Banca CF+

2022
Annual Report

Banca CF+ S.p.A.

Registered office: 00187 Roma | Via Piemonte 38 - Tel. +39 06 57961
Secondary office: 20122 Milano | Corso Europa 15 - Tel. +39 3402945459
Share capital: Euro 19.066.549,00 i.v.

info@bancacfplus.it - bancacfplus@legalmail.it

Registered in the Rome Company Register n°00395320583 - REA C.C.I.A.A. Roma n° 30897
Fiscal Code 00395320583

Representative of the “VAT Banca CF+ Group” - VAT no. 16340351002
Parent company of the “Banca CF+ Group” banking group
Register of Banks and Banking Groups: COD. ABI 10312.7
Member of the Interbank Deposit Protection Fund

www.bancacfplus.it

Contents

Banca CF+

Banca CF+

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 and General Manager:	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 and Chief Executive Officer:	Iacopo DE FRANCISCO
Deputy General Manager and Chief Lending Officer:	Alberto BERETTA*
Chief Financial Officer (*ad interim*):	Iacopo DE FRANCISCO**
Head of Risk Strategy & Management:	Giovanna BENCIVENGA

(*) Appointed by the Board of Directors on 4 August 2022 effective from 12 September 2022
(**) In office since 1 March 2023

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) no.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.

Banca CF+

Directors’ report

Banca CF+ Group

BANKS	Banca CF+ S.p.A. (parent)
SECURITISATION VEHICLES AS PER LAW NO. 130/99	Convento SPV S.r.l.
	Cassia SPV S.r.l.

Competitive position

The Banca CF+ Group (formerly “Credito Fondiario Group”, the “group”) came into being in August 2021 after completion of the “Reorganization Project 3.0” .

This project covered in particular the demerger of the debt purchasing and debt servicing businesses of the then Credito Fondiario to a separate non-banking entity.

As part of this reorganisation, Credito Fondiario kept the banking licence and began its transformation into a challenger bank while concurrently completing a renaming and rebranding journey that led it to also change its name to Banca CF+.

The Group operates through advanced operating and distribution models as a branchless entity and believes in technology as a tool that facilitates and accelerates access to credit for businesses. Specialised in corporate finance solutions and working with performing and reperforming companies, the group’s products include factoring services, tax asset purchases and short and medium-term loans to companies with structural and liquidity requirements, including those secured by central guarantee funds.

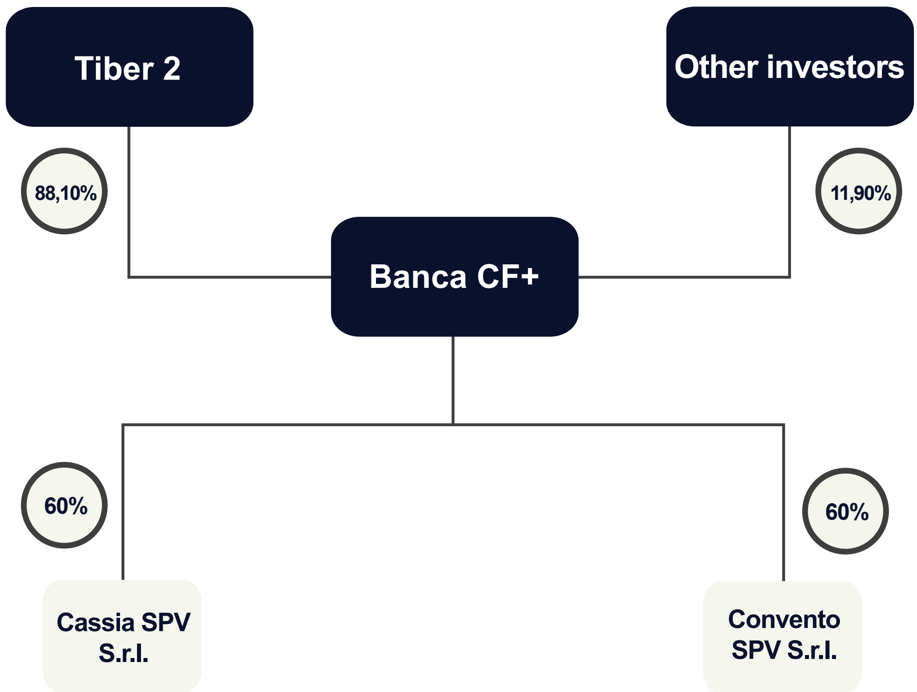
The reorganisation project led the group to rewrite its mission to return to its origins as a corporate bank. Developing the full potential of its extensive experience achieved in over 120 years of operations, the parent has built a diversified product portfolio to meet the liquidity requirements of 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.

Ownership structure

On 2 August 2021, as part of the group's restructuring, 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 USD 35 billion, is a key partner and investor in Banca CF+ through Tiber Investments 2 s.a.r.l..

The following table presents the parent's ownership structure at 31 December 2022:



Key figures

The following table presents the group's key figures at 31 December 2022:

	31 December 2022
Total assets	€ 1,239.5 million
Guaranteed finance products (carrying amount)	€ 317 million
2022 disbursements	€ 336.1 million
Factoring products (carrying amount)	€ 99.2 million
2022 factoring turnover	€ 290.4 million
Tax assets (carrying amount)	€ 78.1 million
Tax assets (2022 purchases - nominal amount)	€ 153.8 million
Investments in ABS (carrying amount)	€ 245.6 million
Investments in portfolios of non-performing exposures (carrying amount)	€ 128.4 million
Investments in portfolios of non-performing exposures (gross carrying amount)	€ 637.7 million
Total funding	€ 1,044.6 million
Retail savings	€ 868.1 million
Equity attributable to the owners of the parent	€ 116 million
Own funds	€ 102.4 million
Employees	135
Funding indicators	
Net loans and receivables with customers at amortised cost/ Total assets	77.5%
Direct funding/Total liabilities	93.0%
Equity/Total liabilities	10.3%
Net loans and receivables with customers at amortised cost/ Direct funding from customers	110.7%
Profitability indicators	
ROE (Loss/equity)	-27.2%
ROA (Loss/Total assets)	-2.5%
Capital indicators	
Total capital ratio	15.2%

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 Fondiario S.p.A., the "parent" or "bank" or "CF+"), the consolidation scope includes Cassia SPV 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 47.3% of the mezzanine 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.

In 2022, Fifty S.r.l., Lucullo SPV S.r.l. and Be Credit Management S.p.A. ("BECM") left the consolidation scope. Fifty S.r.l. left on 1 January 2022 after its merger into the parent effective from that date. Lucullo SPV S.r.l. left the consolidation scope due to the sale of all its issued notes held by the parent to third parties on 30 June 2022, which meant that the parent lost control over it. BECM left on 1 October 2022 when its merger into the parent became effective.

In September 2021, the parent subscribed all the notes issued by Lucullo SPV S.r.l. for €10.6 million. The underlying is a loan portfolio sold by the originator to the SPV as part of a securisation. On 30 June 2022, the notes were sold and the parent lost control of the portfolio as a result.

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.

As part of its drive to build up the tax asset business, commenced in 2018, on 13 July 2022, the parent's shareholders approved the merger of the subsidiary Be Credit Management S.p.A., already wholly-owned, into the parent. The merger became effective on 1 October 2022.

As these companies were already subsidiaries, the mergers of Fifty and Be Credit Management were treated as business combinations under common control and did not affect the group's consolidated financial statements.

List of consolidated companies

Group company	Investor	Investment %	Consolidation/ recognition method
Cassia SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital	Line-by-line
Convento SPV S.r.l.	Banca CF+ S.p.A.	60% of the SPV's quota capital and 100% of its junior notes	Line-by-line
Ponente SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
New Levante SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Cosmo SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Fairway S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Aventino SPV S.r.l.	Banca CF+ S.p.A.	100% of the SPV's junior notes	Line-by-line
Liberio SPV S.r.l.	Banca CF+ S.p.A.	95% of the SPV's mono tranche notes	Line-by-line
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity

Macroeconomic scenario

Reference should be made to the Directors' report in the parent's 2022 annual report for information about the macroeconomic scenario.

Operations and key events of the year

The group made a loss of €31.6 million for the year, entirely attributable to the owners of the parent and affected by the events described below.

Reorganization Project 3.0
Following completion of the Reorganization Project 3.0 described in the "Competitive position" section, on 3 February 2022, the parent completed the renaming and rebranding process, changing its name from Credito Fondiario S.p.A. to Banca CF+ S.p.A. and that of the Credito Fondiario Group to Banca CF+ Group.

Development of the new group's business lines
This section describes the main qualitative information about the development of the group's business units while more quantitative data are provided in the "Lending and ABS" section.

Guaranteed finance
Starting from January 2022, the parent's guaranteed finance business unit became fully operational after its set-up started in December 2021 when the parent acquired 100% of Five Sixty S.r.l., a consultancy company with considerable experience in the guarantee fund market.

Upon completion of the acquisition, the subsidiary commenced a voluntary winding up procedure which ended in September 2022 when it was struck off the company register. All its professional staff transferred to the parent which thus acquired processes with highly skilled personnel. Therefore, the partnership with Five Sixty was one of the accelerators for the launch of the new product.

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

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.

Factoring
During the year, the parent continued to develop its factoring business through the unit set up in 2021 and accelerating its development by acquiring a company already active in this sector. In December 2021, the parent acquired 100% of Fifty S.r.l., a credit broker which has developed a proprietary fintech platform to manage factoring products. The subsidiary was merged into the parent with statutory, accounting and tax effect from 1 January 2022, allowing it to independently manage the entire factoring value chain.

Tax assets
With respect to the tax assets business, together with the vehicle Convento SPV, the parent continued to purchase tax assets from performing companies as well as companies with complicated financial situations, including insolvencies and voluntary windings up. 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 this partnership, on 13 July 2022, the parent's shareholders approved the merger of Be Credit Management S.p.A., already wholly owned by CF+, into the parent. This transaction was finalised on 1 October 2022.

Capitalisation
In October 2022, the parent's Board of Directors approved a capital increase against payment to be offered with rights of first refusal to the ordinary shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of €28.5 million to take place before 28 February 2023.

On 28 October 2022, the parent's controlling shareholder, Tiber Investments 2 S.à.r.l. injected €25 million for this capital increase. In accordance with the commitment letter dated 30 September 2022 signed by the parent and Tiber Investments 2, this injection is non-returnable and, therefore, is now part of the parent's own funds.

On 4 November 2022, CF+ sent Bank of Italy an application for the issue of the measure approving the by-law changes related to the proposed capital increase in accordance with article 56 of the Consolidated Banking Act as well as, if necessary, the authorisation as per articles 26 and 28 of Regulation (EU) no. 575/2013 (CRR) to recognise the new shares as Common Equity Tier 1 instruments.

The parent's shareholders met on 10 February 2023 and resolved in favour of the proposed capital increase after acknowledging the successful completion of the authorisation process.

Specifically, they approved a capital increase against payment of a maximum of €28,499,998.16, including €5,144,404 to be allocated to share capital and €23,355,594.16 to be allocated to the share premium. This increase may take place in instalments with the issue of a maximum of 5,144,404 ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the shares already issued by the parent.

Before the closing date for the €25 million injection by the majority shareholder in October 2022, non-controlling investors had already confirmed their interest in participating in the capital increase for €3.1 million.

Approval of the 2022-2026 business plan and outlook
On 31 January 2022, the parent's Board of Directors approved its 2022-2026 business plan.

In its meeting of 11 October 2022, the Board resolved to revise the plan in the light of (i) the changed macroeconomic situation, (ii) the effective development of the group's core business (volumes, margins, capital absorption, and riskiness), (iii) the performance of the legacy portfolios[1], and (iv) the above-mentioned capitalisation.

(1) Portfolio comprising run-off investments not transferred as part of the demerger and mostly in non-performing loans made directly by the parent or through its subscription of ABS

The business plan's main strategies include:
• continuation of its journey as a challenger/fintech bank for Italian SMEs with three specialised financing solutions (factoring, financing and tax assets), extending its financing products to small tickets as well in 2023;
• diversification of funding sources (retail, institutional and ECB funding) and maintenance of a proprietary investment portfolio, mostly consisting of highly liquid assets (government bonds) and liquidity enhancement instruments, with the gradual introduction of bond options in 2023;
• development of an advanced technological platform to facilitate a high quality service and speedy customer relations;
• optimisation of capital deployment through a product offering mostly consisting of products with reduced RWA density;
• a tailored origination model for each business line, mostly based on third party/digital lending networks, while the operating model will be based on the correct balance between outsourced activities and in-house core activities.

To make the business model sustainable and to pursue the group's objectives, like in the previous year, the plan envisages investments in the group's organisation, resources and operating costs to drive its growth and operating complexity. Specifically, the expected changes to the operating structure include:
• completion of the development of the workforce both in terms of number of resources and skills;
• extension of commercial partnerships;
• improvement of the lending process from a capability point of view, ex ante controls, ex post monitoring and proactive management;
• strengthening of operational and control processes in the treasury and finance areas to facilitate the diversification of funding and efficient use of available liquidity;
• continuation of the measures to update internal regulations (policies, regulations and operating processes/manuals);
• consolidating the controls framework to reflect adjustments to legislation, processes and technological tools.

The parent's Directors revisited and tweaked the projects set out in the business plan in their meeting of 10 February 2023 to incorporate the requests made by Bank of Italy to the "less significant" institutions. The central bank asked for updated figures for the 2023-2024 two-year period to be provided by 15 February 2023 (as well as comparative actual figures for 2022) together with qualitative information confirming the sustainability of the parent's business model and the validity and feasibility of its development plans. In order to comply with the regulator's request, the parent prepared a baseline scenario and an adverse scenario.

Non-recurring securitisation transactions
In June 2022, the parent's Board of Directors approved the sale of the ABS issued by the SPV Lucullo which it subscribed in September 2021.

Given the group's new mission and the demerger of its debt servicing and debt purchasing activities, the sale of the securities required the approvals necessary for a transaction with a related party and for a major transaction. It took place on 30 June 2022 for a consideration of €11.2 million, of which €3 million collected upfront and €8.2 million in February 2023, without impacting the group's profit or loss.

VAT group
Starting from 1 January 2022, the parent set up a new VAT group with:
• Be Credit Management S.p.A. (subsequently merged into Banca CF+ on 1 October 2022); 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%.

Lending and ABS
The parent disbursed loans of €336.1 million as part of its guaranteed finance business at 31 December 2022. At that date, the carrying amount of loans guaranteed by the MCC and/or SACE was €317 million, net of impairment losses.

During the year, it also provided companies with invoice financing in the form of recourse and non-recourse factoring for € 276.5 million. At year end, factoring assets amounted to € 99.2 million.

Turning to the tax asset business, Convento SPV S.r.l. purchased tax assets of € 147 million while the parent purchased tax assets of € 25.7 million arising from the "110% superbonus" provided for by article 119 of Decree Law no. 34/2020.

A breakdown of the group's portfolio of loans and receivables and ABS at the reporting date is as follows:

(€'000)

Type of Investment	Gross carrying amount	Carrying amount		
		Performing	Non-performing	Total
POCI exposures purchased through SPVs	359,050	2,299	116,041	118,341
Tax assets purchased through SPVs	136,496	78,072	-	78,072
Unconsolidated ABS of the parent measured at amortised cost	136,593	134,939	-	134,939
Unconsolidated ABS of the parent measured at fair value	126,615	110,700	-	110,700
POCI bank loans purchased directly by the parent	29,183	-	7,134	7,134
POCI leases purchased directly by the parent	249,455	-	2,880	2,880
Leases purchased directly by the parent	8,533	4,778	3,432	8,209
Guaranteed finance products	318,364	311,682	5,308	316,990
Factoring products	101,621	95,079	4,159	99,239
Government bonds	151,774	151,741	-	151,741
Other loans disbursed by the parent	43,527	43,093	88	43,181
Equity instruments	4,000	4,000	-	4,000
Total	**1,665,213**	**936,384**	**139,042**	**1,075,426**

POCI exposures purchased through securisation vehicles are recognised 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.

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.

In general terms, the parent's and 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 group'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 (mainly by 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 group 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 €1,044.6 million at the reporting date. Specifically, the parent has the following sources of funds:
• repurchase agreements with banks of €47.1 million;
• interbank deposits of €18 million;
• corporate deposits of €30 million;
• refinancing operations with the central bank of €85 million;
• stable retail deposits of €864.5 million.

With respect to funding on foreign markets, the parent finalised a partnership agreement with Raisin DS during the year to expand into the German retail market. This agreement is part of the group's strategy to diversify its funding sources.

The parent has joined Bank of Italy's Collateral Management System (ABACO) for the collateralisation of eligible exposures.

The debt to equity ratio, the disclosure of which is required by IAS 1 paragraph13, is 932% at year end and the parent does not have resources that are not recognised in its statement of financial position in accordance with the IAS/IFRS.

Developments and investments in technology
Reference should be made to the Directors' report in the parent's 2022 annual report for information on the group's development activities and investments in technology, carried out through the parent.

Finance & investments
In March 2022, the parent set up the new finance & investments department to:
i) ensure a balanced and efficient management of liquidity and collateral;
ii) engage in the definition/structuring/management of secured and unsecured funding products;
iii) guarantee the proactive management of financial assets and proprietary portfolios of securities, in line with the guidance provided by the parent's Board of Directors, the risk appetite framework (RAF), the regulatory requirements (minimum liquidity indicator and compliance with the minimum reserve or ROB) and powers given to it.

The parent also hired four managers, one of whom became the department head, with proven track records in this area.

Workforce
As the in-scope vehicles do not have employees, reference should be made to the Directors' report included in the parent's 2022 annual report for information about its workforce.

Financial performance and position

Financial performance

(€m)

Reclassified income statement	2022	2021	2021pre IFRS 5	Variation	Variation %
Net interest income	33.9	29.4	69.7	(35.8)	-51%
- Core business	*14.5*	*11.3*	*11.3*	*3.2*	*28%*
- Legacy & other	*19.4*	*18.1*	*58.4*	*(39.0)*	*-67%*
Net fee and commission income (expense)	(1.6)	(2.0)	22.9	(24.5)	-107%
- Core business	*0.9*	*(1.3)*	*(1.3)*	*2.2*	*-171%*
- Legacy & other	*(2.6)*	*(0.7)*	*24.2*	*(26.8)*	*-111%*
Net profit (loss) on sale of assets at amortised cost	0.2	-	(6.7)	6.9	-102%
Net fair value loss on ABS	(18.3)	(6.8)	(6.8)	(11.5)	168%
Net trading income	1.1	(0.0)	(0.0)	1.1	-100%
Total income	**15.2**	**20.6**	**79.0**	**(63.8)**	**-81%**
Operating costs	(39.6)	(32.2)	(75.4)	35.8	-48%
Net impairment losses for credit risk	(13.8)	(10.3)	(10.6)	(3.3)	31%
- Core business	*(3.6)*	*0.1*	*0.1*	*(3.7)*	*-4357%*
- Legacy & other	*(10.2)*	*(10.4)*	*(10.6)*	*0.4*	*-4%*
Net reversals of provisions for risks and charges	0.5	-	0.0	0.4	100%
Net losses on equity investments	0.0	(0.6)	(0.6)	0.6	-107%
Pre-tax loss	**(37.6)**	**(22.5)**	**(7.4)**	**(30.2)**	**405%**
Income taxes	6.1	-	1.3	4.8	368%
Post-tax loss from continuing operations	**(31.6)**	**(22.5)**	**(6.2)**	**(25.4)**	**413%**
Post-tax profit from discontinued operations	-	16.3	-	-	-
Loss for the year	**(31.6)**	**(6.2)**	**(6.2)**	**(25.4)**	**413%**
Profit for the year attributable to non-controlling interests	-	0.7	0.7	(0.7)	-100%
Loss for the year attributable to the owners of the parent	**(31.6)**	**(6.9)**	**(6.8)**	**(24.7)**	**362%**

The group made a loss of €31.6 million for the year, entirely attributable to the owners of the parent, compared to a loss of €6.8 million for 2021.

Net interest income amounts to € 33.9 million compared to € 69.7 million in 2021. Interest income of € 52.7 million (€ 93.8 million in 2021) includes interest on the in-scope SPVs' portfolios of € 22.2 million, of which € 13.7 million Convento's and Fairway's tax assets. The decrease on the previous year is due to the demerger of August 2021 which led to the exclusion of portfolios from the consolidation scope (and the related interest income).

The caption also includes:
- interest of € 16.7 million on investments in bank loan portfolios made directly or by purchasing ABS from non-consolidated SPVs;
- interest of € 0.9 million on lease portfolios;
- interest of € 1.9 million on the mortgage and other loans disbursed directly by the parent;
- interest of € 1.8 million on the factoring portfolio;
- interest of € 7.8 million on the guaranteed finance portfolio;
- interest of € 0.3 million on the tax assets purchased directly by the parent;
- interest of € 1.2 million on investments of liquidity.

Of the total € 52.7 million, € 26 million relates to the legacy portfolios and € 23.6 million to the parent's core businesses (guaranteed finance, factoring and tax assets).

Interest expense amounts to € 18.9 million (€ 24.1 million in 2021) and mostly relates to the Esagon on-line deposits ("DOL") (€ 14.7 million), repos and interbank deposits (€ 1.3 million) and the liability for the deferred purchase prices for the Ponente and New Levante portfolios (€ 1.8 million).

Net fee and commission expense amounts to € 1.6 million compared to net fee and commission income of € 22.9 million for 2021. The prior year balance included the servicing fees charged by the parent and the former subsidiary CF Liberty Servicing S.p.A. to the non-consolidated SPVs.

Fee and commission income amounts to € 2.3 million (€ 28.1 million in 2021) and mainly arose on the factoring activities (€ 2.3 million). **Fee and commission expense** of € 4 million (€ 5.2 million in 2021) mostly relate to commissions paid to brokers for factoring and guaranteed finance products (€ 0.8 million) and the fees of € 2.9 million paid to the Gardant Group for the services outsourced to it from 1 August 2021.

Net trading income amounts to € 1.1 million compared to € 0.1 million for the nine months ended 30 September 2022) and mostly comprises income from the trading of EFT instruments (€ 1.2 million).

The **net loss from sales or repurchases of financial assets at fair value through profit or loss** of € 18.3 million mostly consists of fair value losses of € 16.8 million on the ABS issued by the non-consolidated companies, calculated using the revisited business plans of the underlying portfolios performed at 31 December 2022.

The caption also includes the fair value adjustment of € 0.3 million on the Banca Carige shares purchased from the Interbank Deposit Protection Fund and changes in fair value on liabilities recognised for the deferred prices for the former Artemide and Convento portfolios (for a total of -€ 1.2 million) due to Fire and BETC S.r.l., respectively.

Total income amounts to €15.2 million compared to €79 million for 2021.

Net impairment losses for 2022 come to €13.8 million compared to net losses of €10.6 million for 2021 and comprise:
- collective net impairment gains on loans and receivables with banks and stock brokerage companies and government bonds (€ 0.009 million);
- impairment losses on factoring assets (€ 2.3 million, including € 2.2 million on a position reclassified as unlikely to pay and € 0.1 million of collective impairment losses);
- collective impairment losses on loans and guaranteed finance products (€ 0.6 million);
- collective impairment losses on lease receivables (€ 0.1 million);
- collective impairment losses on ABS (€ 0.3 million);
- individual impairment losses on stage 3 loans (€ 0.7 million);
- net impairment losses on the GIMLI portfolio (€ 2 million);
- net impairment losses on non-performing lease portfolios (€ 0.8 million);
- net impairment losses on the consolidated SPVs' POCI portfolios (€ 8 million);
- net impairment losses on trade receivables (€ 0.04 million).

Individual impairment losses, calculated using the revisited business plans of the portfolios purchased directly by the parent, were heavily affected by the Covid-19 crisis, mostly in terms of delayed payments.

Collective impairment losses on loans to customers and factoring assets reflect their higher volumes compared to 2021.

The increase in collective impairment losses on ABS reflects the transfer of some senior notes recognised at amortised cost to stage 2.

Personnel expense decreased to € 17.5 million from € 29.7 million for 2021.

At 31 December 2022, the group's workforce numbered 135 people, all of whom work at the parent. The variable component of their remuneration (including social security contributions) amounts to € 1.1 million compared to € 3.1 million at 31 December 2021. Personnel expense recognised in 2021 included the cost of CFLS personnel up until the demerger's effective date and the resources transferred to the Gardant Group.

Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets amount to € 2.5 million (€ 8.3 million in 2021). The caption mostly consists of the depreciation of right-of-use assets recognised in accordance with IFRS 16 (€ 0.8 million, offices in Rome and Milan, printers and cars), amortisation of software (€ 0.7 million) and amortisation of the intangible asset recognised after the merger with Fifty S.r.l. for the factoring platform (€0.6 million).

Other net income amounts to € 2.6 million compared to € 1 million in 2021 and comprises income of € 1 million recognised by the consolidated SPV New Levante, principally for lease payments received from 2017 to 2022, while the remainder relates to positive adjustments made during the year.

The group's **pre-tax loss** comes to € 37.6 million (€ 7.5 million in 2021).

It recognised an **income tax benefit** of € 6 million, of which € 2.5 million related to the parent and € 3.5 million to the release of deferred tax liabilities recognised on the consolidated SPVs' results. Specifically, the parent recognised the net positive effect (+€ 0.9 million) of the tax alignment of the carrying amount of the intangible asset and goodwill recognised as a result of the mergers with Fifty S.r.l. and Be Credit Management S.p.A. to their tax base, as well as tax reimbursements of approximately € 1.5 million on the IRES (corporate income tax) and IRAP (regional tax on production) tax returns filed for previous years.

The loss for the year of € 31.6 million is entirely attributable to the owners of the parent.

Financial position

(€m)

Statement of financial position	31/12/2022	31/12/2021	Variation	Variation %
Cash and cash equivalents	98,2	196.8	(98.6)	-50%
Financial assets	1,076.0	726.3	349.7	48%
Legacy portfolios	395.3	452.2	(56.9)	-13%
Tax Credit	104.4	72.5	31.9	44%
Factoring	99.2	28.3	71.0	251%
Financing	317.0	-	317.0	100%
Government bonds	151.7	113.2	38.5	34%
Other assets	8.3	60.1	(51.8)	-86%
Loans and receivables with banks	3.9	3.3	0.6	17%
Equity investments	-	-	-	0%
Property, equipment and investment property and intangible assets	14.1	6.2	8.0	129%
Tax assets (current and deferred)	16.2	16.9	(0.6)	-4%
Other assets	31.0	4.3	26.7	616%
Total assets	**1,239.5**	**953.8**	**285.7**	**30%**
Funding and other financial liabilities	1,080.5	800.0	280.5	35%
Due to banks	161.1	97.1	64.1	66%
Due to customers	911.9	695.3	216.6	31%
Securities issued	3.1	3.1	(0.0)	-1%
Liabilities at fair value	4.4	4.5	(0.1)	-2%
Tax liabilities	3.8	8.9	(5.1)	-58%
Other liabilities	38.2	20.4	17.8	87%
Post-employment benefits	0.4	0.6	(0.2)	-27%
Provisions for risks and charges	0.6	1.3	(0.7)	-54%
Share capital	14.0	14.0	-	0%
Reserves	133.5	115.3	18.2	16%
Equity attributable to non-controlling interests	0.0	0.0	0.0	0%
Loss for the year	(31.6)	(6.8)	(24.7)	362%
Total liabilities and equity	**1,239.5**	**953.8**	**285.7**	**30%**

Total assets amount to € 1,239.5 million compared to € 953.8 million at 31 December 2021. The increase of € 285.7 million is mostly due to the parent's guaranteed finance and factoring business lines.

At 31 December 2022, financial assets measured at fair value or amortised cost (specifically "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 € 1,076 million (€ 726.3 million at 31 December 2021) and include:
- ABS of € 110.7 million issued by the unconsolidated companies and entirely measured at fair value (junior and mezzanine notes that did not pass the SPPI test);
- participating financial instruments at fair value through other comprehensive income of € 4 million;
- ABS of € 134.9 million issued by the unconsolidated companies and entirely measured at amortised cost (senior and mezzanine notes that passed the SPPI test);
- loans and receivables with customers of € 196.7 million purchased through securitisation vehicles (including tax assets of € 78.1 million purchased by Convento and Fairway and POCI non-performing exposures of € 118.6 million purchased by Ponente SPV, New Levante SPV, Cosmo SPV, Aventino SPV and Liberio SPV);
- POCI loans of € 7.1 million purchased directly by the parent;
- lease portfolios of € 11.1 million purchased directly by the parent;
- loans and guaranteed finance of € 347.6 million disbursed by the parent (including guaranteed finance products of € 317 million, loans to ReoCos of € 17.1 million and other loans of € 13.5 million);
- factoring loans of € 99.2 million disbursed by Banca CF+;
- government bonds of € 151.7 million held by the parent;
- deposits of € 10 million held with the counterparty Directa Sim;
- trade receivables and other assets of € 8.5 million, including € 8.2 million due from Gardant S.p.A. for the deferred price (collected in February 2023) for the ABS issued by Lucullo SPV.

The € 349.8 million increase in investments is mostly due to the volumes of guaranteed finance products (+€ 317 million) and factoring products (+€ 73.3 million, net of collections) achieved by the parent and the tax assets (+€ 7 million net of collections) achieved by the SPVs.

Investments made in 2022 include the tax assets (the "110% superbonus") provided for by article 119 of Decree law no. 34/2020 purchased from other brokers for € 26.1 million and classified as other assets.

Cash held with banks amounts to € 98.2 million at 31 December 2022 and, in addition to cash belonging to the parent, it includes that related to the consolidated companies (€ 27 million).

Property, equipment and investment property and intangible assets amount to € 14.1 million compared to € 6.2 million at 31 December 2021. The increase is mostly due to the right-of-use assets of € 6.3 million recognised in the first half of 2022 in accordance with IFRS 16 (newly leased offices in Rome and Milan).

Intangible assets comprise goodwill related to the acquisition of Be Credit Management S.p.A. (€ 0.9 million) and goodwill and the intangible asset recognised provisionally at 31 December 2021 as part of the purchase price allocation procedure for the acquisition of Fifty S.r.l. (€ 1.3 million and € 2.7 million, respectively).

Tax assets of € 16.2 million (€ 16.9 million at 31 December 2021) comprise current tax assets of € 10.3 million (mostly payments on account) and deferred tax assets of € 5.9 million on carryforward tax losses (approximately € 4 million), the **ACE** (Aid for Economic Growth) benefit (€ 0.8 million), the impairment losses on loans and receivables that are deductible over more than one year in accordance with Law no. 214/2011 (€ 0.5 million) and the cost of aligning the carrying amount of the intangible asset and goodwill arising on the mergers of Fifty and BECM (€ 0.7 million) recognised by the parent.

Liabilities include sources of funding such as:
• due to banks of € 161.1 million, reflecting the parent's funding (described below) and the deferred prices of the portfolios purchased by Ponente SPV and New Levante SPV (€ 9.1 million);
• due to customers of € 911.9 million, which includes the parent's funding (€ 906.7 million) as well as the liabilities for the consideration still to be disbursed for tax assets purchased by Convento at the end of December 2022 (€ 5.2 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 € 3.8 million (€ 8.9 million at 31 December 2021) include current tax liabilities of € 0.9 million and deferred tax liabilities of € 2.9 million recognised on the SPVs' profits or losses.

Equity amounts to € 116 million (€ 122.5 million at 31 December 2021), of which € 0.008 million is attributable to non-controlling interests, and includes the loss for the year.

On 28 October 2022, the parent's controlling shareholder, Tiber Investments 2 S.à.r.l. injected € 25 million to strengthen its equity as described in the "Capitalisation" section.

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

(€'000)

(€'000)	Equity	Loss for the year
As per the separate financial statements	**110,050**	**(24,397)**
Be Credit Management S.p.A.	-	5
Consolidated vehicles	5,889	(7,920)
Consolidation adjustments	20	730
As per the consolidated financial statements (including non-controlling interests)	**115,959**	**(31,582)**
Non-controlling interests	**8**	**-**
As per the consolidated financial statements (owners of the parent)	**115,951**	**(31,582)**

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

Events after the reporting date

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. However, the non-adjusting events that occurred are described below.

Project Trust - CREDIMI
In December 2022, the parent's Board of Directors approved the presentation of a binding offer for the acquisition of a business unit from Credimi S.p.A. (the "business unit"), a financial broker as per article 106 of the Consolidated Banking Act and one of the group's competitors in the digital lending sector. On 26 February 2023, the parent presented a revised binding offer. Acquisition of this business unit and its digital lending platform would significantly accelerate the group's roll out-out of this business and its technological platform.

Revised projections for the 2023-2024 two-year period
Bank of Italy sent a letter dated 17 January 2023 to the less significant institutions (which include Banca CF+) requesting them to provide updated figures for the 2023-2024 two-year period by 15 February 2023 together with qualitative information confirming the sustainability of the parent's business model and the validity and feasibility of its development plans.

The parent prepared a baseline scenario and an adverse scenario that considered the less favourable evolution of macroeconomic scenario, as requested. Its Bards of Directors and statutory auditors checked the adequacy and reasonableness of the two scenarios, the reliability of the estimates and the parent's ability to implement the strategies set out in the business plan in their meeting of 10 February 2023. The information was sent to the Supervisory Authority on 15 February 2023.

Both scenarios envisage a return to a profit-making situation in 2023 with solid capital indicators.

Capital increase
As described in the "Capitalisation" section, in October 2022, the parent's Board of Directors approved a capital increase against payment to be offered with rights of first refusal to the ordinary shareholders pursuant to article 2441 of the Italian Civil Code for a maximum of € 28.5 million to take place before 28 February 2023.

On 28 October 2022, the parent's controlling shareholder, Tiber Investments 2 S.à.r.l. injected € 25 million for this capital increase. In accordance with the commitment letter dated 30 September 2022 signed by the parent and Tiber Investments 2, this injection is non-returnable and, therefore, is now part of the parent's own funds.

On 10 February 2023, in an extraordinary meeting, the parent's shareholders approved the proposed capital increase. Specifically, they resolved to increase the parent's share capital against payment by a maximum of €28,499,998.16, including € 5,144,404 to be allocated to share capital and € 23,355,594.16 to be allocated to the share premium. This increase may take place in instalments with the issue of a maximum of 5,144,404 ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the shares already issued by the parent.

The subscription price of each new share is € 5.54 (capital of € 1.00 and premium of € 4.54), for a maximum value of the Capital Increase of € 28,499,998.16.

After the injection by the majority shareholder in October 2022, non-controlling investors confirmed their interest in participating in the capital increase for € 3.1 million.

Exercise of the option to align the carrying amount of the intangible assets recognised as a result of the mergers of Fifty S.r.l. and BE Credit Management S.p.A. into Banca CF+ to their tax base
Completion of the mergers of Fifty S.r.l. and Be Credit Management S.p.A. into the parent led to the recognition of goodwill of € 2.2 million and intangible assets with a finite useful life of € 2.4 million in its separate financial statements.

Article 15.10 of Decree law no. 185 of 29 November 2008 and article 172.10-bis of Presidential decree no. 917 of 22 December 1986 allows the alignment of these intangible assets' carrying amount and tax base by paying a substitute tax. Given the resulting financial benefit, which is equal to the difference between the future tax saving and the cost of the substitute tax, the parent's Board of Directors approved the tax alignment in its meeting of 25 January 2023. The positive net effect of € 0.9 million was already recognised in the separate financial statements at 31 December 2022 with payment of the first instalment of the substitute tax before 30 June 2023.

Supervisory Review and Evaluation Process (SREP)
On 24 January 2023, Bank of Italy informed Banca CF+ that it had started the SREP to review the additional capital requirement in light of the minimum regulatory requirements in order to ensure the parent's risk profile was covered.

The review will be completed within a maximum of 90 days from the date of the communication, unless provided for otherwise by law.

ESG
Over the past 18 months, the European (ECB and EBA) and Italian (Bank of Italy) regulators have imposed a significant acceleration in the approach required of banks to identify and manage climate and ESG (Environmental, Social, Governance) risks.

The ECB in particular introduced several measures after publication of its supervisory expectations on climate and environmental risk management in November 2020, including the performance of a thematic review at the significant institutions in 2022. The results will be factored into the SREP 2022 and the performance of the first Climate Stress Test.

In line with the ECB's approach, Bank of Italy published its expectations in April 2022 and commenced assessments and awareness raising initiatives in order to include its findings in the SREP 2023. The Italian regulator also published the results of its thematic review, asking the less significant institutions to prepare an action plan by 31 March 2023.

The parent drew up a three-year action plan to be sent to the regulator within the above deadline. It sets out the main focus areas covering five aspects of its business: i) Governance & Organisation, ii) Strategy and Business, iii) Risk Management, iv) Reporting and Disclosure, and v) Data Management.

Branches
On 10 February 2023, the parent's shareholders acknowledged completion of the regulator's authorisation process and approved the opening of a branch at Corso Europa 15, Milan.

Business opportunities and going concern

The parent's Directors have prepared the consolidated financial statements at 31 December 2022 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.

Following completion of Reorganization Project 3.0, CF+ has launched its new business lines as set out in the business plan and has completed the capitalisation to strengthen its equity described in the "Capitalisation" section.

During the roughly 18-month period from the demerger effective date (1 August 2021) to the date of this annual report (31 December 2022), the group has dealt with the financial repercussions of the pandemic which mostly consisted of the need to recognise impairment losses on non-performing loans and ABS, especially after the postponement of collections envisaged in the business plans. The group has also been affected by the upwards projections of interest rates which, while they do have a positive effect on the banking sector, adversely affected the fair value measurement of the ABS in its portfolio issued by non-consolidated vehicles.

Despite all this, the group has maintained its economic-financial and equity capacity and expects to be able to continue to operate normally and to implement the activities necessary to develop the new business lines.

Other information
It is noted that at 31 December 2022:
• 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 (Information on risks and related hedging policies);
• the consolidated vehicles do not have branches while the parent opened a branch in Milan in February 2023 (as described earlier);
• the consolidated companies have not entered into derivatives.

Consolidated financial statements

STATEMENT OF FINANCIAL POSITION

(€'000)

	Assets	31/12/2022	31/12/2021
10.	Cash and cash equivalents	98,217	196,768
20.	Financial assets at fair value through profit or loss	111,253	132,362
	a) held for trading	*554*	*614*
	b) designated at fair value	*-*	*-*
	c) mandatorily measured at fair value	*110,700*	*131,748*
30.	Financial assets at fair value through other comprehensive income	4,000	4,000
40.	Financial assets at amortised cost	964,603	593,220
	a) loans and receivables with banks	*3,876*	*3,302*
	b) loans and receivables with customers	*960,726*	*589,918*
70.	Equity investments	-	-
90.	Property, equipment and investment property	8,323	697
100.	Intangible assets including:	5,808	5,481
	- goodwill	*2,178*	*2,178*
110.	Tax assets	16,249	16,895
	a) current	*10,295*	*11,564*
	b) deferred	*5,954*	*5,331*
120.	Non-current assets held for sale and disposal groups	-	-
130.	Other assets	31,050	4,337
	Total assets	**1,239,503**	**953,760**

STATEMENT OF FINANCIAL POSITION

(€'000)

	Liabilit ies and equity	31/12/2022	31/12/2021
10.	Financial liabilities at amortised cost	1,076,098	795,514
	a) due to banks	*161,124*	*97,066*
	b) due to customers	*911,880*	*695,328*
	c) securities issued	*3,095*	*3,120*
30.	Financial liabilities at fair value through profit or loss	4,424	4,492
60.	Tax liabilities	3,790	8,940
	a) current	*887*	*384*
	b) deferred	*2,903*	*8,556*
80.	Other liabilities	38,204	20,426
90.	Post-employment benefits	416	567
100.	Provisions for risks and charges:	611	1,339
	a) commitments and guarantees given	-	-
	b) pension and similar provisions	-	-
	c) other provisions	*611*	*1,339*
120.	Valuation reserves	2,759	2,627
150.	Reserves	54,754	36,666
160.	Share premium	76,020	76,020
170.	Share capital	14,000	14,000
190.	Equity attributable to the owners of the parent (+/-)	8	8
200.	Loss for the year (+/-)	(31,582)	(6,839)
	Total liabilities and equity	**1,239,503**	**953,760**

INCOME STATEMENT

(€'000)

	Items	31/12/2022	31/12/2021
10.	Interest and similar income	52,726	50,046
20.	Interest and similar expense	(18,853)	(20,669)
30.	**Net interest income**	**33,874**	**29,377**
40.	Fee and commission income	2,382	305
50.	Fee and commission expense	(4,031)	(2,271)
60.	**Net fee and commission expense**	**(1,648)**	**(1,966)**
80.	Net trading income (expense)	1,111	(24)
100.	Net gain from sales or repurchases of:	159	-
	a) financial assets at amortised cost	*159*	-
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	(18,276)	(6,811)
	a) financial assets and liabilities designated at fair value	*(1,161)*	*(2,087)*
	b) other financial assets mandatorily measured at fair value	*(17,115)*	*(4,724)*
120.	**Total income**	**15,220**	**20,576**
130.	Net impairment losses for credit risk associated with:	(13,815)	(10,276)
	a) financial assets at amortised cost	*(13,815)*	*(10,276)*
	b) financial assets at fair value through other comprehensive income	-	-
150.	**Net financial income**	**1,404**	**10,300**
190.	Administrative expenses:	(39,643)	(32,042)
	a) personnel expense	*(17,495)*	*(8,192)*
	b) other administrative expenses	*(22,148)*	*(23,850)*
200.	Net reversals of provisions for risks and charges	484	40
	b) other	*484*	*40*
210.	Depreciation and net impairment losses on property, equipment and investment property	(1,158)	(340)
220.	Amortisation and net impairment losses on intangible assets	(1,330)	(306)
230.	Other operating income (expense), net	2,563	476
240.	**Operating costs**	**(39,084)**	**(32,172)**
250.	Net losses on equity investments	40	(600)
290.	**Pre-tax loss from continuing operations**	**(37,640)**	**(22,472)**
300.	Income taxes	6,058	27
310.	**Post-tax loss from continuing operations**	**(31,582)**	**(22,445)**
320.	Post-tax profit from discontinued operations	-	16,293
330.	**Loss for the year**	**(31,582)**	**(6,152)**
340.	Profit attributable to non-controlling interests	-	687
350.	**Loss attributable to the owners of the parent**	**(31,582)**	**(6,839)**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)

	Items	31/12/2022	31/12/2021
10.	**Loss for the year**	**(31,582)**	**(6,152)**
	Other comprehensive income, net of tax, that will not be reclassified to profit or loss:	**131**	**2,645**
20.	Equity instruments at fair value through other comprehensive income	-	*2,657*
70.	Defined benefit plans	*131*	*(12)*
	Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss:	**-**	**-**
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
170.	**Total other comprehensive income, net of tax**	**132**	**2,645**
180.	**Comprehensive expense (captions 10 + 170)**	**(31,450)**	**(3,507)**
190.	Comprehensive income attributable to non-controlling interests	-	687
200.	**Comprehensive expense attributable to the owners of the parent**	**(31,450)**	**(4,194)**

Statement of changes in equity for the year ended 31 December 2022

(€'000)

	Balance at 31.12.2021	Change to opening balances	Balance at 01.01.2022	Allocation of prior year loss		Changes of the year									Equity at 31.12.2022	Equity att. to the owners of the parent at 31.12.2022	Equity att. to non-controlling interests at 31.12.2022
							Equity transactions										
				Reserves	Dividends and other allocations	Changes in reserves	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	2022 comprehensive expense			
Share capital:																	
a) ordinary shares	14,008	-	14,008	-	-	-	-	-	-	-	-	-		-	14,008	14,000	8
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	76,020	-	76,020	-	-	-	-	-	-	-	-	-	-	-	76,020	76,020	-
Reserves:																	
a) income-related	22,847	-	22,847	(6,152)	-	-	-	-	-	-	-	-	-	-	16,694	16,694	-
b) other	13,132	-	13,132	-	-	25,000	-	-	-	201	-	(274)	-	-	38,059	38,059	-
Valuation reserves	2,627	-	2,627	-	-	-	-	-	-	-	-	-	-	132	2,759	2,759	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the year	(6,152)	-	(6,152)	6,152	-	-	-	-	-	-	-	-	-	(31,582)	(31,582)	(31,582)	-
Total equity	**122,482**	**-**	**122,482**	**-**	**-**	**25,000**	**-**	**-**	**-**	**201**	**-**	**(274)**	**-**	**(31,450)**	**115,959**	**115,951**	**8**
Equity attributable to the owners of the parent	122,474	-	122,474	-	-	25,000	-	-	-	201	-	(274)	-	(31,450)	-	115,951	-
Equity attributable to non-controlling interests	8	-	8	0	0	-	-	0	0	0	0	-	-	-	-	-	8

See section F "Information on equity" of these notes for details of changes in reserves during the year.

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

(€'000)

	Balance at 31.12.2020	Change to opening balances	Balance at 01.01.2021	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes of the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Repurchase of own shares	Equity transactions: Extraordinary dividend distribution	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on treasury shares	Equity transactions: Stock options	Equity transactions: Change in equity investments	2021 comprehensive expense	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
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 CASH FLOWS - (indirect method)

(€'000)

A. OPERATING ACTIVITIES	Amount 31/12/2022	Amount 31/12/2021
1. Operations	**(3,486)**	**72,045**
- profit for the year (+/-)	(31,582)	(6,152)
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit or loss (-/+)	18,276	6,811
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses/gains for credit risk (+/-)	13,815	10,555
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	2,488	8,300
- net accruals to/net reversals of provisions for risks and charges and other costs/revenue (+/-)	(484)	(40)
- unsettled taxes and tax assets (+/-)	(6,058)	49,002
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups, net of tax (+/-)	-	-
- other adjustments (+/-)	59	3,570
2. Cash flows generated by/used for financial assets	**(398,867)**	**251,839**
- financial assets held for trading	-	-
- financial assets at fair value through profit or loss	-	-
- other assets mandatorily measured at fair value	3,933	123,639
- financial assets at fair value through other comprehensive income	-	(4,000)
- financial assets at amortised cost	(385,198)	42,906
- other assets	(17,603)	89,294
3. Cash flows generated by/used for financial liabilities	**282,743**	**(287,455)**
- financial liabilities at amortised cost	273,822	(24,381)
- financial liabilities held for trading	-	-
- financial liabilities at fair value through profit or loss	(1,229)	1,796
- other liabilities	10,150	(264,871)
Net cash flows generated by/used in operating activities	**(119,610)**	**36,430**

Continua - STATEMENT OF CASH FLOWS - (indirect method)

(€'000)

B. INVESTING ACTIVITIES	31/12/2022	31/12/2021
1. Cash flows generated by	**-**	**-**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**(3,941)**	**(5,799)**
- equity investments	-	600
- property, equipment and investment property	(2,283)	(355)
- intangible assets	(1,657)	(4,844)
- business units	-	-
Net cash flows used in investing activities	**(3,941)**	**(5,799)**
C. FINANCING ACTIVITIES	**31/12/2022**	**31/12/2021**
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	25,000	-
- dividend and other distributions	-	-
Net cash flows generated by financing activities	**25,000**	**-**
NET CASH FLOWS FOR THE YEAR	**(98,551)**	**30,631**

RECONCILIATION

(€'000)

Financial statements captions	31/12/2022	31/12/2021
Opening cash and cash equivalents	196,768	166,137
Total net cash flows for the year	(98,551)	30,631
Closing cash and cash equivalents	**98,217**	**196,768**

Key: (+) generated (-) used

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 44 to 44E and paragraph 60 are not applicable.

Banca CF+

Notes to the consolidated financial statements

Banca CF+

Part A: Accounting policies

A.1 – GENERAL CRITERIA

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 2022 have been 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 – General preparation principles

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 consolidated 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.
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

The standards and related interpretations whose application, which did not significantly impact the group's consolidated financial statements, became mandatory from periods that begin after 1 January 2022 are detailed below.
Commission Regulation (EU) 2021/1080, endorsing the following documents issued by the IASB on 14 May 2020, was published on 2 July 2021.
• Reference to the conceptual framework (Amendments to IFRS 3) that update an outdated reference in IFRS 3 without significantly changing its requirements and added an explicit statement to IFRS 3 that an acquirer does not recognise contingent assets (i.e., a possible asset whose existence will be confirmed only by uncertain future events) acquired in a business combination. This prohibition was previously explicitly stated in the Basis for conclusion only.
• Property, plant and equipment - Proceeds before intended use (Amendments to IAS 16), which did not affect the group. The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.
• Onerous contracts - Cost of fulfilling a contract (Amendments to IAS 37) that specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be materials used in production) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of direct labour and the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
• Annual improvements to IFRSs – 2018-2020 cycle, which amended the following four standards:
- IFRS 1 – Subsidiary as a first-time adopter;
- IFRS 9 – Fees in the "10 per cent" test for derecognition of financial liabilities: the amendment clarifies the fees an entity includes when performing the test required by IFRS 9.B3.3.6 to assess whether or not a financial liability should be derecognised;
- IFRS 16 – Lease incentives: the amendment relates to an illustrative example;
- IAS 41 – Taxation in fair value measurements.

As mentioned earlier, the amendments' effective date was 1 January 2022 and did not affect the group, considering their limited extent introducing minor changes and clarifications.

The following amendments to the standards were endorsed during the year and are applicable on subsequent dates:

Commission Regulation (EU) 2022/1392 endorsed the Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) published in May 2021 by the IASB, which:
• specify how entities shall account for deferred taxes related to assets and liabilities arising from a single transaction,

such as leases, and aim to reduce diversity in practical application in this area;
• are mandatory for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Commission Regulation (EU) 2022/1491 was published in the EU Official Journal on 9 September 2022 amending Regulation (EC) no. 1126/2008 as regards IFRS 17 - Insurance contracts (applicable as of 1 January 2023). The new paragraphs introduced by the regulation provide for the following:
• an entity that first applies IFRS 17 and IFRS 9 at the same time is permitted to apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for IFRS 9. Comparative information for a financial asset will not be restated for IFRS 9 if either the entity chooses not to restate prior periods, or the entity restates prior periods but the financial asset has been derecognised during those prior periods;
• an entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date to determine how the entity expects the financial asset would be classified and measured on initial application of IFRS 9;
• In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in section 5.5 of IFRS 9. If, based on the classification determined applying paragraph C28B, the financial asset would be subject to the impairment requirements in section 5.5 of IFRS 9 but the entity does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognised in respect of impairment in the prior period in accordance with IAS 39 - Financial instruments: Recognition and measurement. Otherwise, any such amounts shall be reversed. Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C28B-C28C shall be recognised in opening retained earnings (or other component of equity, as appropriate) at the transition date.

Moreover, under the regulation, an entity that applies paragraphs C28B-C28D shall:
a) disclose qualitative information that enables users of financial statements to understand: i. the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period); ii. whether and to what extent the impairment requirements in section 5.5 of IFRS 9 have been applied (see paragraph C28C);
b) only apply those paragraphs to comparative information for reporting periods between the transition date to IFRS 17 and the date of initial application of IFRS 17;
c) at the date of initial application of IFRS 9, apply the transition requirements in IFRS 9.

Given the group's operations, no material impact is expected in relation to the above regulation.

Lastly, for the sake of completeness, it should be noted that on 31 march 2021 the IASB published "Covid-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)" (endorsed by the EU with Commission Regulation (EU) 2021/1421), whereby the period of application of the amendment enacted in 2020 providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification was extended by one year. Therefore, lessees that applied the practical expedient in 2020 recognised the change in lease payments arising from rent concessions directly in profit or loss when the change became effective. The 2021 amendment, which is only available for entities that already opted to apply the 2020 amendment, became applicable on 1 April 2021 (earlier application was permitted). Adoption of these amendments did not affect the group.

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 Cassia SPV 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

Companies	Head office	Registered office	Investment		Voting rights **
			Type of relationship*	%	
Cassia SPV S.r.l.	Rome	Rome	1	60%	60%
Convento SPV S.r.l.	Rome	Rome	4	60%	60%
Ponente SPV S.r.l.	Rome	Rome	4	0%	0%
New Levante SPV S.r.l.	Rome	Rome	4	0%	0%
Cosmo SPV S.r.l.	Rome	Rome	4	0%	0%
Fairway S.r.l.	Rome	Rome	4	0%	0%
Aventino SPV S.r.l.	Rome	Rome	4	0%	0%
Liberio SPV S.r.l.	Rome	Rome	4	0%	0%

Key
(*) 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
(**) 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:

Companies	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
Restart SPV S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity
Italian Credit Recycle S.r.l.	Banca CF+ S.p.A.	47.3% of the SPV's mezzanine notes	Equity

In 2022, Fifty S.r.l., Lucullo SPV S.r.l. and Be Credit Management S.p.A. ("BECM") left the consolidation scope. Fifty S.r.l. left on 1 January 2022 after its merger into the parent effective from that date. Lucullo SPV S.r.l. left the consolidation scope due to the sale of all its issued notes held by the parent to third parties on 30 June 2022, which meant that the parent lost control over it. BECM left on 1 October 2022 when its merger into the parent became effective.

The current consolidation method entails, inter alia:
• the determination of the IRR of the consolidated portfolios 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;
• 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)[2];
• recalculation of the frequency of the collections on a monthly rather than a quarterly basis;
• measurement of the ABS subscribed by third parties;
• measurement of any deferred purchase price ("DPP") included in the securitisations at amortised cost.

2 The ABS subscription prices were used previously as a base.

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.

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" section of the Directors' report provides more details.

Section 5 – Other issues

Risks, uncertainties and impact of Covid-19

During 2022, there was a gradual easing of the Covid-19 pandemic restriction and containment measures.

Specifically, in regulatory terms:
- on 31 March 2022, the state of emergency was ended;
- as of 1 May 2022 (pursuant to Decree law no. 24/2022), the legal obligation for workers to display the Covid-19 vaccination certificate to access workplaces lapsed;
- on 31 August 2022, the Ministry of Health issued a specific circular, providing for a reduction in the compulsory isolation period for people who tested positive for Covid-19, regardless of their vaccination status.

In this context, concerns about the specific risks and uncertainties stemming from the Covid-19 pandemic also reduced, being gradually replaced by uneasiness about new external macroeconomic focus factors (e.g., the Russia-Ukraine conflict, different inflationary scenarios, etc.).

In this context, the group continued to apply all necessary measures aimed at ensuring business continuity and protecting people's health, while encouraging flexible working schemes based on remote working agreements. In particular, the management team and governance bodies closely monitored business processes in order to promptly update strategies and policies (including risk policies) in response to the changing context.

The strategic planning process was continuously updated. Specifically, in October 2022, the parent approved the new 2023-2026 business plan, whose projections were updated by the Board of Directors on 10 February 2023 to incorporate Bank of Italy's specific requests to less significant institutions. In order to address this specific request, the updated projections considered a baseline and an adverse scenario to consider less favourable changes in the macroeconomic scenario. Accordingly, the parent assessed the recoverability of its deferred tax assets and intangible assets with an indefinite useful life on the basis of the most recent strategic projections available.

The effect of the slowdown of the courts, with impacts on NPEs' collection times was considered when measuring

ABS and loan portfolios recognised under assets. On the other hand, this slowdown did not significantly impact the group's liquidity, including in respect of funding from retail customers and access to institutional credit lines.

During 2022, there were no particular changes in estimates with a material impact closely related to the effect of the Covid-19 pandemic.

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 group 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. The group 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 group;
• 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.

Information on the use of valuation models to calculate the fair value of financial instruments not quoted on active markets is provided in the "Valuation processes and sensitivity" section, which provides details of the estimation methods and, in particular, for the calibration of models in use.

With reference to the estimates and assumptions about the recoverability of deferred tax assets, when preparing its consolidated financial statements at 31 December 2022, the parent designed a specific probability test in accordance with IAS 12, which was approved by the Board of Directors. The cash flows underlying the quantification of taxable profits are based on the 2023-2026 business plan, updated to consider the 2022 results and the update for 2023 and 2024 required by Bank of Italy. The parent also carried out sensitivity analyses. Based on the test outcome, deferred tax assets are recoverable in both the best and worse case scenarios.

The parent checked the recoverability of its intangible assets with an indefinite useful life through a dedicated impairment test, which was approved by the Board of Directors. Specifically, the parent tested its factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto. The cash flows have been calculated based on the 2023-2026 business plan, updated to consider the 2022 results and the update for 2023 and 2024 required by Bank of Italy. The test confirmed the recoverability of those assets.

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

EY S.p.A. performed the statutory audit of the group's consolidated financial statements as per the shareholders' resolution of 27 April 2022.

Pursuant to article 17.1 of Decree no. 39/2010, the audit engagement has a nine-year term (from 31 December 2022 to 31 December 2030).

Approval of the separate financial statements

On 22 March 2023, 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 22 March 2023, 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.

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 group 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 group 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. Net gain (loss) 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. Net gain (loss) 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 lifetime 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: e.g., (a) renegotiations for commercial reasons and (b) forbearance measures due to financial difficulties of the counterparty:
• 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;
• 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 an impairment indicator), 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.

7 - 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.

8 - 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 both 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.

9 - 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.

10 - 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;
• 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".

12 – Other information

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

Other assets
Other assets comprise tax assets directly acquired by the parent from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Their recognition, classification and measurement are based on the guidelines of document no. 9 on the application of the IFRS jointly issued by Bank of Italy, Consob (the Italian Commission for listed companies and the stock exchange) and IVASS (the Italian Institute for insurance supervision). This document clarified that the above tax assets are in substance more similar to a financial asset and, therefore, a model based on IFRS 9 is the most appropriate accounting policy to provide relevant and reliable disclosure. The tax assets acquired by the parent during the year are managed under the hold to collect business model. Therefore, they are measured at amortised cost and held by the parent for offsetting purposes.

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 group'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 con-

tractual 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 group 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 group recognises a loss allowance equal to their lifetime expected credit losses. At each subsequent reporting date, the group 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.

• Government bonds:
- application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches); if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2, only if it is downgraded by at least 3 notches from the origination rate[3];
- reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are downgraded to CCC+ or lower.

• Financial instruments other than loans and receivables and government bonds:
- application of the low credit risk exemption, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notches);
- after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BBB-, leads to classification at stage 2 as long as the downgrading does not directly lead to classification as stage 3;

• Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring assets and guaranteed finance products):
- 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 if the counterparty's external rating at origination or, where not available, of the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from an external rating at origination of BBB or BBB- and a 1-notch decrease from an external rating at origination of less than BB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade).
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

3 In general, the Fitch rating is used as the external public rating. Where this is not available, the S&P rating and the Moody's rating are used (in that order).

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 mainly include the ABS at fair value through profit or loss, participating financial instruments at fair value through other comprehensive income and, solely for disclosure purposes, financial assets at amortised cost.

The group measured the ABS using the discounted cash flow model, 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. During 2022, as part of its ongoing calibration of internal models, the group adjusted the discount rate used under the DCF model. The discount rate previously used was calculated as the sum of a z-spread component and a risk free component, identified as the €STR, and was replaced by the cost of capital ("Ke"). The latter was calculated using the capital asset pricing model ("CAPM") and is equal to the rate of return on the risk free assets ("Rf"), increased by the specific sector risk premium. This premium is calculated by considering the β coefficient, which measures a specific entity's risk, in relation to the variability of its return compared to the market risk and multiplying it by the equity risk premium ("ERP").

A specific risk coefficient is added to the output to account for the riskiness of the relevant securities compared to that of the market (small size 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.

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 / liabilities at fair value	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss, of which	-	-	-	-	-	-
a) held for trading	-	-	554	-	-	614
b) designated at fair value	-	-	-	-	-	-
c) mandatorily measured at fair value	-	-	110,700	-	-	131,748
2. Financial assets at fair value through other comprehensive income	-	-	4,000	-	-	4,000
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**115,254**	**-**	**-**	**121,667**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities at fair value through profit or loss	-	-	4,424	-	-	4,492
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**4,424**	**-**	**-**	**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)

	Total	Financial assets at fair value through profit or loss including: a) held for trading	including: b) designated at fair value	including: c) mandatorily measured at fair value	Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**136,362**	**614**	**-**	**131,748**	**4,000**	**-**	**-**	**-**
2. Increases	-	-		-				
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Gains recognised in:	11,656	-	-	11,656	-	-	-	-
2.2.1 Profit or loss	11,656	-	-	11,656	-	-	-	-
- including gains	522	-	-	522	-	-	-	-
2.2.2 Equity	-	X	X	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-			-	-			
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Repayments	(15,067)	-	-	(15,067)	-	-	-	-
3.3 Losses recognised in:	(17,697)	-	-	(17,637)	-	-	-	-
3.3.1 Profit or loss	(17,697)	(60)	-	(17,637)	-	-	-	-
- including losses	(17,697)	(60)	-	(17,637)	-	-	-	-
3.3.2 Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**115,254**	**554**	**-**	**110,700**	**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 atfair value through profit or loss	Hedging derivatives
1. Opening balance	-	4,492	-
2. Increases	-	-	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	-	-
2.2.1 Profit or loss	-	1,793	-
- including losses	-	1,793	-
2.2.2 Equity	X	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	230	-
3. Decreases	-	-	-
3.1 Repayments	-	(1,229)	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Profit or loss	-	(862)	-
- including gains	-	(862)	-
3.3.2 Equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	-	4,424	-

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/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	964,603	137,479	-	812,862	593,220	112,754	-	158,972
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**964,603**	**137,479**	**-**	**812,862**	**593,220**	**112,754**	**-**	**158,972**
1. Financial liabilities at amortised cost	1,076,098	-	-	1,076,098	795,514	-	-	795,386
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	**1,076,098**	**-**	**-**	**1,076,098**	**795,514**	**-**	**-**	**795,386**

Key:
VB= 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 paragraphs in the other related standards.

Part B: Notes to the statement of financial position

Assets

Section 1

Cash and cash equivalents – Caption 10

1. Cash and cash equivalents: breakdown

(€'000)

	31/12/2022	31/12/2021
a) Cash	2	2
b) Current accounts and demand deposits with central banks	55,410	118,119
c) Current accounts and demand deposits with banks	42,806	78,647
Total	**98,217**	**196,768**

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.

In addition to the parent's liquidity, current accounts and deposits with banks include cash of €26,989 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)

Captions	31/12/2022			31/12/2021		
	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	-	-	554	-	-	614
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	**-**	**-**	**554**	**-**	**-**	**614**
Total (A+B)	**-**	**-**	**554**	**-**	**-**	**614**

The caption "Financial derivatives: 1.1. trading" includes the fair value of a call option for 100% of BE TC S.r.l. agreed in 2018. 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)

Captions	31/12/2022	31/12/2021
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	554	614
Total B	**554**	**614**
Total (A+B)	**554**	**614**

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)

Captions	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	110,700	-	-	131,473
2. Equity instruments	-	-	-	-	-	275
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-		-	-	
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**110,700**	**-**	**-**	**131,748**

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

"Debt instruments – Other" include ABS of unconsolidated SPVs of €110,700 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)

Captions	31/12/2022	31/12/2021
1. Equity instruments		
of which: banks	-	-
of which: other financial companies	-	275
of which: non-financial companies	-	-
2. Debt instruments		
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	110,700	131,473
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	**110,700**	**131,748**

This caption includes ABS (mostly junior) that did not pass the SPPI test (their business model is HTC).

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)

Captions	31/12/2022			31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
2. Equity instruments	-	-	4,000	-	-	4,000
3. Financing	-	-	-	-	-	-
Total	**-**	**-**	**4,000**	**-**	**-**	**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. Its level 3 fair value has been measured considering the best information available at the reporting date, with the assistance of independent experts. No changes in its fair value took place in 2022.

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

(€'000)

Captions	31/12/2022	31/12/2021
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	4,000
- Other	-	-
3. 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**	**4,000**

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

None.

3.3a Financing at fair value through other comprehensive income subject to Covid-19 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)

Transaction type/Amount	31/12/2022						31/12/2021					
	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	3,260	-	-	X	X	X	2,101	-	-	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	-	-	-	X	X	X	-	-	-	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	616	-	-	X	X	X	1,201	-	-	X	X	X
2. Debt instruments												
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,876**	**-**	**-**	**-**	**-**	**-**	**3,302**	**-**	**-**	**-**	**-**	**-**

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)

Transaction type/Amount	31/12/2022						31/12/2021					
	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	10,013	-	5,921	X	X	X	28,059	-	7,899	X	X	X
1.2. Reverse repurchase agreements	-	-	193	X	X	X	-	-	-	X	X	X
1.3. Loans	314,314	5,396	7,638	X	X	X	4,594	145	48,357	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	177	-	33,145	X	X	X	226	-	-	X	X	X
1.5. Net investments in leases	4,778	3,432	16,227	X	X	X	5,462	3,618	20,795	X	X	X
1.6. Factoring	95,079	4,159	-	X	X	X	28,158	-	-	X	X	X
1.7. Other financing	108,344	-	65,229	X	X	X	100,144	-	74,331	X	X	X
Debt instruments												
1.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other	286,678	-	-	137,479	-	134,938	268,131	-	-	112,754	-	155,852
Total	**819,384**	**12,988**	**128,354**	**137,479**		**134,938**	**434,774**	**3,763**	**151,381**	**112,754**		**155,852**

Loans and receivables with customers amount to €960,726 thousand, net of impairment losses.

They increased by €370,809 thousand from €589,917 thousand at 31 December 2021, mainly thanks to the new guaranteed finance business line (guaranteed finance products amounted to €316,990 thousand at the reporting date) and development of the factoring business line in the second half of the year (increase of €71,081 thousand on 31 December 2021).

Specifically, the caption consists of:
• senior and mezzanine ABS of €134,938 thousand issued by the unconsolidated SPVs that passed the SPPI test;
• loans and financing disbursed of €341,568 thousand, including the financing of €16,915 thousand given to the REOCOs and guaranteed finance products of €316,990 thousand;
• loans and receivables with customers of €196,718 million purchased through securitisation vehicles (including tax assets of €78,072 million purchased by Convento and Fairway and POCI non-performing exposures of €118,646 million purchased by Ponente SPV, New Levante SPV, Cosmo SPV, Aventino SPV and Liberio SPV;
• POCI bank loans of €7,134 thousand purchased directly by the parent (the “Gimli” portfolio);
• net investments in leases of €11,090 thousand purchased directly by the parent, equal to the present value of the minimum lease payments at the reporting date;
• factoring assets of €99,239 thousand;
• trade receivables for invoices issued or to be issued of €8,518 thousand, including the balance of approximately €8,200 thousand (collected in February 2023) on the sale of the ABS issued by the SPV Lucullo .

The caption also comprises government bonds of €151,741 thousand and deposits of €10,013 thousand, in which the parent invested as part of its cash management.

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

(€'000)

Transaction type/Amount	31/12/2022			31/12/2021		
	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	151,741	-	-	113,214	-	-
b) Other financial companies	134,938	-	-	154,917	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing to:						
a) Public administrations	78,072	-	61,139	70,845	-	60,989
b) Other financial companies	18,202	-	14	27,198	-	10,195
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	435,618	12,731	59,489	67,720	3,369	67,643
d) Households	813	257	7,712	907	366	12,554
Total	**819,384**	**12,988**	**128,354**	**434,801**	**3,736**	**151,381**

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				
	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 credit-impaired	Partial/ full write-offs (*)
Debt instruments	154,235	151,774	134,132	-	-	(35)	(1,652)	-	-	-
Financing	525,907	-	12,382	16,059	159,613	(1,170)	(305)	(3,072)	(31,259)	(2,295)
Total 31.12.2022	**680,142**	**151,774**	**146,514**	**16,059**	**159,613**	**(1,205)**	**(1,957)**	**(3,072)**	**(31,259)**	**(2,295)**
Total 31.12.2021	**348,261**	**-**	**93,787**	**3,886**	**169,463**	**(2,658)**	**(1,301)**	**(136)**	**(18,082)**	**(5,089)**

(*) To be shown for disclosure purposes

4.4A Financing 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									
		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	Partial/ total write-offs (*)
1. EBA-compliant moratoria	1,774	-	1,486	258	-	(21)	(178)	(3)	-	-
2. No longer EBA-compliant moratoria and not measured as forborne	-	-	.	-	-	-	-	-	-	-
3. Other forbearance measures	1,023	-	670	2,853	2,499	(13)	(60)	(35)	(1,217)	-
4. New financing	-	-	.	-	-	-	-	-	-	-
Total 31/12/2022	**2,797**	**-**	**2,156**	**3,111**	**2,499**	**(34)**	**(238)**	**(38)**	**(1,217)**	**-**
Total 31/12/2021	**2,945**	**-**	**2,556**	**3,210**	**2,336**	**(38)**	**(112)**	**(41)**	**(663)**	**-**

Section 5

Hedging derivatives - Caption 50

None.

Section 6

Macro-hedged financial liabilities - 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)

Assets/Amounts	31/12/2022	31/12/2021
1. Owned	**2,052**	**545**
a) land	-	-
b) buildings	-	-
c) furniture	934	132
d) electronic systems	-	-
e) other	1,118	413
2. Right-of-use	**6,270**	**152**
a) land	-	-
b) buildings	5,888	65
c) furniture	-	-
d) electronic systems	-	-
e) other	382	87
Total	**8,323**	**697**
of which: obtained through enforcement of guarantees received	-	-

This caption comprises the right-of-use assets of €6,270 thousand recognised in accordance with the requirements of IFRS 16. The assets falling within the scope of the standard refer to the leased offices in Rome and Milan, 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	**-**	**719**	**359**	**-**	**904**	**1,982**
A.1 Accumulated depreciation and net impairment losses	-	(653)	(228)	-	(404)	(1,285)
A.2 Net opening balance	**-**	**65**	**132**	**-**	**500**	**697**
B. Increases:	**-**	**6,518**	**932**	**-**	**1,542**	**8,992**
B.1 Purchases	-	6,518	932	-	1,352	8,801
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	-	-	-	-	191	191
C. Decreases:	**-**	**(695)**	**(128)**	**-**	**(542)**	**(1,365)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(695)	(118)	-	(345)	(1,158)
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	-	-	(10)	-	(197)	(207)
D. Net closing balance	**-**	**5,888**	**934**	**-**	**1,500**	**8,323**
D.1 Accumulated depreciation and net impairment losses	-	(1,348)	(346)	-	(749)	(2,443)
D.2 Gross closing balance	**-**	**7,237**	**1,280**	**-**	**2,250**	**10,766**
E. Measurement at cost	-	7,237	1,280	-	2,250	10,766

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)

Assets/Values	31/12/2022		31/12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**x**	**2,178**	**x**	**2,178**
A.1.1 attributable to the owners of the parent	x	2,178	x	2,178
A.1.2 attributable to non-controlling interests	x	-	x	-
A.2 Other intangible assets	**-**	**-**	**-**	**-**
A.2.1 Assets measured at cost:	3,630	-	3,303	-
a) internally developed assets	2,423	-	3,029	-
b) other	1,207	-	274	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally developed assets	-	-	-	-
b) other	-	-	-	-
Total	**3,630**	**2,178**	**3,303**	**2,178**

Intangible assets comprise the cost of software net of accumulated amortisation (€1,207 thousand), goodwill arising on the acquisitions of Fifty (€1,272 thousand) and BECM (€906 thousand) and the unamortised amount of the intangible asset related to the Fifty merger (€2,423 thousand). This intangible asset is the value of the platform generated internally by Fifty to manage its factoring products.

The parent checked the recoverability of its intangible assets with an indefinite useful life through a dedicated impairment test, which was approved by its Board of Directors. The test confirmed their recoverability.

For the purposes of the impairment test, the parent identified two specific cash-generating unit ("CGUs") to which the goodwill was allocated:
- the goodwill arising on the merger of BECM was allocated to the tax asset CGU;
- the goodwill arising on the merger of Fifty was allocated to the factoring CGU.

Specifically, the parent tested its factoring and tax assets CGUs for impairment by calculating their value in use based on the dividend discount model considering excess capital rather than the minimum regulatory capital allocated thereto.

The cash flows have been calculated based on the 2023-2026 business plan, updated to consider the 2022 results and the update for 2023 and 2024 required by Bank of Italy. The test confirmed the recoverability of those assets.

The main parameters used were cost of equity (Ke) 10.5% and long-term growth rate 2%.

The parent also carried out sensitivity analyses of the parameters used to determine the cost of equity and the long-term growth rate, which confirmed the assets' recoverability.

10.2 Intangible assets: changes

(€'000)

	Goodwill	Other intangible assets: internally-generated		Other intangible assets: other		Total
		FINITE	INDEFINITE	FINITE	INDEFINITE	
A. Opening balance	**2,178**	**3,029**	**-**	**824**	**-**	**6,031**
A.1 Accumulated amortisation and net impairment losses	-	-	-	(550)	-	(550)
A.2 Net opening balance	**2,178**	**3,029**	**-**	**274**	**-**	**5,481**
B. Increases	**-**	**-**	**-**	**1,657**	**-**	**1,657**
B.1 Purchases	-	-	-	1,657	-	1,657
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	**-**	**-**	**-**	**(724)**	**-**	**(724)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses						
- Amortisation	x	(606)	-	(724)	-	(1,330)
- Impairment 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	-	-	-	-	-	-
D. Net closing balance	**2,178**	**2,423**	**-**	**1,207**	**-**	**5,808**
D.1 Accumulated amortisation and net impairment losses	-	(606)	-	(1,274)	-	(1,880)
E. Gross closing balance	**2,178**	**3,029**	**-**	**2,481**	**-**	**7,688**
F. Measurement at cost	2,178	3,029	-	2,481	-	7,688

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 €5,954 thousand include €4,004 thousand related to carryforward tax losses, €766 thousand to the ACE (Aid for Economic Growth) benefit and €720 thousand to other deductible temporary differences that can be used to reduce the tax base in future years.

The deferred tax assets on the carryforward tax losses and the ACE were originally recognised in 2018 and 2019, respectively, pursuant to the IFRS.

The deferred tax assets on deductible temporary differences include IRES and IRAP recognised in 2022 for the substitute tax to be paid on the goodwill arising from the mergers of Fifty and BECM for its tax alignment.

As these tax benefits are potential only, the future taxable profits should be such as to offset the deductible temporary differences, the carryforward 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, the parent tested the deferred tax assets at the reporting date for probability based on the new 2023-2026 business plan it approved. The parent 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 its Directors, confirmed the recoverability of the deferred tax assets recognised in the consolidated financial statements.

The carryforward tax losses and the unused ACE benefit at the reporting date amount to approximately €51.7 million, equal to deferred tax assets of €14.2 million (calculated using the rate of 27.5%), including €9.4 million which was not recognised.

The deferred tax assets recognised in accordance with Law no. 214/2011 relate to impairment losses on loans and receivables and amount to €463 million.

11.2 Deferred tax liabilities: breakdown

The group recognised deferred tax liabilities of €2,903 thousand on the consolidation adjustments and its share of the SPVs' profit or loss.

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

(€'000)

	31/12/2022	31/12/2021
1. Opening balance	**5,320**	**2,182**
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	720	-
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	(65)	-
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	(21)	-
b) other	-	-
4. Closing balance	**5,954**	**5,320**

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

(€'000)

	31/12/2022	31/12/2021
1. Opening balance	**484**	**395**
2. Increases	**-**	**89**
3.2 Conversions into tax assets		
a) arising on the loss for the year	(21)	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**463**	**484**

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

(€'000)

	31/12/2022	31/12/2021
1. Opening balance	**7,243**	**10,972**
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
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	(4,340)	(4,516)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,903**	**7,243**

11.6 Changes in deferred tax assets (recognised in equity)

(€'000)

	31/12/2022	31/12/2021
1. Opening balance	**11**	**9**
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
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	(11)	-
4. Closing balance	**-**	**11**

11.7 Changes in deferred tax liabilities (recognised in equity)

(€'000)

	31/12/2022	31/12/2021
1. Opening balance	**1,313**	**-**
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	1,313	-
4. Closing balance	**1,313**	**1,313**

11.8 Other disclosures

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

(€'000)

Prog.	Description	31/12/2022	31/12/2021
1	Withholdings on current account interest paid on account	4,332	4,377
2	Virtual stamp duty paid on account	3,957	5,327
3	Asset as per Law no. 214/2011 on the conversion of deferred tax assets	21	-
4	IRAP	1,818	1,668
5	IRES paid on account	-	36
6	Non-current substitute tax paid on account	25	34
7	IRES surtax to be recovered	72	36
8	Tax assets of demerged companies	70	-
	Total	**10,295**	**11,478**

The caption mostly consists of the virtual stamp duty paid on account, withholdings on current account interest and the IRAP asset resulting from the previous tax return.

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

None.

Section 13 Other assets – Caption 130

13.1 Other assets: breakdown

(€'000)

Captions	31/12/2022	31/12/2021
Grants for subsidised loans	4	4
Guarantee deposits	431	2,047
Prepayments and accrued income	1,518	550
Coins	4	4
Factoring loans	439	29
Loans and receivables with assets earmarked for a specific business: leases	1,655	-
Tax assets purchased from third parties	26,062	379
Other assets	937	1,323
Total	**31,050**	**4,337**

Other assets mainly comprise tax assets acquired from third parties that originated as a result of tax incentive measures granted in the form of tax credits or deductions (the "110% superbonus"). Part A (paragraph on "Other assets") provides information about their classification and measurement.

Liabilities

Section 1

Financial liabilities at amortised cost – Caption 10

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

(€'000)

Transaction type/Amount	31/12/2022				31/12/2021			
	Carry-ing amount	Fair value			Carry-ing amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**85,018**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2. Due to banks	**76,106**	**x**	**x**	**x**	**96,887**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	-	x	x	x	-	x	x	x
2.2 Term deposits	18,007	x	x	x	25,016	x	x	x
2.3 Financing	-	x	x	x	-	x	x	x
2.3.1 Repurchase agreements	47,138	x	x	x	53,880	x	x	x
2.3.2 Other	-	x	x	x	178	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	10,962	x	x	x	17,992	x	x	x
Total	**161,124**			**161,124**	**97,066**			**97,066**

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

This caption comprises advances from Bank of Italy of €85,018 thousand. The "Term deposits" of €18,007 thousand relate to interbank financing.

The repurchase agreements of €47,138 thousand refer to funding with government bonds given as security.

"Other liabilities" include the liability with the originator for the deferred payment of the consideration for an UTP portfolio purchased by the parent (€1,897 thousand) and the portfolios of impaired loans and leases, respectively, purchased by the SPVs Ponente and New Levante (€9,064 thousand).

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

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

(€'000)

Transaction type/Amount	31/12/2022				31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	34,122	x	x	x	43,107	x	x	x
2 Term deposits	865,137	x	x	x	646,017	x	x	x
3 Financing	-	x	x	x	-	x	x	x
3.1 Repurchase agreements	-	x	x	x	-	x	x	x
3.2 Other	-	x	x	x	315	x	x	x
4 Commitments to repurchase own equity instruments	-	x	x	x	-	x	x	x
5 Lease liabilities	6,762	x	x	x	153	x	x	x
6 Other liabilities	5,859	x	x	x	5,735	x	x	x
Total	**911,880**			**911,880**	**695,328**			**695,328**

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 (€29,570 thousand) and sight deposits from retail customers (€4,552 thousand).

The term deposits relate to the parent's deposit of €30,000 thousand and the retail on-line term deposit accounts ("DOL"). At the reporting date, the liability to DOL customers includes deposits for which the time deposit letter had been signed of €830,400 thousand (31 December 2021: €642,035 thousand). Due to customers includes the cash collateral guaranteeing corporate loans of €863 thousand.

"Lease liabilities" are recognised in accordance with IFRS 16 (€6,762 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)

Transaction type/Amount	31/12/2022				31/12/2021			
	Carry-ing amount	Fair value			Carry-ing 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	3,095	x	x	3,095	3,120	x	x	3,120
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	**3,095**			**3,095**	**3,120**			**3,120**

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/securities

None.

1.5 Breakdown of structured liabilities

None.

1.6 Lease liabilities

The group's lease liabilities amount to €6,762 thousand at the reporting date and principally relate to the parent's leases recognised in accordance with IFRS 16.

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)

Transaction type/Amount	31/12/2022					31/12/2021				
	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:	4,424	-	-	4,424	x	4,492	-	-	4,492	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	**4,424**	**-**	**-**	**4,424**	**-**	**4,492**	**-**	**-**	**4,492**	**-**

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

The caption includes liabilities for the payment of deferred prices of the portfolios of former Artemide (€1,916 thousand) and Convento (€2,509 thousand).

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

None.

Section 4

Hedging derivatives - Caption 40

None.

Section 6

Tax liabilities – Caption 60

The caption includes previous year IRAP to be paid by filing the additional tax return to benefit from the self-imposed sanction introduced by article 1, point 174 and followings articles of Law no. 197/2022 and the substitute tax to be paid on the alignment of the carrying amount of the goodwill and intangible assets arising from the mergers of Fifty and BECM to their tax base.

Section 7

Liabilities associated with disposal groups

None.

Section 8

Other liabilities – Caption 80

8.1 Other liabilities: breakdown

(€'000)

Captions	31/12/2022	31/12/2021
Amounts to be credited to current accounts	3	14
Remuneration due to employees	2,135	2,026
Social security contributions to be paid	951	404
Sundry liabilities for the on-line term deposit account product	6,051	5,800
Sundry investment liabilities	714	573
Sundry lease liabilities	160	141
Sundry amounts due to SPVs	90	90
Trade payables	10,914	6,901
Liabilities to sellers of tax assets	8,142	-
Cash settlement for demergers	-	208
Amounts due to "Gimly"	32	32
Withholding taxes to be paid	610	495
Collection suspense account	498	584
Sums to be settled	-	1,048
Guarantee deposits	109	-
Factoring transactions	5,861	551
Other liabilities	1,935	1,557
Total	**38,204**	**20,426**

Sundry liabilities include the substitute tax of €608 thousand to be paid on loans disbursed and the commissions of €296 thousand charged to guaranteed finance customers to be transferred to SACE and the SME fund.

Section 9

Post-employment benefits – Caption 90

9.1 Post-employment benefits: changes

(€'000)

	31/12/2022	31/12/2021
A. Opening balance	**567**	**431**
B. Increases	**-**	**-**
B.1 Accruals	486	353
B.2 Other increases	-	-
C. Decreases	**(636)**	**(217)**
C.1 Payments	-	(192)
C.2 Other decreases	(636)	(25)
D. Closing balance	**416**	**567**
Total	**416**	**567**

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 4.05% (31 December 2021: 0.70%);
- expected inflation rate of 2.50% (31 December 2021: 1.8%).

Section 10

Provisions for risks and charges – Caption 100

10.1 Provisions for risks and charges: breakdown

(€'000)

Captions/Components	31/12/2022	31/12/2021
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	611	1,335
4.2 personnel	-	4
4.3 other	-	-
Total	**611**	**1,339**

10.2 Provisions for risks and charges: changes

(€'000)

Captions	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**-**	**-**	**1,339**	**1,339**
B. Increases				
B.1 Accruals	-	-	90	-
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	-	-	(245)	(245)
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	(574)	(574)
D. Closing balance	**-**	**-**	**611**	**611**

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:

Captions/Components	Amount
Provision for legal fees	462
Provision for amounts to be returned to courts	24
Provision for litigation	125
Total	**611**

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 2023.

The provision for amounts to be returned to courts refers to amounts collected by the bank 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.

13.2 Share capital - Number of shares: changes

(€'000)

Captions/Types	Ordinary	Other
A. Opening balance	**14,000**	**-**
- fully paid-up	14,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**14,000**	**-**
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	-	
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:

• 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 €13,605 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 €-1,579 thousand on the Carige shares sold early in 2018 as per IFRS par. 5.7.5.
• Capital injection reserve: this reserve of €29,464 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. On 28 October 2022, the parent's majority shareholder, Tiber Investments 2 S.à r.l., injected €25 million for a future capital increase.
• Be Credit Management reserve: this reserve of a negative €1,309 thousand was set up after acquisition of 100% of Be Credit Management.
• Other reserves of €197 thousand;
• The consolidated SPVs' income-related reserves of €5,889 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)

Companies	31/12/2022	31/12/2021
CF Liberty Servicing S.p.A.	-	-
Be Credit Management S.p.A.	-	-
SPVs	8	8
Total	**8**	**8**

Equity attributable to non-controlling interests relates to the Cassia and Convento SPVs.

Other information

1. Loan commitments and financial guarantees given

	Nominal amount of loan commitments and financial guarantees given				31/12/2022	31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**2,134**	**-**	**-**	**-**	**2,134**	**6,668**
a) Central banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	3,675
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	2,134	-	-	-	2,134	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 service	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. Settled	-
2. Unsettled	-
b) Sales	-
1. Settled	-
2. Unsettled	-
2. Asset management	**-**
a) individual	-
b) collettive	-
3. Securities custody and administration	**475,027**
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	-
d) securities owned by the group deposited with third parties	475,027
4. Other	**-**

At 31 December 2022, 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)

Captions/Types	Debt instruments	Financing	Other	31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss:	**11,133**	**-**	**-**	**11,133**	**12,515**
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	11,133	-	-	11,133	12,515
2. Financial assets at fair value through other comprehensive income	**-**	**-**	**x**	**-**	**-**
3. Financial assets at amortised cost:	**5,751**	**35,842**	**-**	**41,593**	**37,531**
3.1 Loans and receivables with banks	-	506	x	506	7
3.2 Loans and receivables with customers	5,751	35,335	x	41,087	37,524
4. Hedging derivatives	x	x	-	-	-
5. Other assets	x	x	-	-	-
6. Financial liabilities	x	x	x	-	-
Total	**16,885**	**35,842**	**-**	**52,726**	**50,046**
including: interest income on credit-impaired financial assets	-	15,322	-	31,712	-
including: interest income on finance leases	-	3,139	-	1,271	-

Interest income of €52,726 thousand mainly relates to investments made directly or through the SPVs in POCI portfolios (€7,082 thousand), tax assets (€14,054 thousand) and ABS issued by the unconsolidated SPVs (€15,774 thousand). The caption also includes interest on the guaranteed finance products of €7,794 thousand and factoring products (€1,754 thousand). Interest accrued on invested liquidity amounts to €1,175 thousand.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

None.

1.3 Interest and similar expense: breakdown

(€'000)

Captions/Types	Liabilities	Securities	Other	31/12/2022	31/12/2021
1. Financial liabilities at amortised cost					
1.1 Due to central banks	634	x	-	634	399
1.2 Due to banks	2,481	x	-	2,481	2,850
1.3 Due to customers	15,415	x	-	15,415	17,120
1.4 Securities issued	x	323	-	323	299
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value through profit or loss	-	-	-	-	-
4. Other liabilities and provisions	x	x	-	-	-
5. Hedging derivatives	x	x	-	-	-
6. Financial assets	x	x	x	-	-
Total	**18,530**	**323**	**-**	**18,853**	**20,669**
including: interest expense on lease liabilities	149			149	15

Interest expense is the cost of funding to the group companies, the most significant of which is that accrued on the on-line deposits (€14,700 thousand).

1.4 Interest and similar expense: other information

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 service/Amounts	31/12/2022	31/12/2021
a) Financial instruments	-	-
1. Securities placement	-	-
2. Reception, transmission and 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 se	-	-
i) Distribution of third party services	-	-
1. Collective asset management	-	-
2. Insurance products	-	-
3. Other products	-	-
j) Structured finance	-	-
k) Servicing services for securitisations	91	249
l) Loan commitments	-	-
m) Financial guarantees given	-	-
n) Lending	2,163	123
including: factoring transactions	2,163	123
o) Foreign currency transactions	-	-
p) Commodities	-	-
q) Other	128	182
Total	**2,382**	**305**

2.2 Fee and commission expense: breakdown

(€'000)

Services/Values	31/12/2022	31/12/2021
a) Financial instruments	-	-
including: trading	-	-
including: placement	-	-
including: asset management	-	-
- Own portfolios	-	-
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Custody and administration	67	73
d) Collection and payment services	70	39
including: credit, debit and other payment cards	-	-
e) Servicing services for securitisations	2,238	1,769
f) Loan commitments	-	-
g) Financial guarantees received	7	9
including: credit derivatives	-	-
h) Off-premises distribution of financial instruments, products and services	-	-
i) Foreign currency transactions	-	-
j) Other	1,649	381
Total	**4,031**	**2,271**

"Other" includes sundry commission expense on the servicing of the legacy portfolios which was outsourced after the demerger (€701 thousand) and fees paid to brokers for factoring and guaranteed finance services, not included in the amortised cost of the financing (€760 thousand).

"Servicing services for securitisations" comprise fees paid for the master and special servicing services provided by the Gardant Group to the SPVs.

Section 3

Dividends and similar income – Caption 70

None.

Section 4

Net trading income – Caption 80

4.1 Net trading income: breakdown

(€'000)

Transactions/Income components	Unrealised gains (A)	Trading income (B)	Unrealised losses (C)	Trading losses (D)	Net gain [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	-	1,171	-	-	1,171
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	-	-	(60)	-	(60)
- On currencies and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with the fair value option	x	x	x	x	-
Total	**-**	**1,171**	**(60)**	**-**	**1,111**

This caption includes the realised gain on the trading of ETF instruments (€1,171 thousand) and the fair value loss on the call option for BETC, as described in Section 2 - Financial assets at fair value through profit or loss: Financial assets held for trading (€-60 thousand).

Section 5

Net hedging income (expense) - Caption 90

None.

Section 6

Net gain from sales/repurchases – Caption 100

(€'000)

Captions/Income components	31/12/2022			31/12/2021		
	Gain	Loss	Net gain	Gain	Loss	Net gain
A. Financial assets						
1. Financial assets at amortised cost:	**159**	**-**	**159**	**-**	**-**	**-**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	159	-	159	-	-	-
2. Financial assets at fair value through other comprehensive income						
2.1 Debt instruments	-	-	-	-	-	-
2.4 Financing	-	-	-	-	-	-
Total assets	**159**	**-**	**159**	**-**	**-**	**-**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

The caption comprises the gains of €112 thousand and €47 thousand on the sale of government bonds before their maturity and the SPV Lucullo's portfolio to third parties, respectively.

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	632	-	1,793	-	(1,161)
3. Foreign currency financial assets and liabilities: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Totale	**632**	**-**	**1,793**	**-**	**(1,161)**

The caption shows the net fair value losses on the financial liabilities recognised in caption 30 of liabilities.

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	522		17,362		(16,840)
1.2 Equity instruments			275		(275)
1.3 OEIC units					
1.4 Financing					
2. Foreign currency financial assets: exchange gains (losses)	**x**	**x**	**x**	**x**	**-**
Total	**522**		**17,637**		**(17,115)**

Financial assets mandatorily measured at fair value include the ABS issued by unconsolidated securitisation vehicles that did not pass the SPPI test. The group recognised net fair value losses of €17,115 thousand on financial assets at fair value. They include the effect of the amendments to the business plans underlying the securities and the rise in market rates (including the risk free rate) adopted to measure the ABS using the discounted cash flow models.

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)						Reversals of impairment losses (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated creditimpaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			write-offs	Other	write-offs	Other						
A. Loans and receivables with banks												
- financing	(21)	-	-	-	-	-	11	-	-	-	(10)	220
- debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers:												
- financing	(1,928)	(63)	-	(2,941)	(2,295)	(17,892)	207	-	-	11,393	(13,519)	(9,594)
- debt instruments	-	(499)	-	-	-	-	42	171	.	-	(286)	(902)
C. Total	**(1,949)**	**(562)**	**-**	**(2,941)**	**(2,295)**	**(17,892)**	**260**	**171**	**-**	**11,393**	**(13,815)**	**(10,276)**

Net impairment losses mainly include:
– collective impairment losses recognised by the parent on guaranteed finance products and factoring assets;
– individual impairment losses recognised by the parent on guaranteed finance products and factoring assets;
– impairment losses on the portfolios of POCI exposures purchased by the consolidated SPVs.

8.1A Net impairment losses for credit risk associated with loans at amortised cost subject to Covid-19-related measures: breakdown

(€'000)

Operation/P&L item	Rettifiche di valore nette							
			Stage 3		Impaired			
	Stage 1	Stage 2	write-offs	Other	write-offs	Other	Total 31/12/2022	Total 31/12/2021
1. EBA-compliant moratoria	3	(107)	-	0	-	-	(103)	294
2. No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-
3. Other forbearance measures	1	(32)	-	2	-	(554)	(582)	(755)
4. New financing	--	-	-	-	-	-	-	-
Total	**4**	**(139)**	**-**	**3**	**-**	**(554)**	**(685)**	**(461)**

8.2 Net impairment losses 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	31/12/2022	31/12/2021
1) Employees		
a) wages and salaries	9,686	4,572
b) social security contributions	3,430	1,487
c) termination benefits	-	-
d) pension costs	-	-
e) accrual for post-employment benefits	579	353
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	2,680	1,108
2) Other personnel	-	-
3) Directors and statutory auditors	1,034	554
4) Retired personnel	-	-
5) Cost recoveries for personnel seconded to other companies	-	-
6) Cost reimbursements for personnel seconded to the bank	87	118
Total	**17,495**	**8,192**

12.2 Average number of employees by category

Employees:	
a) managers	18.17
b) junior managers	59.25
c) other employees	30.5
Other personnel	

At the reporting date, the group had 135 employees.

12.3 Defined benefit plans: costs and income

None.

12.4 Other employee benefits

(€'000)

	31/12/2022	31/12/2021
MBO bonuses	943	354
Other bonuses	123	110
Insurance policies	414	274
Healthcare	44	16
Canteen subsidy and lunch vouchers	109	21
Refresher courses	149	12
Other long-term benefits	-	-
Other	898	321
Total	**2,680**	**1,108**

12.5 Other administrative expenses: breakdown

(€'000)

Type of expense/Amount	31/12/2022	31/12/2021
Business development, ICT development and due diligences	177	1,035
Taxes and duties	1,526	1,708
Professional services	275	428
Sundry consultancies	3,748	9,686
Insurance	736	7
Building leases and management fees	450	359
Payroll services	115	39
IT costs	4,608	3,904
Maintenance	1,423	317
Audit fees	242	373
Rating agency fees	-	414
Posting and telephone	80	196
Furniture and hardware leases and rentals	-	-
Cleaning and related supplies	88	71
Information services	345	246
Pro rata deductible/non-deductible VAT	6	1,095
Contribution to resolution funds	224	220
Advertising	2,654	621
Sundry lease costs	71	309
Contribution to the Interbank Deposit Protection Fund	1,686	1,143
DOL customer assistance	-	-
Covid-19 sanitation material	8	120
Outsourcing of guaranteed finance service	1,623	-
Other	2,062	1,557
Total	**22,148**	**23,850**

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)

	31/12/2022	31/12/2021
Reversal of the provision for litigation	484	40
Total	**484**	**40**

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)

Assets/Income components	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Total (a + b - c)
A. Property and equipment				
1. Property and equipment				
- owned	370	-	-	370
- right-of-use	788	-	-	788
2. Investment property				
- owned	-	-	-	-
- right-of-use	-	-	-	-
3. Inventories	X	-	-	-
Total	**1,158**	**-**	**-**	**1,158**

Section 15

Amortisation and net impairment losses on intangible assets – Caption 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

(€'000)

Assets/Income components	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Total (a + b - c)
A. Intangible assets				
A.1 Owned	1,329	-	-	1,329
- developed internally	-	-	-	-
- other	1,329	-	-	1,329
A.2 Right-of-use	-	-	-	-
Total	**1,329**	**-**	**-**	**1,329**

Section 16

Other operating income, net – Caption 230

16.1 Other operating expense: breakdown

(€'000)

Type of expense/Amount	31/12/2022	31/12/2021
Legal disputes	-	-
Other	1,089	1,255
Total	**1,089**	**1,255**

16.2 Other operating income: breakdown

(€'000)

Type of income/Amount	31/12/2022	31/12/2021
Compensation	-	1,128
Cost recoveries from vehicles	-	58
Recovery of social security contributions	48	43
Other tax recoveries	1,041	-
Smaller prior year expense	508	207
Sundry lease income	1,051	107
Recovery of stamp duty on deposits	17	-
Legal cost recoveries	2	-
Other	984	188
Total	**3,651**	**1,731**

Section 17

Net gains (losses) on equity investments - Caption 250

(€'000)

Income components/Sectors	31/12/2022	31/12/2021
A. Income		
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Impairment gains	-	-
4. Other	40	-
B. Losses		
1. Fair value losses	-	600
2. Impairment losses	-	-
3. Losses on sales	-	-
4. Other	-	-
Net gain	**40**	**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/Amount	31/12/2022	31/12/2021
1. Current taxes (-)	(586)	(21)
2. Change in current taxes from previous years (+/-)	1,529	-
3. Decrease in current taxes for the year (+)	138	-
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	655	-
5. Change in deferred tax liabilities (+/-)	4,321	47
6. Tax benefit (expense) for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**6,058**	**27**

Income taxes include the benefit of €2,523 thousand recognised by the parent due, in particular, to the net positive effect (approximately €900 thousand) of the alignment of the carrying amount of the intangible asset and goodwill recognised as a result of the mergers with Fifty S.r.l. and Be Credit Management S.p.A. to their tax base, as well as tax reimbursements of approximately €1,529 thousand on the IRES and IRAP tax returns filed for previous years.

The caption also includes the release of deferred tax liabilities recognised in previous years on the SPV's positive reserves and consolidation entries to profit or loss (€3,535 thousand).

21.2 Reconciliation between the theoretical and effective tax expense

The theoretical tax rate is 33.07% (IRES ordinary and surtax rate of 27.5% and IRAP rate of 5.57%).
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)

P&L Items/Values	31/12/2022	31/12/2021
1. Income	-	72,108
2. Expense	-	(42,410)
3. Net unrealised losses on the disposal group and associated liabilities	-	(14,673)
4. Net gains (losses) on sales	-	-
5. Taxes and duties	-	1,268
Post-tax profit from discontinued operations	**-**	**16,293**

In 2021, it included the net effect (€16.3 million) of the profit or loss items associated with the assets and liabilities transferred as part of the demerger.

22.2 Breakdown of income taxes on discontinued operations

(€'000)

	31/12/2022	31/12/2021
1. Current taxes (-)	-	2,750
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	(1,481)
4. Tax benefit for the year (-1+/-2+/-3)	**-**	**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)

P&L Items/Values	31/12/2022	31/12/2021
Consolidated equity investments with significant noncontrolling interests	-	-
CF Liberty Servicing S.p.A.	-	687
Other equity investments	-	-
Total	**-**	**687**

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)

	Statement of comprehensive income	31/12/2022	31/12/2021
10.	**Loss for the year**	**(31,582)**	**(6,152)**
	Other comprehensive income (expense) that will not be reclassified to profit or loss	**131**	**2,645**
20.	Equity instruments at fair value through other comprehensive income:		
	a) Fair value gains (losses)	-	2,657
	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) Fair value gains (losses) (hedged instrument)	-	-
	b) Fair value gains (losses) (hedging instrument)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	131	(12)
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Related tax	-	-
	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)	-	-
	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**	**131**	**2,645**
200.	**Comprehensive expense (captions 10 + 190)**	**(31,450)**	**(3,507)**
210.	Comprehensive income attributable to non-controlling interests	0	687
220.	**Comprehensive expense attributable to the owners of the parent**	**(31,450)**	**(4,194)**

Part E: Information on risks and related 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 parent's 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 the risk appetite framework (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 (Compliance & AML, ICT Risk & Security and Risk Strategy & Management 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 ICT Risk & Security Department, set up by the parent's Board of Directors on 20 December 2022, assists with the definition and implementation of the policies to monitor ICT risks and bank's security. Its remit is to ensure that the banking group's current and future exposure to the various types of ICT and security risks are properly assessed and managed. It also provides the parent's bodies with the support necessary to promote and disseminate an appropriate ICT risk and security culture within the group.

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.

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	Non-performing	Performing past due	Other performing exposures	Total
1. Financial assets at amortised cost	41,245	33,662	64,135	9,441	816,120	964,603
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	-	-	-	-	110,700	110,700
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2022	**41,245**	**33,662**	**64,135**	**9,441**	**926,820**	**1,075,303**
Total 31/12/2021	**58,073**	**34,341**	**61,973**	**-**	**570,306**	**724,693**

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	171,361	(32,320)	139,042	2,333	830,736	(5,175)	825,561	964,603
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	110,700	110,700
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2022	**171,361**	**(32,320)**	**139,042**	**2,333**	**830,736**	**(5,175)**	**936,261**	**1,075,303**
Total 31/12/2021	**173,096**	**(18,709)**	**154,387**	**(5,956)**	**442,345**	**(3,512)**	**570,306**	**724,693**

**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	-	-	554
2. Hedging derivatives	-	-	-
Total 31/12/2022	**-**	**-**	**554**
Total 31/12/2021	**-**	**-**	**614**

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 group'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 2022, 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 starting from 2022 steadily rolled out its new factoring business and guaranteed finance business (MCC/SACE-backed loans) during the year.

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.

Its classification of non-performing loans complies with the new definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (article 178 of EU Regulation no. 575/2013).

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 on a current and forward looking perspective in baseline and adverse scenarios using the standard method.

It uses the granularity adjustment method to calculate single name concentration risk and the ABI method to calculate geographical-business sector concentration risk.

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 parent's 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. They carry out credit standing checks, checks of the collateral and checks by the unit that approves the lending transaction that the transaction complies with both ruling regulations and internal policies. Specifically, in 2022, new risk taking activities after the completion of the demerger on 1 August mainly related to the purchase of tax assets, new factoring transactions and the disbursement of new MCC/SACE-backed loans. In this respect, the following checks are carried out:
– with respect to the purchase of tax assets, 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;
– with respect to new disbursements, an assessment of credit rating (of both the transferors and the transferred debtors for factoring transactions) 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 transferors with limited access to the banking system).

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's completion has been outsourced to specialised servicers reporting to the Chief Lending Officer.

The Risk Strategy & Management Department carries out the second level controls:

– it checks the group's risk profile on quarterly basis, identifying any critical issues or deviations from the set risk objectives and reporting them to the internal bodies and Audit Committee;
– it checks 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, business sector concentration, 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. a general model for recording expected losses over the next 12 months for Stage 1 credits and lifetime expected losses for Stage 2 and 3 credits;
2. a purchased or originated credit-impaired (POCI) model, whereby entities recognise the accumulated change in lifetime ECL since initial recognition at each reporting date;
3. a simplified model 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: this is carried out on a case-by-case basis, except for those financial instruments with common characteristics, for which collective staging is allowed;
• calculation of impairment.

Staging

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 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 non-performing financial assets.

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 has defined the trigger events to determine whether its financial assets' credit risk has increased significantly since initial recognition at each reporting date (i.e., at least quarterly). If this is the case for stage 1 performing financial assets, they are reclassified to stage 2. The group identified the trigger events, which can be used alternatively unless specified otherwise, considering the particular nature of its financial assets.

In the case of ABS not measured at fair value through profit or loss, the trigger events are as follows:
• an ABS is usually classified in stage 1 when it is purchased;
• 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 "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.

Government bonds:
• performing government bonds are classified in stage 1 when they are purchased;
• the low risk exemption[4] is subsequently applied, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless any downgrading by one or more than one notch);
• if the bond is downgraded to speculative grade (i.e., from BB+ to B-), it may be classified at stage 2 only if it is downgraded by at least 3 notches from the origination rate;
• reclassification to stage 3 follows the general rule of IFRS 9 according to which stage 3 includes financial instruments with objective evidence of impairment at the reporting date, i.e., from when they are graded CCC+ or lower.

Financial instruments other than loans and receivables and government bonds:
• performing non-government bonds are classified as stage 1 when they are purchased;
• the low risk exemption[5] is subsequently applied, i.e., as long as the bond qualifies as investment grade (from AAA to BBB-), it remains in stage 1 (regardless of any downgrading of one or more than one notch);
• after reclassification, a 3-notch decrease from an external rating at origination of BBB+ or better, a 2-notch decrease from an external rating at origination of BBB to BBB-, a 1-notch decrease from an external rating at origination of less than BBB- leads to classification at stage 2, as long as the downgrading does not directly lead to classification as stage 3;
• analytical risk assessment of the instrument (issuer risk, country risk, etc.).

Loans and receivables with customers (loans, personal loans granted to employees, subsidies/leases, factoring assets, guaranteed finance products). The trigger events are:
• more than 30 days past due (IFRS 9.5.5.11);
• forborne performing (IFRS 9.5.5.12).

Loans and receivables with banks. The trigger events are:
• a 3-notch decrease if the counterparty's external rating at origination or, if not available, the counterparty's country, is equal to BBB+ or better, a 2-notch decrease from the external rating at origination of BBB or BBB-, a 1-notch decrease from an external rating at origination of less than BBB-, as long as the downgrading does not directly lead to classification as stage 3 (junk grade);
• analytical risk assessment of the counterparty (issuer risk, country risk, etc.).

4 IFRS 5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.
5 IFRS 9.5.5.10 states that an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The group's business model includes investments in POCI assets, which are classified immediately at inception as stage 3.

Calculation of impairment
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 continued during 2022. Specifically, the parent introduced and revisited its impairment models to introduce suitable policies to estimate ECL on the credit exposures arising from the new businesses. It also concurrently fine tuned existing impairment models. The risk parameters used for each type of risk are summarised below:

ABS measured at amortised cost, loans and receivables with banks and other financial instruments (other than government bonds, ABS and loans and receivables)
The parent uses both internal inputs (information about its relationship with the borrower) and external inputs. It updates the probability of default (PD) once a year using the studies on default and recovery rates published by rating agencies in the first quarter of the year and adopted as a base to estimate the multi-period PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. Specifically, the PD applied to stage 1 and stage 2 securities was calculated using the average PD for the categories from A+ to B- (average of the central categories on the rating scale of rating agencies) and applied differently depending on their time horizon (one year for stage 2 or lifetime for stage 2), excluding judgements about changes in PD and considering any missing additional information about the borrower's credit standing.

As the parent does not have historical information about actual losses, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

Government bonds
The parent updates the PD on annually basis using the studies on default and recovery rates of sovereign counterparties published by rating agencies in the first half of the year as a base to estimate the multi-period PD vectors. In line with the approach adopted for ABS and other securities, and considering the average 12-month migration matrices, it calculates marginal PD vectors, adjusted on a forward-looking basis by the Risk Strategy & Management Department. The parent uses the one-year PD, equal to the rating of the issuing country, for stage 1 bonds.

The entire multi-period PD vector, equal to the issuing country's rating, is used for stage 2 bonds.

The LGD is assumed to be steady over the entire maturity of the financial asset and, in line with market practice, the value of 60% is applied based on the ranking of the instrument (senior) and the classification of the issuing country (developed economies) for the simplified estimate of LGD.

Loans and receivables with customers (loans, personal loans granted to employees, subsidies, leases, factoring assets and guaranteed finance products)
The lifetime PD is estimated using the Weibull function in order to obtain a long-term fitting of the system default rates extrapolated from Bank of Italy's public database. The PD vectors are adjusted on a forward-looking basis by the Risk Strategy & Management Department. The parent uses the one-year PD for stage 1 loans and receivables.

The PD is estimated over the life of the stage 2 loans and receivables. Therefore, in order to determine the impairment loss, the related node on the multi-period PD curve is used for each maturity date.

On an exceptional basis, given the current and prospective macroeconomic scenario and the possible recession forecast for 2023, the parent recognised an additional provision at the reporting date of 31.12.2022, to reflect the possible increase in risk of some sectors.

It acquires eligible personal guarantees to mitigate credit risk and potential losses in the case of default for guaranteed finance and factoring products. Due to the characteristics of these products, the estimate of the LGD considers their secured and unsecured components.

As the parent does not have historical information about actual losses for the other products, it used the LGD value of 45% as allowed for senior exposures without eligible collateral for the simplified estimate of LGD (article 161 of Regulation (EU) no. 575/2013).

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 and/or 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 exposures: on and off-statement of financial position exposures classified as such given that the parent 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 parent'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:
– renegotiation 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.

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;
• financial assets at fair value through other comprehensive income;

The ECL calculation model requires a quantitative estimate of future cash flows and assumes that these may be reliably estimated.

The impairment model consists of:
• the staging of exposures, based on an assessment of the increase in the exposure's/counterparty's 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.

Non-performing loans and receivables (bad, unlikely to pay and overdue or past due) are tested for impairment individually or collectively. 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 either **individually** or **collectively** in the case of exposures that, due to their inherent characteristics (immaterial amounts and large numbers), can be tested using prudential but streamlined and low-cost models, capable of guaranteeing uniform results.

In line with the supervisory guidance and market practices, as well as the nature of the products offered, Banca CF+ tests all the UTP and bad exposures exceeding €500 thousand individually in order to achieve an accurate as possible estimate of the more risky positions and to recognise a lump-sum impairment loss for smaller exposures and past due exposures for organisational efficiency purposes, maintaining a prudential approach which envisages a threshold equal to that for the lump-sum impairment loss for individual exposures.

The Chief Lending Officer's staff estimates, in case of provision calculation with an analytical method, the lifetime expected credit losses considering the specific nature of each exposure and the minimum impairment percentages. To this end, they firstly decide whether to assess the counterparty using:
– a **going concern** approach, where their assessment focuses on the sustainability of the customer's debt over time based on its estimated cash flows;
– a **gone concern** approach, if recovery is possible through the enforcement of the guarantees and/or liquidation of the company's assets or when there is no reliable information about its estimated future cash flows.
• 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 impaired loans and receivables/ABS 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 group 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 2023-2025 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 (Eurosystem staff macroeconomic projections)", 16 December 2022);
• **adverse**: based on the 2023-2025 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 (Eurosystem staff macroeconomic projections)", 16 December 2022);

• **best**: given the current macroeconomic situation and the fact that the regulators (Bank of Italy in the above-mentioned document "Macroeconomic Projections for the Italian Economy" and the ECB in the "Eurosystem staff macroeconomic projections for the euro area") do not provide estimates in favourable conditions (best scenario), the parent did not consider the best scenario when estimating the forward-looking factor for the figures at 31 December 2022;

• 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.

Even when the exposures are secured, the group is still required to measure credit risk, focusing on the borrower's capacity to meet its obligations independently from the guarantee.

3. Non-performing exposures

3.1. Management strategies and policies

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

Non-performing exposures can be split into:
– non-performing overdrawn and/or 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 exposures: 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:
– renegotiation 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.

The group checks that the impairment losses on loans are 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 ABS reflect both remeasurement of the investment's value compared to its calculation using the amortised cost method agreed during the underwriting phase as well as available onboarding information.

At the reporting date of 31 December 2022, excluding the first default situations of the group's new business, its non-performing exposures were mostly 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 purchased directly by the parent.

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 exposures purchased.

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

At the reporting date, excluding the first default situations of the group's new business, its non-performing exposures were mostly 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 purchased 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, on half year basis, 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.

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 the consolidated vehicles is set out below:

(€'000)

Type of asset	Actual collections	Original BP collections	Variation	Variation%	Securitised assets		
					Carrying amount	Purchase price	Nominal amount
Bank loans	73,959	91,157	(17,198)	-18.87%	50,974	49,313	217,962
Leases	25,355	35,192	(9,837)	-27.95%	16,498	22,989	282,041
Trade receivables	28,876	40,217	(11,341)	-28.20%	61,139	38,299	133,234

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 number of moratorium applications received, approved and rejected in the period from 28 February 2020 to 31 December 2022 is 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	27	39	27	-	-	-	-
Of which: Non-financial companies	36	25	36	25	-	-	-	-
Of which: Small and medium-sized entities ("SMES")	30	17	30	17	-	-	-	-
Of which: Loans collateralised by commercial immovable property	36	25	36	25	-	-	-	-
Of which: Households	3	2	3	2	-	-	-	-
Of which: Loans collateralised by residential immovable property	1	-	1	-	-	-	-	-
Of which: Credit for consumption	-	-	-	-	-	-	-	-

Additional details of the measures adopted at national level:

	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 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		14	30		14	-		-	-		-
Article 54 Retail/households	-		-	-		-	-		-	-		-
Article 54-quater Usury victims	-		-	-		-	-		-	-		-

	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 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 application 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	2,005	-	-	-	4,551	601	-	853	4,542	93	-	99,839
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**2,005**	**-**	**-**	**-**	**4,551**	**601**	**-**	**853**	**4,542**	**93**	**-**	**99,839**
Total 31/12/2021	**4**	**-**	**40**	**-**	**-**	**360**	**200**	**-**	**665**	**461**	**121**	**112,354**

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)

Reasons/Risk stages	Rettifiche di valore complessive																							Total provisioning on loan commitments and financial guarantees given				Total
	Stage 1						Stage 2						Stage 3						Purchased or originated credit-impaired financial assets									
	On demand loans and receivables with banks and central banks Financial assets at amortised cost	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	On demand loans and receivables with banks and central banks Financial assets at amortised cost	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	On demand loans and receivables with banks and central banks Financial assets at amortised cost	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	
Opening balance	**(43)**	**(464)**	**-**	**-**	**-**	**(507)**	**-**	**(1,301)**	**-**	**-**	**-**	**(1,301)**	**-**	**(136)**	**-**	**-**	**(136)**	**-**	**(18,081)**	**-**	**-**	**(18,081)**	**-**	**-**	**-**	**-**	**-**	**(20,025)**
Increase in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses/gains for credit risk (+/-)	(10)	(463)	-	-	-	(474)	-	(834)	-	-	-	(834)	-	(2,941)	-	-	(2,941)	-	(7,880)	-	-	(7,880)	-	-	-	-	-	(12,129)
Modification gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,295)	-	-	(2,295)	-	-	-	-	-	-
Other changes	-	(277)	-	-	-	(277)	-	178	-	-	-	178	-	4	-	688	4	-	(3,003)	-	-	(3,003)	-	-	-	-		(3,098)
Closing balance	**(55)**	**(1,203)**	**-**	**-**	**-**	**(1,258)**	**-**	**(1,957)**	**-**	**-**	**-**	**(1,957)**	**-**	**(3,073)**	**-**	**-**	**(3,073)**	**-**	**(31,259)**	**-**	**-**	**(31,259)**	**-**	**-**	**-**	**-**		**(37,547)**
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	
	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	70,324	-	-	-	75	51
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	-	-	-	-	-	-
Total 31/12/2022	**70,324**	**-**	**-**	**-**	**75**	**51**
Total 31/12/2021	**92,422**	**629**	**278**	**39**	**76**	**96**

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

(€'000)

Portfolios/Risk stages	Gross/nominal amounts					
	Transfer between stage 1 and 2		Transfer between stage 2 and 3		Transfer between stage 1	
	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	-	-	-	-	-	-
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	-	-	-	-	-	-
B.2 No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-
B.3 Other forbearance measures	-	-	-	-	-	-
B.4 New financing	-	-	-	-	-	-
Total 31/12/2022	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2021	**1,309**	**111**	**278**	**-**	**-**	**-**

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

(€'000)

Type of exposure/amounts	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. ON-STATEMENT OF FINANCIAL POSITION												
A.1 ON DEMAND												
a) Non-performing		**x**					**x**					
b) Performing	**98,259**	**98,259**		**x**		**(53)**	**(53)**		**x**		**98,206**	
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	3,878	3,878		x		(2)	(2)		x		3,876	
- including: forborne exposures				x					x			
TOTAL (A)	**102,137**	**102,137**				**(55)**	**(55)**				**102,082**	
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing		x					x					
b) Performing	4,342	4,342		x					x		4,342	
TOTAL (B)	**4,342**	**4,342**									**4,342**	
TOTAL (A+B)	**106,480**	**106,480**	**-**	**-**	**-**	**(55)**	**(55)**	**-**	**-**	**-**	**106,424**	**-**

* 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/amounts	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. ON-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	58,783	x	-	1,241	57,542	(17,539)	x		(315)	(17,224)	41,245	(1,957)
- including: forborne exposures	7,901	x	-	-	7,901	(2,246)	x	-	-	(2,246)	5,655	(118)
b) Unlikely to pay exposures	43,517	x	-	12,453	31,065	(9,856)	x	-	(2,586)	(7,269)	33,662	(271)
- including: forborne exposures	11,337	x	-	1,097	10,239	(4,070)	x	-	(75)	(3,995)	7,267	(15)
c) Non-performing past due exposures	69,061	x	-	2,366	66,695	(4,925)	x	-	(171)	(4,754)	64,135	(67)
- including: forborne exposures	1,104	x	-	1,104	-	4	x	-	(73)	77	1,109	-
d) Performing past due exposures	9,664	2,009	7,351	x	304	(223)	(4)	(267)	x	48	9,441	-
- including: forborne exposures	304	-	-	x	304	48	-	-	x	48	352	-
e) Other performing exposures	927,895	784,725	139,163	x	4,007	(4,949)	(1,199)	(1.690)	x	(2,060)	922,946	-
- including: forborne exposures	5,023	-	5,023	x	-	207	-	(38)	x	245	5,229	-
TOTAL (A)	**1,108,920**	**786,733**	**146,514**	**16,059**	**159,613**	**(37,494)**	**(1,203)**	**(1.957)**	**(3,072)**	**(31,259)**	**1,071,426**	**(2,295)**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing	-	x	-	-	-	-	x	-	-	-	-	-
b) Performing	2,134	2,134	-	x	-	-	-	-	x	-	2,134	-
TOTAL (B)	**2,134**	**2,134**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,134**	**-**
TOTAL (A+B)	**1,111,054**	**788,867**	**146,514**	**16,059**	**159,613**	**(37,494)**	**(1,203)**	**(1,957)**	**(3,072)**	**(31,259)**	**1,073,560**	**(2,295)**

* *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 parent and the consolidated SPVs' portfolios.

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

(€'000)

Type of exposure/amounts	Gross amount					Total impairment losses and provisioning					Carrying amount	Partial/total write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originat-ed creditimpaired		Stage 1	Stage 2	Stage 3	Purchased or originat-ed creditimpaired		
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	5.352	-	-	2.853	2.499	(1.252)	-	-	(35)	(1.217)	4.100	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE EXPOSURES												
a) EBA-compliant moratoria	258	-	-	258	-	(3)	-	-	(3)	-	255	-
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	3.261	1.774	1.486	-	-	(199)	(21)	(178)	-	-	3.062	-
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	-	-	-	-	-	-	-	-	-	-	-	-
b) No longer EBA-compliant moratoria and not measured as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Other forbearance measures	1.693	1.023	670	-	-	(73)	(13)	(60)	-	-	1.620	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**10.563**	**2.797**	**2.156**	**3.111**	**2.499**	**(1.526)**	**(34)**	**(238)**	**(38)**	**(1.217)**	**9.037**	**-**

* *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)

Reasons/Categories	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**70,817**	**41,375**	**60,904**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**8,353**	**14,073**	**15,481**
B.1 from performing exposures	1,190	9,106	2,108
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	363	72	-
B.4 modification losses	-	-	-
B.5 other increases	6,800	4,895	13,373
C. Decreases	**(20,387)**	**(11,931)**	**(7,324)**
C.1 to performing exposures	-	(23)	(81)
C.2 write-offs	-	-	-
C.3 collections	(7,736)	(9,027)	(51)
C.4 sales	(8,802)	-	(7,122)
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing categories	-	(363)	(71)
C.7 modification gains	-	-	-
C.8 other decreases	(3,849)	(2,518)	-
D. Gross closing balance	**58,783**	**43,517**	**69,061**
- 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)

Description/Quality	Forborne non-performing exposures	Forborne performing exposures
A. Gross opening balance	**22,268**	**295**
- including: exposures transferred but not derecognised	-	-
B. Increases	**3,952**	**5,180**
B.1 from non-forborne performing exposures	1,772	4,984
B.2 from forborne performing exposures	-	x
B.3 from forborne non-performing exposures	-	-
B.4 from non-forborne non-performing exposures	476	-
B.5 other increases	1,704	196
C. Decreases	**(5,878)**	**(149)**
C.1 to non-forborne performing exposures	-	-
C.2 to forborne performing exposures	-	x
C. 3 to forborne non-performing exposures	x	-
C.4 write-offs	-	-
C.5 collections	(4,998)	(149)
C.6 sales	-	-
C.7 losses on sales	-	-
C.8 other decreases	(879)	-
D. Gross closing balance	**20,342**	**5,326**
- 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)

Reasons/Categories	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	**12,744**	**1,670**	**7,034**	**2,983**	**(1,069)**	**(119)**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**12,016**	**1,610**	**7,499**	**2,419**	**11,237**	**87**
B.1 from purchased or originated credit-impaired exposures	7,326	x	2,146	x	-	x
B.2 other impairment losses	2,829	1,610	3,876	1,262	5,784	73
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing categories	211	-	15	-	-	-
B.5 modification losses	-	x	-	x	-	x
B.6 other increases	1,650	-	1,462	1,157	5,453	14
C. Decreases	**(7,221)**	**(1,034)**	**(4,677)**	**(1,333)**	**(5,244)**	**28**
C.1. fair value gains	(2,475)	(613)	(2,103)	(1,330)	(4,338)	(79)
C.2 impairment gains due to collections	(943)	(117)	(483)	-	(908)	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	(1,957)	(118)	(197)	-	(67)	-
C.5 transfers to other non-performing categories	-	-	-	(3)	65	79
C.6 modification gains	-	x	-	x	-	x
C.7 other decreases	(1,846)	(186)	(1,894)	-	5	28
D. Closing balance	**17,539**	**2,246**	**9,856**	**4,070**	**4,925**	**(4)**
- 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	-	-	151,774	-	-	-	547,509	699,282
- Stage 2	-	-	4,882	-	-	-	122,261	127,143
- Stage 3	-	-	-	-	-	-	16,059	16,059
- Purchased or originated credit-impaired	-	-	-	-	-	-	159,613	159,613
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)	**-**	**-**	**156,655**	**-**	**-**	**-**	**845,443**	**1,002,098**
D. Loan commitments and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	2,134	2,134
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**2,134**	**2,134**
Total (A + B + C + D)	**-**	**-**	**156,655**	**-**	**-**	**-**	**847,577**	**1,004,232**

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 GUARANTEE

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 investents in property leases	Securities	Other collateral	CLN	Central coun-terparties	Banks	Other financial companies	Other	Public administrations	Other	Other financial companies	Other	Total (1)+(2)
1. On-statement of financial position	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 fully guaranteed	145,994	139,635	34,350	-	-	-	-	-	-	-	-	80,024	-	1,706	23,555	139,635
- including non-performing	21,183	15,546	11,635	-	-	-	-	-	-	-	-	1,357	-	-	2,554	15,546
1.2 partly guaranteed	279,034	276,526	2,306	-	-	-	-	-	-	-	-	185,086	-	53,900	-	241,292
- including non-performing	7,719	5,767	2,306	-	-	-	-	-	-	-	-	3,002	-	-	-	5,308
2. Off-statement of financial position																
2.1 fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The parent's new factoring and guaranteed finance (MCC and SACE-backed products) businesses became fully operational in 2022 and therefore personal guarantees include those given by MCC and SACE for guaranteed finance products and those given by Allianz Trade for the factoring product. The recovery process includes calling in the guarantee/requesting the loan repayment from the central funds and Allianz Trade directly. The carrying amount of the personal guarantees is the amount guaranteed by MCC, SACE or Allianz Trade.

The guarantees for the parent's original business (pre-demerger) 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)

Exposures/Counterparties	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	-	-	14	6	-	-	36,449	(14,048)	4,782	(3,497)
- including: forborne exposures	-	-	-	-	-	-	4,955	(2,166)	700	(81)
A.2 Unlikely to pay exposures	-	-	-	-	-	-	30,794	(9,600)	2,867	(256)
- including: forborne exposures	-	-	-	-	-	-	5,982	(5,115)	1,285	1,045
A.3 Non-performing past due exposures	61,139	(5,028)	-	-	-	-	2,919	26	77	77
- including: forborne exposures	-	-	-	-	-	-	1,032	(73)	77	77
A.4 Performing exposures	229,813	(79)	263,840	(1,668)	-	-	437,674	(3,834)	1,058	408
- including: forborne exposures	-	-	-	-	-	-	5,428	142	154	113
Total (A)	**290,952**	**(5,107)**	**263,854**	**(1,661)**	**-**	**-**	**507,837**	**(27,456)**	**8,783**	**(3,268)**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	2,134	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**2,134**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**290,952**	**(5,107)**	**263,854**	**(1,661)**	**-**	**-**	**509,971**	**(27,456)**	**8,783**	**(3,268)**
Total (A+B) 31/12/2021	**248,723**	**864**	**323,781**	**(4,236)**	**-**	**-**	**141,726**	**(15,261)**	**13,830**	**(3,590)**

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

(€'000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Bad exposures	41,185	(17,372)	59	(162)	1	(5)	-	-	-	-
A.2 Unlikely to pay exposures	33,661	(9,856)	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	64,135	(4,925)	-	-	-	-	-	-	-	-
A.4 Performing exposures	923,283	(5,123)	9,103	(50)	-	-	-	-	-	-
Total (A)	**1,062,264**	**(37,276)**	**9,162**	**(212)**	**1**	**(5)**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	2,134	-	-	-	-	-	-	-	-	-
Total (B)	**2,134**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**1,064,398**	**(37,276)**	**9,162**	**(212)**	**1**	**(5)**	**-**	**-**	**-**	**1**
Total (A+B) 31/12/2021	**723,006**	**(22,009)**	**5,052**	**(210)**	**2**	**(5)**	**-**	**-**	**-**	**1**

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

(€'000)

Exposures/Geographical areas	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	102,082	(55)	-	-	-	-	-	-	-	-
Total (A)	**102,082**	**(55)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2022	**102,082**	**(55)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31/12/2021	**81,977**	**(45)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

(€'000)

	31/12/2022
CARRYING AMOUNT	1,006,179
WEIGHTED AMOUNT	132,734
NO. OF POSITIONS	19

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	597,003,667.00	0%	-
	463,140.60	100%	463,141
	720,289.36	250%	1,800,723
Exposures with or guaranteed by local administrations or authorities	15,891,070.00	100%	15,891,070
Exposures with or guaranteed by public sector bodies	45,253,556.00	100%	45,253,556
xposures with or guaranteed by bodies	90,439,508	20%	17,843,789
	106,650	100%	106,650
Exposures with or guaranteed by companies	-	0%	-
	21,258,210	20%	4,194,346
	91,998,287.00	100%	88,143,433
Retail exposures	31,239,185.00	75%	17,919,486
Exposures guaranteed by mortgages on properties	584,643.00	35%	204,625
	10,314,898.00	50%	5,157,449
Defaulting exposures	74,503,148.00	100%	74,503,148
	446.00	150%	669
Equity instruments	4,000,318.00	100%	4,000,318
	-	250%	-
Other exposures	4,356.00	0%	-
	560,331.00	20%	112,066
	12,747,207.00	100%	12,747,207
Exposures with securitisations	238,558,915	100%	238,558,915
	4,835,842	105%	5,077,634
TOTAL WEIGHTED ASSETS			**531,978,225**
Capital allocated to cover credit and counterparty risk at the reporting date (in Euro)			42,558,258

Important new regulations enacted in 2022 include Commission Delegated Regulation no. 2022/954 issued by the European Commission to ensure that specific credit risk adjustments on loans recognised under article 127.1 of the CRR include all discounts in the price of a defaulting exposure that the purchasing bank has not recognised through an increase in its Tier 1 capital. The parent applied a risk weight to its and its group's assets also reflecting this new requirement.

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 parent 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 portfolio[6], working with the securitisations' servicers to define guidelines, monitor 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 does not engage in hedge accounting. However, it monitors on an ongoing basis the feasibility of mitigating its securitised portfolios' exposure using tactical instruments. During 2023, it will evaluate such instruments more thoroughly once the newly set up Finance & Investments Department is fully operational.

6 Portfolio related to the pre-demerger business comprising the run-off investments, not transferred as part of the demerger, in non-performing exposures mostly held by the consolidation SPVs or in which the parent has invested directly or by subscribing ABS.

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 asset/Exposure	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	4,836	(46)	11,088	(232)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	2,662	(11)	42,670	(482)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)

Type of underlying 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
- Bank loans	50,529	(725)	6,300	-	61,354	-	-	-	-	-	-	-	-	-	-	-	-	-
- Leases	24,892	(158)	6,680	-	32,783	-	-	-	-	-	-	-	-	-	-	-	-	-
- Trade receivables	402	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

C.3 Securitisation vehicles

(€'000)

Securitization name/ Special purpose vehicle	Registered office	Consolidation	Assets: Loans and receivables	Assets: Debt instruments	Assets: Other	Liabilities: Senior	Liabilities: Mezzanine	Liabilities: Junior
PONENTE SPV S.R.L.	Rome - Italy	si	27,692	-	2,359	16,532	-	5,539
NEW LEVANTE SPV S.R.L.	Rome - Italy	si	11,645	-	2,099	7,212	-	3,309
COSMO SPV 1 S.R.L.	Rome - Italy	si	12,097	-	36	1,222	-	7,163
CONVENTO SPV S.R.L.	Rome - Italy	si	62,143	-	25,876	17,918	-	52,327
LIBERIO SPV S.R.L.	Rome - Italy	si	20,319	-	1,097	-	-	21,768
FAIRWAY 1 SPV S.R.L.	Rome - Italy	si	884	-	1,084	2,156	-	19,400
FAIRWAY 2 SPV S.R.L.	Rome - Italy	si	1,499	-	205	1,755	-	9,489
AVENTINO SPV S.R.L.	Rome - Italy	si	50	-	189	-	-	429
RESTART SPV S.R.L.	Rome - Italy	equity-accounted	14,868	-	6,777	615	-	18,836
ITALIAN CREDIT RECYCLE SPV S.R.L.	Rome - Italy	equity-accounted	7,900	-	1,479	-	-	10
FEDAIA SPV S.R.L.	Rome - Italy	no	132,533	-	12,338	-	215,396	-
RIENZA SPV S.R.L.	Rome - Italy	no	100,169	-	10,757	-	10	-
GARDENIA SPV S.R.L.	Rome - Italy	no	126,495	-	-	19,901	200,478	-
BRAMITO SPV S.R.L.	Rome - Italy	no	54,704	-	5,486	49,014	-	26,023
VETTE TV SPV S.R.L.	Rome - Italy	no	26,910	-	-	20,597	12,298	-
APPIA TV SPV S.R.L.	Rome - Italy	no	46,781	-	154	46,153	-	-
PALATINO SPV S.R.L.	Rome - Italy	no	76,187	-	-	97,830	23,562	6,280
DOMIZIA SPV S.r.l.	Rome - Italy	no	103,663	-	-	53,563	93,204	6,742

The information in the table is updated to 31 December 2022.

C.4. Unconsolidated securitisation vehicles

(€'000)

Securitization name/ Special purpose vehicle	Banca CF+ classification			CA			Maximum loss risk
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior	
FEDAIA SPV S.R.L.	FAAC	N/A	FAFVTPL	-	-	39,816	39,816
RIENZA SPV S.R.L.	N/A	N/A	FAFVTPL	-	-	17,792	17,792
GARDENIA SPV S.R.L.	FAAC	N/A	FAFVTPL	3,907	-	32,324	36,231
APPIA TV SPV S.R.L.	FAFVTPL	N/A	N/A	-	-	2,244	2,244
BRAMITO SPV S.R.L.	FAAC	N/A	FAFVTPL	49,009	-	3,746	52,755
VETTE TV SPV S.R.L.	FAAC	N/A	FAFVTPL	20,529	-	459	20,988
PALATINO SPV S.R.L.	FAAC	FAAC (B1)/ AFVTP&L (B2)	FAFVTPL	4,882	11,320	-	16,202
DOMIZIA SPV S.r.l.	FAAC	FAAC (B1)/ AFVTP&L (B2)	FAFVTPL	2,673	43,152	-	45,825
ITALIAN CREDIT RECYCLE S.R.L.	FAFVTPL	N/A	N/A	-	6,300	-	6,300
RESTART SPV S.R.L.	FAFVTPL	N/A	N/A	615	6,680	-	7,295

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) 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)

Securitization name/Special purpose vehicle	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	13,618	-	7,212	100%	0	N/A	4,189	100%
Ponente SPV	Bank loans	29,704	487	16,532	100%	0	N/A	7,267	100%
Cosmo SPV 1 PTF	Bank loans	11,837	1,812	1,222	100%	0	N/A	12,192	100%
Convento SPV	Tax assets	-	73,072	17,918	100%	0	N/A	67,600	100%
Fairway SPV S.r.l. 1 PTF	Tax assets	-	1,960	2,172	100%	0	N/A	-	100%
Fairway SPV S.r.l. 2 PTF	Tax assets	-	3,040	1,037	100%	0	N/A	2,022	100%
Liberio SPV S.r.l.	Trade receivables	61,139	-	59,992	N/A	0	N/A	-	95%
Aventino SPV S.r.l.	Trade receivables	13	-	402	N/A	0	N/A	-	100%
Totale		**116,311**	**80,371**	**106,487**	**-**	**-**	**-**	**93,270**	**-**

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.

D.1 Prudential consolidation - Financial assets transferred and recognised in full and associated financial liabilities

Qualitative disclosure
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 can make small investments in the trading book for which it avails of the derogation for small trading book business as per article 94 of the CRR. Although not part of its supervisory trading book, the group is also exposed to the risk of losses solely with respect to its investments in financial assets managed under the HTC and HTCS business models that do not pass the SPPI test.

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 trading books 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 method required by the supervisory regulations to measure own funds to cover this risk (simplified method as per annexes C and C-bis to Bank of Italy's Circular no. 285/2013). 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)

Types/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	-	113,090	29,838	19,679	132,184	100,729	1,860	-
1.2 Financing to banks	98,831	3,260	-	-	-	-	-	-
1.3 Financing to customers								
- current account	-	10,013	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early repayment option	69	2,307	3,719	5,360	11,875	919	243	-
- other	10,951	369,229	33,587	60,357	134,732	30,685	-	-
2. Liabilities								
2.1 Due to customers								
- current account	35	904	-	-	-	-	-	-
- other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	34,898	41,411	159,257	216,893	454,661	6,330	1,916	-
2.2 Due to banks								
- current account	-	-	-	-	-	-	-	-
- other liabilities	-	150,162	-	10,962	-	-	-	-
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	-	-	-	-	554	-	-	-
+ 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	-	-	-	-	-	-	-	-

An increase or decrease of 200 basis points in the interest rates would decrease or increase the economic value by approximately € 5 million.

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 Trading financial derivatives: reporting date notional amounts

(€'000)

Underlying asset/ Type of derivatives	31/12/2022				31/12/2021			
	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. 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)

Type of derivative	31/12/2022				31/12/2021			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties: With netting agreements	Without central counterparties: Without netting agreements	Mercati organizzati	Central counterparties	Without central counterparties: With netting agreements	Without central counterparties: Without netting agreements	Organised markets
1. Positive fair value								
a) Options	-	-	554	-	-	-	614	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**554**	**-**	**-**	**-**	**614**	**-**
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 asset	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	-	554	-
- 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/Residual maturity	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 31/12/2022	**200**	**-**	**-**	**200**
Total 31/12/2021	**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 manages and monitors its liquidity levels to ensure its short-term structural stability, finance its growth and mitigate its liquidity risk.

The finance & investment department handles the group's liquidity.

The group uses different tools to measure, check and constantly monitor its liquidity risk. The main tool is the maturity ladder plan.

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 deposits with retail customers, short-term funding (up to six months), funding through uncommitted credit facilities granted by national banks, funding repos 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 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	-	-	-	-	-	-	91,000	60,000	-
A.2 Other debt instruments	-	-	-	34	4,223	10,495	27,024	169,328	36,217	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing										
- banks	98,864	-	-	-	-	-	-	-	-	3,262
- customers	5,490	23,360	23,150	10,006	66,397	52,493	106,323	347,490	51,743	-
Liabilities										
B.1 Deposits and current accounts										
- banks	-	85,000	-	10,000	8,000	-	9,064	-	-	-
- customers	34,122	1,631	1,691	4,563	29,043	158,645	216,003	449,681	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	776	-	-	-	52,302	-	1,046	8,838	1,916	-
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 DDeposits 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 2022, the LCR was again considerably higher than 100% (753%) while the NSFR stood at 152.16%.

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 CRR).

The procedures define in-depth first level controls designed to protect the formal and substantial correctness of the group's operations.

Assessments of the operating performance

The group manages legal risks by setting up a specific provision which amounted to €0.6 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 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 could continue to provide their services on a remote working 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 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 €11,238 thousand at the reporting date.

Parte 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)

Balance sheet captions	Prudential consolidation	Insurance companies	Other entities	Consolidation entries and adjustments	Total
1. Share capital	14,008	-	-	-	14,008
2. Share premium	76,020	-	-	-	76,020
3. Reserves	54,754	-	-	-	54,754
3.5 Interim dividends (-)	-	-	-	-	-
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)					
6. Valuation reserves	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	2,657	-	-	-	2,657
- Hedges of equity instruments at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-	-	-	-
- Property and equipment	-	-	-	-	-
- 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 economico (variazioni del proprio merito creditizio)	-	-	-	-	-
- Actuarial losses on defined benefit pension plans	102	-	-	-	102
- 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	(31,582)	-	-	-	(31,582)
Total	**115,959**	**-**	**-**	**-**	**115,959**

B.2 Fair value reserves: breakdown

(€'000)

Attività/Valori	31/12/2022		31/12/2021	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	-	-	-	-
2. Equity instruments	2,657	-	2,657	-
3. Financing	-	-	-	-
Total	**2,657**	**-**	**2,657**	**-**

B.3 Fair value reserves: changes

(€'000)

	Debt instruments	Equity instruments	Financing
1. Opening balance	**-**	**2,657**	**-**
2. Increases			
2.1 Fair value gains	-	-	-
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	-	-	-
4. Closing balance	**-**	**2,657**	**-**

B.4 Actuarial reserves: changes

At the reporting date, the group has an actuarial reserve for defined benefit plans. The net gain arising on the actuarial valuation of the liability was €131 thousand in 2022.

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 parent's 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.

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 to 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. 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 and estimated the fair value of any identified 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 was recognised as goodwill in the consolidated financial statements.

At the reporting date, the intangible asset's carrying amount net of amortisation is €2,423 thousand, while the deferred tax liabilities of €787 thousand recognised upon completion of the merger were released in full to profit or loss as a result of the parent's decision to align the carrying amount of the intangible assets arising from the merger to their tax base.

As part of its drive to build up the tax asset business, commenced in 2018 through the strategic partnership with Be Finance, a market leader in the Italian tax asset market, on 13 July 2022, the parent's shareholders approved the merger of the subsidiary Be Credit Management S.p.A., specialised in the analysis and servicing of tax assets with a workforce of 10 people and already wholly-owned, into the parent. The merger became effective on 1 October 2022.

In 2018, the parent acquired a 35% stake in BECM obtaining de facto control as per an agreement which also gave it an option to acquire the other 65%. The parent exercised this option in 2020.

As the company was already a subsidiary, its merger was treated as business combinations under common control (similarly to the merger of Fifty) and did not affect the group's consolidated financial statements. The related balances in the separate financial statements were restated to be consistent with those in the consolidated financial statements.

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 2022 is set out below:

(€'000)

	Directors	Statutory auditors	Other key management personnel
a) Short-term benefits	600	216	3,306
b) Post-employment benefits	-	-	280
c) Other long-term benefits	-	-	429
d) Termination benefits	-	-	-
e) Share-based payments	-	-	-
Total	**600**	**216**	**4,015**

The group recognised €216 thousand due to its statutory auditors as other liabilities.

2. Related party transactions

No atypical or unusual related party transactions took place during the year that would have affected the group's financial position and performance, given their materiality. All transactions with related parties took place on an arm's length basis and are part of the group's operations.

The following information is provided given the group's numerous related parties.

In the first half of 2022, the parent sold 100% of the mono tranche notes issued by the SPV Lucullo to Gardant S.p.A. as part of a transaction subject to the specific approvals for related party transactions. The sale was concluded on 30 June 2022 for an agreed consideration of €11.2 million, €3 million of which collected upfront and €8.2 million in February 2023, without impacting the group's profit or loss.

The parent obtained a fairness opinion on the transaction price provided by an independent expert. Approval of the transaction was also subject to the rules set out in the internal policies on major related party transactions.

In 2022, the parent recognised revenue of €472 thousand received from Gardant S.p.A. to settle the 2021 VAT, as well as the cost of servicing services (€3.3 million) provided by the Gardant Group companies to the parent and the consolidated SPVs for the securitisations.

At the reporting date, there is a €5 million credit facility (of which €3.6 million has been drawn down) agreed in 2020 with Leviticus Reoco S.r.l., a subsidiary of European Investment Holding (a related party).

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 separate and consolidated financial statements and other services provided by the independent auditors in 2022 are set out below.
The amounts are net of VAT and out-of-pocket expenses.

(€'000)

Tipologia di servizi	Provider: independent auditors or entity of their network	Fees
Audit services (parent)		
- Audit of the separate financial statements, including checks that the accounting records are kept correctly, and the consolidated financial statements	EY S.p.A.	141
- Review of the condensed interim separate and consolidated financial statements	EY S.p.A.	23
- Comfort letter as per art. 26.(2) of Regulation (EU) no. 575/2013	EY S.p.A.	14
- Attestation services on tax returns	EY S.p.A.	4
- Check of translation into English of the annual report	EY S.p.A.	3
Other services provided to the parent		
- Checks of the procedures and systems to manage bank loans used to guarantee Eurosystem open market operations	EY S.p.A.	12
Audit services (subsidiaries)		
- Voluntary audit of the SPVs' financial statements, including checks of their reporting packages	EY S.p.A.	183
Total		**380**

Part I: Share-based payments

Qualitative disclosure

1. Description of share-based payments

On 18 March 2018, the parent's shareholders 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". In 2022, the remainder of €274 thousand was settled in cash.

No new incentive plans had been approved at 31 December 2022.

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 paragraph 59 and 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 group's leasing activities are summarised in the following table:

(€'000)

Captions	Office premises	Buildings for residential use	Company cars	Printers	Total 31/12/2022
a) depreciation of right-of-use assets	677	17	90	4	788
b) interest expense on lease liabilities	142	1	6	1	149
c) costs for short-term leases (IFRS 16.6)	-	-	-	-	-
d) costs for leases of low-value assets (IFRS 16.69	-	-	-	-	-
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	330	18	98	4	450
h) additions to right-of-use assets	-	-	-	-	-
i) gains or losses from sale and leaseback transactions e	-	-	-	-	-
j) closing balance of right-of-use assets	5,840	48	357	25	6,270

Depreciation, interest and cash outflows include those related to the leased offices in Rome and Milan, buildings for residential use, company cars and printers.

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)

Time bands	31/12/2022 Lease payments receivable	31/12/2021 Lease payments receivable
Up to 1 year	11,224	7,418
From 1 to 2 years	5,636	15,429
From 2 to 3 years	3,217	6,424
From 3 to 4 years	2,685	1,818
From 4 to 5 years	2,230	2,086
After 5 years	4,952	7,411
Total lease payments receivable	29,944	40,587
RECONCILIATION WITH NET INVESTMENT IN LEASES	-	-
Unaccrued interest income (-)	(5,507)	(10,711)
Unguaranteed residual value (-)	-	-
Net investments in leases	24,436	29,876

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. 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 2022 and examine the consolidated financial statements as at and for the year ended 31 December 2022 (the "consolidated financial statements") comprising a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows (prepared using the indirect method) and notes thereto, accompanied by the directors' report[1]. 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 20 meetings, participated in 22 meetings of the parent's board of directors and attended the three shareholders' meetings of 24 January, 27 April and 13 July 2022. 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 and control activities by (i) analysing the parent's well-structured information system, (ii) participating in the parent's board of directors' meetings, and (iii) meeting and carrying out checks with senior management, the internal control departments, the chief financial officer ("CFO"), the chief lending officer ("CLO"), the independent auditors and the heads of the business and back office departments. A member of the internal audit department usually attends all our meetings.

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.

The consolidation scope includes the parent and the securitisation vehicles of which the parent holds all or the majority of the junior ABS issued and has de facto control as per IFRS 10 or joint control, in which case it recognises its investment in accordance with IFRS 11. These vehicles are set out in the "List of consolidated companies" in the directors' report. They have been set up to carry out tax asset transactions and manage the run-off portfolios of non-performing exposures (more details are provided later). In 2022, Be Credit Manage-

[1] If not indicated otherwise, reference to the directors' report and the notes herein refer to those attached to the consolidated financial statements.

ment S.p.A. and Fifty S.r.l. left the consolidation scope after their merger into the parent (both transactions classified as business combinations under common control and therefore did not affect the consolidated financial statements). The vehicle Lucullo SPV S.r.l. also left the consolidation scope due to the sale of all its issued notes held by the parent during the year, which meant that the parent lost control over it[2]. Therefore, the group's structure has again been streamlined and the parent performs all operating activities.

We have no comments to make in this respect.

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 parent and 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 parent'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 originated, disbursed or purchased. The group was assisted in this respect by external experts.

2. Key events of the year

The parent's directors have described the key events of the year in the "Operations and key events of the year" section of their report. This section describes how the parent continued its refocusing initiative after it launched Project 3.0 on 1 August 2021, which involved demerging the debt purchasing and debt servicing businesses. The parent's core business now focuses on the three product/service lines identified in its 2022-2026 business plan approved in January 2022: (i) the purchase of tax assets (Tax Assets), (ii) factoring and supply chain financing services (Factoring) and (iii) short and medium-term state-backed financing (Financing) in addition to (iv) a state-of-the-art treasury business (Finance & Investments).

As a result of flux in certain macroeconomic factors, the performance of the parent's new business lines and, especially, the negative performance of its portfolios of run-off investments (ABS and non-performing loans) not transferred as part of the demerger in 2021 (the legacy portfolios), kept to ensure an adequate inflow of funds in the first few years of the new business plan, the parent needed to recapitalise, also in order to allow it to pursue its new business objectives. In October 2022, its board of directors approved a capital increase against payment to be offered with rights of first refusal to the ordinary shareholders pursuant to article 2441 of the Italian Civil code for a maximum of €28.5 million to take place before 28 February 2023. This proposal had the backing of the parent's ultimate parent Elliott through the parent Tiber Investment 2 Sàrl ("Tiber 2") which formalised its commitment in September

[2] Pursuant to Legislative decree no. 385/1993, the CF+ banking group solely comprises the parent and the vehicles Cassia SPV S.r.l. and Convento SPV S.r.l. (tax assets).

2022. On 28 October 2022, the parent's majority shareholder, Tiber 2 injected a non-returnable €25 million for this capital increase which, therefore, is now part of the parent's own funds. The parent's shareholders met on 10 February 2023 and resolved in favour of the proposed capital increase after acknowledging the successful completion of the authorisation process. Specifically, they approved a capital increase against payment of a maximum of €28,499,998.16, including €5,144,404 to be allocated to share capital and €23,355,594.16 to be allocated to the share premium. This increase was to take place in instalments with the issue of a maximum of 5,144,404 ordinary shares without a nominal amount, with regular dividend rights and the same characteristics as the shares already issued by the parent.After the injection by the majority shareholder in October 2022, non-controlling investors confirmed their interest in participating in the capital increase for €3,068,681 million before the subscription closing date. As a result, at the closing date, the parent's share capital consists of 19,066,549 shares for €19,066,549.

As described by the directors in their report and in the notes, the other main transactions performed during the year included the parent's renaming and rebranding as well as:

- the updating of the 2022-2026 business plan, approved by the parent's board of directors on 10 October 2022, to support the above-mentioned capitalisation. The parent's directors revisited and tweaked the projections set out in the business plan in their meeting of 10 February 2023 to incorporate the requests made by Bank of Italy to the "less significant" institutions. The central bank asked for updated figures for the 2023-2024 two-year period (as well as comparative actual figures for 2022) using a baseline scenario and an adverse scenario to reflect the less favourable development of the macroeconomy;
- the merger into CF+ of (i) BE Credit Management S.p.A., active in the tax asset business and already wholly-owned by the parent, on 1 October 2022 and (ii) Fifty S.r.l., a credit broker which has developed a proprietary fintech platform to manage factoring products, effective from 1 January 2022;
- the winding up of Five Sixty S.r.l., a consultancy company with considerable experience in the guarantee fund market, which accelerated the parent's entry into the state-backed loan sector, in September 2022.

We have no comments to make on that set out above and note that during its first full year of operations in its redesigned format, the parent has reached important milestones, rolling out its two new factoring and financing business lines and gradually taking the steps necessary to start up its state-of-the art treasury business. It also concurrently (i) introduced the processes and practices for the granting and monitoring of loans, (ii) continued to implement technological and organisational solutions to manage these processes, and (iii) grew its organisation.

The parent intends to become a branchless challenger bank that operates through advanced operating and distribution models, including digital models, and believes in technology as a tool that facilitates and accelerates access to credit for businesses with financing solutions designed to allow the optimum use of regulatory capital. The parent does not have its own distribution network and mostly operates through brokers and consultants as well as outsourcing a significant portion of its operations (e.g., screening loan applications and administration).

This is clearly a complex project with inevitable potential risks in its execution. The parent's strategy is outlined in its business plan adopted after a lengthy self-assessment at the end of January 2022. It entails the design and implementation of innovative solutions in a very competitive market which requires adaptation from the parent's and group's current market and technologies.

Given the parent's start-up stage, its growth journey will involve change and adaptation, as was seen in 2022 when it had to recapitalise with the related update of its business plan, revisiting certain initiatives (for example, the introduction of a small ticket segment and recalculating volumes to reflect actual operations). The geopolitical and macroeconomic context adds further challenges and uncertainties to the normal difficulties in starting up a new business. The performance of the legacy portfolios designated to self-finance the business highlighted the importance of the majority shareholder's financial support of the parent. This implied that the parent needs strategic planning and management control processes that are more advanced and sensitive to internal and external variables and their changes, including to be able to respond promptly to its financial requirements.

With respect to funding, the group mostly uses the parent's on-line retail channel, which provides more than two thirds of its funding. This is a flexible and fast tool although, while mostly structured with forward funding products, it requires close attention to the management of changes in repayment dates due to its potential volatility in terms of prices and other external factors and the careful calibration of investments and the system used to change repayment dates, as shown by the recent market experience.

3. The parent's financial position and performance

As already mentioned, the parent rolled out its new financing and factoring core business lines during the year, disbursing volumes of €352.1 million and €276.5 million, respectively. At year end, it had exposures of €317.0 million and €99.2 million, respectively, for these two business lines.

The parent continued its tax asset business by purchasing tax assets for €147 million. The related investments are made by the securitisation vehicle as per Law no. 130/99, Convento SPV S.r.l., and the vehicle Fairway S.r.l.. The parent also directly purchased 110% superbonus tax assets of €25.7 million from third parties.

At 31 December 2022, the group's total assets amounted to €1,239.5 million, up from €953.8 million at 31 December 2021 due to its new core business and the slower repayment of its legacy portfolios. These assets are financed by total funding of €1,044.6 million (€795 million in 2021), including €868.1 million collected online from retail customers (€688.1 million in 2021).

The group's income statement shows a loss of €31.6 million, entirely attributable to the owners of the parent, compared to a loss of €6.9 million in 2021, as a result of:

- net interest income of €33.9 million compared to €69.7 million for 2021 (before application of IFRS 5), affected by the contraction in the ABS portfolio after the demerger which became effective on 1 August 2021 and the gradual growth of the group's new business;
- fair value losses of €18.3 million on financial assets and liabilities measured at fair value, as well as net impairment losses of €13.8 million, mostly on the legacy portfolios consisting of ABS and loans with a carrying amount of €395 million. The group recognised fair value losses of €16.8 million on these portfolios and impairment losses of €10.2 million on loans, due to smaller collection forecasts and/or delays as well as changes in interest rates;
- operating costs, which include investments and the cost of starting up the new businesses.

Part A.1 Section 5 "Risks, uncertainties and impact of Covid-19" and Part E Section 2 "Qualitative disclosure", paragraph 2 "Impacts of the Covid-19 pandemic" of the notes to the consolidated financial statements provide information on the effects of the pandemic on the group's financial position and performance and risks (especially credit quality risks) as do other sections of the notes.

At 31 December 2022, the group's equity amounts to €116.0 million, compared to €122.5 million at the end of the previous year end, thanks to the €25 million injected by the majority shareholder which covered most of the accrued losses.

The parent's directors deemed it appropriate to adopt the going concern assumption (as explained in the relevant section of their report) as they do not believe there are doubts about the parent's or the group's ability to: (i) continue to operate in the foreseeable future, well beyond 12 months of the date of preparation of the consolidated financial statements at 31 December 2022 and even considering the serious external events that have taken place in the 18 months after the demerger, and (ii) maintain their financial position and performance, continue to operate normally and introduce the actions necessary to develop the new business lines.

The legacy portfolios' recent performance has highlighted certain aspects that require careful monitoring and proactive management, including when the individual loans' recovery plans are updated, as they are used to calculate the financial asset's recoverable amount or fair value. Given the size of the portfolios compared to the parent's and group's assets and equity, a delay in collections or a change to a hold to maturity strategy would require the parent and the group to have suitable human and technological resources to deal with the portfolios' complexity. While considering their specific nature, and especially the fact that the group only has effective tools to manage the securitisations for a part of the portfolios, it is clear that they are increasingly being incorporated into the exposure management processes in line with the new core business portfolios. The parent should adopt a similarly proactive approach to the servicers, in line with its recent policies. Completion of the actions set out in the plan to comply with the EBA Guidelines 2018/06, which became applicable to the legacy portfolios after Bank of Italy's communication of 5 April 2022, will make it possible to improve the activities to monitor and assess the portfolios, which in turn will make the continued support from the ultimate parent (when necessary) even more important to ensure business continuity.

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). Section 10 of Part B on liabilities of the notes describes the pending litigation and related risks.

4. 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 parent's audit committee's meetings, improving the efficiency of our supervisory duties.

We also discussed, when appropriate, the proposed transactions and their effects on the financial position, financial performance and organisation of the parent and the group in special meetings held before the board meetings and during such later 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 parent's board of directors and that external experts were involved, when necessary.

Alongside the roll-out of its new business lines, the parent continued to implement organisational measures and procedures for its new operations, gradually adapting its organisation to deal with the growing business volumes. The "Developments and investments in technology" section of the directors' report provides details of the parent's identification of its To-Be accounting information system and the investments made to set up this system as part of a three-year plan which includes a number of projects covering, inter alia, cyber security, operating systems and bank office systems, development of an internal software farm, and development of IT solutions supporting the acquisition of loan applications and screening (lending platform and broker portal).

The parent concurrently progressed with its strategy of hiring specialists introduced in 2021, strengthening both the front office structures (factoring, financing, finance & investments) and back office and support structures (CLO/lending, supervisory reporting, accounting and loan administration, IT, controls). During the year, the group's workforce increased from 87 to 135 resources.

Given the parent's start-up phase, it requires considerable third party specialist support to more quickly reach its operating objectives which also makes the careful dove-tailing of external and internal expertise essential.

The risk monitoring and management reporting processes, introduced during the year, require fine-tuning and suitable retrospective assessment, including to evaluate possible changes to pricing until the new risk-based pricing model is introduced. The parent plans to launch important projects in 2023 (development of the monitoring platform to include an early warning system and activation of a tailored loan dossier management procedure).

The parent is still engaged in standardising and integrating several subsystems used for accounting and administration purposes as its applications, processes and systems are obviously still not wholly integrated which could generate greater operating risks.

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.

5. 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.

Given the significant role of the parent's technological platform and the very serious danger that cyber attacks pose today (with the risk that the parent's data could be compromised), in December 2022, its board of directors set up a new second level control department, the ICT risk & security department, to manage and oversee ICT and security risks. It also liaises with the regulators about important topics that are coming under increasing scrutiny by these authorities, such as disaster recovery, business continuity plans, cyber security and response capacity, including in light of the provisions set out in the 40th update of Bank of Italy's circular no. 285/2013 and the EBA's guidelines of 28 November 2019 on ICT and security risk management (EBA/GL/2019/04).

The outsourcing of important parts of the financing process (acquisition of financing opportunities, initial assessment of credit worthiness, management of the loan dossier's administrative processes and of the receipt and activation of state guarantees) exposes the parent to risks that require proper monitoring. This is also true of its resort to third party distribution networks, which include multi-mandate agents and expose the parent to the risk of alterations in the quality and quantity of financing opportunities.

Based on our assessments, we express an opinion on the overall qualitative and quantitative adequacy of the group's operating and control departments and the overall appropriateness (in terms of its size and working) of the internal control structure in a framework which does require the introduction of some measures to fine-tune and improve the system, which have already been identified and planned.

Specifically, the qualitative and quantitative systems of the internal control departments need to if not pre-empt at least evolve concurrently with the growth in the business volumes and complexity and the risks faced by the parent and the group. This implies that they need to be reassessed continuously. The parent also has to duly evaluate the risks related to the human resources factor, both in terms of quality control of the processes performed and business cultural integration (banking sector), which can also be achieved through dedicated training courses, that the parent has already scheduled in part.

We also monitored: *(i)* the procedure to define: the parent's risk appetite and related limits and indicators (RAF, RAS), *(ii)* the ICAAP and ILAAP processes, and *(iii)* the suitability of the various ratios and indicators in the parent's systems and their compliance with the supervisory limits. The ICAAP/ILAAP reports, approved in April 2022, included stress tests based on two scenarios with different severity levels depending on the pandemic's potential impact on the real economy.

We also checked compliance with the communicated RAF and SREP limits and the MREL requirements during the year. The group's reporting-date total capital ratio was 15.2%, above the limits set by the supervisory regulations.

6. Administrative accounting system and financial reporting process

We checked the adequacy of the administrative and accounting system and its reliability in correctly presenting the parent'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, EY 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 accounting, tax, regulatory reporting, planning & control and portfolio departments 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 analyses of the management and assessment of the legacy portfolios;
- the assessment of loans as part of the new business;
- the impairment tests;
- the measurement 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.

7. 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 and group's normal operations.

The transactions with Gardant (e.g., sale of the Lucullo notes for €11.2 million) were subjected to the specific decision-making controls in place for related party transactions.

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 parent'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 acknowledged the statements made in accordance with article 2391 of the Italian Civil Code.

8. 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 for the mutually-profitable exchange of information. In particular, we checked the application of the accounting policies and the correct recognition and presentation of the main consolidated financial statements captions with them from a financial and equity point of view, the process used to assess the legacy portfolios and the results thereof and the audit of the consolidated vehicles.

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 Ernst & Young S.p.A. ("EY") as the parent's independent auditors for the statutory audit of its consolidated financial statements for the nine-year period from 2022 to 2030 in their meeting of 27 April 2022.

The audit fees are detailed in Part H of the notes to the consolidated financial statements. We authorised the limited non-audit services in accordance with Regulation (EU) 537/2014.

On 10 April 2023, EY issued its audit report on the consolidated financial statements pursuant to article 14 of Legislative decree no. 39 of 27 January 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 2022 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 of 18 August 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: (i) measurement of instruments related to the securitisations classified as other assets mandatorily measured at fair value, and (ii) classification and measurement of loans and receivables with customers recognised under assets measured at amortised cost. The audit report specifies the audit procedures performed for these matters.

Again on 10 April 2023, EY issued its unqualified audit report on the separate financial statements pursuant to article 14 of Legislative decree of 27 January 2010 and article 10 of Regulation (EU) 537/2014, which does not include any emphasis of matter paragraphs.

The audit reports also state that the opinion is consistent with the information provided in the additional report to us.

On 10 April 2023, EY 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 and/or the accounting system or other material issues related to actual or alleged non-compliance with laws, regulations or the parent's by-laws. No other situations were identified that needed to be brought to our attention.

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.

We do not deem that critical issues exist with respect to EY's independence or incompatibility as per articles 10, 10-bis and 17 of the Italian Consolidated Statutory Audit Act and related implementing measures.

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.

9. 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 or group's shareholders or customers during the year.

With respect to the requirements of article 52-bis of the Consolidated Banking Act and Bank of Italy's related instructions, the parent has set up a whistleblowing system, which is also compliant with Legislative decree no. 231/2001. This system supplements the parent's existing internal whistleblowing system that is part of the system used for reporting to the supervisory authority as per Legislative decree no. 231/2001.

During 2022 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 2022 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's Circular no. 263/2006, Title V, Chapter 7), the opinions required by Bank of Italy's 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, the reports required by Bank of Italy (for example, on the launch of the online term deposit business in Germany, the updated forecasts for 2023 and 2024 and the climate and environmental risk action plan to respond to the central bank's supervisory expectations).

10. Events after the reporting date and outlook

The directors have presented the key transactions and events that have taken place after the reporting date in the "Events after the reporting date" and "Business opportunities and going concern" sections of their report and in Part A.1 section 4 "Events after the reporting date" of the notes to the consolidated financial statements, to which reference should be made. These transactions and events include:

- the presentation of a binding offer in January 2023 for the acquisition of a business unit from Credimi S.p.A., a financial broker as per article 106 of the Consolidated Banking Act and one of the parent's competitors in the digital lending sector. On 26 February 2023, the parent presented a revised binding offer;
- completion of the parent's €28.1 million capital increase described earlier on 28 February 2023;
- the parent taking the decision to exercise the option to align the carrying amount of goodwill arising on the mergers of Fifty S.r.l. and BE Credit Management S.p.A. to its tax base;
- preparation of a three-year climate and environmental risk management plan in March 2023 by the parent as required by Bank of Italy after the issue of its "supervisory expectations" about climate and environmental risk in April 2022;
- the parent opening a branch in Milan in March 2023.

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 (22 March 2023) that would have required the group to adjust the amounts recognised in its consolidated financial statements, also considering the group's prudent risk management practices, the qualitative and quantitative aspects of which are presented in Part E of the notes to the consolidated financial statements, and the group's capital adequacy disclosed in Part F of the notes.

We believe that the directors have provided exhaustive information about the group's operations, risks and uncertainties and outlook.

11. Conclusions

Dear shareholders,

We confirm that we performed our activities with the full collaboration of the corporate bodies, management, the heads of the administration and operating departments, the control departments, the independent auditors, the department in charge of financial reporting 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 directors' report and 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 parent and the group, their ability to continue as a going concern and their outlook.

The consolidated financial statements show a loss of €31,582 thousand and equity of €115,951 thousand.

Both the consolidated financial statements (and 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 MREL indicators at year end.

In conclusion, we have no comments to make about the consolidated financial statements as they stand.

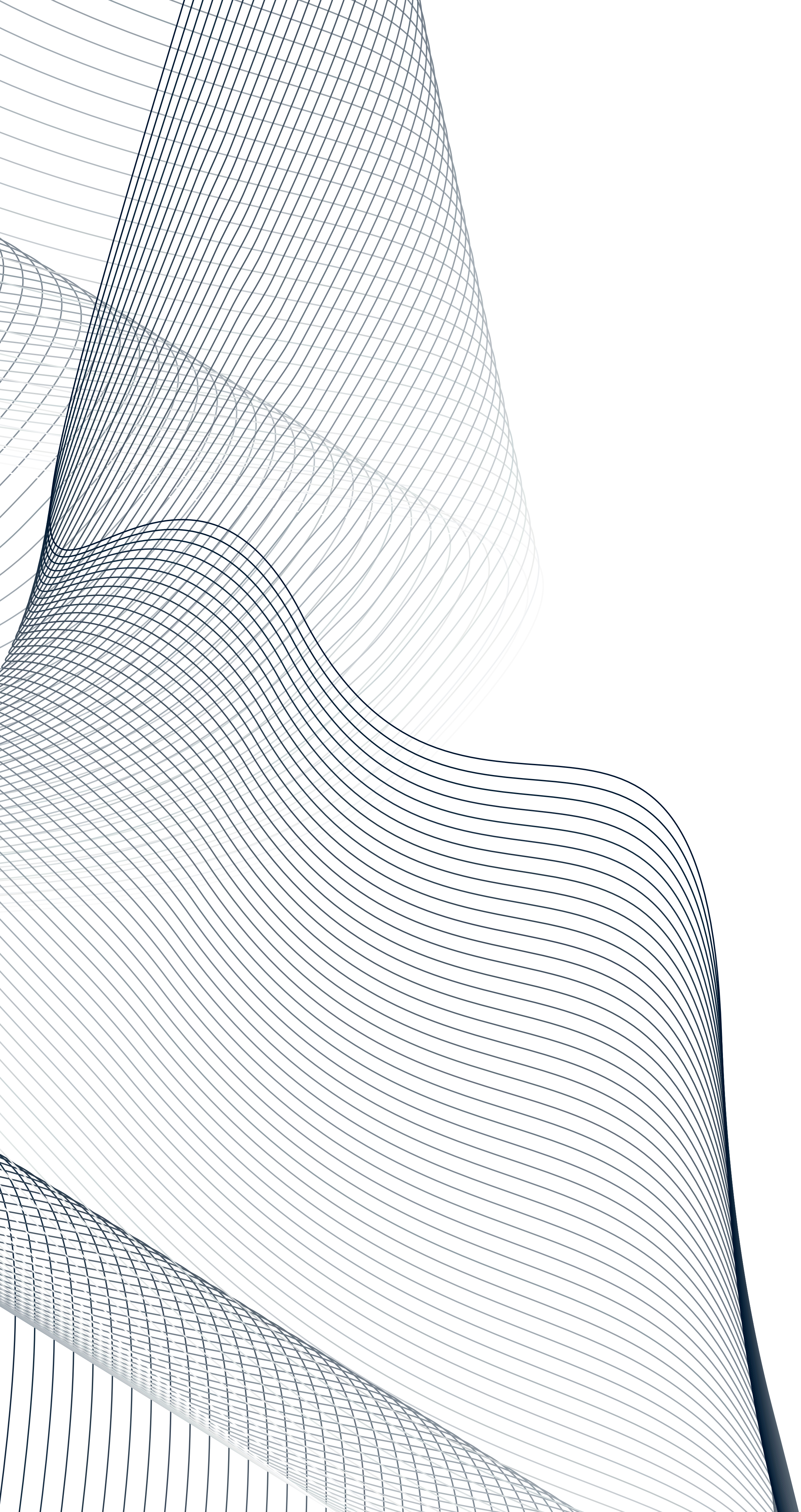
Milan and Rome, 10 April 2023

Board of statutory auditors

Antonio MELE (chairman)

Giuseppina PISANTI (standing statutory auditor)

Franco VEZZANI (standing statutory auditor)



Banca CF+

Independent auditors' report pursuant to article 14 of legislative decree no. 39 of 27 January 2010

Building a better working world

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

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 Banca CF+ Group S.p.A. (the "Group"), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the related explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 2015.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Banca CF+ Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

We identified the following key audit matters:

Key Audit Matters	Audit Response
Valuation of financial instruments related to securitization transactions classified as financial assets mandatorily measured at fair value	
The financial assets mandatorily measured at fair value which are reported in line item 20 c) of the Balance Sheet amount to approximately Euro 111 million and represent approximately 9%of total assets of the consolidated financial statements as at December 31, 2022. The related economic effects are reflected in line item 110 of the income statement. The financial assets mandatorily included in line item 20 c) of the balance sheet, based on the outcome of the SPPI test required by IFRS 9, refer exclusively to financial instruments related to securitization transactions for which there is no quoted price in an active market nor a quoted price for sufficiently comparable financial assets. For the valuation of these financial instruments, the Bank employs complex models that are consistent with market valuation practices (market multiples models or discounted cash flow models based on projected future cash flows derived from the relevant securitization business plans). These models are supplied with directly observable market data or, if unavailable, internally estimated based on qualitative and quantitative assumptions. The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts in financial instrument valuation techniques, included, among others: • understanding and analyzing the company's processes and internal controls regarding the operational methods employed for conducting SPPI tests and the monitoring activities aimed at reviewing the changes in estimates of expected cash flows related to financial instruments connected to securitization operations; • verifying the fair value through the analysis of valuation models, assessing the reasonableness of key qualitative and quantitative assumptions used, and evaluating input parameters; • performing comparative analysis procedures to identify the most significant deviations compared to the previous fiscal year; • analysis of the adequacy of the disclosures provided in the notes to the financial statements.

Building a better working world

Key Audit Matters	Audit Response

Classification and valuation of financial loans and receivables with customers measured at amortized cost
 	
Loans and receivables with customers represented by loans measured at amortized cost and financial instruments related to securitization transactions, which are reported in line item 40 b) of the balance sheet assets, amount to Euro 809 million. As at December 31, 2022 loans and receivables with customers represent 65%of total assets. The related economic effects are reflected in line item 130 of income statement.
 	
The classification and valuation of loans and receivables with customers are relevant for the audit due to the significance of the amount of the loans to the consolidated financial statements as a whole and in consideration of the fact that the recoverable amount is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, that involve specific factors aimed at reflecting the current uncertainty over the evolution of the macro-economic scenario.
 	
Amongst the aspects that assume particular importance in the credit estimation processes for loans include:
• the identification and calibration of the parameters for determining the significant increase in credit risk compared to the date of initial recognition, for the purpose of allocating the non-defaulted loan exposures (Stage 1 and Stage 2);
• the definition of the models and valuation parameters regarding the Probability of Default, Loss Given Default (LGD) and Exposure at Default (EAD) used for the calculation of one year expected losses (ECL - Expected Credit Losses) for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2 including forward looking information, such as macroeconomic factors;
• identification of evidence that may lead to assess that the carrying amount of the loan is not fully recoverable (impairment indicators), with related classification of the exposures in defaulted loans (Stage 3);
	In relation to this aspect, our audit procedures, also conducted with the assistance of our experts, primarily on the subject matter of risk management and information systems , included amongst others: understanding and analyzing the company's processes and internal controls regarding:
	• the classification and valuation of financial loans and receivables with customers and performing tests over key controls, including those concerning IT systems for the purpose of verifying their operating effectiveness;
	• the monitoring and changes in the estimate of the expected cash flows also in connection with the financial instruments referring to securitization transactions;
	• with specific reference to financial loans:
	    ◦ the execution, on a sample basis, of substantive procedures aimed at verifying the correct classification and measurement of credit exposures;
	    ◦ understanding the methodologies used in relation to statistical valuations and the reasonableness of the assumptions used including the macroeconomic scenarios and their weightings;
	    ◦ performing compliance and testing procedures, which were aimed at verifying the appropriate determination of the valuation parameters Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) applied in calculating the Expected Credit Losses (ECL) for the purpose of determining the impairment provisions;
	• with specific reference to financial instruments qualified as POCI:
	    ◦ analysis of methodologies and valuation models adopted and the assessment of the reasonableness of the assumptions and parameters used by the Company;
	    ◦ analysis, for a sample of loans analytically evaluated, the reasonableness of the estimated expected cash flows by examining data relating to collection flows, indicators of possible impairment losses, assessment

- for loans classified in Stage 3, the determination of the criteria for estimating the expected cash flows according to the recovery strategy.

Furthermore, with particular reference to the valuation process of loans related to financial instruments referring to securitization transactions qualified as "Purchased o Originated Credit Impaired Asset" ("POCI"), the Directors conduct a periodic review of the expected cash flow estimates using the credit adjusted effective interest rate, and in identifying such it is necessary to include, in cash flows estimates, the initial expected losses.

The related disclosures are provided in Part A – Accounting policies, Part B - Information on the balance sheet, Part C - Information on the income statement and Part E – Information on risks and related hedging policies of the notes to the financial statements.

of any guarantees as well as the related recovery times;

- performing comparative analysis procedures for the loan portfolio regarding the coverage levels with respect to the most significant differences compared to the closing balances of the preceding year end;
- analysis of the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n. 136, dated August 18, 2015, and, within the terms provided by the 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, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Banca CF+ S.p.A. or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 International Standards on Auditing (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 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 International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;
- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated 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.
- we have obtained 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 have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (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 have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated to them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant the risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/2014

The shareholders of Banca CF+ S.p.A., in the general meeting held on April 27, 2022, appointed us to perform the audits of the separate and consolidated financial statement for each of the years ending December 31, 2022 to December 31, 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Building a better working world

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Banca CF+ S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Banca CF+ Group S.p.A. as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the consolidated financial statements of Banca CF+ Group S.p.A. as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Banca CF+ Group S.p.A. as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, April 10, 2023

EY S.p.A.
Signed by: Davide Lisi, Auditor

This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.