impairment losses

(€'000)

	Gross carrying amount					Total impairment losses				
	Stage 1		Stage 2	Stage 3	Purchased or originated	Stage 1	Stage 2	Stage 3	Purchased or originated	Partial/ total write-offs (*)
		of which: instru-ments								
1. EBA-compliant moratoria	2,945	-	2,556	3,210	2,336	(38)	(112)	(41)	(663)	-
2. No longer EBA-compliant moratoria and not measured as forborne	-	-	.	-	-	-	-	-	-	-
3. Other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New financing	-	-	.	-	-	-	-	-	-	-
Total 31/12/2021	**2,945**	**-**	**2,556**	**3,210**	**2,336**	**(38)**	**(112)**	**(41)**	**(663)**	**-**
Total 31/12/2020	**4,775**	**-**	**1,384**	**5,469**	**-**	**(104)**	**(81)**	**(324)**	**-**	**-**

Section 5

Hedging derivatives – Caption 50

None.

Section 6

Macro-hedged financial assets - Caption 60

None.

Section 7

Equity investments - Caption 70

None.

Section 8

Reinsurers' share of technical provisions - Caption 80

None.

Section 9

Property, equipment and investment property – Caption 90

9.1 Property and equipment: assets measured at cost

(€'000)

Asset/Value	31/12/2021	31/12/2020
1. Owned	**545**	**239**
a) land	-	-
b) buildings	-	-
c) furniture	132	205
d) electronic systems	-	-
e) other	413	34
2. Right-of-use	**152**	**1,068**
a) land	-	-
b) buildings	65	1,017
c) furniture	-	-
d) electronic systems	-	-
e) other	87	51
Total	**697**	**1,307**
of which: obtained through enforcement of guarantees received	-	-

This caption comprises the right-of-use assets of €152 thousand recognised in accordance with the new requirements of IFRS 16. The assets falling within the scope of the standard refer to the buildings for residential use granted as a benefit to certain employees and company cars.

9.2 Investment property: assets measured at cost

None.

9.3 Property and equipment: revalued assets

None.

9.4 Investment property: assets measured at fair value

None.

9.5 Property held for resale governed by IAS 2: breakdown

None.

9.6 Property and equipment: changes

(€'000)

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**1,504**	**288**	**-**	**460**	**2,252**
A.1 Accumulated depreciation and net impairment losses	-	(487)	(184)	-	(274)	(945)
A.2 Net opening balance	**-**	**1,018**	**104**	**-**	**186**	**1,307**
B. Increases:	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	70	3	-	282	355
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other increases	-	-	69	-	162	231
C. Decreases:	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(166)	(44)	-	(130)	(340)
C.3 Impairment losses through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses through	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to::	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	(856)	-	-	-	(856)
D. Net closing balance	**-**	**65**	**132**	**-**	**500**	**697**
D.1 Accumulated depreciation and net impairment losses	-	(653)	(228)	-	(404)	(1,285)
D.2 Gross closing balance	**-**	**719**	**359**	**-**	**904**	**1,982**
E. Measurement at cost	-	719	359	-	904	1,982

The group has not committed its property and equipment in any way. It does not have any investment property or revalued property and equipment at the reporting date.

As required by IFRS 16.53.h), it is noted that the group companies did not make any significant additions to their right-of-use assets as lessees.

9.7 Investment property: changes

None.

9.8 Property held for resale governed by IAS 2: changes

None.

9.9 Commitments to purchase property and equipment

None.

Section 10

Intangible assets – Caption 100

10.1 Intangible assets: breakdown by asset

(€'000)

Asset/Value	31/12/2021		31/12/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**x**	**2,178**	**x**	**906**
A.1.1 attributable to the owners of the parent	x	2,178	x	906
A.1.2 attributable to non-controlling interests	x	-	x	-
A.2 Other intangible assets	**-**	**-**	**-**	**-**
A.2.1 Assets measured at cost:	3,303	-	192	-
a) internally developed assets	3,029	-	-	-
b) other	274	-	192	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally developed assets	-	-	-	-
b) other	-	-	-	-
Total	**3,303**	**2,178**	**192**	**906**

Goodwill relates to the acquisition of Be Credit Management S.p.A. (€0.9 million) and Fifty S.r.l. (€1.3 million, provisionally resulting from the purchase price allocation procedure, which will be completed within 12 months from the acquisition date, i.e., 20 December 2021).

As discussed in detail in the directors' report, the parent commenced the procedure for the merger of Be Credit Management into itself, while Fifty's merger into the parent was completed and took statutory, accounting and tax effects on 1 January 2022.

Goodwill has been fully allocated to the cash-generating unit comprising the legal entity Banca CF+, considering the group's most recent projections available at the date of preparation of these consolidated financial statements and, specifically, the 2022-2026 business plan approved by the board of directors on 31 January 2022. The group determined the recoverable amount of intangible assets with indefinite useful lives by comparing value in use, calculated on the basis of the group's future cash flows set out in the business plan, to the group's equity. The test showed the recoverability of the intangible assets with indefinite useful lives. Sensitivity analyses of the parameters underlying the calculation of the cost of capital (Ke) and growth rate (g) have also been carried out to support the test outcome, which confirmed the recoverability of such assets.

Internally developed intangible assets of €3 million relate to the fair value of the factoring management platform acquired with the acquisition of Fifty. See Part G "Business combinations" of these notes for further details.

The other intangible assets relate to software.

10.2 Intangible assets: changes

(€'000)

	Goodwill	Other intangible assets: internally-generated		Other intangible assets: other		Total
		FINITE	INDEFI-NITE	FINITE	INDEFI-NITE	
A. Opening balance	**906**	**-**	**-**	**436**	**-**	**1,342**
A.1 Accumulated amortisation and net impairment losses	-	-	-	(244)	-	(244)
A.2 Net opening balance	**906**	**-**	**-**	**192**	**-**	**1,098**
B. Increases	**-**	**-**	**-**	**543**	**-**	**543**
B.1 Purchases	1,272	3,029	-	543	-	4,844
B.2 Increase in internally-generated assets	x	-	-	-	-	-
B.3 Reversals of impairment losses	x	-	-	-	-	-
B.4 Fair value gains:						
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(461)**	**-**	**(461)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses						
- Amortisation	x	-	-	(306)	-	(306)
- Fair value losses:						
+ equity	x	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses:	-	-	-	-	-	-
- through equity	x	-	-	-	-	-
- through profit or loss	x	-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(155)	-	(155)
D. Net closing balance	**2,178**	**3,029**	**-**	**274**	**-**	**5,481**
D.1 Accumulated amortisation and net impairment losses	-	-	-	(550)	-	(550)
E. Gross closing balance	**2,178**	**3,029**	**-**	**824**	**-**	**6,031**
F. Measurement at cost	2,178	3,029	-	824	-	6,031

Key
FINITE: finite life
INDEFINITE: indefinite life

10.3 Other disclosures

The following should be noted:
a) the group does not have any gains related to revalued intangible assets (IAS 38.124.b));
b) the group has not acquired intangible assets under government concession (IAS 38.122.c));
c) the group has not pledged intangible assets to secure its debts (IAS 38.122.d));
d) the group does not have commitments to acquire intangible assets (IAS 38.122.e));
e) it has not leased any intangible assets.

Section 11

Tax assets and liabilities – Caption 110 of assets and Caption 60 of liabilities

11.1 Deferred tax assets: breakdown

Deferred tax assets of €5,331 thousand have mostly been recognised on carryforward tax losses (€4,075 thousand) and the ACE (Aid for Economic Growth) benefit (€760 thousand) estimated on the basis of the parent's demerger plan. Carryforward tax losses and the ACE benefit allow for the recognition of deferred tax assets as a deductible temporary difference arises on an accruals basis and this difference can be used to decrease the tax base in future years. As these benefits are potential only, the future taxable profits should be such as to offset the carryfoward tax losses and the ACE benefit. IAS 12.24 provides that a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Paragraph 34 and following paragraphs of the same standard clarify that a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. This shall be ascertained on a prudent basis and by performing a specific probability test to support the underlying assumptions. Accordingly, based on its forecast future taxable profits that can cover the carryforward tax losses up to the legally-established limit (80% of the tax base), the group had recognised deferred tax assets on carryforward tax losses and the ACE benefit at 31 December 2018 and 2019. Deferred tax assets at the reporting date have been tested for probability based on the new 2022-2026 business plan approved by the parent. The group also carried out sensitivity analyses to check the potential effect of adverse scenarios (i.e., significant reduction in taxable profit over the plan period) on the deferred tax assets' recoverability. The test, which was approved by the directors, confirmed the recoverability of the deferred tax assets recognised in the consolidated financial statements.

The deferred tax assets of €484 thousand recognised in accordance with Law no. 214/2011 relate to impairment losses on loans and receivables of which one seventh, one ninth and one eighteenth can be deducted each year.

The other deferred tax assets of €11 thousand relate to the actuarial valuation of post-employment benefits pursuant to IAS 19.

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities of €8,556 thousand mostly include €1,313 thousand recognised by the parent on the fair value gain on its participating financial instrument classified under financial assets at fair value through other comprehensive income and €6,456 thousand arising on consolidation entries and the SPVs' profit or loss.

11.3 Changes in deferred tax assets (recognised in profit or loss)

(€'000)

	2021	2020
1. Opening balance	**2,182**	**32,304**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	-	28,180
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,137	-
3. Decreases		
3.1 Deferred tax assets derecognised in the year	-	-
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:		
a) conversion into tax assets, as per Law no. 214/2011	-	-
b) other	-	(58,302)
4. Closing balance	**5,319**	**2,182**

11.4 Changes in deferred tax assets as per Law no. 214/2011

(€'000)

	2021	2020
1. Opening balance	**395**	**1,513**
2. Increases	**89**	**-**
3. Decreases		
3.1 Reversals	-	-
3.2 Conversions into tax assets		
a) arising on losses for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	(1,118)
4. Closing balance	**484**	**395**

11.5 Changes in deferred tax liabilities (recognised in profit or loss)

(€'000)

	2021	2020
1. Opening balance	**10,972**	**32,670**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	787	171
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	(4,516)	(1,043)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	(20,825)
4. Closing balance	**7,243**	**10,972**

11.6 Changes in deferred tax assets (recognised in equity)

(€'000)

	2021	2020
1. Opening balance	**9**	**24**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	2	11
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets derecognised in the year		
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	(26)
4. Closing balance	**11**	**9**

11.7 Changes in deferred tax liabilities (recognised in equity)

€'000)

	2021	2020
1. Opening balance	**-**	**-**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	1,313	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,313**	**-**

11.8 Other disclosures

Current tax assets at the reporting date may be analysed as follows:

	Description	31/12/2021	31/12/2020
1	Withholdings on current account interest paid on account	4,376	3,576
2	Virtual stamp duty paid on account	5,327	3,656
3	IRAP	51	115
4	Asset as per Law no. 214/2011 on the conversion of deferred tax assets	-	70
6	IRAP from reverse merger	-	92
7	IRES from reverse merger	-	22
8	VAT	-	1,712
9	IRES paid on account	36	7
10	IRAP paid on account	1,617	-
11	Assets as per the Cura Italia decree	-	6,263
12	Recoverable substitute tax	34	32
13	Other	123	-
	Total	**11,564**	**15,545**

The caption mainly comprises virtual stamp duty, withholdings on current account interest and IRAP paid on account. The decrease for the year is principally attributable to the offsetting allowed by the Cura Italia decree.

Section 12 Non-current assets held for sale, disposal groups and associated liabilities – Caption 120 of assets and Caption 70 of liabilities

12.1 Non-current assets held for sale and disposal groups: breakdown by asset

(€'000)

	31/12/2021	31/12/2020
A. Assets held for sale	**-**	**-**
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, equipment and investment property	-	-
of which: obtained through enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**-**
of which: at cost	-	-
of which: at fair value level 1	-	-
of which: at fair value level 2	-	-
of which: at fair value level 3	-	-
B. Disposal groups	**-**	**-**
B.1 Financial assets at fair value through profit or loss	-	-
- held for trading	-	-
- financial assets at fair value through profit or loss	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	644,884
B.4 Equity investments	-	6
B.5 Property, equipment and investment property	-	7,257
of which: obtained through enforcement of guarantees	-	-
B.6 Intangible assets	-	152,186
B.7 Other assets	-	64,242
Total B	**-**	**868,575**
of which: at cost	-	868,575
of which: at fair value level 1	-	-
of which: at fair value level 2	-	-
of which: at fair value level 3	-	-

C. Liabilities associated with assets held for sale	**-**	**-**
C.1 Financial liabilities	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which: at cost	-	-
of which: at fair value level 1	-	-
of which: at fair value level 2	-	-
of which: at fair value level 3	-	-
D. Liabilities associated with disposal groups	**-**	**-**
D.1 Financial liabilities at amortised cost	-	291,891
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities at fair value through profit or loss	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	48,742
Total D	**-**	**340,633**
of which: at cost	-	340,633
of which: at fair value level 1	-	-
of which: at fair value level 2	-	-
of which: at fair value level 3	-	-

12.2 Other disclosures

At 31 December 2020, this caption included assets included in the demerger scope as part of Project 3.0, which was subsequently completed and became effective on 1 August 2021.

The reclassification of the captions was made on the basis of the project approved by the board of directors on 24 June 2020 and the available estimates at such reporting date.

Reference should be made to the “Financial performance and position” section of the directors’ report for a further details.

Section 13 Other assets – Caption 130

13.1 13.1Other assets: breakdown

(€'000)

Type of transaction/Value	31/12/2021	31/12/2020
Advance for subscription of ABS	-	50
“Cube” intercreditor agreement	-	12,396
Grants for subsidised loans	4	118
Guarantee deposits	2,047	90
Prepayments and accrued income	550	274
Coins	4	-
Factoring loans	29	-
Loans and receivables with assets earmarked for a specific business: leases	-	5,016
Other	1,702	809
Total	**4,337**	**18,753**

Guarantee deposits mainly relate to purchases of tax assets, while “Other” chiefly relates to amounts due from non-consolidated SPVs.

Liabilities

Section 1

Financial liabilities at amortised cost – Caption 10

1.1 Financial liabilities at amortised cost: Financial liabilities with banks broken down by type

(€'000)

Type of transaction/Value	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2. Due to banks	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	-	x	x	x	-	x	x	x
2.2 Term deposits	25,016	x	x	x	-	x	x	x
2.3 Financing	-	x	x	x	-	x	x	x
2.3.1 Repurchase agreements	53,880	x	x	x	77,853	x	x	x
2.3.2 Other	178	x	x	x	70,673	x	x	x
2.4 Commitments to repurchase own equity instruments	-	x	x	x	-	x	x	x
2.5 Lease liabilities	-	x	x	x	-	x	x	x
2.6 Other liabilities	17,992	x	x	x	21,568	x	x	x
Total	**97,066**			**97,066**	**170,094**			**170,094**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

The repurchase agreements of €53,881 thousand refer to funding with government bonds and ABS.

"Other liabilities" include the liability with the originator for the deferred payment of the consideration for an UTP portfolio purchased by the parent (€3,141 thousand) and the portfolios purchased by the SPVs Ponente and New Levante (€14,815 thousand).

The group does not have any structured liabilities, subordinated liabilities or finance lease liabilities to banks.

1.2 Financial liabilities at amortised cost: Financial liabilities with customers broken down by type

(€'000)

Type of transaction/Value	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	43,107	x	x	x	25,324	x	x	x
2 Term deposits	646,017	x	x	x	736,344	x	x	x
3 Financing	-	x	x	x	-	x	x	x
3.1 Repurchase agreements	-	x	x	x	-	x	x	x
3.2 Other	315	x	x	x	-	x	x	x
4 Commitments to repurchase own equity instruments	-	x	x	x	-	x	x	x
5 Lease liabilities	153	x	x	x	1,176	x	x	x
5 Other liabilities	5,735	x	x	x	16,465	x	x	x
Total	**695,328**			**695,328**	**779,309**			**740,337**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

The current accounts and demand deposits include the retail current accounts for which the time deposit letter had to be signed (€43,107 thousand).

The term deposits mainly include the parent's retail Esagon product, the on-line term deposit account ("DOL"). At the reporting date, the liability to DOL customers includes deposits for which the time deposit letter had been signed of €642,035 thousand (31 December 2020: €730,572 thousand). Due to customers includes the cash collateral guaranteeing corporate loans of €861 thousand and the amounts to be paid to the provinces and municipalities in line with the stage of completion of works on behalf of a vehicle. The balance also comprises deposits for the sale of leases securing loans of €79 thousand.

"Lease liabilities" are recognised in accordance with IFRS 16 (€153 thousand).

The group does not have any structured liabilities, subordinated liabilities or finance lease liabilities to customers.

1.3 Financial liabilities at amortised cost: Securities issued broken down by type

(€'000)

Type of transaction/Value	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A Securities	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
1 Bonds	-	x	x	x	-	x	x	x
1.1 structured	-	x	x	x	-	x	x	x
1.2 other	3,120	x	x	3,120	3,203	x	x	3,194
2 Other securities	-	x	x	x	-	x	x	x
2.1 structured	-	x	x	x	-	x	x	x
2.2 other	-	x	x	x	-	x	x	x
Total	**3,120**			**3,120**	**3,203**			**3,194**

Securities issued include the notes issued by the SPVs and subscribed by third party companies and, specifically, 5% of the notes issued by Liberio SPV S.r.l..

1.4 Breakdown of subordinated liabilities/junior securities

Securities issued are comprised of the junior notes of €3,120 thousand issued by Liberio SPV S.r.l. and subscribed by a third party investor (they account for 5% of the junior notes issued by the SPV).

1.5 Breakdown of structured liabilities

None.

1.6 Lease liabilities

The group's lease liabilities amount to €153 thousand at the reporting date and principally relate to company cars.

Section 2

Financial liabilities held for trading - Caption 20

None.

Section 3

Financial liabilities at fair value through profit or loss - Caption 30

3.1 Financial liabilities at fair value through profit or loss: breakdown by type

(€'000)

Type of transaction/Value	31/12/2021					31/12/2020				
	Nominal or notional amount	Fair value			Fair Value (*)	Nominal or notional amount	Fair value			Fair Value (*)
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	x	-	-	-	-	x
1.1. structured	-	-	-	-	x	-	-	-	-	x
1.2. other including:	-	-	-	-	x	-	-	-	-	x
- loan commitments	-	x	x	x	x	-	x	x	x	x
- financial guarantees given	-	x	x	x	x	-	x	x	x	x
2. Due to customers	-	-	-	-	x	-	-	-	-	x
2.1 structured	-	-	-	-	x	-	-	-	-	x
2.2 other including:	4,492	-	-	4,492	x	2,696	-	-	2,696	x
- loan commitments	-	x	x	x	x	-	x	x	x	x
- financial guarantees given	-	x	x	x	x	-	x	x	x	x
3. Debt instruments	-	-	-	-	x	-	-	-	-	x
3.1 structured	-	-	-	-	x	-	-	-	-	x
3.2 other	-	-	-	-	x	-	-	-	-	x
TOTAL	**4,492**	**-**	**-**	**4,492**	**-**	**2,696**	**-**	**-**	**2,696**	**-**

Key
Fair value* = calculated excluding gains or losses caused by variations in the issuer's credit rating from the issue date

The caption mainly includes liabilities for the payment of deferred prices of the portfolios of former Artemide (€2,696 thousand) and Convento (€1,796 thousand).

3.2 Breakdown of "Financial liabilities at fair value through profit or loss": subordinated liabilities

None.

Section 5

Hedging derivatives - Caption 40

None.

Section 6

Tax liabilities – Caption 60

See section 11 of Assets.

Section 7

Liabilities associated with disposal groups

Reference should be made to section 12 "Non-current assets held for sale, disposal groups and associated liabilities – Caption 120 of assets and Caption 70 of liabilities of this part B for details of the prior year-end balance.

Section 8

Other liabilities – Caption 80

8.1 Other liabilities: breakdown

(€'000)

	31/12/2021	31/12/2020
Amounts to be credited to current accounts	14	-
Remuneration due to employees	2,026	1,067
Social security contributions to be paid	404	404
Sundry liabilities for the on-line term deposit account product	5,800	5,842
Sundry investment liabilities	573	-
Sundry lease liabilities	141	3,648
Sundry amounts due to SPVs	90	-
Trade payables	6,901	5,274
Cash settlement for demergers	208	-
Amounts due to "Gimly"	32	-
Withholding taxes to be paid	495	245
Collection suspense account	584	1,406
Sums to be settled	1,048	3,100
Guarantee deposits	-	3,575
Amounts due to SPVs for promissory note planning	3	-
Factoring transactions	551	-
Other liabilities	1,555	142
Total	**20,426**	**24,703**

Section 9

Post-employment benefits – Caption 90

9.1 Post-employment benefits: changes

(€'000)

	2021	2020
A. Opening balance	**431**	**4,079**
B. Increases	**-**	**-**
B.1 Accruals	353	199
B.2 Other increases	-	-
C. Decreases	**(217)**	**(3,847)**
C.1 Payments	(192)	(194)
C.2 Other decreases	(25)	(3,653)
D. Closing balance	**567**	**431**
Total	**567**	**431**

9.2 Other disclosures

The carrying amount of these benefits is calculated using actuarial methods as provided for by IAS 19.

The main actuarial assumptions are:
- discount rate of 0.70% (31 December 2020: 0.40%);
- expected inflation rate of 1.80% (31 December 2020: 1%).

Section 10

Provisions for risks and charges – Caption 100

10.1 Provisions for risks and charges: breakdown

(€'000)

Item/Value	31/12/2021	31/12/2020
1. Provisions for credit risk for loan commitments and financial guarantees given	-	-
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	-	-
4. Other provisions		
4.1 legal and tax disputes	1,335	1,416
4.2 personnel	4	4
4.3 other	-	-
Total	**1,339**	**1,420**

10.2 Provisions for risks and charges: changes

(€'000)

	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**-**	**-**	**1,420**	**1,420**
B. Increases				
B.1 Accruals	-	-	-	-
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases				
C.1 Utilisations	-	-	(41)	(41)
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	(40)	(40)
D. Closing balance	**-**	**-**	**1,339**	**1,339**

10.3 Provisions for credit risk for loan commitments and financial guarantees given

None.

10.4 Provisions for other commitments and other guarantees given

None.

10.5 Defined benefit plans

None.

10.6 Provisions for risks and charges - other provisions

These provisions comprise:

Item	Amount
Provision for legal fees	500
Provision for amounts to be returned to courts	24
Provision for litigation	810
Total	**1,335**

Details of the provisions and the related risks are given below.

The provision for legal fees includes the fees for professional services to collect problematic loans and receivables or for ongoing legal proceedings. The group expects to use the entire provision in 2022.

The provision for amounts to be returned to courts refers to amounts collected by the parent as part of court, enforcement and insolvency proceedings and court-approved creditor settlements that have not yet been finalised. They may have to be returned following enforcement of the individual voluntary agreement, but it is not known exactly when, as it depends on the courts where the proceedings are being held. The provision was not used during the year.

The provision for litigation covers actions for compensation claimed by customers. Once again, it is difficult to estimate when the pending litigation will be settled. The group cannot objectively calculate an accrual to the provision as it depends on what level the hearing is at and whether an out-of-court settlement may be reached. Pursuant to IAS 37, it decided not to provide for the pending disputes for which management and the legal advisors deem that a negative outcome is only "possible" and not "probable". Management's and the legal advisors' opinion is supported by a number of factors, including the fact that the proceedings are still at an initial stage and the hearings will take place in the coming months, which make it difficult to estimate the possible amounts and timing.

Section 11

Technical provisions - Caption 110

None.

Section 12

Redeemable shares - Caption 130

None.

Section 13

Equity – Captions 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

The parent's fully paid-up share capital consists of 14,000,000 ordinary shares (that have one voting right per share) with a unit value of €1.

The parent does not have special shares with rights or restrictions, including shares with restrictions to dividend distributions or capital repayment. It does not hold treasury shares nor do its subsidiaries and associates hold its shares. The parent does not have shares reserved for issues with option rights or sales contracts.

13.2 Share capital - Number of shares: changes

(€'000)

Item/Type	Ordinary	Other
A. Opening balance	**54,190**	**-**
- fully paid-up	54,190	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**54,190**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- bonus:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other decreases	(40,190)	
D. Outstanding shares: closing balance	**14,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	-	-
- fully paid-up	-	-
- not fully paid-up	-	-

13.3 Share capital: other information

The parent does not have special shares with rights or restrictions, including shares with restrictions to dividend distributions or capital repayment. It does not hold treasury shares nor do its subsidiaries and associates hold its shares. The parent does not have shares reserved for issues with option rights or sales contracts.

13.4 Income-related reserves: other information

The nature and objective of each equity reserve are described below. The reserves at the reporting date are those retained by the group after the above-mentioned mergers.

• Legal reserve: this legally-required reserve amounts to €3,233 thousand and must equal at least one fifth of share capital; it was set up in prior years by allocating prior year profits thereto (at least one twentieth). If the reserve decreases, it shall be increased by allocating one twentieth of the profit for the year thereto.
• Extraordinary reserves: they amount to €18,587 thousand and comprise prior year profits allocated thereto. Their objective is to protect the parent's financial solidity.
• IFRS 9 FTA reserve: this reserve of €1,944 thousand is that retained by the parent and includes the negative reserve of €1,861 thousand, due to the restatement of the ABS with a different IRR depending on their class, and a negative reserve of €83 thousand, related to the different calculation of impairment losses compared to previous years.
• IFRS 9 reserve: this reserve includes the fair value loss of €1,780 thousand on the Carige shares sold early in 2018 as per IFRS 9.5.7.5.
• Capital injection reserve: this reserve of €4,464 thousand originally included the €52,862 thousand injection by the former shareholder EPAL as per the agreement to sell its shares of the parent in 2013 and €2,693 thousand received on 7 February 2014 as the adjustment, net of utilisation of the reserve to cover the 2013-2017 losses of €41,605 thousand. In 2019, Tiber Investments s.à r.l. injected €120,000 thousand in conjunction with the acquisition of the investment in CFLS, which was converted into share capital and share premium during 2020. In 2021, the reserve decreased by €9,486 thousand as a result of the second demerger.
• LTI plan reserve of €274 thousand.
• Other reserves of €197 thousand.
• The consolidated companies' income-related reserves of €13,635 thousand.

13.5 Equity instruments: breakdown and changes

The group has not issued equity instruments other than ordinary shares.

13.6 Other disclosures

The share premium amounts to €76,020 thousand.

The valuation reserves amount to €2,627 thousand. They include actuarial losses of €30 thousand on post-employment benefits while the remainder relates to post-tax fair value gains on financial assets at fair value through other comprehensive income.

Section 14 - Equity attributable to non-controlling interests - Caption 190

(€'000)

Company name	31/12/2021	31/12/2020
CF Liberty Servicing S.p.A.	-	19,999
Be Credit Management S.p.A.	-	-
SPVs	8	115
Total	**8**	**20,114**

Equity attributable to non-controlling interests relates to the Cassia and Convento SPVs. At the previous year end, it mainly related to CF Liberty Servicing S.p.A..

Other information

1. Loan commitments and financial guarantees given

	Nominal amount of loan commitments and financial guarantees given				31/12/2021	31/12/2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**6,668**	**-**	**-**	**-**	**6,668**	**20,658**
a) Central banks	-	-	-	-	-	-
b) Public administrations	3,675	-	-	-	3,675	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	20,658
e) Non-financial companies	2,993	-	-	-	2,993	-
f) Households	-	-	-	-	-	-
Financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-

2. Other commitments and other guarantees given

None.

3. Assets pledged to guarantee liabilities and commitments

None.

4. Breakdown of investments relating to unit- and index-linked insurance policies

None.

5. Management and trading on behalf of third parties

(€'000)

Type of services	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. Settled	-
2. Unsettled	-
b) Sales	-
1. Settled	-
2. Unsettled	-
2. Asset management	**-**
3. Securities custody and administration	**839,241**
a) third party securities held as part of depositary bank services (excluding portfolio management)	-
1. Securities issued by consolidated companies	-
2. Other securities	-
b) third party securities on deposit (excluding asset management): other	-
1. Securities issued by consolidated companies	-
2. Other securities	-
c) third party securities deposited with third parties	304,561
d) securities owned by the group deposited with third parties	534,680
4. Other	**-**

At 31 December 2021, the following sections were not applicable:
– assets pledged to guarantee liabilities and commitments;
– operating leases;
– financial assets eligible for netting or subject to master netting or similar agreements;
– securities lending transactions;
– jointly controlled operations.

6. Financial assets eligible for netting or subject to master netting or similar agreements

None.

7. Financial liabilities eligible for netting or subject to master netting or similar agreements

None.

8. Securities lending transactions

None.

9. Jointly controlled operations

None.

Part C: Notes to the income statement

Section 1

Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

(€'000)

Item/Technical form	Debt instrumen-ts	Financing	Other	2021	2020
1. Financial assets at fair value through profit or loss:	**12,515**	**-**	**-**	**12,515**	**9,910**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets at fair value through profit or loss	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	12,515	-	-	12,515	9,910
2. Financial assets at fair value through other comprehensive income	**-**	**-**	**x**	**-**	**3**
3. Financial assets at amortised cost:	**2,366**	**35,165**	**-**	**37,531**	**47,601**
3.1 Loans and receivables with banks	-	7	x	7	5
3.2 Loans and receivables with customers	2,366	35,158	x	37,524	47,596
4. Hedging derivatives	x	x	-	-	-
5. Other assets	x	x	-	-	-
6. Financial liabilities	x	x	x	-	-
Total	**14,881**	**35,165**	**-**	**50,046**	**57,514**
including: interest income on credit-impaired financial assets	-	31,712	-	-	28,073
including: interest income on finance leases	-	1,271	-	-	10,301

Interest income of €50,046 thousand includes gains on investments (mainly financing) of €35,158 thousand and interest accrued on non-consolidated ABS of €12,515 thousand.

1.2 Interest and similar income: other disclosures

1.2.1 Interest income on foreign currency financial assets

None.

1.3 Interest and similar expense: breakdown

(€'000)

Item/Technical form	Liabili-ties	Securi-ties	Other tran-sactions	2021	2020
1. Financial liabilities at amortised cost					
1.1 Due to central banks	399	x	-	399	-
1.2 Due to banks	2,850	x	-	2,850	560
1.3 Due to customers	17,120	x	-	17,120	18,093
1.4 Securities issued	x	299	-	299	4,058
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value through profit or loss	-	-	-	-	122
4. Other liabilities and provisions	x	x	-	-	-
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	-	-
Total	**20,369**	**299**	**-**	**20,669**	**22,833**
including: interest expense on lease liabilities	15			15	32

Interest expense is the cost of funding to the group companies, the most significant of which is that accrued on the Esagon deposits (€16,658 thousand).

1.4 Interest and similar expense: other disclosures

1.4.1 Interest expense on foreign currency liabilities

None.

1.5 Hedging gains and losses

None.

Section 2

Fees and commissions – Captions 40 and 50

2.1 Fee and commission income: breakdown

(€'000)

Type of services/Value	2021	2020
a) Financial instruments	-	-
1. Securities placement	-	-
1.1. Firm or irrevocable commitment underwriting	-	-
1.2. Without irrevocable commitment	-	-
2. Reception, transmission and execution of customer orders	-	-
2.1. Reception and transmission of orders for one or various financial instruments	-	-
2.2. Execution of customer orders	-	-
3. Other financial instruments-related services	-	-
b) Corporate Finance	-	-
1. M&A consulting	-	-
2. Treasury services	-	-
3. Other corporate finance-related services	-	-
c) Investment consulting	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Depository services	-	-
2. Other custody and administration-related services	-	-
f) Central administrative services for collective asset management	-	-
g) Fiduciary services	-	-
h) Payment services	-	-
1. Current accounts	-	-
2. Credit cards	-	-
3. Debit and other payment cards	-	-
4. Transfer and other payment orders	-	-
5. Other payment-related services	-	-
i) Distribution of third party services	-	-
1. Collective asset management	-	-
2. Insurance products	-	-
3. Other products	-	-
j) Structured finance	-	-
k) Servicing services for securitisations	-	249
l) Loan commitments	-	-
m) Financial guarantees given	-	-
n) Lending	123	-
including: factoring transactions	123	-
o) Foreign currency transactions	-	-
p) Commodities	-	-
q) Other	182	700
Total	**305**	**949**

2.2 Fee and commission expense: breakdown

(€'000)

Type of services/Value	2021	2020
a) Financial instruments	-	-
including: trading	-	-
including: placement	-	-
including: asset management	-	-
- Own portfolios	-	-
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Custody and administration	73	10
d) Collection and payment services	39	62
including: credit, debit and other payment cards	-	-
e) Servicing services for securitisations	-	-
f) Loan commitments	-	-
g) Financial guarantees received	9	2
including: credit derivatives	-	-
h) Off-premises distribution of financial instruments, products and	-	-
i) Foreign currency transactions	-	-
j) Other	2,150	2,671
Total	**2,271**	**2,745**

Fee and commission expense comprises the fees paid to banks for current account and security deposit account charges and commissions.

"Other" mainly includes fee and commission expense for master and special servicing services carried out by the Gardant Group on behalf of the parent and the SPVs from the demerger's effective date (1 August 2021).

Section 3

Dividends and similar income – Caption 70

None.

Section 4

Net trading loss – Caption 80

4.1 Net trading loss: breakdown

(€'000)

Transactions/Income components	Unrealised gains (A)	Trading income (B)	Unrealised losses (C)	Trading losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-
2.2 Financial liabilities	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
4. Derivatives	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives:	-	-	-	-	-
- On debt instruments and interest rates	-	-	-	-	-
- On equity instruments and equity indexes	-	-	(24)	-	(24)
- On currencies and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	-	-	-	-	-
Total	**-**	**-**	**(24)**	**-**	**(24)**

This caption includes the fair value loss on the call option for BE TC, as described in Section 2 - Financial assets at fair value through profit or loss: Financial assets held for trading.

Section 5

Net trading income – Caption 90

None.

Section 6

Net gain (loss) from sales/repurchases – Caption 100

None.

Section 7

Net loss on other financial assets and liabilities at fair value through profit or loss - Caption 110

7.1 Net loss on other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€'000)

Transactions/Income components	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	-	-	-	-	-
1.2 Financing	-	-	-	-	-
2. Financial liabilities					
2.1 Securities issued					
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	(2,087)	-	(2,087)
3. Foreign currency financial assets and liabilities: exchange gains	**x**	**x**	**x**	**x**	**x**
Total	**-**	**-**	**(2,087)**	**-**	**(2,087)**

This caption shows the fair value losses on the financial liabilities recognised in caption 30 of liabilities. It is mostly attributable to fair value losses on the deferred price of the Convento portfolio (€1,796 thousand).

7.2 Net loss on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

(€'000)

Transactions/Income components	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net loss [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt instruments	7	-	(4,726)	-	(4,719)
1.2 Equity instruments	-	-	(5)	-	(5)
1.3 OEIC units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
2. Foreign currency financial assets: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Total	**7**	**-**	**(4,731)**	**-**	**(4,724)**

Financial assets mandatorily measured at fair value include the notes issued by non-consolidated securitisation vehicles that did not pass the SPPI test. The group recognised net fair value losses of €4,719 thousand on financial assets at fair value. They include the amendments to the business plans.

Section 8

Net impairment losses/gains – Caption 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

(€'000)

Transactions/Income components	Impairment losses (1)						Impairment gains (2)				2021	2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			write-off	Other	write-off	Other						
A. Loans and receivables with banks												
- financing	-	-	-	-	-	-	220	-	-	-	220	(219)
- debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers:												
- financing	(156)	-	-	(3,176)	(5,089)	(11,965)	407	23	-	10,362	(9,594)	(8,853)
- debt instruments	-	(1,091)	-	-	-	-	189	.	.	.	(902)	927
C. Total	**(156)**	**(1,091)**	**-**	**(3,176)**	**(5,089)**	**(11,965)**	**816**	**23**	**-**	**10,362**	**(10,276)**	**(8,145)**

These net impairment losses mainly refer to the POCI loan portfolios acquired by the consolidated securitisation vehicles.

8.1A Net impairment gains on financial assets at amortised cost subject to Covid-19-related measures: breakdown

(€'000)

Transactions/Income components	Net impairment losses					2021	2020
			Stage 3		Impaired		
	Stage 1	Stage 2	write-off	Other	Other		
1. EBA-compliant moratoria	(38)	(112)	-	(4)	-	(154)	(769)
2. No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-
3. Other forbearance measures	-	-	-	-	-	-	-
4. New financing	-	-	-	-	-	-	-
Total	**(38)**	**(112)**	**-**	**(4)**	**-**	**(154)**	**(769)**

8.2 Net impairment losses/gains for credit risk associated with financial assets at fair value through other comprehensive income: breakdown

None.

Section 9

Modification gains/losses - Caption 140

None.

Section 10

Net premiums – Caption 160

None.

Section 11

Other net income/expense from insurance business - Caption 170

None.

Section 12

Administrative expenses – Caption 190

12.1 Personnel expense: breakdown

(€'000)

Type of expense/Value	2021	2020
1) Employees		
a) wages and salaries	4,572	3,517
b) social security contributions	1,487	1,017
c) termination benefits	-	-
d) pension costs	-	10
e) accrual for post-employment benefits	353	198
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	1,108	377
2) Other personnel	118	-
3) Directors and statutory auditors	554	360
Total	**8,192**	**5,479**

12.2 Average number of employees by category

Average number of employees - CF+ Group	
Managers	16.08
Junior managers	130.58
Other employees	104.42

At the reporting date, the group had 87 employees. The costs of employees transferred as part of the demerger are presented in caption 320 of the income statement "Post-tax profit from discontinued operations".

12.3 Defined benefit plans: costs and income

None

12.4 Other employee benefits

(€'000)

	2021	2020
MBO bonuses	354	223
Other bonuses	110	56
Insurance policies	274	50
Healthcare	16	-
Canteen subsidy and lunch vouchers	21	20
Refresher courses	12	-
Other long-term benefits	-	-
Other	321	28
Total	**1,108**	**377**

12.5 Other administrative expenses: breakdown

(€'000)

	2021	2020
Business development, ICT development and due diligences	1,035	2,111
Taxes and duties	1,708	1,543
Professional services	428	690
Sundry consultancies	9,686	4,275
Insurance	7	569
Building leases and management fees	359	210
Payroll services	39	47
IT costs	3,904	1,406
Maintenance	317	1,405
Audit fees	373	471
Rating agency fees	414	144
Posting and telephone	196	300
Furniture and hardware leases and rentals	-	17
Cleaning and related supplies 7	71	122
Information services	246	330
Pro rata deductible/non-deductible VAT	1,095	276
Contribution to resolution funds	220	155
Advertising	621	73
Sundry lease costs	309	346
Contribution to the Interbank Deposit Protection Fund	1,143	964
DOL customer assistance	-	795
Covid-19 sanitation material	120	1,657
Other	1,557	-
Total	**23,850**	**17,905**

In accordance with IFRS 16, it is noted that the group did not recognise costs for short-term leases (IFRS 16.53.c) or leases of low-value assets (IFRS 16.53.d) or variable lease payments not included in the measurement of the lease liabilities (IFRS 16.53.e).

Section 13

Net reversals of (accruals to) provisions for risks and charges – Caption 200

13.1 Net reversals of (accruals to) provisions for loan commitments and financial guarantees given: breakdown

None.

13.2 Net reversals of (accruals to) provisions for other commitments and other guarantees given: breakdown

None.

13.3 Net reversals of other provisions for risks and charges: breakdown

(€'000)

	2021	2020
Reversal of the provision for litigation	40	331
Total	**40**	**331**

Section 14

Depreciation and net impairment losses on property, equipment and investment property – Caption 210

14.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

(€'000)

Asset/Income component	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Total (a + b - c)
A. Property and equipment				
1. Property and equipment				
- owned	140	-	-	140
- right-of-use	200	-	-	200
2. Investment property				
- owned	-	-	-	-
- right-of-use	-	-	-	-
3. Inventories	X	-	-	-
Total	**340**	**-**	**-**	**340**

Section 15

Amortisation and net impairment losses on intangible assets – Caption 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

(€'000)

Income component	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Total (a + b - c)
A. Intangible assets				
A.1 Owned	306	-	-	306
- developed internally	-	-	-	-
- other	306	-	-	306
A.2 Right-of-use	-	-	-	-
Total	**306**	**-**	**-**	**306**

Section 16

Other operating expense, net – Caption 230

16.1 Other operating expense: breakdown

(€'000)

	2021	2020
Legal disputes	-	3,100
Irrecoverable VAT	-	-
Other	1,255	181
Total	**1,255**	**3,281**

16.2 Other operating income: breakdown

(€'000)

	2021	2020
Compensation	1,128	-
Cost recoveries from vehicles	58	-
Recovery of social security contributions	43	51
Smaller prior year expense	207	852
Sundry lease income	107	27
Legal cost recoveries	-	8
Other	188	468
Total	**1,731**	**1,406**

Compensation relates to the amounts paid by the originator of a securitisation to an SPV, which will be collected by the parent as the subscriber of the junior notes.

Section 17

Net losses on equity investments - Caption 250

(€'000)

Income component/Value	2021	2020
A. Income		
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Impairment gains	-	-
4. Other	-	-
B. Losses		
1. Fair value losses	600	-
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other	-	-
Net losses	**600**	**-**

Section 18

Net fair value gains (losses) on property, equipment, investment property and intangible assets - Caption 260

None.

Section 19

Impairment losses on goodwill - Caption 27

None.

Section 20

Net gain (loss) from sales of investments – Caption 280

None.

Section 21

Income taxes – Caption 300

21.1 Income taxes: breakdown

(€'000)

Income component/Value	2021	2020
Current taxes (-)	(21)	(95)
Change in current taxes from previous years (+/-)	-	-
Decrease in current taxes for the year (+)	-	-
Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
Change in deferred tax assets (+/-)	-	(2,640)
Change in deferred tax liabilities (+/-)	47	-
Tax benefit (expense) for the year (-) (-1+/-2+3+3bis+/-4+/-5)	27	(2,735)

21.2 Reconciliation between the theoretical and effective tax expense

The theoretical tax rate is 33.1% (IRES ordinary and surtax rate of 27.5% and IRAP rate of 5.6%).
Part B - Notes to the statement of financial position - Assets: Section 11 "Tax assets and liabilities" provides more information about deferred taxes.

Section 22

Post-tax profit from discontinued operations - Caption 320

22.1 Post-tax profit from discontinued operations: breakdown

(€'000)

Income component/Value	2021	2020
1. Income	72,108	102,062
2. Expense	(42,410)	(58,616)
3. Net unrealised losses on the disposal group and associated liabilities	(14,673)	(39,819)
4. Net gains (losses) on sales	-	-
5. Taxes and duties	1,268	13,072
Net profit	**16,293**	**16,699**

The 2021 post-tax profit from discontinued operations of €16.3 million includes:
• amounts accrued on the portfolios of Bramito, Palatino, Domizia, Tiberina, Resloc and Vetteover, control which was transferred as a result of the demerger, including interest income of €43.8 million and losses on sales of €6.7 million;
• interest expense of €3.5 million accrued on the financial liabilities at amortised cost associated with the assets transferred and the deconsolidated companies, including interest on issued securities subscribed by third parties;
• net fee and commission income of €24.9 million for servicing services provided by the parent (€9.6 million net of intragroup items) and CFLS (€15.3 million);
• operating costs of €43.2 million, mostly related to the parent and CFLS, which contributes personnel expense of €5.4 million, other administrative expenses of €1.9 million and depreciation, amortisation and impairment losses of €4.6 million on property, equipment and investment property and intangible assets, mostly due to the amortisation (€4.3 million).

Reference should be made to the "Financial performance and position" section of the directors' report for further information on Project 3.0.

22.2 Breakdown of income taxes on discontinued operations

(€'000)

	2021	2020
1. Current taxes (+/-)	2,750	(4,138)
2. Change in deferred tax assets (+/-)	-	15,135
3. Change in deferred tax liabilities (-/+)	(1,481)	2,075
4. Tax benefit for the year (+/-1+/-2+/-3)	**1,268**	**13,072**

Section 23

Profit for the year attributable to non-controlling interests – Caption 340

23.1 Profit for the year attributable to non-controlling interests

(€'000)

	2021	2020
Consolidated equity investments with significant non-controlling interests	-	-
CF Liberty Servicing S.p.A.	687	1,432
Other	-	-
Total	**687**	**1,432**

Section 25

Earnings per share

25.1 Average number of ordinary shares with dilutive effect

Pursuant to IAS 33.70.b), it is noted that the parent only has ordinary shares.

25.2 Other disclosures

Considering the disclosures required by paragraphs 68, 70.a)/c)/d) and 73 of IAS 33, the following is noted:
• there are no discontinued operations that would affect profit;
• there are no instruments that would affect calculation of the basic earnings and earnings attributable to the owners of the parent;
• there are no contingently issuable shares at the reporting date;
• components other than those provided for by IAS 33 were not used.

Part D: Comprehensive income

BREAKDOWN OF COMPREHENSIVE INCOME

(€'000)

	Items	2021	2020
10.	**Profit (loss) for the year**	**(6,152)**	**12,873**
	Other comprehensive income (expense) that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income:		
	a) Fair value gains (losses)	3,970	-
	b) Transfers to other equity items	-	-
30.	Financial liabilities at fair value through profit or loss (changes in own credit rating)		
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income:		
	a) Variazione di fair value (strumento coperto)	-	-
	b) Variazione di fair value (strumento di copertura)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(12)	(60)
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Related tax	(1,313)	16
	Other comprehensive income (expense) that will be reclassified to profit or loss		
110.	Hedges of investments in foreign operations:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Exchange gains (losses):		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	including: net gain (loss)	-	-
140.	Hedging instruments (non-designated items)		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:		
	a) fair value gains (losses)	-	(8)
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
160.	Non-current assets held for sale and disposal groups:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investees:		
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
180.	Related tax	-	-
190.	**Total other comprehensive income (expense)**	**2,645**	**(52)**
200.	**Comprehensive income (expense) (captions 10 + 190)**	**(3,507)**	**12,821**
210.	Comprehensive income attributable to non-controlling interests	687	1,427
220.	**Comprehensive income (expense) attributable to the owners of the parent**	**(4,194)**	**11,394**

Part E: Risks and hedging policies

Introduction

The Banca CF+ Group acknowledges the strategic importance of the internal control system, consisting of rules, procedures and structures designed to allow sustainable growth in line with the group's objectives by properly identifying, measuring, managing and monitoring its risks. The risk culture not only relates to the control functions but is disseminated throughout the group.

In particular, the group focuses on its capacity to identify and promptly analyse interrelations between the various risk categories.

As provided for by the current regulations, the board of directors, as it is also the body charged with strategic oversight, is responsible for defining and approving the parent's risk management policies and it is constantly informed about changes in the group's business risks. The managing director and general manager, as the body charged with managing the parent, is responsible for the implementation of the risk governance policies and for the adoption of all necessary measures to ensure the internal control system's compliance with applicable legislation and aids the development and spreading at all levels of an integrated risk culture for all different risk types and across the entire group structure. The board of statutory auditors supervises the completeness, functionality and adequacy of the internal control system and the risk appetite framework (RAF). It also monitors compliance with the regulations governing the banking sector, communicating the need for remedial actions to remedy weaknesses or irregularities, when necessary.

The supervisory body as per Legislative decree no. 231/01 checks that the organisational, management and control model, required by law, is operational and compliant.

The audit committee supports the board of directors with its monitoring of the governance and integrated management of the overall business risks to which the group is exposed.

This committee also acknowledges and expresses its opinion on the risk appetite statement (RAS) and RAF and carries out ongoing checks of any changes in business risks and compliance with the various types of risk assumption thresholds.

The internal audit department, which directly reports to the board of directors, checks that the business operations are carried out regularly and monitors changes in risks. It also assesses the completeness, functionality and adequacy of the organisational structures and other components of the internal control system. This department informs the internal bodies of any possible improvements, especially to the RAF or to the risk management process as well as to the risk measurement and control instruments.

The second-level control departments (risk strategy & management and compliance & AML departments) report directly to the managing director and general manager and to the board of directors.

The compliance & AML department:
• prevents and manages the risk of incurring judicial or administration sanctions, large financial losses or damage to the parent's reputation due to violations of imperative regulations or self-regulations;
• performs ongoing checks to ensure that the parent's procedures are suitable to prevent and thwart violations of imperative regulations or self-regulations on money laundering and the financing of terrorism;
• is responsible for the outsourced data protection activities.

The risk strategy & management department monitors all types of risk and provides a clear presentation of the group's total risk profile and its financial strength to the board of directors. The department assists with the definition and implementation of the RAF, the related risk governance policies, the various stages of risk management and the setting of risk taking limits.

The internal units that define organisational and control checks for cross-bank risks are an important part of the internal control system as are the individual operating offices in charge of implementing risk mitigation measures and achieving the strategic risk objectives, the tolerance threshold and operating limits defined and approved by the board of directors.

In order to provide comprehensive information, the actions taken by the group to address the Covid-19 phenomenon are summarised below.

Specifically, following the spread of the coronavirus in Italy and the related risks and uncertainties concerning both public health and the group's strategic and business operations, the group took the following actions:
– in order to protect the health of all its personnel, customers and suppliers, Banca CF+ implemented specific safety and monitoring protocols, introducing remote working as a precautionary measure;
– the Esagon promotional campaign for the funding service was launched solely in an online version;
– the possible impacts in terms of business process slowdowns as a result of both internal and external factors are constantly monitored by the group's management committees and governance bodies, in order to promptly update strategies and policies (including risk policies) in response to the changing context;
– the current and forward-looking internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) have been carried out taking into account the financial impacts of the spread of the coronavirus, in order to incorporate the most recent forecasting updates into the group's risk models, in accordance with the regulator's guidelines, as well as significant stress tests to assess the parent's resilience to possible new waves of the pandemic.

Furthermore, the spread of Covid-19 did not lead to any significant changes in the pursuit of the group's objectives and strategies.

Reference should be made to the Pillar 3 report for the disclosure required by EBA guidelines of 2 June 2020.

Section 1 – IFRS CONSOLIDATION RISKS

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Performing and non-performing exposures: carrying amount, impairment losses, performance, business and geographical breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

(€'000)

Portfolios/quality	Bad exposures	Unlikely to pay exposures	Nonperforming past due exposures	Other performing Portfolios/quality exposures	Non-performing exposures	Total
1. Financial assets at amortised cost	58,073	34,341	61,973	-	438,833	593,220
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets at fair value through profit or loss	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	131,473	131,473
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2021	**58,073**	**34,341**	**61,973**	**-**	**570,306**	**724,693**
Total 31/12/2020	**546,871**	**160,412**	**65,038**	**-**	**615,732**	**1,388,053**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

(€'000)

Portfolios/quality	Non-performing				performing			
	Gross amount	Total impairment losses	Carrying amount	Partial/total write-offs (*)	Gross amount	Total impairment losses	Carrying amount	Total (carrying amount)
1. Financial assets at amortised cost	173,096	(18,709)	154,387	(5,956)	442,345	(3,512)	438,833	593,220
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets at fair value through profit or loss	-	-	-	-	x	x	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	x	x	131,473	131,473
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2021	**173,096**	**(18,709)**	**154,387**	**(5,956)**	**442,345**	**(3,512)**	**570,306**	**724,693**
Total 31/12/2020	**814,625**	**(42,304)**	**772,321**	**(5,333)**	**492,799**	**2,179**	**615,732**	**1,388,053**

**To be shown for disclosure purposes*

(€'000)

Portfolios/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	614
2. Hedging derivatives	-	-	-
Total 31/12/2021	**-**	**-**	**614**
Total 31/12/2020	**-**	**-**	**638**

B. Structured entities (other than securitisation vehicles)

Nothing to report.

Section 2 – PRUDENTIAL CONSOLIDATION RISK

1.1 Credit risk

QUALITATIVE DISCLOSURE

1. General information

Credit risk mostly arises on the parent's previous business of investing in securities, loans or securitisation notes and its new core business (lending to SMEs). Given that its debt purchasing and debt servicing businesses were demerged on 1 August 2021, the group continued managing ABS and the underlying illiquid and non-performing loans in 2021, supported by its servicers, making insignificant purchases of securitisation securities with loans as the underlying. It continued to purchase tax assets through Convento SPV S.r.l. and steadily rolled out its new factoring business, whose portfolio volumes, however, were still small at the reporting date.

The parent's assumption of credit risk is designed to:
– achieve its growth objective for sustainable lending activities in line with its risk appetite and the creation of value;
– diversify its portfolio, limit its exposure to individual counterparties/groups, business or geographical segments;
– efficiently select economic groups and individual customers by carefully analysing their credit standing in order to take on credit risk in line with its risk appetite.

The parent's continued monitoring of the quality of its loan portfolio includes adopting precise operating methods for each stage of the credit disbursement process.

As of 1 January 2021, the new definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of Regulation (EU) 575/2013) came into force. The new definition introduces criteria that are, in some cases, more stringent than those provided to date.

The definition of default concerns the way in which banks and financial intermediaries must classify customers for prudential purposes. The new definition of default provides that, for the purposes of calculating the minimum regulatory capital requirements for banks and financial intermediaries, debtors are classified as impaired (default) if at least one of the following conditions is met:
a) the obligor is more than 90 days (in some cases 180 days, e.g., government) in arrears on a material obligation;
b) the parent considers that it is unlikely that the obligor will perform its obligation in full without recourse to actions such as the enforcement of collaterals.

Condition b) was already in force and has not changed with the introduction of the new definition of default. With respect to condition a), a past due debt should be considered material when the amount of the arrears exceeds both of the following thresholds:
i) €100 for retail exposures and €500 for non-retail exposures (absolute materiality threshold);
ii) 1% of the total exposure to the counterparty (relative materiality threshold).

Once both thresholds are exceeded, 90 (or 180) consecutive days of past due status are counted, beyond which the debtor is classified as in default for the entire exposure. The main changes include the elimination of the possibility of offsetting past due amounts against existing and unused credit lines (available amounts). To do this, the debtor must take action, using the unused credit lines to make past due payments.

In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with class-3 assets, the group measures counterparty risk in current and forward looking perspectives using the standard method for regulatory purposes.

2. Credit risk management policies

2.1 Organisational aspects

A fundamental role in managing and controlling credit risk is played by the internal bodies that, properly assisted by the control departments and each according to its duties, ensure the proper monitoring of credit risk. They identify the strategies to be taken and the risk management policies, checking continuously their efficiency and effectiveness. The internal bodies also define the duties and responsibilities of the departments and units involved in the process.

This monitoring and checking of credit quality, ensured by the internal bodies, is reflected in the parent's current organisational structure with the allocation of specific responsibilities that guarantee that risks are managed and monitored at various levels.

The board of directors defines the guidelines for taking on risk and the lending policies which include, inter alia, guidance about the guarantees accepted to mitigate risk.

The operating departments carry out the first level controls regularly and systematically to ensure that the parent operates correctly. Specifically, They carry out credit rating checks and checks of the collateral, while the relevant unit checks that the transaction complies with both ruling regulations and internal policies. New risk taking activities after the completion of the demerger on 1 August 2021 were contained and mainly related to the purchase of tax assets and new factoring transactions. In this respect, the following checks are carried out:
– thorough due diligence activities to confirm the existence of a tax asset, assess the transferor's credit risk and potential claw back risk and forecast collections;

– an assessment of credit rating (of both the transferors and the transferred debtors) based on at least an analysis of the counterparty's financial statements, sector and business plan and that of its legal group (if any), an analysis of the credit information centre data, a check of protested bills, prejudicial events and any adverse conditions. Moreover, a check of the counterparty's reporting quality assessment provided by credit rating agencies supports the preliminary investigation and credit assessment. In addition, specific transaction-based assessments are carried out (e.g., claw back risk assessment in the case of factoring with distressed transferors with a performing loan portfolio).

The group also monitors the performance of its credit exposures in order to ensure proactive customer relationship management and the prevention of credit deterioration, as well as the classification of the exposures in line with regulations. The management of non-performing exposures retained after the demerger completion has been outsourced to specialised servicers reporting to the chief lending officer.

The risk management department carries out the second level controls:
– it checks the group's risk profile once a quarter, identifying any critical issues or deviations from the set risk objectives and reporting them to the internal bodies and audit committee;
– it monitors the loan portfolio quality reporting its findings to the internal bodies and the audit committee and checking any irregularities with the relevant internal bodies;
– it checks that the performance of individual credit exposures is monitored correctly and the adequacy of the related provisioning, the customer due diligences, their classification, the collection process and the risks of applying credit risk mitigation techniques;
– it checks compliance with the risk limits defined in line with the parent's risk appetite.

The internal audit department performs the third level controls and makes sure that the entire process is carried out correctly through:
– remote checks, designed to ensure the orderly monitoring and analysis of credit risks as well as spot checks of the exposures' performance and potential risks in order to agree how and when to intervene if necessary;
– on-the-spot checks, designed to check the operating, accounting and administrative procedures are performed correctly and to check the security, correctness and compliance of the staff's conduct and management practices.
– checks of processes and procedures to assist internal bodies introduce the organisational model by performing analyses of its impact on the internal controls.

2.2 Management, measurement and control systems

Credit risk is the risk that the group may incur losses if its counterparty, beneficiary of a loan or issuer of a financial obligation (bonds, securities, etc.) is unable to meet its commitments (payment of interest and/or repayment of principal on time and any other amounts due) (default risk). Credit risk also includes the potential loss arising from the default of a borrower/issuer or a drop in market value of a financial obligation due to deterioration in its credit quality.

2.3. Measurement of expected credit losses

IFRS 9 introduced three approaches:
1. the general approach, whereby entities recognise 12-month ECL (stage 1) or lifetime ECL (stages 2 and 3);
2. the purchased or originated credit-impaired (POCI) approach, whereby entities recognise the accumulated change in lifetime ECL since initial recognition at each reporting date;
3. the simplified approach for trade receivables or financial assets that do not contain a significant financing component under IFRS 15, whereby entities can elect to recognise lifetime ECL rather than 12-month ECL.

The group measures the ECL through the following steps:

Staging exposures

This is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed.

The purpose of staging exposures is to identify impairment before the occurrence of a default event, i.e., before the exposure becomes non-performing and is, therefore, subject to individual impairment.

Indeed, under IFRS 9, at each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. Specifically, based on the increase in their credit risk during the reporting period, financial assets are classified into the following stages:
• stage 1: this includes all performing financial assets whose credit risk, at the staging date, has not significantly increased since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL;
• stage 2: this includes all performing financial assets whose credit risk, at the staging date, has significantly increased since initial recognition. For financial assets in stage 2, entities are required to recognise lifetime ECL;
• stage 3: this includes all credit-impaired financial assets, comprising those past due by over 90 days, regardless of the amount. Moreover, stage 3 includes all tranches associated with securities in default.

The group has defined the trigger events to determine whether its financial assets' credit risk has increased significantly since initial recognition at the reporting date. If this is the case for stage 1 performing financial assets, they are reclassified to stage 2. The group identified the trigger events considering the particular nature of its financial assets.

In the case of ABS, the trigger events are as follows:
• net collections 20% lower than those forecast in the business plan;
• a 3-notch decrease in the external rating of listed securities, if this decrease does not directly lead to classification as stage 3 (junk grade);
• business plan reviewed downward by over 20% of the net recoverable amount, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3;
• business plan reviewed by extending the recovery timing by over three years, if the new business plan does not lead to the write-off of the junior and mezzanine securities measured at fair value that are part of the same transaction, if any. In this case, the affected financial assets are directly transferred to stage 3.

The trigger events of other securities (other than government bonds, to which the low credit risk exemption is applied) are:
• a 3-notch decrease in the external rating down to BBB+, a 2-notch decrease from BBB to BBB- and a 1-notch decrease, as long as it does not directly lead to classification as stage 3;
• analytical risk assessment of the instrument (issuer risk, country risk, etc.).

In the case of customer financing (loans, subsidies, leases and factoring), the trigger events are as follows:
• more than 30 days past due;
• forborne performing.

In the case of loans and receivables with banks, the trigger events are as follows:
• a 3-notch decrease in the counterparty's external rating or, if not available, in the counterparty's country's rating, down to BBB+, a 2-notch decrease from BBB to BBB- and a 2-notch decrease, as long as it does not directly lead to classification as stage 3 (junk grade);
• analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

Exposures with irregular repayments are classified in different categories depending on the risk level.

Non-performing exposures (stage 3) can be split into:
– non-performing overdrawn/past due exposures: on and off-statement of financial position exposures other than bad exposures or unlikely to pay exposures that are past due or overdue by more than 90 days at the reporting date;
– unlikely to pay: on and off-statement of financial position exposures classified as such given that the group does not expect the borrower will be able to fully meet its commitments (principal and/or interest) without resorting to actions such as asset foreclosure;
– bad exposures: on and off-statement of financial position exposures to borrowers that are insolvent (even if not

legally certified as such) or in substantially similar situations regardless of the group's estimates about probable losses.

Each of the above categories may also be classified as forborne non-performing exposures.

Both performing and non-performing exposures can be classified as forborne when the following regulatory conditions are met:
– modification of the previous terms and conditions of the contract and/or the total or partial refinancing of the exposure;
– confirmation at the forbearance resolution date that the customer is facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). This condition is automatically deemed to be met in the case of a non-performing exposure but has to be based on a specific valuation of the customer in the case of a performing exposure.

Calculation of impairment
Impairment testing aims at identifying impairment losses due to deterioration in the counterparty's credit rating in a timely manner by using appropriate models to determine their amount.

The group has recognised a loss allowance for expected credit losses on:
– financial assets at amortised cost: ABS, loans and receivables with customers, including those arising from leases and factoring, and loans and receivables with banks;
– receivables from contracts with customers covered by IFRS 15.

The measurement of ABS' ECL considers reasonable and supportable information that is available without undue cost or effort at the reporting date. The group's sources of information are both internal and external, such as rating agencies' publications about default rates for the calculation of multi-period PD, using a senior unsecured LGD rate of 45%.

The PD of customer financing is calculated using the adjusted default rates published by Bank of Italy. When the group does not have its own credit collection historical figures, it applies a simplified approach using the 45% LGD rate applicable to senior exposures without eligible collateral (article 161 of Regulation (EU) no. 575/2013).

The fine-tuning of the valuation models, aimed at continuously improving the ability to intercept the effects of the changing macroeconomic scenario as well as at introducing the necessary additions made necessary by the roll out of the new business (i.e., the factoring product) continued during 2021.

Specifically, the financial assets accounting treatment policy has been supplemented to introduce the impairment model for the first factoring lending transactions, which mainly occurred at the end of the year, and to improve the forward looking factor calculation model.

The Merton model has been introduced for the calculation of the forward looking factor, since it is believed to more adequately reflect the new bank. The adoption of this model enables the application of a specific forward looking measure for ABS different to that applied to other types of loans and receivables with customers (loans, subsidies, personal loans and factoring loans) by comparing the adjusted default rates of financial companies, in the first case, and non-financial companies, in the second case (idiosyncratic volatility proxy) to the real GDP growth (systemic component). This adjustment had no material impact on the measurement of collective impairment losses for 2021.

In accordance with IFRS 9, the group recalculates ECL at each reporting date:
– assessing any changes in the financial instrument's credit risk since initial recognition, in order to account for a significant increase in credit risk;
– using multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify the lifetime ECL on financial instruments whose credit risk has increased significantly since initial recognition;
– considering forward looking information and macroeconomic factors in calculating the ECL.

Non-performing loans and receivables (bad, unlikely to pay and overdue or past due) are tested for impairment individually. The impairment loss is calculated by discounting the expected future cash flows of principal and interest net of recovery costs considering any guarantees.

The group assesses its credit-impaired exposures analytically depending on the nature of the assessed asset:
• customer financing: the impairment losses are calculated as the difference between the non-performing exposures' carrying amount and the expected recoverable amount of the assets pledged as guarantee, discounted based on the estimated recovery date and the contractual interest date, equal to the amount recognised immediately before the reclassification date. The group's core business includes granting loans secured by cash collateral. In this case, there is no default risk on the collateralised exposure and, therefore, the impairment is solely calculated on the portion at risk;
• POCI exposures: the impairment losses are calculated as the difference between the individual portfolios' carrying amount and their expected recoverable amount based on the underlying business plan;
• ABS: the impairment losses are the higher of those calculated using the approach described for stages 1 and 2 exposures and their expected recoverable amount based on the underlying business plan;
• leases: the impairment losses are calculated individually by assessing their recoverability considering issuer risk.

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the financial assets every six months or more frequently, if appropriate.

The group checks that the impairment losses on loans is adequate including by comparing its portfolio with the average banking sector data and revising the methods used to calculate recovery forecasts based on the results of its recovery procedures, which account for the effects of the ongoing pandemic (court-appointed experts' appraisals, prices set for auctions and sales prices at auctions).

Impairment losses on problematic loans and receivables are reversed only when their quality has improved to the point that the bank is reasonably certain that it will recover principal and interest and/or has collected amounts greater than the exposure's carrying amount. Depending on the method used to calculate the impairment loss, the proximity to the deadline for collection of the exposure due to the passage of time gives rise to a reversal of impairment losses as it implies a reduction in the unrealised interest expense previously used to decrease the loans and receivables.

Impacts of the Covid-19 pandemic
With regard to the classification of exposures, the pandemic has primarily led to the need, acknowledged by the banking system and institutions (governments and regulators), to grant customers with performing exposures generalised measures to suspend payments (moratoria) with simplified procedures and without penalising those involved, i.e., banks and customers. These measures, partly governed by national rules and partly decided independently by banks, were subject to a specific regulation, summarised in the specific EBA Guidelines ("Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis").

The parent has adopted the provisions of the legislation issued by the regulators (ECB, EBA, Bank of Italy), although only a few of its customers have applied for a moratorium (especially after the completion of the demerger).

Measurement of expected credit losses
IFRS 9 requires an entity to consider relevant forward looking information when measuring credit impairment and not only historical and current information, as it deems that it can affect the recoverability of the credit exposures.

Accordingly, the group considered the following:
• its update of the macro-economic scenarios, using a baseline, a best and an adverse scenario:

• **baseline**: based on the 2022-2024 macroeconomic projections for Italy prepared by Bank of Italy's experts as part of the Eurosystem's coordinated exercise (see "Macroeconomic Projections for the Italian Economy", 17 December 2021);
• **adverse**: in this case, the 2022-2024 Italian GDP growth rates used in the baseline scenario have been reduced in line with the expected change between the baseline and adverse scenarios of the Euro Area reported in the ECB report "Eurosystem staff macroeconomic projections for the euro area";
• **best**: in this case, the 2022-2024 Italian GDP growth rates used in the baseline scenario have been revised in line with the expected change between the baseline and best scenarios of the Euro Area reported in the ECB report "Eurosystem staff macroeconomic projections for the euro area";

• the review of the business plans for the POCI portfolios, primarily due to the postponement of the collection dates.

2.4. Credit risk mitigation techniques

In order to mitigate credit risk in line with the regulations, the group uses the CRM (Credit Risk Mitigation) techniques, set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, and Regulation (EU) no. 575/2013 (Capital Requirements Regulation – CRR).

Specifically, the group makes use of personal guarantees (sureties, personal guarantees, credit derivatives), financial collateral (liens on cash and/or listed securities and master netting agreements) and property collateral (residential and non-residential property mortgages).

The group has specific procedures to efficiently manage risk covering the various stages involved (from acquisition of the individual guarantees to their execution as well as the more operational aspects for their management) and to identify the relevant internal process owners.

The acquisition of collateral is subject to internal regulations and processes to value the asset, finalise the guarantee and check its value in line with market best practices and supervisory regulations. Specialist workout units foreclose the assets, if necessary.

Even when the exposures are secured by collateral, the group is still required to measure credit risk, focusing on the borrower's capacity to meet its obligations without considering the guarantee.

3. Non-performing exposures

3.1. Management strategies and policies
At the reporting date, the group's non-performing exposures were almost entirely credit-impaired when it purchased them (bad or UTP exposures, mostly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or directly.

Through its securitisation vehicles, the group purchased financial assets at a discount compared to their nominal amount in order to collect the related contractual cash flows.

The risk is managed at the initial stage of the transaction, by carrying out due diligences, and thereafter, with the assistance of the servicers, by regularly analysing and updating the business plans underlying the individual securitisation portfolios and/or the individual purchase exposures.

3.2. Write-offs

The group reduces the carrying amount of a non-performing exposure when it has no reasonable expectations of recovering it in its entirety or a portion thereof (total/partial write-offs), e.g., in the following cases:
a) irrecoverability, based on certain and precise elements (such as, for example, the debtor being untraceable or destitute, non-recovery from foreclosure of movable and immovable property, unsuccessful seizures, bankruptcy proceedings ended with an incomplete settlement of the bank's claim, if there are no further enforceable guarantees, etc.);
b) transfers;
c) waivers, as a result of unilateral debt forgiveness or residual under settlement agreements;
d) without waivers. In order to avoid retaining in the statement of financial position financial assets that continue to be managed by the credit collection departments but that have a very low chance of being recovered, all or part of their carrying amount is written off due to its irrecoverability even when the related legal case has not been terminated. The write-off may only affect the portion of a financial asset covered by a loss allowance; therefore, each financial asset may be written off to the extent of its carrying amount.

3.3 Purchased or originated credit-impaired financial assets

As described earlier, at the reporting date, the group's non-performing exposures were almost entirely credit-impaired when it purchased them (bad or UTP exposures, mostly SME property loans), either as part of securitisations carried out by other banks or financial brokers (e.g., lease companies) or directly by the parent.

The parent acquired these financial assets to collect the related cash flows (HTC business model).

As already described, the group calculates the expected credit losses on POCI exposures as the difference between the net present value of their future cash flows (through credit collection activities less related legal costs) discounted at the transaction's interest rate (IRR) calculated at inception and the gross amount of the purchased exposures (i.e., the purchase price less collections plus interest calculated using the transaction's IRR).

Supported by the information provided by the servicers, the parent revises the business plans used for the measurement of the financial assets every six months or more frequently, if appropriate.

As the department in charge of performing the second level controls, once every six months, the risk strategy & management department checks that the business plan reviews of all portfolios coordinated by the P&C and portfolio management office and carried out by external servicers has been carried out using a systematic and accurate review process (individual and/or collective) of collection flow projections.

At this time, the risk strategy & management department reviews the underlying assumptions by position clusters (defined according to uniform categories of strategy/recovery phase), where they are applied collectively to all portfolios/positions not pipelined by the manager.

The department is informed of the above assumptions in special meetings with the P&C and portfolio management office and, where it deems it appropriate, carries out an in-depth analysis of certain portfolios/positions, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

In 2021, the business plan review has again been affected by the Covid-19 pandemic, whose impacts have been especially the delay of enforcement procedures and general collection timing, which led to a significant portion of the impairment losses recognised during the year.

A breakdown of actual collections compared to the related recovery plans, the portfolios' nominal amount and purchase price by portfolio of similar purchased financial assets of consolidated vehicles is set out below:

(€'000)

Vehicle	Actual collections	Original BP collections	Variation	Variation %	Securitised assets		
					Carrying amount	Purchase price	Nominal amount
Bank loans	62,460	53,671	8,789	16.37%	57,446	63,644	226,158
Leases	18,418	24,776	(6,357)	(25.66%)	20,414	49,057	292,288
Trade receivables	16,903	13,497	3,406	25.23%	37,064	53,016	143,392

The above table includes exposures recognised as financial assets at amortised cost and non-current assets held for sale and disposal groups.

4. Renegotiated financial assets and forborne exposures

None.

Following the urgent measures on public health protection, support to workers and businesses, justice and security, related to the Covid-19 epidemiological emergency issued by the government and the European Central Bank, the figures from the latest supervisory moratoria report at 31 December 2021 on the number of applications for moratoria received, approved and rejected as of 28 February 2020, including SPVs managed by the parent, are set out below:

	Applications received		Of which: approved		Of which: rejected		Of which: not yet processed	
	Number of applications	Gross carrying amount Total exposure (€'m) €)	Number of applications	Gross carrying amount Total exposure (€'m) €)	Number of applications	Gross carrying amount Total exposure (€'m) €)	Number of applications	Gross carrying amount Total exposure (€'m) €)
Table 1								
Total applications	39	30	39	30	-	-	-	-
Of which: Non-financial companies	36	28	36	28	-	-	-	-
Of which: Small and medium-sized entities ("SMES")	30	20	30	20	-	-	-	-
Of which: Loans collateralised by commercial immovable property	36	28	36	28	-	-	-	-
Of which: Households	3	3	3	3	-	-	-	-
Of which: Loans collateralised by residential immovable property	1	0	1	0	-	-	-	-
Of which: Credit for consumption	-	-	-	-	-	-	-	-
Table 2 - Decree law no. 18 of 17 March 2020 (converted by Law no. 27 of 30 April 2020)								
Article 56.2.a SMEs	-	-	-	-	-	-	-	-
Article 56.2.b SMEs	-	-	-	-	-	-	-	-
Article 56.2.c SMEs	30	17	30	17	-	-	-	-
Article 54 Retail/households	-	-	-	-	-	-	-	-
Article 54-quater Usury victims	-	-	-	-	-	-	-	-
Table 3 - ABI and ASSOFIN moratoria								
ABI "Imprese in Ripresa 2.0" BUSINESSES	-	-	-	-	-	-	-	-
ABI - 21 April 2020 Retail/households	-	-	-	-	-	-	-	-
Assofin - Credit for consumption Retail/households	-	-	-	-	-	-	-	-
Other applications compliant with EBA guidelines' "General payment moratorium" definition	8	10	8	10	-	-	-	-

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 Performing and non-performing exposures: carrying amount, impairment losses, performance, business and geographical breakdown

A.1.1 Prudential consolidation - Breakdown of financial assets by past due bracket (carrying amounts)

(€'000)

	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days
1. Financial assets at amortised cost	4	-	40	-	-	360	200	-	665	461	121	112,354
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**4**	**-**	**40**	**-**	**-**	**360**	**200**	**-**	**665**	**461**	**121**	**112,354**
Total 31/12/2020	**3**	**-**	**-**	**1,304**	**349**	**441**	**-**	**-**	**3,909**	**1,941**	**681**	**773,788**

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (seventh update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.1.2 Prudential consolidation - Financial assets, loan commitments and financial guarantees given: total impairment losses and provisioning

(€'000)

Cause/ risk stage	Total impairment losses																							Total provisioning on loan commitments Stage 1 and financial guarantees given				
	Stage 1						Stage 2						Stage 3						Purchased or originated credit-impaired financial assets									
	Financial assets at amortised cost on demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost on demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost on demand loans and receivables with banks and central banks	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Loan commitments and financial guarantees given purchased or originated credit -impaired	Total
Opening balance	**(351)**	**(1,276)**	**-**	**(200)**	**-**	**(1,827)**	**-**	**(107)**	**-**	**(202)**	**-**	**(309)**	**-**	**(24)**	**-**	**(688)**	**(712)**	**-**	**(4,453)**	**-**	**(36,145)**	**(40,598)**	**-**	**-**	**-**	**-**	**-**	**(43,446)**
Increase in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses/gains for credit risk (+/-)	218	(1,743)	-	-	-	(1,525)	-	(906)	-	-	-	(906)	-	(42)	-	-	(42)	-	(9,387)	-	-	(9,387)	-	-	-	-	-	(11,861)
Modification gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	87	317	-	200	-	604	-	(288)	-	202	-	(86)	-	(69)	-	688	619	-	(4,242)	-	36,145	31,903	-	-	-	-		33,040
Closing balance	**(45)**	**(2,703)**	**-**	**-**	**-**	**(2,748)**	**-**	**(1,301)**	**-**	**-**	**-**	**(1,301)**	**-**	**(136)**	**-**	**-**	**(136)**	**-**	**(18,082)**	**-**	**-**	**(18,082)**	**-**	**-**	**-**	**-**		**(22,267)**
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,956)	-	-	-	-	-	-

A.1.3 Prudential consolidation - Financial assets, loan commitments and financial guarantees given: transfers among the various credit risk stages (gross amount and nominal amount)

(€'000)

	Gross/nominal amounts					
	Transfer between stage 1 and 2		Transfer between stage 2 and 3		Transfer between stage 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	92,422	629	278	39	76	96
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	-	-	-	-	-	-
Total 31/12/2021	**92,422**	**629**	**278**	**39**	**76**	**96**
Total 31/12/2020	**378**	**1,742**	**15,478**	**-**	**12**	**-**

A.1.3a Financing subject to Covid-19-related measures: transfers among the various credit risk stages (gross amount and nominal amount)

(€'000)

Portfolio/Quality	Gross/nominal amounts					
	Transfer between stage 1 and 2		Transfer between stage 2 and 3		Transfer between stage 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Financing at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
A.1 EBA-compliant moratoria	1,309	111	278	-	-	-
A.2 No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-
A.3 Other forbearance measures	-	-	-	-	-	-
A.4 New financing	-		-	-	-	-
B. Financing measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 EBA-compliant moratoria	-	-	-	-	-	-
A.2 No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-
A.3 Other forbearance measures	-	-	-	-	-	-
A.4 New financing	-	-	-	-	-	-
Total 31/12/2021	**1,309**	**111**	**278**	**-**	**-**	**-**
Total 31/12/2020	**356**	**1,262**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation - On- and off-statement of financial position exposures with banks: gross amount and carrying amount

(€'000)

Type of exposure/Value	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/ total write offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated creditimpaired		Stage 1	Stage 2	Stage 3	Purchased or originated creditimpaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
A.1 ON DEMAND												
a) Non-performing		**x**					**x**					
b) Performing	**78,673**	**78,673**		**x**		**(44)**	**(44)**		**x**		**78,629**	
A.2 OTHER												
a) Bad exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
b) Unlikely to pay exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
c) Non-performing past due exposures	-	x					x				-	-
- including: forborne exposures	-	x					x				-	-
d) Performing past due exposures				x					x			
- including: forborne exposures				x					x			
e) Other performing exposures	3,304	3,304		x		(1)	(1)		x		3,303	
- including: forborne exposures				x					x			
TOTAL (A)	**81,977**	**81,977**				**(45)**	**(45)**				**81,931**	
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing		x					x					
b) Performing				x					x			
TOTAL (B)												
TOTAL (A+B)	**81,977**	**81,977**	**-**	**-**	**-**	**(45)**	**(45)**	**-**	**-**	**-**	**81,931**	**-**

* To be shown for disclosure purposes

A.1.5 Prudential consolidation - On- and off-statement of financial position exposures with customers: gross amount and carrying amount

(€'000)

Type of exposure/Value	Gross amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total impairment losses and provisioning	Stage 1	Stage 2	Stage 3	originated crediti-mpaired	Carrying amount	Partial/total write offs*
A. ON-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	70,817	x	-	51	70,766	(12,744)	x		(51)	(12,693)	58,073	(5,811)
- including: forborne exposures	8,334	x	-	-	8,334	(1,670)	x	-	-	(1,670)	6,664	(500)
b) Unlikely to pay exposures	41,375	x	-	3,419	37,956	(7,034)	x	-	(65)	(6,969)	34,341	(145)
- including: forborne exposures	14,135	x	-	202	13,933	(2,983)	x	-	(3)	(2,981)	11,152	(8)
c) Non-performing past due exposures	60,904	x	-	429	60,475	1,069	x	-	(20)	1,089	61,973	-
- including: forborne exposures	1	x	-	-	1	119	x	-	-	119	120	-
d) Performing past due exposures	689	423	-	x	266	473	(19)	-	x	492	1,162	-
- including: forborne exposures	266	-	-	x	266	492	-	-	x	492	758	-
e) Other performing exposures	569,828	476,041	93,787	x	-	(3,984)	(2,683)	(1,301)	x	-	565,844	-
- including: forborne exposures	39	-	39	x	-	-	-	-	x	-	38	-
TOTAL (A)	**743,613**	**476,464**	**93,787**	**3,899**	**169,463**	**(22,221)**	**(2,703)**	**(1,301)**	**(136)**	**(18,082)**	**721,392**	**(5,956)**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing	-	x	-	-	-	-	x	-	-	-	-	-
b) Performing	6,668	6,668	-	x	-	-	-	-	x	-	6,668	-
TOTAL (B)	**6,668**	**6,668**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,668**	**-**
TOTAL (A+B)	**750,281**	**483,132**	**93,787**	**3,899**	**169,463**	**(22,221)**	**(2,703)**	**(1,301)**	**(136)**	**(18,082)**	**728,060**	**(5,956)**

* *To be shown for disclosure purposes*

The on-statement of financial position exposures include the credit-impaired loan and lease portfolios directly purchased by the group and the consolidated SPVs' portfolios.

A.1.5a Exposures subject to Covid-19-related measures: gross amount and carrying amount

(€'000)

Type of exposure/Value	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/total write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. BAD EXPOSURES												
a) EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY EXPOSURES												
a) EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	5,268	-	-	2,932	2,336	(700)	-	-	(37)	(663)	4,568	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE EXPOSURES												
a) EBA-compliant moratoria	278	-	-	278	-	(4)	-	-	(4)	-	275	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
D. PERFORMING PAST DUE EXPOSURES												
a) EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING EXPOSURES												
a) EBA-compliant moratoria	3,419	1,893	1,526	-	-	(96)	(24)	(71)	-	-	3,323	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	2,083	1,053	1,030	-	-	(55)	(14)	(41)	-	-	2,028	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**11,047**	**2,945**	**2,556**	**3,210**	**2,336**	**(854)**	**(38)**	**(112)**	**(41)**	**(663)**	**10,193**	**-**

* *To be shown for disclosure purposes*

A.1.6 Prudential consolidation - On-statement of financial position exposures with banks: gross non-performing exposures

None

A.1.6bis Prudential consolidation - On-statement of financial position exposures with banks: gross forborne exposures broken down by credit quality

None

A.1.7 Prudential consolidation - On-statement of financial position exposures with customers: gross non-performing exposures

(€'000)

Description/Category	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**590,280**	**161,891**	**62,454**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**33,915**	**6,100**	**9,036**
B.1 from performing exposures	-	1,599	293
B.2 from purchased or originated credit-impaired exposures	18,482	228	454
B.3 transfers from other non-performing categories	1,471	-	61
B.4 modification losses	-	-	-
B.5 other increases	13,962	4,273	8,229
C. Decreases	**(553,377)**	**(126,616)**	**(10,586)**
C.1 to performing exposures	-	(153)	(10)
C.2 write-offs	(4,937)	(152)	-
C.3 collections	(24,888)	(3,922)	(8,436)
C.4 sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing categories	-	(1,511)	(21)
C.7 modification gains	-	-	-
C.8 other decreases	(523,553)	(120,878)	(2,119)
D. Gross closing balance	**70,817**	**41,375**	**60,904**
- including: exposures transferred but not derecognised	-	-	-

Other decreases include the SPVs' portfolios demerged to the Gardant Group.

A.1.7bis Prudential consolidation - On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

(€'000)

Cause/quality	Forborne non-performing exposures	Forborne performing exposures
A. Gross opening balance	**83,069**	**10,873**
- including: exposures transferred but not derecognised	-	-
B. Increases	**1,927**	**36**
B.1 from non-forborne performing exposures	-	-
B.2 from forborne performing exposures	44	-
B.3 from forborne non-performing exposures	x	x
B.4 from non-forborne non-performing exposures	-	-
B.5 other increases	1,883	36
C. Decreases	**(62,728)**	**(10,614)**
C.1 to non-forborne performing exposures	-	-
C.2 to forborne performing exposures	(40)	-
C.3 to forborne non-performing exposures	x	x
C.4 write-offs	-	-
C.5 collections	(2,738)	(98)
C.6 sales	(5)	(8)
C.7 losses on sales	-	-
C.8 other decreases	(59,944)	(10,508)
D. Gross closing balance	**22,268**	**295**
- including: exposures transferred but not derecognised	-	-

A.1.8 Prudential consolidation - On-statement of financial position non-performing exposures with banks: changes in impaired positions

None

A.1.9 Prudential consolidation - On-statement of financial position non-performing exposures with customers: changes in impaired positions

(€'000)

Description/Category	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	including: forborne exposures	Total	including: forborne exposures	Total	including: forborne exposures
A. Opening balance	**43,409**	**6,817**	**1,478**	**670**	**(2,584)**	**(73)**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**17,607**	**2,590**	**7,905**	**2,651**	**1,616**	**194**
B.1 from purchased or originated credit-impaired exposures	5,973	x	2,736	-	-	x
B.2 other impairment losses	5,072	1,865	2,265	2,219	17	2
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing categories	276	254	-	-	2	-
B.5 modification losses	-	x	-	x	-	x
B.6 other increases	6,286	471	2,904	522	1,597	192
C. Decreases	**(48,272)**	**(7,737)**	**(2,350)**	**(338)**	**(101)**	**(240)**
C.1 fair value gains	(3,661)	(283)	(457)	(178)	(3)	(2)
C.2 impairment gains due to collections	(5,238)	(475)	(969)	(52)	-	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	(237)	-	(153)	-	-	-
C.5 transfers to other non-performing categories	-	-	(111)	(108)	(22)	-
C.6 modification gains	-	x	-	x	-	x
C.7 other decreases	(39,136)	(6,979)	(659)	-	(76)	(238)
D. Closing balance	**12,744**	**1,670**	**7,034**	**2,983**	**(1,069)**	**(119)**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

As established by Bank of Italy's Circular no. 262 of 22 December 2005 (seventh update) for the quantitative disclosure on credit quality, "exposures" do not include equities and OEIC units.

A.2 Classification of exposures using external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by external rating class (gross amounts)

(€'000)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	130,619	-	-	-	217,676	348,295
- Stage 2	-	-	-	-	-	-	93,787	93,787
- Stage 3	-	-	-	-	-	-	3,899	3,899
- Purchased or originated credit-impaired	-	-	-	-	-	-	169,463	169,463
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**130,619**	**-**	**-**	**-**	**484,825**	**615,444**
D. Loan commitments and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	6,668	6,668
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**6,668**	**6,668**
Total (A + B + C + D)	**-**	**-**	**130,619**	**-**	**-**	**-**	**491,494**	**622,113**

A.2.2 Prudential consolidation - Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

The group does not use internal ratings.

A.3 BREAKDOWN OF GUARANTEED EXPOSURES BY TYPE OF

A.3.1 Prudential consolidation - On- and off-statement of financial position guaranteed exposures with banks

None.

A.3.2 Prudential consolidation - On- and off-statement of financial position guaranteed exposures with customers

(€'000)

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross amount	Carrying amount	Mortgaged property	Net investments in property leases	Securities	Other collateral	CLN	Central coun-terparties	Banks	Other financial companies	Other	Public administrations	Banks	Other financial companies	Other	Total (1)+(2)
1. On-statement of financial position guaranteed exposures:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 fully guaranteed	42,203	36,773	18,331	16,654	-	406	-	-	-	-	-	-	-	-	-	36,391
- including non-performing	30,428	25,212	6,770	16,654	-	406	-	-	-	-	-	-	-	-	-	23,830
1.2 partly guaranteed	1,429	1,085	979	-	-	-	-	-	-	-	-	-	-	-	-	979
- including non-performing	1,429	1,085	979	-	-	-	-	-	-	-	-	-	-	-	-	979
2. Off-statement of financial position guaranteed exposures:																
2.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The guarantees are first level mortgages. The loans are usually recovered through court procedures by selling the property pledged as guarantee. The collateral's carrying amount is the market value of the mortgaged property.

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

None.

B. BREAKDOWN AND CONCENTRATION OF EXPOSURES

B.1 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with customers by business segment

(€'000)

	Public administrations		Financial companies		Financial companies (including insurance companies)		Non-financial companies		Households	
	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses	Carrying amount	Total imp. losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	(19)	10	-	-	49,165	(9,123)	8,926	(3,631)
- including: forborne exposures	-	-	-	-	-	-	5,826	(1,124)	838	(545)
A.2 Unlikely to pay exposures	-	-	10,214	(2,575)	-	-	20,677	(4,057)	3,450	(402)
- including: forborne exposures	-	-	-	-	-	-	10,737	(3,051)	415	68
A.3 Non-performing past due exposures	60,989	986	-	-	-	-	844	68	140	15
- including: forborne exposures	-	-	-	-	-	-	90	88	30	31
A.4 Performing exposures	184,059	(122)	313,586	(1,669)	-	-	68,046	(2,149)	1,314	429
- including: forborne exposures	-	-	-	-	-	-	353	50	272	338
Total (A)	**245,048**	**864**	**323,781**	**(4,235)**	**-**	**-**	**138,733**	**(15,261)**	**13,830**	**(3,590)**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,675	-	-	-	-	-	2,993	-	-	-
Total (B)	**3,675**	**-**	**-**	**-**	**-**	**-**	**2,993**	**-**	**-**	**-**
Total (A+B) 31/12/2021	**248,723**	**864**	**323,781**	**(4,235)**	**-**	**-**	**141,726**	**(15,261)**	**13,830**	**(3,590)**
Total (A+B) 31/12/2020	**257,734**	**1,877**	**231,021**	**1,952**	**-**	**-**	**589,133**	**(20,827)**	**142,871**	**(22,305)**

B.2 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

(€'000)

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position										
A.1 Bad exposures	57,998	(12,622)	73	(120)	2	(2)	-	-	-	-
A.2 Unlikely to pay exposures	34,341	(7,034)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	61,973	1,069	-	-	-	-	-	-	-	-
A.4 Performing exposures	562,026	(3,422)	4,979	(90)	-	-	-	-	-	-
Total (A)	**716,338**	**(22,009)**	**5,052**	**(210)**	**2**	**(2)**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	6,668	-	-	-	-	-	-	-	-	-
Total (B)	**6,668**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2021	**723,006**	**(22,009)**	**5,052**	**(210)**	**2**	**(2)**	**-**	**-**	**-**	**1**
Total (A+B) 31/12/2020	**1,211,165**	**(38,764)**	**9,589**	**(205)**	**5**	**335**	**-**	**-**	**3**	**1**

B.3 Prudential consolidation - Breakdown of on- and off-statement of financial position exposures with banks by geographical segment (carrying amounts)

(€'000)

Exposure/Geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses	Carrying amount	Total impairment losses
A. On-statement of financial position										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	81,977	(45)	-	-	-	-	-	-	-	-
Total (A)	**81,977**	**(45)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2021	**81,977**	**(45)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2020	**163,328**	**(409)**	**-**	**-**	**3,785**	**(1)**	**-**	**-**	**-**	**-**

B.4 Large exposures

(€'000)

	31/12/2021
Carrying amount	444,960
Weighted amount	87,365
No. of positions	8

The group's large exposures at year end comply with the limits set by the supervisory regulations.

Pursuant to the recommendations made in the "Enhancing the risk disclosures of banks" report, a breakdown of the assets and related weighting factors used to calculate credit risk is set out below.

(€'000)

Assets	Nominal amount	Weighing	Weighted amount
Exposures with or guaranteed by central administrations or central banks	351,188,773	0%	-
	484,033	100%	484,033
	11,299	250%	28,248
Exposures with or guaranteed by local administrations or authorities	16,170,913	150%	24,256,370
Exposures with or guaranteed by public sector bodies	7,632	100%	7,632
	40,677,162	150%	61,015,743
Exposures with or guaranteed by bodies	106,873,052	20%	21,374,610
	2,187,057	100%	2,187,057
Exposures with or guaranteed by companies	59,052,981	100%	58,609,498
Exposures guaranteed by mortgages on properties	648,515	35%	226,980
	16,103,988	50%	8,051,994
Defaulting exposures	96,108,474	100%	96,108,474
	11,893,725	150%	17,840,588
Equity instruments	4,275,264	100%	4,275,264
	2	250%	5
Other exposures	3,953	-	-
	322,159	20%	64,432
	4,707,615	100%	4,707,615
Exposures with securitisations	126,458,178	100%	126,458,178
	23,010,124	103%	23,700,428
	49,092,567	105%	51,547,195
	11,182,269	111%	12,412,319
	52,744,377	113%	59,601,146
	11,091,569	143%	15,860,943

TOTAL WEIGHTED ASSETS	588,818,751
Breakdown of capital allocated to cover credit and counterparty risk at the reporting date	47,105,500

C. SECURITISATIONS

This section does not include securitisations where the originating group subscribes all the securities (e.g., ABS, financing during the warehousing stage) issued by the vehicle at their issue date. If the originating group sells all or part of its liabilities after the securitisation, the transaction is disclosed in this section.

Qualitative disclosure

Strategies - processes - objectives:
As a bank specialised in the brokerage, management and servicing of impaired or illiquid exposures, pre-demerger Banca CF+ played many roles in securitisation transactions. It acted as arranger, asset manager and servicer, it structured securitisation vehicles (as per Law no. 130/99) and provided all the related portfolio management services.

The group also acted as sponsor and with the option of taking part of the risk as the direct investor (in accordance with the retention rule set by the regulations).

It acted as asset manager/primary servicer of portfolios on behalf of third parties.

Internal risk measurement and control systems
The P&C and portfolio management office is responsible, inter alia, for the following in connection with the loan portfolios in which the parent invests:
• monitoring the business plan annual and half yearly reviews, with specific reference to the legacy portfolios, working with the securitisations' servicers to define guidelines, monitoring execution (e.g., roll-up) and approve the results;
• ensuring the monitoring of the notes recognised as assets, obtaining information from the securitisations' servicers on the performance of the underling portfolios (e.g., collection amounts and timing) and analysing the master servicing reports provided for by the contracts for the securitisations in which the parent invests;
• managing the reporting of investments in tax assets, in close coordination with the relevant department;
• ensuring the preparation of management reports for a comprehensive and aggregated view of the performance of the parent's portfolios recognised as assets;
• managing relationships with the servicers involved in order to ensure proper management and an adequate level of service when reviewing the business plans and reporting on the legacy portfolios;
• evaluating the business plan reviews of the legacy portfolios, with the aim of checking the effectiveness/completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Moreover, as part of the second level controls, prior to completion of the half yearly review, the risk management department reports to the competent bodies the assessment of the legacy portfolios, with the aim of checking the completeness of the process and the consistency between the analyses carried out/the resulting evidence and the relevant business plan projections.

Hedging policies
The group decides whether to mitigate its securitised portfolios' exposure to interest rate risk through the agreement by the vehicle of interest rate swaps to hedge the fixed rate portfolio and basis swaps to hedge the indexed rate portfolio.

Disclosure on the profit or loss of securitisations
The profits or losses on securitisations substantially reflect the performance of the underlying portfolios and the related cash flows at the end of the year, considering any defaults and prepayments made during the year.

Quantitative disclosure

C.1 Exposures of the main self-securitisations broken down by securitised asset and type of exposure

(€'000)

Type of securitised assets/ Exposures	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains
A. Fully derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Bank loans	6,299	(73)	11,408	(226)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	4,083	(30)	42,959	(516)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- type of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- type of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures of the main third party securitisations broken down by securitised asset and type of exposure

(€'000)

Tipologia attività sottostanti/ Esposizioni	Exposures						Financial guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Carrying amount	Impairment losses/gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains	Net balance	Impairment losses/ gains
- Bank loans	54,551	(232)	6,041	-	83,530	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	29,546	(249)	6,505	-	32,709	-	-	-	-	-	-	-	-	-	-	-	-	-

The group has not issued guarantees or granted credit facilities to the securitisations.

C.3 Securitisation vehicles

(€'000)

Company name	Registered office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt instruments	Other	Senior	Mezzanine	Junior
PONENTE SPV S.R.L.	Rome - Italy	yes	32,901	-	2,086	16,561	-	5,410
NEW LEVANTE SPV S.R.L.	Rome - Italy	yes	16,274	-	427	7,633	-	3,078
COSMO SPV 1 S.R.L.	Rome - Italy	yes	12,716	-	13,275	14,198	-	7,109
CONVENTO SPV S.R.L.	Rome - Italy	yes	50,514	-	35,049	26,504	-	49,499
LIBERIO SPV S.R.L.	Rome - Italy	yes	37,064	-	1,443	-	-	27,680
LUCULLO SPV S.R.L.	Rome - Italy	yes	9,764	-	738	-	-	9,708
FAIRWAY 1 SPV S.R.L.	Rome - Italy	yes	6,170	-	1,014	4,967	-	7,135
FAIRWAY 2 SPV S.R.L.	Rome - Italy	yes	9,176	-	234	3,711	-	4,907
AVENTINO SPV S.R.L.	Rome - Italy	yes	50	-	3	-	-	-
RESTART SPV S.R.L.	Rome - Italy	equity-accounted	14,434	-	8,949	4,022	-	14,825
ITALIAN CREDIT RECYCLE SPV S.R.L.	Rome - Italy	equity-accounted	9,389	-	1,757	-	-	10
FEDAIA SPV S.R.L.	Rome - Italy	no	157,037	-	9,776	-	238,595	-
RIENZA SPV S.R.L.	Rome - Italy	no	115,106	-	9,658	-	-	23,195
GARDENIA SPV S.R.L.	Rome - Italy	no	147,800	-	23,059	32,915	191,298	-
BRAMITO SPV S.R.L.	Rome - Italy	no	71,057	-	3,646	54,402	-	25,327
VETTE TV SPV S.R.L.	Rome - Italy	no	32,123	-	3,777	22,517	11,535	-
APPIA TV SPV S.R.L.	Rome - Italy	no	55,000	-	714	55,000	-	-
PALATINO SPV S.R.L.	Rome - Italy	no	102,170	-	20,602	125,976	23,515	6,280
DOMIZIA SPV S.r.l.	Rome - Italy	no	139,241	-	16,197	81,709	87,762	6,330

The information in the table is updated to 31 December 2021.

C.4. Non-consolidated securitisation vehicles

(€'000)

Securitisation name	Banca CF+ classification			CA			Maximum loss risk
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior	
FEDAIA SPV S.R.L.	FAAC	N/A	FAFVTPL	-	-	46,704	46,704
RIENZA SPV S.R.L.	N/A	N/A	FAFVTPL	-	-	23,010	23,010
GARDENIA SPV S.R.L.	FAAC	N/A	FAFVTPL	6,426	-	32,285	38,711
APPIA TV SPV S.R.L.	FAFVTPL	N/A	N/A	-	-	2,725	2,725
BRAMITO SPV S.R.L.	FAAC	N/A	FAFVTPL	54,551	-	11,092	65,643
VETTE TV SPV S.R.L.	FAAC	N/A	FAFVTPL	22,516	-	424	22,940
PALATINO SPV S.R.L.	FAAC	FAAC (B1)/ AFVTP&L (B2)	FAFVTPL	6,299	11,408	-	17,707
DOMIZIA SPV S.r.l.	FAAC	FAAC (B1)/ AFVTP&L (B2)	FAFVTPL	4,083	42,959	-	47,042
ITALIAN CREDIT RECYCLE S.R.L.	FAFVTPL	N/A	N/A	604	6,041	-	6,645
RESTART SPV S.R.L.	FAFVTPL	N/A	N/A	-	6,505	-	6,505

Key:
FAAC: Caption 40. Financial assets at amortised cost: b) loans and receivables with customers
FAFVTPL: Caption 20. Financial assets at fair value through profit or loss: c) other financial assets mandatorily measured at fair value

C.5 Prudential consolidation - Servicer - self-securitisations: collection of securitised loans and redemption of securities issued by the securitisation vehicle

None.

C.6 Prudential consolidation – Consolidated securitisation vehicles

(€'000)

Securitisation name	Type of securitised assets	Non-performing exposures Carrying amount	Performing exposures Carrying amount	Senior notes	Group's share	Mezzanine notes	Group's share	Junior notes	Group's share
New Levante SPV	Leases	16,822	-	7,469	100%	-	N/A	4,492	100%
Ponente SPV	Bank loans	36,905	500	16,647	100%	-	N/A	8,832	100%
Cosmo SPV 1 PTF	Bank loans	11,224	2,620	14,233	100%	-	N/A	10,182	100%
Lucullo SPV S.r.l.	Bank loans	8,843	-	-	N/A	-	N/A	9,783	100%
Convento SPV	Tax assets	-	60,113	26,536	100%	-	N/A	59,947	100%
Fairway SPV S.r.l. 1 PTF	Tax assets	-	4,340	174	100%	-	N/A	5,315	100%
Fairway SPV S.r.l. 2 PTF	Tax assets	-	6,392	1,282	100%	-	N/A	5,533	100%
Liberio SPV S.r.l.	Trade receivables	60,989	-	-	N/A	-	N/A	59,446	95%
Aventino SPV S.r.l.	Trade receivables	39	-	-	N/A	-	N/A	-	N/A
Total		**134,821**	**73,965**	**66,342**	**-**	**-**	**-**	**163,531**	**-**

D. Transfers

This section covers assets that have been fully transferred and not derecognised related to self-securitisations or transfers of own loans and receivables. It includes self-securitisations only if the transfer is made to issue covered bonds and the group is not the lender.

A. Financial assets transferred and not fully derecognised

Qualitative disclosure
None.

Quantitative disclosure

D.1 Prudential consolidation - Financial assets transferred and not derecognised and associated financial liabilities

None.

The parent has not recognised financial liabilities for financial assets transferred but not derecognised (in whole or in part) nor has it engaged in covered bond transactions where the originator and the lender are the same bank.

D.2 Financial assets transferred and partly recognised and associated financial liabilities: carrying amount

None.

D.3 Transfers with liabilities that can solely be covered by the transferred assets not fully derecognised: fair value

None.

B. Financial assets transferred and fully derecognised with recognition of continuing involvement

Qualitative disclosure
None.

Quantitative disclosure
None.

C. Financial assets transferred and fully derecognised

Qualitative disclosure
None.

Quantitative disclosure
None.

D.4 Covered bond transactions
None.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At present, the group does not use internal portfolio valuation models to measure its exposure to credit risk, apart from that described in the first part of this Section 1.

1.2 – MARKET RISK

1.2.1 – Interest rate and price risks - Supervisory trading book

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (assets and liabilities) included in the "Financial assets at fair value through profit or loss" portfolio due to fluctuations in interest rates, exchange rates, the inflation rate, fluctuations in share prices, credit spreads, commodity prices (generic risk) and the issuer's credit standing (specific risk).

The group's trading portfolios solely comprise a call option for a company deemed of strategic interest. This option does not fall under the "supervisory trading book" definition, as defined by prudential regulations for market risk. The group is also exposed to the risk of losses on financial assets managed under the HTC and HTCS business models that did not pass the SPPI test. Specifically, these assets are junior and mezzanine securities and, in two cases, senior securities acquired by the group as an investor in securitisations and shares of Banca Carige acquired as a member of the Interbank Fund.

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It does not undertake transactions in Euros indexed to variations in exchange rates or in gold.

QUALITATIVE DISCLOSURE

A. General information

At the reporting date, the group does not have investments in this type of portfolio and, hence, is not exposed to the risk of losses thereon.

B. Management and measurement of interest rate and price risks

At the reporting date, the group does not have investments in trading portfolios and, therefore, it does not have procedures to manage and measure the related risks.

1.2.2 - Interest rate and price risks - banking book

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of interest rate and price risks

The parent is exposed to interest rate risk, which is the risk that a change therein may negatively affect its net interest income and equity.

It uses the simplified method to measure own funds to cover this risk, as required by the supervisory regulations. The method consists of classifying assets and liabilities by time bracket based on their residual life (fixed rate assets and liabilities) or the interest rate renegotiation date (floating rate assets and liabilities), weighing the net exposures in each bracket, adding the weighted exposures of each bracket and calculating the risk indicator (ratio of net weighted exposure to the own funds).

The risk strategy & management department performs this calculation.

Specifically, the risk strategy & management department analyses the classification of assets and liabilities in the different time brackets depending on the interest rate renegotiation period and designs the risk measurement instruments, ensuring consistency with the identified measurement methods and rules.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

(€'000)

Type/residual maturity	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	160,097	26,384	20,763	137,826	53,229	1,118	-
1.2 Financing to banks	197,968	2,101	-	-	-	-	-	-
1.3 Financing to customers								
- current account	909	26,981	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	52	2,366	2,983	5,327	4,263	15,853	437	-
- other	12,654	40,160	24,669	45,232	137,915	8,903	-	-
2. Liabilities								
2.1 Due to customers								
- current account	35	-	-	-	923	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	43,687	58,745	28,432	25,949	531,832	1,796	2,696	-
2.2 Due to banks								
- current account	-	-	-	-	-	-	-	-
- other financing	-	15,002	-	63,894	3,178	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	614	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

The parent does not use internal models for its sensitive analyses but the methods provided for by Bank of Italy's Circular no. 285/2013, as subsequently amended.

1.2.3 Currency risk

The group does not have foreign currency assets or liabilities on or off the statement of financial position. It did not undertake transactions in Euros indexed to variations in exchange rates or in gold.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 Trading derivatives

At the reporting date, the group had a call option for BeTC S.r.l., a company which it deems is of strategic interest.

1.3.2 Hedging

QUANTITATIVE DISCLOSURE

A. Hedging financial derivatives

A.1 Hedging financial derivatives: reporting date notional amounts

(€'000)

Underlying assets/Type of derivatives	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Controparti centrali	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt instruments and interest rates								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indexes								
a) Options	-	-	200	-	-	-	200	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other								
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**200**	**-**	**-**	**-**	**200**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

(€'000)

Derivative type	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	614	-	-	-	638	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**614**	**-**	**-**	**-**	**638**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-		-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial derivatives - notional amounts, gross positive and negative fair value by counterparty

(€'000)

Underlying assets	Government and central banks	Banks	Other financial companies	Other
Contracts not covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and share indexes				
- notional amount	x	-	200	-
- positive fair value	x	-	614	-
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts covered by netting agreements				
1) Debt instruments and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

(€'000)

Underlying asset/Residual life	Up to 1 year	From 1 to 5 years	After 5 years	Total
A.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	200	-	-	200
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2021	**200**	**-**	**-**	**200**
Total 31/12/2020	**-**	**200**	**-**	**200**

B. Credit derivatives

B1. Credit derivatives: notional amounts at the reporting date

None.

B.2 Trading credit derivatives: gross positive and negative fair value - breakdown by product

None.

B.3 OTC credit derivatives - notional amounts, gross positive and negative fair value by counterparty

None.

B.4 Residual life of OTC trading credit derivatives: notional amounts

None.

C. Non-derivative hedging instruments

C.1 Non-derivative hedging instruments: breakdown by portfolio and type of hedge

None.

D. Hedged items

D.1 Fair value hedges

None.

D.2 Cash flow hedges and hedges of net investments in foreign operations

None.

E. Effects of hedging on equity

E.1. Reconciliation of equity items

None.

1.3.3 Other information on derivatives (trading and hedging)

None.

1.4 – LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk).

The group monitors its liquidity levels to ensure its short-term structural stability, finance its growth and mitigate its liquidity risk.

The Treasury & DOL office ensures that the parent's liquidity policy is complied with.

The group uses different tools to measure, check and constantly monitor its liquidity risk. The main tool is the maturity ladder plan, which is designed to measure its exposure to operating and structural liquidity risks.

Measurement of the group's exposure to operating liquidity risk is based on the projection of expected cash inflows and outflows and the related shortfalls or surpluses in the various maturity brackets included in the maturity ladder. Structural liquidity risk management aims at ensuring a balanced liquidity profile in the long term (after 12 months) and its matching to short-term liquidity management.

The group monitors early warning ratios and indicators for the timely identification of any vulnerabilities in its financial position. In addition, it regularly develops stress scenarios and has defined a contingency funding and recovery plan.

Funding requirements are met using demand or term deposits with retail customers, short-term funding (up to six months) on the interbank deposit market, funding through uncommitted credit facilities granted by national banks and OMOs with the central bank using eligible securities or eligible performing exposures.

The risk strategy & management department carries out the second level controls and checks compliance with the defined limits.

At the reporting date, the parent's liquidity would be sufficient in a stress situation. It also has liquidity reserves consisting of highly liquid assets or the possibility to access the funds of the ECB.

Pursuant to IFRS 7.39.c, it is noted that the group has financial liabilities to be repaid upon maturity and it does not have derivatives with a contractual maturity to be settled.

Impacts of the Covid-19 pandemic
The public health emergency caused by the Covid-19 pandemic created significant liquidity risk issues for banks and the parent has taken all necessary pre-emptive management and control measures to mitigate the potential deterioration of its liquidity since the beginning of the emergency.

The group has adopted a funding diversification strategy that gives it access to a wide variety of sources of funds and a funding mix to avail of the best long-term market conditions.

Its main source of funds consists of retail customers' deposits, but, at the same time, it has access to other sources, including the interbank market and the repurchase agreement market, in addition to its OMOs. Accordingly, its funding is diversified by product, investor and maturity.

This diversification is essential to ensure the sound and prudent management of liquidity risk.

QUANTITATIVE DISCLOSURE

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

(€'000)

Type/residual maturity	On demand	From 1 to 7 days	From 7 to 15 days	From 15 to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	-	-	-	-	5,000	10,000	75,000	20,000	-
A.2 Other debt instruments	-	-	-	-	18,934	58,339	86,646	464,747	39,489	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing										
- banks	196,794	-	-	-	323	-	878	-	-	2,103
- customers	28,342	11,776	2,628	2,702	15,238	26,103	52,045	154,206	34,502	-
Liabilities										
B.1 Deposits and current										
- banks	-	-	-	-	15,000	-	10,000	-	-	-
- customers	43,107	3,667	3,788	12,801	37,956	28,350	25,895	530,439	35	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	580	-	-	-	5,748	-	60,700	10,147	4,492	-
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	200	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Firm loan commitments										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Both regulatory indicators, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), are well above supervisory requirements. In December 2021, the LCR was again considerably higher than 100% (2,932.37%) while the NSFR stood at 162.828%.

1.5 - OPERATIONAL RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

Main sources and nature of operational risk:
Operational risk is the risk of losses arising from shortcomings, malfunctioning or weaknesses in internal procedures, human resources and systems or due to external factors.

It includes losses deriving from fraud, human error, operating breakdowns, system unavailability, contractual defaults and natural disasters. It does not include strategic or reputation risks but does include legal risk (i.e., the risk created by violations or non-compliance with laws and regulations or scant transparency about the rights and obligations of counterparties in a transaction) and conduct risk (i.e., the risk of losses resulting from the inappropriate supply of financial services and the resulting litigation costs, including wilful or negligent conduct). This risk also comprises exposure to fines, warnings and sanctions as a result of measures taken by the supervisory authority or private transactions.

Operational risk is one of the factors that can trigger the second level reputation risk. This is a current or prospective risk of a downturn in profits or capital due to the negative perception of the group by its customers, counterparties, shareholders, employees, investors or regulators.

The internal consequences include employee dissatisfaction.

Reputation risk can be measured as part of the ICAAP process although actual or possible internal capital is not calculated or estimated, respectively.

Reputation risk is managed and monitored with an integrated process involving various internal bodies at different levels and depending on their expertise.

The board of directors decides the organisational and risk appetite strategies.

At operational level, the operating and control departments ensure a comprehensive overview of reputation risk, each in their own area of expertise.

Operational risk control unit
The operating departments perform the first level controls while the risk & strategy management, compliance & AML and internal audit departments carry out the second and third level controls.

Internal operational risk measurement, management and control systems
In line with the provisions set out in Bank of Italy's Circular no. 285/2013, as subsequently amended, about banking groups and banks with assets equal to or less than €4 billion (class 3), the group measures operational risk using the basic indicator approach to calculate the regulatory capital requirement, whereby it calculates the related capital requirement by applying a 15% factor to the average of the last three annual positive observations of the relevant indicator (article 316 of the Capital Requirements Regulation - CRR).

The procedures are highly automated and the group dedicated considerable resources in previous years to ensure that they include (preferably automated) first level controls, designed to protect the formal and substantial correctness of its operations.

Assessments of the operating performance
No operating losses in excess of the RAF-defined limits were incurred during the year. The group manages legal risks by setting up a specific provision which amounted to €1.3 million at the reporting date. The first level control units also monitor this risk on an ongoing basis as do the second and third level control units.

The parent adopts risk-self-assessment systems for all business processes in order to identify risks (mainly operational and compliance) inherent in the processes and define action plans for their continuous improvement.

Similarly, it holds special training courses, especially for employees with new duties or about new procedures or about significant changes in the regulatory or legislative framework.

Impacts of the Covid-19 pandemic
The parent has introduced remote working to ensure the safety of its employees and customers starting from the early stages of the spread of the Covid-19 pandemic. In order to protect the health of all its personnel, customers and suppliers, the parent implemented specific safety and monitoring protocols, introducing remote working as a precautionary measure.

It immediately adopted business continuity measures in order to continue to operate as normal while guaranteeing the best possible safety conditions.

The group rolled out a procedure to remotely monitor and report on the working of its operating systems and related risks. It concurrently checked that its key suppliers can continue to provide their services on a remote basis. It found that the new system is fully functional and none of its work processes has been delayed or upset by the move out of the office. All the parent's offices were equipped with measures to ensure compliance with the hygiene rules introduced as a result of the emergency situation.

The possible impacts in terms of business process slowdowns as a result of both internal and external factors are constantly monitored by the group's management committees and governance bodies, in order to promptly update strategies and policies (including risk policies) in response to the changing context.

QUANTITATIVE DISCLOSURE

Based on its observation of the relevant indicator for application of the basic indicator approach and calculation of the operational risk, the capital requirement to cover this risk is €14,216 thousand at the reporting date.

Part F: Equity

SECTION 1 – EQUITY

A. Qualitative disclosure

The group is not required to prepare supervisory reporting or comply with capital adequacy requirements as these are prepared/complied with by Tiber Investments 2 s.à.r.l. ("Tiber"), which is the ultimate parent.

The following figures refer to the Banca CF+ Group.

B. Quantitative disclosure

B.1 Equity: breakdown by type of entity.

(€'000)

	Prudential consolidation	Insurance companies	Other entities	Consolidation entries and adjustments	Total
1. Share capital	14,180	-	-	(180)	14,000
2. Share premium	76,020	-	-	-	76,020
3. Reserves	35,432	-	-	1,234	36,666
3. Interim dividends (-)	-	-	-	-	-
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)					
6. Valuation reserves	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	2,657	-	-	-	2,657
- Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-	-	-	-
- Property, equipment and investment property	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedging instruments (non-designated items]	-	-	-	-	-
- Exchange gains (losses)	-	-	-	-	-
- Non-current assets held for sale and disposal groups	-	-	-	-	-
- Actuarial losses on defined benefit pension plans	(30)	-	-	-	(30)
- Share of valuation reserves of equity-accounted investees	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Loss for the year attributable to the owners of the parent and non-controlling interests	(7,019)	-	-	180	(6,839)
Total	**121,240**	**-**	**-**	**1,234**	**122,474**

B.2 Fair value reserves: breakdown

(€'000)

Asset/Value	Prudential consolidation		Insurance companies		Other entities		Consolidation entries and adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	-	-	-	-	-	-	-	-	-	-
2. Equity instruments	2,657	-	-	-	-	-	-	-	2,657	-
4. Financing	-	-	-	-	-	-	-	-	-	-
Total	**2,657**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,657**	**-**

B.3 Fair value reserves: changes

(€'000)

	Debt instruments	Equity instruments	Financing
1. Opening balance	**-**	**-**	**-**
2. Increases			
2.1 Fair value gains	-	3,970	-
2.2 Impairment losses for credit risk	-	x	-
2.3 Reclassification of fair value losses to profit or loss on sale	-	x	-
2.4 Transfers to other equity reserves (equity instruments)	-	-	-
2.5 Other increases	-	-	-
3. Decreases			
3.1 Fair value losses	-	-	-
3.2 Impairment gains for credit risk	-	-	-
3.3 Reclassification of fair value gains to profit or loss: on sale	-	x	-
3.4 Transfers to other equity reserves (equity instruments)	-	-	-
3.5 Other decreases	-	(1,313)	-
4. Closing balance	**-**	**2,657**	**-**

B.4 Actuarial reserves: changes

The net actuarial losses accumulated on defined benefit plans amounted to €30 thousand at the reporting date. The group transferred accumulated actuarial losses of €143 thousand in connection with the demerger, while it recognised actuarial losses of €12 thousand on the liability for post-employment benefits during the year.

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

As already noted, the group is not obliged to comply with supervisory or reporting requirements which are met by Tiber Investments s.à r.l.

Part G: Business combinations

SECTION 1 - Combinations performed during the year

In July 2021, the board of directors approved the new factoring product, followed by its approval of the proposed merger of Fifty S.r.l. into the parent in September 2021. Fifty S.r.l. performed, inter alia, credit brokerage activities and developed a proprietary fintech platform to manage factoring products. The merger took place with a deed of 20 December 2021 after receipt of authorisation from Bank of Italy and became effective for statutory, accounting and tax purposes on 1 January 2022. It will enable the parent to independently manage the entire factoring value chain.

On 20 December 2021, the parent signed the transfer deed, whereby it acquired the entire quota capital of Fifty S.r.l., with a nominal amount of €50,000, and the merger deed. Under the latter, the merger took statutory and accounting effects pursuant to article 2504-bis.1 of the Italian Civil Code and tax effect pursuant to article 172.9 of Presidential decree no. 917 of 22 December 1986 on 1 January 2022.

The overall consideration for the business combination was €3.5 million.

The merger is part of the wider project for the development of a factoring business line which will enable the parent to independently manage the entire factoring value chain.

Further to the transaction and in accordance with IFRS 10, the parent obtained control over Fifty on 20 December 2021 and, therefore, it accounted for the business combination using the acquisition method provided for by IFRS 3 (revised). This standard requires the adoption of the purchase price allocation ("PPA") method, whereby the purchase price is allocated in the consolidated financial statements to the fair value of the assets acquired and liabilities assumed.

In line with IFRS 3 (revised), with the support of an independent expert, the parent carried out the PPA on a provisional basis, which may be adjusted during 2022 (within 12 months of the acquisition date, which is when the parent obtained control over Fifty).

In accordance with IFRS 3 (revised), for the purpose of the PPA, the parent remeasured the fair value of the assets and liabilities recognised by Fifty in its statement of financial position at 31 December 2021, identifying any intangible assets.

Except for software, the parent did not identify any elements indicating that the fair values of the investee's assets and liabilities do not reasonably approximate the carrying amounts reported in its financial statements.

As a result of the PPA procedure, in its consolidated financial statements at 31 December 2021 and separate financial statements at 1 January 2022, the parent recognised an intangible asset with a finite useful life of €2.2 million, net of deferred tax liabilities of €0.8 million, which is the fair value of the factoring management platform internally developed by Fifty. The unallocated difference of €1.3 million has been recognised as goodwill in the consolidated financial statements.

(€'000)

Assets	Pre-PPA	PPA effect	Post-PPA
Cash and cash equivalents	119	-	119
Intangible assets	649	2,379	3,028
Property, equipment and investment property	4	-	4
Loans and receivables	10	-	10
Tax assets	78	-	78
Other assets	13	-	13
Total assets	**873**	**2,379**	**3,252**
Liabilities	**Pre-PPA**	**PPA effect**	**Post-PPA**
Liabilities at amortised cost	178	-	178
Other liabilities	100	-	100
Deferred tax liabilities	-	787	787
Equity	**595**	**1,592**	**2,187**
Purchase price	**-**	**-**	**3,459**
Goodwill	**-**	**-**	**1,272**

The fair value of the intangible asset has been measured as the average of the amounts obtained using reconstruction cost-based methods (Software Lifecycle Model "SLIM" and "COCOMO") which estimate the value of software by multiplying the average internal cost of resources by the development effort required to reconstruct the software. The fair value also considers the tax benefit of the intangible asset's amortisation (tax amortisation benefit or TAB) calculated from a typical market participant's perspective in accordance with IFRS 3.

The benefit has been measured in line with the guidance of the European Financial Reporting Advisory Group ("EFRAG") in its document "Recognising deferred tax liabilities in the initial measurement of goodwill, EGRAF TEG meeting 29-30 March 2017". In this document, EFRAG states that the application of the TAB is consistent with IFRS 13, whereby a fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants and that, therefore, it shall consider any current and future costs and benefits attributable to item being measured.

The parent determined the intangible asset's fair value assuming its sale. Specifically, it considered the TAB because a typical market participant would amortise the acquired asset as part of the assumed transaction.

Section 2 – Combinations performed after the reporting date

None.

SECTION 3 – Retrospective adjustments

None.

Part H: Related party transactions

1. Key management personnel's remuneration

Pursuant to IAS 24.16, a table showing the total fees of the parent's and group companies' boards of directors, the boards of statutory auditors and key management personnel for 2021 is set out below:

(€'000)

	Directors	Statutory auditors	Other key management personnel
a) Short-term benefits	576	256	1,912
b) Post-employment benefits	-	-	175
c) Other long-term benefits	-	-	131
d) Termination benefits	-	-	-
e) Share-based payments	-	-	-

The group recognised €256 thousand due to its statutory auditors as other liabilities.

2. Related party transactions

At the reporting date, the parent's financial liabilities with Gardant group companies amounted to €618 thousand, including amounts collected by it to be transferred (€208 thousand) and invoices to be received (€410 thousand) for fees and commissions for master and special servicing services provided by such group companies to the parent as of the demerger date and for seconded personnel.

Moreover, corporate, master and special servicing services provided by Gardant group companies to the consolidated SPVs gave rise to fee and commission expense of €2,003 thousand.

On 6 July 2021, the parent sold 95% of the class B1 securities and the Class B2 securities issued by Tiberina to Orado Investments S.à r.l. ("Orado"), part of the Elliot Group, for €25.1 million, plus interest accrued at the sale date, which is substantially in line with their carrying amount. The agreed price was confirmed by an independent appraiser.

On 31 July 2021, following the re-tranching of the securities issued by Palatino SPV, which are wholly held by the parent, by issuing new securities, the parent sold 95% of the senior securities to Orado, realising a loss of €6.7 million. The agreed price was confirmed by an independent appraiser.

The above transactions are part of the activities necessary to complete Project 3.0, as detailed in the "Non-recurring securisation transactions" section of the directors' report.

Lastly, no atypical or unusual related party transactions took place that would affect the group's financial position and performance, given their materiality. All transactions with related parties take place on an arm's length basis and are part of the group's operations.

MANAGEMENT AND COORDINATION ACTIVITIES PURSUANT TO ARTICLE 2497 AND FOLLOWING ARTICLES OF THE ITALIAN CIVIL CODE

At the reporting date, the group was not managed or coordinated by another company pursuant to article 2497 and following articles of the Italian Civil Code.

Fees for audit and non-audit services pursuant to article 2427.1.16-bis of the Italian Civil Code

Pursuant to article 2427.1.16-bis of the Italian Civil Code, the contractually-agreed fees for the statutory audit of the parent's separate and consolidated financial statements and other services provided by the independent auditors in 2021 are set out below.
The amounts are net of VAT and out-of-pocket expenses.

(€'000)

Type of services	Provider: independent auditors or entity of their network	Total fees
Audit services (parent)		
- Audit of the separate and consolidated financial statements	KPMG S.p.A.	122
- Review of the condensed interim separate and consolidated financial statements	KPMG S.p.A.	130
- Comfort letter as per art. 26.(2) of Regulation (EU) 575/2013	KPMG S.p.A.	20
- Attestation services on tax returns	KPMG S.p.A.	3
Audit services (subsidiaries)		
- Audit of the financial statements	KPMG S.p.A.	23
- Voluntary audit of the SPVs' financial statements	KPMG S.p.A.	330
Other services:		
- Due diligence	KPMG Advisory S.p.A.	45
- Advisory	KPMG Advisory S.p.A.	272
- Audit of carve-out financial statements at 31 July 2021	KPMG S.p.A.	45

Part I: Share-based payments

Qualitative disclosure

1. Description of share-based payments

On 18 March 2018, the shareholders of the then Credito Fondiario S.p.A. approved a medium to long-term incentive plan (the "plan") for the years from 2018 to 2020 as part of the parent's remuneration policy. The plan was terminated early and it was settled in cash (€3,782 thousand) in 2020 rather than in shares, as originally provided for. The amount due was presented under "Other liabilities". The residual LTI plan reserve of €272 thousand at the reporting date relates to the portion yet to be settled in shares under the plan.

Quantitative disclosure

1. Changes

No options for the shares were exercised during the year.

Part L: Segment reporting

As the group is not listed, it does not have to prepare segment reporting.

Part M - Leases

SECTION 1 - LEASES AS LESSEE

Qualitative information

Pursuant to IFRS 16.59/60, it is noted that, as a lessee, the group leases buildings for residential use of employees and company cars used by employees of the parent. Moreover, during the year, the parent and the group companies were not exposed to: i) variable lease payments; ii) extension or termination options; iii) residual value guarantees; and iv) leases not yet commenced to which the lessee is committed. In addition, there are no restrictions or covenants imposed by leases and sale and leaseback transactions. As a lessee, the parent has not accounted for short-term leases or leases of low-value assets during the year.

Quantitative information

Reference should be made to:
– the information on right-of-use assets set out in Part B, Assets;
– the information on lease liabilities set out in Part B, Liabilities;
– the information on interest expense on lease liabilities and other expenses relating to right-of-use assets, gains or losses from sale and leaseback transactions and income from subleasing right-of-use assets set out in Part C.

The main figures relating to the group's leasing activities are summarised in the following table:

(€'000)

Items	Office premises	Buildings for residential use	Company cars	Printers	31/12/2021
a) depreciation of right-of-use assets	957	10	50	18	1,034
b) interest expense on lease liabilities	82	1	2	1	86
c) costs for short-term leases (IFRS 16.6)	-	-	-	-	-
d) costs for leases of low-value assets (IFRS 16.6)	-	-	-	-	-
e) variable lease payments not included in the measurement of lease liabilities	-	-	-	-	-
f) income from subleasing right-of-use assets	-	-	-	-	-
g) total cash outflows for leases	1,256	9	53	18	1,336
h) additions to right-of-use assets	-	-	-	-	-
i) gains or losses from sale and leaseback transactions	-	-	-	-	-
j) closing balance of right-of-use assets	-	65	87	-	152

Up to 31 July 2021, depreciation, interest and cash outflows include those related to the leased offices in Rome, Milan and Genoa, buildings for residential use, company cars and all printers, whose contracts have been transferred to the Gardant Group as part of the demerger.

The group did not take on any commitments for short-term leases during the year.

SECTION 2 - LEASES AS A LESSOR

Qualitative information

The group recognised four lease portfolios in its consolidated financial statements, three of which meet the definition of POCI assets. It constantly monitors the related cash flows and manages the risk associated with the rights it retains in underlying assets though credit collection activities and/or by enforcing the residual value guarantees.

There are no operating leases.

Quantitative information

1. Statement of financial position and income statement

Reference should be made to the information on interest income on the net investment in the lease and other income relating to finance leases set out in Part C.

2. Finance leases

2.1 Breakdown of lease payments receivable by due date and reconciliation with the net investment in the lease recognised under assets

(€'000)

	31/12/2021	31/12/2020
Time frames	Lease payments receivable	Lease payments receivable
Up to 1 year	7,418	97,804
From 1 to 2 years	15,429	105,957
From 2 to 3 years	6,424	95,999
From 3 to 4 years	1,818	12,663
From 4 to 5 years	2,086	4,786
After 5 years	7,411	9,583
Total lease payments receivable	40,587	326,791
RECONCILIATION WITH NET INVESTMENT IN LEASES	-	-
Unaccrued interest income (-)	(10,711)	(60,419)
Unguaranteed residual value (-) -	-	-
Net investments in leases	29,876	266,373

2.2 Other disclosures

None.

3. Operating leases

3.1 Breakdown of lease payments receivable by due date

None.

3.2 Other disclosures

None.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS

Dear shareholders,

Our duty is to report to the shareholders of Banca CF+ Credito Fondiario S.p.A. ("CF+" or the "parent", formerly Credito Fondiario S.p.A. or "CF" up until 3 February 2022) called, inter alia, to approve the parent's separate financial statements as at and for the year ended 31 December 2021 (the "separate financial statements") and examine the consolidated financial statements as at and for the year ended 31 December 2022. We report on our supervisory activities and any omissions or objectionable actions identified. Although we are not responsible for the statutory audit of the consolidated financial statements, we are nevertheless required to report on our supervisory activities.

During the year, we held 25 meetings, participated in 19 board of directors' meetings and attended the shareholders' meetings of 29 April, 5 July, 4 August and 30 November 2021. Starting from November 2018, we have been entrusted with the duties of the supervisory body set up by the parent as per Legislative decree no. 231/2001 to comply with the provisions about companies' administrative liability.

We performed our mandatory duties in accordance with the Italian Civil Code, Legislative decree no. 385/1993 (the Consolidated Banking Act) and related implementing measures, the parent's by-laws, other special legislative requirements and the provisions issued by the Italian and EU regulators.

During the year, we obtained pertinent information to allow us to carry out our general supervisory activities by analysing the parent's complex information system, participating in the board of directors' meetings and by meeting general management, the internal control departments (internal audit, risk management and compliance & AML), the chief financial officer ("CFO"), the chief lending officer ("CLO"), the chief risk officer ("CRO"), the independent auditors and the key internal departments.

1. Compliance with the law and the by-laws

Based on the information available and obtained, we can reasonably believe that the key transactions carried out by the group were in compliance with principles of correct administration, the law and the parent's by-laws, were not openly imprudent, risky or contrary to the resolutions taken by the shareholders or that would jeopardise the group's assets. When necessary, the related resolutions were based on structured analyses and legal, technical and financial due diligences and appraisals of the assets, loans and receivables and guarantees securing the NPE portfolios purchased. The group was assisted in this respect by external experts.

The group's entry into new sectors and markets was properly planned and anticipated by a careful analysis of all the legal, contractual, regulatory and supervisory reporting implications.

2. Key transactions and events of the year

As described in the directors' report, in 2021, the group continued Project 3.0 approved by the parent's board of directors in June 2020. The project covers the group's complete reorganisation, a refocus on its positioning to become a specialist provider of loans to performing and re-performing companies, factoring services, tax asset purchase services and short and medium term financing of companies with structural and liquidity needs. The parent intends to become a branchless challenger bank that operates through advanced operating and distribution models and believes in technology as a tool that facilitates and accelerates access to credit for businesses.

As a sign of this evolution, the bank changed its name from Credito Fondiario S.p.A. to Banca CF+ S.p.A. on 3 February 2022.

From an accounting and corporate viewpoint, Project 3.0 was achieved through two consecutive demergers of Credito Fondiario S.p.A., after which its debt purchasing and debt servicing activities (including, inter alia, most of its investments in the companies currently part of the group), were transferred to a newco and its subsidiaries (whose businesses will consist of special servicing, master servicing and fund management activities), while the parent retained an NPE portfolio (ABS and exposures) of approximately €700 million to be managed on a run-off basis and which would provide it with a sufficient source of revenue in the first few years of its new business plan (the "legacy portfolio").

Specifically, after receipt of the required authorisations from the regulators on 23 June 2021, on 28 June 2021, the parent's board of directors approved the first partial demerger to Master Gardant S.p.A., Special Gardant S.p.A. and Gardant Investors SGR in accordance with article 2506-bis of the Italian Civil Code and the second partial demerger to Gardant S.p.A. in accordance with article 2506-bis of the Italian Civil Code. The parent's shareholders approved the demergers on 5 July 2021. The related deeds were filed with the Rome company registrar on 28 July 2021 and became effective on 1 August 2021.

The accounting effects of the demergers, including application of IFRS 5 and the group's statement of financial position at the demerger date, are described in depth by the directors in their report and in "Section 5 - Other aspects - Partial demerger of Banca CF+ (formerly Credito Fondiario S.p.A.) and application of IFRS 5" of Part A of the notes to the consolidated financial statements.

Banca CF+ has retained the banking business and the legacy portfolio, as well as the relevant prudential and organisational requirements. The parent's equity at the demerger date was calculated by identifying a suitable level of regulatory capital considering each type of asset kept by the parent in line with the prudential supervisory reporting requirements and its risk appetite framework. It also considered the regulatory capital requirement necessary to allow it to continue to operate.The parent's share capital decreased from €54,189,669.00 to €14,000,000.00 by cancelling 40,189,669 shares without altering its shareholders' investment percentages. After the second demerger, on 2 August 2021, Tiber Investment sold its investment in the then Credito Fondiario S.p.A. to Tiber Investments 2 s.àr.l. (also part of the Elliott Group).

* * *

On 4 August 2021, the parent's new board of directors elected by the shareholders on the same date took office. It approved the appointment of the director and general manager, Iacopo De Francisco, as chief executive officer and gave him the related powers.

As part of the reorganisation and to streamline the investments to be transferred or retained by Banca CF+ as part of the demerger, during the first seven months of 2021 and up until the demerger's effective date, the restructurings and disposals described in detail in the directors' report took place.

The parent rolled out strategic work projects in line with its new mission as part of its reorganisation in the first half of 2021:

- it continues to manage the legacy portfolio;
- the pre-existing tax asset purchase business line is fully operational with the parent owning 100% of Be Credit management S.p.A., 60% of the securitisation vehicles Convento SPV S.r.l. and Cassia SPV S.r.l. and managing some securities NPE portfolios on a run-off basis;
- in July 2021, the bank approved the new factoring product, followed by its approval of the proposed merger of Fifty S.r.l. into the parent in September 2021 (which took place in December 2021). Fifty S.r.l. performed, inter alia, credit brokerage activities and developed a proprietary fintech platform to manage factoring products;
- in October 2021, the parent approved the new guaranteed finance product (financing for SMEs backed by the Central Guarantee Fund and the Italian Guarantee Fund). In December 2021, it acquired Fivesixty S.r.l., a consultancy company with significant experience in the guarantee fund market which assisted the parent to set up the product. The partnership with Fivesixty was one of the accelerators for the launch of the new product enabling the parent to immediately grasp the market opportunities and minimise its performance risk thanks to the gradual roll-out of the new business. The parent also entered into an operating partnership with Garanzia Etica Soc.

Coop., a financial intermediary as per article 106 of the Consolidated Banking Act specialised in servicing for access to guarantee funds and management of benefits.

* * *

As set out in the relevant paragraph of the directors' report, the directors have prepared the consolidated financial statements on a going concern basis as there are no doubts about the group's ability to continue as a going concern in the foreseeable future and for well beyond 12 months from the reporting date.

We have no comments to make on that set out above and note that, as shown by the key transactions of the year, the group has continued its development and growth plan in line with the shareholders' strategies and its business plans, and its planned disposal of the NPE debt servicing and debt purchasing segments. In tandem, it has grown its tax asset business and steadily introduced new business lines, mostly through acquisitions to speed up its development. This is the result of an organisational project designed to firstly acquire the necessary resources (e.g., the CLO, managers for the guaranteed finance, factoring and, more recently, evolved finance business lines), secondly to define pilot processes and finally to gradually launch the activities in line with development of the supporting IT, management and risk control processes as well as internal controls.

3. Events after the reporting date

The directors' report accompanying the consolidated financial statements provides information about the more significant transactions and events that have taken place since the reporting date (Events after the reporting date and outlook section). We draw your attention to the following:

- the parent's acquisition of 100% of AcquIVA S.r.l. ("AcquIVA") set up to receive BE TC S.r.l.'s business unit which purchases tax assets, and its subsequent merger into CF+;
- commencement of the procedure to obtain authorisation of the merger of the wholly-owned subsidiary BE Credit Management S.p.A. into CF+.

The directors noted that no adjusting events (as per the definition of IAS 10.8) took place in the period from the reporting date to the date of approval of the consolidated financial statements (23 March 2022) that would have required the group to adjust the amounts recognised in its consolidated financial statements. However, they also noted that, in February 2022, the macroeconomic situation became unstable due to the outbreak of the war in Ukraine, which led, inter alia, the international community to impose large-scale sanctions on Russia, its top officials and some segments of its production and financial sectors. These factors are non-adjusting events pursuant to IAS 10.21 as, although the situation materialised around the reporting date, the existence of an effective international-scale event only arose at the end of February 2022.

The group is not exposed to parties directly involved in the conflict in terms of credit or financial investment risks (i.e., it does not have exposures or investments in financial instruments with counterparty issuers or financial institutions and companies resident in the countries involved).

The disclosures required by article 2428 of the Italian Civil Code on the group's exposure to the main risks are provided in Part E of the notes to the consolidated financial statements (Risks and hedging policies).

* * *

Other events that have taken place after the reporting date include:

- completion of the merger with Fifty S.r.l. on 1 January 2022;
- the change in the parent's name on 3 February 2022;
- approval on 31 January 2022 of the 2022-2026 business plan, whose objectives include assets under management of more than €4 billion and challenging efficiency and profitability goals. The parent's objective is to reposition itself as an evolved, specialist challenger bank for Italian SMEs. In order to best meet the needs of its customers (namely Italian SMEs), Banca CF+ will provide various specialised financing solutions through a state-of-the-art technological platform ranging from factoring products, loans that are guaranteed by MCC and SACE, unguaranteed loans and tax asset purchases.

We believe that the directors have provided exhaustive information about the group's operations, risks and uncertainties and outlook.

4. Financial position, financial performance and cash flows

The loss for the year reflects the performance of the pre-demerger group for the first seven months and the new group for the last five months of the year. The statement of financial position, income statement and statement of comprehensive income included in the parent's separate financial statements at 31 December 2021 and 2020 were prepared in accordance with IFRS 5, which requires that assets, liabilities and revenue and costs related to the disposal group be reclassified to the specific captions in the statement of financial position and income statement established by Bank of Italy in its circular no. 262 of 22 December 2005 pursuant to IFRS 5.

The "Post-tax profit from discontinued operations" shows all the income statement items accrued to 31 July 2021 specifically related to the servicing business (mostly fee and commission income and expense, amortisation, depreciation and impairment losses on property, equipment and investment property and other operating costs) and the investments included in the business transferred to Gardant S.p.A. with the second demerger (interest income, fair value gains and losses and impairment losses on the portfolios). Personnel expenses were allocated in line with the resources transferred to the Gardant Group while the administrative expenses were allocated directly to the cost centres, when possible, or in line with specific drivers (based on the number of employees or the amount of revenue).

* * *

The income statement shows a loss for the year of €6.8 million.

The group's financial performance continued to reflect the repercussions of the Covid-19 public health emergency which started in February 2020, especially in terms of delays in the collections provided for in the business plans prepared for the portfolios in which the parent invested directly or through the purchase of ABS as well as smaller fees earned on the special servicing business carried out by the group up until 31 July 2021.

In 2021, the group recognised impairment losses of €10.1 million, both as a whole and by the parent individually (€8.2 million and €2 million, respectively), as a result of the review of the portfolios' business plans in December 2021. It also recognised €0.4 million of collective impairment losses as well as fair value losses of €6.8 million on ABS.

The notes to the consolidated financial statements (Part A.1 - Section 5 - Risks, uncertainties and impact of Covid-19 and Part E - Impacts of the Covid-19 pandemic) provide information about the effects of Covid-19 on the group's business, financial position and performance and on its risks.

* * *

The statement of financial position at 31 December 2021 presents:

- cash and cash equivalents (deposits and high quality financial assets) of €196.8 million;
- financial assets held for investment of €725.7 million;
- funding of €688.1 million.

Equity of €122.5 million includes the loss for the year of €6.8 million.

We have no comments to make on the above.

5. Correct administration and suitability of the organisational structure

To the extent of our duties, we obtained information about and checked that the parent complied with the principles of correct administration and the suitability of its organisational structure. One of us attended the risk committee's meetings, improving the efficiency of our supervisory duties.

We also discussed, when appropriate, the proposed transactions and their effects on the parent's financial position and performance with the managing director, general management, senior management and during board meetings.

We noted that these bodies and departments carry out their activities in accordance with the principles of correct administration and to protect the group's assets. We also checked that, like for the key transactions, appropriate and detailed analyses and valuations were performed of the main aspects of the other transactions authorised by the board of directors and that external experts were involved, when necessary.

We focused on analysing and assessing Project 3.0, in order to gain an understanding of both its future impact on the various post-demerger entities and the organisational and internal control risks arising from the project and its subsequent implementation. Specifically, we closely monitored the post-demerger accounting information system's design evolution.

The newly appointed board of directors was provided with an intensive induction course to provide the directors with an immediate understanding of the significant challenges facing the parent. The induction sessions started before the new board was formally appointed in order to maximise its efficiency.

The parent's management team built the new business plan with the assistance of external consultants who both challenged and checked the plan. The board of directors was also involved in the ongoing review and fine-tuning process and it started to review the plan as soon as it officially took office and up until its formal adoption at the end of January 2022. Discussions and induction sessions were also held informally, including with our involvement, confirming the business plan as a reflection of the board of directors' future plans.

With respect to the general situation, still affected by Covid-19, including in our capacity as the parent's supervisory body, we constantly and thoroughly monitored both the parent's ability to continue as a going concern and the protection of its personnel's health and safety, without identifying any critical issues. Indeed, the parent and its group have been equipped to operate remotely for some time and have solid business continuity and security systems. Moreover, since the beginning of the public health emergency, they have paid utmost attention to the protection of employees, not only by promptly implementing the required measures and protocols, but also by adopting procedures and additional safeguards for employees and consultants, considering, in particular, the importance of social values to the parent.

We do not have any comments and/or remarks to make with respect to the administrative management of the parent nor does any other of the internal control bodies.

During the year, we continued to monitor the parent's prompt response to the regulator's requests. We also checked the introduction of the measures implementing the general or specific recommendations made by the regulator.

We monitored the process to define (i) the risk appetite and related ceilings and indicthe consistency of their indicators and parameters and their compliance with the supervisory and SREP limits. The ICAAP/ILAAP reports, approved in April 2021, included stress testing exercises based on two scenarios, characterised by a different degree of severity in relation to the potential impact of the pandemic on the real economy. Moreover, again in accordance with the regulator's requirements, we identified any feasible remedies that could improve the financial position and financial performance in the worst case scenarios.

Furthermore, in accordance with Bank of Italy's requirements when it authorised Project 3.0, given the parent's changed operating and capital structure, in October 2021, it performed a new ICAAP/ILAAP exercise and recovery plan based on the forecasts in its 2021 budget and preliminary objectives set in the new 2022-2026 business plan. They confirmed the adequacy of the parent's capitalisation and liquidity both at present and on a forward-looking basis.

We also checked compliance with the communicated SREP limits and the RAF ceilings adopted during the year. The parent's reporting-date total capital ratio was 14.89%, well above the limits set by the supervisory regulations.

* * *

The internal reorganisation and revisiting of procedures, the demerger and the parent's relaunch as a challenger bank required considerably effort by its staff. Early in the year, the parent focused on the activities required to pave the way for the demerger, both in business terms (reorganisation of the portfolios, resecuritisations, etc.) and from an organisational and technical-IT viewpoint (development of the new Gardant "environments", design and performance of the demerger for IT and accounting purposes). The migration was seamless and did not affect business continuity.

Starting from August, the parent's focus shifted to the organisational, IT, technical and accounting aspects of the new business and specifically, the IT integration with the Fifty marketplace platform (used for factoring) and the integration of Fivesixty's credit rating processes and analyses which will become the stable go-to process for the parent's management of lending applications and credit monitoring. The process will be applied consistently by all the business lines.

The lending business line underwent significant change, given the parent's new structure. This included the creation of a new Chief Lending Officer position (CLO), filled by a person with considerable expertise and experience in this sector and role.

* * *

The master plan of the new business plan provides for, inter alia, two particularly important work projects (project streams): the IT programme and the lending programme. The first project covers aspects related to the integration with the new external platforms and developments to support the new businesses while the second project's task is to develop an integrated process to include all the technical channels through which the parent operates. It includes the design of significant changes in the second level controls of credit risk, lending processes and credit assessment. In addition, the bank plans to develop its IFRS 9 staging system, currently being implemented in a "tactical" perspective, and the assignment of the preliminary and back office processes of guaranteed finance operations to the supplier Garanzia Etica. Development and roll-out of the new business plan, hindered by significant discontinuities, a technologically innovative approach and a complicated situation (hence the definition of challenger bank) are very exigent initiatives not without inherent strategic and business risks.

The timely and seamless continuation of the projects and the effective implementation of the initiatives are essential to their success or a potential source of significant operational and credit risks. Therefore, these projects are of great importance and we are monitoring their progress closely.

We believe that, when preparing its long-term plans which include ambitious operating volumes and profits in a fintech context singling out SMEs with a mid-market credit rating, the parent duly considered: (i) the need to accelerate the time to market, through targeted acquisitions that require the integration of human resources and processes; (ii) the need to design and implement suitable credit risk management processes - through the lending programme - and (iii) the integration of the external platforms with its core XF system using the IT programme, as well as (iv) the need to create a best-in-class team and a distinctive culture through a dedicated hiring and training programme, drawing on the different areas of expertise of the resources with their concurrent supervision. The integrated, balanced and proportionate mix of all these factors requires an effective and timely monitoring system.

Indeed, a fintech approach may expose the parent to new risks, including cyber security risks, or magnify existing risks, which make proper monitoring and control processes essential.

* * *

With respect to internal procedures, the demerger was a watershed event, requiring a complicated revisiting of the corporate regulations and the concurrent development of regulations for the new businesses as they were rolled out.

In 2021, the parent's headcount went from 266 (December 2020) to 277 resources hired at the demerger date, of whom 232 were transferred to the Gardant Group. Since 1 August 2021, 33 resources have joined the parent.

Comments on the bank's outlook and ability to continue as a going concern are provided in a specific section of the directors' report while section 10 of liabilities of the notes to the separate financial statements describes the pending disputes and their related risks.

6. Internal controls and risk management

We checked the adequacy of the internal controls by *(i)* meeting the parent's senior management to examine the internal controls and risk management system; *(ii)* meeting the control departments and the chief risk officer ("CRO") to assess how they plan their work, based on the identification and valuation of the main risks inherent in the processes and departments and by checking the procedures and regular reports prepared by the control departments; *(iii)* reviewing the information provided periodically about the monitoring activities and the implementation of identified remedial actions; and *(iv)* discussing our work with the independent auditors.

The parent has policies for each internal control department, information flows, interaction with the internal controls, the internal control system, the roles and responsibilities of the corporate bodies and control departments and the coordination among these departments in compliance with the model set out in Bank of Italy's Circular no. 285/2013.

Project 3.0 has coincided with a partial generational change (specifically the heads of the internal audit and compliance departments, who we would like to thank for their support), as a result of which, at the project's completion, the internal control departments are: the internal audit department, which carries out level 3 controls, the compliance and AML department, which carries out legislative compliance controls, monitors developments in legislation and manages money laundering and terrorism financing risks and the risk management function, which manages the parent's risks, focusing on those related to performing exposures. Unlike the previous management of NPEs, performing exposures require considerable care during both the disbursement and monitoring phases. Each department currently has two resources.

Upon conclusion of our checks, we found the operating and control departments' performances to be adequate in qualitative and quantitative terms and that they were of a suitable size. We also found them to be properly run and organised and that the internal controls are carried out appropriately.

We noted the need to regularly review the size, system and methods adopted by the parent's control departments to respond to the parent's continued growing of its business and operating volumes as well as the associated risks. Like in previous years, the parent should carefully align its governance and control activities with its operating processes and proactively identify and manage risks. Certain business lines are more capital intensive and/or inherently characterised by greater variability in their results and risks (e.g., the new evolved finance business) and, as such, require new and appropriate monitoring and control tools.

Development of the external network will also require the introduction of suitable safeguards.

The management of credit and other risks will make it necessary to upgrade the control systems to support the CLO given the growth of this business.

Some of the envisaged monitoring and control solutions require both a “tactical” solution (manual/organisational) and a structural intervention or post-roll out action. We will monitor their implementation appropriately.

During the year and up until the demerger, we supervised the assets earmarked for a specific business called Cube and Este (as well as Gimli), including as per the request received from Bank of Italy to provide our independent assessment on the quarterly updates it receives from the control departments. The central bank had requested an initial assessment of the process to manage, monitor and supervise the assets earmarked for a specific business (coverage mechanisms, compensation, coverage of operational risks, monitoring and control of outsourced service providers, alignment mechanisms and information shared by the project players) to be accompanied by our independent valuation given the new technical and legal form of this type of set up. Bank of Italy required our opinion on the completeness of the quarterly information that the parent sends it about: (i) the identification of any unexpected (including potential only) risks and losses; (ii) difficulties and/or disputes arising from the activation of one or more of the provided-for contractual, insurance coverage and compensation mechanisms and the required liquidity; (iii) the amount actually collected on the contracts transferred to the assets earmarked for a specific business and any differences compared to the forecasts.

During the initial set up in 2017, we had asked for detailed information on the management of Cube and Este and whether the parent would provide additional services to the securitisations from the internal departments, as well as about the planned measures to strengthen Cube and Este and the related timing and tactics to ensure the correct performance of the transactions, including in the short term. We also asked the internal audit and compliance departments for their opinions on the adequacy of the controls over Cube and Este and the additional services provided by the parent.

We regularly checked the transactions’ performance, the quarterly reports on specific issues prepared by the relevant manager and the CRO, the checks performed by the internal audit department and the opinions of the compliance and AML departments during specific meetings with the relevant departments (business, support and control). We summarised our analyses, findings and recommendations made to the internal departments for the last quarter of 2020 and the first two quarters of 2021 in our reports dated 28 January, 30 April and 30 July 2021.

Our analysis of the above reports and communications issued at the set dates showed that the adjustment of the administrative and accounting data after their migration to the parent’s systems was completed successfully and, at the date of this report, no losses or expenses have been identified for the parent.

With respect to the work performed by the risk management department, we acknowledged the positive results of its checks of Cube and Este (transferred to the Gardant Group as part of the demerger), including the stress tests of the expected cash flows and back testing, encouraging, where necessary, further process improvements.

7. Administrative accounting system and financial reporting process

We checked the adequacy of the administrative and accounting system and its reliability in correctly presenting the group's operations by obtaining information from the competent department heads, reviewing the more important internal documents and analysing the results of the work performed by the independent auditors, KPMG S.p.A., the CFO, the accounting, tax & regulatory officer and the internal audit department.

Given our duties with respect to financial reporting, we worked closely with the CFO and the administration, tax, regulatory and planning department as well as the independent auditors, with which we analysed the basis of preparation of the parent's separate and consolidated financial statements, including:

- the purchase price allocation (PPA) procedure for Fifty and Fivesixty;
- the impairment tests;
- the fair value measurement of the ABS in portfolio;
- the measurement of deferred tax assets;
- the application of IFRS 5 and IFRS 9;
- the recognition of deferred tax assets.

The independent auditors checked the administrative and accounting procedures and did not identify any issues with their reliability. They also checked the correctness of the accounting entries, operating results and the completeness of the information and accounting policies applied to prepare the separate and consolidated financial statements. They did not identify any issues to be brought to the parent's attention.

Although we are not required to perform the statutory audit as per Legislative decree no. 39/2010, as this is performed by the independent auditors, we note that, based on the information provided by the independent auditors, the CFO and the accounting, tax & regulatory department head, the administrative and accounting system as a whole is adequate and reliable and the group's operations are correctly recorded on a timely basis.

8. Atypical and/or unusual transactions with related parties and conflicts of interest

Part H of the notes to the consolidated financial statements shows that no atypical and/or unusual transactions with related parties took place during the year. Moreover, no atypical and/or unusual transactions with third parties or subsidiaries took place.

The same section of the notes provides extensive information about other related party transactions. As far as we are aware, these transactions were performed in the parent's interests and we do not have any comments about their suitability as they were part of the parent's normal operations.

Specifically, the directors, senior management, the control departments and the supervisory body dedicated great care to the transactions with the Gardant Group in its role as servicer of the legacy portfolio. The internal control procedures did not identify any issues to be reported.

The parent adopted a policy to manage related party transactions and transactions giving rise to conflicts of interest to monitor the risk that the proximity of certain parties to the bank's decision-makers could compromise the objectivity and impartiality of decisions about the granting of loans and other transactions with those parties. This could affect the allocation of resources, the parent's exposure to risks that are not sufficiently measured or monitored and potential damage to deposit holders and shareholders. The policy is also designed to ensure that the parent adopts all reasonable measures to avoid conflicts of interest that could harm its customers' interests.

We regularly receive and review the periodic information about transactions performed with related and associated parties and monitor the exposures with associated parties. When necessary, we asked for additional information and details.

No transactions as per article 136 of the Consolidated Banking Act that required the unanimous approval of the board of directors and the favourable opinion of all the members of our board took place. We also acknowledged the statements provided in accordance with article 2391 of the Italian Civil Code.

9. Statutory audit

In accordance with article 19 of Legislative decree no. 39/2010, in our capacity as the "Internal audit committee", we carried out the required checks of the independent auditors' work. We analysed and approved the audit plan, monitored its implementation and, as far as was relevant to our duties, supervised the financial reporting process, checked the efficiency of the internal controls over quality, the internal audit and risk management related to this information, the statutory audit of the separate and consolidated financial statements and the independence of the auditors, including as provided for in Regulation (EU) 537/2014.

We regularly met the independent auditors to exchange information. We checked the application of the accounting policies and the correct recognition and presentation of the main consolidated financial statements captions with them. We also analysed and discussed the parent's IFRS transition project.

Overall, we did not identify any irregularities, critical issues or omissions to be brought to the shareholders' attention based on our discussions with the independent auditors.

Pursuant to Legislative decree no. 39 of 27 January 2010 and Regulation (EU) 537/2014, the shareholders appointed KPMG S.p.A. ("KPMG") as the parent's independent auditors for the statutory audit of its financial statements for the nine-year period from 2013 to 2021 in their meeting of 10 December 2013.

During 2021, together with the parent, we started the procedure to select new independent auditors, whose appointment will be approved by the shareholders when they meet to examine the consolidated financial statements.

On 11 April 2022, KPMG issued its audit report on the consolidated financial statements pursuant to article 14 of Legislative decree no. 39/2010 and article 10 of Regulation (EU) 537/2014, which does not include any emphasis of matter paragraphs. The independent auditors stated that the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no.136/2015. They also stated that the directors' report which accompanies the consolidated financial statements is consistent with the consolidated financial statements and has been prepared in compliance with the law. They had nothing to report as regards any material misstatements in the directors' report based on their knowledge and understanding of the group and its environment obtained through the audit.

In accordance with the applicable regulations, the audit report refers to the auditing standards applied, the audit procedures performed and sets out the key audit matters that were identified during the audit. These matters referred to the measurement of loans and receivables with customers recognised under financial assets at amortised cost.

The audit reports also state that the opinion is consistent with the information provided in the additional report to us.

On 8 April 2022, KPMG provided us with its report as per article 11 of Regulation (EU) 537/2014, which did not mention any material deficiencies in the internal controls over financial reporting or other issues to be brought to the attention of those charged with governance.

The independent auditors also provided us with the statement of their independence as required by article 6 of Regulation (EU) 537/2014, which did not refer to any situations that could compromise their independence. We acknowledge the transparency report published by the independent auditors on their website as required by article 13 of Regulation (EU) 537/2014.

The parent is not required to comply with the provisions of Legislative decree no. 254/2016 which transposed Directive 2014/95/EU into Italian law and, therefore, it did not prepare a consolidated non-financial statement.

Pursuant to the specific regulations, we acknowledge the fees paid by the parent to KPMG for its statutory audit services in 2021 disclosed in the relevant section of the notes.

After having received the statement of independence from the independent auditors in accordance with article 6 of Regulation (EU) 537/2014, we do not deem that critical issues exist with respect to their independence or incompatibility as per articles 10, 10-bis and 17 of the Italian Consolidated Statutory Audit Act and related implementing measures.

10. Complaints, statements, reports and opinions

We did not receive any complaints as per article 2408 of the Italian Civil Code during the year or up until the date of this report.

We did not receive any statements or other forms of complaints from the parent's shareholders or customers during the year.

With respect to the requirements of article 52-bis of the Consolidated Banking Act and the related implementation instructions issued by Bank of Italy, the parent has introduced a whistleblowing system, which also complies with Legislative decree no. 231/2001. This system complements the existing internal procedures in place as part of the system for reporting to the supervisory body as per Legislative decree no. 231/2001. As a result of observations made by directors during the induction programme carried out at the start of 2019, the parent has introduced the option to make reports about suspicious transactions anonymously, which will be considered if they are properly documented and detailed. At the date of this report, no such reports have been received.

During 2021 and up to the date of this report, we expressed our opinion, where required by law, on the parent's by-laws and supervisory regulations. The opinions and comments made in compliance with supervisory requirements include the assessment of the ICAAP and ILAAP 2021 process (required by Bank of Italy's Circular no. 285/2013, Part 1, Title III, Chapter 1 and Circular no. 263 of 27 December 2006, Title V, Chapter 7 and Bank of Italy's extraordinary request of 23 June 2021), comments on the outsourcing report (Bank of Italy Circular no. 263/2006, Title V, Chapter 7), the opinions required by Bank of Italy Circular no. 285/2013, Part I, Chapter 1, Section III, the comments on the planning of their activities by the internal control bodies and their reports required by Bank of Italy Circular no. 285/2013 (Title V, Chapter 3) and Bank of Italy's Measure of 11 March 2011.

11. Conclusions

Dear shareholders,

We confirm that we performed our activities with the full collaboration of the corporate bodies, the heads of the administration and operating departments, the control departments, the independent auditors, the CFO and the other internal control departments.

We did not identify any omissions, objectionable actions, imprudent or other situations that would require your attention or that of the regulators or mention herein.

As stated in the notes, no events have taken place after the reporting date that would have required changes to the approved data, the results or additional information to be provided. Specifically, no significant events have taken place in the period from the reporting date to the date of approval of the consolidated financial statements that would have affected the group’s financial position, financial performance and cash flows.

Reference should be made to the directors’ report accompanying the consolidated financial statements for information on the main risks and uncertainties faced by the group, its ability to continue as a going concern and its outlook.

The consolidated financial statements show a loss of €6,839 thousand and equity of €122,474 thousand.

Both the consolidated financial statements (and the draft separate financial statements) have been prepared on a going concern basis. The parent did not make any departures from the accounting policies and the independent auditors expressed unqualified opinions without emphasis of matters on both sets of financial statements. We have no issues to report in this respect.

At a stand-alone level, the parent has complied with the prudential requirements and the SREP Capital Guidance as shown by all its RAF indicators at year end.

In conclusion, we have no comments to make about the consolidated financial statements as they stand.

Milan and Rome, 11 April 2022

Board of statutory auditors

Antonio MELE (signed on the original)

Giuseppina PISANTI (signed on the original)

Franco VEZZANI (signed on the original)

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca CF+ S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Banca CF+ Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banca CF+ Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Banca CF+ S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.1 section 5 "Other matters"

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.13 "Other information"

Notes to the consolidated financial statements "Part B - Notes to the statement of financial position - Assets": section 4 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part C - Notes to the income statement": section 8 "Net impairment losses/gains"

Notes to the consolidated financial statements "Part E - Risks and hedging policies": section 1 "Credit risk"

Key audit matter	**Audit procedures addressing the key audit matter**

Loans and receivables with customers totalled €589.9 million at 31 December 2021 and account for 62% of total assets. They include exposures of €231.3 million (the "portfolios") underlying the ABS subscribed by the parent. Measuring such portfolios is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply valuation methods and models that consider many quantitative and qualitative factors relating to the exposures underlying each ABS, including historical collection flows, the existence of any indicators of impairment, expected cash flows comprising estimated collection costs and an assessment of any guarantees, as well as the estimated collection dates. Any impairment losses/gains on the loans and receivables in the portfolios identified through the regular revision of the expected cash flows (discounted at the investments' original internal return rate) and/or of the related collection dates are recognised as impairment losses/gains for credit risk in profit or loss. The complexity of the above procedure has increased in 2021 due to the Covid-19 emergency which has severely affected economic conditions and potential future macroeconomic scenarios. For the above reasons, we believe that the measurement of loans and receivables with customers is a key audit matter.	Our audit procedures included: — understanding the parent's processes and IT environment in relation to investing in ABS and forecasting, monitoring and revising the underlying exposures' expected cash flows and related collection dates; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to forecasting and revising the underlying exposures' expected cash flows and related collection dates; — analysing the impairment assessment methods and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the effects of the Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; — selecting a sample of individually-assessed exposures underlying the ABS and assessing the expected cash flows and related collection dates for reasonableness; — analysing the events after the reporting date that provide information useful for an assessment of the main assumptions used to measure the ABS; — assessing the appropriateness of the disclosures about loans and receivables with customers, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and

Banca CF+ Group
Independent auditors' report
31 December 2021

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 17 April 2019, the parent's shareholders appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 31 December 2018 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2021 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2021 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2021 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 11 April 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit