
ostc
italia

02.

FINANCIAL STATEMENTS OF POSTE ITALIANE

AT 31 DECEMBER 2021

02.

FINANCIAL STATEMENTS OF POSTE ITALIANE

AT 31 DECEMBER 2021

Contents

1. Introduction

Poste Italiane SpA (the "Parent Company") is the company formed following conversion of the former Public Administration entity, "Poste Italiane", under Resolution 244 of 18 December 1997. Its registered office is at Viale Europa 190, Rome (Italy).

Poste Italiane's shares have been listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) since 27 October 2015. At 31 December 2021, the Company is 35% owned by CDP and 29.3% owned by the MEF, with the remaining shares held by institutional and retail investors. Poste Italiane SpA continues to be under the control of the MEF. As at 31 December 2021, the Parent Company holds 5,232,921 treasury shares (equal to 0.40% of the share capital).

The **Poste Italiane Group** (the "Group") provides a universal postal service in Italy as well as integrated communication, logistics, financial and insurance products and services throughout the country via its national network of approximately 13,000 post offices.

The Group's business is divided into four macro-areas (i.e. operating segments) for purposes of evaluation and representation. (i) the Mail, Parcels and Distribution segment, (ii) the Payments and Mobile segment, (iii) the Financial Services segment and (iv) the Insurance Services segmenti.

In addition to the mail and parcel service, the Mail, Parcels and Distribution segment also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to the other segments in which the Group operates.

The Payment and Mobile Services Sector includes the activities of payment management, e-money services and mobile and fixed-line telephone services by Postepay SpA.

The Financial Services Sector regards the activities of BancoPosta RFC, which include the collection of all forms of savings deposits, the provision of payment services (of which some are outsourced to the Payments and Mobile sector), foreign currency exchange, the promotion and arrangement of loans issued by banks and other authorised financial institutions, the provision of investment services and the activities of BancoPosta Fondi SpA SGR.

The Insurance Services Sector regards the activities of Poste Vita SpA, which operates in ministerial life assurance Classes I, III and V, and of its direct subsidiaries, Poste Assicura SpA, which operates in P&C insurance, and Poste Welfare Servizi Srl, which provides services to the segment in question.

This section of the Annual Report for the year ended 31 December 2021 includes the consolidated financial statements of the Poste Italiane Group, the separate financial statements of Poste Italiane SpA and BancoPosta RFC's Separate Report. The Report has been prepared in euros, the currency of the economy in which the Group operates.

The Group's consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements. All amounts in the consolidated financial statements and the notes are shown in millions of euros, unless otherwise stated.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros (except for the statement of cash flows, which is shown in thousands of euros), whilst those in the notes are shown in millions of euros, unless otherwise stated.

The consolidated and separate financial statements contain notes applicable to both sets of financial statements, providing information on matters common to both the Group and Poste Italiane SpA. The relevant matters specifically regard:

- the basis of presentation used and accounting standards adopted;
- disclosure of the sources and the procedures used in determining fair value;
- financial risk disclosures;
- a summary of proceedings pending and principal relations with the Authorities
- and, in general, certain additional disclosures required by accounting standards, whose presentation in a single section is designed to provide the reader with better information (e.g. the analysis of net debt, key performance indicators for investee companies, etc.).

BancoPosta RFC's Separate Report, which forms an integral part of Poste Italiane SpA's financial statements, prepared in accordance with the specific financial reporting rules laid down by the applicable banking regulations, is dealt with separately in this Section.

2. Methods of presenting the Financial Statements, accounting standards and methods applied

2.1 Compliance with IAS/IFRS

The annual accounts are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and endorsed by the European Union ("EU") in EC Regulation 1606/2002 of 19 July 2002, and in accordance with Legislative Decree 38 of 28 February 2005, which introduced regulations governing the adoption of IFRS in Italian law.

The term IFRSs means all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), adopted by the European Union and contained in the EU Regulations in force from 31 December 2021, in relation to which no exceptions were made.

2.2 Methods of presenting the Financial Statements

The accounting standards reflect the **full operations** of the Group and Poste Italiane SpA in the foreseeable future. As a going concern, Poste Italiane Group companies prepare their financial statements on a **going concern** basis, taking account, among other things, of the Group's economic and financial outlook, as reflected in the "24SI" strategic plan approved on 18 March 2021 and its updates approved by the Board of Directors at its meeting of 22 March 2022.

The Statement of Financial Position has been prepared on the basis of the "**current/non-current criterion**[96]. In the Statement of profit (loss) for the year, **the classification criterion based on the nature of the cost components** has been adopted; details of interest income calculated using the effective interest criterion, as well as gains and losses deriving from the derecognition of financial assets measured at amortised cost (as per IAS 1 - *Presentation of Financial Statements* paragraph 82) are provided in section 4.3 Notes to the Statement of profit or loss. The cash flow statement has been prepared using the **indirect method**[97].

The accounting standards and the recognition, measurement and classification criteria adopted in these annual accounts are consistent with those used to prepare the annual accounts at 31 December 2020.

The disclosures provided in these annual financial statements as well as the accounting standards adopted are in accordance with the guidelines and recommendations of the European regulatory and supervisory bodies and standard setters (ESMA, Consob and IFRS Foundation)[98] published in financial years 2020 and 2021 in order to provide a guideline in the current economic context, which is influenced by the pandemic that is ongoing. The accounting implications of complying with these recommendations are described in section 2.4 - *Use of estimates*.

In preparing the annual accounts, the Consob regulations contained in Resolution 15519 of 27 July 2006 and in Ruling DEM/6064293 of 28 July 2006 have been taken into account.

96. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (IAS 1, par. 68).
97. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.
98. Public statement ESMA 32-63-951 of 25 March 2020 "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9"; IASB document of 27 March 2020 "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"; Public statement ESMA 32-63-1186 of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

In accordance with Consob Resolution 15519 of 27 July 2006, the statement of financial position, the statement of profit or loss and the statement of cash flows show **amounts deriving from related party transactions**. The statement of profit or loss also shows, where applicable and of significant amount, **income and expenses deriving from non-recurring transactions**, or transactions that occur infrequently in the normal course of business. Detailed information about non-recurring events and transactions, including their impact on the financial position, results of operations and cash flows of the company and/or the group, is provided in the section "Material non-recurring events and/or transactions".

It should also be noted that from 2021, the statement relating to the ESMA financial indebtedness (previously "ESMA net financial position") of the Mail, Parcels and Distribution Operating Segment, set out in "Note 13 Additional information", has been amended in order to comply with the requirements of ESMA Guidelines 32-382-1138 and CONSOB Attention Notice no. 5/21 of 29 April 2021.

The values shown in the financial statements are compared with the corresponding values for the same period of the previous year. To that end, note that certain figures which refer to the comparison year have been reclassified, also to take into account certain aspects of significant impact during the year in question (Tax credits Law no. 77/2020).

Pursuant to article 2447-septies of the Italian Civil Code, following the creation of BancoPosta's ring-fenced capital in 2011, the assets and contractual rights included therein (hereafter: "BancoPosta RFC") are shown separately in Poste Italiane SpA's statement of financial position, in a specific supplementary statement, and in the notes to the financial statements.

With regard to the interpretation and application of newly published, or revised, international accounting standards, and to certain aspects of taxation[99], where the related interpretations are based on examples of best practice or case-law that cannot yet be regarded as exhaustive, the financial statements have been prepared on the basis of the relevant best practices and the indications shared with the tax authorities within the scope of "cooperative compliance". Any future changes or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

Finally, Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 introduced the requirement for securities issuers listed on regulated markets in the European Union to prepare their annual financial report in a single electronic reporting format (European Single Electronic Format), approved by ESMA. Therefore, for financial years beginning on or after January 1, 2021, the annual financial report is to be prepared in XHTML format and the consolidated financial statements are to be "marked up" with the ESMA-IFRS taxonomy, using an integrated IT language (iXBRL).

2.3 Accounting standards adopted

The Poste Italiane Group's annual accounts have been prepared on a historical **cost basis**, with the exception of certain items for which **fair value measurement** is obligatory.

The accounting policies adopted by the Poste Italiane Group are described below.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. When required, this cost is increased for charges directly related to the purchase or construction of the assets, including – where identifiable and measurable – those relating to employees involved in the planning and/or preparation for use phase. Interest expense incurred by the Group for loans specifically for the acquisition or construction of property, plant and equipment is capitalised together with the value of the assets; all other interest expense is recognised as finance costs in profit or loss for the year in question. Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the related year. The capitalisation of costs attributable to the extension, modernisation or improvement of assets

99. The tax authorities have issued regular official interpretations only in respect of certain of the tax-related effects of the measures contained in Italian Legislative Decree 38 of 28 February 2005, Law 244 of 24 December 2007 (the 2008 Budget Law) and the Ministerial Decree of 1 April 2009, implementing the 2008 Budget Law, which introduced numerous changes to IRES and IRAP. The MEF Decree issued on 8 June 2011 contains instructions regarding the coordinated application of EU-endorsed international accounting standards coming into effect between 1 January 2009 and 31 December 2010, in addition to regulations governing determination of the tax bases for IRES and IRAP. In addition, the new standards are subject to the rules contained in the endorsement tax decrees issued by the Ministry of the Economy and Finance, in application of the provisions of Law no. 10 of 26 February 2011 ("Thousand Extensions" Decree).

owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different estimated useful life and value to be recognised and depreciated separately.

The original cost is depreciated on a straight-line basis from the date the asset is available and ready for use, based on the estimated useful life. Land is not depreciated. For details of the useful life of the main classes of property, plant and equipment reference should be made to Note 2.4 – Use of estimates.

Property and any related fixed plant and machinery located on land held under concession or sub-concession, which is to be returned free of charge to the grantor at the end of the concession term, are accounted for, based on the nature of the asset, within property, plant and equipment and depreciated on a straight-line basis over the shorter of the useful life of the asset and the residual concession term.

At each reporting date, Property, plant and equipment is analysed in order to identify the existence of any indicators of impairment (in accordance with IAS 36 – Impairment of Assets; please refer to the treatment of impairment of assets).

Gains and losses deriving from the disposal or retirement of an asset are calculated as the difference between the disposal proceeds and the net carrying amount of the asset retired or sold, and are recognised in profit or loss in the period in which the transaction occurs.

Investment property

Investment property relates to land or buildings held with a view to earn rental or lease income or for capital appreciation or both; in both cases such property generates cash flows that are largely independent of other assets. The same accounting principles and criteria are applied to investment property as to property, plant and equipment. For details on the useful life of the Group's investment property, please refer to Note 2.4 – *Use of estimates*.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, which is controllable and capable of generating future economic benefits. The initial carrying amount is adjusted for accumulated amortisation, where an amortisation process is envisaged, and for any impairment losses.

In particular, **Industrial patents, intellectual property rights**, licences and similar rights are initially measured at purchase cost. This cost is increased for charges directly related to the purchase or preparation for use of the asset. Interest expense that the Group may incur for loans specifically for the purchase of industrial patents, intellectual property rights, licenses and similar rights are capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit or loss for the year. Amortisation starts once the asset is available for use. Amortisation is applied on a straight-line basis, in order to distribute the purchase cost over the shorter of the expected useful life of the asset and any related contract terms, from the date the entity has the right to use the asset.

Industrial patents, intellectual property rights, licenses and similar rights include costs directly associated with the internal production of unique and identifiable software products that will generate future economic benefits with a time horizon of more than one year. Direct costs include – where identifiable and measurable – the charge related to employees involved in software development. Costs incurred for the maintenance of internally developed software products are charged to profit or loss for the year in question. Amortisation begins when the asset is available for use and extends, systematically and on a straight-line basis, over its estimated useful life (normally 3 years). Any research costs are not capitalised.

Among the Group's intangible assets, **Goodwill** represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the company or business acquired, at the date of acquisition. Goodwill attributable to investments accounted for using the equity method is included in the carrying amount of the equity investment. Goodwill is not amortised on a systematic basis, but is tested periodically for impairment in accordance with IAS 36. This test is performed with reference to the cash generating unit ("CGU") to which the goodwill is attributable. The method applied in conducting impairment tests and the impact on the accounts of any impairment losses are described in the paragraph, "Impairment of assets".

Lease arrangements

At the conclusion of the contract, the actual existence of a lease component is assessed. The contract is, or contains, a lease if in exchange for a consideration it confers the right to control the use of a specified asset for a period of time. The asset is normally specified as it is explicitly indicated in the contract or at the moment in which it is available to be used by the client. The right of control is instead assessed on the basis of the right to obtain substantially all the economic benefits deriving from the use of the asset and of the right to decide on the related use. During the contractual life, the initial measurement is revised only if there are changes in the conditions of the contract, with a substantial impact on the right to control the underlying asset.

If the lease contract also contains a non-lease component, the latter is separated and treated in accordance with the relevant accounting standard. However, if separation cannot be achieved on the basis of objective criteria, the lease and non-lease component are submitted jointly to the accounting rules of the lease.

On the contract commencement date, a right to use the leased asset is recorded, equal to the initial value of the corresponding lease liability, plus payments due before or at the same time as the contract commencement date (e.g. agency fees). Subsequently, said right of use is measured less accumulated depreciation and any accumulated impairment losses. The depreciation begins from the start date of the leasing, and extends to the shorter between the contractual term and the useful life of the underlying asset.

The lease liability is initially recorded at the present value of the lease instalments not paid on the date the contract commences[100], discounted using the incremental borrowing rate, defined by loan period and for each Group company. The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount.

The lease liability is restated (resulting in a right-of-use adjustment) in the event of a change in:

- in the duration of the leasing (for example in the case of early termination of the contract, or of extension of the expiry date);
- in the measurement of an option to purchase the underlying asset; in these cases the payments due for the lease will be revised on the basis of the revised duration of the lease and to take into account the change in the amounts to be paid in the context of the purchase option;
- in the future payments due for the lease, deriving from a change in the index or rate used to determine the payments (e.g. ISTAT) or as a result of the renegotiation of the economic conditions.

Only in the case of a significant change in the lease term or in future lease payments, the remaining lease liability is remeasured with reference to the incremental borrowing rate at the date of the modification; in all other cases, the lease liability is remeasured using the initial discount rate.

If events or changes in circumstances indicate that the carrying amount of the right of use cannot be recovered, this asset is tested for impairment in accordance with the provisions of IAS 36 - *Impairment of Assets*.

The Group avails itself of the option granted by the principle of non-application of the new provisions to short-term contracts (with a duration of no more than twelve months) and to contracts in which the individual underlying asset is of low value (up to €5,000); for these contracts, leasing fees are recognised in profit and loss as a matching entry to short-term trade payables.

100. The payments included in the initial measurement of the lease liability include:
- the fixed payments, net of any leasing incentives to be received;
- the variable payments due for the leasing that depend on an index or a rate, measured initially using an index or a rate at the start date (e.g. ISTAT adjustments);
- the price of exercising the purchase option, if the lessee has the reasonable certainty of exercising the option.

Variable payments that do not depend on an index or a rate are not instead included in the initial value of the leasing liability. These payments are recognised as a cost in the statement of profit or loss in the period in which the event or the condition giving rise to the obligation occurs.

Impairment of assets

At the end of each reporting period, property, plant, equipment and intangible assets with finite lives are analysed to assess whether there is any indication that an asset may be impaired (as defined by IAS 36). If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss to be recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use, represented by the present value of the future cash flows expected to be derived from the asset. In calculating value in use, future cash flow estimates are discounted using a rate that reflects current market assessments of the time value of money, the period of the investment and the risks specific to the asset. The realisable value of assets that do not generate separate cash flows is determined with reference to the cash generating unit (CGU) to which the asset belongs.

Regardless of any impairment indicator, the assets listed below are tested for impairment every year:

- intangible assets with an indefinite useful life or that are not yet available; the impairment test can take place at any time during the year, provided that it is performed at the same time in each of the following years;
- goodwill acquired in a business combination.

An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. In particular, if the impairment loss regards goodwill and is higher than the related carrying amount, the remaining amount is allocated to the assets included in the CGU to which the goodwill has been allocated, in proportion to their carrying amount[101]. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset or CGU is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

Investments

In the Poste Italiane Group's consolidated financial statements, investments in subsidiaries that are not significant (individually or in the aggregate) and are not consolidated, and those in companies over which the Group exerts significant influence ("associates") and in joint ventures, are accounted for using the equity method. See note 2.6 - *Basis of consolidation*.

In Poste Italiane SpA's separate financial statements, investments in subsidiaries and associates are accounted for at cost (including any directly attributable incidental expenses), after adjustment for any impairments. Investments in subsidiaries and associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment losses (or subsequent reversals of impairment losses) are recognised in the same way and to the same extent described with regard to property, plant and equipment and intangible assets in the paragraph, "Impairment of assets".

Financial instruments

In accordance with IFRS 9 – Financial instruments, the classification of financial assets and liabilities is determined at the time of initial recognition and at the relative fair value, according to the purpose for which they were acquired. The purchase and sale of financial instruments is recognised by category, either on the date on which the Group commits to purchase or sell the asset (the transaction date), or, in the case of insurance transactions and BancoPosta's operations, at the settlement date[102]. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

On the other hand, trade receivables are recognised at their transaction price, in accordance with IFRS 15 - *Revenue from Contracts with Customers*.

101. If the amount of the impairment loss is greater than the carrying amount of the asset or CGU, in accordance with IAS 36, no liability is recognised, unless recognition of a liability is required by an international accounting standard other than IAS 36.
102. This is possible for transactions carried out on organised markets (the "regular way").

On initial recognition, **financial assets** are classified in one of the following categories, based on the business model adopted to manage them and the characteristics of their contractual cash flows:

- Financial assets measured at amortised cost.
  This category reflects financial assets held to collect the contractual cash flows (the held to collect or HTC business model) representing solely payments of principal and interest (SPPI). These assets are measured at amortised cost, that is the value assigned to the financial asset on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

- Financial assets measured at fair value through other comprehensive income (FVTOCI).
  This category includes financial assets held both to collect the relevant contractual cash flows and for sale (the held to collect and sell or HTC&S business model), with the contractual cash flows representing solely payments of principal and interest.
  These financial assets are measured at fair value and, until they are derecognised or reclassified, gains or losses from valuation are recognised in other comprehensive income. Exceptions to this are gains and losses due to impairment and foreign exchange gains and losses recognised in the profit or loss in the year in question. If the financial asset is derecognised, the accumulated gains/(losses) recognised in OCI are recycled to profit or loss.
  This category also includes equity instruments that would otherwise be recognised through profit or loss, for which the irrevocable election was made to recognise changes in fair value through OCI (the FVTOCI option). This option entails the recognition of dividends alone through profit or loss.

- Financial assets measured at fair value through profit or loss.
  This category includes: (a) financial assets primarily held for trading; (b) those that qualify for designation at fair value through profit or loss, exercising the fair value option; (c) financial assets that must be recognised at fair value through profit or loss; (d) derivative instruments, with the exception of the effective portion of those designated as cash flow hedges. Financial assets belonging to the category in question are measured at fair value and the related changes are recognised in profit or loss. Derivative instruments at fair value through profit or loss are recognised as assets or liabilities depending on whether the fair value is positive or negative.; positive and negative fair values deriving from transactions with the same counterparty are offset during the collateralisation phase, where contractually provided for.

The classification as “current” or “non-current” of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income depends on the contractual maturity of the instrument, since current assets are those whose realisation is expected within twelve months of the reporting date. Financial assets measured at fair value through profit or loss are, on the other hand, classified as “current” if held for trading and are expected to be sold within twelve months of the reporting date.

For Financial Assets measured at amortized cost and Financial Assets at fair value through other comprehensive income, expected losses are recognized in net income for the year using a model called Expected Credit Losses (ECL): (i) expected losses on Financial assets measured at amortised cost are set aside in specific provisions; (ii) expected losses on Financial assets at fair value recognised in Other Comprehensive Income are recognised in the Income Statement as a counter-item to the specific fair value reserve recognised in equity. The method utilised is the “General deterioration model”, whereby:

- if on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- If a financial instrument is already impaired on initial recognition or shows objective evidence of impairment as at the reporting date, lifetime expected losses are recognised. Interest is recognised on the amortised cost (stage 3), that is the value of the exposure – determined on the basis of the effective interest rate – adjusted by the expected losses.

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition. However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate. Regarding trade receivables, a simplified approach is applied to measure the expected credit loss, if these receivables do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses.

In the event of a change in the business model, previously recognised financial assets are reclassified to the new accounting category; the effects of the reclassification are recognised only prospectively, and therefore, the previously recognised gains/losses and interest must not be restated. The effects of the reclassification are as follows:

- if the financial asset is reclassified from amortised cost to fair value through profit or loss, the fair value of the asset is determined on the reclassification date. Gains and losses resulting from the difference between the previous amortised cost and fair value are recognised through profit or loss;
- if the financial asset is reclassified from fair value through profit or loss to amortised cost, the fair value on the reclassification date becomes the new gross carrying amount;
- if the financial asset is reclassified from amortised cost to fair value through other comprehensive income, the fair value of the asset is determined on the reclassification date. Gains and losses resulting from the difference between the previous amortised cost and fair value are recognised through other comprehensive income. The effective interest rate and the expected credit loss are not adjusted following reclassification;
- if the financial asset is reclassified from fair value through other comprehensive income to amortised cost, the cumulative gain (loss) recognised previously through other comprehensive income is derecognised from equity through an adjustment to the fair value of the financial asset on the reclassification date. Consequently, the financial asset is reported as though it had always been reported at amortised cost, by not changing the effective interest rate and the expected credit loss;
- if the financial asset is reclassified from fair value through profit or loss to fair value through other comprehensive income, the financial asset continues to be measured at fair value;
- if the financial asset is reclassified from fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. The cumulative gain (loss) recognised previously through other comprehensive income is recycled to profit or loss on the reclassification date.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred. Where it is not possible to ascertain the substantial transfer of risks and benefits, financial assets are derecognised if no control is maintained over them. Finally, assets sold are derecognised if the contractual right to receive the related cash flows is maintained, but at the same time a contractual obligation is undertaken to pay these flows to a third party, without delay and only to the extent of those received.

In addition, impaired financial assets may be derecognised after they are written-off, if there are no reasonable expectations of recovery (e.g. prescription).

Financial liabilities, including loans, trade payables and other payment obligations, are carried at amortised cost using the effective interest method. If there is a change in the expected cash flows and they can be reliably estimated, the value of borrowings is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied. Financial liabilities are classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

When required by the applicable IFRS (e.g. in the case of derivative liabilities), or when the irrevocable fair value option is exercised, financial liabilities are recognised at fair value through profit or loss. In this case, changes in fair value attributable to changes in own credit risk are recognised directly in equity, unless this treatment creates or enhances an accounting asymmetry, whereby the residual amount of the changes in the fair value of liabilities is recognised through profit or loss.

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

For **hedge accounting transactions**, the Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the accounting treatments provided for by IAS 39. In accordance with this standard, derivatives are initially recognised at fair value on the date the derivative contract is executed and if they do not qualify for hedge accounting treatment, gains and losses arising from changes in fair value are accounted for in profit or loss for the period.

If, on the other hand, derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with IAS 39 - Financial Instruments: Recognition and Measurement, as described below.

The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

- *Fair value hedge*[103].
  When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. When the hedging transaction is not fully effective, resulting in differences between the above changes, the ineffective portion represents a loss or gain recognised separately in profit or loss for the period.
  IAS 39 allows, in addition to individual financial assets and liabilities, the designation of a cash amount, representing a group of financial assets and liabilities (or portions thereof) as the hedged item in such a way that a group of derivative instruments may be used to reduce exposure to fair value interest rate risk (a so-called macro hedge). Macro hedges cannot be used for net amounts deriving from differences between assets and liabilities. Like micro hedges, macro hedges are deemed highly effective if, at their inception and throughout the term of the hedge, changes in the fair value of the cash amount are offset by changes in the fair value of the hedges, and if the effective results fall within the interval required by IAS 39.

- *Cash flow hedge*[104].
  The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in "Other comprehensive income" (the "Cash flow hedge reserve"). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period.
  Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security). If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

Repurchase agreements

Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised in these financial statements. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

Tax credits Law no. 77/2020

As it is not possible to identify an accounting framework directly applicable to this case and in compliance with the provisions of IAS 8, in order to identify the correct accounting treatment of the receivables acquired with reference to "Decreto Rilancio" no. 34/2020 (subsequently converted into Law no. 77 of 17 July 2020), an accounting policy was defined that is suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and that reflects the economic substance and not merely the form of the transaction. On the basis of the analyses carried out and the documents published by the main Italian supervisory bodies (Joint Document of the Bank of Italy, IVASS and Consob[105]), although the definition of financial assets in IAS 32 is not directly applicable to this case, an accounting model has been developed based on IFRS 9 since:

- at inception, an asset as defined by the Conceptual Framework arises in the transferee's financial statements
- they may be used to offset a payable that is usually settled in cash (tax payables), and exchanged for other financial assets on terms that may be potentially favourable to the entity
- a business model can be identified (Hold to Collect, Hold to Collect and Sell or other business models)

103. A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.
104. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.
105. On 5 January 2021, the Bank of Italy, Consob and IVASS published document no. 9 of the Coordination Table on the application of IAS/IFRS "Accounting treatment of tax credits associated with the "Cura Italia" and "Relaunch" Law Decrees acquired following disposal by direct beneficiaries or previous purchasers".

Consequently, at the date of purchase, receivables are recorded at their fair value (equal to the price paid) and subsequently measured at amortized cost or at fair value with changes in value recognized in Other comprehensive income depending on the business model identified (Hold to Collect or Hold to Collect and Sell, respectively).

Classification of receivables and payables attributable to BancoPosta RFC

Receivables and payables attributable to BancoPosta RFC are treated as financial assets and liabilities if related to BancoPosta's typical deposit-taking and lending activities, or services provided under authority from customers. The related operating expenses and income, if not settled or classifiable in accordance with Bank of Italy Circular 272 of 30 July 2008 - *The Account Matrix*, are accounted for in trade receivables and payables.

Own use exemption

The standards establishing the principles for the recognition and measurement of financial instruments are also applied to derivative contracts to buy or sell non-financial items that are settled net in cash or in another financial instrument, with the exception of contracts entered into, and that continue to be held, for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (the Own use exemption). This exception is applied only ion the presence of the following conditions:

- the contract involves the physical supply of a commodity;
- the entity has not entered into an offsetting contract;
- the transaction must be entered into in accordance with expected purchase and/or sale or usage requirements.

Taxes

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets and liabilities are not recognised if the temporary differences derive from investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference is controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future (IAS 12 paragraphs 39 and 40). In accordance with IAS 12, deferred tax liabilities are not recognised on goodwill deriving from a business combination.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity. Current and deferred tax assets and liabilities are offset when they are applied by the same tax authority to the same taxpaying entity, which has the legally exercisable right to offset the amounts recognised, and the entity has the intention of exercising this right. As a result, tax liabilities accruing in interim periods that are shorter than the tax year are not offset against related assets deriving from withholding tax or advances paid.

The Group's taxation and accounting policies take account of the effects of Poste Italiane SpA's participation in the National Consolidated Taxation regime, for which the option has been exercised in accordance with the law, together with the following subsidiaries: Poste Vita SpA, SDA Express Courier SpA, Poste Air Cargo Srl, Postel SpA, Europa Gestioni Immobiliari SpA, Poste Welfare Servizi Srl, Poste Assicura SpA, BancoPostaFondi SpA SGR, PostePay SpA, Poste Insurance Broker Srl, MLK Deliveries SpA, Indabox Srl e Nexive Network Srl. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid. Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in

the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. The economic benefits deriving from the offset of tax losses transferred to the consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA. Other taxes not related to income are included in "Other operating costs".

Inventories

Inventories are measured at the lower of purchase or production cost and net realisable value. The cost of interchangeable items and goods for resale is calculated using the weighted average cost method. In the case of non-interchangeable items, cost is measured on the basis of the specific cost of the item at the time of purchase. The value of the inventories is adjusted, if necessary, by provisions for obsolete or slow-moving stock. When the circumstances that previously led to recognition of the above provisions no longer exist, or when there is a clear indication of an increase in the net realisable value, the provisions are fully or partly reversed, so that the new carrying amount is the lower of cost and net realisable value at the reporting date. Assets are not, however, recognised in the statement of financial position when the Group has incurred an expense that, based on the best information available at the date of preparation of the financial statements, is deemed unlikely to generate economic benefits for the Group after the end of the reporting period.

In the case of properties held for sale[106], if present, cost is represented by the fair value of each asset at the date of purchase, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.

Long-term contract work is measured using the percentage of completion method, using the cost-to-cost criterion[107].

Green Certificates (Emission Allowances)

With reference to Group companies subject to these rules[108], Green Certificates (or Emission Allowances) are a means of reducing greenhouse gas emissions, introduced into Italian and European legislation by the Kyoto Protocol with the aim of improving the technologies used in the production of energy and in industrial processes.

106. These are properties held by EGI SpA and not accounted for in "Investment property" as they were purchased for sale or subsequently reclassified as held for sale.
107. This method is based on the ratio of costs incurred as of a given date divided by the estimated total project cost. The resulting percentage is then applied to estimated total revenue, obtaining the value to be attributed to the contract work completed and accrued revenue at the given date.
108. The subsidiary Poste Air Cargo Srl.

The European Emissions Trading System, which works on the basis of the cap and trade principle, has capped annual greenhouse gas emissions at European level. This corresponds to the issue, free of charge, of a set number of emission allowances by the competent national authorities. During the year, depending on the effective volume of greenhouse gas emissions produced with respect to the above cap, each company has the option of selling or purchasing emission allowances on the market.

In compliance with the requirements of the OIC (the Italian accounting standards setter) regarding "Greenhouse gas emission allowances", in addition to being best practice for the principal IAS adopters, the accounting treatment is as follows.

The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment, commensurate with the market value of the emission allowances at the time of allocation, is disclosed in the notes to the financial statements. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Additional information", in the Annual Report. The purchase and sale of emission allowances are accounted for in the Income Statement in the year in which the transaction occurs. At the end of the year, any surplus emission allowances deriving from purchases are accounted for in closing inventory at the lower of cost and net realisable value. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory. In the event of a shortfall in emission allowances the resulting charge and related liability are accounted for at the end of the year of accrual at market value.

Business Combinations

Business combinations are recognised using the acquisition method. The consideration transferred in a business combination is equal to the sum of the fair values, at the acquisition date, of the assets transferred, the liabilities incurred, and any interest issued by the acquirer. Costs directly attributable to the transaction are recognised in the Statement of profit or loss.

The amount transferred is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the related fair values at the acquisition date.

Any positive difference between the carrying amount of the asset and its recoverable value is recognised as goodwill and recorded under intangible assets:

- the sum of the consideration transferred, measured at fair value at the acquisition date, the amount of any non-controlling interest, and, in the case of business combinations achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- the net value of the amounts, at the acquisition date, of the assets acquired and liabilities assumed that are identifiable in the acquiree measured at fair value.

In the event of a negative difference, this surplus represents the profit from a purchase on favourable terms and is recognised in the statement of profit or loss.

If at the time of preparing the financial statements the fair value of the assets, liabilities and contingent liabilities arising from the transaction can only be determined provisionally, the business combination is recognised using these provisional values. Any adjustments resulting from the completion of the valuation process are recognised retrospectively within twelve months of the acquisition date.

In the case of a business combination achieved in stages, the interests previously held in the acquiree are remeasured at fair value at the new acquisition date and any difference (positive or negative) is recognised in the statement of profit or loss or in the statement of comprehensive income if appropriate.

Cash and deposits attributable to BancoPosta

Cash and securities held at post offices, and bank deposits attributable to the operations of BancoPosta RFC, are accounted for separately from cash and cash equivalents as they derive from deposits subject to investment restrictions, or from advances from the Italian Treasury to ensure that post offices can operate. This cash may only be used in settlement of these obligations.

Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2021 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less. Current account overdrafts are accounted for in current liabilities.

Non-current assets (or disposal groups) classified as held for sale and discontinued operations

In compliance with IFRS 5, non-current assets, disposal groups and discontinued operations are measured at the lower of their carrying amount and fair value, less costs to sell.

When it is highly probable that the carrying amount of a non-current asset, or a disposal group, will be recovered, in its present condition, principally through a sale transaction or other form of disposal, rather than through continuing use, and the transaction is likely to take place in the short term, the asset or disposal group is classified as held for sale or as a discontinuing operation in the statement of financial position. The transaction is deemed to be highly probable, when the Parent Company's Board of Directors, or, when so authorised, the board of directors of a subsidiary, has committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance.

Non-current assets and net assets in a disposal group held for sale are recognised as discontinued operations if one of the following conditions is met: i) they represent a major line of business or geographical area of operation, ii) they are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or, iii) they are subsidiaries acquired exclusively with a view to resale. The profit or loss from discontinued operations, and any capital gains or losses following the sale, are presented separately in a specific item in profit or loss, after the related taxation. The economic values of discontinued operations are also shown for the years under comparison.

If the commitment to a plan to sell is assumed after the end of the reporting period, and/or the asset or disposal group can only be included in the transaction under conditions that are different from the current conditions, the Group does not proceed with reclassification and discloses the necessary information.

If, after the date of preparation of the financial statements, an asset (or disposal group) no longer meets the conditions for classification as held for sale, it must be reclassified following measurement at the lower of:

- the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation, impairments or reversals of impairments that would have been recognised if the asset (or disposal group) had not been classified as held for sale;
- the recoverable amount, calculated at the date on which the decision not to sell was made.

Any adjustment to the carrying amount of a non-current asset, which ceases to be classified as held for sale, is included in "Profit/(Loss)" for the year from continuing operations" in the period in which it no longer meets the conditions for classification as held for sale. If an individual asset or liability is removed from the disposal group classified as held for sale, the remaining assets and liabilities in the disposal group continue to be measured as a single group only if they continue to meet the conditions for classification as held for sale.

Equity

Share capital

Share capital is represented by Poste Italiane SpA's subscribed and paid-up capital. Incremental costs directly attributable to the issue of new shares are recognised as a reduction of the share capital, net of any deferred tax effect.

Treasury shares

Treasury shares are recorded at cost and deducted from shareholders' equity. The effects arising from any subsequent sales are recognized in equity.

Hybrid bonds

Hybrid perpetual subordinated bonds are classified in the financial statements as equity instruments, taking into account the fact that the issuing company has the unconditional right to defer repayment of the principal and payment of coupons until the date of its dissolution or liquidation. Therefore, the amount received from the subscribers of these instruments, net of the related issue costs, is recognised as an increase in Group shareholders' equity; conversely, repayments of principal and payments of coupons due (at the time the related contractual obligation arises) are recognised as a decrease in the shareholders' equity.

Reserves

Reserves include capital and revenue reserves. They include, the BancoPosta ring-fenced capital reserve (hereafter "BancoPosta RFC"), representing the dedicated assets attributed to BancoPosta RFC, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period and the translation wich covers exchange rate differences deriving from the conversion of the financial statements of consolidated companies operating in currencies other than the euro into the presentation currency.

Retained earnings/(Accumulated losses)

This relates to the portion of profit for the period and for previous periods which has not been distributed or taken to reserves or used to cover losses and actuarial gains and losses deriving from the calculation of the liability for employee termination benefits, and transfers from other equity reserves, when they have been released from the restrictions to which they were subjected. In the consolidated financial statements, the item also includes any effects arising from transactions with minority shareholders.

Insurance contracts

The following policies and classification and measurement criteria refer specifically to the operations of the Poste Italiane Group's insurance companies.

Insurance contracts are classified and measured as insurance contracts or finance contracts, based on their prevalent features. Contracts issued by Poste Vita SpA primarily relate to life assurance. In 2010 Poste Assicura SpA began operating in the Non-life sector.

Under IFRS 4, contracts that transfer significant insurance risk are considered insurance contracts. These contracts are accounted for and valued in accordance with the principles used to prepare the separate financial statements, observing the applicable laws and regulations[109].

Insurance risk is significant if, and only if, an insured event could cause the insurer to pay significant additional economic benefits under any circumstances, other than those that have no identifiable effect on the economic aspect of the transaction, even if the insured event is highly unlikely. The reference accounting standard does not provide a specific indication of the level of significance. Therefore, it is up to the Group insurance companies to define a threshold beyond which the additional payment in the event of the insured event may generate the transfer of a significant insurance risk[110].

The separation of a contract, classified as insurance, into deposit component and insurance component is mandatory in some circumstances and optional in others. In the case of separation, which can only occur under certain conditions, the deposit component falls under IFRS 9, while the insurance component falls under IFRS 4. Group insurance companies do not perform this breakdown.

The Group applies the following bases for classification and measurement of these contracts.

Contracts classified as insurance contracts in accordance with IFRS 4: include Class I and Class V life insurance policies, Class III policies that qualify as insurance contracts and Non-life insurance contracts. These products are accounted for as follows:

- insurance premiums are accounted for when the policies are written, recognised as income and classified in revenue; they include annual or single premiums accruing during the period and deriving from insurance contracts outstanding at the end of the reporting period, net of cancellations;
- technical provisions are made in respect of earned premiums to cover obligations to policyholders; such provisions are calculated on an analytical basis for each contract using the prospective method, based on actuarial assumptions appropriate to cover all outstanding obligations. The changes in the technical provisions and the charges relating to claims are as follows and recorded with the relevant sign as positive income components.

In the case of contracts for separately managed accounts with discretionary participation features[111] (DPF, as defined in Appendix A of IFRS 4), IFRS 4 makes reference, as illustrated above, to national GAAP. The contracts are classified as "financial", but accounted for as "insurance" as follows:

- premiums, changes in technical provisions and other claim expenses are recognised in the same way as the insurance contracts described above;
- unrealised gains and losses attributable to policyholders are assigned to them and recognised in technical provisions (deferred liabilities payable to policyholders) under the shadow accounting method (IFRS 4.30).

The calculation technique used in applying the shadow accounting method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period which is consistent with the characteristics of the assets and liabilities held in the portfolio. The amount to be recognised as a deferred liability also takes account, for each separately managed account, of contractual obligations, the level of minimum returns guaranteed at the time of concluding the contract and any financial guarantees provided.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit

109. In detail, reference is made to the provisions of Legislative Decrees no. 173/2997 and no. 209/2005 as well as ISVAP Regulations no. 16, no. 21 and no. 22 (as amended and supplemented by ISVAP measure no. 2771 of 29 January 2010, ISVAP measure no. 2845 of 17 November 2010 and IVASS measure no. 53 of 6 December 2016).
110. This threshold, defined by aggregating individual contracts into homogeneous categories based on the nature of the risk transferred to the Company, has been set by Poste Vita SpA's Board of Directors at 5%.
111. A contractual right of investors to receive returns on the separately managed account. This category includes contracts relating to the life business and referring to Class I and Class V products that envisage clauses for the revaluation of the insured benefit based on the returns achieved by a separately managed account.

or loss. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. In those rare cases in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

Employee benefits

The so-called **Short-term employee benefits** are those that will be fully paid within twelve months from the end of the year in which the employee provided his or her services. These benefits include: wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period is recognised, on accrual, among personnel expenses.

The so-called **Post-employment benefits** are divided into two types:

- Defined benefit plans
  Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code.
  As a result of the supplementary pension reform, for all companies with at least 50 employees, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006[112]. In the case of companies with less than 50 employees, vested employee termination benefits continue to fully increase the accumulated liability for the company.
  Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions, are recognised directly in *Other comprehensive income*.

- Defined contribution plans
  Employee termination benefits fall within the scope of defined contribution plans if the benefits vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, on the basis of their nominal value.

The so-called **Termination benefits payable to employees** are recognised as a liability when the entity gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term benefits consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss.

112. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the Group has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

Share-based payments

Share-based payment transactions may be settled in cash, with equity instruments, or with other financial instruments. Goods or services received or acquired through a share-based payment transaction are recognised at their fair value.

In the case of cash-settled share-based payment transactions:

- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in profit or loss, until it is extinguished.

In the case of equity-settled share-based payment transactions:

- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date;

In the case of employee benefits, the expense is recognised in personnel expenses over the period in which the employee renders the relevant service.

Translation of items denominated in currencies other than the euro

Transactions in currencies other than the euro are translated to euro using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in currencies other than the euro are recognised in profit or loss.

Revenue recognition

In accordance with IFRS 15 – Revenue from Contracts with Customers, revenue is recognised to represent the transfer of promised goods and services to customers, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (the transaction price).

Revenue is recognised on the basis of a 5-step framework, which consists of the following:

- identify the contract with the customer (sales contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges);
- identify the performance obligations, which can be defined as the explicit or implicit promise to transfer a distinct good or service to the customer;
- determine the transaction price;
- in the case of cumulative offers (bundles) involving different performance obligations, allocate the transaction price to the performance obligation; to this end, it is necessary to estimate the price of each component ("Standalone Selling Price");
- recognise revenue when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer. Performance obligations can be fulfilled:
  - "at a point in time": in the case of obligations fulfilled at a point in time, revenue is recognised only when control over the goods or service is passed to the customer. In this respect, consideration is given not only to the significant exposure to the risks and benefits related to the goods or service but also physical possession, customer's acceptance, the existence of legal rights, etc.;
  - "over time"": in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer's satisfaction. In this case an appropriate approach is defined to measure the "progress" of the performance obligation (the output method).

Every single obligation of the supplier to the customer is considered, measured and recognised separately. This approach involves a preliminary accurate analysis of the contract to identify every "single product/service" or every "single component" of a product/service that the supplier promises to provide, attributing to each the relevant consideration, and to monitor each such obligation during the life of the contract (in terms both of manner and timing of fulfilment and the customer's level of satisfaction).

For revenue recognition purposes, the standard provides for the identification and quantification of the so-called variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) to include them supplementing or adjusting the transaction price. Among the variable components of the consideration, of particular importance are the penalties (other than those provided for compensation for damages): such negative icome components are recognised as a direct decrease in revenue, instead of allocating them to a provision for risks and charges.

In the presence of multiple performance obligations, the total transaction price is allocated to each performance obligation to the extent of the consideration that the entity is entitled to receive for the transfer of the relevant goods and services to the customer. The transaction price will be allocated on the basis of the Standalone Selling Price of the goods and services associated with the performance obligation. The Standalone Selling Price is the price at which an entity would sell the goods and services separately to the customer, under similar circumstances and to similar customers. If the Standalone Selling Price is not observable, the Company needs to estimate it considering all the information available (market conditions, information on the customer or the class of customers) and the estimation methods used in similar circumstances.

The incremental costs of obtaining a contract are capitalised and amortised over the useful life of the contract, if longer than 12 months, while costs of obtaining a contract, which are non-incremental, are expensed as incurred. Costs incurred to fulfil performance obligations related to a contract that do not qualify for treatment under other standards (*IAS 2 - Inventories, IAS 16 - Property Plant and Equipment and IAS 38 - Intangible Assets*) are capitalised only if the following conditions are met:

- the costs related directly to a contract (general and administrative costs are not capitalised);
- the costs generate or enhance resources;
- the costs are expected to be recovered.

The Group recognises the obligation to transfer to the customer goods or services for which payment has already been obtained (or for which the customer's consideration is due before the goods and services are provided) classified as liability deriving from the contract.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. The return on the current account deposits held by the MEF is determined using the effective interest method and is recognised as revenue from financial services. The same classification is applied to income from Eurozone government bonds, in which deposits paid into accounts by private customers are invested.

For details on the distinction between revenue from contracts with customers recognised at a point in time or over time, see section 4.3 Notes to the Statement of profit or loss.

Government grants

Public grants are recognised once they have been formally allocated to the Group by the public entity concerned and only if, based on the information available at the end of the year, there is reasonable assurance that the project to which the grant relates will be effectively carried out and completed in accordance with the conditions attached to the grant. Grants are recognised in profit and loss under Other operating income as follows: operating grants in proportion to the costs actually incurred for the project and accounted for and approved to the public entity; grants related to property, plant and equipment are recognised in proportion to the depreciation charged on the assets acquired and used to carry out the project and whose costs have been accounted for and approved to the public entity.

Financial income and expenses

Finance income and costs are recognised on an accruals basis based on the effective interest method, i.e. using an interest rate that discounts all cash flows relating to a given transaction in the same way.

Dividends are recognised as finance income when the right to receive payment is established, which generally corresponds with approval of the distribution by the Shareholders Meeting of the investee company. Otherwise, dividends from subsidiaries are accounted for as "Other operating income".

Earnings per share

In the Poste Italiane Group's consolidated financial statements, earnings per share is determined as follows:

Basic: Basic earnings per share is calculated by dividing the Group's profit for the year by the weighted average number of Poste Italiane SpA's ordinary shares in issue during the period.

Diluted: At the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics[113].

Related party transactions

Related parties within the Group refer to Poste Italiane SpA's direct and indirect subsidiaries and associates. Related parties external to the Group include the MEF and its direct or indirect subsidiaries and associates. The Group's key management personnel are also classified as related parties, as are funds providing post-employment benefits to the Group's employees and the related entities. The state and Public Administration entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

2.4 Use of estimates

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in these Financial Statements may also vary significantly as a result of changes in the subjective valuations used.

The following section describes the accounting treatments that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the financial statements, also taking account (in line with ESMA[114]) of the effects of the health emergency linked to the spread of the Covid-19 pandemic, which has had a significant impact on the economic and social context and makes it difficult to make realistic forecasts regarding the economic and financial performance of the market and the Poste Italiane Group.

Revenue and amounts due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Administration entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finance. The legal framework of reference is still subject to change and, as has at times been the case, circumstances were such that estimates made in relations to previous financial statements, with effects on the statement of profit or loss, had to be changed. The complex process associated with the determination of receivables, which has not been completed yet, may result in changes in the results for the accounting periods after the period ended 31 December 2021 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

113. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all instruments which can be converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.
114. Public statement ESMA32-63-951 of 25 March 2020, Public statement ESMA32-63-1186 of 29 October 2021.

At 31 December 2021, Poste Italiane Group's receivables outstanding with central and local authorities amounted to €646 million (€629 million at 31 December 2020), gross of provisions for doubtful debts.

The table below summarises amounts due from the State.

Receivables (€m)	31.12.2021	31.12.2020
Universal Service expense	31	31
Remuneration of current account deposits	30	30
Delegated services	17	5
Electoral subsidies	1	1
Other	2	2
Trade receivables due from the MEF	**81**	**69**
Shareholder transactions:		
Amount due following cancellation of Decision EC 16/07/2008	**39**	**39**
Total amounts due from the MEF	**120**	**108**
Amounts due from Ministries and Public Administration entities: Chair of the Cabinet Office for publisher tariff subsidies	120	67
Amounts due from Ministries and Public Administration entities: Ministry for Economic Development	49	82
Other trade receivables due from Public Administration entities	300	315
Trade receivables due from Public Administration entities	**469**	**464**
Other receivables and assets:		
Sundry receivables due from Public Administration entities	**1**	**1**
Amounts receivable for IRES refund	55	55
Amounts receivable for IRAP refund	1	1
Current tax assets and related interest	**56**	**56**
Total Receivables from MEF and the Public Administration	**646**	**629**

At 31 December 2021, provisions for doubtful debts reflect receivables for which no provision had been made in the state budget and uncertainty regarding past due amounts due from the Public Administration. For further details, see notes A8 – *Trade receivables* and A9 – *Other receivables and assets*.

Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated at every reporting date for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

Provisions for risks and charges

The Group makes provisions for probable liabilities deriving from disputes with staff, suppliers, and third parties and, in general, for liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the provisions involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Impairment and stage allocation for financial instruments

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated by the Poste Italiane Group are as follows, relating to the internal model developed for Sovereign, Banking and Corporate counterparties:

- estimates of ratings by counterparty;
- estimation of the *probability of default* "PD" for counterparties.

With regard to trade receivables, on the other hand, the Poste Italiane Group does not apply stage allocation in accordance with the Simplified Approach. Impairment, for these items in the Financial Statements, is based on:

- analytical write-down: on exceeding a defined receivable threshold analytical monitoring of the individual receivable position is carried out, on the basis of internal or external evidence; or
- flat-rate write-down: preparation of a matrix for determination of the historical losses observed.

For further details, see Note 6 – *Risk management*.

Impairment tests of goodwill, cash generating units and equity investments

Goodwill and other non-current assets are tested for impairment in accordance with IAS 36 – Impairment of Assets. Impairment testing involves the use of estimates based on factors that can change over time, potentially resulting in effects that may be significantly different from prior year estimates.

In accordance with the relevant accounting standard, when it is not possible to estimate the recoverable amount of an individual asset, the Group identifies the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (Cash Generating Units - CGUs). The process of identifying such CGUs necessarily involves the judgement by management regarding the specific nature of the activities and business to which they belong and evidence that the cash inflows arising from the group of activities are closely interdependent with each other and largely independent of those arising from other activities (or groups of activities). The number and scope of the CGUs are systematically updated to reflect the effects of new aggregation and reorganization operations carried out by the Group, as well as to take account of those external factors that could affect the ability of the activities to generate independent cash inflows.

The current environment - which has resulted in highly volatile markets and great uncertainty with regard to economic projections, further aggravated by the still ongoing pandemic, and the decline of the postal market in which the Group operates, make it complex to produce reliable economic/financial forecasts.

The impairment tests at 31 December 2021 were performed on the basis of the business plans of the CGUs (cash generating units) concerned or the latest available projections (except as specified below). Where required, the Discounted Cash Flow (DCF) method was applied to the resulting amounts. For the determination of value in use, NOPLAT (Net Operating Profit Less Adjusted Taxes) was capitalised using an appropriate growth rate and discounted using the related WACC (Weighted Average Cost of Capital), determined in accordance with the Operating Segment of reference and considering best market practices.

The impairment tests performed at 31 December 2021 refer to:

Mail, Parcels and Distribution CGU

In view of the continuing negative economic results, the decline in the postal market and the current macroeconomic scenario characterised by the health emergency caused by Covid-19, the Mail, Parcels and Distribution CGU was subjected to an impairment test in order to determine a value in use comparable with the overall carrying amount of net invested capital.

The impairment test of the Correspondence, Parcels and Distribution CGU was carried out, in line with the previous year and with what was presented to the market, at the consolidated level, including the companies falling within the same operating segment.

To estimate the value in use of the CGU, reference was made to the economic forecasts of the "24SI" Strategic Plan approved on 18 March 2021 and the related updates approved by the Board of Directors on 22 March 2022. In determining the terminal value, calculated on the basis of the last year of explicit forecasts, income was normalised. Reference was also made to the transfer

prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's distribution network. A long-term growth rate of 1.23% and a WACC of 3.83% were used for the explicit forecast period and a WACC of 4.06% for the Terminal Value. The analysis made it possible to conclude positively on the appropriateness of the figures of the financial statements, as well as the related sensitivity analyses on the significant variables that have confirmed the carrying amounts.

As in the past, in determining the value of properties used as post offices and sorting centres, Poste Italiane SpA's universal service obligation was taken into account, as was the inseparability of the cash flows generated from the properties that provide this service, (which the Parent Company is required to operate throughout the country regardless of the expected profitability of each location); the unique nature of the operating processes involved and the substantial overlap between postal and financial activities within the same outlets, represented by Post Offices, were also considered. On this basis, the value in use of the Parent Company's land and buildings used in operations is relatively unaffected by changes in the commercial value of the properties concerned and, in certain critical market conditions, certain properties may have values that are significantly higher than their market value, without this having any impact on the cash flows or results of the Mail, Parcels and Distribution segment.

The fair value of the Parent Company's properties used in operations continued to be higher than their carrying amount, as confirmed by the property valuations carried out.

Investment in Anima Holding SpA

To test the impairment of the investment in Anima Holding SpA, the value in use was determined taking into consideration the available forecasts 2022-2023, a long-term growth rate of 1.15% and a cost of equity (ke) of 5.37% for the explicit forecast periods and 5.56% for the Terminal Value. No impairment losses were detected at 31 December 2021.

Investment in Poste Welfare Servizi Srl

With reference to the impairment test of the goodwill in Poste Welfare Servizi Srl, the value in use was determined taking into account the available forecasts for the years 2021-2024, a long-term growth rate of 1.23% and a WACC of 3.83%. Based on the test results, there was no need for adjustments related to impairment at 31 December 2021.

Depreciation and amortisation of property, plant and equipment and intangible assets

The cost of these assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life is determined at the time of acquisition and is based on historical experience of similar investments, market conditions and expectations regarding future events that may have an impact, such as technological developments. The actual useful life may, therefore, differ from the estimated useful life.

The useful life of the Group's main asset classes is detailed below:

Property, plant and equipment	Years	% annual amortisation
Buildings	40-59	3%-2%
Structural improvements to own properties	18-31	6%-3%
Plant	8-23	13%-4%
Light constructions	10	10%
Equipment	3-10	33%-10%
Furniture and fittings	3-8	33%-13%
Electrical and electronic office equipment	3-10	33%-10%
Motor vehicles, automobiles, motorcycles	4-10	25%-10%
Leasehold improvements	estimated lease term*	-
Other assets	3-5	33%-20%

* Or the useful life of the improvement if shorter than the estimated lease term

Investment property	Years	% annual amortisation
Land and buildings	39-42	3%-2%
Structural improvements to own properties	17-18	6%

In the case of assets to be handed over, located on land held under concession or sub-concession, on expiry of the concession term, or whilst awaiting confirmation of renewal, any additional depreciation of assets takes into account the probable residual duration of the right to use the assets to provide public services, to be estimated on the basis of the agreements entered into with the Public Administration entity, the status of negotiations with the grantors and past experience.

Finally, with regard to intangible assets, amortisation begins when the asset is available for use and extends systematically on a straightline basis over its estimated useful life (normally 3 years, except for certain applications for which the useful life can be estimated up to a maximum of 5 years).

Deferred tax assets

Deferred tax assets are accounted for on the basis of the expectations of income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the statement of financial position.

Technical provisions for insurance business

The measurement of technical provisions for the insurance business is based on estimates made by actuaries employed by Poste Vita SpA, based on a series of material assumptions, including technical, actuarial, demographic and financial assumptions, as well as on projections of future cash flows from the insurance contracts entered into by Poste Vita and Poste Assicura and effective at the end of the year.

In order to check the adequacy of the technical provisions, the Liability Adequacy Test (LAT) is periodically carried out, aimed at measuring the capacity of the future cash flows deriving from the insurance contracts to cover the liabilities towards the insured party[115]. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected cash flows from the existing portfolio to the end of the reporting year, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claims expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

115. For example, with reference to the Life business, the approach adopted for the quantification of technical items useful for the implementation of the LAT consists in the development, for each product line, of a calculation model that replicates the (probable) economic commitments of the Group insurance company over the entire projection horizon coinciding with the residual duration of the contracts. The projections of future cash flows take into account the general and special policy conditions, with particular reference to the time structure of premiums, insured benefits, payments per claim, maturities or redemptions, as well as revaluation clauses and any other contractual options present. Future assumptions express reliable estimates of the probability of exit for the various causes, impacting future cash flows of investment returns, policyholder participation rates, and levels of acquisition and operating expenses.

Share-based payments

As described in more detail in Note 13 – *Additional information* – Share-based payment arrangements, an internal pricing tool was used to assess the Share-based payment arrangements in place within the Poste Italiane Group at the close of these financial statements, which adopts simulation models consistent with the requirements of the relevant accounting standards and takes account of the specific characteristics of the Plans. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing these financial statements.

Employee termination benefits

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

Determination of the lease liability

To determine the financial lease liability, the Group has opted to use an incremental borrowing rate or (IBR) determined in line with a hypothetical loan obtained in the current economic environment, and applied to groups of contracts with similar remaining terms and to similar companies. In particular, the single IBR takes into account the Risk-free rate identified on the basis of factors such as the economic context, the currency, the contractual expiry, and the credit spread that reflects the company's organisation and financial structure. The IBR associated with the commencement of the contract will be reviewed whenever there is a lease modification, meaning substantial and significant changes to the contract conditions over the life of the agreement (e.g. the lease term or the amount of future lease payments). The IBR table defined for groups of contracts with similar residual duration and for similar reference companies is periodically monitored and updated at least once during the year.

With regard instead to determination of the lease term at the commencement date or of the remaining term at a later date (in the event of substantial and significant changes to contract conditions) and, in particular, for property leases, the Group uses a valuation approach based primarily on the expected duration of the obligation as per the agreement between the parties and/or in the legal framework of reference (Law 392 of 27 July 1978), and it expects an extension of the lease due to an interpretation/forecast of events, circumstances and future intentions, including of a strategic nature, of both the lessor and the lessee. This has resulted in a set of rules for determining the lease term, to be applied to leased properties classified previously in three distinct clusters: properties where the lease is subject to legal restrictions and high commercial-value properties; properties for civilian use, such as the company accommodation for Group employees and executives; and other properties used in operations.

The lease term for all of the other agreements was set as equal to the duration of the obligation agreed upon between the parties, in keeping with future intent in wanting and being able to complete the term and past experience.

Options on minority interests[116]

As mentioned in Note 2.6 – *Basis of consolidation*, as part of the transaction that led to the holding of 70% of the share capital of MLK Deliveries SpA, purchase and sale options are envisaged that will allow Poste Italiane to purchase a further 30% of the company, the exercise price of which is determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA. In the consolidated financial statements, a financial liability has been recognised (in addition to the portion of equity attributable to non-controlling interests), to take account of the possible exercise of options, as matching entry to Group's equity, the value of which depends on estimates made internally and which could change even significantly in the current and future years. Subsequent changes in the value of the financial liability will be reflected in the Group's PL statement.

Information related to non-financial issues

Covid-19

Also in FY2021, the Group continued to closely monitor the evolution of the COVID-19 pandemic with respect to the main areas of concern, in line with the ESMA recommendations contained in the public statements published in FY2020 and FY2021.

The Group has analyzed the impact of the COVID-19 pandemic on its business activities, financial position and economic performance and identified the main risks and uncertainties to which it is exposed, as indicated in the section "Risks and opportunities" in the Report on Operations. In addition, with regard to the effects generated by the COVID-19 pandemic at 31 December 2021, reference should be made to the specific paragraph "Performance" in the Report on Operations and to Note 6 – *Risk analysis and monitoring – Credit risk* for information on how the pandemic has affected the calculation of expected losses on financial instruments.

Climate change

Climate change and the transition to a low-carbon economy are becoming increasingly relevant to businesses, banks, governments, regulators, and investors.

During the year under review the process of identifying and assessing risks and environmental management methods continued, enabling the Poste Italiane Group to pursue the ambitious goal of contributing to the achievement of international carbon neutrality objectives by 2030, in line with adhesion to the Paris Agreement and the New Green Deal, as specified in greater detail in the section of the Non-Financial Statement to which reference should be made for further details.

With particular regard to the accounting treatment of greenhouse gas emission allowances relating to the Group's airline, Poste Air Cargo, reference should be made to "Note 2.3 - *Accounting policies adopted*" for full details.

116. An option contract that allows an entity to purchase the interests of minority shareholders of a subsidiary in exchange for cash or other financial assets gives rise to a financial liability in the consolidated financial statements for the present value of the amount payable. Any change in the financial liability from the date of recognition is accounted for with a different balancing entry depending on whether it refers to:
- minority shareholders directly interested in the performance of the subsidiary's business with regard to the transfer of risks and benefits on the shares subject to the option. One of the indicators of this interest is the fair value measurement of the option exercise price. In addition to the presence of this indicator, the Group makes a case-by-case assessment of the facts and circumstances that characterise existing transactions. In this case, the discounted value of the option is initially deducted from the Group's equity reserves. Any subsequent changes in the valuation of the exercise price of the option are reflected in the PL statement.
- minority shareholders not directly interested in the performance of the business (e.g. exercise price of the predetermined option). The exercise price of the option, duly discounted, is deducted from the corresponding amount of Capital and Reserves pertaining to third parties. Any subsequent changes in the valuation of the option exercise price follow the same logic, with no impact on the PL statement.

2.5 New accounting standards and interpretations and those soon to be effective

Accounting standards and interpretations applied from 1 January 2021

- Amendments to **IFRS 4 - Insurance Contracts** which provide for an extension to 1 January 2023 for the temporary exemption to the application of IFRS 9 by insurance companies and financial conglomerates that perform mainly insurance activity. Entities that have decided to take advantage of this exemption may therefore continue to apply IAS 39 instead of IFRS 9 until that date (coinciding with the presumed effective date of the new standard IFRS 17 on insurance contracts).
- Amendments to certain accounting standards following the reform of interbank rates. The planned amendments, the purpose of which is to take account of the consequences of effectively replacing the existing interest rate reference indices with alternative reference rates, relate to the following standards:
  - **IFRS 9 - Financial instruments** introduces a practical expedient for accounting for changes in the basis on which contractual cash flows of financial assets and liabilities are calculated, in order to allow the effective interest rate to be adjusted, thus avoiding changes to the carrying amount;
  - **IAS 39 - Financial Instruments: Recognition and Measurement** envisages exemptions relating to the termination of hedging that may occur as a result of the reform;
  - **IFRS 7 - Financial Instruments: Disclosures** requires additional disclosures to enable readers of the financial statements to better understand the effect of the reform on benchmark interest rates, financial instruments and an entity's risk management strategy;
  - **IFRS 4 - Insurance Contracts** allows insurance companies that chose to postpone the adoption of IFRS 9 to apply the amendments to IAS 39 necessary to comply with the rate reform;
  - **IFRS 16 - Leases** allows leases that specifically refer to an IBOR rate to be amended to refer to an alternative rate resulting from rate reform.

It should also be noted that on 31 August 2021, Regulation (EU) 2021/1421 was published in the Official Journal of the European Union adopting "*Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16*)". This amendment, which is applicable as of 1 April 2021 for fiscal years beginning on or after 1 January 2021, extends by one year the provisions of Regulation (EU) 2020/1434 in the event of a change in lease payments as a result of the Covid-19 pandemic[117].

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2022:

- Amendments to IAS 16 - Property, Plant and Equipment with the aim of clarifying that the income obtained from the sale of products made during the testing phase of the asset itself, as well as the related production costs, must necessarily be recorded in the Income Statement.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, aimed at clarifying that, in order to assess whether a contract is onerous, it is necessary to consider not only the incremental costs of fulfilling the contract (such as direct labour and materials), but also all other costs directly attributable to the contract itself (such as, for example, the depreciation of assets used to fulfil the specific contract).
- Amendments to **IFRS 3-Business Combinations** designed to update references in the standard to the Conceptual Framework as revised during 2018, with no changes to the provisions of the standard.

117. The amendment to the accounting standard IFRS 16 - *Leases* pursuant to Regulation (EU) 2020/1434 provides lessees with the option to account for rent reductions related to Covid-19 without having to assess through contract analysis whether the definition of lease modification in IFRS 16 is met. Therefore, lessees that apply this option may account for the effects of the reductions in the lease fees directly in the statement of profit or loss on the effective date of the reduction.

- Amendments to the following accounting standards in the context of routine standard improvement activities with the objective of resolving non-urgent issues related to inconsistencies in the standards or to provide clarifications of terminology:
  - **IAS 41 - Agriculture;**
  - **IFRS 1 - First-time adoption of International Financial Reporting Standards;**
  - **IFRS 9 - Financial instruments;**
  - **Illustrative Examples of IFRS 16 Leases.**

The following are applicable from 1 January 2023:

- **IFRS 17 - Insurance Contracts** The new accounting standard on insurance contracts, which will fully replace what is currently provided for by IFRS 4, aims to:
  - ensure that an entity provides information that accurately represents the rights and obligations under the insurance contracts it issues;
  - eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts (including reinsurance contracts); and
  - improve comparability between entities within the insurance industry by providing specific presentation and disclosure requirements.
- **Amendments** to **IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**, aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

Lastly, as of the reporting date, the IASB has issued certain financial reporting standards, amendments and interpretations not yet endorsed by the European Commission:

- Amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date*;
- Amendments to IAS 12 - *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*.

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed. With specific reference to IFRS 17, last year, the Poste Vita project aimed at determining the impact of future application of the new standard continues.

2.6 Basis of consolidation

The Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control, as defined by IFRS 10, from the date on which control is obtained until the date on which control is no longer held by the Group. The Group controls an entity when it simultaneously:

- has power over the investee;
- is exposed, or has rights to, variable returns from its involvement with the investee;
- has the ability to influence those returns through its power over the investee.

Control is exercised both via direct or indirect ownership of voting shares, and via the exercise of dominant influence, defined as the power to govern the financial and operating policies of the entity, including indirectly based on legal agreements, obtaining the related benefits, regardless of the nature of the equity interest. In determining control, potential voting rights exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been specifically prepared at 31 December 2021, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

Subsidiaries that, in terms of their size or operations, are, either individually or taken together, irrelevant to a true and fair view of the Group's results of operations and financial position are not included within the scope of consolidation.

The criteria used for line-by-line consolidation are as follows:

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounted for using the acquisition method. The cost of a business combination is represented by the current value (fair value) at the date of acquisition of the assets sold, the liabilities assumed, the equity instruments issued and any other directly attributable accessory charges; any difference between the cost of acquisition and the fair values of the assets and liabilities acquired, following review of their fair value, is recognised as goodwill arising from consolidation (if positive), or recognised in profit or loss (if negative);
- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

Investments in subsidiaries that are not significant and are not consolidated, and those in companies over which the Group exerts significant influence (assumed when the Group holds an interest of between 20% and 50%), hereinafter “associates”, and joint ventures are accounted for using the equity method. At the time of acquisition, the investment is accounted for using the equity method. Any difference between the cost of acquisition of the investment and the net fair value of the investee’s identifiable assets and liabilities is accounted for as follows:

a. goodwill related to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of such goodwill is not permitted;
b. in determining the initial value of the entity’s investment, any excess of the entity’s interest in the net fair value of investee’s identifiable assets and liabilities over cost is recognised as income in determining the acquirer’s interest in the profit (loss) for the period of the associate or joint venture in the period in which the interest is acquired.

After acquisition, appropriate adjustments are made to the entity’s share of the profits or losses of the associate or joint venture to account, for example, for additional depreciation or amortisation of the investee’s depreciable or amortisable assets, based on the excess of their fair values over their carrying amounts at the time the investment was acquired, and of any impairment losses on goodwill or property, plant and equipment. The equity method is as follows:

- the Group’s share of an entity’s post-acquisition profits or losses is recognised in profit or loss from the date on which significant influence or control is obtained until the date on which significant influence or control is no longer exerted by the Group; provisions are made to cover a company’s losses that exceed the carrying amount of the investment, to the extent that the Group has legal or constructive obligations to cover such losses; changes in the equity of companies accounted for using the equity method not related to the profit/(loss) for the year are recognised directly in equity;
- unrealised gains and losses on transactions between the Parent Company/subsidiaries and the company accounted for using the equity method are eliminated to the extent of the Group’s interest in the associate; unrealised losses, unless relating to impairment, are eliminated.

During the year, the Parent Company concluded the following business combinations by virtue of which it acquired control of the entities.

Nexive Group

On 29 January 2021, Poste Italiane completed the transaction to acquire from PostNL European Mail Holdings B.V. ("PostNL") and the German company Mutares Holding – 32 GmbH ("Mutares Holding") the entire share capital of Nexive Group Srl ("Nexive") at a price of €34.4 million, based on an Enterprise Value of €50 million and net debt of €15.6 million. Following the price adjustment provided for in the contractual agreements, the final consideration amounted to €30.7 million.

Poste Italiane has commissioned an independent external expert to support the process of allocating the purchase price relating to the transaction and to estimate the fair value of the identifiable assets acquired and liabilities assumed identifiable as a result of the acquisition, in order to provide data and information useful for calculating goodwill, in accordance with the provisions of IFRS 3.

As of 31 December 2021, the above process has been completed and the following table shows the values of the assets acquired and liabilities assumed as of the acquisition date:

(€k)	Carrying amount (A)	Adjustments Fair Value (B)	Fair Value (A+B)
Net assets acquired			
Intangible assets	-	-	-
Property, plant and equipment	274	-	274
Right-of-use asset	10,023	-	10,023
Trade and other receivables and other assets	95,889	-	95,889
Cash and cash equivalents	5,905	-	5,905
Employee termination benefits	(6,937)	-	(6,937)
Trade and other payables	(89,995)	-	(89,995)
Financial liabilities	(20,052)	-	(20,052)
Total net assets acquired	**(4,893)**		**(4,893)**
Equity attributable to non-controlling interests			6
Portion of net assets acquired by the Group			**(4,899)**
Goodwill			**35,599**
Total fee			**30,700**

The valuation activities did not identify any capital gains or losses with respect to the carrying amounts recorded by the companies acquired. moreover, no assets or liabilities were identified in addition to those already recorded in their financial statements. In particular, no contingent liabilities were recorded and it was deemed that there were no minimum and sufficient conditions for the identification and/or enhancement of additional intangible assets. Therefore, the difference between the consideration transferred (€30.7 million) and the fair value of the portion of net assets acquired (negative €4.9 million) was allocated entirely to the item Goodwill (recognized only for the portion pertaining to the Group) in the amount of €35.6 million.

Below are the economic values of the acquired companies included in the consolidated profit or loss statement from the date of acquisition:

(€k)	From the date of acquisition to 31 December 2021
Revenue	140,537
Operating income	(19,741)
Profit/(loss) for the period	**(15,520)**

As described more fully below, the Nexive Group's legal entities underwent a comprehensive reorganization that took effect on 1 October 2021.

Sengi Express Limited

On 19 January 2021, Poste Italiane SpA and Cloud Seven Holding Limited signed a binding framework agreement providing for Poste Italiane's acquisition, against €16 million, of 40% of the share capital (51% of voting rights) of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong, which in turn holds 100% of the share capital of Sengi Express Guangzhou Limited based in Guangzhou (China).

Poste Italiane has commissioned an independent external expert to support the process of allocating the purchase price relating to the transaction and to estimate the fair value of the identifiable assets acquired and liabilities assumed identifiable as a result of the acquisition, in order to provide data and information useful for calculating goodwill, in accordance with the provisions of IFRS 3.

As of 31 December 2021, the above process has been completed and the following table shows the values of the assets acquired and liabilities assumed as of the acquisition date:

		Carrying amount (A)	Adjustments Fair Value (B)	Fair Value (A+B)
	HKD/000	EUR/000	EUR/000	EUR/000
Net assets acquired				
Intangible assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Trade and other receivables and other assets	*5,000*	535	-	535
Cash and cash equivalents	-	-	-	-
Employee termination benefits	-	-	-	-
Trade and other payables	-	-	-	-
Total net assets acquired	**5,000**	**535**	**-**	**535**
Equity attributable to non-controlling interests				321
Portion of net assets acquired by the Group				**214**
Goodwill				**15,786**
Total fee				**16,000**

The valuation activities did not identify any capital gains or losses with respect to the carrying amounts recorded by the companies acquired. moreover, no assets or liabilities were identified in addition to those already recorded in their financial statements. In particular, no contingent liabilities were recorded and it was deemed that there were no minimum and sufficient conditions for the identification and/or enhancement of additional intangible assets. Therefore, the difference between the consideration transferred (€16 million) and the fair value of the portion of net assets acquired (negative €0.2 million) was allocated entirely to the item Goodwill (recognized only for the portion pertaining to the Group) in the amount of €15.8 million.

Below are the economic values of the acquired company included in the consolidated profit or loss statement from the date of acquisition:

(€k)	From the date of acquisition to 31 December 2021
Revenue	77,427
Operating income	5,459
Profit/(loss) for the period	**3,313**

The following table shows the number of subsidiaries by method of consolidation and measurement:

Subsidiaries	31.12.2021	31.12.2020
Consolidated on a line-by-line basis	21	16
Accounted for using the equity method	3	4
Total companies	**24**	**20**

In addition to the transactions described above, which led to the entry into the scope of consolidation of the subsidiaries of the Sengi Group and the Nexive Group, on 30 April 2021, PSIA Srl was established to which, upon completion of the demerger of FSIA Investimenti Srl, assets representing 30% of the latter were assigned.

The following acquisitions are reported regarding companies in which the Group has significant influence ("associated companies" and "joint ventures") valued with the equity method:

BNL Finance ("Financit")

On 23 December 2020, Poste Italiane SpA and BNL BNP Paribas Group signed a framework agreement providing for the acquisition by Poste Italiane of a 40% equity interest in BNL Finance against € 40 million.

The transaction was concluded on 1 July 2021 and BNL Finance SpA Changed its name to Financit SpA on the same date.

A comparison between the price paid and the net assets acquired of the company under review is provided below:

(€k)	
Share of equity	**18,000**
Adjustment for fair value measurement	-
Net assets acquired after allocation (pro quota)	**18,000**
Goodwill	**22,000**
Total fee	**40,000**

The difference arising between the transaction price and the portion of net assets acquired amounts to €22.0 million and has been allocated entirely to goodwill included in the carrying amount of the investment.

Replica SIM

On 29 July 2021, following authorisation from the Bank of Italy, Poste Italiane subscribed a €10 million capital increase in Replica SIM SpA ("Replica" or the "SIM") becoming the owner of 45% of the company's capital.

A comparison between the price paid and the net assets acquired of the company under review is provided below:

(€k)	
Share of equity	**4,950**
Adjustment for fair value measurement	-
Net assets acquired after allocation (pro quota)	**4,950**
Goodwill	**5,050**
Total fee	**10,000**

The difference arising between the transaction price and the portion of net assets acquired amounts to €5.05 million and has been allocated entirely to goodwill included in the carrying amount of the investment.

For further details on this transaction, please refer to Note 3 - *Material events during the year*.

A list and key information of companies consolidated on a line-by-line basis and using the equity method is provided in Note 13 – Additional information – *Scope of consolidation and key information on investments*.

Conversion of the financial statements into foreign currencies

For the purposes of preparing the Consolidated Financial Statements, the statement of financial position and statement of profit or loss of all consolidated companies are expressed in euro, which is the functional currency used by the Parent Company.

The financial statements of companies that operate in a functional currency other than the euro are translated into the presentation currency using the closing rate at the reporting date for assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period (if this reasonably approximates the exchange rate at the date of the respective transactions) for revenue and costs. All the resulting exchange rate differences are recognised in other comprehensive income and shown separately in a specific equity reserve; this reserve is reversed proportionally to the statement of profit or loss at the time of the (total or partial) disposal of the relevant investment.

The exchange rates used to convert the financial statements of consolidated companies in foreign currencies are those published by the Bank of Italy and the European Central Bank and presented in the table below:

	2021		2020	
Currency	**Exact change on 31 December**	**Average annual exchange rate**	**Exact change on 31 December**	**Average annual exchange rate**
Hong Kong Dollar	8.8333	9.1538*	n/a	n/a
Chinese Yuan Renminbi	7.1947	7.5888*	n/a	n/a
US dollar	1.1326	1.1827	1.2271	1.1422

* The exchange rate shown relates to Sengi Express Limited and Sengi Express Guangzhou Limited and is calculated based on the period between 31 December 2021 and the date of acquisition of the companies (1 March 2021).

3. Significant events during the year

3.1 Main corporate operations

sennder Italia Srl

Following the achievement by sennder Italia of all the financial and operating KPIs established in the agreements between Poste Italiane and sennder GmbH, following approval of the financial statements for the year ended 31 December 2020 by the General Meeting, in April 2021, a capital increase was carried out at nominal value reserved for sennder GmbH, which increased the interest held in sennder Italia by 5% (from the current 25% to 30%). Following this increase, Poste Italiane's direct stake in sennder Italia went down from 75% to 70%.

sennder Technologies Gmbh

In January 2021, Poste Italiane took part in a new capital increase promoted by sennder GmbH, investing € 7.5 million and increasing its holding in the German company to 2.0% (1.8% on a fully diluted basis). In addition, sennder GmbH, consistent with previously signed agreements, in May 2021 carried out the follow up of the capital increase described above reaching a total valuation in excess of €1 billion. As a result of the new capital increase, Poste Italiane's interest in the company is 1.9% (1.7% on a fully diluted basis).

With effect from 20 December 2021 sennder GmbH changed its company name to sennder Technologies Gmbh.

Acquisition and corporate reorganisation of the Nexive Group

On 16 November 2020, Poste Italiane SpA signed a preliminary agreement with the Dutch company PostNL European Mail Holdings B.V. ("PostNL") and the German company Mutares Holding – 32 GmbH ("Mutares Holding"), to acquire the entire share capital of Nexive Group Srl ("Nexive").

On 29 January 2021, the transaction was completed and Poste Italiane acquired the entire share capital of Nexive from PostNL and Mutares Holding at a price of €34.4 million, based on an enterprise value of €50 million and net debt of €15.6 million. Following the price adjustment provided for in the contractual agreements, the final consideration amounted to € 30.7 million.

The transaction was carried out pursuant to article 75 of Italian Law Decree no. 104 of 14 August 2020 (converted into Italian Law no. 126 of 13 October 2020), which states that certain concentration transactions must be considered authorised after indication to the Antitrust Authority (AGCM) of suitable measures to prevent the risk of imposition of prices or other contractual conditions that could be costly for the user as a result of the transaction. The acquisition was authorised by the AGCM, which prescribed a number of behavioural measures for Poste Italiane.

The process of integrating Nexive made it necessary to reorganise the Group's legal entities with the aim of arriving at a corporate structure that provides for an "Operating Company" focused on the management and coordination of the new Group delivery network consisting of the current external delivery partners of Nexive and used to support the "last mile" phase of the delivery process for small postal products and parcels.

In this regard, Poste Italiane's Board of Directors on 11 May 2021 authorised the corporate reorganisation of the Nexive Group.

In particular, the merger and demerger projects related to the corporate reorganisation operation were approved. This operation was divided into the following steps:

- Merger by incorporation of Nexive Group and Nexive Servizi into Poste Italiane;
- Partial demerger of Nexive Network (i) in favour of Poste Italiane, as regards the mail delivery business, which includes the shareholding in Nexive Scarl, and (ii) in favour of Postel SpA, a company also wholly and directly controlled by Poste Italiane, as regards the printing business.

The merger and demerger projects were approved on 11 May 2021 also by the Boards of Directors, as regards their respective competence, of Nexive Group, Nexive Servizi, Nexive Network and Postel. The definitive approval by the Board of Directors of Poste Italiane, by the extraordinary shareholders' meeting of Postel and by the shareholders' meetings of Nexive Group, Nexive Network and Nexive Servizi took place on 24 June 2021.

The transaction, which included application of the simplifications required by the regulations for the demerger and merger of wholly owned companies, is effective as of 1 October 2021 and did not entail the issue of new shares or the allocation of shares of Poste Italiane.

BNL Finance ("Financit")

On 23 December 2020, Poste Italiane and BNL BNP Paribas Group signed a binding framework agreement to strengthen their partnership in the sector of loans assisted by the assignment of one-fifth of salary or pensions (known as "CQ Loans"). The framework agreement calls for Poste Italiane to acquire a 40% equity investment in BNL Finance, a BNL BNP Paribas Group company that is a leader in the CQ loans market.

The closing of the transaction was completed on 1 July 2021 following the authorisations received from the Supervisory Authorities and the completion of the demerger by BNL Finance in favour of its parent, BNL SpA, of its non-perimeter assets, primarily consisting of around €2 billion in loans compared with a total loan portfolio of over €2.8 billion at the end of 2020.

Also with effect from 1 July 2021, BNL Finance SpA changed its name to Financit SpA.

Financit, as the product manufacturer, distributes its CQ Loans through the post office network on the basis of a ten-year commercial agreement with Poste Italiane - BancoPosta RFC, in continuity with the existing commercial agreement before transaction closing.

Sengi Express Limited

On 19 January 2021, Poste Italiane SpA and Cloud Seven Holding Limited signed a binding framework agreement aimed at strengthening the partnership in the e-commerce market between China and Italy. The framework agreement provided for the acquisition by Poste Italiane of 51% of the voting capital (40% of the total capital) of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited based in Hong Kong. Sengi Express is a leading company in the creation and management of cross-border logistics solutions for Chinese e-commerce merchants active in the Italian market. The closing of the transaction was completed on 1 March 2021.

Nexi SpA and SIA SpA

On 21 June 2021, SIA's Extraordinary General Meeting approved the plan for the **merger by incorporation of SIA SpA into Nexi SpA** on the basis of the binding agreements that followed the signing of the memorandum of understanding on 5 October 2020.

In addition, on 15 November 2020, Nexi announced that it had entered into a binding agreement with **Nets** to merge the two groups; this occurred on 1 July 2021.

In accordance with the agreements between the parties, on 9 June 2021, a resolution was passed regarding the demerger of FSIA, which was completed on 31 December 2021, via the transfer of assets representing 30% of FSIA, including a 17.2% interest in SIA and the shareholders' loan of € 20.7 million granted by Poste to FSIA, in favour of PSIA Srl, a newly-established company wholly owned by Poste Italiane.

Finally, on 31 December 2021 the merger of SIA into Nexi was completed. Therefore, Poste Italiane, through the subsidiary PSIA, holds a 3.6% stake in the new Nexi-SIA-Nets group.

This transaction generated a capital gain at the consolidated level, before the related tax effects, of € 225 million following the reclassification of the stake held in SIA-Nexi (first through the associate FSIA, and later by the subsidiary PSIA after completion of the demerger of FSIA) among financial assets and recognised, in accordance with the accounting standard IFRS 9, on the basis of its fair value (stock exchange quotation of Nexi at 30 December 2021). The amount, of a non-recurring nature, was recognised in the item Financial income (note C11 – *Financial income and expenses*).

Replica SIM

On 29 July 2021, following authorisation from the Bank of Italy, Poste Italiane subscribed a capital increase in Replica SIM SpA ("Replica" or the "SIM"), acquiring 45% of the capital of the company. Replica operates in the brokerage sector on its own and on behalf of third parties and in asset management as an investment manager and execution broker for the management of some investment funds. The funds deriving from the capital increase will enable the SIM to operate in the institutional market MTS (Mercato Telematico dei Titoli di Stato - Electronic State Securities Market).

Eurizon Capital Real Asset SGR ("ECRA")

On 25 June 2021, Poste Vita and BancoPosta Fondi SGR signed definitive agreements for the acquisition of 40% of the share capital, of which 24.50% of shares with voting rights, of Eurizon Capital Real Asset SGR SpA ("ECRA"), a company specialising in investments in support of the real economy controlled by Eurizon. At the same time as the subscription of the capital increase, the portfolio management mandate was signed by the parties; this regards the transfer to ECRA of the management of a number of alternative investment funds, thus accessing a global platform which will make it possible to develop an integrated management model along the whole life cycle of the investment. The transaction was closed on 31 January 2022, once the regulatory authorities had given their approval. We can note that ECRA continues to be controlled and consolidated by Eurizon.

LIS Holding SpA

On 25 February 2022 PostePay signed with IGT Lottery SpA ("IGT") a binding agreement for the acquisition of 100% of LIS Holding SpA (together with the subsidiary LIS Pay SpA, "LIS") at a price of € 700 million determined on the basis of an Enterprise Value of € 630 million and available net cash of € 70 million. The boards of directors of Poste Italiane and PostePay have approved the transaction which remains subject to the usual closing conditions, including obtainment of the regulatory approvals. The closing is expected within the third quarter of 2022.

Plurima SpA

On 18 March 2022, Poste Italiane signed a binding agreement with Opus Srl ("Opus") – entirely held by the Marconi family – and the private equity operator, Siparex, for the acquisition of a majority stake in Plurima SpA ("Plurima" or the "Company") for a consideration based on a total enterprise value of the Company of € 130 million.

The transaction will take place through Poste Welfare Servizi Srl ("PWS"), a company wholly-owned by Poste Italiane, and will be fully financed with the large cash resources available.

Upon completion of the transaction, expected within the end of the first half of 2022 following the necessary authorisations from the Antitrust Authority (AGCM), PWS will hold 70% of the share capital of Plurima, while the Marconi family will hold the remaining 30%. Luca Marconi will be confirmed as Executive Chairman of the Company.

Plurima is a leader in the Italian market for hospital logistics and document custody and management services for public and private hospitals. It operates through 41 logistics facilities and a fleet of around 300 vehicles.

In light of the experience gained by PWS in the health sector, it will be possible to further strengthen its role as a centre of excellence for the Poste Italiane Group in the healthcare sector. The operation is aimed at integrating the consolidated skills developed by PWS in the health sector with those recently developed by Poste Italiane through the delivery of services via the Vaccinations Platform, and through the health services provided by Plurima.

The following material events also took place during 2021.

- After obtaining all the authorisations required by law, Poste Italiane's Extraordinary General Meeting was held on 28 May 2021, which approved the removal of the restriction on the allocation of the BancoPosta RFC regarding the activities, goods and legal relations constituting the "Debit Business". The deed of contribution of the Debit Business by Poste Italiane in favour of PostePay SpA was formalised on 23 September 2021 and took effect from 1 October 2021.
- With a notarial deed dated 30 March 2021, Poste Italiane SpA, sold 100% of its interest in Indabox Srl to MLK Deliveries SpA, a company 70% owned by Poste Italiane SpA and 30% owned by Milkman Tech SpA. The transaction took effect on 1 April 2021.
- On 21 June 2021 the Shareholders' Meeting of Uptime SpA resolved to approve the Final Liquidation Financial Statements and the related Final Allocation Plan. On 2 August 2021 the company was cancelled from the Rome Companies Register.
- On 23 June 2021, PostePay SpA's Board of Directors approved the signing of binding agreements for the sale of the interest held by PostePay SpA in Tink AB, a fintech operator specialising in open banking technology solutions, for a consideration of approximately €77 million, as part of the announced sale of 100% of Tink AB to Visa Open Connect Limited, a Visa Group company. The transaction was agreed on the basis of an enterprise value valuation of Tink AB of €1.8 billion.
  PostePay SpA's total investment in Tink amounted to € 22.1 million, representing a 4.7% interest in the company on a fully diluted basis.
  The Poste Italiane Group will continue to collaborate with Tink through the existing partnership focused on expanding the Group's digital service offering.
  The closing of the transaction was completed on 10 March 2022 following approval by the competent authorities.
- On 1 July, with effect from the same date, the deeds of sale of the MLK unit known as "Business Parcel B2C" and the ICT unit of Postel in favour of Poste Italiane were formalised.
- In July 2021, Volante Technologies Inc ("Volante") began a capital increase of $ 10 million, subscribed by the American bank Wells Fargo. This operation was followed by a second increase for a total of $ 5 million, offered to current shareholders for subscription, including PostePay SpA. On 28 September 2021 the PostePay SpA. Board of Directors authorised participation in the second tranche of the Volante capital increase, with a total investment of around $ 500 thousand, with the aim of maintaining the original investment stake of 3.4% (2.9% on a fully diluted basis), to avoid dilution after Wells Fargo entered the shareholding structure. This transaction was closed on 15 October 2021.
- On 26 January 2022 the BoD of Poste Vita approved the operation for acquisition by Poste Italiane of 100% of the shares held by Poste Vita in Poste Welfare Servizi. The operation takes effect from the filing at the Companies Register of the deed of sale signed on 24 February 2022.
- On 26 January 2022 MFM Holding Ltd (Moneyfarm) launched a capital increase for an amount of approximately € 53 million, subscribed for approximately € 44 million by M&G plc, a listed asset manager based in the UK, and pro quota by Poste Italiane with an investment of approximately € 9 million, in order not to dilute its stake of approximately 14%.

3.2 Other significant events

The following further material events also occurred in 2021:

Poste Italiane SpA: interim dividend 2021

On 10 November 2021, Poste Italiane's Board of Directors, in the light of the Parent Company's performance and financial position in the first half of 2021 and in line with prevailing practice, decided to advance part of the ordinary dividend for 2021 as an interim dividend. The advance of €0.185 per share, gross of any withholding taxes, was paid with effect from 24 November 2021 for a total of €241 million.

Hybrid Bond Issue

Poste Italiane SpA, with settlement date 24 June 2021, placed its first perpetual subordinated hybrid bond issue with a "non-call" period of 8 years for institutional Investors, with a total par value of € 800 million with the objective of strengthening the Group's financial structure, and in particular the Leverage Ratio (Basel III) and the Tier 1 ratio of BancoPosta, as well as the Solvency II Ratio of Poste Vita, contributing to supporting the Group's long-term growth according to the strategic lines of the "24 SI" Business Plan.

The main features of the issue are:

- The bonds have no fixed maturity and must be redeemed only in the case of winding-up or liquidation of the Company, as specified in the related terms and conditions, except that there is a right to early redemption (call) in the cases provided for. In particular, the call is provided for at any time from the First Call Date of 24 March 2029 to 24 June 2029 and, subsequently, at every interest payment date.
- The annual fixed coupon is 2.625% up to the first "Reset Date" set for 24 June 2029. Starting from that date, the annual interest is determined on the basis of the 5-year Euro Mid Swap rate, plus an initial spread of 267.7 basis points, increased by a further 25 basis points starting from 24 June 2034 and by a further 75 basis points starting from 24 June 2049. The interest is payable at the issuer's discretion and cumulatively, starting from 24 June 2022. The issue price was set at 100%.

Following this issue, on 30 June 2021, there was an injection of capital into BancoPosta RFC, via the granting of a € 350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 ("AT1") capital, designed to strengthen its leverage ratio.

In addition, on 26 July 2021, the Parent Company recapitalised Poste Vita by subscribing a subordinated, non-convertible capital instrument with perpetual duration and non-call period of 10 years, amounting to € 300 million, on terms and conditions that enable it to be included in basic own funds ("Restricted Tier 1" or "RT1"), in order to strengthen the Solvency Ratio.

Funds raised from private customers on postal current accounts

The funds raised from private customers on postal current accounts must be used in Eurozone government bonds and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee (as provided by the Law no. 296 of 27 December 2006 and subsequent amendments provided by the 2015 Stability Law no. 190 of 23 December 2014). With the conversion into Italian Law no. 106 of 23 July 2021 of Italian Law Decree no.73 of 25 May 2021, it is permitted for BancoPosta RFC, within the scope of 50% of funding from private customers investible in securities guaranteed by the Italian State, to use up to 30% of this quota in the purchase of tax credits transferable under the terms of Italian Law Decree no.34/2020 (the so-called "Decreto Rilancio") or other tax credits transferable under the terms of the current legislation.


Posteitaliane

4

POSTE ITALIANE GROUP

FINANCIAL STATEMENTS AT 31 DECEMBER 2021

4. Financial statements for the year ended 31 December 2021

4.1 Consolidated Financial Statements

Consolidated Statement Of Financial position

Assets (€m)	Notes	31 December 2021	*of which related parties*	31 December 2020	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,267	-	2,134	-
Investment property	[A2]	32	-	31	-
Intangible assets	[A3]	873	-	755	-
Right-of-use assets	[A4]	1,116	-	1,200	-
Investments accounted for using the equity method	[A5]	277	*277*	615	*615*
Financial assets	[A6]	221,226	*3,780*	221,134	*3,879*
Trade receivables	[A8]	3	-	2	-
Deferred tax assets	[C12]	1,245	-	1,123	-
Other receivables and assets	[A9]	4,012	*2*	3,839	*2*
Tax credits Law no. 77/2020	[A10]	5,551	-	29	-
Technical provisions attributable to reinsurers		50	-	54	-
Total		**236,652**		**230,916**	
Current assets					
Inventories	[A7]	155	-	165	-
Trade receivables	[A8]	2,508	*575*	2,373	*582*
Current tax assets	[C12]	115	-	187	-
Other receivables and assets	[A9]	1,146	*8*	1,054	*3*
Tax credits Law no. 77/2020	[A10]	905	-	6	-
Financial assets	[A6]	27,630	*12,855*	26,749	*7,617*
Cash and deposits attributable to BancoPosta	[A11]	7,659	-	6,391	-
Cash and cash equivalents	[A12]	7,958	*1,991*	4,516	*1,992*
Total		**48,076**		**41,441**	
Total assets		**284,728**		**272,357**	

Liabilities and Equity	Notes	31 December 2021	*of which related parties*	31 December 2020	*of which related parties*
Equity					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	3,599	-	3,909	-
Treasury shares		(40)	-	(40)	-
Retained earnings		7,237	-	6,327	-
Total equity attributable to owners of the Parent		**12,102**		**11,502**	
Equity attributable to non-controlling interests		8	-	5	-
Total		**12,110**		**11,507**	
Non-current liabilities					
Technical provisions for insurance business	[B5]	159,089	-	153,794	-
Provisions for risks and charges	[B6]	693	*59*	625	*59*
Employee termination benefits	[B7]	922	-	1,030	-
Financial liabilities	[B8]	15,122	*154*	18,366	*241*
Deferred tax liabilities	[C12]	953	-	1,229	-
Other liabilities	[B10]	1,749	-	1,576	-
Total		**178,528**		**176,620**	
Current liabilities					
Provisions for risks and charges	[B6]	575	*13*	771	*13*
Trade payables	[B9]	2,029	*82*	1,837	*56*
Current tax liabilities	[C12]	16	-	13	-
Other liabilities	[B10]	1,860	*73*	1,745	*74*
Financial liabilities	[B8]	89,610	*3,646*	79,864	*4,373*
Total		**94,090**		**84,230**	
Total Liabilities and Equity		**284,728**		**272,357**	

Consolidated statement of profit or loss

(€m)	Notes	FY 2021	*of wich related parties*	FY 2020	*of wich related parties*
Revenue from Mail, Parcels and other	[C1]	3,685	*466*	3,201	*400*
Net revenue from Financial Services	[C2]	4,783	*1,909*	4,945	*2,017*
Revenue from Financial Services		4,931	*1,917*	5,151	*2,022*
Expenses from financial activities		(148)	*(8)*	(206)	*(5)*
Revenue from Insurance Services after changes in technical provisions and other claims expenses	[C3]	1,870	*15*	1,643	*15*
Insurance premium revenue		17,829	-	16,865	-
Income from insurance activities		4,383	*15*	4,065	*15*
Change in technical provisions for insurance business and other claims expenses		(19,964)	-	(18,767)	-
Expenses from insurance activities		(378)	-	(520)	-
Revenue from Payments and Mobile	[C4]	882	*49*	737	*48*
Net operating revenue		**11,220**		**10,526**	
Cost of goods and services	[C5]	2,873	*161*	2,523	*159*
Personnel expenses	[C6]	5,467	*73*	5,638	*75*
Depreciation, amortisation and impairments	[C7]	790	-	700	-
Capitalised costs and expenses	[C8]	(33)	-	(37)	-
Other operating costs	[C9]	253	*6*	103	*3*
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C10]	24	*(4)*	75	*2*
Operating profit/(loss)		**1,846**		**1,524**	
Finance costs	[C11]	73	*2*	75	*3*
Finance income	[C11]	369	*1*	123	-
of which, non-recurring income		225		-	
Impairment losses/(reversals of impairment losses) on financial assets		-	-	1	-
Profit/(Loss) on investments accounted for using the equity method	[A5]	26	-	5	-
Profit/(Loss) before tax		**2,168**		**1,576**	
Income tax expense	[C12]	588	-	370	-
of which, non-recurring costs/(income)		-		(96)	
Net profit for the year		**1,580**		**1,206**	
of which attributable to owners of the Parent		1,578		1,207	
of which attributable to non-controlling interests		2		(1)	
Earnings per share	**[B1]**	**1.214**		**0.927**	
Diluted earnings per share		**1.214**		**0.927**	

Consolidated statement of comprehensive income

(€m)	Notes	FY 2021	FY 2020
Profit/(Loss) for the year		**1,580**	**1,206**
Items to be reclassified in the Statement of profit or loss for the year			
FVOCI debt instruments and receivables			
Increase/(Decrease) in fair value during the year	[tab. B4]	(1,052)	2,016
Transfers to profit or loss	[tab. B4]	(424)	(263)
Increase/(Decrease) for expected losses		(6)	7
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	(178)	(28)
Transfers to profit or loss	[tab. B4]	(8)	5
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		475	(495)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	-
Change in translation reserve		1	-
Items not to be reclassified in the Statement of profit or loss for the year			
Equity instruments valued at FVOCI - increase/(Decrease) of fair value in the period		75	17
Actuarial gains /(losses) on employee termination benefits	[tab. B7]	(4)	(5)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		2	1
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	-
Total other comprehensive income		**(1,119)**	**1,255**
Total comprehensive income for the year		**461**	**2,461**
of which attributable to owners of the Parent		459	2,462
of which attributable to non-controlling interests		2	(1)

Consolidated statement of changes in equity

(€m)	Share capital	Treasury shares	Reserves								Retained earnings	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
			Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Translation reserve	Reserve for investees accounted for using equity method	Incentive plans reserve				
Balance at 1 January 2020	**1,306**	**(40)**	**299**	**1,210**	**-**	**1,018**	**115**	**-**	**2**	**2**	**5,786**	**9,698**	**-**	**9,698**
Total comprehensive income for the year	-	-	-	-	-	1,276	(17)	-	-	-	1,203	2,462	(1)	2,461
Dividends paid	-	-	-	-	-	-	-	-	-	-	(402)	(402)	-	(402)
Interim dividend	-	-	-	-	-	-	-	-	-	-	(211)	(211)	-	(211)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-	-	(49)	(49)	-	(49)
Incentive plans	-	-	-	-	-	-	-	-	-	4	-	4	-	4
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	6	6
Balance at 31 December 2020	**1,306**	**(40)**	**299**	**1,210**	**-**	**2,294**	**98**	**-**	**2**	**6**	**6,327**	**11,502**	**5**	**11,507**
Total comprehensive income for the year	-	-	-	-	-	(987)	(132)	1	-	-	1,577*	459	2	461
Dividends paid	-	-	-	-	-	-	-	-	-	-	(421)	(421)	-	(421)
Interim dividend	-	-	-	-	-	-	-	-	-	-	(241)	(241)	-	(241)
Incentive plans	-	-	-	-	-	-	-	-	-	7	-	7	-	7
Equity instruments - perpetual hybrid bonds	-	-	-	-	800	-	-	-	-	-	(4)	796	-	796
Other changes	-	-	-	-	-	-	-	-	1	-	(1)	-	1	1
Balance at 31 December 2021	**1,306**	**(40)**	**299**	**1,210**	**800**	**1,307**	**(34)**	**1**	**3**	**13**	**7,237**	**12,102**	**8**	**12,110**

* This item includes profit for the year (Group portion) of €1,578 million and actuarial losses on provisions for employee termination benefits of €1 million, after the related current and deferred taxation.

Consolidated statement of cash flows

(€m)	Notes	FY 2021	FY 2020
Cash and cash equivalents at beginning of year		**4,516**	**2,149**
Profit/(Loss) before tax		2,168	1,576
Depreciation, amortisation and impairments	[tab. C7]	790	700
Impairments/(Reversals of impairments) of investments	[tab. C11.1]	(225)	-
Goodwill impairment	[tab. A3]	-	-
Net provisions for risks and charges	[tab. B6]	363	566
Use of provisions for risks and charges	[tab. B6]	(501)	(388)
Provisions for employee termination benefits	[tab. B7]	1	2
Employee termination benefits	[tab. B7]	(129)	(120)
(Gains)/Losses on disposals		2	(2)
Impairment losses/(reversals of impairment losses) on financial assets	[tab. C12]	-	-
(Dividends)	[tab. C11.1]	-	-
Dividends received		-	-
(Finance income realised)	[tab. C11.1]	(3)	(1)
(Finance income in form of interest)	[tab. C11.1]	(136)	(108)
Interest received		133	112
Interest expense and other finance costs	[tab. C11.2]	64	62
Interest paid		(32)	(28)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C10]	33	61
Income tax paid	[tab. C13.3]	(394)	(823)
Other changes		(20)	7
Cash flow generated by operating activities before movements in working capital	**[a]**	**2,114**	**1,616**
Movements in working capital:			
(Increase)/Decrease in Inventories	[tab. A7]	11	(26)
(Increase)/decrease in Trade receivables		(184)	(262)
(Increase)/decrease in Other receivables and assets		(45)	(127)
Change in tax credits Law no. 77/2020		(526)	(35)
Increase/(decrease) in Trade payables		129	209
Increase/(decrease) in Other liabilities		244	(436)
Cash flow generated by /(used in) movements in working capital	**[b]**	**(371)**	**(677)**
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance		10,813	14,469
Net cash generated by/(used for) financial assets and tax credits Law no. 77/2020 attributable to financial activities, payments, cards and acquiring and insurance		(13,294)	(15,961)
(Increase)/decrease in Cash and deposits attributable to BancoPosta	[tab. A11]	(1,268)	(2,088)
Increase/(decrease) in net technical provisions for insurance business		10,334	7,813
(Income)/Expense and other non-cash components		(4,144)	(3,255)
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance	**[c]**	**2,441**	**978**
Net cash flow from /(for) operating activities	**[d]=[a+b+c]**	**4,184**	**1,917**
- of which related party transactions		**(5,975)**	**(39)**
Investing activities:			
Property, plant and equipment	[tab. A1]	(342)	(300)
Investment property	[tab. A2]	-	(1)
Intangible assets	[tab. A3]	(412)	(379)
Investments		(50)	(1)
Other financial assets		(4)	(35)
Investments in consolidated companies net of cash acquired		(40)	-
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		3	6
Investments		-	-
Other financial assets		423	109
Net cash flow from /(for) investing activities	**[e]**	**(422)**	**(601)**
- of which related party transactions		**(1)**	**(28)**
Proceeds from/(Repayments of) long-term borrowings	[tab. B8.4]	(87)	1,248
(Increase)/decrease in loans and receivables		-	-
Increase/(decrease) in short-term borrowings	[tab. B8.4]	(366)	415
(Purchase)/sale of treasury shares		-	-
Dividends paid	[B3]	(662)	(613)
Equity instruments - perpetual hybrid bonds		794	-
Other transactions with minority shareholders		-	1

(€m)	Notes	FY 2021	FY 2020
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(321)**	**1,051**
- of which related party transactions		**(422)**	**(388)**
Effect of exchange rate fluctuations on cash and cash equivalents	**[g]**	***1***	**-**
Net increase/(decrease) in cash	**[h]=[d+e+f+g]**	**3,442**	**2,367**
Cash and cash equivalents at end of year	**[tab. A12]**	**7,958**	**4,516**
Restricted cash and cash equivalents at end of year		(5,369)	(1,705)
Unrestricted cash and cash equivalents at end of year		**2,589**	**2,811**

4.2 Notes to the Statement of financial position

Assets

A1 – Property, plant and equipment (€2,267 million)

The following table shows movements in property, plant and equipment in 2021:

tab. A1 - Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	76	3,160	2,354	340	616	1,987	103	8,636
Accumulated depreciation	-	(2,052)	(1,892)	(303)	(384)	(1,813)	-	(6,444)
Impairment losses	-	(36)	(9)	(1)	(8)	(4)	-	(58)
Balance at 1 January 2021	**76**	**1,072**	**453**	**36**	**224**	**170**	**103**	**2,134**
Changes during the year								
Acquisitions	-	49	90	11	50	76	66	342
Reclassifications	-	13	45	1	9	5	(75)	(2)
Disposals	-	-	-	-	(3)	-	(1)	(4)
Depreciation	-	(29)	(54)	(13)	(44)	(80)	-	(220)
(Impairment losses) / Reversals	-	19	-	-	-	(2)	-	17
Total changes	**-**	**52**	**81**	**(1)**	**12**	**(1)**	**(10)**	**133**
Cost	76	3,219	2,402	349	670	2,024	93	8,833
Accumulated depreciation	-	(2,078)	(1,859)	(314)	(424)	(1,849)	-	(6,524)
Impairment losses	-	(17)	(9)	-	(10)	(6)	-	(42)
Balance at 31 December 2021	**76**	**1,124**	**534**	**35**	**236**	**169**	**93**	**2,267**

At 31 December 2021, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €40 million.

Investments of €342 million in 2021 consists largely of:

- €49 million relating to extraordinary maintenance of Post Offices and local head offices around the country (€19 million), personnel offices (€14 million) and mail sorting offices (€14 million);
- €90 million for plants, with the most significant expenditure made by the Parent Company, of which €44 million for the realisation of plant and equipment related to buildings, €9 million for the realisation and extraordinary maintenance of connectivity systems and €7 million for the installation of ATMs;

- €50 million invested in the upgrade of plant (€25 million) and the structure (€23 million) of properties held under lease;
- €76 million elating to Other assets, including €57 million spent by the Parent Company on the purchase of hardware to renew technological equipment at post offices and head offices and consolidate storage systems (€32 million) and to renew the company's own fleet to carry out activities in the Mail segment, Parcels and Distribution segment (€25 million) and €10 million incurred by PostePay SpA primarily in connection with the purchase of devices for the "PosteMobile Casa" and "PosteCasa Ultraveloce" range of services (€9 million) and the residual portion of mobile telephones and mobile telephone equipment to be leased.

Investments in progress amounted to €66 million, including €58 million incurred by the Parent Company, of which €45 million for extraordinary maintenance and the provision of infrastructure for the commercial and production network, and €11 million for the purchase of hardware and other tech equipment not yet included in the production process.

Reclassifications from tangible assets under construction amount to €75 million and mainly refer to the purchase cost of assets that have become available and ready for use during the year; in particular, they refer to the Parent Company for the conclusion of extraordinary renovations of owned properties and improvements to leased properties (€32 million), for the commissioning of new parcel and mail processing systems (€9 million) and for the completion of upgrades of active and passive building security systems (€8 million) and to the subsidiary SDA Express Courier SpA mainly for the commissioning of the new automated sorting system of the Centre Hub, which entered the production process in December 2020 (€17 million).

A2 – Investment property (€32 million)

Investment property relates to service accommodation owned by Poste Italiane SpA in accordance with Law 560 of 24 December 1993 and residential accommodation previously used by post office directors. Movements in provisions for risks and charges are as follows:

tab. A2 - Movements in Investment property

(€m)	FY 2021
Cost	86
Accumulated depreciation	(55)
Impairment losses	-
Balance at 1 January	**31**
Changes during the year	
Acquisitions	-
Reclassifications	2
Disposals	-
Depreciation	(1)
Total changes	**1**
Cost	90
Accumulated depreciation	(58)
Impairment losses	-
Balance at 31 December	**32**
Fair value at 31 December	74

The fair value of investment property at 31 December 2021 includes €63 million representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company[118].

118. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation and other investment property qualify for Level 3.

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that the Group retains substantially all of the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

A3 – Intangible assets (€873 million)

The following table shows movements in intangible assets in 2021:

tab. A3 - Movements in intangible assets

(€m)	Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Cost	3,790	161	125	109	4,185
Accumulated amortisation and impairments	(3,225)	-	(102)	(103)	(3,430)
Balance at 1 January 2021	**565**	**161**	**23**	**6**	**755**
Changes during the year					
Acquisitions	206	206	51	-	463
Reclassifications	139	(134)	-	(5)	-
Cessations and Disposals	-	(1)	-	-	(1)
Depreciation, amortisation and impairments	(345)	-	-	-	(345)
Foreign exchange differences	-	-	1	-	1
Total changes	**-**	**71**	**52**	**(5)**	**118**
Cost	4,221	232	177	9	4,639
Accumulated amortisation and impairments	(3,656)	-	(102)	(8)	(3,766)
Balance at 31 December 2021	**565**	**232**	**75**	**1**	**873**

Investments in Intangible assets during 2021 amounted to €463 million, including about €31 million in software development activities and the related expenses developed within the Group, primarily relating to personnel expenses (€27 million). Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

The increase in **Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights** totals €206 million, before amortisation for the period, and relates primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

Purchases of **intangible assets under construction** refer mainly to activities for the development of software for infrastructure platforms and for BancoPosta services.

The balance of **intangible assets under construction** includes activities of the Parent Company mainly regarding the development for software relating to the infrastructure platform (€109 million), for BancoPosta services (€61 million), for use in providing support to the sales network (€35 million), for the postal products platform (€18 million) and for the engineering of reporting processes for the other Business functions and personnel (€10 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights for a total of €134 million mainly due to the completion and commissioning of software programmes and the upgrade of existing ones (€60 million), BancoPosta services (€30 million), support for the sales network (€24 million), the postal product platform (€12 million) and the engineering of reporting processes for other business and staff functions (€6 million).

The breakdown of the item Goodwill is as follows:

tab. A3.1 - Goodwill

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020
Mail, Parcels and Distribution SBU	**57**	**5**
Poste Italiane SpA	33	-
Sengi Express Limited	16	-
MLK Deliveries SpA	5	5
Nexive Network Srl	3	-
sennder Italia Srl	-	-
SBU Insurance Services	**18**	**18**
Poste Welfare Servizi Srl	18	18
Total	**75**	**23**

This item, amounting to €75 million, refers to goodwill allocated to the Mail, Parcels and Distribution SBU and the Insurance Services SBU.

The value of **goodwill** attributable to the Mail, Parcels and Distribution SBU comprises the final difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3, for the Parent Company's acquisitions of the subsidiaries Nexive Group and Sengi Express Limited. This difference recorded as goodwill totalled €36 million and €16 million, respectively, upon completion of the process of valuing the individual components of the assets acquired.

As part of the subsequent reorganisation of the Nexive Group, described in detail in note 3 – Significant events during the year and note 2.6 – Basis of consolidation, a portion of goodwill amounting to €33 million was incorporated into the Parent Company in application of the principle of continuity of values pursuant to OPI no. 2 "Accounting treatment of mergers in the financial statements".

For details of the transactions, refer to paragraph 2.6 Basis of consolidation.

With reference to the impairment test on goodwill and cash generating units, please refer to paragraph 2.4 Use of estimates.

A4 – Right-of-use assets (€1,116 million)

tab. A4 - Movements in right-of-use assets

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,399	173	22	60	1,654
Accumulated amortisation and impairments	(290)	(127)	(11)	(26)	(454)
Balance at 1 January 2021	**1,109**	**46**	**11**	**34**	**1,200**
Changes during the year					
New contract acquisitions	91	28	9	1	129
Adjustments	36	45	(1)	(12)	68
Contract terminations	(50)	-	-	-	(50)
Change in scope of consolidation	7	1	-	2	10
Depreciation, amortisation and impairments	(155)	(70)	(5)	(11)	(241)
Total changes	**(71)**	**4**	**3**	**(20)**	**(84)**
Cost	1,478	170	27	51	1,726
Accumulated amortisation and impairments	(440)	(120)	(13)	(37)	(610)
Balance at 31 December 2021	**1,038**	**50**	**14**	**14**	**1,116**

Acquisitions during the year mainly refer to the Parent Company (€71 million) and relate to new contracts and renewal of existing contracts at the beginning of the year of a real estate nature (€54 million), rental of company vehicles for mail and parcel delivery (€8 million) and vehicles for mixed use (€8 million) and to the subsidiary SDA Express Courier for the signing of property rental contracts for the new offices (€36 million). The item "Adjustments" refers to contractual changes during the period in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

table A4.1 - Economic effects of lease agreements

Description (€m)	FY 2021
Depreciation of right-of-use assets	241
Financial charges on lease payables	24
Costs related to short-term leases	39
Costs related to lease of low-value assets	19
Costs related to lease of intangible assets	55
Total	**379**

tab. A4.2- Movements in lease liability

(€m)	FY 2021
Balance at 1 January	**1,235**
New contract increases	129
Payments	(249)
Finance costs	24
Changes in scope	10
Other changes	17
Balance at 31 December	**1,166**
of which current	219
of which non-current	947

A5 – Investments accounted for using the equity method (€277 million)

tab. A5 - Investments

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Investments in associates	275	613	(338)
Equity investments in subsidiaries	2	2	-
Total	**277**	**615**	**(338)**

tab. 5.1 – Movements in investments

Investments	Balance at 01.01.2021	Increases/ (Decreases)	Impairment losses accounted for using the equity method	Impairment losses dividend adjustments	Reclassifications	Balance at 31.12.2021
in associates						
Anima Holding SpA	210	-	24	(8)	-	226
Conio Inc	-	-	1	-	-	1
ItaliaCamp Srl	-	-	-	-	-	-
Fsia Investimenti Srl	402	-	3	-	(405)	-
Financit SpA	-	40	(2)	-		38
Replica Sim SpA	-	10	-	-		10
Total associates	**613**	**50**	**26**	**(8)**	**(405)**	**275**
in subsidiaries						
Address Software Srl	-	-	-	-	-	-
Kipoint SpA	2	-	-	-	-	2
Indabox Srl	-	-	-	-	-	-
Total subsidiaries	**2**	**-**	**-**	**-**	**-**	**2**
Total	**615**	**50**	**26**	**(8)**	**(405)**	**277**

The balance of item Investments in associates (valued using the equity method) mainly refers to the companies Anima Holding, Financit and Replica SIM.

The most significant changes during the year are shown below:

- the acquisition, completed by Poste Italiane on 1 July 2021, of a 40% equity investment in BNL Finance SpA for an amount of €40 million, with the simultaneous change of its company name to Financit SpA (in this regard, reference should also be made to note 3.1 – Main corporate operations);
- subscription by Poste Italiane, on 29 July 2021, of a capital increase of €10 million in Replica SIM SpA, pursuant to which it became the owner of 45% of the company's capital (in this regard, see also note 3.1 – Main corporate operations);
- net positive adjustment to the carrying amount of the equity investment in Anima Holding SpA totalling €16 million, of which: an increase of €24 million for the share pertaining to the economic results achieved by the investee between 30 September 2020 and 30 September 2021, date of the latest available financial statements and a decrease of €8 million as a result of the dividends received from the result for 2020;
- the changes in the equity investment in FSIA Investimenti are due, in addition to the increase of €3 million in the share of the investee company's economic results (net of the amortisation of the intangible assets identified during the purchase price allocation), to the completion of the spin-off of this company, carried out within the broader context of the merger involving SIA and Nexi. The demerger was completed on 31 December 2021, via the transfer of assets representing 30% of FSIA, including a 17.2% interest in SIA and the shareholders' loan of €20.7 million granted by Poste to FSIA, in favour of PSIA Srl, a newly-established company wholly owned by Poste Italiane. 31 December was the date when the merger of SIA into Nexi was completed. Therefore, Poste Italiane, through the subsidiary PSIA, holds a 3.6% stake in the new Nexi group. This investment was classified as financial assets measured at fair value through other income (see also the provisions of note 3.1 – Principal corporate actions and note A6 – Financial assets).

For the equity investment in FSIA, the values in place at the time of completion of the spin-off of the company (31 December 2021) of the intangible assets and goodwill identified during the purchase price allocation are shown below:

FSIA Investments Srl

Description (€m)	Balance at 31.12.2021*	Balance at 31.12.2020	Acquisition-date values
Intangible assets			
Customer relationships	122	123	55
Backlog	35	39	36
Software	8	10	24
Deferred tax liabilities	**(46)**	**(48)**	**(30)**
Goodwill	**358**	**358**	**254**

* Balances outstanding at the time the demerger of Fsia Investments was completed.

During 2018, Poste Italiane SpA proceeded with tax redemption. pursuant to art. 15, paragraph 10-*ter* of Law Decree no. 185 of 2008, of the higher values resulting from the notes to the consolidated financial statements of Poste Italiane at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl.

In order to qualify for the relief, in 2018, the Company paid substitute tax (IRES and IRAP) of approximately €32 million, equal to 16% of the amounts to which the relief applies, totalling approximately €198 million. Specifically, the amount franked, referring to the values that emerged at the time of acquisition of the equity investment in 2017, is made up as follows:

(€m)	
Goodwill	103
Customer relationships	48
Backlog	32
Software	15
Total	**198**
Substitute tax paid	**32**

The substitute tax paid has been accounted for in current tax assets.

A list of subsidiaries, joint ventures and associates accounted for using the equity method is provided in *Additional information – Scope of companies and key information on investments* (note 13).

A6 – Financial assets (€248,856)

tab. A6 – Financial assets

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	34,287	19,026	53,313	34,716	15,961	50,677	2,636
Financial assets at FVTOCI	141,798	8,055	149,853	146,262	10,449	156,711	(6,858)
Financial assets at FVTPL	44,341	473	44,814	40,081	335	40,416	4,398
Derivative financial instruments	800	76	876	75	4	79	797
Total	**221,226**	**27,630**	**248,856**	**221,134**	**26,749**	**247,883**	**973**
of which Financial Activities	*69,042*	*20,667*	*89,709*	*71,693*	*19,719*	*91,412*	*(1,703)*
of which Insurance Activities	*151,372*	*6,832*	*158,204*	*149,308*	*6,472*	*155,780*	*2,424*
of which Postal and Business Services	*77*	*7*	*84*	*97*	*425*	*522*	*(438)*
of which Payment Services and Card Payments	*735*	*124*	*859*	*36*	*133*	*169*	*690*

Financial assets by operating segment break down as follows:

- Financial Services, relate primarily to the financial assets of BancoPosta RFC and the company, BancoPosta Fondi SpA SGR;
- Insurance Services, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Postal and business services, representing all the other financial assets held by the Parent Company (different from those held by BancoPosta) and the other financial assets held by companies that provide postal and business services;
- Payment Services and Card Payments, representing the financial assets held by the ring-fenced EMI and by the subsidiary PSIA Srl.

Financial activities

Financial assets Financial Activities

Description (€m)	Saldo al 31.12.2021			Saldo al 31.12.2020			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	32,429	18,710	51,139	32,847	15,743	48,590	2,549
Financial assets at FVTOCI	35,774	1,884	37,658	38,699	3,972	42,671	(5,013)
Financial assets at FVTPL	39	-	39	72	-	72	(33)
Derivative financial instruments	800	73	873	75	4	79	794
Total	**69,042**	**20,667**	**89,709**	**71,693**	**19,719**	**91,412**	**(1,703)**

Financial Assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.1 - Movements in financial assets at amortised cost

(€m)	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2021	**15,336**	**33,254**	**48,590**
Purchases		3,688	3,688
Changes in amortised cost	-	(113)	(113)
Transfers to equity reserves	-	-	-
Changes in fair value through profit or loss	-	(1,513)	(1,513)
Changes due to impairment	(1)	5	4
Net changes	3,908		3,908
Effects of sales on profit or loss	-	(95)	(95)
Accruals	-	234	234
Sales, redemptions and settlement of accruals		(2,350)	(2,350)
Other changes	(1,214)	-	(1,214)
Balance at 31 December 2021	**18,029**	**33,110**	**51,139**

Loans and receivables

This item breaks down as follows:

tab. A6.1.1 - Loans and receivables at amortised cost

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Loans							(1)
Deposits with the MEF	-	12,707	12,707	-	7,336	7,336	5,371
Receivables	-	12,712	12,712	-	7,340	7,340	5,372
Provisions for doubtful amounts deposited with MEF	-	(5)	(5)	-	(4)	(4)	(1)
Other financial receivables	-	5,322	5,322	-	7,999	7,999	(2,677)
Total	**-**	**18,029**	**18,029**	**-**	**15,336**	**15,336**	**2,693**

The item **Loans** refers to repurchase agreements of €1,577 million entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) for the temporary use of liquidity from private inflows. These transactions are guaranteed by securities for a total notional amount of €1,475 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€363 million at 31 December 2020).

Receivables include:

- **Deposits with the MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds[119]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (€4 million at 31 December 2020). The increase in deposits of €5,372 million was due to higher deposits from postal current accounts, deriving mainly from the signing of new agreements with public customers in the second half of the year.

119. The floating rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.

- **Other financial receivables**, consisting of €4,858 million - of which €4,173 million in amounts paid to counterparties for interest rate swaps (collateral under specific Credit Support Annexes), €72 million in amounts paid to counterparties for repurchase agreements on fixed income instruments (collateral under specific Global Master Repurchase Agreements), €612 million in amounts paid to CC&G, of which €275 million for outstanding repo transactions and €337 million as a pre-financed contribution to the Default Fund[120], €1 million for amounts paid as collateral under clearing systems with central counterparties for over-the-counter transactions[121] in derivatives. The decrease in guarantee deposits compared to the previous year is mainly due to the reduction in amounts paid to counterparties for interest rate swaps, following the positive change in the fair value of hedging derivatives due to the rise in the interest rate curve.

Fixed income instruments

These are Eurozone fixed income instruments held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €28,027 million. Their carrying amount of €33,110 million reflects the amortised cost of unhedged fixed income instruments, totalling €11,327 million, the amortised cost of fair-value hedged fixed income bonds, totalling €19,595 million, increased by €2,188 million to take into account the effects of the hedge. Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2021 amount to approximately €11 million (€15 million at 31 December 2020).

At 31 December 2021, the fair value[122] of these securities was €33,662 million (including €234 million in accrued income).

This category of financial asset includes fixed rate instruments, amounting to nominal €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2021, their carrying amount totals €3,215 million).

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A6.2 - Movements in financial assets at FVTOCI

(€m)	Titoli a reddito fisso
Balance at 1 January 2021	**42,671**
Purchases	9,548
Transfers to equity reserves	(404)
Changes in amortised cost	(68)
Changes in fair value through equity	(1,000)
Changes in fair value through profit or loss	(1,190)
Changes in cash flow hedges*	(50)
Effects of sales on profit or loss	502
Accruals	261
Sales, redemptions and settlement of accruals	(12,612)
Balance at 31 December 2021	**37,658**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

120. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
121. Securities market not subject to any specific regulation as regards the organisation and operation of the market.
122. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €30,244 million of the total amount qualifies for inclusion in level 1 and €3,417 million for inclusion in level 2.

Fixed income instruments

These are Eurozone fixed income instruments held primarily by BancoPosta RFC, consisting of government securities issued by the Italian government with a nominal value of €31,447 million.

Total fair value fluctuation in the year was negative by €2,190 million and is recognised in the relevant equity reserve for the amount of €1,000 million in relation to the portion of the portfolio not hedged by fair value hedges, and an amount of €1,190 million recognised through profit or loss in relation to the hedged portion.

Accumulated impairments at 31 December 2021 amount to €12 million (€18 million at 31 December 2020). The decrease in this item is due to the above-mentioned change in fair value as well as to higher sales/redemptions compared to purchases made during the year, since, after the conversion into Law no. 106 of 23 July 2021 of Italian Law Decree no. 73 of 25 May 2021, part of the deposits from private customers was used to purchase tax credits transferable pursuant to Italian Law Decree 34/2020 ("Decreto Rilancio").

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 13 – *Additional information*.

Financial assets at fair value through profit or loss

Equity instruments

This item refers to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the sale of the Visa Europe Ltd. share to Visa Incorporated on 21 June 2016. These shares are convertible at the rate of 6,829[123] ordinary shares for each C share, minus a suitable illiquidity discount.

Fair value changes in the period under review, amounting to a positive €5 million, have been recognised in profit or loss in "Revenue from financial activities".

During the year, the Parent Company entered into a forward sale agreement for 198,000 Visa Incorporated ordinary shares at a price of US$210.24 per share and at an exchange rate of 1.2044. The total consideration is €35 million and the settlement date is 1 March 2023. The ordinary shares involved in the forward sale amount to approximately 28,973 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2021. The fair value of the forward sale has decreased by €3 million in the reporting year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Expenses from financial activities".

In addition, on 1 March 2021, the forward sale of 400,000 Visa Incorporated ordinary shares outstanding at 31 December 2020 was settled without exchange of the underlying, the economic effect of which, in the amount of approximately €1 million, was recognised in "Expenses from financial activities". Finally, in 2021, we entered into a forward sale, settled on 3 June 2021, of 2,199 preference shares of Visa Incorporated Series A Preferred Stock[124] (corresponding to 220,000 ordinary shares), with exchange of the underlying. This transaction generated a net positive effect of about €1 million.

123. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.
124. On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock.

Derivative financial instruments

The following table shows movements in derivative instruments during the year:

tab. A6.3 - Movements in derivative financial instruments

	Cash flow hedging				Fair value hedging		FVTPL		Total	
	Forward sale		Interest rate swaps		Interest rate swaps		Forward sale			
(€m)	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2021	**2,068**	**(54)**	**1,720**	**-**	**31,034**	**(8,111)**	**-**	**(20)**	**34,822**	**(8,185)**
Increases/(decreases)*	1,714	80	200	(258)	10,056	2,637	-	(5)	11,970	2,454
Gains/(Losses) through profit or loss**	-	-	-	(1)	-	6	-	-	-	5
Transactions settled***	(2,068)	50	(200)	(5)	(3,220)	1,069	-	22	(5,488)	1,136
Balance at 31 December 2021	**1,714**	**76**	**1,720**	**(264)**	**37,870**	**(4,399)**	**-**	**(3)**	**41,304**	**(4,590)**
Of which:										
Derivative assets	**1,714**	**76**			**11,879**	**797**	**-**	**-**	**13,593**	**873**
Derivative liabilities	**-**	**(54)**	**1,720**	**(264)**	**25,991**	**(5,196)**	**-**	**(3)**	**27,711**	**(5,463)**

* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.
** Income/(expense) recognised in profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.
*** Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

Cash flow hedges in the form of interest rate swaps relate exclusively to FVTOCI securities, while forward sales relate to FVTOCI securities with a nominal value of €1,345 million and securities at amortised cost with a nominal value of €369 million.

Cash flow interest rate hedges recorded a total net fair value loss of €178 million on the effective portion, reflected in the cash flow hedge reserve.

Fair value hedges in interest rate swaps are used to hedge:

- securities classified at amortised cost with a nominal value of €17,330 million and securities classified at FVTOCI with a nominal value of €17,584 million; overall, they underwent a net effective negative fair value change of €2,638 million during the year, taking into account the net positive fair value change of €2,703 million in hedged securities (Table A6.1 and A6.2) net of €65 million for differentials paid;
- repurchase agreements classified at amortised cost with a nominal value of €2,956 million. At 31 December 2021, the fair value was negative by €1 million.

In the year under review, the Parent Company carried out the following transactions:

- forward sales with a nominal value of €1,714 million and the settlement of those outstanding at 1 January 2021, totalling €2,068 million;
- interest rate swaps designated as cash flow hedges with a nominal value of €200 million settled during the year;
- fair value hedge interest rate swaps with a nominal amount of €10,056 million, including €2,056 million in hedges for repurchase agreement transactions;
- extinguishment of fair value hedge interest rate swaps on securities sold, whose fair value changes were hedged, for a notional amount of €3,220 million;
- adjustment of forward sales of 400,000 Visa Incorporated ordinary shares outstanding as of 1 January 2021 (commented on in the preceding paragraph);
- signing of new forward sales of 418,000 Visa Incorporated ordinary shares, 220,000 of which were settled on 3 June 2021.

Insurance activities

Financial assets Insurance Activities

Description (€m)	Balance at 31.12.2021 Non-current assets	Current assets	Total	Balance at 31.12.2020 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	1,856	188	2,044	1,811	68	1,879	165
Financial assets at FVTOCI	105,214	6,171	111,385	107,488	6,069	113,557	(2,172)
Financial assets at FVTPL	44,302	473	44,775	40,009	335	40,344	4,431
Total	**151,372**	**6,832**	**158,204**	**149,308**	**6,472**	**155,780**	**2,424**

Loans and receivables

Movements in financial assets measured at amortised cost are shown below:

tab. A6.4 - Movements in financial assets at amortised cost

(€m)	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2021	**21**	**1,858**	**1,879**
Purchases		184	184
Changes in amortised cost	-	5	5
Changes due to impairment	-	-	-
Net changes	3		3
Effects of sales on profit or loss	-	-	-
Accruals	-	19	19
Sales, redemptions and settlement of accruals		(46)	(46)
Balance at 31 December 2021	**24**	**2,020**	**2,044**

Receivables

Financial receivables of €24 million mainly regard receivables for management commissions of Poste Vita internal funds.

Fixed income instruments

Fixed income instruments at amortised cost at 31 December 2021 have a carrying amount of €2,020 million. These instruments exclusively relate to the free capital of Poste Vita SpA and Poste Assicura SpA. At 31 December 2021, the fair value[125] of these instruments is €2,221 million.

Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2021 amount to approximately €0.7 million (€1 million at 31 December 2020).

125. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €1,911 million of the total amount qualifies for inclusion in level 1 and €310 million for inclusion in level 2.

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income are shown below:

tab. A6.5 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Other investments	Total
Balance at 1 January 2021	**113,017**	**540**	**113,557**
Purchases	12,247	-	12,247
Transfers to equity reserves	(289)	-	(289)
Changes in amortised cost	512	-	512
Changes in fair value through equity	(4,781)	(15)	(4,796)
Effects of sales on profit or loss	168	-	168
Accruals	717	-	717
Sales, redemptions and settlement of accruals	(10,731)	-	(10,731)
Balance at 31 December 2021	**110,860**	**525**	**111,385**

These financial instruments have recorded a fair value loss of €4,796 million. This includes €4,752 million (primarily due to costs from the measurement of securities held by Poste Vita SpA) and transferred to policyholders, with a contra-entry made in technical provisions in accordance with the shadow accounting method, and a portion of €44 million reflected in a matching positive movement in the related equity reserve.

Fixed income instruments

At 31 December 2021, fixed income instruments relate to investments primarily held by Poste Vita SpA for €110,539 million (a nominal value of €99,243 million) issued by European governments and European blue-chip companies. These instruments are mainly intended to cover products related to separately managed accounts, and therefore, the related gains and losses are transferred in full to policyholders and recognised in technical provisions using the shadow accounting method. These fixed income instruments comprise bonds issued by CDP SpA, with a fair value of €525 million.

The overall fluctuation in fair value in the year in question was negative for €4,781 million and almost entirely passed on to the policyholders.

Accumulated impairments at 31 December 2021 amount to €52 million, almost entirely transferred to policyholders using the shadow accounting method (at 31 December 2020, impairments amounted to €59 million).

Other investments

At 31 December 2021, Cassa Depositi e Prestiti's private placement of a Constant Maturity Swap amounts to €525 million. Fair value losses registered during the period, totalling €15 million, have been transferred to policyholders using the shadow accounting method.

Financial assets measured at fair value through profit or loss

Below are the movements in financial assets at fair value through profit or loss:

tab. A6.6 - Movements in financial assets at FVTPL

(€m)	Receivables	Fixed income securities	Units of mutual investment funds	Equity instruments	Other investments	Total
Balance at 1 January 2021	**15**	**1,992**	**38,115**	**200**	**22**	**40,344**
Purchases		915	6,429	83	-	7,427
Changes in fair value through profit or loss	-	(29)	634	36	-	641
Net changes	26					26
Effects of sales on profit or loss	-	(2)	195	17	-	210
Accruals	-	32	-	-	-	32
Sales, redemptions and settlement of accruals		(329)	(3,457)	(119)	-	(3,905)
Balance at 31 December 2021	**41**	**2,579**	**41,916**	**217**	**22**	**44,775**

Receivables

This item refers to contributions by way of subscription and capital calls on mutual funds of which the corresponding units have not yet been issued.

Fixed income instruments

At 31 December 2021, fixed income instruments of €2,579 million primarily consisted of €2,564 million of corporate bonds issued by blue-chip companies. Corporate financial instruments totalling €2,144 million are linked to separately managed accounts, €307 million covers contractual obligations arising on Class III insurance policies and the remaining €113 million relates to securities in which the Company's free capital has been invested.

Units of mutual investment funds

At 31 December 2021, units of mutual investment funds amounting to €41,916 million include €34,827 million to cover Class I separately managed account products and €7,084 million to cover Class III products. The remaining €5 million relates to investment of the company's free capital (see note 13 – Additional information Unconsolidated structured entities). Net investment in the funds during the period amounts to €2,972 million and the fair value has increased by approximately €634 million, almost entirely transferred to Class I policyholders using the shadow accounting method. At 31 December 2021, the investments in UCITS fund units (including multi-asset funds) total €37,944 million, units in mutual real estate funds total €2,114 million and mutual funds that primarily invest in bonds total €1,859 million.

Equity instruments

Equities amount to €217 million and refer mainly to Class III products. The change over the period reflects the combined effect of net divestments of approximately €36 million, the effects from sales of approximately €17 million and fair value gains of approximately €36 million.

Other investments

Other investments of €22 million relate to a Constant Maturity Swap placed by Cassa Depositi e Prestiti (a nominal value of €22 million) and covering products linked to separately managed accounts.

Derivative financial instruments

All derivative transactions were complete as at 31 December 2021.

Postal and business services

Financial assets Postal and Business Services

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	2	4	6	58	17	75	(69)
Financial assets at FVTOCI	75	-	75	39	408	447	(372)
Financial assets at FVTPL	-	-	-	-	-	-	-
Derivative financial instruments	-	3	3	-	-	-	3
Total	**77**	**7**	**84**	**97**	**425**	**522**	**(438)**

Loans and receivables

Financial assets at amortised cost refer to financial receivables,exclusively. This item breaks down as follows:

tab. A6.7 – Loans and receivables at amortised cost

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Loans	-	-	-	21	-	21	(21)
Receivables	2	4	6	37	17	54	(48)
Guarantee deposits	-	3	3	-	15	15	(12)
Due from the purchasers of service accommodation	2	2	4	3	2	5	(1)
Due from Other	-	20	20	34	20	54	(34)
Provisions for doubtful debts	-	(20)	(20)	-	(21)	(21)	1
Total	**2**	**4**	**6**	**58**	**17**	**75**	**(69)**

Receivables for **Guarantee deposits** relate exclusively to sums provided to counterparties for interest rate swap transactions. The decrease compared to 31 December 2020 is due to the expiry of fair value hedging interest rate swap contracts entered into to protect the value of BTPs from interest rate changes.

Amounts due from others, with a nominal value of €20 million, regard the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA on 7 August 2017. The decrease in this item is due to the collection of a €30 million tranche on 22 December 2021.

Financial assets at fair value through other comprehensive income

tab. A6.8 - Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Equity instruments	Total
Balance at 1 January 2021	**407**	**40**	**447**
Purchases	-	8	8
Transfers to equity reserves	-	-	-
Changes in amortised cost	-	-	-
Changes in fair value through equity	-	27	27
Changes in fair value through profit or loss	(2)	-	(2)
Changes in cash flow hedges	-	-	-
Effects of sales on profit or loss	-	-	-
Accruals	-	-	-
Sales, redemptions and settlement of accruals	(405)	-	(405)
Balance at 31 December 2021	**-**	**75**	**75**

Fixed income instruments

In March 2021, securities with a total nominal value of €400 million matured. Of these, instruments with a value of €375 million had been hedged using interest rate swaps designated as fair value hedges.

Equity instruments

tab. A6.8.1 - Shares FVTOCI

Nome (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Moneyfarm Holding L.t.d.	53	25	28
sennder Technologies Gmbh*	19	10	9
Milkman SpA	3	5	(2)
Total	**75**	**40**	**35**

* With effetc from 20 December 2021 sennder GmbH changed its company name to sennder Technologies GmbH.

In January 2021, Poste Italiane participated in a new capital increase promoted by sennder GmbH, with an investment of € 8 million.

Fair value gains in the year under review, amounting to €27 million, have been recognised in the specific Equity reserve.

Finally, the item includes €75 million for the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and entirely written off in 2014.

Corporate actions during 2021, are described in note 3.1 – *Principal corporate actions*.

Financial assets measured at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes[126], whose value at 31 December 2021 is zero.

Derivative financial instruments

tab. A6.9 - Movements in derivative financial instruments

	FY 2021			
(€m)	Cash Flow hedges	Fair value hedges	Fair value through profit or loss	Total
Balance at 1 January 2021	**(5)**	**(5)**	**-**	**(10)**
Increases/(decreases)	-	(4)	4	-
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled*	2	9	(1)	10
Balance at 31 December 2021	**(3)**	**-**	**3**	**-**
of which:				
Derivative assets	-	-	3	3
Derivative liabilities	(3)	-	-	(3)

* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 31 December 2021, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B.8 *Financial liabilities*); with this transaction, the Parent Company assumed the obligation to pay the fixed rate of 4.035% and sold the variable rate of the bond, which at 31 December 2021 was 1.215%;
- a swap contract entered into in 2020 to provide management cover for fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl, for the 2020-2022 three-year period.

Lastly, in March 2021 was the expiry of nine asset swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates.

Payment services and card payments

Financial assets Payment Services and Card Payments

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	-	124	124	-	133	133	(9)
Financial assets at FVTOCI	735	-	735	36	-	36	699
Total	**735**	**124**	**859**	**36**	**133**	**169**	**690**

126. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the company Alitalia SAI SpA. The Notes were subscribed for by Poste Italiane SpA on 23 December 2014, in connection with the strategic transaction aimed at the entry of Etihad Airways into the share capital of Alitalia SAI, without any involvement on the part of Poste Italiane in the management of the issuer or its subsidiary. Interest and principal payments were provided for in the relevant terms and conditions if, and to the extent that, there was available liquidity. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

Loans and receivables

Financial assets at amortised cost refer to financial receivables of the ring-fenced EMI.

Financial assets at fair value through other comprehensive income

tab. A6.10 - Shares FVOCI

Name (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Nexi S.p.A	651	-	651
Tink AB	77	32	45
Volante Technologies Inc	7	4	3
Total	**735**	**36**	**699**

With regard to Nexi S.p.A (Nexi), it should be noted that the subsidiary, PSIA Srl (PSIA), holds a 3.6% interest in the company following completion of the merger involving Nexi, Nets and SIA, the latter previously held indirectly by Poste Italiane via the associated undertaking, FSIA Investimenti Srl (FSIA), with a 17.2% stake.

As part of this transaction, the spin-off of FSIA was approved (completed on 31 December 2021) via the assignment to PSIA of assets representing 30% of FSIA, including a 17.2% equity investment in SIA and the shareholders' loan of €20.7 million granted by Poste Italiane to FSIA.

At the same time, on 31 December the merger of SIA into Nexi was completed (the merger of Nets into Nexi took place previously on 1 July 2021), outlining the current shareholding structure.

This transaction generated a gross capital gain at the consolidated level of €225 million following the reclassification of the stake held in SIA-Nexi (first through the associate FSIA, and later by the subsidiary PSIA on completion of the demerger of FSIA) among financial assets and recognised, in accordance with the accounting standard IFRS 9, on the basis of its fair value (stock exchange quotation of Nexi at 30 December 2021). The amount, of a non-recurring nature, was recognised in the item Financial income (note C11 – *Financial income and expenses*).

Fair value gains in the year under review, amounting to 48 million (recognised in the specific Equity reserve) and relates to:

- €45 million for the positive change in the fair value of Tink AB. The investment was adjusted to the sale price of €77 million;
- €3 million for the positive change in the fair value of Volante Tecnologies Inc.

For additional information in this regard, see as reported in note 3.1 – Principal corporate actions.

A7 – Inventories (€155 million)

tab. A7 - Inventories

Description	Balance at 31.12.2020	Increase / (decrease)	Balance at 31.12.2021
Properties held for sale	128	-	128
Work in progress, semi-finished and finished goods and goods for resale	11	-	11
Raw, ancillary and consumable materials	26	(10)	16
Total	**165**	**(10)**	**155**

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value[127] at 31 December

127. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

2021 amounts to approximately €298 million. During the year, EGI sold three properties totalling €6 million, generating a consolidated capital gain of €2 million. This change was offset by an increase of approximately €6 million deriving from upgrading and extraordinary maintenance carried out by the company.

The change in raw, ancillary and consumable materials mainly refers to protective equipment, disinfectant gel and other materials used during the year.

A8 – Trade receivables (€2,511 million)

tab. A8 - Trade receivables

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Due from customers				2	2,331	2,333	109
Due from the Parent company (MEF)	-	48	48	-	36	36	12
Due from subsidiaries, associates and joint ventures	-	21	21	-	1	1	20
Prepayments to suppliers	-	-	-	-	5	5	(5)
Total	**3**	**2,508**	**2,511**	**2**	**2,373**	**2,375**	**136**

Due from customers

tab. A8.1 - Due from customers

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Ministries and Public Administration entities	-	463	463	-	464	464	(1)
Cassa Depositi e Prestiti	-	387	387	-	432	432	(45)
Parcel express courier and express parcel services	-	628	628	-	624	624	4
Overseas counterparties	-	549	549	-	455	455	94
Unfranked mail delivered and other value added services	-	212	212	-	228	228	(16)
Overdrawn current accounts	-	37	37	-	42	42	(5)
Amounts due for other BancoPosta services	-	92	92	-	84	84	8
Other trade receivables	3	600	603	2	546	548	55
Provisions for doubtful debts due from customers	-	(529)	(529)	-	(544)	(544)	15
Total	**3**	**2,439**	**2,442**	**2**	**2,331**	**2,333**	**109**

Specifically[128]:

- Amounts due from **Ministries and Public Administration** entities refer mainly to the following services:
  - Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €101 million.
  - Reimbursement of property, vehicle and security costs incurred on behalf of the Ministry of Economic Development amounting to € 48 million[129]. €62 million of the original receivable is the subject of legal action brought by Poste Italiane for recognition of sundry charges deriving from the use of real estate. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MiSE and the latter appealed before the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance. In December 2021, MiSE paid the Parent Company approximately €38 million in compliance with the first instance ruling. As a result of this payment, the Provision for doubtful debts allocated at the time was released for approximately €34 million and approximately €4 million was recognised as interest on arrears.
  - Unfranked mail services provided on credit, totalling €57 million, to central and local government authorities.
  - Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €120 million, of which €53 million accrued during the year. These receivables are shown gross of the collection of an unavailable amount of €84 million, relating to the tariff increases applied in 2021 and in the first nine months of 2021, deposited by the Presidenza del Consiglio dei Ministri Dipartimento dell'Editoria (Cabinet Office – Publishing Department) during the year in a non-interest-bearing account held by the Parent Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. A further €17 million, without financial coverage in the State Budget, was entirely impaired.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €14 million.
- Receivables from **Cassa Depositi e Prestiti** refer to fees for the postal savings deposit service by BancoPosta RFC in 2021 and not yet paid.
- **Parcels, express courier and express parcel** receivables relate to shipments carried out by the Parent Company and services provided by the subsidiary SDA Express Courier SpA.
- Amounts due from **overseas counterparties** relate to postal services carried out by the Parent Company for overseas postal operators.
- Receivables arising from **unfranked mail delivered and other value added services** refer to bulk mail services and other added value services.
- Receivables for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.
- **Amounts due from other customers** include €86 million in receivables due from Postepay SpA primarily in relation to the sale of TLC subscription services, acquiring services and other services provided to customers operating in the telecommunications, payment circuit and money transfer sectors; €33 million in receivables relating to the Posta Contest service; €32 million relating to the Posta Time service; €21 million in receivables for legal services, €19 million relating to the Posta Target service, €18 million relating to the Raccomandata Market service, €17 million relating to telegraphic services and €13 million relating to non-universal mailing services, €8 million relating to the Advice and Billing Mail service, €8 million relating to the Posta Easy Full service and €6 million relating to the integrated notification service.

In general, there are delays in collecting amounts due from central and local government entities due primarily to the fact that no provision has been made in the related budgets or to the execution of contracts or agreements. In this regard, actions continue aimed at renewing expired agreements[130] and soliciting requests for appropriations.

Provisions for doubtful debts due from customers are described in note 6 – *Risk management*.

128. At 31 December 2021, the balance of trade receivables includes €13 million, net of the related provisions for doubtful accounts, relating to rental income falling within the scope of IFRS 15 – Revenue from Contracts with Customers.
129. See "Revenue and amounts due from the State", showing overall amounts due from the Ministry for Economic Development (€49 million), including amounts due for postal and other services.
130. The principal agreements that have expired regard those governing relations with the tax authorities in relation to the collection and reporting of payments.

Due from the Parent Company

This item relates to trade receivables due to the Parent Company from the Ministry of the Economy and Finance.

tab. A8.2 - Due from the Parent Company

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Universal Service compensation	31	31	-
Delegated services	30	30	-
Remuneration of current account deposits	17	5	12
Publisher tariff and electoral subsidies	1	1	-
Other	2	2	-
Provision for doubtful debts due from the Parent Company	(33)	(33)	-
Total	**48**	**36**	**12**

Specifically:

- **Universal Service compensation** includes:

tab. A8.2.1 - Universal Service compensation receivable

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	8	8	-
Total	**31**	**31**	**-**

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020.

With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. The Parent Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008.

Provisions for doubtful debts have been made for the full amount of the above receivables.

- Receivables for **delegated services** relate to fees accrued solely in 2021 for treasury services performed by BancoPosta on behalf of the State in accordance with a specific agreement with the MEF signed on 22 May 2020 for the three-year period 2020-2022.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2021 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

Provisions for **doubtful debts due from the Parent Company** are described in note 6 – *Risk management*.

A9 – Other receivables and assets (€5,158 million)

tab. A9 - Other receivables and assets

Description (€m)	Notes	Balance at 31.12.2021 Non-current assets	Current assets	Total	Balance at 31.12.2020 Non-current assets	Current assets	Total	Changes
Substitute tax paid		3,939	603	4,542	3,759	545	4,304	238
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	172	172	-	176	176	(4)
Receivables relating to fixed-term contract settlements		51	76	127	57	79	136	(9)
Receivables for amounts that cannot be drawn on due to court rulings		-	77	77	-	78	78	(1)
Accrued income and prepaid expenses from trading transactions		-	61	61	-	12	12	49
Tax assets		-	88	88	-	67	67	21
Other amounts due from associates		-	1	1	-	-	-	1
Interest accrued on IRES refund		-	47	47	-	47	47	-
Sundry receivables		25	206	231	25	194	219	12
Provisions for doubtful debts due from others		(3)	(185)	(188)	(2)	(144)	(146)	(42)
Total		**4,012**	**1,146**	**5,158**	**3,839**	**1,054**	**4,893**	**265**

In particular:

- **Substitute tax paid** refers mainly to:
  - €2,290 million on non-current receivables paid in advance by Poste Vita SpA for the financial years 2015-2021, relating to withholding and substitute tax paid on capital gains on life policies[131];
  - €1,648 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 31 December 2021[132]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
  - €388 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2022 and charged to customers and to be recovered from customers by Poste Italiane;
  - €114 million relating to stamp duty charged to Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law.
- Amounts due from **social security agencies and pension funds** refer for €57 million to sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and which, following access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the labour union agreements of 30 April 2020 and 21 December 2020, will be recovered by means of an adjustment with the contributions due to the Social Security Agency.
- Receivables relating to **fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €122 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. The receivable of €42 million from INPS (formerly IPOST) under a specific agreement entered into with IPOST on 23 December 2009, consisting of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014. Negotiations with the debtor are underway to recover the amounts.
- **Amounts that cannot be drawn on due to court rulings** include €65 million in amounts seized and not assigned to creditors, in the process of recovery, and €12 million in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed. The risks associated with collection of these items are taken into account in the provisions

131. Of the total amount, €362 million, assessed on the basis of provisions at 31 December 2021, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).
132. Introduced by Art. 19 of Law Decree 201/2011, converted as amended by Law 214/2011 in accordance with the procedures set out in the MEF Decree of 24 May 2012: Procedures for implementing paragraphs 1 to 3 of Article 19 of Law Decree no. 201 of 6 December 2011, regarding stamp duty on current accounts and financial products (O.J. no. 127 of 1 June 2012).

for doubtful debts due from others.

- **Interest accrued on IRES refund** refers to interest accruing up to 31 December 2021 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on labour costs and almost entirely attributable to the Parent Company. With regard to the remaining overall tax credit, amounting to €55 million, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the tax authorities in Rome to refund the amounts claimed. The tax authorities appealed both rulings before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the tax authorities' appeal against one of the rulings. Poste Italiane has appealed this ruling before the Supreme Court of Cassation. In the last quarter of 2019, however, the Court of Cassation had the opportunity to rule on other proceedings concerning the operability of the reimbursement pursuant to Law Decree no. 201/11; with respect to the judgement issued, the uniformity of legal-formal circumstances allows the conclusion that the principle of law set out in the above-mentioned judgement of the Court of legitimacy can also have its effects in existing judgements. The appeal concerning Law Decree no. 185/2008 is currently pending before the Lazio Regional Tax Tribunal which, with Order no. 1174/2021 of 30 June 2021, postponed discussion of the matter. Elements of uncertainty about the final outcome of the case are taken into account in determining the provision for doubtful debts due from others.
- **Accrued income and prepaid expenses of a commercial nature and other assets** increased from 31 December 2020 and refer for approximately €38 million to the one-off payment made in advance to employees in July to cover the contractual vacancy for the first half of 2022, in accordance with the renewed National Collective Labour Agreement signed on 23 June 2021.
- Provisions for **doubtful debts due from others** are described in note 6 – *Risk management*.

A10 – Tax credits law no. 77/2020 (€6,456 million)

tab. A10 - Tax credits law no. 77/2020

	Balance at 31.12.2021			Balance at 31.12.2020			
(€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Tax credits at amortised cost	3,090	65	3,155	29	6	35	3,120
Tax credits at FVTOCI	2,461	840	3,301	-	-	-	3,301
Total Receivables	**5,551**	**905**	**6,456**	**29**	**6**	**35**	**6,421**
of which Financial Activities	5,168	840	6,008	-	-	-	6,008
of which Postal and Business Services	383	65	448	29	6	35	413

This item refers to tax credits acquired by Poste Italiane SpA against free capital resources or transferred to BancoPosta RFC for resources subject[133] and not subject to restrictions on their use, in accordance with the provisions of the "Decreto Rilancio" (Law Decree no. 34/2020 converted as amended by Law no. 77/2020), which introduced tax breaks to support citizens and businesses and promote economic recovery following the Covid-19 health emergency.

These receivables are measured at amortised cost if they are acquired for the main purpose of offsetting social security or tax liabilities, on the basis of the provisions of the regulations issued with reference to the characteristics of the individual receivables, while they are measured at fair value through other comprehensive income if they are also acquired for the purpose of sale.

Changes in these receivables during 2021 are shown below:

133. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.

tab. A10.1 - Movements in tax credits law no. 77/2020

(€m)	Tax credits at amortised cost		Tax credits at FVTOCI		Total	
	Value that can be offset	Carrying amount	Value that can be offset	Carrying amount	Value that can be offset	Carrying amount
Balance at 1 January 2021	**38**	**35**	**-**	**-**	**38**	**35**
Purchases	3,937	3,209	3,538	3,275	7,475	6,484
Effect of AC change	-	35	-	34	-	69
Changes in fair value through equity	-	-	-	(8)	-	(8)
Effetti delle vendite a CE	-	-	-	-	-	-
Vendite	-	-	-	-	-	-
Offsetting	(124)	(124)	-	-	(124)	(124)
Balance at 31 December 2021	**3,851**	**3,155**	**3,538**	**3,301**	**7,389**	**6,456**

With regard to financial transactions within the scope of the BancoPosta Group[134], the main changes during the year regard:

- Purchases of €5,958 million, of which €2,683 million related to loans at amortised cost and €3,275 million related to FVTOCI loans;
- income accrued during the period amounting to €58 million, of which approximately €24 million relating to receivables at amortised cost and €34 million relating to FVTOCI receivables.

With regard to postal and commercial transactions, the principal changes during the period, relating solely to the loan portfolio measured at amortised cost, regard the following:

- purchases for €526 million;
- accrued income for the period of €11 million;
- offsetting for €124 million.

At 31 December 2021, the fair value[135] of tax credits measured at amortised cost was €3,117 million.

With regard to the purchase of tax credits derived from building bonuses, offered by the Parent Company to its customers, certain local Public Prosecutors' Offices, in the period between November 2021 and February 2022, decided as a precautionary measure to seize approximately €240 million worth of tax credits that were undergoing purchase procedures. As a result of these measures, adopted in proceedings in which Poste Italiane is a bona fide third party and/or an injured party, the Parent Company filed for a review, the outcome of which has led to the release of most of the sums previously subject to precautionary measures. Taking into account the effects of the anti-fraud decree, which allows for the extension of the set-off window for the duration of the seizure, the amortised cost of the residual receivables that are subject to an seizure order at the date of these financial statements has been adjusted by estimating the average duration of the seizure as one year.

A11 – Cash and deposits attributable to BancoPosta (€7,659 million)

tab. A11 - Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Cash and cash equivalents in hand	2,886	3,027	(141)
Bank deposits	4,773	3,364	1,409
Total	**7,659**	**6,391**	1,268

134. Purchases of tax credits in the year 2021 were made from unrestricted capital resources and other unrestricted resources. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.
135. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 3.

Cash at post offices, relating exclusively to BancoPosta RFC, regards cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Italian Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€1,259 million) and service companies that provide cash transportation services[136] whilst awaiting transfer to the Italian Treasury (€1,627 million). The increase in the item Bank deposits is due to temporary excess liquidity deriving from private customer deposits on the account opened with the Bank of Italy, intended for interbank settlements, and not yet invested.

A12 – Cash and cash equivalents (€7,958 million)

tab. A12 - Cash and cash equivalents

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Bank deposits and amounts held at the Italian Treasury	5,941	2,503	3,438
Deposits with MEF	1,990	1,991	(1)
Cash and cash equivalents in hand	27	22	5
Total	**7,958**	**4,516**	**3,442**

The balance of cash and cash equivalents at 31 December 2021 includes restricted cash of approximately €5,369 million, of which €999 million relates to funds on deposit with the MEF, known as the "Buffer" account, collected from customers and subject to a restriction on their use, €4,253 million consisting of liquidity used to cover insurance technical provisions, €84 million deposited by the Cabinet Office Publishing Department in a non-interest-bearing account with the State Treasury as an advance on payments for reductions in publisher fees granted by the Parent Company (note A8 – *Trade receivables*), €18 million restricted as a result of judicial decisions regarding disputes of various kinds and €15 million for cash on delivery collections and other restrictions.

136. They carry out transport and custody of valuables awaiting payment to the State Treasury.

EQUITY

B1 – Equity (€12,110 million)

The following table shows a reconciliation of the Parent Company's equity and net profit/(loss) for the year with the consolidated amounts:

tab. B1 - Reconciliation of equity

(€m)	Equity at 31.12.2021	Changes in equity during 2021	Net profit/(loss) for 2021	Equity at 31.12.2020
Financial statements of Poste Italiane SpA	**7,034**	**(1,002)**	**797**	**7,239**
Balance of profit (loss) of consolidated subsidiaries	7,457	-	1,138	6,319
Investments accounted for using the equity method	146	-	26	120
Balance of FV and CFH reserves of investee companies	115	13	-	103
Actuarial gains and losses on employee termination benefits of investee companies	(7)	-	-	(6)
Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	(29)	-	5	(34)
Effects of intercompany transactions	(62)	10	2	(75)
Derecognition of infra-group dividends	(3,086)	-	(622)	(2,464)
Elimination of adjustments to value of consolidated companies	598	-	-	598
Amortisation/depreciation until 1 January 2004/Impairment of goodwill	(156)	-	-	(156)
Impairments of disposal groups held for sale	(40)	-	-	(40)
Recognition of liabilities for call options	(29)	-	17	(46)
Other consolidation adjustments	161	1	215	(56)
Equity attributable to owners of the Parent	**12,102**	**(978)**	**1,578**	**11,502**
Equity attributable to non-controlling interests (excluding profit/(loss))	6	-	-	6
Net profit/(loss) attributable to non-controlling interests	2	1	2	(1)
Equity attributable to non-controlling interests	**8**	**1**	**2**	**5**
Total consolidated equity	**12,110**	**(977)**	**1,580**	**11,507**

At 31 December 2021, earnings per share were €1.214 (€0.927 at 31 December 2020), calculated as the ratio of the profit for the year of €1,580 million to the number of outstanding shares of 1,300,877,079.

B2 – Share capital (€1,306 million)

The share capital of Poste Italiane SpA consists of 1,306,110,000 no-par value ordinary shares, of which CDP holds 35% and the MEF 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2021, the Parent Company holds 5,232,921 of its treasury shares (equal to 0.4006% of the share capital). All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B3 – Shareholders transactions

As approved by the General Meeting of 28 May 2021, on 23 June 2021, the Parent Company distributed dividends of €421 million (dividend per share equal to €0.324) as the balance for 2020, taking into account the interim dividend of €211 million (dividend per share equal to €0.162) already paid in November 2020. In addition, on 10 November 2021, Poste Italiane's Board of Directors resolved to advance part of the ordinary dividend for 2021 as an interim dividend. The interim dividend of €241 million was distributed on 24 November 2021 (unit dividend of €0.185).

B4 – Reserves (€3,599 million)

tab. B4 - Reserves

(€m)	Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Translation reserve	Reserve for investees accounted for using equity method	Incentive plans reserve	Total
Balance at 1 January 2021	**299**	**1,210**	**-**	**2,294**	**98**	**-**	**2**	**6**	**3,909**
Increase/(decrease) in fair value during the year	-	-	-	(977)	(178)	-	-	-	(1,155)
Tax effect of changes in fair value	-	-	-	299	51	-	-	-	350
Transfers to profit or loss	-	-	-	(424)	(8)	-	-	-	(432)
Tax effect of transfers to profit or loss	-	-	-	121	3	-	-	-	124
Increase/(decrease) for expected losses	-	-	-	(6)	-	-	-	-	(6)
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	1	-	-	1
Gains/(losses) recognised in equity	-	-	-	(987)	(132)	1	-	-	(1,118)
Incentive plans	-	-	-	-	-	-	-	7	7
Other changes	-	-	-	-	-	-	1	-	1
Equity instruments - perpetual hybrid bonds	-	-	800	-	-	-	-	-	800
Balance at 31 December 2021	**299**	**1,210**	**800**	**1,307**	**(34)**	**1**	**3**	**13**	**3,599**

This item breaks down as follows:

- the **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. During 2021, the total negative changes in fair value for €977 million relate to:
  - a net decrease of €1,008 million in financial assets attributable to the Group's Financial Services segment;
  - a net decrease of €44 million in financial assets attributable to the Group's Insurance Services segment;
  - a net increase of €27 million in financial assets attributable to the Group's Postal and Business Services segment;
  - a net increase of €48 million in financial assets attributable to the Group's Payment and Mobile segment.
- the **cash flow hedge reserve**, attributable to the Parent Company, reflects changes in the fair value of the effective portion of cash flow hedges. In 2021, the fair value loss of €178 million was primarily attributable to the value of BancoPosta RFC's derivative financial instruments.
- The **Incentive Plans reserve** includes the estimate of the valuations for the period relating to the long-term "ILT Performance Share" incentive plan and the MBO short-term incentive plan, carried out on the basis of the provisions of IFRS 2.
- Finally, the **reserve for equity instruments-perpetual hybrid bonds** includes the issue of the perpetual hybrid bond for an amount of €800 million.

Liabilities

B5 – Technical provisions for insurance business (€159,089 million)

These provisions refer to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method, as follows:

tab. B5 - Technical provisions for insurance business

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Mathematical provisions	136,898	129,796	7,102
Outstanding claims provisions	790	801	(11)
Technical provisions where investment risk is transferred to policyholders	7,847	4,975	2,872
Other provisions	13,260	17,986	(4,726)
for operating costs	70	70	-
for deferred liabilities to policyholders	13,190	17,916	(4,726)
Technical provisions for claims	294	236	58
Total	**159,089**	**153,794**	**5,295**

The technical provisions borne by reinsurers are shown under assets in the balance sheet and amount to a total of €50 million.

Details of changes in technical provisions for the insurance business and other claim expenses are provided in the notes to the consolidated statement of profit or loss.

The **provisions for deferred liabilities** to policyholders include portions of gains and losses attributable to policyholders under the shadow accounting method. In particular, the value of the provisions reflects the attribution to policyholders, in accordance with the relevant accounting standards (to which reference is made for more details), of unrealised profits and losses on financial assets at FVTOCI at 31 December 2021 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 – Provisions for risks and charges (€1,268 million)

Movements in provisions for risks and charges are as follows:

tab. B6 - Movements in Provisions for risks and charges in Financial Year 2021

Description (€m)	Balance at 01.01.2021	Provisions	Transfers to profit or loss	Utilisations	Changes in consolidation scope	Balance at 31.12.2021
Provisions for operational risks	139	30	(9)	(15)	-	145
Provisions for disputes with third parties	267	77	(21)	(25)	-	298
Provisions for disputes with staff *	50	4	(1)	(12)	3	44
Provisions for personnel expenses	230	117	(45)	(177)	-	125
Provisions for early retirement incentives	576	195	-	(253)	-	518
Provisions for taxation/social security contributions	18	1	-	-	-	19
Other provisions for risks and charges	116	25	(10)	(17)	5	119
Total	**1,396**	**449**	**(86)**	**(499)**	**8**	**1,268**
Overall analysis of Provisions:						
non-current portion	625					693
current portion	771					575
	1,396					**1,268**

* Net provisions refer almost entirely to service costs (legal assistance).

Specifically:

- **Provisions for operational risks**, relating primarily to liabilities arising from transactions carried out within BancoPosta, primarily reflect risks associated with the distribution of postal savings products issued in previous years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, adjustments and settlements of income from previous years, and fraud. Net provisions for the year amount to €21 million and mainly reflect revised estimates of the risks associated with the distribution of postal savings products and adjustments and settlements of income from previous years.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €117 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€45 million) and settled disputes (€177 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2023. The provisions made at 31 December 2020, amounting to €253 million, were utilised during the year.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax and social security liabilities.
- **Other provisions for risks and charges** cover probable liabilities of various types, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to release foreclosures suffered by the Parent Company may be unable to recover the related amounts; claims for rent arrears on properties used free of charge; the recognition of accrued interest expense due to certain suppliers, and fraud.

B7 – Employee termination benefits (€922 million)

The following movements in employee termination benefits took place in 2020:

tab. B7 - Movements in provisions for employee termination benefits

(€m)	FY 2021
Balance at 1 January	**1,030**
Changes in scope	7
Cost related to current benefits	1
Financial component	9
Effect of actuarial gains/(losses)	4
Uses for the period	(129)
Balance at 31 December 2021	**922**

The current service cost is recognised in personnel expenses, whilst the interest component is recognised in finance costs.

The main actuarial assumptions applied in calculating **provisions for employee termination benefits**, are as follows:

tab. B7.1 - Economic and financial assumptions

	31.12.2021
Discount rate	0.44%
Inflation rate	1.75%
Annual rate of increase of employee termination benefits	2.813%

tab. B7.2 - Demographic assumptions

	31.12.2021
Mortality	2018 ISTAT
Disability	INPS Table by age and gender
Rate of employee turnover	Specific table with rates differentiated by length of service
Advance rate	Specific table with rates differentiated by length of service
Pensionable age	Reaching requirements for Obligatory General Insurance

Actuarial gains and losses are generated by the following factors:

tab. B7.3 - Actuarial gains and losses

	31.12.2021
	TFR
Change in demographic assumptions	-
Change in financial assumptions	1
Other experience-related adjustments	4
Total	**5**

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below.

tab. B7.4 - Sensitivity analysis

	31.12.2021
	TFR
Inflation rate +0.25%	934
Inflation rate -0.25%	910
Discount rate +0.25%	902
Discount rate -0.25%	942
Turnover rate +0.25%	920
Turnover rate -0.25%	924

The following table provides further information in relation to employee termination benefits.

tab. B7.5 - Other information

	31.12.2021
Expected service cost	1
Average duration of defined benefit plan	9.5
Average employee turnover per annum	0.146%

B8 – Financial liabilities (€104,732 million)

tab. B8 – Financial liabilities

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	9,672	89,565	99,237	10,174	79,727	89,901	9,336
Postal current accounts	-	68,597	68,597	-	58,810	58,810	9,787
Loans	8,721	6,861	15,582	9,154	7,727	16,881	(1,299)
Bonds	1,047	-	1,047	1,046	-	1,046	1
Due to financial institutions	7,674	6,861	14,535	8,108	7,727	15,835	(1,300)
Lease payables	947	219	1,166	1,019	216	1,235	(69)
MEF account held at the Treasury	-	3,441	3,441	-	3,588	3,588	(147)
Other financial liabilities	4	10,447	10,451	-	9,387	9,387	1,064
Financial liabilities at FVTPL	29	-	29	46	-	46	(17)
Financial liabilities for purchase of minority interests	29	-	29	46	-	46	(17)
Derivative financial instruments	5,421	45	5,466	8,146	137	8,283	(2,817)
Cash flow hedging	258	9	267	53	73	126	141
Fair Value hedges	5,160	36	5,196	8,093	44	8,137	(2,941)
Fair value through profit or loss	3	-	3	-	20	20	(17)
Total	**15,122**	**89,610**	**104,732**	**18,366**	**79,864**	**98,230**	**6,502**

Postal current accounts

They represent BancoPosta's direct deposit. These payables include net amounts accrued at 31 December 2021 and settled with customers in January 2022. The increase in this item compared to 31 December 2021 is mainly due to new relationships with customers for the sale of tax credits pursuant to Law Decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020) and the increase in public administration inventories following the signing of new agreements.

Loans

Other than the guarantees described in the following notes, loans are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios or maintain a certain minimum rating. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree immediate early repayment of the loan. Standard negative pledge clauses[137] do apply, however.

Bonds

The item **Bonds** refers to two loans issued by the Parent Company as part of the €2 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. In particular:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price

137. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.

of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2021, the fair value[138] of the loan was €998 million;

- a loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in note A6 – Financial assets. At 31 December 2021, the fair value[139] of the loan was €51 million.

Amounts due to financial institutions

tab. B8.1 - Due to financial institutions

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Repurchase agreements	6,951	6,310	13,261	7,285	7,476	14,761	(1,500)
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	-	-	-	150
Other loans	-	551	551	250	250	500	51
Accrued interest expense	-	-	-	-	1	1	(1)
Total	**7,674**	**6,861**	**14,535**	**8,108**	**7,727**	**15,835**	**(1,300)**

TV: Variable rate loan. TF: Fixed rate loan

Amounts due to financial institutions are subject to standard negative pledge clauses[140].

At 31 December 2021, payables amounting to €14,837 million were outstanding in respect of repurchase agreements entered into by the Parent Company with leading financial operators and Central Counterparties for a total nominal amount of securities committed of €13,431 million. These liabilities regard €7,098 million in Long Term Repos and €7,739 million in ordinary financing operations, both of which are aimed at investments in fixed income government securities and the provision of incremental deposits for collateralisation operations.

At 31 December 2021, repurchase agreements with a nominal value of €2,956 million were the subject of fair value hedge transactions executed to hedge interest rate risk. Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€362 million at 31 December 2020).

The fair value[141] of the repurchase agreements in question at 31 December 2021 is €13,249 million.

At 31 December 2021, the fair value[142] of the three EIB loans totalling €723 million is €730 million.

On 26 January 2021, a new loan of €150 million was signed with the EIB. The loan disbursed on 21 May 2021 provides interest at a fixed rate of 0.161% and matures 19 May 2028.

For information regarding the Poste Group's credit lines and available liquidity at 31 December 2021, reference should be made to note 6 – *Risk management Financial risks Liquidity risk*.

138. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.
139. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
140. A commitment given to creditors by which a borrower undertakes not to give senior security to other lenders ranking pari passu with existing creditors, unless the same degree of protection is also offered to them.
141. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.
142. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Lease payables

Lease payables at 31 December 2021 amounted to €1,166 million. For more details on the change in this item, please refer to note A4 – *Right-of-use assets*.

MEF account held at the Treasury

tab. B8.2 - MEF account held at the Treasury

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Balance of cash flows for advances	-	3,488	3,488	-	3,602	3,602	(114)
Balance of cash flows from management of postal savings	-	(220)	(220)	-	(192)	(192)	(28)
Amounts payable due to theft	-	155	155	-	159	159	(4)
Amounts payable for operational risks	-	18	18	-	19	19	(1)
Total	**-**	**3,441**	**3,441**	**-**	**3,588**	**3,588**	**(147)**

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. B8.2.1 - Balance of cash flows for advances

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Net advances	-	3,488	3,488	-	3,603	3,603	(115)
MEF postal current accounts and other payables	-	670	670	-	670	670	-
MEF - State pensions	-	(670)	(670)	-	(671)	(671)	1
Total	**-**	**3,488**	**3,488**	**-**	**3,602**	**3,602**	**(114)**

The **balance of cash flows from management of postal savings**, amounting to a positive €220 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2021 consists of €185 million receivable from Cassa Depositi e Prestiti, and a receivable of €35 million from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €155 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

Amounts payable for operational risks for €18 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Other financial liabilities

Other financial liabilities have a fair value that approximates to their carrying amount.

tab. B8.3 - Other financial liabilities

	Balance at 31.12.2021			Balance at 31.12.2020			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Prepaid card	-	8,208	8,208	-	6,979	6,979	1,229
Domestic and international money transfers	-	938	938	-	917	917	21
Guarantee deposits	-	228	228	-	392	392	(164)
Endorsed cheques	-	322	322	-	382	382	(60)
Payables for items in process	-	264	264	-	186	186	78
Other amounts payable to third parties	-	69	69	-	149	149	(80)
Amounts to be credited to customers	-	125	125	-	139	139	(14)
Cashed cheques	-	141	141	-	135	135	6
Tax collection and road tax	-	107	107	-	79	79	28
Other	4	45	49	-	29	29	20
Total	**4**	**10,447**	**10,451**	**-**	**9,387**	**9,387**	**1,064**

Liabilities for **prepaid card management** refer to the subsidiary PostePay SpA.

The increase in the item **Domestic and international money transfers** is mainly due to the greater use of money orders and transfers by customers in the last days of December.

Amounts payables for guarantee deposits refer to amounts received from counterparties in repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements).

Financial liabilities for purchase of minority interests

The item refers to the estimate of the amount (purchase and sale options) that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA.

Derivative financial instruments

Movements in derivative financial instruments during 2021 are described in note A6 – *Financial assets.*

Changes in liabilities arising from financing activities

The following reconciliation of financial liabilities is provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

tab. B8.4 – Changes in liabilities arising from financing activities

Description (€m)	Balance at 31.12.2020	Net cash flow from/ (for) financing activities	Net cash flow from/ (for) operating activities*	Non-cash flows	Balance at 31.12.2021
Loans	16,881	(211)	134	(1,231)	15,573
Bonds	1,046	-	-	-	1,047
Due to financial institutions	15,835	(211)	134	(1,232)	14,526
Lease payables	1,235	(249)	-	180	1,166
Other financial liabilities	9,387	3	1,078	(17)	10,451
Total	**27,503**	**(457)**	**1,212**	**1,068**	**27,190**

* The total amount of €1,212 million is included in the cash flow from/(for) operating activities, the balance of which in the statement of cash flows amounts to €4,184 million and regards loans and other financial liabilities not attributable to financing activities.

Net debt/(funds)

The net financial position at 31 December 2021 is shown below:

Net debt/(funds) at 31 December 2021

Balance at 31.12.2021 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	*of which related parties*
Financial liabilities	**4,814**	**102,198**	**284**	**8,716**	**(11,280)**	**104,732**	
Financial liabilities at amortised cost	3,505	88,185	31	8,316	(800)	99,237	*3,652*
Postal current accounts	-	69,397	-	-	(800)	68,597	*1*
Bonds	1,047	-	-	-	-	1,047	-
Due to financial institutions	1,274	13,261	-	-	-	14,535	*199*
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,163	-	2	1	-	1,166	*6*
MEF account held at the Treasury	-	3,441	-	-	-	3,441	*3,441*
Other financial liabilities	21	2,086	29	8,315	-	10,451	*5*
Financial liabilities at FVTPL	29	-	-	-	-	29	-
Financial liabilities for purchase of minority interests	29	-	-	-	-	29	-
Derivative financial instruments	3	5,463	-	-	-	5,466	*148*
Intersegment financial liabilities	1,277	8,550	253	400	(10,480)	-	-
Technical provisions for insurance business	**-**	**-**	**159,089**	**-**	**-**	**159,089**	-
Financial assets	**(942)**	**(89,995)**	**(158,606)**	**(9,783)**	**10,470**	**(248,856)**	
Financial instruments at amortised cost	(6)	(51,139)	(2,044)	(124)	-	(53,313)	*(16,089)*
Financial instruments at FVTOCI	(75)	(37,658)	(111,385)	(735)	-	(149,853)	*(525)*
Financial instruments at FVTPL	-	(39)	(44,775)	-	-	(44,814)	*(22)*
Derivative financial instruments	(3)	(873)	-	-	-	(876)	-
Intersegment financial assets	(858)	(286)	(402)	(8,924)	10,470	-	-
Tax credits Law no. 77/2020	**(448)**	**(6,008)**	**-**	**-**	**-**	**(6,456)**	
Technical provisions attributable to reinsurers	**-**	**-**	**(50)**	**-**	**-**	**(50)**	**-**
Liabilities/(net financial assets)	**3,424**	**6,195**	**717**	**(1,067)**	**(810)**	**8,459**	
Cash and deposits attributable to BancoPosta	**-**	**(7,659)**	**-**	**-**	**-**	**(7,659)**	**-**
Cash and cash equivalents	**(2,121)**	**(2,021)**	**(4,584)**	**(32)**	**800**	**(7,958)**	***(1,991)***
Net debt/(funds)	**1,303**	**(3,485)**	**(3,867)**	**(1,099)**	**(10)**	**(7,158)**	

Net debt/(funds) at 31 December 2020

(€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	*of which related parties*
Financial liabilities	**5,438**	**95,295**	**304**	**7,459**	**(10,266)**	**98,230**	
Financial liabilities at amortised cost	3,757	79,756	41	7,085	(738)	89,901	*4,379*
Postal current accounts	-	59,548	-	-	(738)	58,810	*1*
Bonds	1,046	-	-	-	-	1,046	-
Due to financial institutions	1,488	14,347	-	-	-	15,835	-
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,211	-	24	-	-	1,235	*7*
MEF account held at the Treasury	-	3,588	-	-	-	3,588	*3,588*
Other financial liabilities	12	2,273	17	7,085	-	9,387	*783*
Financial liabilities at FVTPL	46	-	-	-	-	46	
Financial liabilities for purchase of minority interests	46	-	-	-	-	46	
Derivative financial instruments	10	8,263	10	-	-	8,283	*234*
Intersegment financial liabilities	1,625	7,276	253	374	(9,528)	-	-
Technical provisions for insurance business	**-**	**-**	**153,794**	**-**	**-**	**153,794**	-
Financial assets	**(1,310)**	**(92,385)**	**(155,953)**	**(7,753)**	**9,518**	**(247,883)**	
Financial instruments at amortised cost	(75)	(48,590)	(1,879)	(133)	-	(50,677)	*(10,934)*
Financial instruments at FVTOCI	(447)	(42,671)	(113,557)	(36)	-	(156,711)	*(540)*
Financial instruments at FVTPL	-	(72)	(40,344)	-	-	(40,416)	*(22)*
Derivative financial instruments	-	(79)	-	-	-	(79)	-
Intersegment financial assets	(788)	(973)	(173)	(7,584)	9,518	-	-
Tax credits Law no. 77/2020	**(35)**	**-**	**-**	**-**	**-**	**(35)**	**-**
echnical provisions attributable to reinsurers	**-**	**-**	**(54)**	**-**	**-**	**(54)**	**-**
Liabilities/(net financial assets)	**4,093**	**2,910**	**(1,909)**	**(294)**	**(748)**	**4,052**	
Cash and deposits attributable to BancoPosta	**-**	**(6,391)**	**-**	**-**	**-**	**(6,391)**	**-**
Cash and cash equivalents	**(2,254)**	**(2,020)**	**(964)**	**(16)**	**738**	**(4,516)**	***(1,992)***
Net debt/(funds)	**1,839**	**(5,501)**	**(2,873)**	**(310)**	**(10)**	**(6,855)**	

The total Net Financial Position at 31 December 2021 shows a surplus of € 7,158 million, an increase of € 303 million with respect to the amounts at 31 December 2020 (surplus of € 6,855 million). This change was primarily due to positive operating income of €1.9 billion (including €1,580 million attributable to net income for the period), the positive cash flow deriving from the effect of the issue of the hybrid perpetual bond, amounting to €0.8 billion, and the positive effect of the change in working capital and taxes amounting to approximately €0.2 billion, partially offset by negative value fluctuations and sales during the period of investments classified in the FVTOCI category (held primarily by the Financial Services Strategic Business Unit) amounting to approximately €1.6 billion, investments of €754 million and the distribution of dividends totalling €662 million (including €241 million relating to the interim ordinary dividend planned for 2021). Finally, the change includes the positive effect of the merger involving the companies SIA and Nexi of over €0.6 billion.

An analysis of the Net debt/(funds) of the Mail, Parcels and Distribution segment at 31 December 2021, in accordance with ESMA recommendation 32-382-1138, is provided below:

Financial debt ESMA

(€m)	At 31 December 2021	At 31 December 2020
A. Cash	(2,121)	(2,254)
B. Cash equivalents	-	-
C. Other current financial assets	(8)	(425)
D. Liquidity (A + B + C)	**(2,129)**	**(2,679)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	785	894
F. Current portion of the non-current financial payable	-	-
G. Current financial debt (E + F)	**785**	**894**
H. Net current financial debt (G + D)	**(1,344)**	**(1,785)**
I. Non-current financial debt (excluding current portion and debt instruments)	1,705	1,873
J. Debt instruments	1,047	1,046
K. Trade payables and other non-current payables	22	25
L. Non-current financial debt (I + J + K)	**2,774**	**2,944**
M. Total financial indebtedness (H + L)	**1,430**	**1,159**

Reconciliation of financial indebtedness ESMA

(€m)	At 31 December 2021	At 31 December 2020
M. Total financial indebtedness (H + L)	**1,430**	**1,159**
Non-current financial assets	(76)	(98)
K. Trade payables and other non-current payables	(22)	(25)
Tax credits Law no. 77/2020	(448)	(35)
Net debt/(funds)	**884**	**1,001**
Intersegment financial receivables and borrowings	419	838
Net debt/(funds) including intersegment transactions	**1,303**	**1,839**

B9 – Trade payables (€2,029 million)

tab. B9 - Trade payables

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Amounts due to suppliers	1,400	1,368	32
Contract liabilities	605	461	144
Due to subsidiaries	3	2	1
Due to associates	21	6	15
Total	**2,029**	**1,837**	**192**

Amounts due to suppliers

tab. B9.1 - Amounts due to suppliers

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Italian suppliers	1,214	1,217	(3)
Foreign suppliers	28	17	11
Overseas counterparties*	158	134	24
Total	**1,400**	**1,368**	**32**

* The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Contract liabilities

tab. B9.2 - Movements in contract liabilities

Description (€m)	Balance at 01.01.2021	Change for recognition of revenues of the period	Other changes	Balance at 31.12.2021
Advances and down payments from customers	381	-	109	490
Other liabilities deriving from contracts	53	10	(3)	60
Liabilities for fees to be refunded	24	54	(23)	55
Liabilities for volume discounts	3	-	(3)	-
Total	**461**	**64**	**80**	**605**

Prepayments and advances from customers

Prepayments and advances from customers relate to amounts received from customers as prepayment for the following services to be rendered:

tab. B9.2.1 -Prepayments and advances from customers

Description (€m)		Balance at 31.12.2021	Balance at 31.12.2020	Changes
Prepayments from overseas counterparties		329	275	54
Advances from Parent Company		-	-	-
Automated franking		42	40	2
Advances for Publishing from PCM	[tab. A8.1]	84	24	60
Unfranked mail		11	17	(6)
Postage-paid mailing services		4	6	(2)
Other services		20	19	1
Total		**490**	**381**	**109**

Other contract liabilities primarily regard Postamat and “Postepay Evolution” card fees collected in advance.

Liabilities for fees to be refunded represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

B10 – Other liabilities (€3,609 million)

tab. B10 - Other liabilities

Description (€m)	Balance at 31.12.2021 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2020 Non-current liabilities	Current liabilities	Total	Changes
Due to staff	20	719	739	19	696	715	24
Social security payables	26	428	454	26	442	468	(14)
Other tax payables	1,648	570	2,218	1,496	504	2,000	218
Sundry payables	48	106	154	29	67	96	58
Accrued liabilities and deferred income	7	37	44	6	36	42	2
Total	**1,749**	**1,860**	**3,609**	**1,576**	**1,745**	**3,321**	**288**

Amounts due to staff

tab. B10.1 - Due to staff

Description (€m)	Balance at 31.12.2021 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2020 Non-current liabilities	Current liabilities	Total	Changes
Fourteenth month salaries	-	204	204	-	210	210	(6)
Incentives	20	406	426	19	380	399	27
Accrued vacation pay	-	41	41	-	45	45	(4)
Other amounts due to staff	-	68	68	-	61	61	7
Total	**20**	**719**	**739**	**19**	**696**	**715**	**24**

Social security payables

tab. B10.2 - Social security payables

Description (€m)	Balance at 31.12.2021 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2020 Non-current liabilities	Current liabilities	Total	Changes
INPS	4	323	327	1	335	336	(9)
Pension funds	-	86	86	-	87	87	(1)
INAIL	22	-	22	25	-	25	(3)
Other Agencies	-	19	19	-	20	20	(1)
Total	**26**	**428**	**454**	**26**	**442**	**468**	**(14)**

Other taxes payable

tab. B10.3 - Other taxes payable

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Stamp duty payable	1,648	-	1,648	1,496	52	1,548	100
Tax due on insurance provisions	-	362	362	-	250	250	112
Withholding tax on employees' and consultants' salaries	-	104	104	-	95	95	9
VAT payable	-	21	21	-	41	41	(20)
Substitute tax	-	34	34	-	31	31	3
Withholding tax on postal current accounts	-	8	8	-	10	10	(2)
Other taxes due	-	41	41	-	25	25	16
Total	**1,648**	**570**	**2,218**	**1,496**	**504**	**2,000**	**218**

In particular:

- **Stamp duty payable** relates to the amount accrued at 31 December 2021 on Interest-bearing Postal Certificates outstanding and on Class III and V insurance policies pursuant to the new law referred to in note A9 - Other receivables and assets.
- **Tax due on insurance provisions** relates to Poste Vita SpA and is described in note A9.

Sundry payables

tab. B10.4 - Sundry payables

Description (€m)	Balance at 31.12.2021			Balance at 31.12.2020			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Sundry payables attributable to BancoPosta	-	29	29	-	5	5	24
Guarantee deposits	18	-	18	12	8	20	(2)
Other payables	30	77	107	17	54	71	36
Total	**48**	**106**	**154**	**29**	**67**	**96**	**58**

4.3 Notes to the statement of profit or loss

Revenue from contracts with customers

Description (€m)	Notes	FY 2021		FY 2020	
Revenue from Mail, Parcels and other	**[C1]**	**3,685**		**3,201**	
of which Revenue from contracts with customers			**3,155**		**3,132**
recognised at a point in time			447		259
recognised over time			2,708		2,873
Net revenue from Financial Services	**[C2]**	**4,783**		**4,945**	
Revenue from Financial Services		4,931		5,151	
Expenses from financial activities		(148)		(206)	
of which Revenue from contracts with customers			**2,735**		**2,847**
recognised at a point in time			282		315
recognised over time			2,453		2,532
Revenue from Insurance Services after changes in technical provisions and other claim expenses	**[C3]**	**1,870**		**1,643**	
Insurance premium revenue		*17,829*		*16,865*	
Income from insurance activities		*4,383*		*4,065*	
Change in technical provisions for insurance business and other claim expenses		*(19,964)*		*(18,768)*	
Expenses from insurance activities		*(378)*		*(520)*	
of which Revenue from contracts with customers			**10**		**9**
recognised at a point in time			-		-
recognised over time			10		9
Revenue from Payments and Mobile	**[C4]**	**882**		**737**	
of which Revenue from contracts with customers			**882**		**737**
recognised at a point in time			372		241
recognised over time			510		497
Total		**11,221**		**10,526**	

Revenue from contracts with customers breaks down as follows:

- **Revenue from mail, parcels and other** refers to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at point-in-time given the number of transactions handled through the various sales channels (post offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally governed by annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and accepted. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue. In addition, revenue not arising from contracts with customers are accounted for in accordance with IFRS 16 – Leases and IAS – 20 *Accounting for Government Grants and Disclosure of Government Assistance*.
- **Net revenue from financial services** refers to:
  - revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
  - revenue from current account and related services: these are recognised over time, measured on the basis of the ser-

vice rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
- revenue from commissions on payment of bills by payment slip: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale;
- revenue not from contracts with customers accounted for in accordance with IFRS 9 – *Financial Instruments*.

- **Revenue from payments and mobile** refers to:
  - card payments, relating primarily to the cards issued by Postepay recognised at a point in time when issued and the services linked to them recognised over time as the service is used by the customer. These services include interchange fees recognised by international circuits on payment transactions with debit cards detected over time. The item includes commissions for acquiring services of affiliated merchants recognised over time based on use of the service;
  - mobile and fixed line telecommunications services, including: revenue from "standard telecommunications offerings" recognised over time using the output method and based on the traffic offered (voice, text and data) to the customer; revenue generated by the fixed line "PosteMobile Casa" and "PosteCasa Ultraveloce" offering, recognised over time using the output method and based on the fee charged to the customer; revenue in the form of SIM activation fees recognised at a point in time when the SIM card is handed over to the customer. Within the Poste Italiane Group, the only mobile and fixed linetelecommunications contracts used are in the form of bundles combining two performance obligations to which the implicit discount is allocated on the basis of the related fair value. The revenue from this type of offer, however, is not significant in terms of total revenue from payments and mobile services;

C1 – Revenue from mail, parcels and other (€3,685 million)

This item breaks down as follows:

tab. C1 - Revenue from Mail, Parcels & other

Description (€m)	FY 2021	FY 2020	Changes
Mail	1,767	1,582	185
Parcels	1,408	1,160	248
Other revenue	195	144	49
Total external revenue	**3,370**	**2,886**	**483**
Universal Service compensation	262	262	-
Publisher tariff subsidies	53	53	-
Total revenue	**3,685**	**3,201**	**483**

External revenue showed an increase compared to 2020, the latter heavily impacted by the health emergency that involved our country and significantly affected normal operations.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The amount of annual compensation of €262 million is defined in the 2020-2024 Service Contract, effective from 1 January 2020.

Publisher tariff subsidies[143] relate to the amount receivable by the Company from the Presidenza del Consiglio dei Ministri – Dipartimento dell'Editoria (Cabinet Office – Publishing department) as compensation to Poste Italiane for the reductions applied to publishers and non-profit organisations at the time of setting up. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. In this regard, it should be noted that for the year under review, the amount of subsidies that the Company has granted is covered in the 2021 State Budget.

143. Law no. 8 of 28 February 2020 ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "*for a duration equal to that of the universal postal service*" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

C2 – Net revenue from financial services (€4,783 million)

This item breaks down as follows:

tab. C2 - Revenue from financial services

Description (€m)	FY 2021	FY 2020	Changes
Financial services	4,393	4,532	(139)
Income from financial activities	523	516	7
Other operating income	15	103	(88)
Expenses from financial activities	(148)	(206)	58
Total	**4,783**	**4,945**	**(162)**

Revenue from financial services regard services provided mainly within the Parent Company's BancoPosta RFC and the subsidiary BancoPosta Fondi SGR.

The decrease in **Other operating income** is primarily due to the net positive effect, recognised in 2020, following the conclusion of the comprehensive review of estimates of past due items arising from BancoPosta's operations.

Revenue from Financial Services breaks down as follows:

tab. C2.1 - Revenue from financial services

Description (€m)	FY 2021	FY 2020	Changes
Fees for collection of postal savings deposits	1,753	1,851	(98)
Income from investment of postal current account deposits and free cash	1,523	1,590	(67)
Other revenue from current account services	398	396	2
Commissions on payment of bills by payment slip	264	297	(33)
Distribution of loan products	209	168	41
Income from delegated services	99	103	(4)
Mutual fund management fees	120	97	23
Income from delegated services	15	16	(1)
Mutual fund management fees	12	14	(2)
Total	**4,393**	**4,532**	**(139)**

Revenue from financial services shows a slight decrease compared to the year 2020, which was also impacted by the health emergency that has affected our country since March 2020 and has significantly affected normal operations. The largest decreases relate to revenue from the collection of postal savings deposits, income from investment of postal current account deposits and free cash, and revenue from fees on the processing of payment slips.

In particular:

- **Fees for collection of postal savings deposits** relates to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021 for the period 2021-2024, with effect from 1 January 2021.
- **Income from investment of postal current account deposits and free cash** breaks down as follows:

tab. C2.1.1 - Income from investment of postal current account deposits and free cash

Description (€m)	FY 2021	FY 2020	Changes
Income from investments in securities	1,434	1,546	(112)
Interest income on securities at amortised cost	670	649	21
Interest income on securities at FVOCI	816	894	(78)
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	16	21	(5)
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	(104)	(58)	(46)
Interest income on repurchase agreements	36	40	(4)
Income from investments in tax credits	59	-	59
Interest income on tax credits at AC	25	-	25
Interest income on tax credits at FVTOCI	34	-	34
Income from deposits held with the MEF	28	43	(15)
Remuneration of current account deposits (deposited with the MEF)	28	32	(4)
Differential on derivatives stabilising returns	-	11	(11)
Other income	2	1	1
Total	**1,523**	**1,590**	**(67)**

The decrease in this item compared to the previous year is due to lower yields on investments in securities, partly offset by new income from investments in tax credits.

- *Income from investments in securities* relates to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A6 – *Financial assets*. The decrease in this item compared to the previous year is mainly due to the reduction in interest income from FVTOCI securities following the reduction in the portfolio and the effects of the increase in fair value hedges.

  Income from investments in tax credits relates to interest accrued during the period on the investments described in note A10 - Tax Credits Law no. 77/2020.

  Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited by Public Administration entities.

- Revenue from **current account services** primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions.
- Revenue from the **distribution of loan products** relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.

tab. C2.2 - Income from financial activities

Description (€m)	FY 2021	FY 2020	Changes
Income from financial assets at FVTOCI	503	399	104
Realised gains	503	399	104
Income from equity instruments at FVTPL	8	8	-
Fair value gains	5	8	(3)
Realised gains	2	-	2
Dividends from other equity investments	1	-	1
Income from financial instruments at amortised cost	1	102	(101)
Realised gains	1	102	(101)
Income from fair value hedges	6	-	6
Fair value gains	6	-	6
Foreign exchange gains	4	6	(2)
Realised gains	2	6	(4)
Other income	1	1	-
Total	**523**	**516**	**7**

Other income from financial operations largely in line with last year, refers mainly to profits realised on financial instruments at FVTOCI, partially offset by lower profits realised on the amortised cost portfolio.

tab. C2.3 - Expenses from financial activities

Description (€m)	FY 2021	FY 2020	Changes
Expenses from financial instruments at FVTPL	5	6	(1)
Losses from valuation	2	5	(3)
Realised losses	3	1	2
Expense from financial instruments at FVTOCI	2	97	(95)
Realised losses	2	97	(95)
Expenses from equity instruments at FVTPL	-	6	(6)
Losses from valuation	-	5	(5)
Realised losses	-	1	(1)
Expenses from financial instruments at amortised cost	96	38	58
Realised losses	96	38	58
Expenses from cash flow hedges	1	-	1
Losses from valuation	1	-	1
Expenses from fair value hedges	-	3	(3)
Losses from valuation	-	3	(3)
Losses on exchange rates	-	5	(5)
Losses from valuation	-	5	(5)
Interest expense	44	51	(7)
Interest on customers' deposits	1	3	(2)
Interest expense on repurchase agreements	9	6	3
due to the Parent company	9	6	3
on guarantee deposits	26	36	(10)
Interest expense on own liquid funds (finance costs)	(1)	-	(1)
Total	**148**	**206**	**(58)**

Expenses from financial activities decreased by €58 million compared to the year 2020 mainly due to the lower losses on realisation from financial activities at FVTOCI (-€95 million) partly offset by higher expenses for losses on realisation from financial instruments at amortised cost (+€58 million).

C3 – Revenue from insurance services after changes in technical provisions and other claims expenses (€1,870 million)

This item breaks down as follows:

tab. C3 - Revenue from Insurance Services after changes in technical provisions and other claims expenses

Description (€m)	FY 2021	FY 2020	Changes
Insurance premium revenue	17,829	16,865	964
Income from insurance activities	4,383	4,065	318
Change in technical provisions for insurance business and other claims expenses	(19,964)	(18,767)	(1,197)
Expenses from insurance activities	(378)	(520)	142
Total	**1,870**	**1,643**	**227**

A breakdown of insurance premium revenue, showing outward reinsurance premiums, is as follows:

tab. C3.1 - Insurance premium revenue

Description (€m)	FY 2021	FY 2020	Changes
Class I	16,619	15,898	721
Class III	863	681	182
Classes IV and V	92	82	10
Gross "life" premiums	**17,574**	**16,661**	**913**
Outward reinsurance premiums	(10)	(10)	-
Net "life" premiums	**17,564**	**16,651**	**913**
Non-life premiums	295	235	60
Outward reinsurance premiums	(30)	(21)	(9)
Net "non-life" premiums	**265**	**214**	**51**
Total	**17,829**	**16,865**	**964**

Gross life premiums amounted to €17,574 million, an increase of €913 million compared to the previous year mainly refers to Class I products (exclusively for the component relating to the Multi-class product).

Although marginal in relation to total net inflows, the contribution of net premiums pertaining to the Non-Life segment was up from €214 million in 2020 to the current €265 million, due to the growth of all business lines (property and personal protection line, payment protection and welfare).

Income from insurance activities is as follows:

tab. C3.2 - Income from insurance activities

Description (€m)	FY 2021	FY 2020	Changes
Income from financial assets at amortised cost	5	5	-
Interest	5	5	-
Income from financial assets at FVPL	1,382	1,501	(119)
Interest	297	351	(54)
Fair value gains	841	1,096	(255)
Realised gains	244	54	190
Income from financial assets at FVTOCI	2,893	2,481	412
Interest	2,727	2,397	330
Realised gains	166	84	82
Other income	103	78	25
Total	**4,383**	**4,065**	**318**

The increase in Income from insurance activities (€318 million compared to 2020) is mainly attributable to income deriving from financial assets at FVOCI for €412 million primarily relating to remuneration, partially offset by the decrease in income from financial assets at FVPL, given the conditions of financial markets. The relevant valuation gains, which are almost exclusively related to investments included in separately managed accounts, were almost entirely transferred to policyholders through shadow accounting.

A breakdown of the change in technical provisions and other claim expenses, showing the portion ceded to reinsurers, is as follows:

tab. C3.3 - Change in technical provisions for insurance business and other claims expenses

Description (€m)	FY 2021	FY 2020	Changes
Claims paid	9,503	10,896	(1,393)
Change in mathematical provisions	7,141	5,999	1,142
Change in outstanding claim provisions	(11)	138	(149)
Change in Other technical provisions	308	599	(291)
Change in technical provisions where investment risk is transferred to policyholders	2,872	1,045	1,827
Total change in technical provisions for insurance business and other claim expenses: Life	**19,813**	**18,677**	**1,136**
Portion ceded to reinsurers: Life	**(6)**	**(3)**	**(3)**
Total change in technical provisions for insurance business and other claim expenses: Non-life	**169**	**102**	**67**
Portion ceded to reinsurers: Non-life	**(12)**	**(8)**	**(4)**
Total	**19,964**	**18,768**	**1,196**

The change in technical provisions for the insurance business and other claim expenses primarily reflect:

- claims paid, policies redeemed, expiries and the related expenses incurred by Poste Vita SpA during the year;
- the change in mathematical provisions reflecting increased obligations to policyholders;
- the change in Other technical provisions is entirely attributable to the change recorded in the period in the DPL reserve, related to the valuation of securities included in the separately managed accounts and classified in the FVTPL category;
- The change in technical provisions where investment risk is transferred to policyholders Class D.

Expenses from insurance activities break down as follows:

tab. C3.4 - Expenses from insurance activities

Description (€m)	FY 2021	FY 2020	Changes
Expenses from financial assets at FVPL	306	380	(74)
Losses from valuation	205	213	(8)
Realised losses	101	167	(66)
Expenses from financial assets at FVOCI	19	71	(52)
Interest	10	7	3
Realised losses	9	64	(55)
Impairment losses/reversals of impairment losses due to credit risk	(7)	22	(29)
Other expenses	60	47	13
Total	**378**	**520**	**(142)**

The decrease in Expenses from insurance activities (€142 million compared to 2020) is mainly attributable to the lower losses on realisation both with reference to financial assets at the FVPL and those at FVOCI and minor adjustments for impairment losses.

C4 – Revenue from payments and mobile (€882 million)

This item breaks down as follows:

tab. C4 - Revenue from Payments & Mobile

Description	FY 2021	FY 2020	Changes
Electronic money	490	376	114
Fees for issue and use of prepaid cards	357	301	56
Acquiring	28	3	25
Other fees	105	72	33
Mobile	307	283	24
Transaction Banking	81	77	4
Payment Slips	2	1	1
Commissions for processing tax payments using forms F23/F24	49	47	2
Money transfers	30	29	1
Other products and services	-	-	-
Other operating income	4	1	3
Total	**882**	**737**	**145**

This item primarily regards revenue from the mobile telecommunications services and card payment and payment services provided by PostePay SpA.

C5 – Cost of goods and services (€2,873 million)

tab. C5 - Cost of goods and services

Description (€m)	FY 2021	FY 2020	Changes
Service costs	2,599	2,262	337
Lease expense	124	98	26
Raw, ancillary and consumable materials and goods for resale	150	163	(13)
Total	**2,873**	**2,523**	**350**

Costs of goods and services increased by a total of €350 million compared to the year 2020 mainly due to higher costs related to the growth of the parcels, telecommunications and electronic money businesses in particular as well as the consolidation from 1 January 2021 of Nexive Group. In addition, the value as at 31 December 2021 also includes €85 million in expenses incurred in dealing with the health emergency (€106 million for 2020).

Service costs

tab. C5.1 - Service costs

Description (€m)	FY 2021	FY 2020	Changes
Transport of mail, parcels and forms	1,065	816	249
Outsourcing fees and external service charges	251	202	49
Routine maintenance and technical assistance	249	243	6
Mobile telecommunication services for customers	194	171	23
Credit and debit card fees and charges	142	121	21
Personnel services	119	116	3
Cleaning, waste disposal and security	114	110	4
Energy and water	103	110	(7)
Transport of cash	72	79	(7)
Mail and telegraph	62	55	7
Other	54	44	10
Advertising and promotions	46	65	(19)
Telecommunications and data transmission	46	52	(6)
Asset management fees	43	37	6
Consultants' fees and legal expenses	25	21	4
Electronic document management, printing and enveloping services	13	19	(6)
Remuneration of Statutory Auditors	1	1	-
Total	**2,599**	**2,262**	**337**

Lease expense

tab. C5.2 - Lease expense

Description (€m)	FY 2021	FY 2020	Changes
Equipment hire and software licences	68	61	7
Real estate leases and ancillary costs	36	14	22
Vehicle leases	3	2	1
Other lease expense	17	21	(4)
Total	**124**	**98**	**26**

Lease expense include €20 million for short-term leases and €15 million for low-value leases.

Raw, ancillary and consumable materials and goods for resale

tab. C5.3 - Raw, ancillary and consumable materials and goods for resale

Description (€m)	Note	FY 2021	FY 2020	Changes
Consumables, advertising materials and goods for resale		69	126	(57)
Fuels and lubricants		55	47	8
Card and card payments		11	9	2
Printing of postage and revenue stamps		4	4	-
Change in inventories of raw, ancillary and consumable materials	[tab. A7]	11	(20)	31
Change in property held for sale	[tab. A7]	-	(5)	5
Other		-	2	(2)
Total		**150**	**163**	**(13)**

The decrease compared to 2020 is mainly affected by the lower costs for consumables purchased as a result of the health emergency, which made it necessary to procure personal protective equipment (such as masks, gloves, detergent gels and disinfectants) in order to ensure continued operations both at Post Offices and at mail processing and sorting sites.

C6 – Personnel expenses (€5,467 million)

Personnel expenses include the cost of personnel seconded to other organisations. The recovery of such expenses, determined by the relevant charge-backs, is posted to other operating income. Personnel expenses break down as follows:

tab. C6 - Personnel expenses

Description (€m)	Note	FY 2021	FY 2020	Changes
Wages and salaries		3,924	3,869	55
Social security contributions		1,116	1,114	2
Employee termination benefits: current service cost	[tab. B7]	1	1	-
Employee termination benefits: supplementary pension funds and INPS		232	240	(8)
Agency staff		11	22	(11)
Remuneration and expenses paid to Directors		2	2	-
Early retirement incentives		40	20	20
Net provisions (reversals) for disputes with staff	[tab. B6]	-	7	(7)
Provisions for early retirement incentives	[tab. B6]	195	416	(221)
Amounts recovered from staff due to disputes		(4)	(8)	4
Share-based payments		12	6	6
Other personnel expenses/(cost recoveries)		(62)	(51)	(11)
Total		**5,467**	**5,638**	**(171)**

Labour costs decreased by €171 million in total from 2020, mainly due the extraordinary component, only partly offset by the increase in the ordinary component.

The reduction in the extraordinary component is mainly due to the lesser provision made for early retirement incentives.

The increase in the ordinary component mainly derives from minor costs recorded in 2020 during the health emergency (use of the Solidarity Fund, lower costs for MBO managerial and sales force commercial incentives, and other miscellaneous allowances such as overtime and night work for reduced activity during the lockdown). The effect is partly counter-balanced by the reduction in the number of resources deployed in the year (approximately 3,300 FTE less than in 2020). It should be noted that the reduction in FTEs includes the entry of Nexive resources (approximately 1,200 FTEs), following the acquisition of the Group in January 2021.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B6 – *Provisions for risks and charges*.

The following table shows the Group's average and year-end headcount:

tab. C6.1 - Number of employees

	Average			Precise number		
Units	FY 2021	FY 2020	Changes	31.12.21	31.12.20	Changes
Executives	668	697	(29)	627	675	(48)
Middle managers	15,172	14,838	334	14,843	14,704	139
Operating areas	91,811	96,397	(4,586)	89,130	92,689	(3,559)
Base areas	4,657	4,954	(297)	3,435	4,640	(1,205)
Tot. permanent units*	**112,308**	**116,886**	**(4,578)**	**108,035**	**112,708**	**(4,673)**

* Data expressed in *Full Time Equivalents*.

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 121,423 (in 2020: 124,695).

C7 – Depreciation, amortisation and impairments (€790 million)

This item breaks down as follows:

tab. C7 - Depreciation, amortisation and impairments

Description (€m)	FY 2021	FY 2020	Changes
Depreciation of property, plant and equipment	220	210	10
Impairments/recoveries/adjustments of property, plant and equipment	(17)	(20)	3
Depreciation of investment property	1	1	-
Depreciation of right-of-use assets	237	231	6
Impairments/recoveries/adjustments of right of use	4	2	2
Amortisation and impairments of intangible assets	345	276	69
Total	**790**	**700**	**90**

Amortisation, depreciation and impairments increases by €90 million compared to 2020, due mainly to an increase in amortisation of intangible assets (€69 million) related to the higher investments made or entering into operation mainly in the IT segment.

C8 – Capitalised costs and expenses (€33 million)

Capitalised costs and expenses break down as follows:

tab. C8 - Increases relating to assets under construction

Description (€m)	Note	FY 2021	FY 2020	Changes
Property, plant and machinery:	**[A1]**	**2**	**4**	**(2)**
Cost of goods and services		2	3	(1)
Personnel expenses		-	1	(1)
Amortisation		-	-	-
Intangible assets:	**[A3]**	**31**	**33**	**(2)**
Cost of goods and services		2	5	(3)
Personnel expenses		27	26	1
Amortisation		2	2	-
Total		**33**	**37**	**(4)**

C9 – Other operating costs (€253 million)

Other operating costs break down as follows:

tab. C9 - Other operating costs

Description (€m)	Note	FY 2021	FY 2020	Changes
Operational risk events		17	39	(22)
Thefts		3	6	(3)
Loss of BancoPosta assets, net of recoveries		-	1	(1)
Other operating losses of BancoPosta		14	32	(18)
Net provisions for risks and charges made/(released)		93	(54)	147
for disputes with third parties	[tab. B6]	56	(13)	69
for operational risks	[tab. B6]	21	(62)	83
for other risks and charges	[tab. B6]	16	21	(5)
Capital Losses		3	1	2
Municipal property tax, urban waste tax and other taxes and duties		75	61	14
Municipal property tax, urban waste tax and other taxes and duties		65	56	9
Total		**253**	**103**	**150**

Other costs and charges increased compared to the previous year by €150 million, the effect of which is mainly due to the higher net provisions for risks and charges (+€147 million). In particular, the net absorptions of the provision for operational risks recognised in 2020 refer mainly to the revised estimate of certain risks associated with the distribution of postal savings products and the conclusion of voluntary protection initiatives undertaken for the "Europa Immobiliare I" and "Obelisco" funds. For more details please see note B6 – *Provisions for risks and charges*.

C10 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€24 million)

tab. C10 - Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets

Description (€m)	FY 2021	FY 2020	Changes
Net impairments and losses on receivables and other assets (uses of provisions)	33	61	(28)
Impairment losses/(reversals of impairment losses) due from customers	(16)	48	(64)
Impairment losses/(reversals of impairment losses) due from the Parent Company	-	-	-
Impairment losses/(reversals of impairment losses) sundry receivables	49	13	36
Losses on receivables	-	-	-
Impairment losses/(reversals of impairment losses) financial operations	1	1	-
Impairment losses/(reversals of impairment losses) debt instruments at FVTOCI	(6)	6	(12)
Impairment losses/(reversals of impairment losses) debt instruments at amortised cost	(4)	7	(11)
Impairment losses/(reversals of impairment losses) Cassa e Depositi BP	-	-	-
Total	**24**	**75**	**(51)**

The decrease of €51 million compared to 2020 is mainly due to reversals of impairment losses on trade receivables from customers, partially offset by higher impairments on other receivables recognised to take into account the probable risk associated with the non-recovery of certain past due items for which fact-finding activities are being completed. The decrease in this item was also due to reversals of impairment losses on debt instruments at FVTOCI and at amortised cost. For more details please see what is presented in note 6 – *Risk analysis and monitoring*.

C11 – Finance income (€369 million) and costs (€73 million)

Income from and costs incurred on financial instruments relate to assets other than those in which deposits collected by BancoPosta and the financial and insurance businesses are invested.

Finance income

tab. C11.1 - Finance income

Description (€m)	FY 2021	FY 2020	Changes
Income from financial assets at FVTOCI	43	38	5
Interest	42	48	(6)
Accrued differentials on fair value hedges	(2)	(11)	9
Realised gains	3	1	2
Income from financial instruments at amortised cost	60	56	4
Interest	60	56	4
Income from financial assets at FVPL	6	3	3
Fair value gains	4	3	1
Accrued differentials on fair value hedges	2	-	2
Income from financial liabilities at FVTPL	17	2	15
Other finance income	238	9	229
Finance income on discounting receivables	3	3	-
Late payment interest	24	20	4
Impairment of amounts due as late payment interest	(20)	(19)	(1)
Income from revaluation of Nexi transaction	225	-	225
Other income	6	5	1
Foreign exchange gains	5	15	(10)
Total	**369**	**123**	**246**

For the purposes of reconciliation with the statement of cash flows, in 2021 finance income after both realised gains, foreign exchange gains and income from the Nexi transaction amounted to €136 million (€108 million in 2020).

The increase in finance income is largely attributable to the non-recurring capital gains recorded following the SIA-Nexi transaction described in note 3.1 – Principal corporate actions and note A6 – Financial assets.

Finance costs

tab. C11.2 - Finance costs

Description (€m)	Note	FY 2021	FY 2020	Changes
Finance costs on financial liabilities		32	40	(8)
on bonds		3	1	2
on due to financial institutions		3	11	(8)
on lease payables		24	26	(2)
on derivative financial instruments		2	2	-
Sundry costs on financial assets		2	-	2
Realised losses on financial assets at FVOCI		-	-	-
Losses from valuation on financial assets at FVTPL		2	-	2
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	9	8	1
Interest expense on own liquid funds		1	-	1
Other finance costs		20	14	6
Losses on exchange rates		9	13	(4)
Total		**73**	**75**	**(2)**

For the purposes of reconciliation with the statement of cash flows, in 2021 finance costs after foreign exchange losses amounted to €64 million (€62 million in 2020).

C12 – Income tax expense (€588 million)

The nominal IRES rate is 24%, while the Group's theoretical average IRAP rate is 5.24%[144]. The breakdown of income taxes for the year is as follows.

tab. C12 - Income tax expense

	FY 2021				FY 2020			
Description (€m)	IRES	IRAP	Foreign companies	Total	IRES	IRAP	Total	Total
Current tax expense	400	112	1	513	350	97	447	66
Deferred tax assets	22	9	-	31	(72)	(11)	(83)	114
Deferred tax liabilities	38	6	-	44	6	-	6	38
Total	**460**	**127**	**1**	**588**	**284**	**86**	**370**	**218**

Income taxes increased by €218 million compared to the previous year and include the positive non-recurring effect for the Parent Company of a total of €25 million, of which 11 million relate to the tax benefit associated with Aid to Economic Growth (ACE), referring to 2014, for which, in the reporting year, the uncertainties connected to the quantification no longer exist and €14 million relate to an appeal concerning the tax treatment of income components arising from the management of postal current account deposits, in addition to €1 million relating to the "Patent Box" covering the years 2016-2019 for the Poste Welfare Servizi company (agreement entered into with the Revenue Agency on 22 July 2021).

Additionally, note that the year 2020 benefited from the positive non-recurring effect of a total of €96 million relating, for €81 million, to the "Patent Box", covering the years 2015-2019 (of which €58 million recognised by Poste Vita and Poste Assicura and €23 million by the Parent Company), and for €15 million to the tax benefit for the Parent Company related to Aid for Economic Growth (ACE), referring to 2015-2016.

144. The nominal IRAP rate is 3.90% for most taxpayers, 4.20% for companies that operate under concession arrangements other than motorway and tunnel construction and operating companies, 4.65% for banks and other financial entities and 5.90% for insurance companies (+/-0.92%, representing regional increases and cuts and +0.15% representing an increase for regions that showed a healthcare deficit).

The tax rate for the year 2021 is 27.13% and is constituted as follows:

tab. C12.1 - Reconciliation between theoretical and effective rate

Description (€m)	FY 2021		FY 2020	
	Tax	Tax Rate	Tax	Tax Rate
Profit before tax	*2,168*		*1,577*	
Theoretical tax charge calculated on the Parent Company's IRES rate	520	24.00%	378	24.00%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible out-of-period losses	11	0.49%	7	0.42%
Net provisions for risks and charges and impairment of receivables	22	1.03%	(10)	-0.61%
Non-deductible taxes	4	0.18%	4	0.28%
Realignment of tax bases and carrying amounts and taxation for previous years	(17)	-0.78%	(4)	-0.24%
Adjustments to equity investments measured using the equity method	(6)	-0.28%	(1)	-0.07%
Tax effect of foreign companies	-	-0.01%	-	0.00%
IRAP of Italian companies	126	5.83%	86	5.46%
Revaluation of equity instruments (SIA-Nexi transaction)	(48)	-2.23%	-	0.00%
Patent Box and ACE tax effect	(12)	-0.57%	(80)	-5.07%
Other differences	(12)	-0.50%	(10)	-0.67%
Effective tax	**588**	**27.13%**	**370**	**23.49%**

Current tax expense

tab. C12.2 - Movements in current tax assets /(liabilities)

Description (€m)	Current taxes 2021			
	IRES	IRAP	Foreign companies	Total
	Assets/ (Liabilities)	Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	**141**	**33**	**-**	**174**
Payments	309	85	-	394
on account for the current year	299	72	-	371
on balance of previous year	9	13	-	22
substitute tax	1	-	-	1
Provisions to profit or loss	(400)	(112)	(1)	(513)
current tax	(400)	(112)	(1)	(513)
Provisions to equity	7	-	-	7
Other	36	1	-	37
Balance at 31 December	**93**	**7**	**(1)**	**99**
of which:				
Current tax assets	95	20	-	115
Current tax liabilities	(2)	(13)	(1)	(16)

Under IAS 12 - Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

At 31 December 2021, current tax assets/(liabilities) include:

- the tax asset of €12 million reflecting payments of IRES and IRAP on account and IRES credits from the previous year, net of provisions for IRES and IRAP for the year 2021;
- assets totalling €42 million (including €15 million in total recognised by the Poste Vita, Poste Assicura and Poste Welfare Servizi companies and €27 million by the Parent Company), relating to participation in the Patent Box scheme and the tax benefit for the Parent Company linked to the Aid to Economic Growth (ACE) for 2016. These assets will become compensable after the submission of the relevant supplementary tax returns.
- assets for a total of €14 million relating to an appeal filed by the Parent Company concerning the tax treatment of income components arising from the management of postal current account deposits;
- the substitute tax credit of €22 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10-*ter* of Law Decree no. 185 of 29 November 2008, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl (as further described in note A5 – Investments accounted for using the equity method);
- assets totalling €9 million recognised as a result of the responses received to two petitions filed with the Revenue Agency concerning the tax effects of applying IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the residual IRES credit of €8 million to be recovered on the non-deduction of IRAP resulting from the petitions presented pursuant to Article 6 of Law Decree no. 185 of 29 November 2008, and Article 2 of Law Decree no. 201 of 6 December 2011, which provided for the partial deductibility of IRAP for IRES purposes (in this regard, see information on receivables for related interest in note A9).

Deferred tax assets and liabilities

tab. C12.3 - Deferred taxes

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020	Changes
Deferred tax assets	1,245	1,123	122
Deferred tax liabilities	(953)	(1,229)	276
Total	**292**	**(106)**	**398**

Movements in deferred tax assets and liabilities are shown below:

tab. C12.4 - Movements in deferred tax assets and liabilities

Description (€m)	FY 2021	FY 2020	Changes
Balance at 1 January	**(106)**	**312**	**(418)**
Net income/(expense) recognised in profit or loss	(75)	77	(152)
Net income/(expense) recognised in equity	470	(495)	965
Change in scope of consolidation	3	-	3
Balance at 31 December	**292**	**(106)**	**398**

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

tab. C12.5 - Movements in deferred tax assets

Description (€m)	Property, plant and equipment and intangible assets	Depreciation and amortisation	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Technical provisions for insurance business	Other	Total
Balance at 1 January 2021	**51**	**14**	**74**	**103**	**337**	**38**	**426**	**80**	**1,123**
Income/(expense) recognised in profit or loss	-	(2)	(1)	(4)	(43)	-	23	(3)	(30)
Income/(expense) recognised in equity	-	-	153	-	-	(4)	-	-	149
Change in scope of consolidation	-	-	-	1	2	-	-	-	3
Balance at 31 December 2021	**51**	**12**	**226**	**100**	**296**	**34**	**449**	**77**	**1,245**

tab. C12.6 - Movements in deferred tax liabilities

Description (€m)	Financial assets and liabilities	Other	Total
Balance at 1 January 2021	**1,175**	**54**	**1,229**
Expense/(income) recognised in profit or loss	38	7	45
Expense/(income) recognised in equity	(321)	-	(321)
Balance at 31 December 2021	**892**	**61**	**953**

Movements in deferred tax assets and liabilities recognised directly in equity during the year are as follows:

tab. C12.7 - Income/(expense) recognised in equity

Description (€m)	FY 2021	FY 2020	Changes
Fair value reserve for financial assets at FVTOCI	420	(501)	921
Cash flow hedge reserve for hedging instruments	54	6	48
Actuarial gains /(losses) on employee termination benefits	(4)	-	(4)
Total	**470**	**(495)**	**965**

4.4 Operating segments

The identified operating segments, which are in line with the Group's strategic guidelines reflected in the "24 SI" Strategic Plan, are as follows:

- Mail, Parcels and Distribution
- Financial Services
- Insurance Services
- Payments and Mobile

In addition to managing the mail and parcel service, the Mail, Parcels and Distribution segment also includes the activities of the distribution network and the activities of Poste Italiane SpA corporate functions that provide services to BancoPosta RFC and the other segments in which the Group operates. In this regard, separate General Operating Guidelines have been approved by Poste Italiane SpA's Board of Directors which, in implementation of BancoPosta RFC's By-laws, identify the services provided by Poste Italiane SpA functions to BancoPosta and determines the manner in which they are remunerated.

The Financial Services segment includes the activities of BancoPosta RFC, and BancoPosta Fondi SpA SGR.

The Insurance Services segment includes the activities carried out by the Poste Vita Group.

The Payment and Mobile Services Sector includes the activities of payment management, e-money services and mobile and fixed-line telephone services by PostePay SpA.

The result for each segment is based on operating profit/(loss) and gains/losses on intermediation. All income components reported for operating segments are measured using the same accounting policies applied in the preparation of these consolidated financial statements.

The following results, which are shown separately in accordance with the management view and with applicable accounting standards, should be read in light of the integration of the services offered by the distribution network within the businesses allocated to all four identified operating segments, also considering the obligation to carry out the Universal Postal Service.

FY 2021 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,685	4,783	1,870	882	-	11,220
Net intersegment revenue from ordinary activities	4,694	759	3	319	(5,776)	-
Net operating revenue	**8,380**	**5,542**	**1,873**	**1,201**	**(5,776)**	**11,220**
Depreciation, amortisation and impairments	(770)	-	(4)	(16)	1	(790)
Non-cash expenses	(64)	(44)	(5)	(12)	-	(125)
Total non-cash expenses	**(834)**	**(44)**	**(9)**	**(28)**	**1**	**(915)**
Operating profit/(loss)	**(305)**	**747**	**1,123**	**282**	**-**	**1,846**
Finance income/(costs)	(18)	(13)	101	226	-	296
(Impairment losses)/reversal of impairment losses on debt instruments, receivables and other assets	-	-	-	-	-	-
Profit/(Loss) on investments accounted for using the equity method	1	22	-	3	-	26
Intersegment finance income/(costs)	46	1	(48)	-	-	-
Income tax expense	46	(200)	(349)	(85)	-	(588)
Net profit/(loss) for the year	**(230)**	**556**	**828**	**425**	**-**	**1,580**
Assets	**12,845**	**109,410**	**166,397**	**10,194**	**(14,118)**	**284,728**
Non-current assets	7,832	76,384	154,408	783	(2,753)	236,652
Current assets	5,013	33,026	11,989	9,411	(11,365)	48,076
Liabilities	**10,105**	**104,996**	**160,444**	**9,304**	**(12,231)**	**272,618**
Non-current liabilities	4,317	15,126	159,657	336	(909)	178,528
Current liabilities	5,788	89,870	787	8,968	(11,322)	94,090
Other information						
Capital expenditure	739	-	-	15	-	754
Investments accounted for using the equity method	3	274	-	-	-	277
External revenue from contracts with customers	**3,155**	**2735**	**10**	**882**	**-**	**6,781**
Recognition at a point in time	447	282	-	372	-	1,101
Recognition over time	2,708	2,453	10	510	-	5,680

FY 2020 (€m)	Mail, Parcels and Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,201	4,945	1,643	737	-	10,526
Net intersegment revenue from ordinary activities	4,634	665	1	341	(5,641)	-
Net operating revenue	**7,835**	**5,610**	**1,644**	**1,078**	**(5,641)**	**10,526**
Depreciation, amortisation and impairments	(667)	(1)	(8)	(25)	1	(700)
Non-cash expenses	(60)	33	(3)	(5)	-	(35)
Total non-cash expenses	**(727)**	**32**	**(11)**	**(30)**	**1**	**(735)**
Operating profit/(loss)	**(588)**	**866**	**988**	**258**	**-**	**1,524**
Finance income/(costs)	(35)	(7)	90	-	-	48
(Impairment losses)/reversal of impairment losses on debt instruments, receivables and other assets	-	-	(1)	-	-	(1)
Profit/(Loss) on investments accounted for using the equity method	-	(3)	-	8	-	5
Intersegment finance income/(costs)	46	1	(48)	1	-	-
Income tax expense	158	(210)	(245)	(73)	-	(370)
Net profit/(loss) for the year	**(419)**	**647**	**784**	**194**	**-**	**1,206**
Assets	**12,867**	**104,229**	**160,243**	**8,735**	**(13,717)**	**272,357**
Non-current assets	7,002	70,254	152,302	484	(2,383)	227,659
Current assets	5,865	33,975	7,941	8,251	(11,334)	44,698
Non-current assets and disposal groups held for sale	-	-	-	-	-	-
Liabilities	**10,885**	**98,948**	**154,953**	**8,193**	**(12,129)**	**260,850**
Non-current liabilities	4,519	18,290	154,300	304	(793)	176,620
Current liabilities	6,366	80,658	653	7,889	(11,336)	84,230
Liabilities related to assets held for sale	-	-	-	-	-	-
Other information						
Capital expenditure	658	1	1	20	-	680
Investments accounted for using the equity method	3	210	-	402	-	615
External revenue from contracts with customers	**3,132**	**2,847**	**9**	**737**	**-**	**6,726**
Recognition at a point in time	259	315	-	241	-	815
Recognition over time	2,873	2,532	9	497	-	5,911

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 31 December 2021, the entities consolidated on a line-by-line basis are mainly based in Italy and, on a residual and insignificant basis in China[145]; customers are mainly located in Italy: revenue from foreign customers does not represent a significant percentage of total revenue. Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.

145. Total net revenue from ordinary operations by third parties recognised by the fully consolidated companies based in China amounted to €77.4 million, while EBIT and net trading income amounted to €5.5 million.

4.5 Related party transactions

Impact of related party transactions on the financial position and profit or loss

The impact of related party transactions on the financial position and profit or loss is shown below.

Impact of related party transactions on the statement of financial position at 31 December 2021

Name (€m)	Balance at 31.12.2021						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	2	-
Associates							
Anima Holding Group	-	-	1	-	-	8	-
Italia Camp Srl	-	1	-	-	-	-	-
Financit SpA	-	20	-	-	-	13	-
Related parties external to the Group							
MEF	12,712	156	15	1,990	3,448	10	8
Cassa Depositi e Prestiti Group	3,762	389	-	-	-	19	-
Enel Group	-	24	-	-	-	-	-
Eni Group	-	3	-	-	-	9	-
Leonardo Group	-	1	-	-	-	15	-
Montepaschi Group	167	2	-	1	347	-	-
Other related parties external to the Group	20	14	1	-	4	5	65
Provision for doubtful debts due from external related parties	(26)	(35)	(7)	-	-	-	-
Total	**16,635**	**575**	**10**	**1,991**	**3,800**	**82**	**73**

At 31 December 2021, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to €72 million (€71 million at 31 December 2020).

Impact of related party transactions on the statement of financial position at 31 December 2020

Name (€m)	Balance at 31.12.2020						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	1	1	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
FSIA Srl	21		-	-	-		-
Related parties external to the Group							
MEF	7,340	145	12	1,991	3,592	4	8
Cassa Depositi e Prestiti Group	3,863	433	-	-	-	1	-
Enel Group	-	24	-	-	-	4	-
Eni Group	-	2	-	-	-	9	-
Leonardo Group	-	1	-	-	-	25	-
Montepaschi Group	248	4	-	1	1,018	-	-
Other related parties external to the Group	50	13	-	-	3	4	66
Provision for doubtful debts due from external related parties	(26)	(40)	(7)	-	-	-	-
Total	**11,496**	**582**	**5**	**1,992**	**4,614**	**56**	**74**

Impact of related party transactions on profit or loss in FY 2021

Name (€m)	Balance at 31.12.2021												
	Revenue					Costs							
						Capex		Current expenses					
	Revenue and income from Mail, Parcels and other	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after changes in technical provisions and other claim expenses	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and fro services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/ (reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries													
Address Software Srl	-	-	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	-	3	-	-	-	-	-
Associates													
Anima Holding Group	3	-	-	-	-	-	-	31	-	-	-	-	-
Financit SpA	16	-	-	-	-	-	-	-	-	-	-	-	-
Related parties external to the Group													
MEF	354	49	90	-	-	-	-	1	-	4	8	(4)	1
Cassa Depositi e Prestiti Group	1	-	1,818	15	-	3	-	42	-	-	-	-	1
Enel Group	39	-	5	-	-	-	-	-	-	-	-	-	-
Eni Group	14	-	2	-	-	-	-	36	-	-	-	-	-
Equitalia Group	1	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	1	-	-	-	-	1	5	27	-	-	-	-	-
Montepaschi Group	15	-	2	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	22	-	-	-	1	-	-	20	73	2	-	-	-
Total	**466**	**49**	**1,917**	**15**	**1**	**4**	**5**	**161**	**73**	**6**	**8**	**(4)**	**2**

At 31 December 2021, net provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to about €0.4 million (€1 million at 31 December 2020).

Impact of related party transactions on profit or loss in FY 2020

	Balance at 31.12.2020											
	Revenue				Costs							
					Capex		Current expenses					
Name (€m)	Revenue from sales and services	Revenue from Payments and Mobile	Revenue from Financial Services	Revenue from Insurance Services after changes in technical provisions and other claim expenses	Property, plant and equipment	Intangible assets	Cost of goods and fro services	Personnel expenses	Other operating costs	Expenses from financial activities	Impairment losses/ (reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Subsidiaries												
Address Software Srl	-	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	-	2	-	-	-	-	-
Associates												
Anima Holding Group	3	-	-	-	-	-	27	-	-	-	-	-
FSIA Srl	-	-	-		-	-	-	-	-	-	-	-
Related parties external to the Group												
MEF	313	48	93	-	1	-	2	-	-	5	2	1
Cassa Depositi e Prestiti Group	2	-	1,921	15	-	-	7	-	-	-	-	2
Enel Group	40	-	4	-	-	-	25	-	-	-	-	-
Eni Group	12	-	2	-	-	-	29	-	-	-	-	-
Leonardo Group	-	-	-	-	-	13	32	-	-	-	-	-
Montepaschi Group	16	-	2	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	14	-	-	-	-	-	34	75	1	-	-	-
Total	**400**	**48**	**2,022**	**15**	**1**	**13**	**159**	**75**	**1**	**5**	**2**	**3**

The nature of the Parent Company's principal related party transactions external to the Group is summarised below in order of relevance:

- Amounts received from the MEF relate primarily to payment for carrying out the USO, the management of postal current accounts, as payment for delegated services, the franking of mail on credit and for the integrated notification service.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services. The costs incurred primarily relate to the supply of gas and electricity.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

Impact of related party transactions

Description (€m)	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
	Balance at 31.12.2021			Balance at 31.12.2020		
Financial position						
Financial assets	248,856	16,635	6.7	247,883	11,496	4.6
Trade receivables	2,511	575	22.9	2,375	582	24.5
Other receivables and assets	11,614	10	0.1	4,928	5	0.1
Cash and cash equivalents	7,958	1,991	25.0	4,516	1,992	44.1
Provisions for risks and charges	1,268	72	5.7	1,396	72	5.2
Financial liabilities	104,732	3,800	3.6	98,230	4,614	4.7
Trade payables	2,029	82	4.0	1,837	56	3.0
Other liabilities	3,609	73	2.0	3,321	74	2.2

	Balance at 31.12.2021			Balance at 31.12.2020		
Profit or loss						
Revenue from Mail, Parcels & other	3,685	466	12.6	3,201	400	12.5
Net revenue from Financial Services	4,783	1,909	39.9	4,945	2,017	40.8
Revenue from Insurance Services after changes in technical provisions and other claim expenses	1,870	15	0.8	1,643	15	0.9
Revenue from Payments and Mobile	882	49	5.6	737	48	6.5
Cost of goods and fro services	2,873	161	5.6	2,523	159	6.3
Personnel expenses	5,467	73	1.3	5,638	75	1.3
Other operating costs	253	6	2.4	103	3	2.9
Finance costs	73	2	2.7	75	3	4.0
Finance income	369	1	0.3	123	-	n/a
Cash flow						
Net cash flow from /(for) operating activities	4,184	(5,975)	n/a	1,917	(39)	n/a
Net cash flow from /(for) investing activities	(422)	(1)	0	(601)	(28)	4.7
Net cash flow from/(for) financing activities and shareholder transactions	(321)	(422)	131	1,051	(388)	n/a

Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors, managers at the first organisational level of the Parent Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, of such key management personnel as defined above is as follows:

Remuneration of key management personnel

Description (€k)	Balance at 31.12.2021	Balance at 31.12.2020
Remuneration to be paid in short/medium term	13,189	10,625
Post-employment benefits	568	544
Other benefits to be paid in longer term	2,447	3,162
Share-based payments	4,488	2,176
Total	**20,692**	**16,507**

Remuneration of Statutory Auditors

Description (€k)	Balance at 31.12.2021	Balance at 31.12.2020
Remuneration	1,146	1,164
Expenses	49	12
Total	**1,195**	**1,176**

The remuneration paid to members of the Parent Company's Supervisory Board for 2021 amounts to approximately €97 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the period and, at 31 December 2021, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

The Parent Company and the subsidiaries that apply the National Collective Labour Agreement are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the General Meeting.

Page intentionally left blank

5

POSTE ITALIANE SPA

FINANCIAL STATEMENTS AT 31 DECEMBER 2021

5. Poste Italiane SpA – Financial Statements at 31 December 2021

5.1 Financial Statements

Statement of Financial position

Assets (figures in €)	Notes	31 December 2021	*of which related parties*	31 December 2020	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,110,135,123	-	1,986,743,453	-
Investment property	[A2]	31,867,655	-	30,687,475	-
Intangible assets	[A3]	827,850,352	-	718,601,813	-
Right-of-use assets	[A4]	944,837,581	-	1,033,550,702	-
Investments	[A5]	2,597,963,884	*2,597,963,884*	2,214,927,360	*2,214,927,360*
Financial assets	[A6]	69,430,001,636	*3,563,071,036*	72,040,770,650	*3,622,613,947*
Trade receivables	[A8]	1,444,601	-	665,532	-
Deferred tax assets	[C11]	673,928,219	-	578,754,129	-
Other receivables and assets	[A9]	1,674,174,765	*1,586,649*	1,546,305,606	*1,586,649*
Tax credits Italian Law no. 77/2020	[A10]	5,550,787,032	-	29,355,710	-
Total		**83,842,990,848**		**80,180,362,430**	
Current assets					
Inventories	[A7]	10,892,808	-	21,099,271	-
Trade receivables	[A8]	2,923,894,324	*1,279,804,421*	2,983,421,633	*1,467,425,998*
Current tax assets	[C11]	105,707,017	-	142,699,497	-
Other receivables and assets	[A9]	972,639,259	*77,992,685*	896,692,202	*44,291,307*
Tax credits Italian Law no. 77/2020	[A10]	905,334,967	-	5,623,772	-
Financial assets	[A6]	20,782,886,770	*12,976,002,876*	20,283,741,054	*7,737,975,332*
Cash and deposits attributable to BancoPosta	[A11]	7,658,525,248	-	6,390,872,209	-
Cash and cash equivalents	[A12]	3,869,639,203	*1,990,837,959*	4,029,413,235	*1,992,153,562*
Total		**37,229,519,596**		**34,753,562,873**	
Total Assets		**121,072,510,444**		**114,933,925,303**	

Liabilities and Equity (figures in €)	Notes	31 December 2021	*of which related parties*	31 December 2020	*of which related parties*
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Treasury shares		(39,809,472)	-	(39,999,994)	-
Reserves	[B2]	3,485,766,355	-	3,819,911,251	-
Retained earnings		2,282,303,950	-	2,153,083,896	-
Total		**7,034,370,833**		**7,239,105,153**	
Non-current liabilities					
Provisions for risks and charges	[B4]	628,455,987	*59,576,036*	578,215,975	*58,654,291*
Employee termination benefits	[B5]	896,075,368	-	1,003,134,681	-
Financial liabilities	[B6]	14,947,537,167	*188,720,039*	18,178,553,809	*279,656,236*
Deferred tax liabilities	[C11]	673,469,161	-	981,429,453	-
Other liabilities	[B8]	1,676,549,800	*1,417,574*	1,534,388,905	*15,155*
Total		**18,822,087,483**		**22,275,722,823**	
Current liabilities					
Provisions for risks and charges	[B4]	540,723,533	*12,301,569*	730,570,386	*12,804,269*
Trade payables	[B7]	2,031,318,809	*547,595,715*	2,121,325,455	*824,344,244*
Current tax liabilities	[C11]	1,380,316	-	5,682,281	-
Other liabilities	[B8]	1,331,988,195	*104,374,640*	1,455,279,361	*212,994,212*
Financial liabilities	[B6]	91,310,641,275	*13,735,122,147*	81,106,239,844	*12,758,076,288*
Total		**95,216,052,128**		**85,419,097,327**	
Total Liabilities and Equity		**121,072,510,444**		**114,933,925,303**	

Statement of Financial position (continued)

Supplementary Statement showing BancoPosta Equity at 31.12.2021

Assets (figures in €)	Notes	Capital outside ring-fence	BancoPosta RFC	Eliminations	Total
Non-current assets					
Property, plant and equipment		2,110,135,123	-	-	2,110,135,123
Investment property		31,867,655	-	-	31,867,655
Intangible assets		827,850,352	-	-	827,850,352
Right-of-use assets		944,837,581	-	-	944,837,581
Investments		2,597,963,884	-	-	2,597,963,884
Financial assets		407,022,050	69,022,979,586	-	69,430,001,636
Trade receivables		1,444,601	-	-	1,444,601
Deferred tax assets	[C11]	391,379,184	282,549,035	-	673,928,219
Other receivables and assets	[A9]	60,229,265	1,613,945,500	-	1,674,174,765
Tax credits Italian Law no. 77/2020	[A10]	382,444,337	5,168,342,695	-	5,550,787,032
Total		**7,755,174,032**	**76,087,816,816**	**-**	**83,842,990,848**
Current assets					
Inventories		10,892,808	-	-	10,892,808
Trade receivables	[A8]	2,024,794,325	899,099,999	-	2,923,894,324
Current tax assets		105,707,017	-	-	105,707,017
Other receivables and assets	[A9]	383,658,419	588,980,840	-	972,639,259
Tax credits Italian Law no. 77/2020	[A10]	65,212,145	840,122,822	-	905,334,967
Financial assets		51,471,690	20,731,415,080	-	20,782,886,770
Cash and deposits attributable to BancoPosta	[A11]	-	7,658,525,248	-	7,658,525,248
Cash and cash equivalents	[A12]	1,857,538,552	2,012,100,651	-	3,869,639,203
Total		**4,499,274,956**	**32,730,244,640**	**-**	**37,229,519,596**
Intersegment relations net amount		**-**	**77,495,198**	**(77,495,198)**	**-**
Total Assets		**12,254,448,988**	**108,895,556,654**	**(77,495,198)**	**121,072,510,444**

Liabilities and Equity (figures in €)	Notes	Capital outside ring-fence	BancoPosta RFC	Eliminations	Total
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(39,809,472)	-	-	(39,809,472)
Reserves	[B2]	804,715,081	2,681,051,274	-	3,485,766,355
Retained earnings		590,180,562	1,692,123,388	-	2,282,303,950
Total		**2,661,196,171**	**4,373,174,662**	**-**	**7,034,370,833**
Non-current liabilities					
Provisions for risks and charges	[B4]	453,471,632	174,984,355	-	628,455,987
Employee termination benefits	[B5]	893,370,591	2,704,777	-	896,075,368
Financial liabilities		2,578,624,407	12,368,912,760	-	14,947,537,167
Deferred tax liabilities	[C11]	3,271,145	670,198,016	-	673,469,161
Other liabilities	[B8]	61,748,345	1,614,801,455	-	1,676,549,800
Total		**3,990,486,120**	**14,831,601,363**	**-**	**18,822,087,483**
Current liabilities					
Provisions for risks and charges	[B4]	486,641,306	54,082,227	-	540,723,533
Trade payables	[B7]	1,830,289,511	201,029,298	-	2,031,318,809
Current tax liabilities		1,380,316	-	-	1,380,316
Other liabilities	[B8]	1,271,369,473	60,618,722	-	1,331,988,195
Financial liabilities		1,935,590,893	89,375,050,382	-	91,310,641,275
Total		**5,525,271,499**	**89,690,780,629**	**-**	**95,216,052,128**
Intersegment relations net amount		**77,495,198**	**-**	**(77,495,198)**	**-**
Total Liabilities and Equity		**12,254,448,988**	**108,895,556,654**	**(77,495,198)**	**121,072,510,444**

Statement of Financial position (continued)

Supplementary Statement showing BancoPosta Equity at 31.12.2020

Assets (figures in €)	Notes	Capital outside ring-fence	BancoPosta RFC	Eliminations	Total
Non-current assets					
Property, plant and equipment		1,986,743,453	-	-	1,986,743,453
Investment property		30,687,475	-	-	30,687,475
Intangible assets		718,601,813	-	-	718,601,813
Right-of-use assets		1,033,550,702	-	-	1,033,550,702
Investments		2,214,927,360	-	-	2,214,927,360
Financial assets		377,272,520	71,663,498,130	-	72,040,770,650
Trade receivables		665,532	-	-	665,532
Deferred tax assets	[C11]	449,120,844	129,633,285	-	578,754,129
Other receivables and assets	[A9]	72,174,039	1,474,131,567	-	1,546,305,606
Tax credits Italian Law no. 77/2020	[A10]	29,355,710	-	-	29,355,710
Total		**6,913,099,448**	**73,267,262,982**	**-**	**80,180,362,430**
Current assets					
Inventories		21,099,271	-	-	21,099,271
Trade receivables	[A8]	1,931,065,640	1,052,355,993	-	2,983,421,633
Current tax assets		142,699,497	-	-	142,699,497
Other receivables and assets	[A9]	347,985,743	548,706,459	-	896,692,202
Tax credits Italian Law no. 77/2020	[A10]	5,623,772	-	-	5,623,772
Financial assets		494,656,142	19,789,084,912	-	20,283,741,054
Cash and deposits attributable to BancoPosta	[A11]	-	6,390,872,209	-	6,390,872,209
Cash and cash equivalents	[A12]	2,020,848,707	2,008,564,528	-	4,029,413,235
Total		**4,963,978,772**	**29,789,584,101**	**-**	**34,753,562,873**
Intersegment relations net amount		**-**	**293,207,342**	**(293,207,342)**	**-**
Total Assets		**11,877,078,220**	**103,350,054,425**	**(293,207,342)**	**114,933,925,303**

Liabilities and Equity (figures in €)	Notes	Capital outside ring-fence	BancoPosta RFC	Eliminations	Total
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(39,999,994)	-	-	(39,999,994)
Reserves	[B2]	329,153,464	3,490,757,787	-	3,819,911,251
Retained earnings		384,181,633	1,768,902,263	-	2,153,083,896
Total		**1,979,445,103**	**5,259,660,050**	**-**	**7,239,105,153**
Non-current liabilities					
Provisions for risks and charges	[B4]	415,936,395	162,279,580	-	578,215,975
Employee termination benefits	[B5]	1,000,265,372	2,869,309	-	1,003,134,681
Financial liabilities		2,752,442,336	15,426,111,473	-	18,178,553,809
Deferred tax liabilities	[C11]	2,765,139	978,664,314	-	981,429,453
Other liabilities	[B8]	58,881,466	1,475,507,439	-	1,534,388,905
Total		**4,230,290,708**	**18,045,432,115**	**-**	**22,275,722,823**
Current liabilities					
Provisions for risks and charges	[B4]	679,351,492	51,218,894	-	730,570,386
Trade payables	[B7]	1,727,900,424	393,425,031	-	2,121,325,455
Current tax liabilities		5,682,281	-	-	5,682,281
Other liabilities	[B8]	1,374,794,734	80,484,627	-	1,455,279,361
Financial liabilities		1,586,406,136	79,519,833,708	-	81,106,239,844
Total		**5,374,135,067**	**80,044,962,260**	**-**	**85,419,097,327**
Intersegment relations net amount		**293,207,342**	**-**	**(293,207,342)**	**-**
Total Liabilities and Equity		**11,877,078,220**	**103,350,054,425**	**(293,207,342)**	**114,933,925,303**

Statement of profit/(loss) for the year

(figures in €)	Note	FY 2021	of which of parties	FY 2020	of which of parties
Revenue from sales and services	[C1]	8,487,731,901	3,653,819,723	8,226,155,731	3,436,943,759
Other income from financial activities	[C2]	523,113,943	-	515,879,936	-
Other operating income	[C3]	680,374,982	627,082,678	299,410,351	166,701,128
Total revenue		**9,691,220,826**		**9,041,446,018**	
Cost of goods and fro services	[C4]	2,485,746,083	1,399,811,077	2,318,026,994	1,418,738,314
Expenses from financial activities	[C2]	177,863,666	37,965,371	235,035,464	34,072,989
Personnel expenses	[C5]	5,235,409,900	71,940,755	5,445,824,661	72,744,411
Amortisation, depreciation and impairments	[C6]	715,251,253	4,669,106	621,516,414	6,253,027
Capitalised costs and expenses		(30,765,998)	-	(31,911,771)	-
Other operating costs	[C7]	209,128,719	4,336,072	67,224,421	15,608,551
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C8]	14,083,421	(4,064,499)	55,397,720	1,823,962
Operating profit/(loss)		**884,503,782**		**330,332,115**	
Finance costs	[C9]	64,136,159	2,616,133	79,404,195	14,345,983
Finance income	[C9]	76,053,961	56,764,966	82,067,483	55,952,358
Impairment losses/(reversals of impairment losses) on financial assets	[C10]	(183,867)	(228,153)	182,593	266,741
Profit/(Loss) before tax		**896,605,451**		**332,812,810**	
Income tax expense	[C11]	99,413,907	-	8,057,433	-
of which, non-recurring costs/(income)		-	-	*(37,902,133)*	-
Profit for the year		**797,191,544**		**324,755,377**	

Statement of comprehensive income

(figures in €)	Notes	FY 2021	FY 2020
Profit/(loss) for the year		**797,191,544**	**324,755,377**
Items to be reclassified in the Statement of profit or loss for the year			
FVTOCI debt instruments and receivables			
Increase/(decrease) in fair value during the year		(1,007,889,068)	1,940,703,867
Transfers to profit or loss	[tab. B2]	(419,700,895)	(259,887,094)
Increase/(decrease) for expected losses	[tab. B2]	(5,883,608)	6,083,233
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B2]	(177,529,225)	(27,841,189)
Transfers to profit or loss	[tab. B2]	(7,746,497)	4,642,832
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		459,566,489	(472,484,919)
Items not to be reclassified in the Statement of profit or loss for the year			
FVTOCI equity instruments			
Increase/(decrease) in fair value during the year		27,664,265	6,861,133
Transfers to other equity		-	-
Actuarial gains /(losses) on employee termination benefits	[tab. B5]	(4,306,905)	(4,760,823)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		2,127,900	1,575,193
Total other comprehensive income		**(1,133,697,544)**	**1,194,892,233**
Total comprehensive Income for the year		**(336,506,000)**	**1,519,647,610**

Statement of changes in shareholders' Equity

	Equity										
			Reserves								Total
(figures in €)	Share capital	Treasury shares	Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus/deficit reserve	Retained earnings	
Balance at 1 January 2020	**1,306,110,000**	**(39,999,994)**	**299,234,320**	**1,210,000,000**	**-**	**975,935,595**	**115,569,198**	**1,732,262**	**14,907,464**	**2,444,407,492**	**6,327,896,337**
Total comprehensive income for the year	-	-	-	-	-	1,214,829,318	(16,559,421)	-	-	321,377,713	1,519,647,610
Balance dividends paid on FY 2019 profits	-	-	-	-	-	-	-	-	-	(401,963,279)	(401,963,279)
Interim dividend on FY 2020 profits	-	-	-	-	-	-	-	-	-	(210,738,030)	(210,738,030)
Incentive plans	-	-	-	-	-	-	-	4,262,515	-	-	4,262,515
Balance at 31 December 2020	**1,306,110,000**	**(39,999,994)**	**299,234,320**	**1,210,000,000**	**-**	**2,190,764,913**	**99,009,777**	**5,994,777**	**14,907,464**	**2,153,083,896**	**7,239,105,153**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	-	2,182,204,891	97,997,544	555,352	-	1,768,902,263	5,259,660,050
Total comprehensive income for the year	-	-	-	-	-	(999,453,773)	(132,396,737)	-	-	795,344,510*	(336,506,000)
Balance dividends paid on FY 2020 profits	-	-	-	-	-	-	-	-	-	(421,484,174)	(421,484,174)
Interim dividend on FY 2021 profits	-	-	-	-	-	-	-	-	-	(240,662,260)	(240,662,260)
Equity instruments - perpetual hybrid bonds	-	-	-	-	800,000,000	-	-	-	-	(4,000,330)	795,999,670
Contribution from merger	-	-	-	-	-	-	-	-	(9,778,647)	-	(9,778,647)
Incentive plans	-	190,522	-	-	-	-	-	7,484,261	-	22,308	7,697,091
Balance at 31 December 2021	**1,306,110,000**	**(39,809,472)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**1,191,311,140**	**(33,386,960)**	**13,479,038**	**5,128,817**	**2,282,303,950**	**7,034,370,833**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	350,000,000	1,156,011,119	(35,989,145)	1,029,300	-	1,692,123,388	4,373,174,662

* This item includes profit for the period of €797 million, actuarial losses on provisions for employee termination benefits of €4 million, after the related current and deferred taxation.

Statement of cash flows

(€k)		Notes	FY 2021	FY 2020
Cash and cash equivalents at beginning of year			**4,029,413**	**1,206,344**
Profit/(Loss) before tax			896,605	332,813
Amortisation and impairments		[tab. C6]	715,251	621,516
Impairments/(Reversals of impairments) of investments		[tab. A5.1]	-	11,868
Net provisions for risks and charges		[tab. B4]	349,439	553,288
Use of provisions for risks and charges		[tab. B4]	(490,320)	(373,561)
Employee termination benefits paid		[tab. B5]	(126,605)	(118,623)
(Gains)/losses on disposals		[tab. C7]	1,296	(2,201)
Impairment losses/(reversals of impairment losses) on financial assets			(183)	178
(Dividends)			(8,398)	(7,825)
Dividends received			8,398	7,825
(Finance income in form of interest)		[tab. C9.1]	(62,622)	(61,721)
Interest received			69,407	69,236
Interest expense and other finance costs		[tab. C9.2]	57,209	57,012
Interest paid			(30,033)	(26,992)
Losses and impairment losses/(reversals of impairment losses) on receivables		[tab. C8]	23,648	40,547
Income tax paid		[tab. C11.3]	(332,903)	(637,677)
Other changes			(3,759)	4,146
Cash flow generated by operating activities before movements in working capital	**[a]**		**1,066,430**	**469,829**
Changes in working capital:				
(Increase)/Decrease in Inventories		[A7]	10,206	(21,099)
(Increase)/decrease in Trade receivables			69,162	(619,353)
(Increase)/decrease in Other receivables and assets			277,919	399,991
Increase/(decrease) in Trade payables			(118,753)	503,889
Increase/(decrease) in Other liabilities			(22,650)	(85,860)
Change in tax credits Law no. 77/2020			(525,674)	(34,979)
Cash flow generated by/(used in) movements in working capital	**[b]**		**(309,790)**	**142,589**
Increase/(decrease) in Financial liabilities attributable to BancoPosta RFC			10,814,228	14,675,606
Net cash generated by/(used for) financial assets attributable to BancoPosta RFC			1,767,978	(8,198,108)
(Increase)/Decrease in other financial assets attributable to BancoPosta RFC and tax credits under Italian Law no. 77/2020			(9,871,166)	(1,383,598)
(Increase)/decrease in Cash and deposits attributable to BancoPosta			(1,267,653)	(2,088,088)
(Income)/Expense and other non-cash components from financial activities			(1,841,709)	(1,471,076)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta RFC	**[c]**		**(398,322)**	**1,534,736**
Net cash flow from /(for) operating activities	**[d]=[a+b+c]**		**358,318**	**2,147,154**
- of which related party transactions			***(5,012,477)***	***2,312,976***
Investing activities:				
Property, plant and equipment		[tab. A1]	(298,375)	(246,139)
Investment property		[tab. A2]	(456)	(698)
Intangible assets		[tab. A3]	(409,153)	(365,433)
Investments			(409,210)	(19,755)
Other financial assets			(74,578)	(56,860)

(€k)		Notes	FY 2021	FY 2020
Disposals:				
Property, plant and equipment, investment property and assets held for sale			3,823	6,466
Investments			410	-
Other financial assets			506,756	113,625
Mergers			(9,451)	(61,353)
Net cash flow from /(for) investing activities	**[e]**		**(690,234)**	**(630,147)**
- of which related party transactions			***(394,246)***	***(40,845)***
Proceeds from/(Repayments of) long-term borrowings		[B6.5]	(100,000)	1,246,345
Increase/(decrease) in short-term borrowings		[B6.5]	139,882	672,418
Dividends paid		[B3]	(662,146)	(612,701)
Sale/(purchase) of treasury shares			-	-
Equity instruments - perpetual hybrid bonds			794,407	-
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**		**172,143**	**1,306,062**
- of which related party transactions			***106,386***	***(210,879)***
Net increase/(decrease) in cash	**[g]=[d+e+f]**		**(159,774)**	**2,823,069**
Cash and cash equivalents at end of year		**[tab. A12]**	**3,869,639**	**4,029,413**
Cash and cash equivalents at end of year		**[tab. A12]**	**3,869,639**	**4,029,413**
Restricted net cash and cash equivalents at end of year			(1,735,501)	(1,599,172)
Unrestricted net cash and cash equivalents at end of year			**2,134,138**	**2,430,241**

5.2 Information on BancoPosta RFC

As required by art. 2, paragraphs 17-octies et seq. of Law 10 of 26 February 2011, converting Law Decree 225 of 29 December 2010, in order to identify ring-fenced capital for the purposes of applying the Bank of Italy's prudential requirements to BancoPosta's operations and for the protection of creditors, at the General Meeting held on 14 April 2011 Poste Italiane SpA's shareholder approved the creation of ring-fenced capital to be used exclusively in relation to BancoPosta's operations (BancoPosta Ringfenced Capital or BancoPosta RFC), as governed by Presidential Decree 144 of 14 March 2001, and established the assets and contractual rights to be included in the ring-fence as well as By-laws governing its organisation, management and control. BancoPosta RFC was provided originally with an initial reserve of €1 billion through the attribution of Poste Italiane SpA's retained earnings. The resolution of 14 April 2011 became effective on 2 May 2011, the date on which it was filed with the Companies' Register. Following on from the Board of Directors' resolution of 25 January 2018 and the subsequent Extraordinary General Meeting of Poste Italiane SpA's shareholders, on 27 September 2018, Poste Italiane injected €210 million of fresh capital into BancoPosta RFC.

Poste Italiane SpA placed a perpetual subordinated hybrid bond issue with an 8-year non-call period, aimed at institutional investors. The settlement date was 24 June 2021. Following this issue, on 30 June 2021, there was an injection of capital into BancoPosta RFC, via the granting of a € 350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 (hereinafter "AT1") capital, designed to strengthen its leverage ratio.

The separation of BancoPosta from Poste Italiane SpA is only partly comparable to other ring-fenced capital solutions. Indeed, BancoPosta is not expected to meet the requirements of articles 2447 *bis* et seq. of the Italian Civil Code or for other special purpose entities, in that it has not been established for a single specific business but rather, pursuant to Presidential Decree 144 of 14 March 2001, for several types of financial activities to be regularly carried out for an unlimited period of time. For this reason, the above legislation does not impose the 10% limit on BancoPosta's equity, waiving the provisions of the Italian Civil Code unless expressly cited as applicable.

Nature of assets and contractual rights and authorisations

BancoPosta's assets, contractual rights and authorisations pursuant to notarial deed were conferred on BancoPosta RFC exclusively by Poste Italiane SpA without third-party contributions. BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended[146], with the exception of activities linked to card payments and payment services, carried out by the subsidiary, PostePay SpA. More details on this aspect are provided below:

- the collection of savings deposits from the public as defined in art. 11, para. 1 of the Consolidated Banking Law (Legislative Decree No. 385/1993 of 1 September 1993) and related or instrumental activities;
- the collection of postal savings deposits;
- payment services, including the issuance, administration and sale of prepaid cards and other payment instruments pursuant to art. 1, para. 2, letter f) numbers 4) and 5), TUB;
- foreign currency exchange services;
- promotion and arrangement of loans issued by approved banks and financial brokers;
- investment and related services pursuant to art. 12, Presidential Decree 144/2001;
- debt collection services;
- professional gold trading, on own behalf or on behalf of third parties, in accordance with the requirements of Law 7 of 17 January 2000.

All of the assets and rights arising out of various contracts, agreements and legal transactions related to the above activities have also been conferred on BancoPosta RFC.

Following the receipt of clearance from the Bank of Italy, the General Meeting of Poste Italiane held on 29 May 2018 approved the proposed removal of the assets, liabilities and contractual rights attributable to the card payments and payment services business unit from the ring-fence that applies to BancoPosta RFC. On 1 October 2018, this business unit was transferred to the subsidiary PostePay SpA in assets earmarked for electronic money and payment services, in order to enable the latter to

146. As revised on the issuance of Law Decree 179 of 18 October 2012 converted into law with amendments by Law 221 of 17 December 2012.

operate as an Electronic Money Institution (EMI)[147]. Furthermore, in order to complete the process of centralising card payments in the abovementioned EMI, on 28 May 2021, the Poste Italiane Extraordinary General Meeting, after obtaining all the authorisations required by law, approved the removal of the allocation restriction on BancoPosta RFC regarding assets, goods and legal relations constituting the so-called "Debit Business", with the deed of contribution to Postepay SpA taking effect from 1 October 2021.

BancoPosta RFC's operations

BancoPosta RFC's operations consist of the investment of cash held in postal current accounts, in the name of BancoPosta but subject to statutory restrictions, and the management of third parties' collections and remittances. This latter activity includes the collection of postal savings (Postal Savings Books and Interest-bearing Postal Certificates), carried out on behalf of Cassa Depositi e Prestiti and the MEF, and services delegated by Public Administration entities. These transactions involve the use of cash advances from the Italian Treasury and the recognition of financial items awaiting settlement. The specific agreement with the MEF requires BancoPosta to provide daily statements of all cash flows, with a delay of two bank working days with respect to the transaction date.

In compliance with the 2007 Budget Law, from 2007 the Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in Eurozone government securities[148]. The resources deriving from funds collected the Public Administration are instead deposited with the Ministry of the Economy and Finance and earn a variable rate of return linked to a basket of government securities, in accordance with a specific agreement with the MEF renewed on 25 June 2021 for the 2021-2022 two-year period and amended on 19 January 2022. In addition, under the agreement with the MEF, renewed on 22 May 2020 for the three-year period 2020-2022, a percentage of the funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These loans earn interest at a variable rate based on the *Euro OverNight Index Average* (EONIA)[149] until 31 December 2021 and on the Euro Short Term Rate (ESTR)[150] from 1 January 2022.

Cost and revenue allocation and measurement of operations contracted out by BancoPosta RFC

Given the fact that Poste Italiane is a single legal entity, the Company's general accounting system maintains its uniform characteristics and capabilities. In this context, the general principles governing administrative and accounting aspects of BancoPosta RFC are as follows:

- Identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers.
- Allocation to BancoPosta RFC of all relevant revenue and costs; in particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special intersegment accounts only, and subsequently settled.

147. The business unit consists of assets and contractual rights linked to:
Products issued: Prepaid cards (card payments), payment services, acquiring services, F23/F24 and international money transfers (Moneygram) forming part of the operations carried out independently by the EMI. In particular, these products are issued by the EMI, which is responsible for their conception, development and management, whilst BancoPosta RFC acts as distributor of the products through the Group's physical distribution network.
In-service products: payment products and services and money transfers carried out exclusively within the scope of BancoPosta RFC's operations, as they are "reserved to" the ring-fence under Presidential Decree 144/01. In particular, with the aim of leveraging the infrastructure of the hybrid EMI, BancoPosta has outsourced operations relating to payment products and services issued by BancoPosta, and distributed by BancoPosta through Poste Italiane's physical network, to the EMI under an outsourcing agreement between BancoPosta and the EMI.
148. Following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government. Finally, with the conversion into Italian Law no. 106 of 23 July 2021 of Italian Law Decree no.73 of 25 May 2021, it is permitted for BancoPosta RFC, within the scope of 50% of funding from private customers investible in securities guaranteed by the Italian State, to use up to 30% of this quota in the purchase of tax credits transferable under the terms of Italian Law Decree no.34/2020 (the so-called "Decreto Rilancio") or other tax credits transferable under the terms of the current legislation.
149. The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the Eurozone (the biggest banks in all the Eurozone countries).
150. The rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) No 1333/2014 of 26 November 2014 and based on uncollateralised overnight fixed rate deposit transactions in excess of € 1 million.

- Settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Chief Financial Office.
- Allocation of income taxes based on BancoPosta RFC's separate report after adjusting for deferred taxation.
- Reconciliation of BancoPosta's separate books to Poste Italiane's general ledger.

Part IV of Chapter 1 of the Supervisory Standards in Bank of Italy Circular 285/2013, addressing specific aspects relating to Poste Italiane in respect of BancoPosta RFC's operations, govern the process of contracting out BancoPosta's corporate functions to Poste Italiane, whilst the outsourcing of operations to entities external to Poste Italiane is covered by the regulations applicable to banks.

In compliance with the Circular, the Regulation governing BancoPosta RFC's contracting out and outsourcing process approved by the Board of Directors[151] provides for a distinction between control functions and essential or important functions (EIFs) and non-essential or important functions (non-EIFs).

BancoPosta RFC may therefore both outsource operating activities, entering into agreements with third parties, and contract out certain operating or control activities to Poste Italiane functions, agreeing "Specific Operating Guidelines" with the heads of the various functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant functions, the Chief Executive Officer and, where required, the Company's Board of Directors. The transfer prices set out in the Operating Guidelines are determined according to objective criteria that reflect the real contribution of the various functions to BancoPosta RFC's results. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by one of the Issuer's functions do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In this case, an appropriate mark-up, determined with reference to those used by comparable peers, is applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Operating Guidelines, in force until 31 December 2022, are reviewed every two years.

The following table includes a summary of the services provided to BancoPosta RFC by the Issuer's functions, with a brief indication of how the transfer prices are determined.

Function	Allocation key
Commercial networks	Percentage of net revenue by product/service category
Information Services	Fixed component: recharge of costs based on direct and indirect drivers Variable component: based on maintaining operating performance
Back-office and Customer Care	Fees by professional role based on market benchmarks + recharge of external costs Market rates for similar services
Postal and logistics services	Prices for mail sent to customers and internal mail
Real Estate	Market prices with reference to floor space and maintenance costs
Legal Affairs	Fees by professional role based on market benchmarks + recharge of external costs
Administration, Finance and Control	
Group Risk Governance and Security and Safety	
Human Resources and Organisation	
External Relations	
Purchases	Fees by professional role based on market benchmarks
Internal Auditing	
Anti-Money Laundering	
Compliance	

Essential/Important Functions Control Functions

151. The Regulation was updated on 24 June 2021.

The relevant transactions, profit or loss and statement of financial position amounts, generated by these relationships are only recorded in BancoPosta RFC's Separate Report. In Poste Italiane SpA's comprehensive accounts intersegment transactions are on the other hand eliminated, and are not presented. The accounting treatment adopted is similar to that provided for by the accounting standards regulating the preparation of the Group's consolidated financial statements.

Obligations

Poste Italiane SpA's liability, pursuant to art. 2, paragraph 17-nonies of Law Decree 225 of 29 December 2010 converted into Law 10, to creditors of BancoPosta RFC is limited to the ring-fenced capital, represented by the assets and contractual rights originally allocated or arisen after the separation. Poste Italiane's liability is, however, unlimited with respect to claims arising from actions in tort relating to the management of BancoPosta or for transactions for which no indication was made that the obligation was taken specifically by BancoPosta RFC.

The Regulation approved at the Extraordinary General Meeting of Poste Italiane SpA's shareholder on 14 April 2011, and subsequently amended on 12 May 2020, provides that, where necessary, BancoPosta RFC's equity shall be sufficient to ensure that it is able to comply with supervisory capital requirements and is aligned with the risk profile of its operations.

Separate Report

BancoPosta RFC's Separate Report is prepared in application of Bank of Italy Circular 262 of 22 December 2005 – *Banks' Financial Statements: Layouts and Preparation*, as amended. The application of these regulations, whilst in compliance with the same accounting standards adopted by Poste Italiane SpA, requires the use of a different basis of presentation for certain components of profit or loss and the statement of financial position compared with the basis of presentation adopted for the statutory financial statements.

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report[152].

Reconciliation of separate equity

(€m)

Item in supplementary statement	Separate Report item	110 Valuation reserves	130 Equity instruments	140 Reserves	180 Profit for the year
Reserves	2,681	1,120	350	1,211	-
BancoPosta RFC reserve	1,210	-	-	1,210	-
Equity instruments - perpetual hybrid bonds	350	-	350	-	-
Fair value reserve	1,156	1,156	-	-	-
Cash flow hedge reserve	(36)	(36)	-	-	-
Incentive plans reserve	1	-	-	1	-
Retained earnings	1,692	(2)	-	1,186	508
Profit	1,694	-	-	1,186	508
Cumulative actuarial gains/(losses) on defined benefit plans	(2)	(2)	-	-	-
Total	**4,373**	**1,118**	**350**	**2,397**	**508**

Exclusively for the purposes of the presentation of the Separate Report, the transactions between BancoPosta RFC and the Company's functions not included therein are reported. In this document they are accurately and completely represented, together with the positive and negative income components that generated them.

152. Actuarial gains and losses on defined benefit plans, which in the Company' s financial statements are accounted for in retained earnings, are accounted for in the valuation reserves in the Separate Report (Item 110 of Liabilities).

Further regulatory aspects

Pursuant to art. 2, paragraph 17-undecies of Law Decree 225 of 29 December 2010[153], which states that "the assets and contractual rights included in BancoPosta's ring-fenced capital shall be shown separately in the Company's statement of financial position", Poste Italiane SpA's statement of financial position includes a *Supplementary statement showing BancoPosta RFC*.

On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC, which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. These include regulations covering the organisational structure and governance, the system of internal controls and the requirements regarding capital adequacy and risk containment.

Furthermore, BancoPosta RFC's Regulation states that "In view of the absence of non-controlling interests in BancoPosta RFC, on approval of Poste Italiane SpA's financial statements, the General Meeting shall – on the recommendation of the Board of Directors – vote on the appropriation of the Company's profit for the year, and in particular: the portion of BancoPosta RFC, as shown in the related statement, taking account of its specific rules and, in particular, the need to comply with prudential supervisory capital requirements (...)".

153. Converted into Law 10 of 26 February 2011.

5.3 Notes to the Statement of Financial position

Assets

A1 – Property, plant and equipment (€2,110 million)

Movements in property, plant and equipment are as follows:

tab. A1 - Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and equipment	Industrial and commercial equipment	Leasehold improvements	"Other assets"	Assets under construction and advances	Total
Cost	75	3,006	2,118	337	612	1,803	78	8,029
Accumulated depreciation	-	(1,930)	(1,726)	(302)	(381)	(1,658)	-	(5,997)
Impairment losses	-	(35)	(1)	(1)	(8)	-	-	(45)
Balance at 1 January 2021	**75**	**1,041**	**391**	**34**	**223**	**145**	**78**	**1,987**
Changes during the year								
Acquisitions	-	48	69	10	48	64	59	298
Extraordinary transactions	-	-	-	-	-	3	-	3
Reclassifications	-	13	29	-	8	5	(57)	(2)
Disposals	-	-	-	-	(2)	(1)	(1)	(4)
Depreciation	-	(28)	(43)	(13)	(43)	(64)	-	(191)
(Impairments)/Reversal of impairment losses	-	19	-	-	-	-	-	19
Total changes	**-**	**52**	**55**	**(3)**	**11**	**7**	**1**	**123**
Cost	75	3,064	2,208	343	657	1,854	79	8,280
Accumulated depreciation	-	(1,955)	(1,761)	(311)	(415)	(1,701)	-	(6,143)
Impairment losses	-	(16)	(1)	(1)	(8)	(1)	-	(27)
Balance at 31 December 2021	**75**	**1,093**	**446**	**31**	**234**	**152**	**79**	**2,110**

None of the above items is attributable to BancoPosta RFC.

At 31 December 2021, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €40 million.

Investments of €298 million in 2021 consists largely of:

- €69 million for plants, of which €44 million for the realisation of plant and equipment related to buildings, €9 million for the realisation and extraordinary maintenance of video surveillance systems, €7 million for the realisation and extraordinary maintenance of connectivity systems and €7 million for the installation of ATMs (automated teller machines);
- €64 million for other assets, of which €32 million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems, and €25 million to renew the proprietary fleet used for Mail, Parcels and Distribution activities;
- €48 million invested in the upgrade of plant (€25 million) and the structure (€23 million) of properties held under lease;
- €48 million mainly for extraordinary maintenance of owned Post Offices around the country (€19 million), mail and parcel sorting offices (€14 million) and staff and management offices (€14 million).

Investments in progress amounted to €59 million, of which €45 million for extraordinary maintenance and the provision of infrastructure for the commercial and production network, and €11 million for the purchase of hardware and other tech equipment not yet included in the production process.

Reclassifications from property, plant and equipment under construction amounted to €56 million and relate mainly to the purchase cost of assets that became available and ready for use during the year. Specifically, €32 million are for the completion of extraordinary renovations of owned properties and improvements to leased properties, €9 million for the commissioning of new parcel and mail processing systems and €8 million for the completion of upgrades of active and passive building security systems.

A2 – Investment property (32 million)

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law No. 560 of 24 December 1993, and residential accommodation previously used by post office directors. None of the above items is attributable to BancoPosta RFC.

tab. A2 – Movements in investment property

(€m)	FY 2021
Cost	86
Accumulated depreciation	(55)
Impairment losses	-
Balance at 1 January	**31**
Changes during the year	
Acquisitions	1
Reclassifications	2
Disposals	(1)
Depreciation	(1)
Recoveries (impairments)	-
Total changes	**1**
Cost	90
Accumulated depreciation	(58)
Impairment losses	-
Balance at 31 December	**32**
Fair value at 31 December	**74**

The fair value of investment property at 31 December 2021 includes €63 million representing the sale price applicable to the Parent Company's former accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company[154].

Most of the properties included in this category are subject to lease agreements classifiable as operating leases, given that Poste Italiane SpA retains substantially all the risks and rewards of ownership of the properties. Under the relevant agreements, tenants usually have the right to break off the lease with six-month notice. Given the resulting lack of certainty, the expected revenue flows from these leases are not referred to in these notes.

154. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, service accommodation and other investment property qualify for level 3.

A3 – Intangible assets (€828 million)

The following table shows movements in intangible assets:

tab. A3 – Movements in intangible assets

(€m)	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Total
Cost	3,659	2	160	-	3,821
Accumulated amortisation and impairments	(3,100)	(2)	-	-	(3,102)
Balance at 1 January 2021	**559**	**-**	**160**	**-**	**719**
Changes during the year					
Acquisitions	205	-	204	-	409
Extraordinary transactions	7	-	2	33	42
Reclassifications	132	-	(132)	-	-
Disposals	-	-	(1)	-	(1)
Amortisation and impairments	(340)	-	-	-	(340)
Total changes	**4**	**-**	**73**	**33**	**110**
Cost	4,074	2	233	33	4,342
Accumulated amortisation and impairments	(3,512)	(2)	-	-	(3,514)
Balance at 31 December 2021	**562**	**-**	**233**	**33**	**828**

None of the above items is attributable to BancoPosta RFC.

Investments in Intangible assets during 2021 amounted to €409 million, including €31 million in internal software development activities and the related expenses, primarily relating to personnel expenses (€27 million). Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

The increase in **industrial patents and intellectual property rights**, totalling €205 million, before amortisation for the year, relates primarily to the purchase and entry into service of new software programmes following the purchase of software licences.

Purchase of **Intangible assets under construction** (€204 million) refer mainly to activities for the development of software for infrastructure platforms and for BancoPosta services.

The item **Goodwill** worth €33 million derives from the acquisition and subsequent reorganisation of the Nexive Group, which is described in detail in Note 3 – *Significant events during the year* and in Note 2.6 – *Basis of consolidation*. This item is reflected in the Company's financial statements in application of the principle of continuity of values laid down in OPI No. 2 *"Accounting treatment of mergers in the financial statements for the year"*[155].

The balance of **Intangible assets under construction** (€233 million) includes activities regarding the development for software relating to the infrastructure platform (€109 million), for BancoPosta services (€61 million), for use in providing support to the sales network (€35 million), for the postal products platform (€18 million) and for the engineering of reporting processes for other business and staff functions (€10 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights for a total of €132 million due to the completion and commissioning of new software programmes and the upgrade of existing ones, relating to the infrastructure platform (€60 million), BancoPosta services (€30 million), support for the sales network (€24 million), the postal product platform (€12 million) and the engineering of reporting processes for other business and staff functions (€6 million).

155. The ASSIREVI document asserts that the principle of continuity of values applies in a parent-subsidiary merger where the acquiring company holds a 100% stake in the incorporated company. On the basis of this principle, in view of the pre-existing control relationship between the merged companies and the cost incurred by the acquiring company for the original acquisition of the incorporated company, the allocation of the cost to the fair values of the assets and liabilities of the incorporated company and to the goodwill are reflected in the group's consolidated financial statements.

A4 – Right-of-use assets (€945 million)

Movements in Rights-of-use assets are as follows:

tab. A4 – Movements in Rights of use

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,214	152	18	46	1,430
Accumulated depreciation	(252)	(115)	(8)	(21)	(396)
Impairment losses	-	-	-	-	-
Balance at 1 January 2021	**962**	**37**	**10**	**25**	**1,034**
Changes during the year					
New contract acquisitions	54	8	7	1	70
Extraordinary transactions	6	1	-	1	8
Adjustments	36	45	(1)	(12)	68
Disposals	(33)	-	-	-	(33)
Depreciation	(128)	(59)	(4)	(8)	(199)
(Impairment losses) / Reversals	(1)	(2)	-	-	(3)
Total changes	**(66)**	**(7)**	**2**	**(18)**	**(89)**
Cost	1,273	129	22	37	1,461
Accumulated depreciation	(376)	(97)	(10)	(29)	(512)
Impairment losses	(1)	(3)	-	-	(4)
Balance at 31 December 2021	**896**	**29**	**12**	**8**	**945**

Acquisitions during the year refer mainly to new contracts and renewals of contracts existing at the beginning of the year for real estate (€54 million), rental of company vehicles for mail and parcel delivery (€8 million) and vehicles for mixed use (€7 million). The item “Adjustments” refers to contractual changes during the year in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

Movements in lease payables are as follows:

tab. A4.1 – Movements in lease payables

(€m)	FY 2021
Balance at 1 January	**1,065**
New contract increases	70
Payments	(210)
Financial expenses(income)	21
Extraordinary transactions	8
Other changes	35
Balance at 31 December	**989**
of which medium and long term	802
of which short term	187

The table below summarises the effects recognised in profit and loss:

tab. A4.2 – Economic effects of lease agreements

(€m)	FY 2021
Depreciation of right-of-use assets	199
Impairments/recoveries/adjustments of right of use	3
Financial charges for /(income from) lease payables	21
Costs related to short-term leases	5
Costs related to leasing low-value assets	9
Costs related to leasing intangible assets	56
Total	**293**

5 – Investments (€2,598 million)

This item includes the following:

tab. A5 – Investments

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Equity investments in subsidiaries	2,345	1,716	629
Equity investments in associates	253	499	(246)
Total	**2,598**	**2,215**	**383**

No investments are attributable to BancoPosta RFC.

Changes in equity investments in subsidiaries and associates are shown below:

tab. A5.1 – Changes in equity investments in FY 2021

Investments (€m)	Balance at 01.01.21	Increases				Decreases		Impairment losses		Balance at 31.12.21
		Sbscrpts in/ Pmnts on capital a/c	Purchases, mergers	Reclass. Non-current assets held for sale	Incentive plans	Sales, liquidations, mergers, demergers	Reclass. Non-current assets held for sale	Writeback	(Writedown)	
in subsidiaries										
BancoPosta Fondi SpA SGR	9	-	-	-	-	-	-	-	-	9
CLP ScpA	-	-	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	-	-	-	-	-	-	-	-
Cons. per i Servizi di Telefonia Mobile ScpA	-	-	-	-	-	-	-	-	-	-
EGI SpA	170	-	-	-	-	-	-	-	-	170
Indabox Srl	1	-	-	-	-	(1)	-	-	-	-
MLK Deliveries SpA	15	-	-	-	-	-	-	-	-	15
Nexive Group Srl	-	-	31	-	-	(31)	-	-	-	-
Nexive Network Srl	-	16	25	-	-	(25)	-	-	-	16
Nexive Servizi Srl	-	-	5	-	-	(5)	-	-	-	-
Nexive Scarl	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	1
Poste Vita SpA	1,221	300	-	-	-	-	-	-	-	1,521
Postel SpA	82	-	-	-	-	-	-	-	-	82
PostePay SpA	200	1	-	-	1	-	-	-	-	202
PSIA Srl	-	-	296	-	-	-	-	-	-	296
SDA Express Courier SpA	14	-	-	-	-	-	-	-	-	14
sennder Italia Srl	3	-	-	-	-	-	-	-	-	3
Sengi Express Limited	-	-	16	-	-	-	-	-	-	16
Total in subsidiaries	**1,716**	**317**	**373**	**-**	**1**	**(62)**	**-**	**-**	**-**	**2,345**
in associates										
Anima Holding SpA	203	-	-	-	-	-	-	-	-	203
Conio Inc.	-	-	-	-	-	-	-	-	-	-
Financit SpA	-	-	40	-	-	-	-	-	-	40
FSIA Investimenti Srl	296	-	-	-	-	(296)	-	-	-	-
ItaliaCamp Srl	-	-	-	-	-	-	-	-	-	-
Replica SIM SpA	-	10	-	-	-	-	-	-	-	10
Total in subsidiaries	**499**	**10**	**40**	**-**	**-**	**(296)**	**-**	**-**	**-**	**253**
Total	**2,215**	**327**	**413**	**-**	**1**	**(358)**	**-**	**-**	**-**	**2,598**

The following movements occurred in 2021:

- Sale, on 30 March 2021, of 100% of the stake in Indabox Srl to MLK Deliveries SpA, a company 70% owned by Poste Italiane SpA and 30% owned by Milkman Tech SpA. The transaction took effect on 1 April 2021.
- Sale, on 30 June 2021, of the business unit of MLK Deliveries SpA known as “Business Parcel B2C” to Poste Italiane SpA, with effect from 1 July 2021;
- Purchase, on 29 January 2021, of 100% of the share capital of Nexive Group Srl from PostNL and Mutares Holding for a total of € 31 million. On 11 May 2021, the Board of Directors of Poste Italiane SpA approved the proposed merger and demerger involved in the company reorganisation operation, which consisted of the following steps:
  - Merger by incorporation of Nexive Group and Nexive Servizi into Poste Italiane SpA;
  - Partial demerger of Nexive Network (i) in favour of Poste Italiane, as regards the mail delivery business, which includes the shareholding in Nexive Scarl, and (ii) in favour of Postel SpA, as regards the printing business unit.

The transaction, effective as of 1 October 2021, was carried out on a going concern basis and generated goodwill of €33 million and a merger deficit of €10 million, which was recognised in the relevant equity reserve.

- Payment to Nexive Network Srl for a total of €16 million to cover losses incurred through to 30 September 2021, reduction and simultaneous reconstitution of share capital and establishment of an available reserve, as resolved by the investee company's extraordinary shareholders' meeting of 24 November 2021.
- Recapitalisation, on 26 July 2021, of Poste Vita SpA through the subscription of a subordinated, non-convertible capital instrument, with perpetual duration and a 10-year non-call period, amounting to €300 million, for the purpose of strengthening the Solvency Ratio;
- Sale, on 24 June 2021, of Postel SpA's IT business unit to Poste Italiane SpA with effect from 1 July 2021;
- Sale, on 23 September 2021, from Poste Italiane SpA to PostePay SpA, of assets, goods and legal relations constituting the "Debit Business", with effect from 1 October 2021;
- Demerger, on 31 December 2021, of the assets representing 30% of FSIA Investimenti Srl, to PSIA Srl[156], with consequent reclassification of the investment value of € 296 million;
- Purchase, on 1 March 2021, of 51% of the voting capital (40% of the total capital) of Sengi Express Limited ("Sengi Express"), a company wholly owned by Cloud Seven Holding Limited for a total of €16 million, of which €4 million as an "earn-out" related to the economic results of the 2021–2023 three-year period;
- Purchase on 1 July 2021 of a 40% equity stake in BNL Finance, a company of BNL BNP Paribas Group and market leader in loans secured by the assignment of one-fifth of salary or pension "QC Credits") totalling € 40 million. With effect from 1 July 2021, the company changed its name to Financit SpA;
- Subscription on 29 April 2021 of the paid share capital increase of Replica SIM SpA totalling €10 million, resulting in the purchase of a 45% stake in the company's capital.

Finally, in April 2021 the company sennder Italia Srl carried out a capital increase reserved for sennder GmbH. Following this increase, Poste Italiane's stake in sennder Italia went down from 75% to 70%.

Further details of the main corporate actions during 2021, are provided in note 3.1 – *Principal corporate actions*.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. Based on the information available and the results of the impairment tests[157], there was no need to adjust the carrying amount of the investments.

156. On 29 April 2021, Poste Italiane SpA subscribed to 100% of the share capital of the newly incorporated company PSIA Srl.
157. The method applied and the criteria used in conducting impairment tests as at 31 December 2021 are described in note 2.4 – *Use of estimates, with regard to the Impairment testing of goodwill, cash generating units and investments*.

The following table shows a list of investments in subsidiaries and associates at 31 December 2021:

tab. A5.2 – List of equity investments

Name (€k)	% share	Share capital*	Net profit/ (loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31.12.2021	Difference between equity and carrying amount
in subsidiaries							
BancoPosta Fondi SpA SGR	100.00	12,000	26,057	57,074	57,074	8,400	48,674
CLP ScpA	51.00	516	-	788	402	313	89
Consorzio PosteMotori	58.12	120	-	120	70	70	-
Cons. per i Servizi di Telefonia Mobile ScpA	51.00	120	-	116	59	61	(2)
EGI SpA	55.00	103,200	3,135	241,796	132,988	169,893	(36,905)
MLK Deliveries SpA	70.00	333	(1,235)	11,964	8,375	15,088	(6,713)
Nexive Network Srl	100.00	50	(9,576)	7,917	7,917	16,000	(8,083)
Nexive Scarl	82.14	28	-	26	21	-	21
PatentiViaPoste ScpA	69.65	120	-	124	86	84	2
Poste Air Cargo Srl	100.00	1,000	3,300	6,242	6,242	845	5,397
Poste Vita SpA	100.00	1,216,608	794,679	5,718,521	5,718,521	1,520,527	4,197,994
Postel SpA	100.00	20,400	3,012	87,250	87,250	82,558	4,692
PostePay SpA	100.00	7,561	201,987	560,275	560,275	201,824	358,451
PSIA Srl	100.00	10	(46)	625,679	625,679	295,380	330,299
SDA Express Courier SpA	100.00	5,000	90,916	114,397	114,397	14,177	100,220
Sengi Express Limited**	40.00	566	3,283	3,969	1,587	16,000	(14,413)
sennder Italia Srl	70.00	43	2,006	7,159	5,011	3,255	1,756
in associates							
Anima Holding SpA***	10.35	7,292	176,295	1,413,183	146,264	203,001	(56,737)
Conio Inc.**	16.34	11,791	(720)	10,581	1,729	486	1,243
Financit SpA	40.00	14,950	19,200	50,017	20,007	40,000	(19,993)
ItaliaCamp Srl****	19.40	155	6	2,598	504	2	502
Replica SIM SpA	45.00	10,500	(291)	10,671	4,802	10,000	(5,198)

* Consortium fund in the case of consortia. All the companies have their registered offices in Rome, with the exception of Anima Holding S.p.A, Nexive Network Srl, Nexive Scarl, sennder Italia Srl and Replica SIM SpA, which have registered offices in Milan. Conio Inc. has registered offices in California (USA) and Sengi Express Limited has registered offices in Hong Kong (China)

** For these companies, these amounts have been calculated under IFRS and, therefore, may not be consistent with those included in the investee company's annual financial statements prepared in accordance with the Italian Civil Code and Italian GAAP and, in the case of Conio Inc., in accordance with US GAAP.

*** Figures from the consolidated interim financial statements approved by the company's Board of Directors on 30 September 2021.

**** Information from the latest Financial Statements approved by the company at 31 December 2020.

A6 – Financial assets (€90,213 million)

tab. A6 – Financial assets

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Financial assets at amortised cost	32,761	18,836	51,597	33,184	15,904	49,088	2,509
Financial assets at FVTOCI	35,830	1,871	37,701	38,709	4,376	43,085	(5,384)
Financial assets at FVTPL	39	-	39	73	-	73	(34)
Derivative financial instruments	800	76	876	75	4	79	797
Total	**69,430**	**20,783**	**90,213**	**72,041**	**20,284**	**92,325**	**(2,112)**
of which attributable to BancoPosta RFC	69,023	20,731	89,754	71,664	19,789	91,453	(1,699)
of which capital outside the ring-fence	407	52	459	377	495	872	(413)

BancoPosta RFC Financial assets

Financial assets attributable to BancoPosta RFC

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Financial assets at amortised cost	32,429	18,787	51,216	32,847	15,817	48,664	2,552
Financial assets at FVTOCI	35,755	1,871	37,626	38,669	3,969	42,638	(5,012)
Financial assets at FVTPL	39	-	39	73	-	73	(34)
Derivative financial instruments	800	73	873	75	3	78	795
Total	**69,023**	**20,731**	**89,754**	**71,664**	**19,789**	**91,453**	**(1,699)**

The assets in question concern the financial transactions carried out by the Company pursuant to Presidential Decree no. 144 of 14 March 2001, as amended, which, as from 2 May 2011, fall within the scope of RFC (see note 5.2 - *Information on BancoPosta RFC*).

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.1 – Movements in financial assets at amortised cost

Securities (€m)	Loans and receivables	Fixed income securities		Total
	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2021	**15.409**	**26,157**	**33,255**	**48,664**
Purchases	-	3,275	3,688	3,688
Changes in amortised cost	-	-	(113)	(113)
Transfers to equity reserves	-	-	-	-
Changes in fair value through profit or loss	-	-	(1,513)	(1,513)
Changes in cash flow hedges*	-	-	-	-
Changes due to impairment	(1)	-	5	4
Net changes	3,913	-	-	3,913
Effects of sales on profit or loss	-	-	(95)	(95)
Accruals	(1)	-	234	233
Sales, redemptions and settlement of accruals	-	(1,405)	(2,351)	(2,351)
Other changes	(1,214)	-	-	(1,214)
Balance at 31 December 2021	**18,106**	**28,027**	**33,110**	**51,216**

* The item in the table, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the derivative contract signing date and the settlement date, with a matching change in the cash flow hedge reserve.

Loans and receivables

This item breaks down as follows:

tab. A6.1.1 – Loans and receivables at amortised cost

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Loans	-	-	-	-	1	1	(1)
Deposits with MEF	-	12,707	12,707	-	7,336	7,336	5,371
Credit	-	12,712	12,712	-	7,340	7,340	5,372
Provisions for doubtful amounts deposited with MEF	-	(5)	(5)	-	(4)	(4)	(1)
Other financial receivables	-	5,399	5,399	-	8,072	8,072	(2,673)
Total	**-**	**18,106**	**18,106**	**-**	**15,409**	**15,409**	**2,697**

The item **Loans** refers to repurchase agreements for €1,577 million (€364 million at 31 December 2020) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) for the temporary use of liquidity from private inflows. These transactions are guaranteed by securities for a total notional amount of €1,475 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€363 million at 31 December 2020).

Receivables includes:

- **Deposits with the MEF**, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government securities[158]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (€4 million at 31 December 2020). The increase in deposits of €5,372 million was due to higher deposits from postal current accounts, deriving mainly from the signing of new agreements with public customers in the second half of the year.
- **Other financial receivables**, consisting of (i) €4,858 million in guarantee deposits - of which €4,173 million in amounts paid to counterparties for interest rate swaps (collateral under specific Credit Support Annexes), €72 million in amounts paid to counterparties for repurchase agreements on fixed income instruments (collateral under specific Global Master Repurchase Agreements), €612 million in amounts paid to CC&G, of which € 275 million for outstanding repo transactions and €337 million as a pre-financed contribution to the Default Fund[159], €1 million for amounts paid as collateral under clearing systems with central counterparties for over-the-counter transactions[160] in derivatives, and (ii) €76 million in receivables due from the subsidiary PostePay SpA for amounts debited mainly in the first few days of 2022. The decrease in guarantee deposits compared to the previous year is mainly due to the reduction in amounts paid to counterparties for interest rate swaps, following the positive change in the fair value of hedging derivatives due to the rise in the interest rate curve.

Fixed income instruments

These regard investments in fixed income Eurozone government securities, consisting of bonds issued by the Italian government and securities guaranteed by the Italian government, having a nominal value of €28,027 million. At 31 December 2021, the balance of €33,110 million refers to the amortised cost of unhedged fixed income instruments, totalling €11,327 million, and fair-value hedged fixed income instruments, totalling €19,595 million, increased by €2,188 million to take into account the effects of the hedge (€4,390 million in 2020). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2021 amount to approximately €11 million (€15 million at 31 December 2020). At 31 December 2021, the fair value[161] of these securities was €33,662 million (including €234 million in accrued income).

158. The variable rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.
159. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
160. Securities market not subject to any specific regulation as regards the organisation and operation of the market.
161. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €30,244 million of the total amount qualifies for inclusion in level 1 and €3,417 million for inclusion in level 2.

This category of financial asset includes fixed rate instruments, for a total nominal amount of €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2021, their carrying amount totals €3,215 million).

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A6.2 – Movements in financial assets at FVTOCI

Securities (€m)	Fixed income securities	
	Nominal value	Fair value
Balance at 1 January 2021	**33,569**	**42,638**
Purchases	8,969	9,546
Transfers to equity reserves	-	(403)
Changes in amortised cost	-	(68)
Changes in fair value through equity	-	(999)
Changes in fair value through profit or loss	-	(1,190)
Changes in cash flow hedges*	-	(50)
Effects of sales on profit or loss	-	502
Accruals	-	260
Sales, redemptions and settlement of accruals	(11,122)	(12,610)
Balance at 31 December 2021	**31,416**	**37,626**

* The item in the table, Changes in cash flow hedges, relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the derivative contract signing date and the settlement date, with a matching change in the cash flow hedge reserve.

Fixed income instruments

These are Eurozone fixed income instruments, consisting of government securities issued by the Italian government with a nominal value of €31,416 million. Total fair value losses for the year amount to €2,189 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (€999 million) and recognised through profit or loss in relation to the hedged portion (€1,190 million). These instruments are subject to impairments recognised in profit or loss with a matching entry in the relevant equity reserve. Accumulated impairments at 31 December 2021 amount to €12 million (€18 million at 31 December 2020). The decrease in this item is due to the above-mentioned change in fair value as well as to higher sales/redemptions compared to purchases made during the year, since, after the conversion into Law no. 106 of 23 July 2021 of Italian Law Decree no. 73 of 25 May 2021, part of the deposits from private customers was used to purchase tax credits transferable pursuant to Italian Law Decree 34/2020 ("Decreto Rilancio").

Certain securities are encumbered as they have been delivered to counterparties for use as collateral in connection with loans and hedging transactions, as described in note 13 – *Additional information*.

Financial assets measured at fair value through profit or loss

Equity instruments

This item refers to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) received for the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016. These shares are convertible at the rate of 6,829[162] ordinary shares for each C share, minus a suitable illiquidity discount.

Fair value changes in the period under review, amounting to a positive €5 million, have been recognised in profit or loss in "Revenue from financial activities".

In 2019, the Company entered into a forward sale agreement for 198,000 Visa Incorporated ordinary shares at a price of US$210.24 per share and at an exchange rate of 1.2044. The total consideration is €35 million and the settlement date is 1 March 2023. The ordinary shares involved in the forward sale amount to approximately 28,994 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 June 2021. The fair value of the forward sale has decreased by €3 million during the year, reflecting movements in both the price of the shares in US dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Expenses from financial activities".

In addition, on 1 March 2021, the forward sale of 400,000 Visa Incorporated ordinary shares outstanding at 31 December 2020 was settled without exchange of the underlying, the economic effect of which, in the amount of approximately €1 million, was recognised in "Expenses from financial activities".

Finally, during the first half of 2021, we entered into a forward sale, settled on 3 June 2021, of 2,199 preference shares of Visa Incorporated Series A Preferred Stock[163] (corresponding to 220,000 ordinary shares), with exchange of the underlying. This transaction generated a net positive effect of about €1 million.

Derivative financial instruments

Below are movements in derivative financial instruments:

tab. A6.4 – Movements in derivative financial instruments

	Cash flow hedging				Fair value hedging		FVTPL			
	Forward sales		Interest rate swaps		Interest rate swaps		Forward sales		Total	
(€m)	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value	nominal	fair value
Balance at 1 January 2021	**2,068**	**(54)**	**1,720**	**-**	**31,034**	**(8,111)**	**-**	**(20)**	**34,822**	**(8,185)**
Increases/(decreases)*	1,714	80	200	(258)	10,056	2,637	-	(5)	11,970	2,454
Gains/(Losses) through profit or loss**	-	-	-	(1)	-	6	-	-	-	5
Transactions settled***	(2,068)	50	(200)	(5)	(3,220)	1,069	-	22	(5,488)	1,136
Balance at 31 December 2021	**1,714**	**76**	**1,720**	**(264)**	**37,870**	**(4,399)**	**-**	**(3)**	**41,304**	**(4,590)**
Of which:										
Derivative assets	1,714	76	-	-	11,879	797	-	-	13,593	873
Derivative liabilities	-	-	1,720	(264)	25,991	(5,196)	-	(3)	27,711	(5,463)

* Increases/(decreases) refer to the nominal value of new transactions and changes in the fair value of the overall portfolio during the period.
** Income/(expense) recognised in profit or loss refer to any ineffective components of hedges, recognised in other income and other expenses from financial activities.
*** Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

162. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.
163. On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock.

Cash flow hedges in the form of interest rate swaps relate exclusively to FVTOCI securities, while forward sales relate to FVTOCI securities with a nominal value of €1,345 million and securities at amortised cost with a nominal value of €369 million.

Cash flow interest rate hedges recorded a total net fair value loss of €178 million on the effective portion, reflected in the cash flow hedge reserve.

Fair value hedges in interest rate swaps are used to hedge:

- securities classified at amortised cost with a nominal value of €17,330 million and securities classified at FVTOCI with a nominal value of €17,584 million; overall, they underwent a net effective negative fair value change of €2,638 million during the year, taking into account the net positive fair value change of €2,703 million in hedged securities (Table A6.1 and A6.2) net of €65 million for differentials paid;
- repurchase agreements classified at amortised cost with a nominal value of €2,956 million; the fair value at 31 June 2021 was negative by €1 million.

In the year under review, the Parent Company carried out the following transactions:

- forward sales with a nominal value of €1,714 million and the settlement of those outstanding at 1 January 2021, totalling €2,068 million;
- interest rate swaps designated as cash flow hedges with a nominal value of €200 million settled during the year;
- fair value hedge interest rate swaps with a nominal amount of €10,056 million, including €2,056 million in hedges for repurchase agreement transactions;
- extinguishment of fair value hedge interest rate swaps on securities sold, whose fair value changes were hedged, for a notional amount of €3,220 million;
- adjustment of forward sales of 400,000 Visa Incorporated ordinary shares outstanding as of 1 January 2021 (commented on in the preceding paragraph);
- signing of new forward sales of 418,000 Visa Incorporated ordinary shares, 220,000 of which were settled on 3 June 2021.

Financial assets outside the ring-fence

Capital financial assets outside the ring-fence

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	332	49	381	337	87	424	(43)
Financial assets at FVTOCI	75	-	75	40	407	447	(372)
Derivative financial instruments	-	3	3	-	1	1	2
Total	**407**	**52**	**459**	**377**	**495**	**872**	**(413)**

Financial assets at amortised cost

Movements in financial assets measured at amortised cost are shown below:

tab. A6.5 – Movements in financial assets at amortised cost

(€m)	Loans Carrying amount	Receivables Carrying amount	Total Carrying amount
Balance at 1 January 2021	**375**	**49**	**424**
Purchases	62	-	62
Changes in amortised cost	-	1	1
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges*	-	-	-
Changes due to impairment	-	-	-
Net changes	-	(43)	(43)
Effects of sales on profit or loss	-	-	-
Accruals	2	-	2
Sales, redemptions and settlement of accruals	(65)	-	(65)
Balance at 31 December 2021	**374**	**7**	**381**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Due from

This item breaks down as follows:

tab. A6.5.1 – Loans at amortised cost

Name (€m)	Balance at 31.12.21 Loans	correspondence c/a	Total	Balance at 31.12.20 Loans	correspondence c/a	Total	Changes
Direct subsidiaries							
FSIA Investimenti Srl	-	-	-	21	-	21	(21)
Nexive Network Srl	-	25	25	-	-	-	25
Poste Air Cargo Srl	-	7	7	-	11	11	(4)
PSIA Srl	21	-	21	-	-	-	21
Poste Vita SpA	251	-	251	251	-	251	-
Postel SpA	-	-	-	-	16	16	(16)
SDA Express Courier SpA	60	-	60	35	37	72	(12)
sennder Italia Srl	11	-	11	5	-	5	6
	343	**32**	**375**	**312**	**64**	**376**	**(1)**
Provision for impairment of intercompany loans	(1)	-	(1)	(1)	-	(1)	-
Total	**342**	**32**	**374**	**311**	**64**	**375**	**(1)**

The item includes:

- €251 million relating to an irredeemable subordinated loan, issued to Poste Vita SpA in order to bring the subsidiary's capitalisation into line with expected growth in earned premiums, in compliance with the specific regulations governing the insurance sector;
- €60 million for three loans granted to the subsidiary SDA Express Courier SpA in the financial years 2019, 2020 and 2021, to support the construction of the new plants for the automated HUBs in Bologna "Nord" and "Centro", repayable in single instalments on 2 August 2027, 16 April 2029 and 5 August 2030 respectively;

- €21 million for a loan granted to the subsidiary PSIA Srl[164], repayable in a single instalment on 29 September 2023;
- €11 million for the use of a revolving revocable credit line granted to the subsidiary sennder Italia Srl on 25 November 2021 for a maximum amount of €18 million, maturing on 25 February 2022;
- €32 million regarding overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans are adjusted by an accumulated impairment of approximately €1 million, to reflect the risk of counterparty default, which is unchanged as at 31 December 2020).

Receivables

tab. A6.5.2 – Receivables at amortised cost

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Guarantee deposits	-	3	3	-	15	15	(12)
Due from the purchasers of service accommodation	2	2	4	3	2	5	(1)
Due from Others	-	20	20	29	20	49	(29)
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)	-
Total	**2**	**5**	**7**	**32**	**17**	**49**	**(42)**

Receivables for **Guarantee deposits** relate to €3 million provided to counterparties for interest rate swap transactions. The decrease compared to 31 December 2020 is due to the expiry of fair value hedging interest rate swap contracts entered into to protect the value of BTPs from interest rate changes.

Amounts due from others, with a nominal value of €20 million, relate to the remaining amount due from Invitalia SpA for the sale of Banca del Mezzogiorno-MedioCredito Centrale SpA on 7 August 2017. The decrease in this item is due to the collection of a €30 million tranche on 22 December 2021.

164. On 9 June 2021, the demerger of FSIA Investimenti Srl was resolved and later finalised on 31 December 2021, through the assignment of assets representing 30% of FSIA Investimenti Srl, including the shareholders' loan of €21 million granted at the time to extinguish the Bank Loan subscribed by the company and to finance current operations from Poste Italiane to FSIA Investimenti Srl, in favour of PSIA Srl.

Financial assets at fair value through other comprehensive income

Movements in financial assets at fair value through other comprehensive income (FVTOCI) are shown below:

tab. A6.6 – Movements in financial assets at FVTOCI

	Fixed income securities		Equity instruments	Total	
(€m)	Nominal value	Fair value	Fair value	Nominal value	Fair value
Balance at 1 January 2021	**400**	**407**	**40**	**400**	**447**
Purchases	-	-	8	-	8
Transfers to equity reserves	-	-	-	-	-
Other changes in equity	-	-	-	-	-
Changes in amortised cost	-	-	-	-	-
Changes in fair value through equity	-	-	27	-	27
Changes in fair value through profit or loss	-	(2)	-	-	(2)
Changes in cash flow hedges*	-	-	-	-	-
Effects of sales on profit or loss	-	-	-	-	-
Accruals	-	-	-	-	-
Liquidations	-	-	-	-	-
Sales, redemptions and settlement of accruals	(400)	(405)	-	(400)	(405)
Balance at 31 December 2021	**-**	**-**	**75**	**-**	**75**

* The item, "Changes in cash flow hedges", relates to the purchase of forward contracts in relation to cash flow hedge transactions and reflects changes in the fair value of these forward contracts between the date of purchase and the settlement date, with a matching entry in equity, in the cash flow hedge reserve.

Fixed income instruments

In March 2021, securities with a total nominal value of €400 million matured. Of these, instruments with a value of €375 million had been hedged using interest rate swaps designated as fair value hedges.

Equity instruments

This item breaks down as follows:

tab. A6.6.1 – Equity instruments at FVTOCI

Name (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
MFM Holding Ltd	53	25	28
sennder Technologies Gmbh*	19	10	9
Milkman SpA	3	5	(2)
Total	**75**	**40**	**35**

* With effect from 20 December 2021 sennder GmbH changed its company name to sennder Technologies Gmbh.

In January 2021, Poste Italiane participated in a new capital increase promoted by sennder GmbH, with an investment of € 8 million.

Fair value gains in the year under review, amounting to €27 million, have been recognised in the specific Equity reserve.

Finally, the item includes €75 million for the investment in CAI SpA (formerly Alitalia CAI SpA), acquired in 2013 and entirely written off in 2014.

Further details of the main corporate actions during 2021, are provided in notes 3.1 – *Principal corporate actions*.

Financial assets measured at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes[165], whose value at 31 December 2021 is zero.

Derivative financial instruments

tab. A6.7 – Movements in derivative financial instruments

(€m)	Cash Flow hedging	Fair value hedging	FVTPL	Total
Balance at 1 January 2021	**(5)**	**(6)**	**1**	**(10)**
Increases/(decreases)	-	(4)	4	-
Gains/(Losses) through profit or loss	-	-	-	-
Transactions settled*	2	10	(2)	10
Balance at 31 December 2021	**(3)**	**-**	**3**	**-**
of which:				
Derivative assets	-	-	3	3
Derivative liabilities	(3)	-	-	(3)

* Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

At 31 December 2021, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B.6 – *Financial liabilities*); with this transaction, the Company assumed the obligation to pay the fixed rate of 4.035% and sold the floating rate of the bond, which at 31 December 2021 was 1.215%;
- A swap contract entered into in 2020 to provide management cover for fuel costs relating to the air transport of mail carried out via the subsidiary, Poste Air Cargo Srl, for the 2020-2022 three-year period.
- purchase and sale options that will allow Poste Italiane, starting from the second quarter of 2023, to purchase the additional 30% of MLK Deliveries SpA and ownership of the Milkman technology for e-commerce applications. The exercise price of these options is not fixed, but determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of MLK Deliveries SpA. At 31 December 2021, the value of the options was zero as there were no significant deviations from the initial estimates.

Lastly, in March 2021 was the expiry of nine asset swaps used as fair value hedges in 2010 to protect the value of BTPs with a nominal value of €375 million against movements in interest rates.

165. These are Contingent Convertible Notes with an original value of €75 million, a twenty-year term to maturity and issued by Midco SpA, which in turn owns 51% of the company Alitalia SAI SpA. The Notes were subscribed for by Poste Italiane SpA on 23 December 2014, in connection with the strategic transaction aimed at the entry of Etihad Airways into the share capital of Alitalia SAI, without any involvement on the part of Poste Italiane in the management of the issuer or its subsidiary. Interest and principal payments were provided for in the relevant terms and conditions if, and to the extent that, there was available liquidity. On the fulfilment of certain negative pledge conditions, in 2017 the loan was converted into equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code), carrying the same rights associated with the Notes.

A7 – Inventories (€11 million)

Description (€m)	Balance at 01.01.21	Increase / (decrease)	Balance at 31.12.21
Raw, ancillary and consumable materials	21	(10)	11
Total	**21**	(10)	**11**
of which attributable to BancoPosta RFC	-	-	-

This item includes inventories of Raw, ancillary and consumable materials related to protective equipment, disinfectant gel and other materials purchased in the 2020 financial year. The change refers mainly to materials used during the year.

A8 – Trade receivables (€2,926 million)

tab. A8 – Trade receivables

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Receivables from customers	2	2,142	2,144	1	2,057	2,058	86
Due from subsidiaries and associates	-	734	734	-	890	890	(156)
Receivables from Parent Company	-	48	48	-	36	36	12
Total	**2**	**2,924**	**2,926**	**1**	**2,983**	**2,984**	**(58)**
of which attributable to BancoPosta RFC	-	899	899	-	1,052	1,052	(153)

tab. A8.1 – Due from customers

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Overseas counterparties	-	549	549	-	455	455	94
Receivables for parcel delivery services	-	537	537	-	541	541	(4)
Ministries and Public Administration entities	-	463	463	-	464	464	(1)
Cassa Depositi e Prestiti	-	387	387	-	432	432	(45)
Amounts due for other BancoPosta services	-	92	92	-	84	84	8
Unfranked mail delivered	-	89	89	-	124	124	(35)
Overdrawn current accounts	-	37	37	-	42	42	(5)
Other trade receivables	2	394	396	1	344	345	51
Provisions for doubtful debts due from customers	-	(406)	(406)	-	(429)	(429)	23
Total	**2**	**2,142**	**2,144**	**1**	**2,057**	**2,058**	**86**
of which attributable to BancoPosta RFC	-	497	497	-	547	547	(50)

Specifically[166]:

- Amounts due from **overseas counterparties** primarily relates to postal services carried out by the Company for overseas postal operators.
- Receivables for **parcel delivery services** refer to amounts due from customers using the "national and international express courier" service.
- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €120 million, of which €53 million accrued during the year. These receivables are shown gross of the collection of an unavailable amount of €84 million, relating to the tariff increases applied in 2021 and in the first nine months of 2021, deposited by the Presidenza del Consiglio dei Ministri Dipartimento dell'Editoria (Cabinet Office – Publishing Department) in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. A further €17 million, without financial coverage in the State Budget, was entirely impaired.
  - Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €101 million.
  - Unfranked mail services provided on credit, totalling €57 million, to central and local government authorities.
  - Reimbursement of property, vehicle and security costs incurred on behalf of the Ministry of Economic Development amounting to € 48 million[167]. With regard to the original receivable of €62 million, which is the subject of a legal action brought by Poste Italiane for the recognition of sundry charges deriving from property use, a partially favourable ruling for Poste Italiane was given on 30 April 2020; the decision was conveyed to MiSE, which in turn applied to the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance. In December 2021, MiSE paid the Company approximately € 38 million in compliance with the first instance ruling. As a result of this payment, the Provision for doubtful debts allocated at the time was released for approximately €34 million and approximately €4 million was recognised as interest on arrears.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €14 million.
- Receivables from **Cassa Depositi e Prestiti** refer to fees for the postal savings deposit service by BancoPosta RFC in 2021 and not yet paid.
- Receivables for **other BancoPosta services** relate mainly to intermediation services (banking, personal loans, mortgages) carried out for a total of € 54 million.
- Receivables arising from **Unfranked mail** delivered include €54 million in amounts due from customers who use the service on their own behalf and €35 million for amounts due from agents who provide the service for third parties, primarily regarding bulk mail. Collection of these receivables is delegated to the authorised agents who provide the service.
- Receivables for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.
- **Other trade receivables** comprise € 33 million due for the Posta Contest service, €32 million due for the Posta Time service, €21 million due for court reporting services, €19 million due for the Posta Target service, €18 million due for the Raccomandata Market service, €17 million due for telegraphic services, €13 million due for non-universal mailing services, €8 million due for Advice and Billing Mail, €8 million due for Posta Easy Full and €6 million due for the integrated notification service.

In general, there are delays in collecting receivables from central and local public administrations due primarily to the fact that no provision has been made in the budgets of the various entities. In this regard, actions are continuing in order to solicit requests for appropriations.

Provisions for **doubtful debts due from customers** are described in note 6 – *Risk management*.

166. At 31 December 2021, the balance of trade receivables includes €13 million, net of the related provisions for doubtful accounts, relating to rental income falling within the scope of IFRS 15 – *Revenue from Contracts with Customers*.
167. See "Revenue and amounts due from the State", showing overall amounts due from the Ministry for Economic Development (€49 million), including amounts due for postal and other services.

Due to subsidiaries and associates

tab. A8.2 – Due to subsidiaries and associates

Name (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	23	23	-
CLP ScpA	3	2	1
Consorzio PosteMotori	13	13	-
EGI SpA	1	1	-
PatentiViaPoste ScpA	2	9	(7)
Poste Air Cargo Srl	1	1	-
Poste Vita SpA	237	244	(7)
Postel SpA	59	40	19
PostePay SpA	302	459	(157)
SDA Express Courier SpA	29	78	(49)
Nexive Network Srl	1	-	1
Nexive Scarl	8	-	8
Indirect subsidiaries			
Poste Assicura SpA	10	19	(9)
Poste Welfare Servizi Srl	2	2	-
Sengi Express Guangzhou Limited	23	-	23
Associates			
Financit SpA	20	-	20
ItaliaCamp Srl	1	-	1
Provisions for doubtful debts	(1)	(1)	-
Total	**734**	**890**	**(156)**
of which attributable to BancoPosta RFC	355	470	(115)

These trade receivables include:

- Poste Vita SpA: primarily regarding fees deriving from the sale of insurance policies through post offices and attributable to BancoPosta RFC (€223 million);
- PostePay SpA: primarily for product placement services relating to the payments business (€71 million), payment transactions (€104 million), the Posta Massiva bulk mail delivery service (€44 million), commercial and call centre services (€11 million) and the Energy service (€12 million).

Receivables from Parent Companies

This item relates to trade receivables due from the Ministry of the Economy and Finance:

tab. A8.3 – Due from the Parent Company

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Universal Service	31	31	-
Delegated services	30	30	-
Remuneration of current account deposits	17	5	12
Publisher tariff and electoral subsidies	1	1	-
Other	2	2	-
Provision for doubtful debts due from the Parent Company	(33)	(33)	-
Total	**48**	**36**	**12**
of which attributable to BancoPosta RFC	47	35	12

- **Universal Service** compensation includes:

tab. A8.3.1 – Universal Service compensation receivable

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	8	8	-
Total	**31**	**31**	**-**

In the year under review, the Group received €262 million in accrued compensation for the period. The amount of compensation was recognised based on the terms of the new 2020-2024 Service Contract, effective 1 January 2020.

With reference to the amount receivable for 2012, AGCom has recognised a net cost incurred by the Company of €327 million, compared with compensation of €350 million originally recognised. Provision has not been made in the state budget for the remaining €23 million. The Company appealed AGCom's decision on 13 November 2014 before the Regional Administrative Court (TAR).

The outstanding receivable relating to compensation for 2005 was subject to cuts in the budget laws for 2007 and 2008.

Provisions for doubtful debts have been made for the full amount of the above receivables.

- Receivables for **delegated services** relate to fees accrued solely in 2021 for treasury services performed by BancoPosta on behalf of the State in accordance with a specific agreement with the MEF signed on 22 May 2020 for the three-year period 2020-2022.
- The **remuneration of current account deposits** refers entirely to amounts accruing in 2021 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC.
- Receivables arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

Provisions for **doubtful debts due from the Parent Company** are described in note 6 – *Risk management*.

A9 – Other receivables and assets (€2,647 million)

This item breaks down as follows:

tab. A9 – Other receivables and assets

Description (€m)	Notes	Balance at 31.12.21			Balance at 31.12.20			Changes
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Substitute tax paid		1,614	542	2,156	1,474	482	1,956	200
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	171	171	-	175	175	(4)
Receivables relating to fixed-term contract settlements		46	76	122	57	79	136	(14)
Receivables for amounts that cannot be drawn on due to court rulings		-	77	77	-	78	78	(1)
Interest accrued on IRES refund	[C12]	-	46	46	-	46	46	-
Due to subsidiaries and associates		-	76	76	-	42	42	34
Tax assets		-	35	35	-	31	31	4
Prepaid expenses and accrued income of a commercial nature and other assets		-	50	50	-	7	7	43
Sundry receivables		17	58	75	17	73	90	(15)
Provisions for doubtful debts due from others		(3)	(158)	(161)	(1)	(117)	(118)	(43)
Total		**1,674**	**973**	**2,647**	**1,547**	**896**	**2,443**	**204**
of which attributable to BancoPosta RFC		1.614	589	2.203	1.474	549	2.023	180

In particular:

- Substitute tax paid, attributable to BancoPosta RFC, primarily regards:
  - €1,614 million charged to holder of Interest-bearing Postal Certificates for stamp duty at 31 December 2021[168]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the Interest-bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €388 million relating to stamp duty to be paid in virtual form in 2022 and to be recovered from customers;
  - €114 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €9 million in withholding tax on interest paid to current account holders for 2021, which is to be recovered from customers;
  - €2 million for the balance of receivables from the tax authorities for stamp duty paid virtually in 2021.
- Amounts due from **social security agencies and pension funds** refer for €57 million to sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and which, following access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the labour union agreements of 30 April and 21 December 2020, will be recovered by means of an adjustment with the contributions due to the Social Security Agency.
- Receivables relating to **fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €122 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. A breakdown of the receivables by individual agreement is provided below:

168. Introduced by Art. 19 of Decree-Law 201/2011, converted as amended by Law 214/2011 in accordance with the procedures set out in the MEF Decree of 24 May 2012: Procedures for implementing paragraphs 1 to 3 of Article 19 of Decree-Law No. 201 of 6 December 2011, regarding stamp duty on current accounts and financial products (O.J. No. 127 of 1 June 2012).

tab A9.1 – Receivables from fixed-term contract settlements

Description (€m)	Balance at 31.12.21				Balance at 31.12.2020				Changes
	Non-current assets	Current assets	Total	Nominal value	Non-current assets	Current assets	Total	Nominal value	
Receivables									
due from staff under agreement of 2006	-	-	-	-	-	1	1	1	(1)
due from staff under agreement of 2008	6	7	13	14	10	9	19	20	(6)
due from staff under agreement of 2010	19	6	25	30	23	6	29	34	(4)
due from staff under agreement of 2012	16	5	21	24	17	5	22	27	(1)
due from staff under agreement of 2013	1	-	1	2	1	1	2	2	(1)
due from staff under agreement of 2015	1	1	2	2	2	-	2	3	-
due from staff under agreement of 2018	-	-	-	1	1	-	1	1	(1)
due from INPS (former IPOST)	-	42	42	42	-	42	42	42	-
due from INPS (Social security)	3	10	13	13	3	10	13	14	-
due from pension funds	-	5	5	5	-	5	5	5	-
Total	**46**	**76**	**122**		**57**	**79**	**136**		**(14)**

The receivable of €42 million from INPS (formerly IPOST) under a specific agreement entered into with IPOST on 23 December 2009, consisting of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014. Negotiations with the debtor are underway to recover the amounts.

- **Amounts that cannot be drawn on due to court rulings** include €65 million in amounts seized and not assigned to creditors in the process of recovery, and €12 million in amounts stolen from the Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. The latter sum may only be recovered once the legal formalities are completed. The risks associated with collection of these items are taken into account in the provisions for doubtful debts due from others.
- **Interest accrued on IRES refund**, refers to interest accruing up to 31 December 2021 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on personnel expenses. With regard to the remaining overall tax credit, amounting to €50 million, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the tax authorities in Rome to refund the amounts claimed. The tax authorities have appealed both rulings before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the tax authorities' appeal against one of the rulings. Poste Italiane has appealed this ruling before the Supreme Court of Cassation. In the last quarter of 2019, however, the Court of Cassation had the opportunity to rule on other proceedings concerning the operability of the reimbursement pursuant to Decree-Law 201/11; with respect to the judgement issued, the uniformity of legal-formal circumstances allows the conclusion that the principle of law set out in the above-mentioned judgement of the Court of legitimacy can also have its effects in existing judgements. The appeal concerning Law Decree no. 185/2008 is currently pending before the Lazio Regional Tax Tribunal which, with Order no. 1174/2021 of 30 June 2021, adjourned the hearing to a new date. Elements of uncertainty about the final outcome of the case are taken into account in the provision for doubtful debts due from others.
- Receivables from **subsidiaries and associates** include € 66 million due from Poste Italiane SpA in its capacity as the consolidating company for tax purposes (note 2.3– *Summary of significant accounting policies and measurement criteria*) principally for the subsidiaries Poste Vita SpA, PostePay SpA and SDA Express Courier SpA.
- **Accrued income and prepaid expenses of a commercial nature and other assets** increased from 31 December 2020 and refer for approximately €38 million to the one-off payment made in advance to employees in July to cover the contractual vacancy for the first half of 2022, in accordance with the renewed National Collective Labour Agreement signed on 23 June 2021.

Provisions for **doubtful debts due from others** are described in note 6 – *Risk management*.

A10 – Tax credits Law no. 77/2020 (€6,456 Million)

tab. A10 – Tax credits Italian Law no. 77/2020

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	
Tax credits at amortised cost	3,090	65	3,155	29	6	35	3,120
Tax credits at FVTOCI	2,461	840	3,301	-	-	-	3,301
Total	**5,551**	**905**	**6,456**	**29**	**6**	**35**	**6,421**
of which attributable to BancoPosta RFC	5,168	840	6,008	-	-	-	6,008

This item refers to tax credits acquired by Poste Italiane SpA against capital resources free or transferred to BancoPosta RFC for resources subject and not subject to restrictions on their use, in accordance with the provisions of the "Decreto Rilancio" (Decree Law No. 262 of 31 December 2010 34/2020 converted as amended by Law no. 77/2020), which introduced tax breaks to support citizens and businesses and promote economic recovery following the Covid-19 health emergency.

These receivables are measured at amortised cost if they are acquired for the main purpose of offsetting social security or tax liabilities, on the basis of the provisions of the regulations issued with reference to the characteristics of the individual receivables, while they are measured at fair value through other comprehensive income components if they are also acquired for the purpose of sale.

Changes in these receivables during 2021 are shown below:

tab. A10.1 – Movements in tax credits Italian Law no. 77/2020

(€m)	Tax credits at AC		Tax credits at FVTOCI		Total	
	Value that can be offset	Carrying amount	Value that can be offset	Carrying amount	Nominal value	Carrying amount
Balance at 1 January 2021	**38**	**35**	**-**	**-**	**38**	**35**
Purchases	3,937	3,209	3,538	3,275	7,475	6,484
Changes in amortised cost	-	35	-	34	-	69
Changes in fair value through equity	-	-	-	(8)	-	(8)
Effects of sales on profit or loss	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Offsetting	(124)	(124)	-	-	(124)	(124)
Balance at 31 December 2021	**3,851**	**3,155**	**3,538**	**3,301**	**7,389**	**6,456**

With regard to BancoPosta RFC[169], the main changes during the period under review concern:

- purchases of €5,958 million, of which €2,683 million related to loans at amortised cost and €3,275 million related to FVTOCI loans;
- income accrued during the period amounting to €58 million, of which approximately €24 million relating to receivables at amortised cost and €34 million relating to FVTOCI receivables.

With regard to capital outside the ring-fence, the principal changes during the period related solely to the loan portfolio measured at amortised cost and were as follows:

- purchases for €525 million;
- accrued income for the period equal to €11 million;
- offsetting for €124 million.

169. With the conversion into Law No. 106 of 23 July 2021 of Law Decree No. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.

At 31 December 2021, the fair value[170] of tax credits measured at amortised cost was €3,117 million.

With regard to the purchase of tax credits derived from building bonuses, offered by the Company to its customers, certain local Public Prosecutors' Offices, in the period between November 2021 and February 2022, decided as a precautionary measure to seize approximately €240 million worth of tax credits that were undergoing purchase procedures. As a result of these measures, adopted in proceedings in which Poste Italiane is a bona fide third party and/or an injured party, the Company filed for a review, the outcome of which has led to the release of most of the sums previously subject to precautionary measures. Taking into account the effects of the anti-fraud decree, which allows for the extension of the set-off window for the duration of the seizure, the amortised cost of the residual receivables that are subject to an seizure order at the date of these financial statements has been adjusted by estimating the average duration of the seizure as one year.

A11 – Cash and deposits attributable to BancoPosta (€7,659 million)

This item breaks down as follows:

tab. A11 – Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Cash and cash equivalents on hand	2,886	3,027	(141)
Bank deposits	4,773	3,364	1,409
Total	**7,659**	**6,391**	**1,268**

This item relates exclusively to BancoPosta RFC assets.

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of postal savings bonds and payments into post office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of post offices. These funds, which are held at post offices (€1,259 million) and at service[171] companies (€1,627 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. The increase in the item Bank deposits is primarliy due to temporary excess liquidity deriving from private customer deposits from individuals on the account opened with the Bank of Italy and not yet invested.

A12 – Cash and cash equivalents (€3,870 million)

This item breaks down as follows:

tab. A12 – Cash and cash equivalents

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Bank deposits and amounts held at the Italian Treasury	1,859	2,022	(163)
Deposits with MEF	1,990	1,991	(1)
Cash and cash equivalents on hand	21	16	5
Total	**3,870**	**4,029**	**(159)**
of which attributable to BancoPosta RFC	2,012	2,009	3

Bank deposits and amounts held at the Italian Treasury include an unavailable amount of €84 million deposited by the Presidenza del Consiglio dei Ministri – Dipartimento dell'Editoria (Cabinet Office – Publishing Department) in a non-interest bearing account with the Italian Treasury as advance payment for publisher tariff reductions granted to the Company (note A8). Bank deposits and amounts held at the Italian Treasury include €18 million whose use is restricted by court orders related to different disputes.

170. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 3.
171. They carry out transport and custody of valuables awaiting payment to the State Treasury.

Cash held on **deposit with the MEF** at 31 December 2021 include approximately €1,632 million in amounts deposited with the MEF in a so-called buffer account, consisting of customer deposits subject to restrictions on their use and yet to be invested (note 5.2 – *Information on BancoPosta RFC*).

Equity

B1 – Share Capital (€1,306 million)

Poste Italiane SpA's share capital consists of 1,306,110,000 no-par value ordinary shares, of which Cassa Depositi e Prestiti SpA (CDP) holds 35% and the Ministry of the Economy and Finance holds 29.3%, while the remaining shares are held by institutional and retail investors.

As at 31 December 2021, the Company holds 5,232,921 treasury shares (equal to 0.40% of the share capital). All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B2 – Reserves (€3,486 million)

tab. B2 – Reserves

(€m)	Legal reserve	Equity instruments - perpetual hybrid bonds	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus/ deficit reserve	Total
Balance at 1 January 2020	**299**	**-**	**1,210**	**976**	**116**	**2**	**15**	**2,618**
Increase/(decrease) in fair value during the year	-	-	-	1,948	(28)	-	-	1,920
Tax effect of changes in fair value	-	-	-	(553)	8	-	-	(545)
Transfers to profit or loss	-	-	-	(260)	4	-	-	(256)
Tax effect of transfers to profit or loss	-	-	-	74	(1)	-	-	73
Increase/(decrease) for expected losses	-	-	-	6	-	-	-	6
Gains/(losses) recognised in equity	-	-	-	1.215	(17)	-	-	1,198
Incentive plans	-	-	-	-	-	4	-	4
Balance at 31 December 2020	**299**	**-**	**1,210**	**2,191**	**99**	**6**	**15**	**3,820**
of which attributable to BancoPosta RFC	-	-	1,210	2,182	98	1	-	3,491
Increase/(decrease) in fair value during the year	-	-	-	(980)	(178)	-	-	(1,158)
Tax effect of changes in fair value	-	-	-	287	51	-	-	338
Transfers to profit or loss	-	-	-	(420)	(7)	-	-	(427)
Tax effect of transfers to profit or loss	-	-	-	120	2	-	-	122
Increase/(decrease) for expected losses	-	-	-	(6)	-	-	-	(6)
Gains/(losses) recognised in equity	-	-	-	(999)	(132)	-	-	(1,131)
Contribution from merger	-	-	-	-	-	-	(10)	(10)
Equity instruments - perpetual hybrid bonds	-	800	-	-	-	-	-	800
Incentive plans	-	-	-	-	-	7	-	7
Balance at 31 December 2021	**299**	**800**	**1,210**	**1,192**	**(33)**	**13**	**5**	**3,486**
of which attributable to BancoPosta RFC	-	350	1,210	1,156	(36)	1	-	2,681

This item breaks down as follows:

- the **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. During 2021, the total negative changes in fair value for €980 million relate to:
  - €999 million from the net negative change in financial assets at fair value recognised in other comprehensive income in BancoPosta RFC;
  - a net increase of €27 million in financial assets measured at fair value through other comprehensive income held outside the ring-fence;
  - €8 million for the net negative change in tax credits under Law No. 77/2020 measured at fair value and recognised in other comprehensive income.
- the **cash flow hedge reserve** represents changes in the fair value of the effective portion of cash flow hedges outstanding. During 2021, negative fair value changes totalling €178 million was attributable to the net negative change in the value of BancoPosta RFC's derivative financial instruments
- the **Incentive Plans reserve** includes the estimate of the valuations for the year relating to the long-term "ILT Performance Share" incentive plans and the MBO short-term incentive plan, carried out on the basis of the provisions of IFRS 2.
- The **Reserve for equity instruments-perpetual hybrid bonds** includes the issue of the perpetual hybrid bond. In particular, Poste Italiane SpA, with settlement date 24 June 2021, placed its first perpetual subordinated hybrid bond issue with a "non-call" period of 8 years for institutional Investors, with a total par value of € 800 million with the objective of strengthening the Group's financial structure, and in particular the Leverage Ratio (Basel III) and the Tier 1 ratio of BancoPosta, as well as the Solvency II Ratio of Poste Vita, contributing to supporting the Group's long-term growth according to the strategic lines of the "24 SI" Business Plan.

  The main features of the issue are:

  - The bonds have no fixed maturity and must be redeemed only in the case of winding-up or liquidation of the Company, as specified in the related terms and conditions, except that there is a right to early redemption (call) in the cases provided for. In particular, the call is provided for at any time from the First Call Date of 24 March 2029 to 24 June 2029 and, subsequently, at every interest payment date.
  - The annual fixed coupon is 2.625% up to the first "Reset Date" set for 24 June 2029. From that date, the annual interest is determined on the basis of the 5-year Euro Mid Swap rate, plus an initial spread of 267.7 basis points, increased by a further 25 basis points from 24 June 2034 and by a further 75 basis points from 24 June 2049. The interest is payable at the issuer's discretion and cumulatively, starting from 24 June 2022. The issue price was set at 100%.

  Following this issue, on 30 June 2021, there was an injection of capital into BancoPosta RFC, via the granting of a €350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 ("AT1") capital, designed to strengthen its leverage ratio.

  In addition, on 26 July 2021, Poste Vita was recapitalised through the subscription to a subordinated, non-convertible capital instrument with a perpetual duration and a 10-year non-call period, amounting to €300 million, on terms and conditions that enable it to be included in basic own funds ("Restricted Tier 1" or "RT1"), in order to strengthen the Solvency Ratio.

B3 – Availability and distributability of reserves

The following table shows the availability and distributability of Poste Italiane SpA's reserves. Retained earnings include the profit for 2021 of €797 million.

During the year, dividends were distributed for a total of €662 million, based on the following resolutions:

- on 28 May 2021, the General Shareholders' Meeting resolved to distribute dividends of €421 million (unit dividend of €0.324) on 23 June 2021, as the balance for the 2020 financial year, taking into account the interim dividend of €211 million (unit dividend of €0.162) already paid in November 2020;
- on 10 November 2021, Poste Italiane's Board of Directors, in line with the Group dividend policy, resolved to advance part of the ordinary dividend planned for 2021. The interim dividend of €241 million was distributed on 24 November 2021 (unit dividend of €0.185).

tab. B3 – Availability and distributability of reservese

(€m)	31.12.2021		Potential use
Share capital		**1,306**	
Treasury shares		**(40)**	
Reserves			
legal reserve		**299**	
legal reserve	261		B
legal reserve	38		A B D
BancoPosta RFC reserve		**1,210**	**- -**
reserve for equity instruments - perpetual hybrid bonds		**800**	**- -**
fair value reserve		**1,192**	**- -**
cash flow hedge reserve		**(33)**	**- -**
incentive plans reserve		**13**	**- -**
merger surplus reserve		**5**	**A B D**
Retained earnings		**2,282**	
retained earnings	75		- -
BancoPosta RFC retained earnings	1,377		C
retained earnings	985		A B D
Unrealised gains/(losses) on financial instruments at FVTPL net of tax effect	25		B C
after-tax actuarial gains/(losses)	(180)		- -
Total		**7,034**	
of which distributable		1,028	

A: aumento di capitale
B: per copertura perdite
C: per copertura perdite BancoPosta
D: per distribuzione ai soci

Liabilities

B4 – Provisions for risks and charges (€1,169 million)

Movements in provisions for risks and charges are as follows:

tab. B4 – Movements in Provisions for risks and charges in Financial Year 2021

Description (€m)	Balance at 01.01.21	Provisions	Finance costs	Released to profit or loss	Uses	Changes from extraordinary transactions	Balance at 31.12.21
Provisions for operational risks	131	25	-	(8)	(14)	-	134
Provisions for disputes with third parties	237	69	-	(16)	(25)	-	265
Provisions for disputes with staff	50	4	-	(1)	(10)	-	43
Provisions for personnel expenses	227	112	-	(44)	(176)	1	120
Provisions for early retirement incentives	574	193	-	-	(252)	-	515
Provisions for taxation	3	-	-	-	-	-	3
Other provisions for risks and charges	87	16	-	(1)	(13)	-	89
Total	**1,309**	**419**	**-**	**(70)**	**(490)**	**1**	**1,169**
of which attributable to BancoPosta RFC	213	62	-	(13)	(33)		229
Overall analysis of provisions:							
- non-current portion	578						628
- current portion	731						541
	1,309						**1,169**

Specifically:

- **Provisions for operational risks**, relating to liabilities arising from transactions carried out within BancoPosta, primarily reflect risks associated with the distribution of postal savings products issued in previous years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, adjustments and settlements of income from previous years, and fraud. Provisions for the year totalling € 17 million mainly reflect the revision of the estimated risks linked to the distribution of postal savings products and adjustments and balance calculations of profits from previous years.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. The changes in the year refer to the update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €112 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€44 million) and settled disputes (€176 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2023. The provisions made at 31 December 2020 were utilised for €252 million.
- **Provisions for taxation** have been made to cover estimated tax liabilities.
- **Other provisions for risks and charges** cover probable liabilities of various types, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to release foreclosures suffered by the Company may be unable to recover the related amounts; claims for rent arrears on properties used free of charge by the Company; the recognition of accrued interest expense due to certain suppliers, and fraud.

B5 – Employee termination benefits (€896 million)

Movements in employee termination benefits are as follows:

tab. B5 – Movements in provisions for employee termination benefits

(€m)		FY 2021
Balance at 1 January		**1,003**
interest component	9	
effect of actuarial gains/(losses)	4	
Provisions for the year		13
Utilisations in the year		(120)
Balance at 31 December		**896**
of which attributable to BancoPosta RFC		3

The interest component is recognised in finance costs. The current service cost, which from 2007 is paid to pension funds or third-party social security agencies and is no longer included in the employee termination benefits managed by the Company, is recognised in personnel expenses. Net uses of employee termination benefits consist of disbursements made for €122 million, the levying of substitute tax for €6 million and transfers from certain Group companies for €8 million, of which €7 million following certain corporate transactions during the year, described in note 3.1 – *Principal corporate actions*.

The main actuarial assumptions applied in calculating provisions for employee termination benefits, are as follows:

tab. B5.1 – Economic and financial assumptions

	31.12.2021	31.12.2020
Discounting rate	0.44%	0.30%
Inflation rate	1.75%	1.50%
Annual rate of increase of employee termination benefits	2.813%	2.625%

tab. B5.2 – Demographic assumptions

	31.12.2021
Mortality	2018 ISTAT
Disability	INPS Tables by age and gender
Employee turnover	Specific table with rates differentiated by length of service. The average length of service for participants corresponds to an annual rate of 0.11%
Advance rate	1.25% for lengths of service of at least 8 years
Pensionable	Reaching requirements for Obligatory General Insurance

Actuarial gains and losses are generated by the following factors:

tab. B5.3 – Actuarial (gains)/losses

(€m)	31.12.2021
Change in demographic assumptions	-
Change in financial assumptions	1
Other changes related to experience	3
Total	**4**

The sensitivity of employee termination benefits to changes in the principal actuarial assumptions is analysed below:

tab. B5.4 – Sensitivity analysis

(€m)	Employee termination benefits at 31.12.2021
Inflation rate +0.25%	908
Inflation rate -0.25%	884
Discounting rate +0.25%	877
Discounting rate -0.25%	916
Turnover rate +0.25%	894
Turnover rate -0.25%	898

tab. B5.5 – Other information

	31.12.2021
Expected service cost	-
Average duration of defined benefit plan	9.20
Average employee turnover	0.11%

B6 – Financial liabilities (€106,259 million)

tab. B6 – Financial liabilities

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	9,527	91,266	100,793	10,033	80,978	91,011	9,782
Derivative financial instruments	5,421	45	5,466	8,146	128	8,274	(2,808)
Total	**14,948**	**91,311**	**106,259**	**18,179**	**81,106**	**99,285**	**6,974**
of which attributable to BancoPosta RFC	12,369	89,375	101,744	15,426	79,520	94,946	6,798
of which capital outside the ring-fence	2,579	1,936	4,515	2,753	1,586	4,339	176

BancoPosta RFC financial liabilities

Financial assets attributable to BancoPosta RFC

Description (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	6,951	89,330	96,281	7,285	79,398	86,683	9,598
Payables for postal current accounts	-	77,483	77,483	-	66,462	66,462	11,021
Loans	6,951	6,309	13,260	7,285	7,063	14,348	(1,088)
Due to financial institutions	6,951	6,309	13,260	7,285	7,063	14,348	(1,088)
MEF account held at the Treasury	-	3,441	3,441	-	3,588	3,588	(147)
Other financial liabilities	-	2,097	2,097	-	2,285	2,285	(188)
Derivative financial instruments*	5,418	45	5,463	8,141	122	8,263	(2,800)
Cash flow hedging	255	9	264	49	73	122	142
Fair value hedging	5,160	36	5,196	8,092	29	8,121	(2,925)
Fair value through profit or loss	3	-	3	-	20	20	(17)
Total	**12,369**	**89,375**	**101,744**	**15,426**	**79,520**	**94,946**	**6,798**

* In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Postal current accounts

These payables include net amounts accrued at 31 December 2021 and settled with customers in January 2022. The balance includes amounts due to Poste Italiane Group companies, totalling €8,884 million, of which €8,284 million relating to postal current accounts in the name of PostePay SpA mainly relating to the deposit of income from prepaid cards and €544 million deposited in postal current accounts by Poste Vita SpA. The increase in this item compared to 31 December 2020 is mainly due to new relationships with customers for the sale of tax credits pursuant to Law Decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020) and the increase in public administration inventories following the signing of new agreements.

Due from

Due to financial institutions

At 31 December 2021, payables amounting to €14,837 million were outstanding in respect of repurchase agreements with leading financial operators and Central Counterparties for a total nominal amount of securities committed of €13,431 million. These liabilities regard €7,098 million in Long Term Repos and €7,739 million in ordinary financing operations, both of which are aimed at investments in fixed income government securities and the provision of deposits for collateralisation operations. At 31 December 2021, repurchase agreements with a nominal value of €2,956 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€363 million at 31 December 2020). At 31 December 2021, the fair value[172] of the above payables amounted to €13,249 million.

172. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

MEF account held at the Treasury

tab. B6.1 – MEF account held at the Treasury

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Balance of cash flows for advances	-	3,488	3,488	-	3,602	3,602	(114)
Balance of cash flows from management of postal savings	-	(220)	(220)	-	(192)	(192)	(28)
Amounts payable due to theft	-	155	155	-	159	159	(4)
Amounts payable for operational risks	-	18	18	-	19	19	(1)
Total	**-**	**3,441**	**3,441**	**-**	**3,588**	**3,588**	**(147)**

The **balance of cash flows for advances**, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta. These break down as follows:

tab. B6.1.1 – Balance of cash flows for advances

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Net advances	-	3,488	3,488	-	3,602	3,602	(114)
MEF postal current accounts and other payables	-	670	670	-	671	671	(1)
MEF - State pensions	-	(670)	(670)	-	(671)	(671)	1
Total	**-**	**3,488**	**3,488**	**-**	**3,602**	**3,602**	**(114)**

The **balance of cash flows from the management of postal savings**, amounting to a positive €220 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2021 consists of €185 million receivable from Cassa Depositi e Prestiti, and a receivable of €35 million from the MEF for Interest-bearing Postal Certificates issued on its behalf.

Amounts payable due to thefts from Post Offices of €155 million regard the Company's liability to the MEF on behalf of the Italian Treasury for losses resulting from theft and fraud. This liability derives from cash withdrawals from the Treasury to make up for the losses resulting from these criminal acts, in order to ensure that post offices can continue to operate.

Amounts payable for operational risks for €18 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Derivative financial instruments

Changes in derivative financial instruments during 2021 are described in note A6.

Other financial liabilities

tab. B6.2 – Other financial liabilities

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Domestic and international money transfers	-	938	938	-	917	917	21
Guarantee deposits	-	228	228	-	392	392	(164)
Endorsed cheques	-	322	322	-	382	382	(60)
Other amounts payable to third parties	-	69	69	-	148	148	(79)
Cashed cheques	-	141	141	-	135	135	6
Amounts to be credited to customers	-	130	130	-	120	120	10
Payables for items in process	-	269	269	-	191	191	78
Total	**-**	**2,097**	**2,097**	**-**	**2,285**	**2,285**	**(188)**

Liabilities for guarantee deposits concerned €219 million for amounts received from counterparties with whom there are repurchase agreements on fixed income instruments (collateral provided by specific Global Master Repurchase Agreements) and €9 million for amounts received from counterparties for interest rate swap transactions (collateral provided by specific Credit Support Annexes).

Financial liabilities outside the ring-fence

Capital financial liabilities outside the ring-fence

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost	2,576	1,936	4,512	2,748	1,580	4,328	184
Loans	1,770	551	2,321	1,869	664	2,533	(212)
Bonds	1,047	-	1,047	1,046	-	1,046	1
Due to financial institutions	723	551	1,274	823	664	1,487	(213)
Lease payables	802	187	989	878	187	1,065	(76)
Financial liabilities due to subsidiaries	-	1,195	1,195	-	729	729	466
Other financial liabilities	4	3	7	1	-	1	6
Derivative financial instruments*	3	-	3	5	6	11	(8)
Fair value hedging	-	-	-	-	6	6	(6)
Cash flow hedging	3	-	3	5	-	5	(2)
Total	**2,579**	**1,936**	**4,515**	**2,753**	**1,586**	**4,339**	**176**

* In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Due from

Loans are unsecured and are not subject to financial covenants, which would require the Company to comply with financial ratios. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste Italiane, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree immediate early repayment of the loan. Standard negative pledge clauses[173] do apply, however.

Bonds

The item **Bonds** refers to two loans issued by Poste Italiane SpA as part of the €2 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. In particular:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2021, the fair value[174] of the loan was €998 million;
- a loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in note A6 – Financial assets. At 31 December 2021, the fair value[175] of the loan was €51 million.

Due to financial institutions

tab. B6.3 – Due to financial institutions

	Balance at 31.12.21			Balance at 31.12.20			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Repurchase agreements	-	-	-	-	412	412	(412)
Loans	-	550	550	250	250	500	50
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	-	-	-	150
Other payables and accrued interest expense	-	1	1	-	2	2	(1)
Total	**723**	**551**	**1,274**	**823**	**664**	**1,487**	**(213)**

TF: Fixed rate loan.

During 2021, debts relating to repurchase agreements outstanding at 31 December 2020 matured.

Also during the year, the Company drew down uncommitted credit lines for short-term loans totalling €550 million and repaid a medium-term loan of €250 million ahead of schedule. On 26 January 2021, a new loan of €150 million was signed with the EIB. The loan disbursed on 21 May 2021 provides interest at a fixed rate of 0.161% and matures on 19 May 2028.

173. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.
174. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 1.
175. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

At 31 December 2021, the fair value[176] of the three EIB loans totalling €723 million is €740 million.

The carrying amount of the other financial liabilities in the table *Capital financial liabilities outside the ring-fence* approximates to their fair value.

At 31 December 2021, the committed and uncommitted credit lines are as follows:

Description (€m)	Balance at 31.12.21	Balance at 31.12.20
Committed credit lines	**1,750**	**1,750**
Short-term loans	1,750	1,750
Uncommitted credit lines	**2,250**	**1,785**
Short-term loans	1,309	1,017
Current account overdrafts	144	148
Unsecured loans	797	620
Total	**4,000**	**3,535**
Committed uses	**-**	**-**
Short-term loans	-	-
Uncommitted uses	**937**	**602**
Short-term loans	550	250
Unsecured loans*	387	352
Total	**937**	**602**

* At 31 December 2021, unsecured loans have been used for €350 million on behalf of Poste Italiane SpA and for €37 million on behalf of Group companies.

No collateral has been provided to secure the credit lines available.

The uncommitted revocable credit lines are also available for overnight transactions of BancoPosta RFC.

In addition, from 26 June 2020, BancoPosta's assets may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2021.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €1,491 million, and the facility is unused at 31 December 2021.

Lease payables

Lease payables at 31 December 2021 amounted to €989 million. For more details on the change in this item, please refer to note A4 – Right-of-use assets.

Derivative financial instruments

Changes in the item in 2021, are described in note A6 – *Financial assets*.

176. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for level 2.

Financial liabilities due to subsidiariese

These liabilities relate to intercompany current accounts paying interest at market rates and break down as follows:

tab. B6.4 – Financial liabilities due to subsidiaries

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	33	3	30
EGI SpA	14	2	12
Nexive Scarl	6	-	6
Poste Vita SpA	377	174	203
Postel SpA	7	-	7
PostePay SpA	666	550	116
SDA Express Courier SpA	50	-	50
sennder Italia Srl	15	-	15
Indirect subsidiaries			
Poste Assicura SpA	7	-	7
Poste Welfare Servizi Srl	19	-	19
Kipoint SpA	1	-	1
Total	**1,195**	**729**	**466**

Changes in liabilities arising from financing activities

The following disclosures are provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

tab. B6.5 – Movements in liabilities arising from financing activities

Description (€m)	Balance at 01.01.21	Net cash flow from/ (for) financing activities	Non-cash flows	Balance at 31.12.21
Loans	2,533	(212)	-	2,321
Bonds	1,046	-	1	1,047
Due to financial institutions	1,487	(212)	(1)	1,274
Lease payables	1,065	(210)	134	989
Financial liabilities due to subsidiaries	729	460	6	1,195
Other financial liabilities	1	2	4	7
Total	**4,328**	**40**	**144**	**4,512**

Net debt/(funds)

The net financial position at 31 December 2021 is shown below:

Net debt/(funds) at 31 December 2021

Balance at 31.12.21 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	*of which related parties*
Financial liabilities	**4,690**	**101,916**	**(347)**	**106,259**	
Payables for postal current accounts	-	77,655	(172)	77,483	*8,884*
Bonds	1,047	-	-	1,047	-
Due to financial institutions	1,274	13,260	-	14,534	*199*
Lease payables	989	-	-	989	*46*
MEF account held at the Treasury	-	3,441	-	3,441	*3,441*
Derivative financial instruments	3	5,463	-	5,466	*148*
Other financial liabilities	1,202	2,097	-	3,299	*1,206*
Intersegment financial liabilities	175	-	(175)	-	-
Financial assets	**(459)**	**(89,929)**	**175**	**(90,213)**	
Financial instruments at amortised cost	(381)	(51,216)	-	(51,597)	*(16,509)*
Financial instruments at FVTOCI	(75)	(37,626)	-	(37,701)	-
Financial instruments at fair value through profit or loss	-	(39)	-	(39)	-
Derivative financial instruments	(3)	(873)	-	(876)	*(31)*
Intersegment financial assets	-	(175)	175	-	-
Tax credits Italian Law no. 77/2020	**(448)**	**(6,008)**	**-**	**(6,456)**	**-**
Liabilities/(net financial assets)	**3,783**	**5,979**	**(172)**	**9,590**	
Cash and deposits attributable to BancoPosta	**-**	**(7,659)**	**-**	**(7,659)**	**-**
Cash and cash equivalents	**(2,028)**	**(2,014)**	**172**	**(3,870)**	***(1,991)***
Net debt/(funds)	**1,755**	**(3,694)**	**-**	**(1,939)**	

Net debt/(funds) at 31 December 2020

Balance at 31.12.20 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	of which related parties
Financial liabilities	**5,237**	**95,086**	**(1,038)**	**99,285**	
Payables for postal current accounts	-	66,602	(140)	66,462	*7,641*
Bonds	1,046	-	-	1,046	-
Due to financial institutions	1,487	14,348	-	15,835	-
Lease payables	1,065	-	-	1,065	*38*
MEF account held at the Treasury	-	3,588	-	3,588	*3,588*
Derivative financial instruments	11	8,263	-	8,274	*234*
Other financial liabilities	730	2,285	-	3,015	*1,536*
Intersegment financial liabilities	898	-	(898)	-	-
Financial assets	**(872)**	**(92,351)**	**898**	**(92,325)**	-
Financial instruments at amortised cost	(424)	(48,664)	-	(49,088)	*(11,361)*
Financial instruments at FVTOCI	(448)	(42,638)	-	(43,086)	-
Financial instruments at fair value through profit or loss	-	(73)	-	(73)	-
Derivative financial instruments	-	(78)	-	(78)	-
Intersegment financial assets	-	(898)	898	-	-
Tax credits Italian Law no. 77/2020	**(35)**	**-**	**-**	**(35)**	
Liabilities/(net financial assets)	**4,330**	**2,735**	**(140)**	**6,925**	
Cash and deposits attributable to BancoPosta	**-**	**(6,391)**	**-**	**(6,391)**	
Cash and cash equivalents	**(2,159)**	**(2,010)**	**140**	**(4,029)**	***(1,992)***
Net debt/(funds)	**2,171**	**(5,666)**	**-**	**(3,495)**	

Total **net funds**[177] of the Company at 31 December 2021, as described above, amounted to €1,939 million, down €1,556 million compared to 31 December 2020 (funds of €3,495 million). The change was mainly affected by the distribution of dividends totalling €662 million (of which €241 million related to the interim ordinary dividend planned for 2021), new investments of €708 million and negative fluctuations in value and sales during the period of investments classified as FVTOCI for approximately €1.4 billion, partly offset by the profit for the period of €797 million and positive cash flow of €794 million, net of issue costs. The change also includes the effects of corporate acquisitions in 2021 totalling €93 million and the recapitalisation, for a total of €300 million, of Poste Vita SpA, through the subscription of a subordinated, non-convertible capital instrument.

177. The net financial position includes tax credits whose value at 31 December 2021 was €6,456 million. Although these receivables derive from business activities and are classified in the financial statements under other assets, in order to improve the representation of the indicator in question, they have been assimilated to financial assets.

As at 31 December 2021, the financial indebtedness of Capital outside the ring-fence, calculated in accordance with ESMA Guidelines 32-382-1138 is as follows:

ESMA net financial indebtedness for capital outside ring-fence

(€m)	At 31 December 2021	At 31 December 2020
A. Cash	(2,028)	(2,159)
B. Cash equivalents	-	-
C. Other current financial assets	(52)	(495)
D. Liquidity (A + B + C)	**(2,080)**	**(2,654)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,935	1,585
F. Current portion of non-current debt	1	1
G. Current financial debt (E + F)	**1,936**	**1,586**
H. Net current financial debt (G + D)	**(144)**	**(1,068)**
I. Non-current financial debt (excluding current portion and debt instruments)	1,532	1,707
J. Debt instruments	1,047	1,046
K. Trade payables and other non-current payables	22	25
L. Non-current financial debt (I + J + K)	**2,601**	**2,778**
M. Total financial indebtedness (H + L)	**2,457**	**1,710**

Reconciliation of financial indebtedness ESMA

(€m)	At 31 December 2021	At 31 December 2020
M. Total financial indebtedness (H + L)	**2,457**	**1,710**
Non-current financial assets	(407)	(377)
K. Trade payables and other non-current payables	(22)	(25)
Tax credits Italian Law no. 77/2020	(448)	(35)
Industrial Net Debt/(Funds)	**1,580**	**1,273**
Intersegment financial (receivables)/payables	175	898
Net debt/(funds) for capital outside ring-fence including intersegment transactions	**1,755**	**2,171**

B7 – Trade payables (€2,031 million)

tab. B7 – Trade payables

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Amounts payable to suppliers	963	924	39
Due to subsidiaries and associates	510	787	(277)
Contract liabilities	558	410	148
Total	**2,031**	**2,121**	**(90)**
of which attributable to BancoPosta RFC	201	393	(192)

Amounts payable to suppliers

tab. B7.1 – Payables to suppliers

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Italian suppliers	788	777	11
Foreign suppliers	18	13	5
Overseas counterparties*	157	134	23
Total	**963**	**924**	**39**
of which attributable to BancoPosta RFC	12	10	2

* The amount due to overseas counterparties relates to fees payable to overseas postal operators and companies in return for postal and telegraphic services received.

Due to subsidiaries and associates

tab. B7.2 – Due to subsidiaries and associates

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	4	4	-
CLP ScpA	98	97	1
Consorzio PosteMotori	-	1	(1)
Consorzio per i Servizi di Telefonia Mobile ScpA	47	43	4
EGI SpA	1	13	(12)
Milkman Deliveries SpA	6	3	3
Nexive Network Srl	4	-	4
Poste Vita SpA	2	1	1
Postel SpA	22	23	(1)
PostePay SpA	150	377	(227)
SDA Express Courier SpA	171	224	(53)
Indirect subsidiaries			
Address Software Srl	1	-	1
Kipoint SpA	2	1	1
Poste Welfare Servizi Srl	2	-	2
Total	**510**	**787**	**(277)**
of which attributable to BancoPosta RFC	120	354	(234)

These trade payables include:

- PostePay SpA: mainly for collection and payment services under the service contract (€117 million) and for acquiring services (€33 million);
- SDA Express Courier SpA: mainly for the pick-up, sorting and delivery service of products in the domestic and international express range.

Contract liabilities

tab. B7.3 – Contract liabilities

Description (€m)	Balance at 01.01.21	Increases/ (Decreases)	Change due to recognition of revenue for period	Balance at 31.12.21
Prepayments and advances from customers	381	109	-	490
Liabilities for fees to be refunded	24	(24)	68	68
Liabilities for volume discounts	2	(2)	-	-
Deferred income from trading transactions	3	(3)	-	-
Total	**410**	**80**	**68**	**558**
of which attributable to BancoPosta RFC	29	(29)	68	68

Prepayments and advances from customers

This item refers to amounts received from customers as prepayment for the following services to be rendered:

tab. B7.3.1 – Prepayments and advances from customers

Description (€m)		Balance at 31.12.21	Balance at 31.12.20	Changes
Prepayments from overseas counterparties		329	276	53
Advances for Publishing from PCM	[tab.A8.1]	84	24	60
Automated franking		42	40	2
Unfranked mail		12	17	(5)
Postage-paid mailing services		4	6	(2)
Other services		19	18	1
Total		**490**	**381**	**109**
of which attributable to BancoPosta RFC		-	-	-

Liabilities for fees to be refunded represent the estimated liability linked to the refund of fees on loan products sold after 1 January 2018, under the terms of which the related fees must be refunded if the customer opts for early cancellation of the agreement.

B8 – Other liabilities (€3,009 million)

tab. B8 – Other liabilities

Description (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Payables to personnel	15	696	711	17	678	695	16
Social security payables	26	414	440	26	427	453	(13)
Other tax payables	1,614	137	1,751	1,474	177	1,651	100
Other amounts due to subsidiaries	2	32	34	-	140	140	(106)
Sundry payables	15	51	66	11	31	42	24
Accrued expenses and deferred income	5	2	7	7	2	9	(2)
Total	**1,677**	**1,332**	**3,009**	**1,535**	**1,455**	**2,990**	**19**
of which attributable to BancoPosta RFC	1,615	61	1,676	1,476	80	1,556	120

Amounts payable to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2021. The breakdown is as follows:

tab. B8.1 – Payables to personnel

Description (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Fourteenth month salaries	-	195	195	-	202	202	(7)
Incentives	15	401	416	17	377	394	22
Accrued vacation pay	-	39	39	-	43	43	(4)
Other amounts due to staff	-	61	61	-	56	56	5
Total	**15**	**696**	**711**	**17**	**678**	**695**	**16**
of which attributable to BancoPosta RFC	1	5	6	1	4	5	1

Social security payables

tab. B8.2 – Payables to pension and social security agencies

Description (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Payables to INPS	4	313	317	1	324	325	(8)
Payables to pension funds	-	84	84	-	85	85	(1)
Payables to health funds	-	5	5	-	5	5	-
Payables to INAIL	22	3	25	25	3	28	(3)
Payables to other agencies	-	9	9	-	10	10	(1)
Total	**26**	**414**	**440**	**26**	**427**	**453**	**(13)**
of which attributable to BancoPosta RFC	-	3	3	-	3	3	-

Other taxes payable

tab. B8.3 – Other tax liabilities

Description (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Withholdings on subordinate employment and self-employment	-	90	90	-	91	91	(1)
Withholding tax on postal current accounts	-	8	8	-	10	10	(2)
Stamp duty payable	1,614	-	1,614	1,474	52	1,526	88
Other taxes due	-	39	39	-	24	24	15
Total	**1,614**	**137**	**1,751**	**1,474**	**177**	**1,651**	**100**
of which attributable to BancoPosta RFC	1,614	24	1,638	1,474	68	1,542	96

Stamp duty payable regards the amount due accrued at 31 December 2021 on interest-bearing postal certificates in circulation, in compliance with the legislation referred to in note A9 – *Other receivables and assets*.

Other amounts due to subsidiaries

tab. B8.4 – Other amounts due to subsidiaries

Name (€m)	Balance at 31.12.21 Non-current liabilities	Current liabilities	Total	Balance at 31.12.20 Non-current liabilities	Current liabilities	Total	Changes
Direct subsidiaries							
EGI SpA	-	-	-	-	1	1	(1)
Nexive Network Srl	2	12	14	-	-	-	14
Nexive Scarl	-	1	1	-	-	-	1
Poste Vita SpA	-	10	10	-	135	135	(125)
Postel SpA	-	1	1	-	1	1	-
PostePay SpA	-	4	4	-	-	-	4
SDA Express Courier SpA	-	1	1	-	-	-	1
Indirect subsidiaries							
Poste Assicura SpA	-	3	3	-	3	3	-
Total	**2**	**32**	**34**	**-**	**140**	**140**	**(106)**
of which attributable to BancoPosta RFC	-	-	-	-	-	-	-

These consist of the debt that Poste Italiane SpA, as the tax consolidating entity (note 2.3 – *Summary of significant accounting policies and measurement criteria*), paid to the subsidiaries for having acquired credit from them for advances paid, withholding taxes and taxes paid overseas, net of IRES payable by the subsidiaries to the Parent Company, as well as the benefit associated with the tax loss contributed by the subsidiary, Nexive Network Srl, in 2021.

Sundry payables

This item breaks down as follows:

tab. B8.5 – Sundry payables

Description (€m)	Balance at 31.12.21			Balance at 31.12.20			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Sundry payables attributable to BancoPosta	-	29	29	-	6	6	23
Guarantee deposits	15	-	15	11	-	11	4
Other payables	-	22	22	-	25	25	(3)
Total	**15**	**51**	**66**	**11**	**31**	**42**	**24**
of which attributable to BancoPosta RFC	-	29	29	-	6	6	23

5.4 Notes to the Statement of profit or loss

C1 – Revenue from sales and services (€8,488 million)

tab. C1 – Revenue from sales and services

Description (€m)	FY 2021	FY 2020	Changes
Postal Services	3,057	2,846	211
of which Revenue from contracts with customers	3,057	2,846	211
recognised at a point in time	398	221	177
recognised over time	2,659	2,625	34
BancoPosta services	5,123	5,177	(54)
of which Revenue from contracts with customers	3,597	3,584	13
recognised at a point in time	282	315	(33)
recognised over time	3,315	3,269	46
Other sales of goods and services	308	203	105
of which Revenue from contracts with customers	308	203	105
recognised at a point in time	1	1	-
recognised over time	307	202	105
Total	**8,488**	**8,226**	**262**

Revenue from contracts with customers breaks down as follows:

- **Revenue from Postal Services** refers to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at point-in-time given the number of transactions handled through the various sales channels (post offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally governed by annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and accepted. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.
- **Revenue from BancoPosta Services** refers to:
  - revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
  - revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
  - revenue from commissions on payment of bills by payment slip: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale;
  - revenue not from contracts with customers accounted for in accordance with IFRS 9 – *Financial Instruments*.

Revenue from Postal Services

tab. C1.1 – Revenue from Postal Services

Description (€m)	FY 2021	FY 2020	Changes
Mail	1,693	1,604	89
Parcels	1,041	919	122
Philately	8	7	1
Total external revenue	**2,742**	**2,530**	**212**
Universal Service compensation	262	262	-
Publisher tariff subsidies	53	54	(1)
Total revenue	**3,057**	**2,846**	**211**

External revenue showed an increase compared to 2020, the latter heavily impacted by the health emergency that involved our country and significantly affected normal operations.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. The amount of annual compensation of €262 million is defined in the 2020-2024 Service Contract, effective from 1 January 2020.

Publisher tariff subsidies[178] relate to the amount receivable by the Company from the Presidenza del Consiglio dei Ministri – Dipartimento dell'Editoria (Cabinet Office – Publishing department) as compensation for the reductions applied to publishers and non-profit organisations at the time of setting up. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry for Economic Development, in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. In this regard, it should be noted that for the year under review, the amount of subsidies that the Company has granted is covered in the 2021 State Budget.

BancoPosta services

tab. C1.2 – Revenue from BancoPosta services

Description (€m)	FY 2021	FY 2020	Changes
Fees for collection of postal savings deposits	1,753	1,851	(98)
Income from investment of postal current account deposits and free cash	1,526	1,593	(67)
Insurance brokerage	489	439	50
Other revenue from current account services	437	432	5
Commissions on payment of bills by payment slip	264	297	(33)
Distribution of loan products	240	192	48
Distribution of payment products and services	213	180	33
Income from delegated services	99	103	(4)
Distribution of investment funds	73	57	16
Money transfers	14	16	(2)
Other products and services	15	17	(2)
Total	**5,123**	**5,177**	**(54)**

178. Law no. 8 of 28 February 2020 ordered that reimbursements of publishing tariff subsidies to Poste Italiane continue "*for a duration equal to that of the universal postal service*" (i.e. until April 2026). The application of the regulation is subject to approval by the European Commission.

Revenue from financial services shows a slight decrease compared to the comparison year 2020, which was also impacted by the health emergency that has affected our country since March 2020 and has significantly affected normal operations. The largest decreases relate to income from the collection of postal savings deposits, income from investment of postal current account deposits and free cash, and revenue from fees on the processing of payment slips.

In particular:

- **Fees for collection of postal savings deposits** relates to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021 for the period 2021-2024, with effect from 1 January 2021.
- **Income from investment of postal current account deposits and free cash breaks** down as follows:

tab. C1.2.1 – Income from investment of postal current account deposits and free cash

Description (€m)	FY 2021	FY 2020	Changes
Income from investments in securities	1,434	1,546	(112)
Interest income on securities at amortised cost	670	649	21
Interest income on securities at FVTOCI	816	894	(78)
Interest income (expense) on asset swaps of CFH on securities at FVTOCI and AC	16	21	(5)
Interest income (expense) on asset swaps of FVH on securities at FVTOCI and AC	(104)	(58)	(46)
Interest income on repurchase agreements	36	40	(4)
Income from investments in tax credits	58	-	58
Interest income on tax credits at AC	24	-	24
Interest income on tax credits at FVTOCI	34	-	34
Income from deposits held with the MEF	28	43	(15)
Remuneration of current account deposits (deposited with the MEF)	28	32	(4)
Differential on derivatives stabilising returns	-	11	(11)
Other income	6	4	2
Total	**1,526**	**1,593**	**(67)**

The decrease in this item compared to the previous year is due to lower yields on investments in securities, partly offset by new income from investments in tax credits.

- *Income from investments in securities relates* to interest earned on investment of deposits paid into postal current accounts by private customers. The total includes the impact of the interest rate hedge described in note A6 – *Financial assets*. The decrease in this item compared to the previous year is mainly due to the reduction in interest income from FVTOCI securities following the reduction in the portfolio and the effects of the increase in fair value hedges.

  Income from investments in tax credits relates to interest accrued during the period on the investments described in note A10 - *Tax Credits Law No. 77/2020.*

  Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited by Public Administration entities.
- **Revenue from insurance brokerage** derives from fees receivable from the subsidiaries, Poste Vita and Poste Assicura, in return for the sale of insurance policies.
- **Revenue from current account services** primarily relates to charges on current accounts (€227 million), fees on amounts collected and on statements of account sent to customers (€90 million), annual fees on debit cards (€13 million) and related transactions (€13 million). With effect from 1 October 2021, debit cards came under the business transferred to PostePay SpA.
- Revenue from the **distribution of loan products** relate to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.

- Revenue from the **distribution of payment products and services** regards fees received in return for distributing and promoting the products issued by the subsidiary, PostePay SpA.
- **Income from delegated services** primarily regards amounts received by the Company for the payment of pensions and INPS direct debit transfers (€32 million), and for the provision of services on the basis of the agreement with the MEF (€61 million).

Other sales of goods and services

The main revenue items include: income from the subsidiary PostePay SpA for performance of card payments and payment transactions (€104 million); income from the subsidiaries PostePay SpA (€37 million), Poste Vita SpA (€38 million) and SDA Express Courier SpA (€16 million) for technology services in support of business activities and income from call centre services (€21 million).

C2 – Other income (€523 million) and expenses (€178 million) from financial operations

tab. C2.1 – Other income from financial activities

Description (€m)	FY 2021	FY 2020	Changes
Income from equity instruments at FVTPL	8	8	-
Fair value gains	5	8	(3)
Realised gains	2	-	2
Dividends from other equity investments	1	-	1
Income from financial instruments at FVTOCI	503	399	104
Realised gains	503	399	104
Income from financial instruments at amortised cost	1	102	(101)
Realised gains	1	102	(101)
Income from fair value hedges	6	-	6
Fair value gains	6	-	6
Foreign exchange gains	4	6	(2)
Realised gains	2	-	2
Utili realizzati	2	6	(4)
Other income	1	1	-
Total	**523**	**516**	**7**

Other income from financial operations, largely in line with last year, refers mainly to profits realised on financial instruments at FVTOCI, partially offset by lower profits realised on the amortised cost portfolio.

tab. C2.2 – Expenses from financial activities

Description (€m)	FY 2021	FY 2020	Changes
Interest expense	73	80	(7)
on customers' deposits	30	32	(2)
on guarantee deposits	26	36	(10)
on repurchase agreements	9	6	3
due to the MEF	9	6	3
Interest expense on own liquid funds (finance costs)	(1)	-	(1)
Expense from financial instruments at FVTOCI	2	97	(95)
Realised losses	2	97	(95)
Expenses from financial instruments at amortised cost	96	38	58
Realised losses	96	38	58
Expenses from fair value hedges	-	3	(3)
Fair value losses	-	3	(3)
Expenses from equity instruments at FVTPL	-	6	(6)
Fair value losses	-	6	(6)
Expenses from cash flow hedges	1	-	1
Fair value losses	1	-	1
Expenses from financial instruments at FVTPL	6	6	-
Fair value losses	3	5	(2)
Realised losses	3	1	2
Foreign exchange losses	-	5	(5)
Fair value losses	-	5	(5)
Total	**178**	**235**	**(57)**

Expenses from financial activities decreased compared to 2020 mainly due to the lower losses on realisation from financial instruments at FVTOCI partly offset by higher realised losses on financial instruments at amortised cost.

C3 – Other operating income (€680 million)

tab. C3 – Other operating income

Description (€m)	FY 2021	FY 2020	Changes
Dividends from subsidiaries	613	156	457
Recoveries of contract expenses and other recoveries	15	13	2
Rentals	12	12	-
Interest income on tax credits at AC	11	-	11
Government grants	3	7	(4)
Gains on disposals*	1	3	(2)
Recovery of cost of seconded staff	2	1	1
Positive accounting effects of the discharge of sundry payables relating to BancoPosta operations	-	114	(114)
Negative accounting effects of the discharge of sundry payables relating to BancoPosta operations	-	(39)	39
Net accounting effects of the discharge of sundry payables relating to BancoPosta operations	-	75	(75)
Other income	23	32	(9)
Total	**680**	**299**	**381**

* For the purposes of reconciliation with the statement of cash flows, in 2021 this item is shown at a negative value of €2 million, net of capital losses of €3 million. In 2020, this item, after losses of €1 million, amounted to €2million.

The increase in **Other operating income** is primarily due to higher dividends distributed by subsidiaries, partially offset by the net positive effect, recognised in 2020, following the conclusion of the comprehensive review of estimates of past due items arising from BancoPosta's operations.

Dividends from subsidiaries

tab. C3.1 – Dividends from subsidiaries

Name (€m)	FY 2021	FY 2020	Changes
Poste Vita SpA	429	-	429
PostePay SpA	126	140	(14)
SDA Express Courier SpA	36	-	36
BancoPosta Fondi SpA SGR	20	16	4
Postel SpA	2	-	2
Total	**613**	**156**	**457**

C4 – Cost of goods and services (€2,486 million)

tab. C4 – Cost of goods and services

Description (€m)	FY 2021	FY 2020	Changes
Service costs	2,298	2,094	204
Lease expense	82	82	-
Raw, ancillary and consumable materials and goods for resale	106	142	(36)
Total	**2,486**	**2,318**	**168**

Cost of goods and services increased compared to 2020 mainly due to higher variable costs of the growth of the parcel business and telecommunication services partly offset by lower advertising costs. The value as at 31 December 2021 also includes €74 million in expenses incurred in dealing with the health emergency (€106 million for the 2020 financial year).

Service costs

tab. C4.1 – Service costs

Description (€m)	FY 2021	FY 2020	Changes
Transport of mail, parcels and forms	1,036	847	189
Outsourcing fees and external service charges	463	447	16
Routine maintenance and technical assistance	212	211	1
Personnel services	113	111	2
Cleaning, waste disposal and security	97	101	(4)
Energy and water	96	100	(4)
Transport of cash	71	79	(8)
Telecommunications and data transmission	63	41	22
Mail, telegraph and telex	48	48	-
Advertising and promotions	34	53	(19)
Electronic document management, printing and enveloping services	25	23	2
Consultants' fees and legal expenses	19	15	4
Insurance premiums	12	10	2
Agent commissions and other	8	6	2
Securities custody and management fees	1	2	(1)
Total	**2,298**	**2,094**	**204**

Lease expense

tab. C4.2 – Lease expense

Description (€m)	FY 2021	FY 2020	Changes
Equipment hire and software licences	66	63	3
Property rentals	8	8	-
Vehicles in full rent	2	2	-
Other lease expense	6	9	(3)
Total	**82**	**82**	**-**

Raw, ancillary and consumable materials and goods for resale

tab. C4.3 – Raw, ancillary and consumable materials and goods for resale

Description (€m)	FY 2021	FY 2020	Changes
Fuels and lubricants	45	41	4
Consumables and goods for resale	33	103	(70)
Change in inventories of raw, ancillary and consumable materials	10	(21)	31
Stationery and printed matter	14	15	(1)
Printing of postage and revenue stamps	4	4	-
Total	**106**	**142**	**(36)**

The decrease compared to 2020 is mainly due to lower costs for consumables purchased as a result of the health emergency, which made it necessary to procure personal protective equipment (such as masks, gloves, detergent gels and disinfectants) in order to ensure continued operations both at Post Offices and at mail processing and sorting sites.

C5 – Labour costs (€5,235 million)

tab. C5 – Personnel expenses

Description (€m)	Notes	FY 2021	FY 2020	Changes
Wages and salaries		3,762	3,736	26
Social security		1,066	1,073	(7)
Employee termination benefits: cost related to complementary pensions and INPS		224	231	(7)
Agency staff		11	20	(9)
Remuneration and expenses paid to Directors		2	2	-
Share-based payments		11	5	6
Early retirement incentives		36	18	18
Net provisions (reversals) for disputes with staff	[tab. B4]	-	7	(7)
Provisions for early retirement incentives	[tab. B4]	194	414	(220)
Amounts recovered from staff due to disputes		(4)	(8)	4
Other personnel expenses/(cost recoveries)		(67)	(52)	(15)
Total		**5,235**	**5,446**	**(211)**

Labour costs decreased from 2020, mainly due to the reduction in the extraordinary component, only partly offset by the growth in the ordinary component.

The change in the ordinary component compared to the previous year mainly derives from minor costs recorded in 2020 during the health emergency (use of the Solidarity Fund, lower costs for MBO managerial and sales force commercial incentives, and other miscellaneous allowances such as overtime and night work for reduced activity during the lockdown). The effect is partly offset by the reduction in the number of resources employed during the year (approximately 4,100 FTEs fewer than in 2020), despite the entrance of the Nexive Group resources (approximately 300 FTEs on average per year), following the 1 October 2021 corporate reorganisation.

The reduction in the extraordinary component is mainly due to the lesser provision made for early retirement incentives.

Net provisions for disputes with staff and provisions for restructuring charges are described in note B4 – *Provisions for risks and charges*.

The following table shows the Company's average and year-end headcounts by category:

tab. C5.1 – Number of employees

	Average			Precise number		
Permanent workforce	**FY 2021**	**FY 2020**	**Changes**	**31.12.2021**	**31.12.2020**	**Changes**
Executives	554	572	(18)	521	552	(31)
Middle managers (A1)	6,354	6,196	158	6,367	6,212	155
Middle managers (A2)	7,515	7,660	(145)	7,475	7,505	(30)
Grades B, C, D	89,392	94,483	(5,091)	87,250	90,759	(3,509)
Grades E, F	4,650	4,936	(286)	3,433	4,630	(1,197)
Tot. permanent units*	**108,465**	**113,847**	**(5,382)**	**105,046**	**109,658**	**(4,612)**

* Data expressed in Full Time Equivalents.

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 117,389 (in 2020: 121,530).

C6 – Depreciation, amortisation and impairments (€715 million)

tab. C6 – Depreciation, amortisation and impairments

Description (€m)	FY 2021	FY 2020	Changes
Amortisation and impairments of intangible assets	340	258	82
Depreciation of right-of-use assets	199	198	1
Impairments/recoveries/adjustments of right of use	3	2	1
Depreciation of property, plant and equipment	191	185	6
Impairments/recoveries/adjustments of property, plant and equipment	(19)	(22)	3
Depreciation of investment property	1	1	-
Total	**715**	**622**	**93**

The increase from 2020 is mainly due to higher amortisation of intangible assets arising from investments in software applications that have become available for use and new applications from IT business units sold by Group companies.

C7 – Other operating costs (€209 million)

tab. C7 – Other operating costs

Description (€m)	Notes	FY 2021	FY 2020	Changes
Operational risk events		17	39	(22)
Thefts	[tab. B6.1.2]	2	6	(4)
Loss of BancoPosta assets, net of recoveries		1	1	-
Other operating losses of BancoPosta		14	32	(18)
Net provisions for risks and charges made/(released)		85	(62)	147
for disputes with third parties	[tab. B4]	53	(5)	58
for operational risks	[tab. B4]	17	(64)	81
for other risks and charges	[tab. B4]	15	7	8
Losses		3	1	2
Other taxes and duties		64	55	9
Municipal property tax		27	27	-
Other taxes and duties		37	28	9
Impairments of investments		-	1	(1)
Other current expenses		40	33	7
Total		**209**	**67**	**142**

Other costs and charges increased compared to the comparative year mainly due to higher net provisions for risks and charges. In particular, the net absorptions of the provision for operational risks recognised in the 2020 financial year refer mainly to the revised estimate of certain risks associated with the distribution of postal savings products and the conclusion of voluntary protection initiatives undertaken for the “Europa Immobiliare I” and “Obelisco” funds. For more details please see what is presented in note B4 – *Provisions for risks and charges*.

C8 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets (€14 million)

tab. C8 – Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets

Description (€m)	FY 2021	FY 2020	Changes
Net impairment losses trade receivables and other assets	24	40	(16)
Impairment losses/(reversals of impairment losses) due from customers	(19)	30	(49)
Impairment losses/(reversals of impairment losses) sundry receivables	43	10	33
Net Impairment debt instruments and receivables of financial operations	(10)	15	(25)
Impairment losses/(reversals of impairment losses) receivables of financial operations	-	1	(1)
Impairment losses/(reversals of impairment losses) debt instruments at FVTOCI	(6)	7	(13)
Impairment losses/(reversals of impairment losses) debt instruments at amortised cost	(4)	7	(11)
Total	**14**	**55**	**(41)**

The decrease compared to 2020 is mainly due to reversals of impairment losses on trade receivables from customers, partially offset by higher impairments on other receivables recognised to take into account the probable risk associated with the non-recovery of certain past due items for which fact-finding activities are being completed. The decrease in this item was also due to reversals of impairment losses on debt instruments at FVTOCI and at amortised cost. For more details please see what is presented in note 6 – *Risk analysis and monitoring*.

C9 – Finance income (€76 million) and costs (€64 million)

Finance income

tab C9.1 – Finance income

Description (€m)	FY 2021	FY 2020	Changes
Income from subsidiaries and associates	56	56	-
Interest on loans	8	8	-
Dividends from associates*	8	8	-
Other financial income	40	40	-
Income from financial instruments at FVTOCI	1	5	(4)
Interest on fixed-income instruments	3	16	(13)
Accrued differentials on fair value hedges	(2)	(11)	9
Income from financial instruments at FVTPL	5	-	5
Fair value gains	3	-	3
Accrued differentials on fair value hedges at FVPTL	2	-	2
Other financial income	9	9	-
Finance income on discounting receivables**	3	3	-
Interest in arrears	24	18	6
Impairment of amounts due as late payment interest	(20)	(18)	(2)
Other income	2	6	(4)
Foreign exchange gains*	5	12	(7)
Total	**76**	**82**	**(6)**

* For the purposes of reconciliation with the statement of cash flows, in 2021 finance income after foreign exchange gains and dividends from associates amounts to €63 million (€62 million in 2020).

** Finance income on discounted receivables regards interest on amounts due from staff and INPS under the fixed-term contract settlements.

Finance income decreased compared to the financial year 2020 mainly due to lower realised gains from the adjustment, at year-end exchange rates, of foreign currency items and lower income from financial instruments at FVTOCI, which mature in March 2021. This decrease is partly offset by higher income from financial instruments whose fair value is recognised in profit or loss, described in note A6 – *Financial assets*.

Finance costs

tab. C9.2 – Finance costs

Description (€m)	Notes	FY 2021	FY 2020	Changes
Costs on financial liabilities		29	36	(7)
on leasing payables		21	23	(2)
on payables to financial institutions		3	11	(8)
on bonds		3	1	2
on derivative financial instruments		2	1	1
Finance costs on provisions for employee termination benefits and pension plans	[tab. B5]	9	8	1
Interest expense on own liquid funds	[tab. C5]	1	-	1
Impairment of investments in associates*		-	11	(11)
Other finance costs		18	12	6
Foreign exchange losses*		7	12	(5)
Total		**64**	**79**	**(15)**

* For the purposes of reconciliation with the statement of cash flows, in 2021 finance costs after foreign exchange losses and impairment losses on investments in associates amounted to €57 million (€56 million in the financial year 2020).

Finance costs decreased compared to the 2020 financial year mainly due to lower impairment losses on investments in associates and lower interest on amounts due to financial institutions, the latter described in note B6 – *Financial liabilities*.

C10 – Impairment losses/(reversals of impairment losses) on financial assets

At 31 December 2021 and 31 December 2020, the item has an insignificant balance.

C11 – Income tax expense (€100 million)

The nominal IRES rate is 24%, while the theoretical average IRAP rate is 4.49%[179]. The breakdown of income tax expense for the year is as follows.

tab. C11 – Income tax expense

Description (€m)	FY 2021			FY 2020			Changes
	IRES	IRAP	Total	IRES	IRAP	Total	
Current taxes	25	19	44	47	22	69	(25)
Deferred tax assets	49	8	57	(51)	(12)	(63)	120
Deferred tax liabilities	-	(1)	(1)	-	3	3	(4)
Total	**74**	**26**	**100**	**(4)**	**13**	**9**	**91**

179. The nominal tax rate for IRAP is 3.90% for entities as a whole and 4.20% for entities that hold concessions other than those relating to the construction and operation of motorways and tunnels (+/-0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

Income tax expense for the year includes the positive effect of a total of €25 million, of which €11 million related to the tax benefit connected with the Aid for Economic Growth (ACE), related to 2014, a year marked by the disappearance of quantification uncertainties, and €14 million related to an appeal concerning the tax recognition of income components deriving from the management of postal current account deposits.

The effective tax rate for the year 2021 amounts to 11.1% and is constituted as follows:

tab. C11.1 – Reconciliation between IRES ordinary tax rate and effective tax rate

Description (€m)	FY 2021		FY 2020	
	IRES	tax rate%	IRES	tax rate%
Profit before tax	*897*		*333*	
Theoretical tax	215	24.0%	80	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(142)	-15.82%	(37)	-11.25%
Taxation for previous years	(16)	-1.77%	(3)	-1.02%
Adjustments to investments	-	-	3	0.86%
Net provisions for risks and charges and doubtful debts	22	2.43%	(10)	-2.91%
Non-deductible out-of-period losses	7	0.76%	5	1.58%
Non-deductible taxes	3	0.33%	3	1.03%
Other	(4)	-0.41%	(11)	-3.18%
Effective tax (before recognition of the Patent Box and ACE tax effect)	**85**	**9.52%**	**30**	**9.10%**
Patent Box and ACE tax effect in past years	(11)	-1.29%	(34)	-10.35%
Effective tax charge	**74**	**8.23%**	**(4)**	**-1.25%**

tab. C11.2 – Reconciliation between theoretical and effective IRAP rate

Description (€m)	FY 2021		FY 2020	
	IRAP	tax rate%	IRAP	tax rate%
Profit before tax	*897*		*333*	
Theoretical tax	40	4.49%	15	4.49%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(28)	-3.11%	(7)	-2.21%
Non-deductible personnel expenses	(3)	-0.30%	12	3.52%
Net provisions for risks and charges and doubtful debts	20	2.18%	1	0.13%
Non-deductible out-of-period losses	1	0.14%	-	0.00%
Impairment losses/(reversals of impairment losses) on financial assets	(1)	-0.14%	-	-0.03%
Non-deductible taxes	2	0.14%	-	0.00%
Taxation for previous years	(3)	-0.32%	(4)	-1.28%
Other	(2)	-0.21%	-	0.09%
Effective tax (before recognition of the Patent Box tax effect)	**26**	**2.87%**	**17**	**4.71%**
Patent Box tax effect in past years	-	-0.01%	(4)	-1.04%
Effective tax charge	**26**	**2.85%**	**13**	**3.67%**

Current tax expense

tab. C11.3 – Movements in current tax assets/(liabilities)

Description (€m)	Current taxes 2021 IRES Assets/ (Liabilities)	IRAP Assets/ (Liabilities)	Total
Balance at 1 January	**137**	**1**	**138**
Payments	300	33	333
on account for the current year	298	28	326
on balance of previous year	1	5	6
on substitute tax	1	-	1
Provisions to profit or loss	(25)	(19)	(44)
Provisions to profit or loss	(36)	(19)	(55)
per effetto fiscale *Patent Box* e ACE	11	-	11
Provisions to equity	7	1	8
Tax consolidation	(355)	-	(355)
Contribution from merger	(1)	-	(1)
Other*	26	-	26
Balance at 31 December	**89**	**16**	**105**
of which:			
Current tax assets	90	16	106
Current tax liabilities	(1)	-	(1)

* The item refers to receivables for withholdings.

Under IAS 12 - Income Taxes, IRES and IRAP credits are offset against the corresponding current tax liabilities, when applied by the same tax authority to the same taxable entity, which has a legally enforceable right to offset and intends to exercise this right.

At 31 December 2021, current tax assets/(liabilities) include:

- a tax asset totalling €16 million relating to all the companies participating in the tax consolidation arrangement and reflecting payments of IRES and IRAP on account and IRES credits from the previous year, net of provisions for IRES and IRAP for the year 2021;
- assets totalling €37 million, including €27 million related to participation in the Patent Box and ACE for the years 2015-2019 and the tax benefit recognised to the Company in respect of the Economic Growth Allowance (ACE) for 2016, and €10 million for the Patent Box residual credit transferred by the subsidiary Poste Vita SpA to Poste Italiane. These assets will become compensable after the submission of the relevant supplementary tax returns;
- assets for a total of €14 million relating to an appeal concerning the tax treatment of income components arising from the management of postal current account deposits;
- the residual substitute tax credit of €22 million relating to the redemption carried out by the Company during 2018, pursuant to art. 15, paragraph 10-*ter* of Law Decree No. 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- assets totalling €9 million recognised as a result of the responses received to two petitions filed with the Revenue Agency concerning the tax effects of applying IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the residual IRES credit of €4 million to be recovered on the non-deduction of IRAP resulting from the petitions presented pursuant to Article 6 of Decree-Law no. 185 of 29 November 2008, and Article 2 of Law Decree no. 201 of 6 December 2011, which provided for the partial deductibility of IRAP for IRES purposes (in this regard, see information on receivables for related interest in note A9).

Deferred tax assets and liabilities

Details of this item at 31 December 2021 are shown in the following table:

tab. C11.4 – Deferred taxes

Description (€m)	Balance at 31.12.21	Balance at 31.12.20	Changes
Deferred tax assets	674	579	95
Deferred tax liabilities	(674)	(982)	308
Total	**-**	**(403)**	**403**
of which attributable to BancoPosta RFC			
Deferred tax assets	283	130	153
Deferred tax liabilities	(670)	(979)	309

Movements in deferred tax assets and liabilities are shown below:

tab. C11.5 – Movements in deferred tax assets and liabilities

Description (€m)	Notes	FY 2021
Balance at 1 January		**(403)**
Net income/(expense) recognised in profit or loss		(56)
Net income/(expense) recognised in equity	[tab. C11.8]	456
Extraordinary transactions*		3
Balance at 31 December		**-**

* The item Extraordinary transactions refers to the balance of deferred tax assets transferred to Poste Italiane SpA following the acquisition and reorganisation of the Nexive Group, which took place on 1 October 2021.

The following table shows movements in deferred tax assets and liabilities, broken down according to the events that generated such movements:

tab. C11.6 – Movements in deferred tax assets

Description (€m)	Investment property	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Contract liabilities	Other	Total
Balance at 1 January 2021	**18**	**75**	**87**	**306**	**36**	**14**	**43**	**579**
Income/(expense) recognised in profit or loss	-	(1)	(4)	(47)	-	1	(6)	(57)
Income/(expense) recognised in equity	-	153	-	-	(4)	-	-	149
Extraordinary transactions	-	-	1	-	-	-	2	3
Balance at 31 December 2021	**18**	**227**	**84**	**259**	**32**	**15**	**39**	**674**

tab. C11.7 – Changes in deferred tax liabilities

Description (€m)	Financial assets and liabilities	Gains	Other	Total
Balance at 1 January 2021	**979**	**1**	**1**	**981**
Expense/(income) recognised in profit or loss	(1)	-	-	(1)
Expense/(income) recognised in equity	(307)	-	-	(307)
Balance at 31 December 2021	**671**	**1**	**1**	**673**

At 31 December 2021, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C11.8 – Income/(expense) recognised in equity

Description (€m)	Increases/(decreases) in equity	
	FY 2021	FY 2020
Fair value reserve for financial assets at FVTOCI	407	(479)
Cash flow hedge reserve	53	7
Actuarial gains /(losses) on employee termination benefits	(4)	-
Total	**456**	**(472)**

5.5 Related parties

Impact of related party transactions on Statement of financial position and profit or loss

Impact of related-party transactions on the statement of financial position at 31 December 2021

	Balance at 31.12.2021								
Name (€m)	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	23	2	-	6	33	4	-
CLP ScpA	-	-	3	1	-	-	-	98	-
Consorzio PosteMotori	-	-	13	-	-	18	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-	47	-
EGI SpA	-	-	1	1	-	1	54	1	-
Poste Air Cargo Srl	-	7	1	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	2	-	-	12	-	-	-
Poste Vita SpA	-	251	237	44	-	549	377	2	10
Postel SpA	-	-	59	2	-	1	7	22	1
PostePay SpA	76	-	302	12	-	8,290	666	150	4
SDA Express Courier SpA	-	60	29	12	-	5	50	171	1
sennder Italia SpA	-	11	-	-	-	-	15	-	-
Milkman Deliveries SpA	-	-	-	-	-	-	-	6	-
Nexive Network Srl	-	25	1	1	-	-	-	4	14
Nexive Scarl	-	-	8	-	-	-	6	-	1
PSIA Srl	-	21	-	-	-	-	-	-	-
Indirect subsidiaries									
Address Software Srl	-	-	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	-	1	1	2	-
Poste Assicura SpA	-	-	10	-	-	11	7	-	3
Poste Welfare Servizi Srl	-	-	2	1	-	-	19	2	-
Poste Insurance Broker	-	-	-	-	-	1	-	-	-
Sengi Express Limited LIM	-	-	23	-	-	-	-	-	-
Associates									
Anima Group	-	-	-	1	-	-	-	-	-
ItaliaCamp Srl	-	-	1	-	-	-	-	-	-
Financit SpA	-	-	20	-	-	-	-	-	-
Related parties external to the Group									
MEF	12,712	-	153	2	1,990	3,441	3	10	8
Cassa Depositi e Prestiti Group	3,216	-	387	-	-	-	-	4	-
Enel Group	-	-	23	-	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	8	-
Leonardo Group	-	-	1	-	-	-	-	15	-
Monte dei Paschi di Siena Group	167	-	1	-	1	347	-	-	-
Invitalia Group	-	20	1	-	-	-	-	-	-
Other related parties external to the Group	-	-	13	-	-	-	3	1	64
Provisions for doubtful debts from related parties	(6)	(21)	(36)	-	-	-	-	-	-
Total	**16,165**	**374**	**1,280**	**79**	**1,991**	**12,683**	**1,241**	**548**	**106**

Impact of related-party transactions on the statement of financial position at 31 December 2020

Name (€m)	Balance at 31.12.2020								
	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	23	1	-	26	4	4	-
CLP ScpA	-	-	2	-	-	-	-	97	-
Consorzio PosteMotori	-	-	13	-	-	27	-	1	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	1	-	-	-	43	-
EGI SpA	-	-	1	-	-	1	46	13	1
Poste Air Cargo Srl	-	11	2	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	9	-	-	17	-	-	-
Poste Vita SpA	-	251	244	-	-	492	174	1	136
Postel SpA	-	16	40	1	-	2	-	23	1
PostePay SpA	72	-	459	26	-	7,049	550	377	-
SDA Express Courier SpA	-	72	78	14	-	4	-	225	1
sennder Italia SpA	-	5	-	-	-	-	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	-	-	3	-
Indirect subsidiaries									
Kipoint SpA	-	-	-	-	-	1	-	1	-
Poste Assicura SpA	-	-	19	-	-	18	-	-	2
Poste Welfare Servizi Srl	-	-	2	-	-	14	-	-	-
Poste Insurance Broker	-	-	-	-	-	1	-	-	-
Associates									
FSIA Investimenti Srl	-	21	-	-	-	-	-	-	-
Related parties external to the Group									
MEF	7,340	-	143	3	1,991	3,588	3	4	8
Cassa Depositi e Prestiti Group	3,302	-	432	-	-	-	-	-	-
Enel Group	-	-	23	-	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	8	-
Leonardo Group	-	-	1	-	-	-	-	24	-
Monte dei Paschi di Siena Group	248	-	3	-	1	1,018	-	-	-
Invitalia Group	-	50	1	-	-	-	-	-	-
Other related parties external to the Group	-	-	11	-	-	-	3	-	64
Provisions for doubtful debts from related parties	(6)	(21)	(40)	-	-	-	-	-	-
Total	**10,956**	**405**	**1,468**	**46**	**1,992**	**12,258**	**780**	**824**	**213**

At 31 December 2021, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and attributable primarily to trading relations amount to €72 million (€71 million at 31 December 2020).

Impact of related party transactions on profit or loss

Name (€m)	FY 2021										
	Revenue			Costs							
				Capex		Current expenses					
	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and fro services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Direct subsidiaries											
BancoPosta Fondi SpA SGR	78	21	-	-	-	14	-	-	-	-	-
CLP ScpA	1	-	-	2	-	202	-	-	-	-	-
Consorzio PosteMotori	43	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	23	-	-	-	-	-
EGI SpA	-	-	-	-	-	2	-	-	-	-	1
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	25	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	527	429	46	-	-	-	-	-	-	-	-
Postel SpA	26	4	-	-	-	30	-	3	-	-	-
PostePay SpA	439	130	-	-	-	267	30	(1)	-	-	-
SDA Express Courier SpA	20	39	1	-	-	777	-	(1)	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	18	-	-	-	-	-
Nexive Network Srl	4	-	-	-	-	3	-	-	-	-	-
Nexive Scarl	-	1	-	-	-	-	-	-	-	-	-
Indirect subsidiaries											
Kipoint SpA	-	-	-	-	-	3	-	-	-	-	-
Poste Assicura SpA	56	-	-	-	-	-	-	-	-	-	-
Poste Welfare Servizi Srl	3	-	-	-	-	-	-	-	-	-	-
Poste Insurance Broker	1	-	-	-	-	-	-	-	-	-	-
Sengi Express Limited LIM	61	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	2	1	8	-	-	-	-	-	-	-	-
Financit SpA	16	-	-	-		-	-	-	-	-	-
Related parties external to the Group											
MEF	439	1	-	-	-	1	8	-	-	(4)	1
Cassa Depositi e Prestiti Group	1,818	-	-	3	-	3	-	-	-	-	1
Enel Group	44	-	-	-	-	-	-	-	-	-	-
Eni Group	15	-	-	-	-	29	-	-	-	-	-
Leonardo Group	-	-	-	1	5	24	-	-	-	-	-
Monte dei Paschi Group	13	-	-	-	-	-	-	-	-	-	-
Invitalia Group	2	-	1	-	-	-	-	-	-	-	-
Other related parties external to the Group	19	2	-	-	-	3	-	71	1	-	-
Total	**3,653**	**627**	**56**	**6**	**5**	**1,399**	**38**	**72**	**2**	**(4)**	**3**

Impact of related party transactions on profit or loss

	FY 2020										
	Revenue			Costs							
				Capex		Current expenses					
Name (€m)	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and fro services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Direct subsidiaries											
BancoPosta Fondi SpA SGR	62	17	-	-	-	13	-	(1)	-	-	-
CLP ScpA	1	-	-	3	-	233	-	-	3	-	-
Consorzio PosteMotori	39	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	2	26	-	-	-	-	-
EGI SpA	-	1	-	-	-	82	-	-	-	-	1
Indabox Srl	-	-	-	-	-	-	-	-	1	-	-
PatentiViaPoste ScpA	24	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	463	-	47	-	-	-	-	(1)	-	-	-
Postel SpA	11	2	-	-	-	30	-	3	-	-	-
PostePay SpA	367	144	-	-	-	317	29	-	-	-	-
SDA Express Courier SpA	15	2	1	-	-	660	-	(2)	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	-	-	-	3	-	-
Indirect subsidiaries											
Poste Assicura SpA	43	-	-	-	-	-	-	-	-	-	-
Poste Welfare Servizi Srl	2	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	3	-	8	-	-	-	-	-	-	-	11
Related parties external to the Group											
MEF	401	-	-	1	-	2	5	-	-	2	1
Cassa Depositi e Prestiti Group	1,922	-	-	-	-	-	-	-	-	-	2
Enel Group	42	-	-	-	-	-	-	-	-	-	-
Eni Group	13	-	-	-	-	24	-	-	-	-	-
Leonardo Group	-	-	-	-	13	28	-	-	-	-	-
Monte dei Paschi Group	15	-	-	-	-	-	-	-	-	-	-
Invitalia Group	1	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	12	-	-	-	-	-	-	74	-	-	-
Total	**3,436**	**166**	**56**	**4**	**15**	**1,418**	**34**	**73**	**8**	**2**	**15**

At 31 December 2021, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and primarily attributable to trading relations amount to €0.4 million (€1 million at 31 December 2020).

The nature of the Company's principal related party transactions external to the Company is summarised below:

- The fees recognised by the MEF relate primarily to the payment for carrying out the universal service (USO), payment for management of postal current accounts, payment for delegated services and payment for the integrated notification service and for shipments without material postage.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.

- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, specialist consulting services and software maintenance, and the supply of software licences and of hardware.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions or positions

The impact of related party transactions on the financial position, profit or loss and cash flows is shown in the following table:

Impact of related party transactions

	31.12.2021			31.12.2020		
Description (€m)	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
Financial position						
Financial assets	90,212	16,539	18.3	92,325	11,361	12.3
Trade receivables	2,925	1,280	43.8	2,984	1,468	49.2
Other receivables and assets	2,647	79	3.0	2,443	46	1.9
Cash and cash equivalents	3,870	1,991	51.4	4,029	1,992	49.4
Provisions for risks and charges	1,169	72	6.2	1,309	71	5.4
Financial liabilities	106,259	13,924	13.1	99,285	13,038	13.1
Trade payables	2,031	548	27.0	2,121	824	38.8
Other liabilities	3,009	106	3.5	2,990	213	7.1
Profit or loss						
Revenue from sales and services	8,488	3,653	43.0	8,226	3,436	41.8
Other operating income	680	627	92.2	299	166	55.4
Cost of goods and fro services	2,486	1,399	56.3	2,318	1,419	61.2
Expenses from financial activities	178	38	21.3	235	34	14.5
Personnel expenses	5,235	72	1.4	5,446	73	1.3
Other operating costs	209	4	1.9	67	16	23.8
Finance costs	64	3	4.7	79	14	17.6
Finance income	76	56	73.7	82	56	68.3
Cash flow						
Net cash flow from /(for) operating activities	358	(5,012)	n.a.	2,147	2,231	n.a.
Net cash flow from /(for) investing activities	(689)	(394)	57.2	(630)	(41)	6.5
Net cash flow from/(for) financing activities and shareholder transactions	172	106	61.6	(1,306)	(211)	16.2

Key management personnel

Key management personnel consist of Directors, members of the Board of Statutory Auditors and the Supervisory Board, managers at the first organisational level of the Company and Poste Italiane's manager responsible for financial reporting. The related remuneration, gross of expenses and social security contributions, is as follows:

Remuneration of key management personnel

Description (€k)	31.12.2021	31.12.2020
Remuneration to be paid in short/medium term	13,189	10,625
Post-employment benefits	568	544
Other benefits to be paid in longer term	2,447	3,162
Share-based payments	4,488	2,176
Total	**20,692**	**16,507**

Remuneration of Statutory Auditors

Description (€k)	31.12.2021	31.12.2020	Changes
Remuneration	265	267	(2)
Total	**265**	**267**	**(2)**

The remuneration paid to members of the Company's Supervisory Board for 2021 amounts to approximately €97 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the year and, at 31 December 2021, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

Poste Italiane SpA and the subsidiaries that apply the National Collective Labour Contract are members of the Fondoposte Pension Fund, the national supplementary pension fund for Poste Italiane personnel, established on 31 July 2002 as a non-profit entity. The Fund's officers and boards are the General Meeting of delegates, the Board of Directors, the Chairman and Deputy Chairman of the Board of Directors and Board of Statutory Auditors. Representation of members on the above boards is shared equally between the companies and the workers that are members of the Fund. The participation of members in the running of the Fund is guaranteed by the fact that they directly elect the delegates to send to the General Meeting.

Page intentionally left blank

6. Risk management

Introduction

The note on "Risk management" is common to both the Group and Poste Italiane SpA. It deals with both financial risk (as defined by IFRS 7) and other types of risk that the Group deems it appropriate or necessary to disclose. Quantitative disclosures for Poste Italiane SpA alone are provided in the specific section of this note, unless otherwise indicated.

Additional information about other risks, particularly with regard to the Covid risk and risks related to climate change, is provided in the Report on Operations, in Chapter 5 "Risks and opportunities" in the paragraphs "Management of the Covid-19 pandemic" and "Material issues, risks and management methods" respectively.

With reference to the Poste Italiane Group's exposures to countries involved in the recent conflict, reference should be made to paragraph 12 – *Significant events after the end of the reporting period*.

The information provided complies with the provisions of the ESMA Public Statements published during the 2020 and 2021 financial years[180].

Financial risks

Information on financial risk management at 31 December 2021 is provided below, in accordance with the requirements of the international financial reporting standard, IFRS 7 – *Financial Instruments: Disclosures*.

Responsibility for managing investment and hedging transactions related to BancoPosta RFC and Poste Italiane has been assigned to BancoPosta Fondi SpA SGR and the competent functions of BancoPosta.

Poste Italiane SpA's financial activities, related to treasury management, medium-term funding transactions, including capital market transactions, and extraordinary and subsidised finance are the responsibility of the Parent Company's Administration, Finance and Control function.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- **Poste Italiane SpA**'s financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

  BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds raised by private customers on postal current accounts must be used in Eurozone government bonds and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee[181], whilst deposits by Public Administration entities are deposited with the MEF. Furthermore, within the 50% of deposits from private customers that may be invested in securities guaranteed by the Italian State, BancoPosta RFC's capital is allowed to use up to a maximum of 30% of that portion to purchase tax credits transferable pursuant to Decree Law 34/2020 ("Decreto Rilancio") as amended, or other tax credits transferable pursuant to current legislation.

180. ESMA Notice of 25 March 2020 "Public Statement 32-63-951. Accounting implications of the Covid19 outbreak on the calculation of expected credit losses in accordance with IFRS 9".
ESMA Notice of 29 October 2021 "Public Statement 32-63-1186. European common enforcement priorities for 2021 annual financial reports."
181. As provided for in Law No. 296 of 27 December 2006 and subsequent amendments provided for in Stability Law 2015, No. 190 of 23 December 2014.

The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank of Italy Circular 285/2013 require BancoPosta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular 285[182], which, among other things, requires definition of a Risk Appetite Framework (RAF), the containment of risks within the limits set by the RAF[183], protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

With regard to BancoPosta's capital structure, the leverage ratio rose during the year as a result of the capital increase of €350 million finalised on 30 June 2021 through Additional Tier 1 capital. The value then stood at 3.0%[184] as at 31 December 2021, as a result of the further increase in assets linked, mainly, to the increase in loans to the Public Administration.

On the other hand, with regard to assets not included in BancoPosta RFC, primarily the management of its own liquidity, the Parent Company may, on the basis of specific investment guidelines, use investment instruments such as government securities, high-quality corporate bonds, term bank deposits and tax credits. Liquidity is also deposited in postal current accounts, subject to the same requirements applied to the investment of deposits by private current account holders.

- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

  Traditional Life policies, classified under Class I and V, primarily include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called Separately Managed Accounts). In the case of policies sold in previous years, the company has guaranteed a minimum return payable at maturity on such products (at 31 December 2021, this minimum return at maturity on existing policies ranged between 0% and 2.1%). Gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the portfolio (see note 2.3 in relation to "Insurance contracts").

  The economic impact of financial risks on investments may be fully or partially absorbed by insurance liabilities. In particular, this absorption is generally a function of the level and structure of the guaranteed minimum returns (for newly issued policies a guaranteed minimum return is not foreseen) and the profit-sharing mechanisms of the "separate portfolio" for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

  Unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in mutual investment funds. The Company constantly monitors the evolution of the risk profile of individual products.

  The non-life insurance company **Poste Assicura SpA's** investment policies are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors of **Poste Vita SpA** on 16 December 2021. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the Non-life business, the focus is on the management of liquidity in order to meet claims.

182. See in particular the provisions laid down in Part I - Section IV - Chapter 3.
183. The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.
184. The value already includes the proposed capital strengthening of €200 million through the provision of profit for the year 2021.

Within the above context, balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

In this regard, on 16 February 2021, Poste Italiane SpA's Board of Directors adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System.

From an organisational viewpoint, the model consists of:

- The **Control and Risk Committee**, established in 2015 as an internal board committee, whose role, based on adequate research activity, is to act in an advisory capacity and make recommendations to support the Board of Directors in assessing and making decisions regarding the internal control and risk management system and regarding the approval of financial and non-financial periodic reports.
- the **Financial and Insurance Services Committee**, established on 19 March 2018, with the aim of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested.
- an **Investment Committee established at the Group's insurance company, Poste Vita SpA**, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA and Poste Vita SpA) that perform **Risk Measurement and Control** activities, ensuring the organisational separation of risk assessment from risk management activities; the results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

Poste Italiane Group

Fair value interest rate risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration.

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2021 for the Poste Italiane Group's positions.

Poste Italiane Group - Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects										
Financial assets										
Financial assets at FVTOCI	131,503	149,043	(8,701)	8,584	(7,879)	7,879	-	-	(822)	705
Fixed income instruments	131,003	148,518	(8,699)	8,582	(7,877)	7,877	-	-	(822)	705
Other investments	500	525	(2)	2	(2)	2	-	-	-	-
Financial assets at FVTPL	2,541	4,460	(365)	365	(360)	360	(5)	5	-	-
Fixed income instruments	2,501	2,579	(115)	115	(110)	110	(5)	5	-	-
Other investments*	40	1,881	(250)	250	(250)	250	-	-	-	-
Derivative financial instruments	1,714	76	220	(257)	-	-	-	-	220	(257)
Cash flow hedges	1,714	76	220	(257)	-	-	-	-	220	(257)
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Tax credits Law no. 77/2020	3,538	3,301	(65)	67	-	-	-	-	(65)	67
Financial liabilities										
Derivative financial instruments	50	(3)	1	(1)	-	-	-	-	1	(1)
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	50	(3)	1	(1)	-	-	-	-	1	(1)
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**139,346**	**156,877**	**(8,910)**	**8,758**	**(8,239)**	**8,239**	**(5)**	**5**	**(666)**	**514**
2020 effects										
Financial assets										
Financial assets at FVTOCI	131,294	156,635	(10,061)	10,068	(8,669)	8,669	-	-	(1,392)	1,399
Fixed income instruments	130,794	156,095	(10,058)	10,065	(8,666)	8,666	-	-	(1,392)	1,399
Other investments	500	540	(3)	3	(3)	3	-	-	-	-
Financial assets at FVTPL	1,930	3,339	(325)	325	(322)	322	(3)	3	-	-
Fixed income instruments	1,890	1,992	(89)	89	(86)	86	(3)	3	-	-
Other investments*	40	1,347	(236)	236	(236)	236	-	-	-	-
Derivative financial instruments	268	-	19	(20)	-	-	-	-	19	(20)
Cash flow hedges	268	-	19	(20)	-	-	-	-	19	(20)
Fair value hedges	-	-	-	-	-	-				
Financial liabilities										
Derivative financial instruments	3,110	(69)	237	(254)	74	(74)	-	-	163	(180)
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	1,850	(59)	163	(180)	-	-	-	-	163	(180)
Fair value hedges	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Variability at 31 December 2020	**136,602**	**159,905**	**(10,130)**	**10,119**	**(8,917)**	**8,917**	**(3)**	**3**	**(1,210)**	**1,199**

* For Other investments relative to Mutual Investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

In terms of **financial assets recognised at fair value through other comprehensive income**, the risk in question primarily relates to:

- fixed income government securities held by Poste Vita SpA, totalling €89,779 million; of this amount, €87,516 million is used to cover Class I and V policies linked to separately managed funds, and €2,263 million relates to the Company's free capital;
- fixed income government securities held by BancoPosta RFC for fair value totalling €37,626 million, which consist of: fixed rate securities amounting to €12,056 million; floating rate securities converted into fixed rate securities via interest rate swaps designated as cash flow hedges, totalling €2,375 million, variable-rate securities of €1,267 million (of which inflation-linked

securities amounting to €864 million) and fixed or floating rate securities converted to floating rate positions via fair value hedges amounting to €21,928 million (of which €14.403 million in forward starts);

- tax credits, pursuant to Law 77/2020, of BancoPosta RFC with a total fair value of €3,301 million;
- €21,285 million total fair value in other non-government debt instruments held by Poste Vita SpA, used mainly to meet obligations towards policyholders;
- fixed income government securities held by Poste Assicura SpA with a total fair value of €256 million.

Financial assets at fair value through profit or loss, which are recognised under the risk in question, are held almost entirely by the Poste Vita Group and are primarily used to cover commitments to policyholders. These relate to a portion of investments in fixed-income instruments totalling €2,579 million, including €4 million relating to Poste Assicura, and to the position in Other investments consisting of units in alternative investment funds for €1,859 million and the remaining €22 million in bonds issued by Cassa Depositi e Prestiti as a private placement.

Within the context of **derivative financial instruments**, the risk in question primarily concerns:

- forward sales of government securities with a nominal value of €1,714 million, classified as cash flow hedges, entered into by BancoPosta RFC;
- a derivative contract entered into by the Parent Company to protect cash flows relating to the nominal value €50 million variable rate bond.

At 31 December 2021, with reference to the interest rate risk exposure determined by the average duration of portfolios, the duration[185] of BancoPosta's overall investments fell from 6.16 to 5.39; that of tax credits stood at 4.09. On the other hand, with respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the hedging assets went from 7.72 at 31 December 2020 to 7.34 at 31 December 2021, whilst the duration of the liabilities went from 10.24 to 9.42 (assessment of the duration was carried out using the new Coherent Duration method[186]). The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk

This is the risk of a potential fall in the value of bonds held, following deterioration in the creditworthiness of issuers. The phenomenon is attributable to the significance assumed by the impact of the spread between rates of return of sovereign debts on the fair value of euro-government and corporate securities, where the spread reflects the market perception of the creditworthiness of the issuing entities.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called "risk free" interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The 2021 financial year was characterised by an increase in Italian government bond yields (the 10-year BTP rose from 0.5% to 1.17%). This took the BTP-Bund spread to 135 basis points compared to 111 last year. These movements brought down the price of securities.

The performance of the Group's portfolio in the period under review is as follows:

i. the portfolio of Financial assets at fair value through other comprehensive income held by Poste Italiane SpA (notional amount of approximately €31 billion) has undergone an overall net decrease in fair value of approximately €2 billion: this change was partly recognised in the profit or loss for the amount of approximately €1 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in consolidated equity for approximately €1 billion;

185. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.
186. The Coherent Duration of assets and liabilities is defined as changes in the value of assets and liabilities, in proportion to the total amount of assets exposed to interest rate risk, following parallel shocks raising and lowering interest rates by 10 basis points.

ii. the Poste Vita Insurance Group's portfolio of Financial assets at fair value through other comprehensive income (a notional amount of the fixed income instruments of approximately €99.6 billion), recorded an overall negative fair value change of approximately 4.8 billion, almost entirely passed on to policyholders and recognised in a specific technical provision using the shadow accounting mechanism.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The table below shows the results of the analysis of sensitivity[187] to spread risk of the most significant positions in the portfolios of both the Parent Company and the Poste Vita Group at 31 December 2021.

Poste Italiane SpA - Fair value spread risk

Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects								
Financial assets								
Financial assets at FVTOCI	31,416	37,626	(4,305)	5,198	-	-	(4,305)	5,198
Fixed income instruments	31,416	37,626	(4,305)	5,198	-	-	(4,305)	5,198
Other investments	-	-	-	-	-	-	-	-
Derivative financial instruments	1,714	77	227	(264)	-	-	227	(264)
Cash flow hedges	1,714	77	227	(264)	-	-	227	(264)
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**33,130**	**37,703**	**(4,078)**	**4,934**	**-**	**-**	**(4,078)**	**4,934**
2020 effects								
Financial assets								
Financial assets at FVTOCI	33,969	43,046	(4,377)	5,228	-	-	(4,377)	5,228
Fixed income instruments	33,969	43,046	(4,377)	5,228	-	-	(4,377)	5,228
Derivative financial instruments	268	-	19	(21)	-	-	19	(21)
Cash flow hedges	268	-	19	(21)	-	-	19	(21)
Financial liabilities								
Derivative financial instruments	1,800	(54)	170	(188)	-	-	170	(188)
Cash flow hedges	1,800	(54)	170	(188)	-	-	170	(188)
Variability at 31 December 2020	**36,037**	**42,992**	**(4,188)**	**5,019**	**-**	**-**	**(4,188)**	**5,019**

For the purposes of full disclosure, note that any change in the spread would not entail an accounting effect on the portfolio of financial assets measured at amortised cost but would affect solely the amount of unrealised gains/losses. In other words, fixed income instruments measured at amortised cost relating entirely to BancoPosta, which at 31 December 2021 amounted to €33,110 million (nominal value of €28,027 million) and have a fair value of €33,662 million, would be reduced in fair value by approximately €4.17 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

187. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 30 bps and the spread of the BTP compared to the 10-year swap rate of 87 bps.

Poste Vita Group - Fair value spread risk

Description (€m)	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects										
Financial assets										
Financial assets at FVTOCI	100,056	111,385	(8,802)	8,802	(8,684)	8,684	-	-	(118)	118
Fixed income instruments	99,556	110,860	(8,792)	8,792	(8,674)	8,674	-	-	(118)	118
Other investments	500	525	(10)	10	(10)	10	-	-	-	-
Financial assets at FVTPL	2,541	4,460	(393)	393	(387)	387	(6)	6	-	-
Fixed income instruments	2,501	2,579	(142)	142	(136)	136	(6)	6	-	-
Other investments*	40	1,881	(251)	251	(251)	251	-	-	-	-
Financial liabilities										
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**102,597**	**115,845**	**(9,195)**	**9,195**	**(9,071)**	**9,071**	**(6)**	**6**	**(118)**	**118**
2020 effects										
Financial assets										
Financial assets at FVTOCI	97,294	113,557	(9,456)	9,456	(9,346)	9,346	-	-	(110)	110
Fixed income instruments	96,794	113,017	(9,441)	9,441	(9,331)	9,331	-	-	(110)	110
Other investments	500	540	(15)	15	(15)	15	-	-	-	-
Financial assets at FVTPL	1,930	3,339	(346)	346	(343)	343	(3)	3	-	-
Fixed income instruments	1,890	1,992	(109)	109	(106)	106	(3)	3	-	-
Other investments*	40	1,347	(237)	237	(237)	237	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Financial liabilities										
Derivative financial instruments	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Fair value hedges	1,260	(10)	74	(74)	74	(74)	-	-	-	-
Variability at 31 December 2020	**100,484**	**116,886**	**(9,728)**	**9,728**	**(9,615)**	**9,615**	**(3)**	**3**	**(110)**	**110**

* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

For the purposes of full disclosure, following an increase in the spread of 100 bps, the Poste Vita Group's fixed income instruments measured at amortised cost, which at 31 December 2021 amounted to €2,020 million (nominal value of €1,938 million) and have a fair value of €2,221 million, would be reduced in fair value by approximately €181 million, with the change not reflected in the accounts.

In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita group monitor spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The following table shows the maximum potential loss computed at 31 December 2021, limited, in terms of materiality, to the financial assets held by the Parent Company and the Poste Vita Group.

Poste Italiane SpA - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
2021 effects			
Financial assets			
Financial assets at FVTOCI*	31,416	37,626	267
Fixed income instruments	31,416	37,626	267
Other investments	-	-	-
Variability at 31 December 2021	**31,416**	**37,626**	**267**
2020 effects			
Financial assets			
Financial assets at FVTOCI*	33,969	43,046	231
Fixed income instruments	33,969	43,046	231
Other investments	-	-	-
Variability at 31 December 2020	**33,969**	**43,046**	**231**

* The VAR indicated for derivative financial instruments only refers to forward purchases, whilst the VAR relating to fixed income instruments also takes into account forward sales.

Poste Vita Group - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
2021 effects			
Financial assets			
Financial assets at FVTOCI*	100,056	111,385	839
Fixed income instruments	99,556	110,860	839
Other investments	500	525	-
Financial assets at FVTPL	2,541	4,460	7
Fixed income instruments	2,501	2,579	4
Other investments**	40	1,881	3
Variability at 31 December 2021	**102,597**	**115,845**	**840**
2020 effects			
Financial assets			
Financial assets at FVTOCI*	97,294	113,557	364
Fixed income instruments	96,794	113,017	384
Other investments	500	540	-
Financial assets at FVTPL	1,930	3,339	7
Fixed income instruments	1,890	1,992	4
Other investments**	40	1,347	3
Variability at 31 December 2020	**99,224**	**116,896**	**365**

* The VAR indicated for derivative financial instruments only refers to forward purchases, whilst the VAR relating to fixed income instruments also takes into account forward sales.

** For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security

Cash flow interest rate risk

This is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. It may derive from misalignment - in terms of rate types, indexing methods and maturities - of financial asset and liability items that tend to be destined to remain until their contractual or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflected in the revenue results of future periods.

The following analysis refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve of +/- 100 bps.

Sensitivity to cash flow interest rate risk at 31 December 2021 on the Poste Italiane Group's positions is shown in the table below.

Poste Italiane Group - Cash flow interest rate risk

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
2021 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	12,712	127	(127)	-	-	127	(127)
Other financial receivables	4,861	49	(49)	-	-	49	(49)
Fixed income instruments	5,770	58	(58)	-	-	58	(58)
Financial assets at FVTOCI							
Fixed income instruments	16,688	167	(167)	65	(65)	102	(102)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	49	-	-	-	-	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	4,773	48	(48)	-	-	48	(48)
Cash and cash equivalents							
Bank deposits	5,078	51	(51)	37	(37)	14	(14)
Deposits with the MEF	1,990	20	(20)	-	-	20	(20)
Financial liabilities							
Loans							
Bonds	-	-	-	-	-	-	-
Due to financial institutions	(2,956)	(30)	30	-	-	(30)	30
Financial liabilities due to subsidiaries	-	-	-	-	-	-	-
Other financial liabilities	(230)	(2)	2	-	-	(2)	2
Variability at 31 December 2021	**49,257**	**493**	**(493)**	**107**	**(107)**	**386**	**(386)**

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
2020 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	7,340	73	(73)	-	-	73	(73)
Other financial receivables	7,509	75	(75)	-	-	75	(75)
Fixed income instruments	4,070	41	(41)	-	-	41	(41)
Financial assets at FVTOCI							
Fixed income instruments	13,672	137	(137)	68	(68)	69	(69)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	53	1	(1)	1	(1)	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	3,364	34	(34)	-	-	34	(34)
Cash and cash equivalents							
Bank deposits	1,019	10	(10)	2	(2)	8	(8)
Deposits with the MEF	1,991	20	(20)	-	-	20	(20)
Financial liabilities							
Loans							
Bonds	-	-	-	-	-	-	-
Due to financial institutions	(1,150)	(11)	11	-	-	(11)	11
Financial liabilities due to subsidiaries	-	-	-	-	-	-	-
Other financial liabilities	(392)	(4)	4	-	-	(4)	4
Variability at 31 December 2020	**37,998**	**381**	**(381)**	**76**	**(76)**	**305**	**(305)**

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- a portion of the investment portfolio held by Poste Vita SpA, with a total nominal value of €7,404 million;
- receivables at amortised cost totalling €4,861 million, reflecting collateral posted to secure liabilities arising in relation to derivative financial instruments and repurchase agreements mainly held by BancoPosta RFC;
- investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €12,712 million;
- fixed income government securities held by the Parent Company both at variable rate for a total nominal value of €400 million and at fixed rate converted into variable rate positions through fair value hedge derivatives, for a total nominal amount of €15,070 million (including €6,046 million in securities whose fair value hedge begins to produce its effects in the 12 months following the reporting period); there is also an inflation-linked bond issued by the Italian Republic, with a nominal value of €100 million, which is subject to fair value hedge.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily relates to the bank deposits of Poste Italiane SpA and Poste Vita SpA, in addition to amounts deposited by the Parent Company with the MEF and held in the so-called buffer account.

Credit risk

This is the risk of default of one of the counterparties to which there is an exposure, with the exception of equities and units of mutual funds.

In order to comply with the provisions of IFRS 9, which requires the inclusion of a forward-looking approach in the calculation of expected losses on financial instruments, also taking into account the developing Italian economic scenario, the Group updated the forecast scenarios to take into account new elements based on the International Monetary Fund's estimates for the year 2021, which led to a change in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Annual Report at 31 December 2020. On the other hand, with regard to the Corporate and Banking counterparties, the improvement in the economic scenario meant that there was no need for an upward adjustment to PD made for the end of the 2020 financial year.

Also with regard to trade receivables, the changing national economic scenario meant that there is no need to adjust PD against the increase in sectoral risk signalled by the rating agencies (analytical impairment) or through the increase in historical risk recorded in periods of acute stress (flat-rate basis impairment), as happened in the 2020 financial year.

Finally, the potential effects of the Russia-Ukraine conflict on the economic scenario are currently difficult to foresee and any changes in the estimates for setting the PD will be reflected in the financial statements prepared in subsequent periods (see also paragraph 12 – *Significant events after the end of the reporting period*).

Credit risk management practices: inputs, assumptions and estimation techniques

The impairment model applicable to financial instruments measured at amortised cost and at fair value through other comprehensive income is based on Expected Credit Losses (ECL). Below, the methods adopted to manage credit risk are described.

General description of the models utilised

The Group uses the general impairment model in accordance with risk ratings estimated on the basis of the type of counterparty:

- Securities/deposits with Sovereign, Banking and Corporate counterparties: internal risk rating estimation models;
- Public Administration and Central Counterparties: risk parameters deriving from agency ratings or average default rates for the sector.

The simplified approach is applied to trade receivables, as described in greater detail later.

Significant increase in credit risk

Based on the impairment model adopted by the Poste Italiane Group to meet the requirements of the new accounting standard, any significant increase in credit risk associated with the financial instruments held, other than trade receivables, is determined on the basis of a change in the relevant credit rating between the time of the initial investment and the reporting date.

This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (*vintage factor*);
- an additive factor to mitigate the non-linearity of PD with respect to the rating classes[188];

188. The additive factor is built in view of the rating level at the reporting date, where the better the final rating the higher the threshold for the transition to Stage 2

- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[189].

The ratings used in stage allocation derive from internal models in the case of banking, sovereign and corporate counterparties, and external infoproviders in the case of Public Administration and Central Counterparties. Based on the above information, the Poste Italiane Group rebuts the presumption that there have been significant increases in credit risk following initial recognition, when financial assets are more than 30 days past due.

The Poste Italiane Group decided not to adopt the Low Credit Risk Exemption and to proceed instead with stage allocation of the financial instruments concerned.

Regarding trade receivables, given the adoption of the simplified approach under the new accounting standard, expected credit losses are determined throughout the lifetime of the instrument.

Definition of default

The Poste Italiane Group defines default on the basis of ad hoc assessments that take into account:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

Collective and individual provisions

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

Individual provisions are considered only following the review of trade receivables for amounts in excess of a given threshold and only in relation to single receivables.

Forward looking information

According to the standard, the ECL calculation must also factor in forward looking components based on broad consensus scenarios.

The Poste Italiane Group incorporates forward looking information directly in the PD estimation. In particular, the internal approach adopted allows completion of the input dataset necessary to calculate PD starting from a number of scenario values related to the approach. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[190].

189. The judgmental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

190. In particular, the use of such approach is limited to situations where, actually, the final figures are deemed to be no longer representative of the counterparty's risk.

Estimation techniques used

Since events of default cannot be used, as they are not very frequent, to develop credit scoring models for Sovereign, Banking and Corporate counterparties, a shadow rating approach has been adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be directly the rating or, alternatively, the default rate linked to the rating level.

The target was constructed on the basis of a rating agency selected as reference, considering both the large number of counterparties rated and the availability of historical data over a time horizon considered adequate.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

The internal model estimate used a definition of default based on the following approach:

- Government financial instruments - payment delays, including also for one day, or debt renegotiation;
- Corporate and Banking financial instruments - 90-day payment delays.

ECL measurement

Expected credit losses (ECL) are determined over a time horizon consistent with the stage level (12 months or lifetime) on the basis of the following factors:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

The main assumptions/choices adopted in the determination of the factors are as follows:

- PD: as indicated from the start a Point in Time (PIT) and forward-looking valuation has been adopted;
- LGD: use has been made of the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, floating-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

Trade recevaibles

The Group adopts the simplified approach to test for the impairment of trade receivables, on the basis of which provisions for credit losses are determined for an amount equal to expected losses throughout the lifetime of the receivable. Such approach is implemented through the following process:

- on the basis of the turnover or the historical credit exposure, a receivable threshold is identified above which to proceed to a detailed assessment of the individual receivable or of the individual credit exposure. The detailed assessment of the receivable positions implies an analysis of the credit quality and of the solvency of the debtor, determined on the basis of internal and external evidence in support of this assessment;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, if any, or alternatively on the historical pattern of collections. In the construction of the impairment matrix the receivables are grouped together in uniform categories on the basis of their characteristics, in order to take into account the historical experience on the losses.

Exposure to credit risk

With regard to the **financial assets** exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the Poste Italiane Group's exposure at 31 December 2021, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Poste Italiane Group – Credit Risk – Rating

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
2021 effects									
Financial assets at amortised cost									
Loans	-	-	-	-	-	-			-
Receivables	233	-	17,409	-	-	-			17,642
Fixed income instruments	-	-	32,953	-	-	-			32,953
Other investments	-	-	-	-	-	-			-
Gross carrying amount - Total	**233**	**-**	**50,362**	**-**	**-**	**-**			**50,595**
Provision to cover expected losses	-	-	(36)	-	-	-			(36)
Total amortised cost at 31 December 2021	**233**	**-**	**50,326**	**-**	**-**	**-**	**567**	**2,188**	**53,313**
2020 effects									
Financial assets at amortised cost									
Loans	-	-	21	-	-	-			21
Receivables	827	-	14,107	-	-	-			14,934
Fixed income instruments	-	-	30,739	-	-	-			30,739
Other investments	-	-	-	-	-	-			-
Gross carrying amount - Total	**827**	**-**	**44,867**	**-**	**-**	**-**			**45,694**
Provision to cover expected losses	-	-	(40)	-	-	-			(40)
Total amortised cost at 31 December 2020	**827**	**-**	**44,827**	**-**	**-**	**-**	**634**	**4,389**	**50,677**

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C		Not rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
2021 effects									
Financial assets at FVTOCI									
Fixed income instruments	2,209	-	128,317	5	2,464	197			133,192
Other investments	-	-	500	-	-	-			500
Gross carrying amount - Total	**2,209**	**-**	**128,817**	**5**	**2,464**	**197**			**133,692**
Carrying amount - Fair value at 31 December 2021	**2,280**	**-**	**144,080**	**5**	**2,478**	**200**	**-**		**149,043**
2020 effects									
Financial assets at FVTOCI									
Fixed income instruments	1,692	-	129,199	-	1,792	82			132,765
Other investments	-	-	500	-	-	-			500
Gross carrying amount - Total	**1,692**	**-**	**129,699**	**-**	**1,792**	**82**			**133,265**
Carrying amount - Fair value at 31 December 2020	**1,823**	**-**	**152,914**	**-**	**1,813**	**85**	**-**		**156,635**

The following table shows the counterparty concentration of credit risk by financial asset class. Amounts refer to the gross carrying amount. Of the provision to cover expected losses on financial instruments at fair value in other comprehensive income, an amount of approximately €51 million was passed on to policyholders.

Poste Italiane Group - Credit risk - Credit risk concentration

	31.12.2021		31.12.2020	
Description (€m)	**Gross carrying amount**	**Provision to cover expected losses**	**Gross carrying amount**	**Provision to cover expected losses**
Financial assets at amortised cost	50,595	(36)	45,694	(40)
Loans	-	-	21	-
Sovereign	-	-	-	-
Corporate	-	-	21	-
Banking	-	-	-	-
Receivables	17,642	(25)	14,934	(24)
Sovereign	12,711	(5)	7,340	(4)
Corporate	1,615	(20)	1,290	(20)
Banking	3,316	-	6,304	-
Fixed income instruments	32,953	(11)	30,739	(16)
Sovereign	29,922	(11)	27,708	(14)
Corporate	3,020	-	3,020	(2)
Banking	11	-	11	-
Financial assets at FVTOCI	133,692	(65)	133,265	(77)
Fixed income instruments	133,192	(65)	132,765	(77)
Sovereign	112,026	(40)	114,884	(58)
Corporate	12,602	(22)	10,502	(17)
Banking	8,564	(3)	7,379	(2)
Other investments	500	-	500	-
Sovereign	-	-	-	-
Corporate	-	-	-	-
Banking	500	-	500	-
Total	**184,287**	**(101)**	**178,959**	**(117)**

Collateral held and other credit enhancements

Principles and processes involved in measuring and managing guarantees and other credit risk mitigation instruments

The Poste Italiane Group uses instruments to mitigate credit risk and counterparty risk. In particular:

- as regards Poste Italiane SpA, primarily in relation to BancoPosta RFC, the credit and counterparty risks associated with hedging derivatives and repurchase agreements are mitigated by entering into master netting agreements and demanding collateral in cash or government securities, or by trading in derivatives through a central counterparty;
- the Poste Vita group invests in, among other things, corporate bonds that are guaranteed in order to mitigate the overall exposure to credit risk;
- in terms of trade receivables, the Poste Italiane Group credit terms are extended for customers, requesting, in certain cases, guarantees or sureties issued by prime banks or insurance companies.

There were no impacts from the Covid-19 pandemic on guarantees and other credit risk mitigation instruments.

At 31 December 2021, the Group does not hold financial assets secured by guarantees or other risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in repurchase agreements).

The main types of instrument used to mitigate credit risk are described below:

Fixed income instruments

Debt instruments held by the Group and secured by guarantees or other risk mitigation instruments are as follows:

- bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2021. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic;
- bonds held by the Poste Vita Group, amounting to a nominal value of €4,988 million at 31 December 2021. In these cases, the guarantee covers 100% of the nominal value of the securities. The guarantees securing these financial instruments are as follows:
  - corporate bonds backed by personal guarantees provided by the parent company or another associate, amounting to a nominal value of €4,350 million;
  - covered bonds backed by mortgages, primarily property mortgages, amounting to a nominal value of €238 million;
  - bonds guaranteed by sovereign states, amounting to a nominal value of €400 million.

In the case of instruments backed by personal guarantees provided by a sovereign state or one or more companies, expected losses are calculated on the basis of the credit rating of the guarantor. With regard to covered bonds, the underlying guarantees were considered through the recognition of upgrades according to the type of guarantee.

Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, Poste Italiane SpA has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralization of derivative transactions and repurchase agreements, respectively.

In addition, in order to mitigate counterparty risk and gain easier access to the market, from December 2017, BancoPosta RFC has entered into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia. Starting from 2021, certain derivatives entered into by BancoPosta RFC through bilateral contracts will be sent to a Qualified Central Counterparty for centralised clearing through the services of a clearing broker.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in the paragraph "*Offsetting financial assets and liabilities*".

Trade recevaibles

To mitigate the risks arising from the extension of credit terms to its customers, the Poste Italiane Group has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

The Poste Italiane Group accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of a postal escrow account.

The Poste Italiane Group, as a rule, exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

For all the exposures evaluated individually, to calculate loss provisions, guarantees reduce the amount of the exposure at risk.

ECL measurement

The following tables show, for each class of financial instrument, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

Financial assets

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2021	**24**	**16**	**40**
Impairment of securities / receivables held at the beginning of the period	1	-	1
Reversal of securities / receivables held at the beginning of the period	-	(5)	(5)
Impairment of securities / receivables purchased/paid in the period	-	1	1
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(1)	(1)
Balance at 31 December 2021	**25**	**11**	**36**

As at 31 December 2021, the estimate of expected losses on financial instruments at amortised cost amounted to approximately €36 million; the provision decreased by approximately €4 million compared to 31 December 2020, having been impacted by impairments made to take into account the increased risk due to the pandemic.

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description (€m)	FVTOCI		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2021	**-**	**19**	**19**
Impairment of securities / receivables held at the beginning of the period	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	(5)	(5)
Impairment of securities / receivables purchased/paid in the period	-	2	2
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(3)	(3)
Balance at 31 December 2021	**-**	**13**	**13**

As at 31 December 2021, the estimate of expected losses on financial instruments at fair value through other comprehensive income amounted to approximately €13 million; the provision decreased by approximately €6 million compared to 31 December 2020, having been impacted by impairments made to take into account the increased risk due to the pandemic.

The value of ECL recorded in the financial statements derives mainly from exposures to the Italian Republic. In the calculation of the ECL, the sensitive parameter is the Probability of Default (PD) which, in the case of the Italian Republic, is estimated through the application of an internal model dedicated to sovereign counterparties that uses macroeconomic variables as inputs. The sensitivity of the PD, and therefore of the ECL, to these macroeconomic factors can be assessed by comparing the PD value of

the Italian Republic in two forecast scenarios for 2022. At 31 December 2021, the following sensitivity analysis was performed on financial instruments relating to BancoPosta RFC:

- the application of the model to a scenario characterised by an increase in the Debt/GDP ratio of 5% would result in an increase in the PD of the Italian Republic of 43%, with a negative effect on the fund to cover expected losses of approximately €10 million;
- the application of the model to a scenario characterised by a decrease in the Debt/GDP ratio of 7% would determine a decrease in the PD of the Italian Republic of 21% with a consequent positive effect of approximately €5 million on the Fund to cover expected losses.

The above sensitivity analysis was not carried out on the financial instruments relating to the Poste Vita insurance group, as the related provision to cover expected losses is almost entirely passed on to policyholders via shadow accounting.

Trade receivables

The Poste Italiane Group's exposure to credit risk, in relation to each class of **trade receivables** at 31 December 2021, is shown separately depending on whether or not the model used to estimate ECL is based on an individual or a collective assessment.

Poste Italiane Group - Credit risk - Trade receivables impaired on the analytical basis

	31.12.2021		31.12.2020	
Description (€m)	**Gross carrying amount**	**Provision to cover expected losses**	**Gross carrying amount**	**Provision to cover expected losses**
Trade receivables				
Due from customers	1,711	270	1,755	305
Cassa Depositi e Prestiti	387	-	432	-
Ministries and public entities	297	97	305	132
Overseas counterparties	360	2	316	2
Private customers	667	171	702	171
Due from the Parent Company	78	31	66	31
Due from others	21	-	1	-
Total	**1,810**	**301**	**1,822**	**336**

Poste Italiane Group - Credit risk - Trade receivables impaired on the basis of the simplified matrix

	31.12.2021		31.12.2020	
Range of past due (€m)	**Gross carrying amount**	**Provision to cover expected losses**	**Gross carrying amount**	**Provision to cover expected losses**
Not past due trade receivables	659	7	607	10
Past due 0 - 1 year	250	22	228	17
Past due 1 - 2 years	77	16	63	18
Past due 2 - 3 years	53	19	29	14
Past due 3 - 4 years	23	14	10	8
Past due > 4 years	62	62	57	57
Positions subject to legal recovery and/or insolvency proceedings	139	121	136	116
Total	**1,263**	**261**	**1,129**	**240**

Movements in the expected credit loss provisions for trade receivables (due from customers and the MEF) are as follows:

Details of the provision to cover expected losses on trade receivables

Description (€m)	Balance at 31.12.2020	Net provisions	Utilisations	Change in scope	Balance at 31.12. 2021
Trade receivables					
Due from customers	544	4	(33)	14	529
Public administration entities	167	(38)	(1)	-	128
Overseas postal operators	12	2	-	-	14
Private customers	294	20	(27)	14	301
Interest on late payments	71	20	(5)	-	86
Due from the Parent Company	33	-	-	-	33
Total	**577**	**4**	**(33)**	**14**	**562**

At 31 December 2021, the provision for doubtful debts due from customers includes, for approximately €34 million, the release of the provision recognised following the payment by the MiSE, in December 2021, in accordance with the first instance judgment. For further details see Note A8 – *Trade receivables*. Uses for the year mainly refer to the write-off of receivables following the conclusion of bankruptcy proceedings and to the write-off of receivables for current accounts with a debtor balance. In these cases it was found that recovery actions were uneconomic, also taking into account the small amount of the individual credit positions.

The provision for doubtful debts due from the Public Administration relate to items that may in part not be recoverable as a result of legislation limiting public spending and delays in payment and problems with a number of debtor entities. Credit loss provisions for amounts due from the MEF reflect the absence of funds in the state budget, meaning it is not possible to collect certain amounts receivable, recognised on the basis of legislation or contracts and agreements in effect at the time of recognition.

Other receivables and assets

Movements in the credit loss provisions for other receivables and assets are shown below.

Poste Italiane Group - Movements in Provisions for doubtful debts due from others

Description (€m)	Balance at 31.12.2020	Net provisions	Utilisations	Balance at 31.12.2021
Interest accrued on IRES refund	46	-	-	46
Public administration entities for sundry services	-	-	-	-
Receivables relating to fixed-term contract settlements	19	5	-	24
Other receivaibles	81	44	(7)	118
Total	**146**	**49**	**(7)**	**188**

The provision for doubtful debts due from others includes provisions, recognised during the year, to take into account the probable risk associated with the non-recovery of certain past due items which are in the process of being recognised.

Offsetting financial assets and liabilities

In compliance with IFRS 7 – *Financial Instruments*: Disclosures, this section provides details of financial assets and liabilities that are subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset in accordance with paragraph 42 of IAS 32[191].

In particular, the disclosures in question concern the following positions relating to Poste Italiane SpA at 31 December 2021:

- derivative assets and liabilities and related collateral, represented both by cash and government securities;o;
- repurchase agreements and reverse repurchase agreements and the related collateral, represented both by cash and government securities.

The positions in question are subject to standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions covered by ISDA contracts and repurchase agreements, for which GMRA agreements have been entered into.

Repurchase agreement positions managed through the Central Counterparty, which meet the requirements of IAS 32, are shown net of offsetting.

In order to present the tables in compliance with the requirements of IFRS 7, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

Financial assets offset in the financial statements or subject to master netting agreements or similar arrangements

Technical figures (€m)	Gross amount of financial assets* (a)	Amount of financial liabilities offset in financial statements (b)	Financial assets, net (c=a-b)	Related amounts not subject to offset in the financial statements		Financial assets/ (liabilities), net (f=c-d-e)
				Collateral		
				Financial instruments (d)	Cash deposits provided/(received) as collateral (e)	
FY 2021						
Financial assets attributable to BancoPosta						
Derivatives	873	-	873	866	7	-
Repurchase agreements	1,577	1,577	-	-	-	-
Capital financial assets outside the ring-fence						
Derivatives	3	-	3	-	2	1
Total at 31 December 2021	**2,453**	**1,577**	**876**	**866**	**9**	**1**
FY 2020						
Financial assets attributable to BancoPosta						
Derivatives	78	-	78	78	-	-
Repurchase agreements	364	363	1	1	-	-
Capital financial assets outside the ring-fence						
Derivatives	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Total at 31 December 2020	**442**	**363**	**79**	**79**	**-**	**-**

191. Paragraph 42 of IAS 32 provides that "A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:
(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis or to realise the asset and settle the liability simultaneously".

Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical figures (€m)	Gross amount of financial liabilities* (a)	Amount of financial assets offset in financial statements (b)	Financial liabilities, net (c=a-b)	Related amounts not subject to offset in the financial statements		Financial assets/ (liabilities), net (f=c-d-e)
				Collateral		
				Financial instruments (d)	Cash deposits provided/(received) as collateral (e)	
FY 2021						
Financial assets attributable to BancoPosta						
Derivatives	5,460	-	5,460	1,405	3,976	79
Repurchase agreements	14,837	1,577	13,260	13,235	24	1
Capital financial assets outside the ring-fence						
Derivatives	3	-	3	-	3	-
Total at 31 December 2021	**20,300**	**1,577**	**18,723**	**14,640**	**4,003**	**80**
FY 2020						
Financial assets attributable to BancoPosta						
Derivatives	8,243	-	8,243	867	7,376	-
Repurchase agreements	14,711	363	14,348	14,359	(12)	1
Capital financial assets outside the ring-fence						
Derivatives	11	-	11	-	11	-
Repurchase agreements	412	-	412	408	4	-
Total at 31 December 2020	**23,377**	**363**	**23,014**	**15,634**	**7,379**	**1**

* The gross amount of financial assets and liabilities includes the financial instruments subject to offsetting and those subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset.

Liquidity risk

This is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments.

In order to minimise this risk, the Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term loans and counterparties; availability of relevant credit lines in terms of amounts and the number of banks; gradual and consistent distribution of the maturities of medium/long-term borrowings; and use of dedicated analytical models to monitor the maturities of assets and liabilities.

At 31 December 2021, unrestricted cash and cash equivalents amounted to €2.6 billion. The committed and uncommitted credit lines available to the Group and the related utilisations are summarised in the table below.

Description (€m)	Balance at 31.12.2021	Balance at 31.12.2020
Committed credit lines	**1,750**	**1,750**
Short-term loans	1,750	1,750
Uncommitted credit lines	**2,357**	**1,893**
Short-term loans	1,309	1,017
Current account overdrafts	145	148
Unsecured loans	903	728
Total	**4,107**	**3,643**
Committed uses	**-**	**-**
Short-term loans	-	-
Uncommitted uses	**975**	**633**
Short-term loans	550	250
Unsecured loans	425	383
Total	**975**	**633**

No collateral has been provided to secure the credit lines obtained.

During the year, the Parent Company drew down uncommitted credit lines for short-term loans totalling €550 million and repaid a medium-term loan of €250 million ahead of schedule. On 26 January 2021, a new loan of €150 million was signed with the EIB. The loan disbursed on 21 May 2021 provides interest at a fixed rate of 0.161% and matures on 19 May 2028.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 26 June 2020, BancoPosta's assets may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2021.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €1,491 million, and the facility is unused at 31 December 2021.

At 31 December 2021, the Parent Company had an EMTN – Euro Medium Term Note program of €2 billion in place, thanks to which the Group can raise an additional €0.95 billion on the capital market. As part of this programme, in 2013, Poste Italiane placed a 10-year loan of €50 million on the Luxembourg Stock Exchange and in December 2020, it placed a further senior unsecured loan with a total nominal value of €1 billion.

The existing credit lines and the loans are adequate to meet financing requirements expected to date.

Moreover, the following tables compare the Poste Italiane Group's liabilities and assets at 31 December 2021, in terms of liquidity risk.

Poste Italiane Group - Liquidity Risk - Liabilities

Description (€m)	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2020 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Flows from Poste Vita group's policies	9,188	35,209	146,899	191,296	10,369	36,925	129,524	176,818
Financial liabilities	52,185	22,847	25,869	100,901	46,691	18,994	24,638	90,323
Postal current accounts	28,548	15,285	24,766	68,599	22,968	13,110	22,737	58,815
Loans	9,538	6,997	712	17,247	10,521	5,674	1,082	17,277
Financial liabilities for leases	219	560	387	1,166	216	205	815	1,236
Other financial liabilities	13,880	5	4	13,889	12,986	5	4	12,995
Trade payables	2,029	-	-	2,029	1,839	-	-	1,839
Other liabilities	1,865	1,740	9	3,614	1,747	1,564	14	3,325
Total Liabilities	**65,267**	**59,796**	**172,777**	**297,840**	**60,646**	**57,483**	**154,176**	**272,305**

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity, while the maturities of postal current account deposits are reported on the basis of the estimates made with a statistic/econometric model. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2021. The commitments of Poste Vita SpA and Poste Assicura SpA are reflected in "Flows from Poste Vita Group's policies".

Poste Italiane Group - Liquidity Risk - Assets

Description (€m)	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2020 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets	36,201	64,489	199,855	300,545	35,829	62,257	184,952	283,038
Trade receivables	2,518	6	-	2,524	2,375	2	-	2,377
Other receivables and assets	1,163	3,988	26	5,178	1,070	3,813	32	4,915
Tax credits Law no. 77/2020	928	3,793	2,669	7,388	6	20	12	38
Cash and deposits attributable to BancoPosta	7,659	-	-	7,659	6,391	-	-	6,391
Cash and cash equivalents	7,958	-	-	7,958	4,516	-	-	4,516
Total Assets	**56,427**	**72,276**	**202,550**	**331,252**	**50,187**	**66,092**	**184,996**	**301,275**

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Held-to-maturity and available-for-sale financial assets include financial instruments held by BancoPosta RFC and the Group's insurance companies, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

The key point of note is the liquidity risk associated with the investment of customers' current account balances and with the Class I and V policies issued by Poste Vita SpA.

With regard to the specific operations of BancoPosta RFC, liquidity risk relates to the investment of current account and prepaid card deposits[192], the related investment in Euro government bonds and/or securities guaranteed by the Italian Republic, the margining inherent in transactions in derivatives and tax credits acquired in relation to the "Decreto Rilancio" 34/2020 (subsequently converted into Law 77 of 17 July 2020). The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for retail customers, ten years for business customers and PostePay cards and five years for Public Administration customers.

192. Prepaid cards have been the responsibility of Postepay SpA since 1 October 2018. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in Eurozone government bonds or other securities guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in Eurozone government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

Price risk

This is the risk that the value of a financial Instrument will fluctuate as a result of changes in market prices, when the changes derive both from specific factors of the individual instrument or its issuer, and from factors that affect all the instruments traded on the market.

Price risk relates to financial assets classified as measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL"), and certain derivative financial instruments where changes in value are recognised in profit or loss.

The sensitivity analysis at 31 December 2021 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out at 31 December 2021 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk

Description (€m)	Risk exposure	Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2021 effects									
Financial assets									
Financial assets at FVTOCI	651	202	(202)	-	-	-	-	202	(202)
Equity instruments	651	202	(202)	-	-	-	-	202	(202)
Structured bonds	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	40,313	5,280	(5,280)	5,270	(5,270)	10	(10)	-	-
Equity instruments	256	66	(66)	56	(56)	10	(10)	-	-
Other investments	40,057	5,214	(5,214)	5,214	(5,214)	-	-	-	-
Derivative financial instruments	(3)	(9)	9	-	-	(9)	9	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(3)	(9)	9	-	-	(9)	9	-	-
Variability at 31 December 2021	**40,961**	**5,473**	**(5,473)**	**5,270**	**(5,270)**	**1**	**(1)**	**202**	**(202)**
2020 effects									
Financial assets									
Financial assets at FVTPL	37,061	7,265	(7,265)	7,233	(7,233)	32	(32)	-	-
Equity instruments	272	120	(120)	89	(89)	31	(31)	-	-
Other investments	36,789	7,145	(7,145)	7,144	(7,144)	1	(1)	-	-
Derivative financial instruments	(20)	(31)	31	-	-	(31)	31	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(20)	(31)	31	-	-	(31)	31	-	-
Variability at 31 December 2020	**37,041**	**7,234**	**(7,234)**	**7,233**	**(7,233)**	**1**	**(1)**	**-**	**-**

Financial assets at fair value through other comprehensive income refer to Nexi shares held by the subsidiary PSIA Srl for €651 million.

In relation to **financial assets measured at fair value through profit or loss**, price risk concerns the following:

- investments in units of mutual investment funds held by Poste Vita SpA, with a fair value of €40,057[193] million, including approximately €32,968 million used to cover Class I policies, approximately €7,084 million used to cover Class III policies and a residual amount relating to the free capital;
- equity instruments held by Poste Vita SpA, totalling €217 million, used to cover Class I policies linked to separately managed accounts and to cover Class III policies;
- shares held by BancoPosta RFC, totalling €39 million, consisting of preference Visa Incorporated shares (Series C Convertible Participating Preferred Stock). For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.

In the area of **Derivative Financial Instruments**, price risk mainly relates to the forward sale contract for 198,000 of Visa Incorporated ordinary shares entered into by the Parent Company.

The shares in *Moneyfarm, sennder Technologies GmbH, Milkman,Tink and Volante* classified as **Financial assets at fair value through other comprehensive income** are not subject to sensitivity analysis in the above table.

Cash flow inflation risk

This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.

The table below analyses the sensitivity of future cash flows for the Poste Italiane Group's financial assets at 31 December 2021.

Poste Italiane Group - Cash flow inflation risk

	Risk exposure		Change in value		Effect on liability toward policyholders		Profit/(Loss) before tax	
Description (€m)	Nominal	Carrying amount	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects								
Financial assets								
Financial assets at amortised cost	272	317	-	-	-	-	-	-
Fixed income instruments	272	317	-	-	-	-	-	-
Financial assets at FVTOCI	10,058	12,474	43	(43)	41	(41)	2	(2)
Fixed income instruments	10,058	12,474	43	(43)	41	(41)	2	(2)
Variability at 31 December 2021	**10,330**	**12,791**	**43**	**(43)**	**41**	**(41)**	**2**	**(2)**
2020 effects								
Financial assets								
Financial assets at amortised cost	243	264	-	-	-	-	-	-
Fixed income instruments	243	264	-	-	-	-	-	-
Financial assets at FVTOCI	11,752	14,223	43	(43)	41	(41)	2	(2)
Fixed income instruments	11,752	14,223	43	(43)	41	(41)	2	(2)
Variability at 31 December 2020	**11,995**	**14,487**	**43**	**(43)**	**41**	**(41)**	**2**	**(2)**

At 31 December 2021, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges. Of the total nominal value, securities totalling €9,380 million are held by Poste Vita SpA and securities totalling €903 million by BancoPosta RFC.

193. Not included in the scope of the analysis in question are €1,859 million of mutual funds with a predominantly bond composition.

Foreign exchange risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency.

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

The table below shows the sensitivity to foreign exchange risk of the Poste Italiane Group's most significant positions at 31 December 2021.

Poste Italiane Group - Foreign exchange risk

Description (€m)	Position in GBP	Position in USD	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
				+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects									
Financial assets									
Financial assets at FVTOCI	44	8	60	3	(3)	-	-	3	(3)
Equity instruments	44	8	60	3	(3)	-	-	3	(3)
Fixed income instruments	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	148	131	7	(7)	7	(7)	-	-
Equity instruments	-	44	39	2	(2)	2	(2)	-	-
Other investments	-	104	92	5	(5)	5	(5)	-	-
Financial assets at FVTPL	-	(3)	(3)	(2)	2	(2)	2	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Other investments	-	(3)	(3)	(2)	2	(2)	2	-	-
Variability at 31 December 2021	**44**	**153**	**188**	**8**	**(8)**	**5**	**(5)**	**3**	**(3)**
2020 effects									
Financial assets									
Financial assets at FVTOCI	22	5	29	2	(2)	-	-	2	(2)
Equity instruments	22	5	29	2	(2)	-	-	2	(2)
Fixed income instruments	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	157	133	10	(10)	10	(10)	-	-
Equity instruments	-	89	72	5	(5)	5	(5)	-	-
Other investments	-	68	61	5	(5)	5	(5)	-	-
Derivative financial instruments	-	(24)	(20)	(1)	1	(1)	1	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	-	(24)	(20)	(1)	1	(1)	1	-	-
Variability at 31 December 2020	**22**	**138**	**142**	**11**	**(11)**	**9**	**(9)**	**2**	**(2)**

The risk in question relates to equities held by the Parent Company and PostePay and units in certain alternative investment funds in which Poste Vita SpA has invested.

At 31 December 2021, the following were exposed to currency risk:

- the Parent Company's equity investments in Visa (€39 million) and Moneyfarm (€53 million);
- The PostePay equity investment in Volanté (€7 million);
- units in certain funds held by Poste Vita SpA (€92 million);
- derivative contract on Visa Incorporated ordinary shares entered into by the Parent Company (at 31 December 2021, fair value negative of €3 million).

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (the euro, US dollar, British pound and Japanese yen) held by Poste Italiane SpA and used worldwide to settle debts and credits among postal operators.

Poste Italiane Group - Foreign exchange risk/SDR

Description (€m)	Position in DSP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects								
Current assets in SDRs	220	271	7	(7)	7	(7)	-	-
Current liabilities in SDRs	(239)	(295)	(8)	8	(8)	8	-	-
Variability at 31 December 2021	**(19)**	**(24)**	**(1)**	**1**	**(1)**	**1**	**-**	**-**
2020 effects								
Current assets in SDRs	244	287	11	(11)	11	(11)	-	-
Current liabilities in SDRs	(249)	(293)	(11)	11	(11)	11	-	-
Variability at 31 December 2020	**(5)**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**

The Poste Italiane Group is also subject to translation currency risk, which is the exchange rate risk associated with the conversion into euro of items relating to investments in companies whose functional currency is not the euro. At 31 December 2021, however, a significant change in exchange rates would not have a material impact on the Group's consolidated financial statements.

Poste Italiane SpA

For the purposes of full disclosure, information on Poste Italiane SpA's exposure to financial risk is reported below if not already covered in the above information regarding the Poste Italiane Group.

Fair value interest rate risk

Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominale	Fair Value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTOCI	31,416	37,626	(717)	600	-	-	(717)	600
Fixed income instruments	31,416	37,626	(717)	600	-	-	(717)	600
Derivative financial instruments	1,714	76	219	(257)	-	-	219	(257)
Cash flow hedge	1,714	76	219	(257)	-	-	219	(257)
Tax credits Law no. 77/2020	3,538	3,301	(65)	67	-	-	(65)	67
Tax credits at FVTOCI	3,538	3,301	(65)	67	-	-	(65)	67
Capital financial liabilities outside the ring-fence								
Derivative financial instruments	50	(3)	1	(1)	-	-	1	(1)
Cash flow hedge	50	(3)	1	(1)	-	-	1	(1)
Variability at 31 December 2021	**36,718**	**41,000**	**(562)**	**409**	**-**	**-**	**(562)**	**409**
2020 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTOCI	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306
Fixed income instruments	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306
Derivative financial instruments	268	-	19	(20)	-	-	19	(20)
Cash flow hedge	268	-	19	(20)	-	-	19	(20)
Capital financial assets outside the ring-fence								
Financial assets at FVTOCI	400	407	-	-	-	-	-	-
Fixed income instruments	400	407	-	-	-	-	-	-
Financial assets attributable to BancoPosta RFC								
Derivative financial instruments	1,800	(54)	162	(179)	-	-	162	(179)
Cash flow hedge	1,800	(54)	162	(179)	-	-	162	(179)
Capital financial liabilities outside the ring-fence								
Derivative financial instruments	50	(5)	1	(1)	-	-	1	(1)
Cash flow hedge	50	(5)	1	(1)	-	-	1	(1)
Variability at 31 December 2020	**36,087**	**42,986**	**(1,117)**	**1,106**	**-**	**-**	**(1,117)**	**1,106**

Cash flow interest rate risk

Cash flow interest rate risk

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps
2021 effects					
Financial assets attributable to BancoPosta RFC					
Financial assets at amortised cost					
Receivables					
Deposit with the MEF	12,712	127	(127)	127	(127)
Other financial receivables	4,858	49	(49)	49	(49)
Fixed income instruments	5,770	58	(58)	58	(58)
Financial assets at FVTOCI					
Fixed income instruments	9,800	98	(98)	98	(98)
Capital financial assets outside the ring-fence					
Financial assets at amortised cost					
Due from	373	4	(4)	4	(4)
Receivables					
Other financial receivables	3	-	-	-	-
Cash and deposits attributable to BancoPosta					
Bank deposits	4,773	48	(48)	48	(48)
Cash and cash equivalents					
Bank deposits	1,051	10	(10)	10	(10)
Deposits with the MEF	1,990	20	(20)	20	(20)
Financial assets attributable to BancoPosta RFC					
Due from	-	-	-	-	-
Due to financial institutions	(2,956)	(30)	30	(30)	30
Other financial liabilities	(228)	(2)	2	(2)	2
Capital financial liabilities outside the ring-fence					
Financial liabilities due to subsidiaries	(1,195)	(12)	12	(12)	12
Other financial liabilities	(2)	-	-	-	-
Variability at 31 December 2021	**36,949**	**370**	**(370)**	**370**	**(370)**

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps
2020 effects					
Financial assets attributable to BancoPosta RFC					
Financial assets at amortised cost					
Receivables					
Deposit with the MEF	7,340	73	(73)	73	(73)
Other financial receivables	7,494	75	(75)	75	(75)
Fixed income instruments	4,070	41	(41)	41	(41)
Financial assets at FVTOCI					
Fixed income instruments	6,029	60	(60)	60	(60)
Capital financial assets outside the ring-fence					
Financial assets at amortised cost					
Due from	374	4	(4)	4	(4)
Receivables					
Other financial receivables	15	-	-	-	-
Financial assets at FVTOCI					
Fixed income instruments	375	4	(4)	4	(4)
Cash and deposits attributable to BancoPosta					
Bank deposits	3,364	34	(34)	34	(34)
Cash and cash equivalents					
Bank deposits	573	6	(6)	6	(6)
Deposits with the MEF	1,991	20	(20)	20	(20)
Financial assets attributable to BancoPosta RFC					
Due from					
Due to financial institutions	(899)	(9)	9	(9)	9
Other financial liabilities	(392)	(4)	4	(4)	4
Capital financial liabilities outside the ring-fence					
Due from					
Due to financial institutions	(250)	(3)	3	(3)	3
Financial liabilities due to subsidiaries	(729)	(7)	7	(7)	7
Variability at 31 December 2020	**29,355**	**294**	**(294)**	**294**	**(294)**

Credit risk

Credit Risk - Rating for BancoPosta RFC

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2021 effects										
Financial assets at amortised cost										
Loans	-	-	-	-	-	-	-			-
Receivables	233	-	17,337	-		-	-			17,570
Fixed income securities	-	-	30,932	-	-	-	-			30,932
Gross carrying amount - Total	**233**	**-**	**48,269**	**-**	**-**	**-**	**-**			**48,502**
Provision to cover expected losses	-	-	(15)	-	-	-	-	-	-	(15)
Total amortised cost at 31 December 2021	**233**	**-**	**48,254**	**-**	**-**	**-**	**-**	**541**	**2,188**	**51,216**
2020 effects										
Financial assets at amortised cost										
Loans	-	-	1	-	-	-	-			1
Receivables	823	-	14,012	-	-	-	-			14,835
Fixed income securities	-	-	28,880	-	-	-	-			28,880
Gross carrying amount - Total	**823**	**-**	**42,893**	**-**	**-**	**-**	**-**			**43,716**
Provision to cover expected losses	-	-	(19)	-	-	-	-			(19)
Total amortised cost at 31 December 2020	**823**	**-**	**42,874**	**-**	**-**	**-**	**-**	**577**	**4,390**	**48,664**

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2021 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	33,845	-	-	-	-			33,845
Gross carrying amount - Total	**-**	**-**	**33,845**	**-**	**-**	**-**	**-**			**33,845**
Provision to cover expected losses - OCI	**-**	**-**	**(12)**	**-**	**-**	**-**	**-**			**(12)**
Carrying amount - Fair value at 31 December 2021	**-**	**-**	**37,626**	**-**	**-**	**-**	**-**	**-**	**-**	**37,626**
2020 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	35,925	-	-	-	-			35,925
Gross carrying amount - Total	**-**	**-**	**35,925**	**-**	**-**	**-**	**-**			**35,925**
Provision to cover expected losses - OCI	**-**	**-**	**(18)**	**-**	**-**	**-**	**-**			**(18)**
Carrying amount - Fair value at 31 December 2020	**-**	**-**	**42,638**	**-**	**-**	**-**	**-**	**-**	**-**	**42,638**

Credit Risk - Ratings for capital outside the ring-fence

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2021 effects										
Financial assets at amortised cost										
Loans	-	-	375	-	-	-	-			375
Receivables	-	-	23	-		-	-			23
Gross carrying amount - Total	**-**	**-**	**398**	**-**	**-**	**-**	**-**			**398**
Provision to cover expected losses	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2021	**-**	**-**	**377**	**-**	**-**	**-**	**-**	**4**	**-**	**381**
2020 effects										
Financial assets at amortised cost										
Loans	-	-	376	-	-	-	-			376
Receivables	4	-	60	-		-	-			64
Gross carrying amount - Total	**4**	**-**	**436**	**-**	**-**	**-**	**-**			**440**
Provision to cover expected losses	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2020	**4**	**-**	**415**	**-**	**-**	**-**	**-**	**5**	**-**	**424**

Description (€m)	AAA to AA-		A+ to BBB-		BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2021 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	-	-	-	-	-			-
Gross carrying amount - Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
Carrying amount - Fair value at 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2020 effects										
Financial assets at FVTOCI										
Fixed income instruments	-	-	405	-	-	-	-			405
Gross carrying amount - Total	**-**	**-**	**405**	**-**	**-**	**-**	**-**			**405**
Carrying amount - Fair value at 31 December 2020	**-**	**-**	**407**	**-**	**-**	**-**	**-**	**-**	**-**	**407**

BancoPosta RFC - Credit Risk - Concentration

Description (€m)	31.12.2021 Gross carrying amount	31.12.2021 Provision to cover expected losses	31.12.2020 Gross carrying amount	31.12.2020 Provision to cover expected losses
Loans and receivables	48,502	(15)	43,716	(19)
Due from	-	-	1	-
Sovereign	-	-	-	-
Corporate	-	-	1	-
Banking	-	-	-	-
Receivables	17,570	(5)	14,835	(4)
Sovereign	12,712	(5)	7,340	(4)
Corporate	1,545	-	1,206	-
Banking	3,313	-	6,289	-
Fixed income instruments	30,932	(10)	28,880	(15)
Sovereign	27,920	(9)	25,868	(14)
Corporate	3,012	(1)	3,012	(1)
Banking	-	-	-	-
Financial assets at FVTOCI	33,845	(12)	35,925	(18)
Fixed income instruments	33,845	(12)	35,925	(18)
Sovereign	33,845	(12)	35,925	(18)
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**82,347**	**(27)**	**79,641**	**(37)**

Capital outside the ring-fence - Credit Risk - Concentration

Description (€m)	31.12.2021 Gross carrying amount	31.12.2021 Provision to cover expected losses	31.12.2020 Gross carrying amount	31.12.2020 Provision to cover expected losses
Loans and receivables	402	(21)	445	(21)
Due from	375	(1)	376	(1)
Sovereign	-	-	-	-
Corporate	375	(1)	376	(1)
Banking	-	-	-	-
Receivables	27	(20)	69	(20)
Sovereign	-	-	-	-
Corporate	24	(20)	54	(20)
Banking	3	-	15	-
Financial assets at FVTOCI	-	-	405	-
Fixed income instruments	-	-	405	-
Sovereign	-	-	405	-
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**402**	**(21)**	**850**	**(21)**

BancoPosta RFC - Credit Rsk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2021	**4**	**15**	**19**
Impairment of securities / receivables held at the beginning of the period	1	-	1
Reversal of securities / receivables held at the beginning of the period	-	(5)	(5)
Impairment of securities / receivables purchased/paid in the period	-	1	1
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(1)	(1)
Balance at 31 December 2021	**5**	**10**	**15**

BancoPosta RFC - Credit Risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description (€m)	FVTOCI		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2021	**-**	**18**	**18**
Impairment of securities / receivables held at the beginning of the period	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	(5)	(5)
Impairment of securities / receivables purchased/paid in the period	-	2	2
Reversal for write-off	-	-	-
Reversal due to sale / collection	-	(3)	(3)
Balance at 31 December 2021	**-**	**12**	**12**

Capital outside the ring-fence - Credit Risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost			Total
	Due from	Receivables	Fixed income securities	
	Stage 1	Stage 1	Stage 1	
Balance at 1 January 2021	**1**	**20**	**-**	**21**
Impairment of securities / receivables held at the beginning of the period	-	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale / collection	-	-	-	-
Balance at 31 December 2021	**1**	**20**	**-**	**21**

Capital outside the ring-fence - Credit Risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description (€m)	FVTOCI			Total
	Due from	Receivables	Fixed income securities	
	Stage 1	Stage 1	Stage 1	
Balance at 1 January 2021	**-**	**-**	**-**	**-**
Impairment of securities / receivables held at the beginning of the period	-	-	-	-
Reversal of securities / receivables held at the beginning of the period	-	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale / collection	-	-	-	-
Balance at 31 December 2021	**-**	**-**	**-**	**-**

Credit Risk - Trade receivables impaired on the analytical basis

Description (€m)	31.12.2021		31.12.2020	
	Gross carrying amount	Provisions for doubtful debts	Gross carrying amount	Provisions for doubtful debts
Trade recevaibles				
Due from customers	1,466	220	1,507	256
Cassa Depositi e Prestiti	387	-	432	-
Ministries and public entities	274	77	283	114
Overseas counterparties	360	2	316	2
Private customers	445	141	476	140
Due from the Parent Company	78	31	66	31
Due from Group companies	735	1	891	1
Total	**2,279**	**252**	**2,464**	**288**

Credit Risk - Trade receivables impaired on the basis of the simplified matrix

Past-due bands (€m)	31.12.2021		31.12.2020	
	Gross carrying amount	Provisions for doubtful debts	Gross carrying amount	Provisions for doubtful debts
Not past due trade receivables	619	6	556	8
Past due 0 - 1 year	196	17	203	14
Past due 1 - 2 years	62	10	56	13
Past due 2 - 3 years	48	16	26	12
Past due 3 - 4 years	20	11	8	7
Past due > 4 years	50	50	46	46
Positions subject to legal recovery and/or insolvency proceedings	92	78	88	75
Total	**1,087**	**188**	**983**	**175**

Details of the provision to cover expected losses on trade receivables

(€m)	Balance at 01.01.21	Net provisions	Uses	Changes from extraordinary transactions	Balance at 31.12.21
Trade recevaibles					
Due from customers	366	(19)	(22)	7	332
Private customers	189	17	(21)	7	192
Public administration entities	165	(38)	(1)	-	126
Overseas postal operators	12	2	-	-	14
Interest on late payments	63	19	(8)	-	74
Due from the Parent company	33	-	-	-	33
Due from Group companies	1	-	-	-	1
Total	**463**	**-**	**(30)**	**7**	**440**
of which attributable to BancoPosta RFC	46	6	(11)	-	41

Details of the provision to cover expected credit losses due from others

(€m)	Balance at 01.01.21	Net provisions	Utilisations	Balance at 31.12.21
Public administration entities for sundry services	2	-	-	2
Interest accured on IRES refund	45	-	-	45
Receivables relating to fixed-term contract settlements	19	5	-	24
Other receivaibles	52	38	-	90
Total	**118**	**43**	**-**	**161**
of which attributable to BancoPosta RFC	29	(1)	-	28

Liquidity risk

Liquidity risk - Liabilities

Description (€m)	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2020 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta RFC	46,752	23,121	27,978	97,851	41,671	19,671	25,700	87,042
Postal current accounts	32,246	17,264	27,974	77,484	25,956	14,816	25,696	66,468
Loans	8,977	5,852	-	14,829	9,851	4,850	-	14,701
Other financial liabilities	5,529	5	4	5,538	5,864	5	4	5,873
Capital financial liabilities outside the ring-fence	1,942	1,617	990	4,549	1,587	941	1,844	4,372
Financial liabilities for leases	187	467	335	988	187	116	762	1,065
Other financial liabilities	1,755	1,150	655	3,561	1,400	825	1,082	3,307
Trade payables	2,031	-	-	2,031	2,121	-	-	2,121
Other liabilities	1,333	1,669	9	3,011	1,456	1,523	14	2,993
Total Liabilities	**52,058**	**26,407**	**28,977**	**107,442**	**46,835**	**22,135**	**27,558**	**96,528**

Liquidity risk - Assets

Description (€m)	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2020 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta RFC	25,343	12,368	67,213	104,924	23,573	10,984	62,710	97,267
Capital financial assets outside the ring-fence	55	59	453	567	494	82	337	913
Trade recevaibles	2,924	2	-	2,926	2,983	1	-	2,984
Other receivables and assets	973	1,658	25	2,656	897	1,527	32	2,456
Tax credits Law no. 77/2020	927	3,793	2,669	7,389	6	20	12	38
Cash and deposits attributable to BancoPosta	7,659	-	-	7,659	6,391	-	-	6,391
Cash and cash equivalents	3,870	-	-	3,870	4,029	-	-	4,029
Total Assets	**41,751**	**17,880**	**70,360**	**129,991**	**38,373**	**12,614**	**63,091**	**114,078**

Price risk

Poste Italiane SpA - Price risk

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2021 effects							
Financial assets attributable to BancoPosta RFC							
Financial assets at FVTPL	39	10	(10)	10	(10)	-	-
Equity instruments	39	10	(10)	10	(10)	-	-
Financial assets attributable to BancoPosta RFC							
Derivative financial instruments	(3)	(9)	9	(9)	9	-	-
Fair value through profit or loss	(3)	(9)	9	(9)	9	-	-
Variability at 31 December 2021	**36**	**1**	**(1)**	**1**	**(1)**	**-**	**-**
2020 effects							
Financial assets attributable to BancoPosta RFC							
Financial assets at FVTPL	73	31	(31)	31	(31)	-	-
Equity instruments	73	31	(31)	31	(31)	-	-
Financial assets attributable to BancoPosta RFC							
Derivative financial instruments	(20)	(31)	31	(31)	31	-	-
Fair value through profit or loss	(20)	(31)	31	(31)	31	-	-
Variability at 31 December 2020	**53**	**-**	**-**	**-**	**-**	**-**	**-**

Foreign exchange risk

Poste Italiane SpA - Currency risk USD

Description (€m)	Position in USD	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTPL	44	39	2	(2)	2	(2)	-	-
Equity instruments	44	39	2	(2)	2	(2)	-	-
Financial assets attributable to BancoPosta RFC								
Derivative financial instruments	(3)	(3)	(2)	2	(2)	2	-	-
Fair value through profit or loss	(3)	(3)	(2)	2	(2)	2	-	-
Variability at 31 December 2021	**41**	**36**	**-**	**-**	**-**	**-**	**-**	**-**
2020 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTPL	89	73	5	(5)	5	(5)	-	-
Equity instruments	89	73	5	(5)	5	(5)	-	-
Financial assets attributable to BancoPosta RFC								
Derivative financial instruments	(24)	(20)	(1)	1	(1)	1	-	-
Fair value through profit or loss	(24)	(20)	(1)	1	(1)	1		
Variability at 31 December 2020	**65**	**53**	**4**	**(4)**	**4**	**(4)**	**-**	**-**

Poste Italiane SpA - Currency risk GBP

Description (€m)	Position in GBP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects								
Capital financial assets outside the ring-fence								
Financial assets at FVTOCI	44	53	3	(3)	-	-	3	(3)
Equity instruments	44	53	3	(3)	-	-	3	(3)
Variability at 31 December 2021	**44**	**53**	**3**	**(3)**	**-**	**-**	**3**	**(3)**
2020 effects								
Capital financial assets outside the ring-fence								
Financial assets at FVTOCI	22	24	2	(2)	-	-	2	(2)
Equity instruments	22	24	2	(2)	-	-	2	(2)
Variability at 31 December 2020	**22**	**24**	**2**	**(2)**	**-**	**-**	**2**	**(2)**

Poste Italiane SpA - Currency risk DSP

Description (€m)	Position in DSP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects								
Current assets in SDRs	220	271	7	(7)	7	(7)	-	-
Current liabilities in SDRs	(239)	(295)	(8)	8	(8)	8	-	-
Variability at 31 December 2021	**(19)**	**(24)**	**(1)**	**1**	**(1)**	**1**	**-**	**-**
2020 effects								
Current assets in SDRs	244	287	11	(11)	11	(11)	-	-
Current liabilities in SDRs	(249)	(293)	(11)	11	(11)	11	-	-
Variability at 31 December 2020	**(5)**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**

Other risks

The other principal risks to which the Poste Italiane Group is exposed at 31 December 2021 are described below.

Operational risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This type includes, among other things, losses deriving from fraud, human errors, interruptions of operations, unavailability of systems, contractual non-fulfilment, natural catastrophes. Operational risk includes legal risk.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2021, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient, monitoring, reporting and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and person in charge of the IT risk analysis and assessment process, in continuation of the 2020 measures, and the monitoring of IT risk recovery plans was strengthened.

The activities carried out in 2021 also included assessments of the risk profile associated with the outsourcing of BP RFC and the ex-ante assessments of the risk profile associated with innovation in the BP offering and/or specific project initiatives.

At 31 December 2021, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC products are exposed to. In particular:

Event type	Number of types
Internal fraud	29
External fraud	41
Employee practices and workplace safety	7
Customers, products and business practices	35
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	100
Total at 31 December 2021	**224**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Poste Vita SpA and Poste Assicura SpA have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure is carried out in keeping with the related solvency requirements, and involves both qualitative and quantitative analysis, conducted through a structured process for identifying internal losses and assessing potential risks in terms of frequency, impact and mitigation. Overall, the exposure to risks is in line with that recorded in the previous year and the main operational losses relate to customer litigation expenses.

Insurance risks

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.). Mortality, longevity and surrender risks are relevant here.

In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy. Particular attention is paid in selling pure life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

Nevertheless, at 31 December 2021, the mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance. With reference to these products, a comparison is periodically made between actual deaths and those predicted by the demographic bases adopted for pricing. Moreover, mortality risk is mitigated through reinsurance and by setting limits on both the capital and the age of the policyholder when policies are sold.

Longevity risk is also low. In fact, for most life insurance products the probability of annuitisation is very close to zero, as historical experience shows that policyholders never use the option to annuitise. Pension products, in particular, still account for a limited share of insurance liabilities. In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

Pricing risk is the risk of incurring losses due to inadequate premiums charged for the insurance products sold. It may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in Poste Vita's portfolio, except for the term life insurance products discussed above.

The options embedded in the policies held in the portfolio include:

- Surrender option
- Guaranteed minimum return option
- Annuity conversion option

For nearly all the products in the portfolio there are no surrender penalties: the surrender risk only becomes significant, however, in the event of mass surrenders which, on the basis of historical evidence, have a low probability of occurrence (a surrender rate of approximately 3.1% in 2021).

Poste Assicura SpA is exposed to the following insurance risks:

- Underwriting risk: the risk deriving from the conclusion of insurance contracts associated with the events insured, the processes followed when pricing and selecting risks and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:
  - Pricing risk: the risk linked to the company's pricing of its policies which depends on the assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. These risks include those related to disability-morbidity, or the risk associated with the payment of benefits or claims for illness and/or injury. Pricing risk also includes the risk that

the premiums charged are not sufficient to cover the actual costs incurred in the management of the contract and the risk of excessive growth in operations associated with poor selection of risks or the absence of resources sufficient to keep up with the pace of growth.
  - Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.

- Catastrophe risk: this is the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty in pricing and provisioning scenarios, whether in relation to extreme or exceptional events or to major epidemics.
- Anti-selection risk: this relates to the company's unwillingness to insure an event not classified as future, uncertain and damaging.

As regards Poste Assicura SpA's insurance business, the expected growth of the portfolio and the different levels of risk associated with the products in circulation has obliged the company to adopt a highly prudent approach to reinsurance.

The reinsurance strategy, based on a non-proportional approach, makes it possible to:

- mitigate unfavourable technical patterns and risks arising from peak exposures;
- optimise reinsurance structures with a view to risk transfer and, if possible, improve overall costs in economic and capital allocation terms;
- make reinsurance structures more efficient from a management point of view;
- mitigate risks by stabilising the variability of insurance business results.

In particular, reinsurance treaties have been signed with primary market operators giving non-proportional cover in the form of excess-loss (per risk and per event), separately for the various lines of business. These agreements cover all Poste Assicura's risks (retail and employee benefits), such as: risks included in the accident, fire, general liability and other property damage lines, and so-called "catastrophic risks" such as earthquakes or pandemics. Also, risks relating to the legal protection business are managed under a quota share treaty. Finally, all risks whose qualitative and quantitative characteristics do not meet the existing reinsurance treaty requirements, but still fall within Poste Assicura's underwriting philosophy, are covered by facultative reinsurance.

Poste Assicura defines, on each occasion, the risk quota and reinsurance structure deemed most appropriate in relation to the characteristics of the risk in question.

With reference to non-life risks, the Group performs specific analyses including, among other things, stress tests to determine the Company's solvency also under adverse market conditions.

Reputational risk

The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

7. Fair value of financial instruments

7.1 Fair value measurement techniques

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2020, except for appropriate additions to include models to support the fair value measurement of loans acquired with reference to Law no. 77/2020 described below. These general principles have been identified in compliance with the indications from the reference accounting standards and from the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13** - *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level consists of fair value measurements made using prices quoted (unadjusted) in active markets for identical assets or liabilities which the entity can access at the measurement date. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds quoted on active markets:

- **Bonds issued by EU government bodies or non-government entities**: measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third;
- **Financial liabilities**: measurement is based on the ask prices quoted by CBBT (Composite Bloomberg Bond Trader).

Equity securities and ETFs (Exchange Traded Funds) listed on active markets: the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange.

Quoted open-end investment funds: measurement is based on the daily closing market price as provided by Bloomberg or the fund manager. Level 1 bond price quotations incorporate a credit risk component. Exchange rates published by the European Central Bank are used in determining the value of financial instruments denominated in currencies other than the euro.

Level 2: this level consists of measurements made using inputs different from the quoted prices included in Level 1 and observable directly or indirectly for the asset or liability[194]. For the Poste Italiane Group the following categories of financial instrument apply:

194. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the individual technical forms include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

Bonds either quoted on inactive markets or not at all:

- **Straight Italian and international government and non-government bonds**: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- **Structured bonds**: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

Unquoted equities: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

Unquoted open-end investment funds: measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

Derivative financial instruments:

- **Interest Rate Swaps:**

  Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

  Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
- **Bond forwards**: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.
- **Warrants**: considering the features of the securities held, measurement is based on the local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.
- **Currency forwards**: valuation is based on the differential between the reciprocal currency registered at the measurement date and the reciprocal currency fixed at the trade date.

The derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment / Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Reverse Repo: valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Fixed and floating rate instruments: valued using discounted cash flow techniques. The counterparty's credit spread is incorporated through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market;
- use of yield curves based on the specific issuer's quoted bond prices.

Financial liabilities either quoted on inactive markets or not at all:

- **Straight bonds**: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk.
- **Structured bonds**: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds issued by companies included in the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.
- **Borrowings**: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements**: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: this level consists of fair value measurements made using as well as the level 2 inputs also inputs not observable for the asset or liability. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed rate and variable rate instruments: measurement is based on discounted cash flow. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

Closed-end unquoted funds: these include funds that invest mainly in unquoted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (excluding former service accommodation) and inventories of property held for sale: The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Investment property (former service accommodation): the value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the tenant or the minimum selling price if the property is sold through a public auction.

Unquoted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market. For these types of instruments, fair value is determined by considering the implicit valuation at the time of acquisition, adjusted by value adjustments to take account of any changes in price resulting from significant transactions[195] observable on the market in the 12 months prior to the reporting date. Alternatively, and in the absence of significant transactions, the fair value of the share is determined using alternative methods (verification of financial data that can be inferred from the company's Business Plans if available and analysis of the company's performance, multiple market use, etc.).

195. By significant transaction in this context is meant a minimum investment of € 10 million or at least 5% of the share capital of the investee entity that have occurred in the last twelve months from the reporting data.

Tax credits Law no. 77/2020: this category includes credits acquired with reference to the "Decreto Riancio" no. 34/2020 (later converted into Law no. 77 of 17 July 2020) for which no directly or indirectly observable market prices are available. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.

7.2 Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 31 December 2021, classified by level in the fair value hierarchy.

Fair value hierarchy

Description (€m)	31.12.2021				31.12.2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVTOCI	137,407	12,192	254	149,853	146,155	10,480	76	156,711
Equity instruments	651	-	159	810	-	-	76	76
Fixed income instruments	136,756	11,667	95	148,518	146,155	9,940	-	156,095
Structured bonds	-	-	-	-	-	-	-	-
Other investments	-	525	-	525	-	540	-	540
Financial assets at FVTPL	5,401	28,455	10,958	44,814	4,164	31,572	4,680	40,416
Receivables	-	-	41	41	-	-	15	15
Equity instruments	217	-	39	256	200	38	34	272
Fixed income instruments	2,466	89	24	2,579	1,829	163	-	1,992
Other investments	2,718	28,366	10,854	41,938	2,135	31,371	4,631	38,137
Derivative financial instruments	-	876	-	876	-	79	-	79
Total	**142,808**	**41,523**	**11,212**	**195,543**	**150,319**	**42,131**	**4,756**	**197,206**
Financial liabilities								
Financial liabilities at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	-	(5,463)	(3)	(5,466)	-	(8,263)	(20)	(8,283)
Total	**-**	**(5,463)**	**(3)**	**(5,466)**	**-**	**(8,263)**	**(20)**	**(8,283)**

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance Group, are shown below:

Transfers from Level 1 to Level 2

Description (€m)	From Level 1 to Level 2		From Level 2 to Level 1	
	Level 1	Level 2	Level 1	Level 2
Transfers of financial assets	**(2,076)**	**2,076**	**305**	**(305)**
Financial assets at FVTOCI				
Equity instruments	-	-	-	-
Fixed income instruments	(2,062)	2,062	236	(236)
Structured bonds				
Other investments	-	-	-	-
Financial assets at FVTPL				
Receivables	-	-	-	-
Equity instruments	-	-	-	-
Fixed income instruments	(14)	14	69	(69)
Structured bonds				
Other investments	-	-	-	-
Transfers of financial liabilities	-	-	-	-
Financial liabilitirs at fair value	-	-	-	-
Derivative financial instruments	-	-	-	-
Net transfers	**(2,076)**	**2,076**	**305**	**(305)**

Reclassifications from level 1 to level 2 relate to financial instruments whose value, at 31 December 2021, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, on the other hand, relate to financial instruments whose value, at 31 December 2021, is observable in a liquid and active market.

Movements in level 3 during the year are shown below:

Changes in financial instruments - level 3

Description (€m)	Financial assets			
	Financial assets at FVTOCI	Financial assets at FVTPL	Derivative financial instruments	Total
Balance at 1 January 2021	**76**	**4,680**	**-**	**4,756**
Purchases/Issues	8	2,763	-	2,771
Sales/Extinguishment of initial accruals	-	(225)	-	(225)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	260	-	260
Changes in fair value through equity	75	-	-	75
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	95	3,480	-	3,575
Transfers to other levels	-	-	-	-
Changes in amortised cost	-	-	-	-
Write-off	-	-	-	-
Other changes (including accruals at end of period)	-	-	-	-
Balance at 31 December 2021	**254**	**10,958**	**-**	**11,212**

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA and Postepay SpA.

The table does not include tax credits pursuant to Law No. 77/2020 measured at fair value through other comprehensive income, the fair value of which at 31 June 2021 was €3,301 million, and to which level 3 is attributed for the purposes of the fair value hierarchy. For a reconciliation of the opening and closing balance of this item, please refer to Note A10 – Tax credits, Law no. 77/2020.

In the case of the Group's insurance company, instruments in level 3 regard funds that invest primarily in unlisted instruments, whose fair value measurement is based on the latest available NAV (Net Asset Value) as announced by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers and occurring between the latest NAV date and the measurement date.

These financial instruments primarily consist of investments in private equity, private debt and real estate funds associated entirely with Class I products related to separately managed accounts and investments linked to Class III products.

Changes during the period relate mainly to the purchase of new investments, redemptions of unquoted closed-end funds and transfers from fair value level 2 to level 3.

In order to adopt the observations in the inspection report delivered on 26 July, and in compliance with the related Action Plan and its additions, the Company adopted Guidelines to supplement the Fair Value policy, aiming at even more precise regulation of the determination of fair value and related controls on the pricing of the financial instruments in the Company's portfolio, with particular regard to the category of funds.

That said, in order to accommodate the provisions of IVASS's letter to the Market published on 14 July 2021, note that as at 31 December 2021, a prudential approach was used to allocate the fair value levels of financial instruments, taking into consideration the ongoing implementations needed to carry out the so-called "full look through approach" on all categories of funds held in the Company's portfolio. In this regard, the Company reclassified from fair value level 2 to level 3 about € 3.5 billion of mainly Class III funds.

Poste Italiane SpA

For full disclosure purposes, the following table provides an analysis of Poste Italiane SpA's financial instruments measured at fair value at 31 December 2021, broken down by level of fair value hierarchy.

Fair value hierarchy

Description (€m)	31.12.2021				31.12.2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta RFC	37,290	1,209	39	38,538	42,324	431	34	42,789
Financial assets at FVTOCI	37,290	336	-	37,626	42,324	314	-	42,638
Fixed income instruments	37,290	336	-	37,626	42,324	314	-	42,638
Financial assets at FVTPL	-	-	39	39	-	39	34	73
Equity instruments	-	-	39	39	-	39	34	73
Derivative financial instruments	-	873	-	873	-	78	-	78
Capital financial assets outside the ring-fence	-	3	75	78	407	1	40	448
Financial assets at FVTOCI	-	-	75	75	407	-	40	447
Fixed income instruments	-	-	-	-	407	-	-	407
Equity instruments	-	-	75	75	-	-	40	40
Derivative financial instruments	-	3	-	3	-	1	-	1
Total assets at fair value	**37,290**	**1,212**	**114**	**38,616**	**42,731**	**432**	**74**	**43,237**
Financial assets attributable to BancoPosta RFC	-	(5,460)	(3)	(5,463)	-	(8,243)	(20)	(8,263)
Derivative financial instruments	-	(5,460)	(3)	(5,463)		(8,243)	(20)	(8,263)
Capital financial liabilities outside the ring-fence	-	(3)	-	(3)	-	(11)	-	(11)
Derivative financial instruments	-	(3)	-	(3)	-	(11)	-	(11)
Total liabilities at fair value	**-**	**(5,463)**	**(3)**	**(5,466)**	**-**	**(8,254)**	**(20)**	**(8,274)**

During the reporting year, there were no transfers of the related financial instruments measured at fair value on a recurring basis between level 1 and level 2.

The table does not include tax credits pursuant to Law No. 77/2020 measured at fair value through other comprehensive income, for which reference should be made to Note A10 – Tax credits pursuant to Law No. 77/2020.

8. Hedging transactions

Below is a description of the hedging transactions entered into by the Poste Italiane Group, as distinguished between fair value hedges and cash flow hedges, which are accounted for as per IAS 39 – *Financial Instruments: Recognition and Measurement*. The fair value hedges and cash flow hedges described below refer mainly to transactions involving fixed-income or inflation-linked securities held by BancoPosta.

Hedging transactions – Fair value hedges

Hedging transactions on fixed income and inflation-linked government securities

The Poste Italiane Group has a government bond portfolio - made up of fixed-rate BTPs and inflation-linked BTPs - subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Over the Counter (OTC) interest rate swaps to hedge the fair value of the bonds held in the portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation. The credit risk of the Italian Republic is not hedged and is set for the duration of the swap.

Full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[196], using the approaches illustrated in the following notes.

For the retrospective effectiveness test, the Group adopts the "dollar offset through the hypothetical derivative" approach[197]. With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the derivative actually used have a settlement date consistent with the hedge inception (spot or forward start) and differ solely in their spread component, which is considered the main source of ineffectiveness[198]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

196. IAS 39 requires two effectiveness tests:
- prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
- retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.

197. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
- on a cumulative basis, by observing the performance of the hedge since inception;
- on a periodic basis, by comparing the hedge performance with that of the last test.

The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).

198. The former makes use of the mid-market spread, which makes the present value at the settlement date equal to zero, and the latter uses the interest rate agreed upon with the counterparty.

For the purposes of the prospective effectiveness test, different approaches have been adopted, depending on the characteristics of the hedging instrument. In particular:

- the "Critical terms[199]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and forward sales of the subsidiary Poste Vita, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[200]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

With regard to the Poste Vita Group, at 31 December 2021, the forward sales concluded during the year and those concluded in 2020 have expired. The maturity of these positions has been set to take into account the mismatch of cash flows between the financial asset and liability portfolios.

Hedging transactions on repurchase agreements

The Poste Italiane Group engages in repurchase agreements, in euro government bonds or securities guaranteed by the Italian government, for a variety of purposes, including investing in government securities, meeting liquidity requirements deriving from the funding of current accounts, actively managing treasury positions and managing deposits as collateral in collateralisation transactions. These transactions are mainly at fixed rates and are therefore exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, the Group enters into Interest Rate Swaps (IRC) Over the Counter (OTC) to hedge the fair value of the repurchase agreements held in portfolio.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test, using the approaches illustrated in the following notes.

For the retrospective effectiveness test, the Group adopts the "dollar offset through the hypothetical derivative" approach. With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception and differ solely in the fixed rate component which is therefore considered the main source of ineffectiveness[201]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, the Group adopts the "dollar offset through the hypothetical derivative" approach performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[202]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

199. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.
200. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.
201. The hedge is carried out by defining the variable rate component simply indexed to Euribor and the fixed rate component that instead incorporates market conditions. The hypothetical derivative uses the mid-market fixed rate, which makes the present value at the settlement date equal to zero, while the actual derivative uses the interest rate agreed upon with the counterparty.
202. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

Hedging transactions – Cash flow hedges

Hedging transactions on inflation-linked government securities and forecast transactions

To limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in portfolio, BancoPosta RFC enters, if necessary, into forward purchases. In addition, to pursue the stabilisation of returns, forward sales are entered into. These derivatives qualify as cash flow hedges of forecast transactions.

In addition, the Group has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, the Group enters into OTC interest rate swaps or inflation swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

The Group evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regard to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction concluded with the counterparty on the test and inception date and the discounted value of the difference between the theoretical forward price of the BTP calculated on the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[203].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component[204]. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. In particular:

- the “Critical terms” approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[205]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

203. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.
204. The hypothetical derivative uses the fixed rate, which makes the present value at the settlement date equal to zero, while the actual derivative uses the interest rate agreed upon with the counterparty.
205. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

Variable rate bond hedges

The Poste Italiane Group is exposed to the risk of cash flow volatility in relation to the €50 million bond issue of 25 October 2013, which calls for annual variable interest payments.

The exposure to this risk is hedged through an interest rate swap to hedge cash flows whereby the Parent Company took on the obligation to pay a fixed rate and sold the variable interest payable by the bond. The hedge covers the interest rate risk while the implicit credit risk is not hedged.

The effectiveness of the hedges is tested retrospectively and prospectively by using the "Dollar offset through the hypothetical derivative" approach.

Effects of hedging transactions on profit or loss and financial position

The table below shows the hedging instruments time distribution based on the remaining contract duration. The average interest rate of the interest rate swaps shown represents the contractually expected average fixed rate of the hedging transaction by maturity band.

Time distribution based on remaining duration of cash flow hedge contracts

	Maturity			
(€m)	Up to 1 year	1 - 5 years	Over 5 years	Total
Cash flow hedges - Interest rate risk				
Forward sales				
Nominal	1,714	-	-	1,714
Settlement price	2,129	-	-	2,129
Interest Rate Swap				
Nominal	100	240	1,430	1,770
Average rate %	5.34%	4.949%	4.106%	4.346%

Time distribution based on remaining duration of fair value hedge contracts

	Maturity			
(€m)	Up to 1 year	1 - 5 years	Over 5 years	Total
Fair value hedges - Interest rate risk				
Interest Rate Swap				
Nominal	2,956	25	34,889	37,870

The table below shows the effects of hedging transactions, broken down by type, on profit or loss and the financial position.

Fair value hedges - Interest rate risk

(€m)	Nominal	Carrying amount*		Accumulated amount of fair value hedge adjustments on the hedged item		Change in value use to recognise ineffective portion of hedge	Accumulated amount of fair value hedge adjustments on the hedged item in case of discontinuing
		Assets	Liabilities	Assets	Liabilities		
Hedged items							
Fixed income instruments, of which:		43,718	-	2,188	1	(2,516)	-
at amortised cost		21,790	-	2,188	-	(1,410)	-
at FVTOCI		21,928	-		-	(1,105)	-
Repurchase agreements		-	(2,960)		1	1	
Hedging instruments							
Interest Rate Swap	37,870	797	(5,196)			2,520	
Profits/(losses) on hedging recognised in P&L						**6**	

* Does not include the expected loss provisions

Cash flow hedges - Rate risk

(€m)	Nominal	Carrying amount		Change in value use to recognise ineffective portion of hedge	Cash flow hedge	
		Assets	Liabilities		Hedge reserve	Discontinued
Hedged items						
Fixed income instruments, of which:			-	218		
at amortised cost		371	-	(25)		
at FVTOCI		3,973	-	243		
Bond		-	(50)	(2)		
Forward purchases instruments				-		
Hedging instruments						
Forward purchases	-	-	-	-	122	- -
Forward sales	1,714	76	-	76	76	- -
Interest Rate Swap	1,770	-	(267)	(293)	(246)	- -
Profits/(losses) on hedging recognised in P&L				**(1)**		

The table below shows the effects of cash flow hedges on other comprehensive income.

Impact on OCI of cash flow hedges - Rate risk

(€m)	Profits/(losses) on hedging recognised in OCI period fair value (inc./dec.)	Transfers to profit or loss:	
		Hedge accounting effects	Discontinued
Fixed income instruments	(178)	(10)	-
Bond	-	2	-
Total	**(178)**	**(8)**	**-**

Reform of the reference indices for determining interest rates

The reform of the main interest rate benchmarks, known as the "InterBank Offered Rate (IBOR) Reform", has involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and providing guidelines for the updating of contract models.

Currently, the main benchmark indices for the Eurozone are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published from 2 October 2019) which replaced the Euro OverNight Index Average (EONIA – no longer quoted from 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

The Group has financial instruments indexed to EURIBOR, which continues to be quoted daily and the related cash flows continue to be exchanged with counterparties as usual. There is therefore no uncertainty regarding this parameter resulting from the IBOR reform at 31 December 2021. These instruments are collateralised daily and remunerated at EONIA in 2021 and ESTR from 2022.

The Group also holds interest rate swaps designated as fair value hedges, which have a floating "leg" indexed to EURIBOR, with a nominal value of €37,870 million, almost entirely held by BancoPosta RFC. With particular reference to these instruments, whose cash flows at 31 December 2021 were discounted at the EONIA rate, the Group amended the existing contracts with the counterparties by redefining the discount rate as ESTR plus 8.5 bp.

9. Proceedings pending and main relations with Authorities

The description below was prepared under the terms of the accounting standard IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Tax disputes

In November 2011, the tax authorities notified **EGI SpA** of three notices of assessment for the years 2006, 2007 and 2008, resulting in the identification of the same irregularity in each of the three years. This concerned the application, for the purposes of IRES, of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased by it to third parties.

On 30 January 2019, the Board of Directors of the Company resolved to adhere to the facilitated definition pursuant to art. 6 of Law Decree no. 119 of 2018 converted into Law no. 136 of 2018 with a tax charge of €0.367 million, paid on 19 April 2019. On 15 May 2019, the documentation certifying the settlement of the dispute and the relative request for suspension of proceedings was filed at the Registry of the Tax Section of the Court of Cassation until 31 December 2020. As of today, the Court of Cassation has not set a hearing for the purpose of declaring the discontinuance of the matter in dispute. The Supreme Court of Cassation, Civil Tax Section, declared the extinction of the proceedings following the application for a facilitated settlement request by EGI, pursuant to Article 6 of the aforementioned Legislative Decree 119/2018. The related decree was filed with the registry on 26 November 2021.

With reference to **Postel**, an audit regarding income tax and withholding tax came to an end on 8 October 2015, with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP, in relation to the alleged failure to pay social security contributions for employees and/or contractors used by a supplier between 2010 and 2014. In relation to the assessments for 2010 and 2011, Postel decided to make use of the facilitated settlement under Article 11 of Decree Law No. 50 of 24 April 2017, while the Inland Revenue found, with respect to the other assessment periods:

- with regard to the 2012 tax year, on 25 November 2016, additional IRES, IRAP, VAT and withholding tax of €0.1 million, plus penalties and interest. On 19 January 2017, the company appealed the assessment notice, at the same time paying a provisional amount equal to approximately half of the requested amount. At the hearing held on 13 February 2018, the appeal was upheld and the tax authorities were ordered to pay costs. As notified on 3 October 2018, the tax authorities appealed to the Regional Tax tribunal in Rome. Postel appeared before the Tribunal to argue its case on 30 November 2018. The appeal hearing was held on 12 April 2021 and, with judgment No. 3945 of 10 May 2021, the Regional Tax Tribunal of Lazio rejected the appeal of the Inland Revenue, ordering it to pay the Company's costs, which were settled in February 2022 for €0.005 million;
- with regard to the 2013 tax year, on 24 July 2017, additional IRES, IRAP, VAT and withholding tax of €0.2 million, plus penalties and interest. Postel filed appeal against the claim on 23 October 2017, at the same time provisionally paying a sum equal to approximately half the tax claimed. The appeal was upheld at the hearing held on 26 September 2019. On 24 June 2020, after the deadline for the appeal had expired, the decision in favour of the Company became final;
- with regard to the 2014 tax year, on 19 April 2019, the tax authorities requested the payment of additional VAT, IRES, IRAP and withholdings amounting to a total of approximately €0.25 million, plus penalties and interest. Postel filed appeal against the claim on 10 June 2019, at the same time provisionally paying a sum equal to approximately half the tax claimed. At the hearing held on 30 September 2020, the Provincial Tax Tribunal of Rome, having acknowledged the measure of full annulment in self defence issued by the Revenue Agency to annul the contested assessment notice in its entirety with a concurrent request for the extinction of the proceedings due to the discontinuance of the dispute and compensation for litigation expenses, reserved the right to decide. With a judgement of 22 October 2020, the Regional Tax Tribunal of Rome fully upheld the appeal filed on behalf of the Company and cancelled the assessment notice issued in relation to the 2014 tax year.

On 19 April 2018, the tax Authorities in Rome (Guardia di Finanza – Nucleo di Polizia economico-finanziaria) entered the offices of **SDA Express Courier** to verify the company's compliance regarding VAT, income tax, IRAP and withholding tax for the years 2014, 2015 and 2016, pursuant to and for the purposes of articles 52 and 63 of Presidential Decree 633/72, art. 33 of Presidential Decree 600/73, art. 2 of Legislative Decree 68/2001, and Law 4/1929. On 29 November 2018, the audit was formally declared at an end. The main finding in final notice of assessment for about €1 million regards the deduction of VAT relating to the adjustment entries issued by the company in connection with discounts granted to customers following an increase in the number of shipments. These discounts become price reductions, originally applied by the company when the shipment is handled, and are therefore classified as rebates or discounts under the related contract. Subsequently, on 5 December 2019, a notice of assessment for the year 2014 alone was notified with a total claim of €0.4 million, which, referring to the Formal Tax Audit Report (PVC), mainly contests the VAT deducted. On 3 February 2020, the Company appealed against this notice and provided for the provisional payment of the fine imposed. The hearing originally scheduled for 17 February 2021, for which a request for oral arguments was sent on 21 January 2021, has not yet been discussed nor has any news been received regarding the date of postponement.

In addition, on 27 May 2021 the Lazio Regional Tax Office (DRE) sent notification of an additional tax assessment notice referring to the 2015 tax period, similar to that already presented for the year 2014 in which the deducted VAT was the main item contested. This notification was not challenged and an overall review procedure of the dispute relating to the credit notes was started with the Lazio Regional Tax Office with reference to all the periods covered by the Formal Tax Audit Report (PVC) findings (from 2014 to 2017) to seek an out-of-court settlement. This procedure is currently underway.

In November 2018, **Consorzio Postemotori** received notice of an order issued by the Criminal Court in Rome containing a precautionary seizure regarding the consortium, amounting to €4.6 million. On 13 May 2019, the G.U.P. of the Ordinary Court of Rome downsized the original charges establishing the committal for trial only in relation to part of the charges relating to the liability invoicing transactions of a subcontractor and a tax consultant of one of the partners. The Consortium mandated an external criminal lawyer to file a petition for release from seizure with respect to the criminal seizure ordered against the Consortium. On 20 December 2021, an application for release from seizure was filed and on 24 December 2021, the Court of Rome issued an order for the repayment of the sum of €0.3 million, which was credited back to the Consortium's current account on 7 February 2022.

Social security disputes

From 2012 until 31 December 2021, the Istituto Nazionale per la Previdenza Sociale (INPS–National Social Security Institute) office at Genoa Ponente issued **Postel** a number of payment orders, for a total amount of €26.19 million, demanding payment of social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa. In support of the arguments of Postel in a memo issued on 20 October 2016, the Ministry of Labour stated that the social security contributions system applicable to Poste Italiane also applies to all the other Group companies, with the sole exception of those that provide air transport, banking and express delivery services.

Some of the judgements have already been decided by the Court of Genoa and, on their outcome, against debit notices totalling €13.2 million, the Company was ordered to pay only the CUAF contributions of 0.68%, less the family allowances paid by Postel to employees, amounting to €0.3 million, while nothing was deemed to be due under the CIG, CIGS and mobility being at the time Postel wholly owned by the State through Poste Italiane and therefore included among the industrial enterprises of the State for which the law excludes the obligation to pay redundancy and mobility. INPS filed an appeal for the first tranche of requests made (€9.16 million), contesting the merits of the judgement at first instance and the sum arrived at. In the view of INPS, the rate applicable for contributions for family benefits, in line with recent guidance issued by INPS, should have been 4.40% in place of the 0.68% applied in the payment notices involved in the court action. In two judgements dated 28 December 2018, the Court of Appeal in Genoa confirmed in full the judgements at the first instance, rejecting INPS's appeals, who filed an appeal in Cassation notified to Postel on 28 June 2019, which appeared before the court.

In a judgement of 1 February 2021, the Court of Genoa cancelled the debit notice (totalling approximately €0.64 million) for the period from December 2012 to April 2015 (excluding July 2014) and ordered INPS to pay Postel the sum of €0.06 million plus interest. INPS appealed against that ruling. With judgment no. 8 of 2022, published on 14 January 2022, the Court of Appeal of Genoa rejected the Institute's appeal. Lastly, with the rulings of 26 May 2021, the Court of Genoa cancelled the debit notices (for a total of approximately €3.1 million) for certain periods between February 2011 and January 2017 and ordered the payment of the lower amounts restated as per the operative part of the rulings for a total of €0.17 million. INPS lodged an appeal against these rulings, with hearings scheduled for 4 and 13 May 2022.

Other cases are still pending and are still at the preliminary stage, relating to the appeals lodged by Postel SpA against the payment orders from May 2009 to May 2021.

Moreover, on 8 October 2019, INPS requested to regularise contributions from September 2014 to September 2019 at the non-harmonised CUAF rate of 4.40% of taxable income for social security purposes. With regard to the latter claim, the company settled differently depending on the period under consideration:

- for October, November and December 2019, Postel has adjusted to the payment of the CUAF contribution in the amount of 4.40%, subject to repetition reserve;
- for the previous period from September 2014 to the end of 2015, Postel appealed through administrative channels against the debt notices received from INPS with a request for payment of 4.40% by the CUAF;
- for the year 2018 and the first 7 months of 2019, two Notices of Debit were served with the request for payment of the CUAF at 0.68% and minor contributions CIG, CIGS to Postel, which it paid, subject to repetition reserve awaiting the decision of the appeal pending in Cassation;
- with effect from January 2020, Postel pays the CUAF rate to INPS at 0.68% instead of 4.40%, as a result of the provisions of art. 11, paragraph 5 *bis* of Law Decree no. 162 of 2019, converted into Law no. 8 of 28 February 2020.

Taking into account the judgements, the reasons given for the judgements and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges also based on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 December 2021 amount to €11.74 million.

Main proceedings pending and relations with Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified **Poste Italiane** of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the Libretto Smart product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Company's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court, which adjourned the case until a hearing on the merits scheduled for 25 March 2022.

On 3 October 2018, **Poste Italiane** proceeded to pay the fine of €23 million plus interest imposed by the Autorità Garante della Concorrenza e del Mercato (AGCM - the Antitrust Authority) following its ruling, in January 2018, that Poste Italiane had abused its dominant market position in the period from 2014 to 2017, as per art. 102 of the TFEU. This did not constitute acceptance or admission of liability in relation to the alleged misconduct and does not affect the Company's right to defend its position through the appropriate channels. Poste Italiane has challenged the above measure before the Lazio Regional Administrative Court (TAR). The hearing on the merits scheduled for 20 July 2020 was postponed to a date yet to be fixed.

On 19 November 2019, the AGCM initiated proceedings **PS11563** against **Poste Italiane** in order to ascertain allegedly unfair commercial practice in the delivery of mail and, in particular, registered mail, in possible violation of articles 20, 21 and 22 of the Consumer Code. In particular, according to some customers: i) the advertised features of the "registered mail delivery" service are not reflected in the service actually provided; ii) the advertising for the "digital registered mail collection" service does not make it clear that the service may no longer be free of charge in the near future and that, in any case, there are restrictions on its use, since it can only be accessed if the sender has authorised it. In January 2020, a number of consumer associations were admitted to the proceedings. At the conclusion of the proceedings, by way of a measure notified on 15 September 2020, the Authority imposed an administrative fine of €5 million, payment of which was made on 5 January 2021. Poste Italiane has appealed this decision to the Lazio Regional Administrative Court, and the hearing was held on 26 May 2021. The Lazio Regional Administrative Court's ruling, which did not uphold the Poste appeal, was appealed to the Council of State and the hearing on the merits is set for 25 March 2022. In any event, in May, the AGCM acknowledged that Poste had correctly complied.

On 6 April 2020, pursuant to art. 9, paragraph 3-*bis* of Law 192/98 and art. 14 of Law 287/90, the AGCM initiated proceedings **A539** against **Poste Italiane**, following a complaint by a third-party supplier that Poste Italiane had presumably imposed unjustifiably burdensome contractual clauses. In particular, following the termination of contractual relations in mid-2017, the supplier was not, in fact, able to otherwise offer the services it was providing on the market because of the obligation to comply with rules and organisational parameters considered such as to make the company structure excessively rigid, making it unsuitable to operate with parties other than Poste Italiane. A hearing was held on 8 June 2020 at which Poste Italiane stated its position and, subsequently, the Authority requested the delivery of documentation. The final hearing was held on 3 May 2021, during which Poste Italiane set out its position and presented its defence. At the conclusion of the proceedings, by way of a measure notified on 6 August 2021, the Authority imposed an administrative fine of over €11 million for abuse of economic dependence, payment of which was made on 6 September 2021. Poste Italiane has appealed against the above proceedings to the Lazio Regional Administrative Court and is now awaiting the hearing on the merits to be scheduled.

Autorità per le Garanzie nelle Comunicazioni (AGCOM - the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector to the Italian Communications Authority (AGCom).

Following transposition into Italian law of the third European postal services directive (Directive 2008/6/EC), the so-called "net avoided cost" method has been applied in quantifying the cost of the universal service"[206]. In this regard:

i. On 1 July 2021, AGCom Resolution 199/21/CONS was published, concluding the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2017, 2018 and 2019. In particular, the burden of the Universal Postal Service for these years has been quantified at €354.5, €334.5 and €175 million respectively. For the 2019 financial year, although the quantified charge (€175 million) is lower than the authorised offsets (€262 million), the charge for the provision of the universal postal service over the entire period (i.e., the previous 2016-2019 Service Contract) is in any case higher than the offsets authorised by the European Commission. The Authority also established that the universal service charge for the years 2017, 2018 and 2019 is inequitable and that, for the same years, in continuity with what was established in previous years, the Compensation Fund referred to in article 10 of Legislative Decree no. 261/1999 is not established. Poste Italiane has appealed this decision to the Lazio Regional Administrative Court.

ii. AGCom Resolution 214/19/CONS regarding "Assessment of the net cost of the universal postal service for 2015 and 2016" was published on 2 July 2019. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2015 and 2016, respectively, as €389 million and €356 million, compared with compensation of €329 million and €262 million provided for in the Contratto di Programma. AGCom did not establish a Compensation Fund for 2015 and 2016, so it has not been possible to recover the difference between compensation provided by the state and the costs quantified by AGCom. On 2 October 2019, Poste Italiane challenged this resolution by filing an appeal before the Lazio Regional Administrative Court (still pending).

iii. (AGCom Resolution 298/17/CONS regarding "Assessment of the net cost of the universal postal service for 2013 and 2014" was published on 6 September 2017. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2013 and 2014, respectively, as €393 million and €409 million, compared with compensation of €343 million and €336 million provided for in the Contratto di Programma. Again, no Compensation Fund was established for 2013 and 2014 and, on 6 November 2017, Poste Italiane had filed a legal challenge before the Lazio Regional Administrative Court against the above resolution (the case is still pending).

iv. AGCom Resolution 412/14/CONS regarding "Assessment of the net cost of the universal postal service for 2011 and 2012" was published on 31 July 2014. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2011 and 2012, respectively, as €381 million and €327 million for fees originally recognised by Poste Italiane for €357 and €350 million respectively. The Authority has also established that no compensation fund was established for 2012 and on 13 November 2014, Poste Italiane filed an appeal before the Lazio Regional Administrative Court against the above resolution (still pending).

On 25 March 2021, **Poste Italiane** paid a fine of €1.06 million, assessed in 2020, for breach of the obligation to provide continuity in the provision of the universal service, in relation to the non-opening of certain post offices, concentrated almost entirely in Trentino Alto Adige, due to the sudden absence of personnel during the period 1 January – 21 February 2020.

206. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

On 17 May 2021, with Notice of **Objection 6/21/DSP**, AGCom notified **Poste Italiane** that it had breached its obligation to provide continuity in the provision of the universal service in relation to the failure to open 239 post offices on 28 December 2019 and 4 January 2020 (a total of 328 days), without notifying the 42 municipalities concerned and users. However, in December 2019, Poste Italiane had previously notified the Authority of the closures that are the subject of the proceedings under review. After engaging in specific discussions with Poste and carrying out an in-depth investigation, which was completed on 8 October 2020, Poste expressly ruled out the possibility of these closures giving rise to specific objections. Following the launch of a further pre-investigation, aimed at verifying the information provided to the mayors and users of the 42 municipalities concerned, the Authority notified the above notice of objection, against which, on 16 June 2021, Poste Italiane submitted its defence briefs, which were set out at the hearing held on 21 July 2021. With Resolution 313/21/CONS, notified on 21 October 2021, AGCom closed the proceeding by imposing a fine of €0.9 million for breach of the obligation to provide continuity in the provision of the universal service (art. 3, paragraph 1, paragraph 5 letter b), and paragraph 8 letter d) of Italian Legislative Decree no. 261/1999) and the disclosure obligations referred to in the Notification of Penalties no. 6/21/DSP of 17 May 2021, for the closure that occurred during the Christmas holidays (on Saturday 28 December and Saturday 4 January) of 239 Post Offices. The penalty was paid on 10 November 2021. With the aforementioned provision, the Authority rejected the objections raised by Poste Italiane in their defence papers both from a procedural point of view and on the merits, and accepted the request, submitted as an alternative, for application of a cumulative judgement, imposing a penalty of a reduced amount compared to that indicated for reduced payment (€3.28 million). The Authority's Resolution will be appealed to the Regional Administrative Court by the Company.

On 12 November 2021, with **Notice of Objection No. 13/21/DSP**, AGCom initiated proceedings against **Poste Italiane** for failure to comply with the quality objectives for products forming part of the Universal Postal Service for the year 2020. The notice identified five objections. In its recourse to proceedings, the Authority seems not to have considered how the pandemic emergency would affect the achievement of the quality objectives, and in fact ignored the evidence that emerged in the preliminary stage. In response to the aforementioned notice of objection, Poste Italiane submitted its defence briefs on 13 December 2021, arguing that the Covid-19 pandemic could be seen as a force majeure event. The hearing took place on 21 December 2021. If the case is not thrown out of court, the maximum penalty risk, which was taken into account when setting the Provisions for risks and charges at 31 December 2021, could be approximately € 0.75 million. The deadline for concluding the proceedings is 11 April 2022, unless an extension is granted.

Bank of Italy

On 14 March 2022, pursuant to art. 54 of Legislative Decree No. 385 of 1 September 1993, the Bank of Italy launched an inspection at Poste Italiane SpA, within BancoPosta, focusing on the business model, governance and control systems and interest rate risk.

IVASS – Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

On 19 February 2020, IVASS notified **Poste Vita** of a complaint concerning the alleged delay in the liquidation of life insurance policies. The Company duly filed its defence briefs. Subsequently, on 14 April 2021, IVASS notified Poste Vita of its decision to settle the proceedings and impose a minimum fine of €0.03 million on the company. The company paid this amount on time and closed the position.

On 25 August 2020 and 24 February 2021, IVASS notified Poste Vita of two further complaints, both regarding alleged delays in the payment of life insurance policies. The Company filed its defence briefs in connection with these two proceedings before the deadline. With reference to the notification of penalties sent on 25 August 2020, in the month of August 2021, the Authority formalised the filing of the proceedings without imposing any sanctions and thus fully defining the relative positions; with regard to the notice notified on 24 February 2021, the company is awaiting the decisions of the Authority which will be able to formulate a sanction proposal, in this case, without prejudice to the right of the Company to submit further observations.

On 4 May 2021, following a meeting held on 12 April, with reference to the processes in place to support the management of dormant policies, IVASS sent Poste Vita and Poste Italiane – BancoPosta RFC a communication requesting them to submit, within 60 days, an action plan setting out the initiatives that the companies intend to adopt to improve the above processes. At the request of the Authority, the related plan, accompanied by the assessments of the Compliance and Internal Audit functions, was approved by the Board of Directors on 22 June 2021 and sent on 2 July 2021.

On 14 December 2020, IVASS launched an ordinary inspection to assess the governance, management and control of investments and financial risks of Poste Vita. The inspection concluded on 7 May 2021 and the audit report was delivered to the Company at the Board meeting on 26 July 2021. The report contained "partially unfavourable" findings. The results of the inspec-

tion included findings, some of which had already been anticipated during the inspection and in relation to which on 12 April, the Company's Board of Directors had already approved a targeted action plan aimed at overcoming them. To further strengthen the internal control and risk management system with regard to financial investments, the aforementioned Action Plan was subsequently supplemented by the Company management and approved by the Board of Directors on 22 October 2021.

With regard to some of the aforesaid findings, IVASS identified violations of articles 30 *bis*, 30 *ter*, 37 *ter* and 183 of Legislative Decree no. 209/2005 and the relative implementing provisions issued by regulation of the same Authority. On 25 October 2021, the Company prepared defence briefs in support of the correctness of its actions and submitted them to the Supervisory Authority within the legally required deadline. In relation to the above, no significant elements in fact emerged for consideration in the Annual Report as at 31 December 2021.

From 1 March to 18 June 2021, IVASS conducted inspections aimed at verifying compliance with **anti-money laundering legislation**, at both **Poste Vita and Poste Italiane** – BancoPosta RFC. The results of the inspection showed an overall satisfactory compliance framework regarding processes and procedures aimed at fulfilling customer due diligence obligations and the consequent evaluation of anomalous relationships and transactions. The decision is partially favourable, as the relationships seen as higher risk remain inadequately verified. These shortcomings concern, in particular, the assessment of how consistent transactions were with customer economic and financial profiles, which is not supported by documentation to check the information on the origin of the funds acquired by the network. The profiling system does not take into account all the risk factors referred to in Regulation 44 of 2019 and all the information collected from the customer.

Appropriate initiatives for areas of improvement identified by the Authority, Poste Vita and Poste Italiane – BancoPosta RFC have been established and are expected to be completed by the first half of 2022.

COVIP

On 27 May 2021, the **Commissione di Vigilanza sui Fondi Pensione** (COVIP) (pension fund supervisory authority) launched an ordinary inspection of the Postaprevidenza Valore pension fund, the activities of which are still ongoing.

In a communication dated 13 January, COVIP informed the Company that the verification of the documentation acquired during the inspection begun on 15 June 2021 had been completed and therefore the inspection should be considered concluded. The Company is therefore waiting to receive the inspection final report and any possible action to be taken.

Garante per la protezione dei dati personali (the Data Protection Authority)

On 15 January 2014, at the end of an investigation launched in 2009, the Authority imposed a fine of €0.34 million on **Postel**, which the Company accounted for in its financial statements for 2013. The company appealed the Authority's ruling before the Civil Court of Rome, requesting an injunction suspending its implementation, which was accepted by the judge with a ruling on 16 June 2014. On 21 January 2016, the designated judge reduced the fine by €0.1 million, rejecting the other preliminary exceptions raised on the merits. The Company appealed against the above judgment, specifically the fine component that was not annulled by the Court. The Court of Cassation, however, rejected the appeal and upheld the fine of €0.34 million. Following this order, the Data Protection Authority did not take steps to resume proceedings before the Court, so the proceedings relating to the application of the additional penalty that could hypothetically be imposed can be considered definitively concluded.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021, initiated a class action against Poste Italiane pursuant to article 140-*bis* of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the "Q" series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs' and potential members' claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an ruling dated 11 January 2022, held that the action submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy on the part of Poste Italiane.

10. Material non-recurring events and/or transactions

A brief summary of the impact of material non-recurring events[207] and transactions involving the Poste Italiane Group in 2021, is provided below, as required by CONSOB ruling DEM/6064293 of 28 July 2006:

- capital gain of € 225 million following the reclassification of the stake held in SIA-Nexi (first through the associate FSIA, and later by the subsidiary PSIA on completion of the demerger of FSIA) among financial assets and recognised, in accordance with the IFRS 9 accounting standard, on the basis of its fair value (stock market price of Nexi at 30 December 2021). See also the provisions of Note 3.1 – Principal corporate actions and Note A6 – Financial assets.

11. Exceptional and/or unusual transactions

Under the definition provided by the CONSOB ruling of 28 July 2006, the Poste Italiane Group did not conduct any exceptional and/or unusual transactions in 2021[208].

207. Events and transactions that are non-recurring, as they do not recur frequently in the ordinary course of business.
208. Such transactions are defined as transactions that due to their significance/materiality, the nature of the counterparties, the purpose of the transaction, the manner of determining the transfer price and timing of the transaction may give rise to doubts over the correctness and/or completeness of the disclosures in the financial statements, over a conflict of interest, safeguards for the Company's financial position and protections for non-controlling shareholders.

12. Significant events after the reporting period

For the purpose of preparing the financial statements for the year ended 31 December 2021, the conflict between Russia and Ukraine, under the terms of IAS 10 - *Events After the Reporting Period*, can be considered a non-adjusting subsequent event as it is related to conditions that occurred after the reporting date. These conditions were therefore not reflected in the accounting measurements, but were considered for the purpose of drawing up the disclosure on subsequent events.

This said, in order to assess the impacts of the conflict for the Group an assessment was made of the current and potential future impacts and of the sanctions placed on Russia by the state and supranational authorities, on the Group's activities, financial situation and economic results in consideration of the evidence available and the scenarios conceivable at the date of preparing the following financial statements.

The potential impacts, although currently unclear and uncertain also in relation to the pressure on inflation driven by the sharp increases in energy and raw material prices, seem limited in relation to the fact that the Group's operating activities are almost entirely carried out within the country and without depending on the value chain with the countries involved.

In addition, among other things an activity of monitoring the existing relations between the Group and the parties directly or indirectly involved was carried out; from this the following findings emerged:

- with reference to the Parent Company the existence of relationships with the corresponding foreign postal administrations of Russia and Ukraine that present credit and debit balances of insignificant amounts with a net balance, besides, in debit;
- with reference to Poste Vita, in the context of multi-asset funds, and within some class III funds, there are some indirect exposures to the countries involved in the aforesaid events which represent an insignificant portion of the related NAV.

The events that occurred after the reporting date are described below. For a complete description of these events, please refer to paragraph 3.1 - *Principal corporate actions*.

- **Poste Welfare Servizi**

On 26 January 2022 the BoD of Poste Vita approved the operation for acquisition by Poste Italiane of 100% of the shares held by Poste Vita in Poste Welfare Servizi. The operation takes effect from the filing at the Companies Register of the deed of sale signed on 24 February 2022.

- **MFM Holding Ltd**

On 26 January 2022 MFM Holding Ltd (Moneyfarm) launched a capital increase for an amount of approximately € 53 million, subscribed for approximately € 44 million by M&G plc, a listed asset manager based in the UK, and pro quota by Poste Italiane with an investment of approximately € 9 million, in order not to dilute its stake of approximately 14%.

- **Eurizon Capital Real Asset SGR ("ECRA")**

On 31 January 2022 the transaction was closed, after the regulatory authorities had given their approval.

- **LIS Holding SpA**

On 25 February 2022 PostePay signed with IGT Lottery SpA ("IGT") a binding agreement for the acquisition of 100% of LIS Holding SpA (together with the subsidiary LIS Pay SpA, "LIS") at a price of € 700 million determined on the basis of an Enterprise Value of € 630 million and available net cash of € 70 million. The boards of directors of Poste Italiane and PostePay have approved the transaction which remains subject to the usual closing conditions, including obtainment of the regulatory approvals. The closing is expected within the third quarter of 2022.

- **Tink AB**

On 10 March 2022, following the approval by the supervisory and antitrust authorities, the closing was completed of the operation to sell the equity investment in Tink AB held by PostePay SpA to Visa Open Connect Limited.

- **Plurima SpA**

On 18 March 2022, Poste Italiane signed a binding agreement with Opus Srl ("Opus") – entirely held by the Marconi family – and the private equity operator, Siparex, for the acquisition of a majority stake in Plurima SpA ("Plurima" or the "Company") for a consideration based on a total enterprise value of the Company of € 130 million.

The transaction will take place through Poste Welfare Servizi Srl ("PWS"), a company wholly-owned by Poste Italiane, and will be fully financed with the large cash resources available.

Upon completion of the transaction, expected within the end of the first half of 2022 following the necessary authorisations from the Autorità Garante della Concorrenza e del Mercato ("AGCM" – the Antitrust Authority), PWS will hold 70% of the share capital of Plurima, while the Marconi family will hold the remaining 30%. Luca Marconi will be confirmed as Executive Chairman of the Company.

Plurima is a leader in the Italian market for hospital logistics and document custody and management services for public and private hospitals. It operates through 41 logistics facilities and a fleet of around 300 vehicles.

In light of the experience gained by PWS in the health sector, it will be possible to further strengthen its role as a centre of excellence for the Poste Italiane Group in the healthcare sector. The operation is aimed at integrating the consolidated skills developed by PWS in the health sector with those recently developed by Poste Italiane through the delivery of services via the Vaccinations Platform, and through the health services provided by Plurima.

13. Additional information

This note provides information applicable to both the Poste Italiane Group's consolidated financial statements and Poste Italiane SpA's separate financial statements, including qualitative and quantitative disclosures on matters residually required by accounting standards, not specifically dealt with in the previous notes.

Transfers of financial assets that are not derecognised

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement).

At 31 December 2021, these assets concern reverse repurchase agreements entered into with primary financial intermediaries and entirely attributable to the Parent Company.

Transfers of financial assets that are not derecognised

		31 December 2021			31 December 2020		
Description (€m)	Notes	Nominal value	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value
Financial assets attributable to BancoPosta RFC	**[A6]**						
Financial assets at amortised cost		7,972	8,763	9,261	5,930	6,366	7,079
Financial assets at FVTOCI		5,459	6,261	6,261	7,526	8,883	8,883
Financial assets attributable to BancoPosta RFC	**[B6]**						
Financial liabilities arising from repos		(14,847)	(14,837)	(14,826)	(14,717)	(14,711)	(14,743)
Capital financial assets outside the ring-fence	**[A6]**						
Financial assets at FVTOCI		-	-	-	400	407	407
Capital financial liabilities outside the ring-fence	**[B6]**						
Financial liabilities arising from repos		-	-	-	(414)	(412)	(412)
Total		**(1,416)**	**187**	**696**	**(1,275)**	**533**	**1,214**

Financial assets subject to encumbrances

This paragraph provides information on the nominal value and carrying amount of financial assets delivered to counterparties as collateral for repurchase agreements and interest rate swaps, and financial assets delivered to the Bank of Italy as collateral for intraday credit granted to the Parent Company and as collateral for SEPA Direct Debits.

Financial Assets subject to encumbrances

Description (€m)	31 December 2021		31 December 2020	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Financial assets attributable to BancoPosta RFC				
Financial assets at amortised cost				
Loans and receivables	**4,858**	**4,858**	**7,494**	**7,494**
Receivables used as collateral provided by CSAs	4,173	4,173	7,494	7,494
Receivables used as collateral provided by GMRAs	72	72	-	-
Receivables in the form of guarantee deposits (Clearing House margin requirements)	612	612	-	-
Receivables in the form of guarantee deposits (OTC Clearing House)	1	1	-	-
Fixed income securities	**8,652**	**9,751**	**6,427**	**6,969**
Securities involved in repurchase agreements	7,972	8,763	5,930	6,366
Securities used as collateral provided by CSAs and GMRAs	480	610	497	603
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	200	378	-	-
Financial assets at FVTOCI				
Fixed income securities	**6,814**	**7,965**	**8,615**	**9,992**
Securities involved in repurchase agreements	5,459	6,261	7,526	8,883
Securities used as collateral provided by CSAs and GMRAs	30	30	172	178
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	1,325	1,674	917	931
Capital financial assets outside the ring-fence				
Financial assets at amortised cost				
Loans and receivables	**3**	**3**	**15**	**15**
Receivables used as collateral provided by CSAs	3	3	11	11
Receivables used as collateral provided by GMRAs	-	-	4	4
Financial assets at FVTOCI				
Fixed income securities	**-**	**-**	**400**	**407**
Securities involved in repurchase agreements	-	-	400	407
Total financial assets subject to encumbrances	**20,327**	**22,577**	**22,951**	**24,877**

At 31 December 2021, the Parent Company received financial assets as collateral for reverse repurchase agreements, having a nominal value of €1,475 million and a fair value of €1,569 million.

Exposure to sovereign debt

With regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the Group's exposure to sovereign debt at 31 December 2021 is shown in the table below.

Poste Italiane Group - Exposure to sovereign debt securities

Description (€m)	31.12.2021			31.12.2020		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Italy	**135,674**	**156,775**	**157,449**	**136,818**	**166,952**	**168,620**
Financial assets at amortised cost	26,944	31,893	32,567	24,929	31,791	33,459
Financial assets at FVTOCI	108,717	124,867	124,867	111,842	135,111	135,111
Financial assets at FVTPL	13	15	15	47	50	50
Belgium	**132**	**151**	**151**	**132**	**162**	**162**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	132	151	151	132	162	162
Financial assets at FVTPL	-	-	-	-	-	-
France	**151**	**201**	**201**	**151**	**229**	**229**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	151	201	201	151	229	229
Financial assets at FVTPL	-	-	-	-	-	-
Germany	**215**	**235**	**235**	**242**	**272**	**272**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	215	235	235	242	272	272
Financial assets at FVTPL	-	-	-	-	-	-
Ireland	**10**	**13**	**13**	**10**	**14**	**14**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	10	13	13	10	14	14
Financial assets at FVTPL	-	-	-	-	-	-
Spain	**1,280**	**1,870**	**1,870**	**1,230**	**2,001**	**2,002**
Financial assets at amortised cost	3	3	3	3	3	4
Financial assets at FVTOCI	1,227	1,867	1,867	1,227	1,998	1,998
Financial assets at FVTPL	-	-	-	-	-	-
USA	**25**	**23**	**23**	**25**	**25**	**25**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	25	23	23	25	25	25
Financial assets at FVTPL	-	-	-	-	-	-
Other countries	**149**	**147**	**147**	**83**	**84**	**84**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	149	147	147	83	84	84
Financial assets at FVTPL	-	-	-	-	-	-
Total	**137,636**	**159,415**	**160,089**	**138,691**	**169,739**	**171,408**

Below are details for Poste Italiane SpA.

Credit Risk - Exposure to sovereign debt

Description (€m)	31 December 2021			31 December 2020		
	Nominal value	Carrying amount	Market Value	Nominal value	Carrying amount	Market Value
Financial assets attributable to BancoPosta RFC						
Italy	**56,443**	**67,521**	**67,988**	**56,726**	**72,593**	**73,932**
Financial assets at amortised cost	25,027	29,895	30,362	23,157	29,955	31,294
Financial assets at FVTOCI	31,416	37,626	37,626	33,569	42,638	42,638
Capital financial assets outside the ring-fence						
Italy	**-**	**-**	**-**	**400**	**407**	**407**
Financial assets at FVTOCI	-	-	-	400	407	407
Total	**56,443**	**67,521**	**67,988**	**57,126**	**73,000**	**74,339**

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – Consolidated Financial Statements. However, these Funds fall within the definition of unconsolidated structured entities: a structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

Nature of the involvement in the unconsolidated structured entity

ISIN - Name (€m)	Nature of entity	Fund activity	NAV		
			% investment	Ref. date	Amount
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	6,026
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	5,087
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	4,903
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	4,327
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	4,181
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	925
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	899
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	623
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	574
QU0006738052 - Prima EU Private Debt Opportunity Fund	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/21	492
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	488
IE00BK1KDS71- PRIMA HEDGE PLATINUM GROWTH	Hedge Fund within the scope of application of Directive 2011/61/EU	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100	31/12/21	458
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and eurodenominated	100	30/09/21	423
QU0006744795 - Prima European Direct Lending 1 Fund	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/21	422
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of assets classes (corporate bonds, government bonds and equities)	100	31/12/21	313
IT0005247819 - Diamond Core	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/21	277
IT0005386666 - i3-Dante Fund Convivio subfund	Italian-registered, closed- end multi-segment alternative real estate investment fund	Investment in "core" and "core plus" income real estate assets located in the central areas of the main Italian cities, starting with Rome and Milan	100	30/06/21	260

ISIN - Name (€m)	Nature of entity	Fund activity	NAV		
			% investment	Ref. date	Amount
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/21	231
QU0006745081 - Prima Real Estate Europe Fund I	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/21	173
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real estate rights, including those deriving from real estate lease contracts, in any case carried out without particular geographical location constraints but in any case in Italy	100	30/09/21	170
IT0005215113 - CBRE DIAMOND FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/21	155
QU0006738854 - Prima Credit Opportunity Fund	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/11/21	145
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/21	124
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Italian-registered, closed-end alternative real estate investment funds	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets	100	30/06/21	108
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Italian-registered, closed-end alternative real estate investment funds	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and eurodenominated	100	30/09/21	97
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Open-end Fund within the scope of application of Directive 2011/61/EU	Investment in a mix of assets classes (corporate bonds, government bonds, loans and equities)	100	30/11/21	82
LU1081427665 - SHOPPING PROPERTY FUND 2	Closed-end Fund of funds within the scope of application of Directive 2011/61/EU	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	65	30/09/21	65
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Closed-end Fund of funds within the scope of application of Directive 2011/61/EU	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86	30/09/21	17

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government. The entities primarily regard open-end harmonised funds that invest in a mix of assets, such as corporate bonds, government bonds and equities, and closed-end real estate funds that invest in property and property rights. Certain details are provided below.

Risk nature

ISIN - Name (€m)	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Financial assets at FVTPL	6,026	812	5,214	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Financial assets at FVTPL	5,087	703	4,384	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Financial assets at FVTPL	4,903	686	4,217	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Financial assets at FVTPL	4,327	581	3,746	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets at FVTPL	4,181	629	3,552	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Financial assets at FVTPL	925	158	767	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Financial assets at FVTPL	899	139	760	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Financial assets at FVTPL	623	99	524	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Financial assets at FVTPL	574	79	496	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
QU0006738052 - Prima EU Private Debt Opportunity Fund	Financial assets at FVTPL	492	68	424	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU2051218035 - OLYMPIUM SEVERUM FUND	Financial assets at FVTPL	488	85	403	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
IE00BK1KDS71 - PRIMA HEDGE PLATINUM GROWTH	Financial assets at FVTPL	458	40	418	99% VaR provided by the manager
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Financial assets at FVTPL	423	180	243	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006744795 - Prima European Direct Lending 1 Fund	Financial assets at FVTPL	422	59	362	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Financial assets at FVTPL	313	37	276	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
IT0005247819 - Diamond Core	Financial assets at FVTPL	277	91	186	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005386666 - i3-Dante Fund Convivio subfund	Financial assets at FVTPL	260	65	195	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Financial assets at FVTPL	231	32	199	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

ISIN - Name (€m)	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum loss exposure	Method to determine maximum loss exposure
QU0006745081 - Prima Real Estate Europe Fund I	Financial assets at FVTPL	173	62	110	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005215113 - CBRE DIAMOND FUND	Financial assets at FVTPL	155	47	108	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Financial assets at FVTPL	170	61	109	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738854 - Prima Credit Opportunity Fund	Financial assets at FVTPL	145	68	77	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Financial assets at FVTPL	124	76	47	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Financial assets at FVTPL	108	39	69	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Financial assets at FVTPL	97	35	62	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Financial assets at FVTPL	82	19	64	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1081427665 - SHOPPING PROPERTY FUND 2	Financial assets at FVTPL	42	20	23	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Financial assets at FVTPL	15	9	5	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

Risk nature

The company's investments in the funds in question are reported at fair value (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Asset class and reference markets relative to NAVs

Asset class (€m)	Fair Value
Financial instruments	
Corporate bonds	15,276
Government bonds	8,611
Other investments net of liabilities	3,448
Equity instruments	2,457
Cash and cash equivalents	2,447
Derivative financial instruments*	
Interest rate swaps	6
Foreign exchange futures contracts	75
Exchange rates and interest rates forward contracts	(275)
Total	**32,045**

* Such instruments are not included in Multiasset Funds.

Market traded on and UCITS (€m) (€m)	Fair Value
Germany (Frankfurt, Berlin, Munich)	4,631
Dublin	2,111
New York	2,863
Trace	5,033
London	2,395
Paris	182
Euronext	1,380
Tokyo	1,068
Singapore	962
Euromtf	455
Luxembourg	307
Eurotlx	314
Hong Kong	357
Other (unlisted)	8,087
Funds	1,900
Total	**32,045**

Share-based payment arrangements

Long-term incentive schemes: phantom stock plan

Poste Italiane Group

The Annual General Meeting of Poste Italiane SpA's shareholders held on 24 May 2016 approved the information circular for the "Long-term Incentive Plan for 2016-2018 (LTIP) – Phantom Stock Plan", prepared in accordance with art 84-*bis* of the Regulations for Issuers. The LTIP, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Description of the Plan

The "ILT Phantom Stock 2016-2018" Plan provides for the assignment to Beneficiaries of rights to receive units representing the value of the Poste Italiane share The so-called Phantom Stock), and the related bonus in cash, at the end of a vesting period. The number of phantom stocks awarded to each Beneficiary is dependent on achieving some conditions and targets over a three-year period. The Plan covers a medium- to long-term period. In particular, the plan includes three award cycles, corresponding to the financial years 2016, 2017 and 2018, each with a duration of three years.

The phantom stocks are awarded if the performance targets are achieved, and converted into a cash bonus based on the market value of the shares in the thirty stock exchange trading days prior to the grant date for the phantom stocks or at the end of a retention period. The key characteristics of the Plan are described below.

Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, Risk Takers who work for BancoPosta RFC and personnel belonging to the Poste Vita insurance group.

Plan terms and conditions

The Performance Targets, to which receipt of the cash bonus is subject, are as follows:

- for the General Manager and other beneficiaries of the Plan employed by Poste Italiane, other than BancoPosta personnel, an indicator of earnings based on the Group's cumulative EBIT over a three-year period, used to account for the continuity and sustainability of earnings over the long term;
- for Beneficiaries included among BancoPosta RFC's Risk Takers, the three-year RORAC (Return On Risk Adjusted Capital), used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk;
- for Beneficiaries including personnel belonging to the Poste Vita insurance group, the RORAC registered by the Poste Vita insurance group over a three-year period, used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk.

All Beneficiaries must be measured against an indicator of shareholder value creation, based on the Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.

Vesting of the Phantom Stocks is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Risk Takers, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, based on CET 1 at the end of the period;
- Indicator of short-term liquidity, based on LCR at the end of the period;
- Indicator of risk-adjusted earnings, based on RORAC at the end of the period; this indicator has been introduced from the 2017-2019 cycle and only for the General Manager (and Chief Executive Officer).

For personnel belonging to the Poste Vita insurance Group, vesting of the Phantom Stocks, in addition to achievement of the Performance Hurdle (Group's cumulative EBIT over a three-year period), is subject to achievement of the specific Qualifying Condition, namely the Solvency II ratio at the end of the period.

The Phantom Stocks will be awarded by the end of the year following the end of the Performance Period, and immediately converted into cash. In the case of the General Manager, BancoPosta RFC's Risk Takers and the Poste Vita Insurance Group's personnel, they are subject to a one-year retention period, before they can be converted into cash, following confirmation that the Qualifying Conditions for each plan have been met.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2016-2018

The First Cycle of the "Phantom Stock Plan LTIP" (2016-2018) vested in 2018 and the cash value of the units has been fully paid out in previous years.

Second Cycle 2017-2019

At the end of the one-year retention period to which the 207,320 Phantom Stocks deriving from the finalisation of the Plan, which matured in 2019, were subject, the cash equivalent of the units fully paid out during the year amounted to approximately €2,2 million. The cost recognised in the period was approximately €0.5 million.

Third Cycle 2018-2020

Also the Third Cycle of the "Phantom Stock LTIP", awarded in 2018 (2018-2020), vested in 2020. The final number of phantom stocks awarded under the Plan totals 734,566, including 178,020 stocks subject to a one-year retention period. The cash value of the stocks granted in the year was approximately €5.8 million. The cost recognised during the year was approximately €1.9 million, whilst the liability recognised in amounts due to staff was approximately €2 million.

Poste Italiane SpA

The effects on profit or loss of the above Long-Term Incentive scheme at 31 December 2021 for Poste Italiane SpA are shown below.

First Cycle 2016-2018

The First Cycle of the "Phantom Stock Plan LTIP" (2016-2018) vested in 2018 and the cash value of the units has been fully paid out in previous years.

Second Cycle 2017-2019

At the end of the one-year retention period to which the 156,778 Phantom Stocks deriving from the finalisation of the Plan, which matured in 2019, were subject, the cash equivalent of the units fully paid out during the year amounted to approximately €1,6 million. The cost recognised for the first half of the year was about €0.3 million.

Third Cycle 2018-2020

Also the Third Cycle of the "Phantom Stock LTIP", awarded in 2018 (2018-2020), vested in 2020. The final number of phantom stocks awarded under the Plan totals 687,273, including 130,727 stocks subject to a one-year retention period. The cash value of the stocks granted in the year was approximately €5.8 million. The cost recognised during the year was approximately €1.7 million, whilst the liability recognised in amounts due to staff was approximately €1.5 million.

Long-term incentive schemes: Performance Share Plan

Poste Italiane Group

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2019 approved the document, prepared in accordance with art 84-*bis* of Issuer Regulations, on "Incentive plans based on financial instruments – ILT Performance Share Plan" first Cycle 2019-2021 and second Cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2021 approved the information circular for the "Equity-based incentive plan (ILT) – 2021-2023 Performance Share Plan", prepared in accordance with art 84-*bis* of Issuer Regulations with reference to the performance period 2021-2023.

These incentive schemes, set up in line with market practices, aim to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Description of the Plans

The Performance Share Plans, as described in the relevant Information Circular, provides for the assignment of Rights to the ordinary shares of Poste Italiane. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle, the Qualifying Conditions and compliance with the Malus Provisions (the latter for BancoPosta Beneficiaries, hereinafter "BP Beneficiaries" including then General Manager). The Plans cover a medium- to long-term period. In particular, the "ILT Performance Share" Plan is divided into two cycles (2019 and 2020 allocation), each lasting three years, while the "ILT 2021-2023 Performance Share" Plan provides for a single allocation cycle in 2021. Shares are awarded if performance targets are met or after a Retention Period. The key characteristics of the Plans are described below.

Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, and some resources of BancoPosta RFC.

Conditions of the "ILT Performance Share" Plan First cycle 2019-2021 and Second Cycle 2020-2022

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[209].

Vesting of the Rights and the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Beneficiaries, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- for BP Beneficiaries (including the General Manager) for 40% up-front and for the remaining 60% in two equal portions, deferred respectively for 2 and 4 years from the end of the Performance Period. A further Retention Period of one year will be applied to both the up-front and deferred portions;
- for the Other Beneficiaries, the granting of Poste Italiane Shares is entirely up front at the end of a three-year Performance Period, with 60% of the Shares subject to a further two-year Lock-up Period.

For BP Beneficiaries (including the General Manager), the deferred shares will be awarded following verification that BancoPosta RFC's capitalisation, short-term liquidity and risk-adjusted profitability levels are met.

209. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

Conditions of the "ILT Performance Share 2021-2023" Plan

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[210];
- a sustainable finance indicator linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of ESG-inclusive products to the total number of products offered.

Vesting of the Rights and the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Beneficiaries, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- for BP Beneficiaries (including the General Manager) 40% up-front and the remaining 60% in five deferred annual instalments over a five-year period (the first three representing 10% of the total rights accrued and the next two representing 15% of the total rights accrued). A further Retention Period of one year will be applied to both the up-front and deferred portions;
- for the Other Beneficiaries, the granting of Poste Italiane Shares is entirely up front at the end of a three-year Performance Period, with 60% of the Shares subject to a further two-year Lock-up Period.

For BP Beneficiaries (including the General Manager), the deferred shares will be awarded following verification that BancoPosta RFC's capitalisation, short-term liquidity and risk-adjusted profitability levels are met.

Determination of fair value and effects on profit or loss

The valuations were carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 109 Beneficiaries and was 620,130 units, whose unit fair value at the grant date (28 May 2019 for the General Manager and 7 October 2019 for the BP Beneficiaries and Other Beneficiaries) was €6.19, €8.29 and €8.88, respectively. The cost recognised for 2021 was approximately €1.9 million, whilst the specific equity reserve was approximately €5.9 million.

210. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the Second Cycle of the Plan concerns 118 Beneficiaries and was 964,895 units, whose unit fair value at the grant date (05 March 2020 for the General Manager and 12 November 2020 for the BP Beneficiaries and Other Beneficiaries) was €5.42, €3.91 and €4.64, respectively. The cost recognised for 2021 was approximately €2 million, whilst the specific equity reserve was approximately €3.5 million.

2021-2023 Plan

The number of Rights to receive Shares assigned in total concerns 148 Beneficiaries and was 1,076,552 units, whose unit fair value at the grant date (28 May 2021 for the General Manager, BP Beneficiaries and Other Beneficiaries) was respectively €8.23 for the first two categories and €9.22 for the last one. The cost recognised for 2021 was approximately €3.5 million, equivalent to the equity reserve specifically created.

Poste Italiane SpA

The effects on profit or loss of the above Performance Share Long-Term Incentive scheme at 31 December 2021 for Poste Italiane SpA are shown below.

First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 103 Beneficiaries and was 597,642 units, whose unit fair value at the grant date (28 May 2019 for the General Manager and 7 October 2019 for the BP Beneficiaries and Other Beneficiaries) was €6.19, €8.29 and €8.88, respectively.

The cost recognised for 2021 was approximately €1.8 million, whilst the specific equity reserve was approximately €5.8 million.

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the Second Cycle of the Plan concerns 112 Beneficiaries and was 936,319 units, whose unit fair value at the grant date (05 March 2020 for the General Manager and 12 November 2020 for the BP Beneficiaries and Other Beneficiaries) was €5.42, €3.91 and €4.64, respectively. The cost recognised for 2021 was approximately €2 million, whilst the specific equity reserve was approximately €3.5 million.

2021-2023 Plan

The number of Rights to receive Shares assigned in total concerns 137 Beneficiaries and was 1,024,655 units, whose unit fair value at the grant date (28 May 2021 for the General Manager, BP Beneficiaries and Other Beneficiaries) was respectively €8.23 for the first two categories and €9.22 for the last one. The cost recognised for 2021 was approximately €3.3 million, equivalent to the equity reserve specifically created.

Long-term incentive schemes: Stock Options

MLK delivery's long-term incentive scheme, which was approved by the subsidiary's Board of Directors on 10 December 2020, provides for the grant, free of charge, of a maximum number of stock options that entitle holders to subscribe for class Z shares of MLK delivery, i.e., shares issued to service the Plan without dividend and voting rights. The Plan has a total duration of five years and will end with the assignment of all Stock Options.

The cost recognised for 2021 was approximately €0.5 million, whilst the specific equity reserve was approximately €0.9 million.

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued the Supervisory Provisions for BancoPosta (Part IV, Chapter I, "BancoPosta" included in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account the specific organisational and operational aspects of BancoPosta and Poste Italiane SpA, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular 285). These standards, only applicable to the Parent Company Poste Italiane SpA provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- for 60% of the 5-year pro-rata incentive, for key personnel who benefit from both the short-term incentive system and the long-term incentive plan "Phantom Stock ILT Plan";
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020 and MBO 2021) provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of shares in Poste Italiane SpA and the application of deferral mechanisms:

- 60 % of the incentive over 5 years pro-rata, for the General Manager and the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[211] for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019, 2020 and 2021) is subject to the existence of a Performance Hurdle (Group Profitability: EBIT) and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).

The General Manager is also expected to apply an additional Qualifying Condition, in addition to those set out above, linked to the Solvency Ratio of the Poste Vita Insurance Group.

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

At 31 December 2021, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 88,964, relating mainly to personnel employed by the Parent Company. During the year, a cost of approximately €0.5 million was recognised, payments of €0.8 million were made and the liability recognised amounted to approximately €1 million.

The number of Rights to receive Shares, deriving from the short-term MBO 2019, 2020 and 2021 incentive plans (the latter estimated on the basis of the best information available, pending the actual finalisation of the system in order to record the cost of the service received), was 129,981, relating to personnel employed by the Parent Company. During the year, a cost of approximately €0.7 million was recognised and at 31 December 2021, a specific Equity reserve of approximately €0.5 million and a liability of approximately €0.7 million were recognised. The equity reserve decreased by approximately €0.2 million due to the delivery of previously purchased treasury shares.

211. For the 2021 MBO only, there are four pro-rata years, although cash payment is foreseen only for the fourth year.

Severance payments on termination of employment

Severance payments to BancoPosta RFC Risk Takers on early termination are paid in accordance with the same procedures applied to short-term variable remuneration (MBO 2017) as regards deferral, payment in financial instruments and verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC.

The number of phantom stocks outstanding at 31 December 2021 totals 62,376. During the year, a cost of approximately €0.4 million was recognised, payments of €0.6 million were made and the liability recognised amounted to approximately €0.7 million.

Scope of consolidation and key information on investments

This item breaks down as follows:

Scope of consolidation

Name	Registered office	Currency	Share capital	Parent company	% ownership	Total % Group
PARENT COMPANY:						
Poste Italiane SpA	Roma (Italy)	Euro	1,306,110			
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS:						
BancoPosta Fondi SpA SGR	Roma (Italy)	Euro	12,000	Poste Italiane SpA	100.00%	100.00%
Consorzio Logistica Pacchi ScpA	Roma (Italy)	Euro	516	Poste Italiane SpA SDA Express Courier SpA Poste Air Cargo Srl Postel SpA Poste Assicura SpA Nexive Network Srl	51.00% 19.00% 5.00% 15.00% 5.00% 5.00%	100.00%
Consorzio per i Servizi di Telefonia Mobile ScpA	Roma (Italy)	Euro	120	Poste Italiane SpA PostePay SpA	51.00% 49.00%	100.00%
Consorzio PosteMotori	Roma (Italy)	Euro	120	Poste Italiane SpA Postel SpA	58.12% 22.63%	80.75%
Europa Gestioni Immobiliari SpA	Roma (Italy)	Euro	103,200	Poste Italiane SpA Poste Vita SpA	55.00% 45.00%	100.00%
MLK Deliveries SpA	Roma (Italy)	Euro	333	Poste Italiane SpA Milkman SpA	70.00% 30.00%	70.00%
Nexive Group Srl*	Milano (Italia)	Euro	-	Poste Italiane SpA	100.00%	100.00%
Nexive Network Srl*	Milan (Italy)	Euro	50	Poste Italiane SpA	100.00%	100.00%
Nexive Scarl*	Milan (Italy)	Euro	28	Poste Italiane SpA	82.14%	82.14%
Nexive Servizi Srl*	Milano (Italia)	Euro	-	Nexive Group Srl	100.00%	100.00%
PatentiViaPoste ScpA	Roma (Italy)	Euro	120	Poste Italiane SpA Postel SpA	69.65% 17.21%	86.86%
Poste Air Cargo Srl	Roma (Italy)	Euro	1,000	Poste Italiane SpA	100.00%	100.00%
Poste Assicura SpA*	Roma (Italy)	Euro	25,000	Poste Vita SpA	100.00%	100.00%
Poste Insurance Broker Srl**	Roma (Italy)	Euro	600	Poste Assicura SpA	100.00%	100.00%
PostePay SpA	Roma (Italy)	Euro	7,561	Poste Italiane SpA	100.00%	100.00%
Poste Vita SpA*	Roma (Italy)	Euro	1,216,608	Poste Italiane SpA	100.00%	100.00%
Poste Welfare Servizi Srl	Roma (Italy)	Euro	16	Poste Vita SpA	100.00%	100.00%
Postel SpA	Roma (Italy)	Euro	20,400	Poste Italiane SpA	100.00%	100.00%
PSIA Srl	Roma (Italy)	Euro	10	Poste Italiane SpA	100.00%	100.00%
SDA Express Courier SpA	Roma (Italy)	Euro	5,000	Poste Italiane SpA	100.00%	100.00%
Sengi Express Limited*	Hong Kong (China)	HKD	5,000	Poste Italiane SpA	40.00% ***	40.00%***

Sengi Express Guangzhou Limited*	Guangzhou (China)	CNY	5,000	Sengi Express Limited	100.00%	40.00%
sennder Italia Srl	Milan (Italy)	Euro	43	Poste Italiane SpA Sennder Gmbh	70.00% 30.00%	70.00%
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD:						
Subsidiaries:						
Address Software Srl	Roma (Italy)	Euro	10	Postel SpA	51.00%	51.00%
Indabox Srl	Roma (Italy)	Euro	50	MLK Deliveries SpA	100.00%	70.00%
Kipoint SpA	Roma (Italy)	Euro	500	SDA Express Courier SpA	100.00%	100.00%
Uptime SpA - in liquidation	Roma (Italia)	Euro	50	SDA Express Courier SpA	100.00%	100.00%
Associates:						
Anima Holding SpA	Milan (Italy)	Euro	7,292	Poste Italiane SpA	10.35%	10.35%
Conio Inc.	San Francisco (USA)	USD	13,355	Poste Italiane SpA	16.48%	16.48%
Conio Srl	Milan (Italy)	Euro	15	Conio Inc.	100.00%	16.48%
Financit SpA	Roma (Italy)	Euro	14,950	Poste Italiane SpA	40.00%	40.00%
FSIA Investimenti Srl	Milano (Italia)	Euro	(55,000)	Poste Italiane SpA	30.00%	30.00%
ItaliaCamp Srl	Roma (Italy)	Euro	155	Poste Italiane SpA	19.40%	19.40%
Replica SIM SpA	Milan (Italy)	Euro	10,500	Poste Italiane SpA	45.00%	45.00%

* The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.

** Poste Assicura has approved the proposal to strengthen Poste Insurance Broker's capital by 0.9 million euros, to cover the ascertained losses while at the same time strengthening the subsidiary's capital and its ability to continue as a going concern.

*** Poste Italiane SpA holds 51% of the voting capital.

List of investments accounted for using the equity method and statement of financial position and income statement data

Name (registered office) (€k)	Nature of investment	Carrying amount	% share	Assets	Liabilities	Equity	Revenue from sales and services	Net profit / (loss) for the year
Address Software Srl (Rome)	Subsidiary	457	51.00%	1,489	592	897	1,189	167
Anima Holding SpA (Milan)[a]	Associate	226,339	10.35%	2,657,844	1,244,661	1,413,183	909,739*	176,295
Conio Inc. (San Francisco)[b]	Associate	701	16.48%	13,740	3,159	10,581	-	(720)
Financit SpA (Rome)	Associate	37,522	40.00%	1,259,129	1,209,112	50,017	74,119	19,200
Indabox Srl (Rome)	Subsidiary	412	70.00%	512	197	315	465	2
ItaliaCamp Srl (Rome)[c]	Associate	142	19.40%	4,616	2,018	2,598	2,332	6
Kipoint SpA (Rome)	Subsidiary	2,006	100.00%	4,289	2,283	2,006	3,795	530
Replica SIM SpA (Milan)	Associate	9,892	45.00%	12,985	2,314	10,671	4,275	(291)
Other SDA Express Courier Associate[d]	Associates	4						

a. Data derived from the latest consolidated interim accounts for the period ended 30 September 2021 approved by the company's board of directors.
b. The balance sheet values also include the valuation of Conio srl, 100% owned by Conio Inc.
c. Figures taken from the company's latest financial statements approved by the Board at 31.12.2020.
d. This refers to Speedy Express Courier Srl in liquidation.
* The amount includes commissions, interest income and other similar income.

Disclosure pursuant to Law 124/2017

The information required by art. 1, paragraphs 125 and 129 of Law 124 of 4 August 2017 is provided below.

The information is provided in thousands of euros and on a cash basis, indicating the Group company that received and/or disbursed the grant. In addition, given the numerous interpretative doubts, the following information is provided on the basis of the best interpretation of the legislation available to date, in the light of the guidance provided by Assonime in Circular 5 of 22 February 2019.

Group companies (€k)	Grantor/beneficiary	Purpose	Amount paid
Poste Italiane	Fondazione Intercultura Onlus	Donation	115
Poste Italiane	Caritas italiana	Donation	66
Poste Italiane	Fondazione nuovo millennio scuola politica	Donation	25
Poste Italiane	Fondazione comunità Domenico Tardini	Donation	24
Poste Italiane	Comunità di Sant Egidio acap Onlus	Donation	20
Poste Italiane	Comunità di San Patrignano	Donation	20
Poste Italiane	Fondazione Don Gino Rigoldi	Donation	15
Poste Italiane	Fondazione Ospedale Meyer	Donation	15
Poste Italiane	Fondazione Poste Insieme Onlus	Donation	10
Poste Italiane	Associazione Andrea Tudisco Onlus	Donation	10
Poste Italiane	Fondazione centesimus annus pro pontefice	Donation	10
Poste Italiane	Fond. Bambino Gesù	Donation	10
Poste Italiane	Canovalandia	Donation	10
Poste Vita	PosteInsieme Onlus	Donation	10
PostePay	PosteInsieme Onlus	Donation	10
Total			**370**

Postal savings

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

Postal Savings

Description (€m)	31.12.2021	31.12.2020
Post office savings books	99,254	103,715
Interest-bearing Postal Certificates	235,625	231,417
Cassa Depositi e Prestiti	185,016	173,584
Ministry of the Economy and Finance - MEF	50,609	57,833
Total	**334,879**	**335,132**

Assets under management

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the year, amount to €12,562 million at 31 December 2021 (€10,063 million at 31 December 2020).

Commitments

The Group's purchase commitments break down as follows.

Commitments

Description (€m)	31.12.2021	31.12.2020
Lease arrangements	28	26
Contracts to purchase property, plant and equipment	92	45
Contracts to purchase intangible assets	20	29
Total	**140**	**100**

At 31 December 2021, the item Lease contracts includes commitments that do not fall under IFRS 16 – Leases.

In addition, at 31 December 2021, EGI SpA had substantially ceased its activities as an electricity wholesaler and did not purchase electricity on regulated futures markets.

Poste Italiane SpA's purchase commitments break down as follows.

Commitments

Description (€m)	31.12.2021	*related to group companies*	31.12.2020	*related to group companies*
Lease arrangements	27	-	26	*2*
Contracts to purchase property, plant and equipment	93	1	106	*1*
Contracts to purchase intangible assets	20	-	29	-
Total	**140**	**1**	**161**	***3***

At 31 December 2021, the item Lease contracts includes commitments that do not fall under IFRS 16 – Leases.

Guarantees

Unsecured guarantees issued by the Group and Poste Italiane SpA are as follows:

Guarantees

Description (€m)	31.12.2021	31.12.2020
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	447	391
by the Group in its own interests in favour of third parties	55	55
Total	**502**	**446**

Guarantees

Description (€m)	31.12.2021	31.12.2020
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	350	295
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	37	57
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	55	55
Total	**442**	**407**

Third-party assets

The Group's third-party assets include, in addition to the amounts detailed in the table below for the Parent Company, material for the Covid-19 emergency within the scope of the Civil Protection contract for around €1.5 billion, held in the warehouses of the subsidiary SDA Express Courier SpA.

Third-party Assets

Description (€m)	31.12.2021	31.12.2020
Bonds subscribed by customers held at third-party banks	1,799	2,592
Total	**1,799**	**2,592**

In addition to the above, at 31 December 2021, Poste Italiane SpA holds a further €2 million in assets belonging to Group companies.

Assets in the process of allocation

At 31 December 2021, the Parent Company has paid a total of €97 million in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

Fees paid to independent auditors pursuant to Art. 149-*duodecies* of the CONSOB "Regulations for issuers"

The following table shows payable[212] to the Parent Company's auditor, Deloitte & Touche, and companies within its network for 2021, presented in accordance with art. 149-*duodecies* of the CONSOB's Regulations for Issuers:

Disclosure of fees paid to independent Auditors

Type of Services (€k)	Entity providing the service	2021 fees
Poste Italiane SpA		
Audit	Deloitte & Touche SpA	1,159
Audit	Deloitte & Touche network	-
Attestation services	Deloitte & Touche SpA	588
Attestation services	Deloitte & Touche network	-
Other services	Deloitte & Touche SpA	17
Other services	Deloitte & Touche network	65
Subsidiaries of Poste Italiane SpA		
Audit*	Deloitte & Touche SpA	1,629
Audit	Deloitte & Touche network	54
Attestation services	Deloitte & Touche SpA	622
Attestation services	Deloitte & Touche network	-
Other services	Deloitte & Touche SpA	-
Other services	Deloitte & Touche network	-
Total		**4,134**

* Includes costs for the audit of funds managed by BPF SGR charged to savers for a total fee of €214 thousand settled at 100%.

212. Auditing services are expensed as incurred and reported in the audited financial statements. Any attestation services relating to accounts prior to the reporting date are recognised on an accruals basis, following engagement of the auditor, in the year in which the services are rendered, applying the percentage of completion method.


PosteItalia

14

BANCOPOSTA RFC'S SEPARATE REPORT FOR THE YEAR ENDED

31 DECEMBER 2021

14.

BANCOPOSTA RFC'S SEPARATE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

Financial Statements

Balance sheet

Assets (figures in €)		31 December 2021	31 December 2020
10.	Cash and cash equivalents	7,680,326,129	6,408,027,698
20.	Financial assets measured at fair value through Profit or loss	38,871,402	72,352,360
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	*38,871,402*	*72,352,360*
30.	Financial assets measured at fair value through other comprehensive income	37,626,169,600	42,638,326,216
40.	Financial assets measured at amortised cost	53,733,427,641	52,024,421,464
	a) due from banks	*3,378,615,492*	*6,340,389,365*
	b) due from customers	*50,354,812,149*	*45,684,032,099*
50.	Hedging derivatives	873,376,627	78,244,095
60.	Adjustments for changes in hedged financial assets portfolio (+/-)	-	-
70.	Investments	-	-
80.	Property, plant and equipment	-	-
90.	Intangible assets	-	-
	of which:	-	-
	- goodwill	-	-
100.	Tax assets	282,549,035	129,633,285
	a) current	-	-
	b) deferred	*282,549,035*	*129,633,285*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	8,837,599,833	2,629,878,491
	Total assets	**109,072,320,267**	**103,980,883,609**

Balance sheet

Liabilities and Equity (figures in €)		31 December 2021	31 December 2020
10.	Financial liabilities measured at amortised cost	95,798,713,409	86,109,541,953
	a) due to banks	*10,700,636,405*	*10,814,911,214*
	b) due to customers	*85,098,077,004*	*75,294,630,739*
	c) debt securities in issue	-	-
20.	Financial liabilities held for trading	2,633,070	19,813,389
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	5,460,693,418	8,243,169,397
50.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
60.	Tax liabilities	670,198,017	978,664,314
	a) current	-	-
	b) deferred	*670,198,017*	*978,664,314*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	2,535,136,332	3,153,666,722
90.	Employee termination benefits	2,704,777	2,869,309
100.	Provisions for risks and charges:	229,066,582	213,498,475
	a) commitments and guarantees given	-	-
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	*229,066,582*	*213,498,475*
110.	Valuation reserves	1,117,995,952	2,278,282,242
120.	Redeemable shares	-	-
130.	Equity instruments	350,000,000	-
140.	Reserves	2,396,824,468	2,352,582,101
150.	Share premium reserve	-	-
160.	Share capital	-	-
170.	Treasury shares (-)	-	-
180.	Profit/(Loss) for the year (+/-)	508,354,242	628,795,707
	Total liabilities and Equity	**109,072,320,267**	**103,980,883,609**

Statement of Profit or loss

Items (figures in €)		FY 2021	FY 2020
10.	Interest and similar income	1,532,606,306	1,586,562,357
	of which: interest income calculated using the effective interest method	*1,532,606,306*	*1,586,562,357*
20.	Interest expense and similar charges	(91,396,159)	(89,265,394)
30.	**Net interest income**	**1,441,210,147**	**1,497,296,963**
40.	Fee income	3,588,811,008	3,582,077,042
50.	Fee expenses	(267,375,205)	(291,797,838)
60.	**Net fee and commission income**	**3,321,435,803**	**3,290,279,204**
70.	Dividends and similar income	424,218	406,922
80.	Profits/(Losses) on trading	(2,020,324)	6,530,477
90.	Profits/(Losses) on hedging	5,102,964	(2,146,775)
100.	Profits/(Losses) on disposal or repurchase of:	406,995,968	365,352,304
	a) financial assets measured at amortised cost	*(94,826,393)*	*63,032,233*
	b) financial assets measured at fair value through other comprehensive income	*501,822,361*	*302,320,071*
	c) financial liabilities	-	-
110.	Profits/(Losses) on other financial assets/liabilities measured at fair value through Profit or loss	7,297,977	1,700,378
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	*7,297,977*	*1,700,378*
120.	**Net interest and other banking income**	**5,180,446,753**	**5,159,419,473**
130.	Net losses/recoveries due to credit risk on:	3,853,315	(22,043,396)
	a) financial assets measured at amortised cost	*(1,994,491)*	*(15,818,813)*
	b) financial assets measured at fair value through other comprehensive income	*5,847,806*	*(6,224,583)*
140.	Profits/(Losses) from contract amendments without termination	-	-
150.	**Net income from banking activities**	**5,184,300,068**	**5,137,376,077**
160.	Administrative expenses:	(4,446,377,277)	(4,443,831,906)
	a) personnel expenses	*(33,417,194)*	*(33,902,283)*
	b) other administrative expenses	*(4,412,960,083)*	*(4,409,929,623)*
170.	Net provisions for risks and charges	(48,261,096)	69,288,109
	a) commitments and guarantees given	-	-
	b) other net provisions	*(48,261,096)*	*69,288,109*
180.	Net losses/recoveries on property, plant and equipment	-	-
190.	Net losses/recoveries on intangible assets	-	-
200.	Other operating income/(expense)	7,855,729	66,599,191
210.	**Operating expenses**	**(4,486,782,644)**	**(4,307,944,606)**
220.	Profits/(Losses) on investments	-	-
230.	Profits/(Losses) on fair value measurement of property, plant and equipment and intangible assets	-	-
240.	Impairment of goodwill	-	-
250.	Profits/(Losses) on disposal of investments	-	-
260.	**Income/(Loss) before tax from continuing operations**	**697,517,424**	**829,431,471**
270.	Taxes on income from continuing operations	(189,163,182)	(200,635,764)
280.	**Income/(Loss) after tax from continuing operations**	**508,354,242**	**628,795,707**
290.	Income/(Loss) after tax from discontinued operations	-	-
300.	**Profit/(Loss) for the year**	**508,354,242**	**628,795,707**

Statement of comprehensive income

Items (figures in €)		FY 2021	FY 2020
10.	**Profit/(Loss) for the year**	**508,354,242**	**628,795,707**
	Other components of comprehensive income after taxes not reclassified to Profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through Profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(105,828)	(105,516)
80.	Non-current assets and disposal groups held for sale	-	-
90.	Share of valuation reserve attributable to equity-accounted investments	-	-
	Other components of comprehensive income after taxes reclassified to Profit or loss		
100.	Hedges of foreign investments	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	(133,986,689)	(17,062,553)
130.	Hedges (elements not designated)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(1,026,193,773)	1,212,304,116
150.	Non-current assets and disposal groups held for sale	-	-
160.	Share of valuation reserve attributable to equity-accounted investments	-	-
170.	**Total other components of comprehensive income after taxes**	**(1,160,286,290)**	**1,195,136,047**
180.	**Comprehensive income (Items 10+170)**	**(651,932,048)**	**1,823,931,754**

Statement of changes in Equity

(figures in €)	31 December 2021									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other*					
Balance at 31.12.2020	**-**	**-**	**-**	**1,142,026,750**	**1,210,555,351**	**2,278,282,242**	**-**	**-**	**628,795,707**	**5,259,660,050**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01.01.2021	**-**	**-**	**-**	**1,142,026,750**	**1,210,555,351**	**2,278,282,242**	**-**	**-**	**628,795,707**	**5,259,660,050**
Attribution of retained earnings	**-**	**-**	**-**	**50,000,000**	**-**	**-**	**-**	**-**	**(628,795,707)**	**(578,795,707)**
Reserves	-	-	-	50,000,000	-	-	-	-	(50,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(578,795,707)	(578,795,707)
Changes during the year	**-**	**-**	**-**	**(6,231,582)**	**473,949**	**(1,160,286,290)**	**350,000,000**	**-**	**508,354,242**	**(307,689,681)**
Movements in reserves	-	-	-	(6,231,582)	473,949	-	-	-	-	(5,757,633)
Equity-related transactions	-	-	-	-	-	-	350,000,000	-	-	350,000,000
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	350,000,000	-	-	350,000,000
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2021	-	-	-	-	-	(1,160,286,290)	-	-	508,354,242	(651,932,048)
Equity at 31.12.2021	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**

* This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Incentive Plans Reserve of €1 million.

(figures in €)	31 December 2020									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
	ordinary shares	other shares		retained earnings	other**					
Balance at 31.12.2019	**-**	**-**	**-**	**1,057,026,750**	**1,210,088,390**	**1,083,146,195**	**-**	**-**	**610,685,913**	**3,960,947,248**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01.01.2020	**-**	**-**	**-**	**1,057,026,750**	**1,210,088,390**	**1,083,146,195**	**-**	**-**	**610,685,913**	**3,960,947,248**
Attribution of retained earnings	**-**	**-**	**-**	**85,000,000**	**-**	**-**	**-**	**-**	**(610,685,913)**	**(525,685,913)**
Reserves	-	-	-	85,000,000	-	-	-	-	(85,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(525,685,913)	(525,685,913)
Changes during the year	**-**	**-**	**-**	**-**	**466,961**	**1,195,136,047**	**-**	**-**	**628,795,707**	**1,824,398,715**
Movements in reserves	-	-	-	-	466,961	-	-	-	-	466,961
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2020	-	-	-	-	-	1,195,136,047	-	-	628,795,707	1,823,931,754
Equity at 31.12.2020	**-**	**-**	**-**	**1,142,026,750**	**1,210,555,351**	**2,278,282,242**	**-**	**-**	**628,795,707**	**5,259,660,050**

** This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Incentive Plans Reserve of €0.6 million.

On 30 June 2021, there was an injection of capital into BancoPosta RFC, via the granting of a €350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 (hereinafter "AT1") capital, designed to strengthen its leverage ratio.

The coupons paid, amounting to €6 million net of any tax effect, are deducted from retained earnings.

Statement of cash flows

Indirect method

(figures in €)		FY 2021	FY 2020
A.	**OPERATING ACTIVITIES**		
1.	**Cash flow from operations**	**465,820,695**	**689,520,140**
	- Profit/(Loss) for the year (+/-)	508,354,242	628,795,707
	- gains/(losses) on financial assets held for trading and on assets and liabilities measured at fair value through Profit or loss (-/+)	(3,691,029)	8,809,605
	- gains/(losses) on hedging activities (-/+)	(5,102,964)	2,146,775
	- net losses/recoveries due to credit risk (+/-)	(3,853,315)	22,043,397
	- net losses/recoveries on property, plant and equipment and intangible assets (+/-)	-	-
	- net provisions and other expenses/income (+/-)	49,050,911	(53,807,805)
	- unpaid taxes and duties (+)	189,163,183	200,577,777
	- net losses/recoveries on discontinued operations after tax (+/-)	-	-
	- other adjustments (+/-)	(268,100,333)	(119,045,316)
2.	**Cash flow from/(used for) financial assets**	**(6,489,961,884)**	**(13,224,843,763)**
	- financial assets held for trading	-	-
	- financial assets designated at fair value	-	-
	- other financial assets mandatorily measured at fair value	40,778,935	9,483
	- financial assets measured at fair value through other comprehensive income	2,808,435,820	(2,342,172,617)
	- financial assets measured at amortised cost	(3,241,086,579)	(10,683,285,823)
	- other assets	(6,098,090,060)	(199,394,806)
3.	**Cash flow from/(used for) financial liabilities**	**7,532,044,970**	**15,156,757,443**
	- financial liabilities measured at amortised cost	9,692,424,923	15,730,722,989
	- financial liabilities held for trading	(22,274,052)	-
	- financial liabilities designated at fair value	-	-
	- other liabilities	(2,138,105,901)	(573,965,546)
Net cash flow from/(used for) operating activities		**1,507,903,781**	**2,621,433,820**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**-**	**-**
	- disposal of investments	-	-
	- dividends received on investments	-	-
	- disposal of property, plant and equipment	-	-
	- disposal of intangible assets	-	-
	- disposal of business divisions	-	-
2.	**Cash flow used for**	**-**	**-**
	- acquisition of investments	-	-
	- acquisition of property, plant and equipment	-	-
	- acquisition of intangible assets	-	-
	- acquisition of business divisions	-	-
Net cash flow from/(used for) investing activities		**-**	**-**
C.	**FINANCING ACTIVITIES**		
	- issuance/purchase of treasury shares	-	-
	- issuance/purchase of equity instruments	350,000,000	-
	- dividends and other payments	(586,993,882)	(525,685,913)
Net cash flow from/(used for) financing activities		**(236,993,882)**	**(525,685,913)**
NET CASH FLOW GENERATED/(USED) DURING THE YEAR		**1,270,909,899**	**2,095,747,907**

LEGEND:
(+) generated
(-) used

Reconciliation

Financial statement items (figures in €)	FY 2021	FY 2020
Cash and cash equivalents at beginning of the year	6,408,027,698	4,317,637,719
Net cash flow generated/(used) during the year	1,270,909,899	2,095,747,907
Cash and cash equivalents: effect of exchange rate fluctuations	1,388,532	(5,357,928)
Cash and cash equivalents at end of the year	**7,680,326,129**	**6,408,027,698**

Notes to the financial statements

Part A – Accounting Policies

A.1 – General

Section 1 – Declaration of compliance with international financial reporting standards

The Separate Report has been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These were endorsed for application in the European Union by European Regulation (EC) 1606/2002 of 19 July 2002, as transposed into Italian law by Legislative Decree 38 of 28 February 2005 governing the introduction of IFRS into Italian legislation. The term IFRSs means all the International Financial Reporting Standards, International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), adopted by the European Union and contained in the EU Regulations in force at 31 December 2021, in relation to which no exceptions were made.

Accounting standards and interpretations applicable from 1 January 2021 and those soon to be effective

The relevant information is provided in note 2.5 – New Accounting standards and interpretations and those soon to be effective – in the section – Financial statements of Poste Italiane – of this Annual Report.

Section 2 – Basis of preparation

The Separate Report has been prepared in accordance with the provisions of the seventh update of Bank of Italy Circular No. 262 of 22 December 2005 - "Bank's financial statements: layouts and preparation" (effective from 31 December 2021), and the Bank of Italy Communication of 21 December 2021 "Update of the additions to the provisions of Circular No. 262 concerning the impact of Covid-19 and measures to support the economy", where applicable, and has been prepared in accordance with the provisions of art. 2447-septies, paragraph 2 of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2021, has been prepared in euros without decimal places and consists of the balance sheet, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The balance sheet, statement of profit or loss and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the balance sheet, statement of profit or loss and statement of comprehensive income for the sake of completeness. The cash flow statement has been prepared under the indirect method [213]. All figures in the explanatory notes are stated in millions of euros. Tables with no amounts are not shown.

The accounting principles and criteria for recognition, measurement and classification adopted in this Report are the same as those used for the preparation of the separate Report as of 31 December 2020, except for the classification of demand receivables from banks and central banks (reclassified in item 10 – Cash and cash equivalents), as well as details on commissions receivable and payable, which were modified following the entry into force of the seventh update of Bank of Italy Circular No. 262/2005 In order to allow for a uniform comparison with the figures for 2020, certain figures and notes for the comparison year have been reclassified.

The Separate Report forms an integral part of Poste Italiane SpA's financial statements and has been prepared on a going concern basis in that BancoPosta RFC's operations are certain to continue in the foreseeable future. Poste Group companies and, as a result, BancoPosta RFC, as a going concern, prepare their financial statements on a going concern basis, taking into account the Group's economic and financial outlook, as reflected in the "2024 Sustain & Innovate" strategic plan approved on 18 March 2021 and its updates approved by the Board of Directors on 22 March 2022.

BancoPosta's accounting policies, described in the Separate Report, are the same as those adopted by Poste Italiane SpA are described in this Part A and are relevant to all of BancoPosta RFC's operations.

The disclosures provided in this Separate Report are in accordance, to the extent applicable, with the guidance and recommendations of European regulatory and supervisory bodies and standard setters (EBA, ECB and IFRS Foundation) published in the 2020 and 2021 financial years to provide a guideline in the current economic environment, which is heavily influenced by the ongoing pandemic.

Section 3 – Events after the end of the reporting period

For the purpose of preparing the financial statements for the year ended 31 December 2021, the conflict between Russia and Ukraine, under the terms of IAS 10 - Events After the Reporting Period, can be considered a non-adjusting subsequent event as it is related to conditions that occurred after the reporting date. These conditions were therefore not reflected in the accounting measurements, but were considered for the purpose of drawing up the disclosure on subsequent events.

This said, in order to assess the impacts of the conflict for the Group an assessment was made of the current and potential future impacts and of the sanctions placed on Russia by the state and supranational authorities, on the Group's activities, financial situation and economic results in consideration of the evidence available and the scenarios conceivable at the date of preparing the present financial statements.

The potential impacts, although currently unclear and uncertain also in relation to the pressure on inflation driven by the sharp increases in energy and raw material prices, seem limited in relation to the fact that the Group's operating activities are almost entirely carried out within the country and without depending on the value chain with the countries involved.

213. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

Section 4 – Other aspects

4.1 Intersegment relations

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions") are recognised in the balance sheet at 31 December 2021 as shown below:

€m		31.12.2021	*of which intersegment*	31.12.2020	*of which intersegment*
	Assets				
10.	Cash and cash equivalents	7,680	-	6,408	-
20.	Financial assets measured at fair value through Profit or loss	39	-	72	-
	a) financial assets held for trading	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-
	c) other financial assets mandatorily measured at fair value	*39*	-	*72*	-
30.	Financial assets measured at fair value through other comprehensive income	37,626	-	42,638	-
40.	Financial assets measured at amortised cost	53,733	*179*	52,024	*902*
	a) due from banks	*3,379*	-	*6,340*	-
	b) due from customers	*50,354*	*179*	*45,684*	*902*
50.	Hedging derivatives	873	-	78	-
100.	Tax assets	283	-	130	-
120.	Other assets	8,838	*75*	2,631	*22*
	A Total assets	**109,072**	***254***	**103,981**	***924***
	Liabilities and Equity				
10.	Financial liabilities measured at amortised cost	95,798	*172*	86,110	*140*
	a) due to banks	*10,700*	-	*10,815*	-
	b) due to customers	*85,098*	*172*	*75,295*	*140*
	c) debt securities in issue	-	-	-	-
20.	Financial liabilities held for trading	3	-	20	-
40.	Hedging derivatives	5,461	-	8,243	-
60.	Tax liabilities	670	-	979	-
80.	Other liabilities	2,535	*4*	3,153	*491*
90.	Employee termination benefits	3	-	3	-
100.	Provisions for risks and charges	229	-	213	-
110.	Valuation reserves	1,118	-	2,278	-
130.	Equity instruments	350	-	-	-
140.	Reserves	2,397	-	2,353	-
180.	Profit/(Loss) for the year (+/-)	508	-	629	-
	B Total liabilities and Equity	**109,072**	***176***	**103,981**	***631***
	A-B Net intersegment balances		***78***		***293***

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by the specific Regulations governing the process of awarding and outsourcing of BancoPosta RFC, approved by Poste Italiane SpA's Board of Directors[214].

These Regulations, in execution of the provisions set out in the Regulations for ring-fenced capital, govern and formalise the process of awarding BancoPosta's Corporate Functions to Poste Italiane in accordance with the relevant regulations, identifying the operational phases, roles and responsibilities of the Bodies and Corporate Functions involved in various ways. The general policies and instructions contained in the Regulations in relation to transfer pricing are detailed in specific Operating Guidelines, jointly developed by BancoPosta and other Poste Italiane SpA functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective, as established in the Regulations, following an authorisation process involving the relevant Functions, the Chief Executive Officer and, where required, the Company's Board of Directors. When BancoPosta intends to contract out a major process or a control procedure, whether in its entirety or in part, to Poste Italiane SpA in accordance with specific Operating Guidelines, it must give prior notice to the Bank of Italy. In accordance with Bank of Italy Circular 285 issued on 17 December 2013, Part Four, the Board of Statutory Auditors is required to verify, at least every six months, that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

In line with 2020, the services are charged for in the form of transfer prices. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In this case, an appropriate mark-up, determined with reference to those used by comparable peers, is applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The current specifications are effective as of 1 January 2021, with validity until 31 December 2022. Transfer prices, as defined in the Operating Guidelines, may however be revised annually during the planning and budgeting process.

For the purposes of oversight of the unbundled accounts, in 2021, the Board of Statutory Auditors conducted the relevant audit activities during 2 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2021.

4.2 Proceedings pending and principal relations with the authorities

Relations with the Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified Poste Italiane of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Poste Italiane's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this ruling before the Lazio Regional Administrative Court, which adjourned the case until a hearing on the merits scheduled for 25 March 2022.

Bank of Italy

On 14 March 2022, the Bank of Italy initiated inspections at Poste Italiane, with reference to BancoPosta RFC, pursuant to art. 54 of Legislative Decree No. 385 of 1 September 1993, focusing on business model, governance and control systems and interest rate risk issues.

214. At its meeting of 24 June 2021, the Board of Directors approved an update to the "Regulations governing the process of awarding and outsourcing of BancoPosta RFC", regulating and formalising both the process of awarding BancoPosta's Corporate Functions to Poste Italiane and the process of outsourcing to third parties outside Poste Italiane's organisation.

IVASS – Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

On 4 May 2021, following a meeting held on 12 April, with reference to the processes in place to support the management of dormant policies, IVASS sent Poste Vita and Poste Italiane – BancoPosta RFC a communication requesting them to submit, within 60 days, an action plan setting out the initiatives that the companies intend to adopt to improve the above processes. At the request of the Authority, the related plan, accompanied by the assessments of the Compliance and Internal Audit functions, was approved by the Board of Directors on 22 June 2021 and sent on 2 July 2021.

From 1 March to 18 June 2021, IVASS conducted inspections aimed at verifying compliance with anti-money laundering legislation, at both Poste Vita and Poste Italiane – BancoPosta RFC. The results of the inspection showed an overall satisfactory compliance framework regarding processes and procedures aimed at fulfilling customer due diligence obligations and the consequent evaluation of anomalous relationships and transactions. The decision is partially favourable, as the relationships seen as higher risk remain inadequately verified. These shortcomings concern, in particular, the assessment of how consistent transactions were with customer economic and financial profiles, which is not supported by documentation to check the information on the origin of the funds acquired by the network. The profiling system does not take into account all the risk factors referred to in Regulation 44 of 2019 and all the information collected from the customer.

Appropriate initiatives for areas of improvement identified by the Authority, Poste Vita and Poste Italiane – BancoPosta RFC have been established and are expected to be completed by the first half of 2022.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021 against Poste Italiane regarding the BancoPosta RFC, initiated a class action against Poste Italiane pursuant to article 140-*bis* of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the "Q" series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs' and potential members' claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an ruling dated 11 January 2022, held that the action submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy on the part of Poste Italiane.

4.3 Risks, uncertainties and impacts of the Covid-19 pandemic

For a description of the principal risks and uncertainties arising from Covid-19, reference should be made to the section Risk management – Covid risk management at Poste Italiane in the Report on Operations.

In particular, with reference to the measurement of expected credit losses on the financial assets of BancoPosta RFC, calculated in accordance with IFRS 9, note that following the improvement in the economic environment, the macroeconomic scenarios applied in the models led to a reduction in expected credit losses of approximately €13.7 million, due mainly to the securities portfolio and deposits with the MEF.

More detailed information on the adjustments made to the models is provided in Part E - Credit Risk.

4.4 Significant events during the year

- **Purchase of tax credits Law Lo. 77/2020**

  On 24 July 2021 Law No. 106/2021 was published in the Official Gazette, under which BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits pursuant to the so-called "Decreto Rilancio" (Decree Law No. 34/2020, subsequently converted into Law No. 77/2020), or other transferable tax credits pursuant to current legislation. In relation to the above, BancoPosta RFC has expanded investments, whilst maintaining the current operating model, which does not involve the assumption of credit risk.

- **Injection of capital to BancoPosta RFC**

  Poste Italiane SpA placed a perpetual subordinated hybrid bond issue with an 8-year non-call period, aimed at institutional investors. The settlement date was 24 June 2021. Following this issue, on 30 June 2021, there was an injection of capital into BancoPosta RFC, via the granting of a € 350 million perpetual subordinated loan with an 8-year non-call period, on terms and conditions that allow it to be counted as Additional Tier 1 (hereinafter "AT1") capital, designed to strengthen its leverage ratio.

- **Contribution of BancoPosta's "Debit Business" to PostePay SpA's EMI**

  On 28 May 2021, the Poste Italiane extraordinary Shareholders' Meeting, after obtaining all the authorisations required by law, approved the removal of the ring-fence restrictions on BancoPosta RFC regarding assets, liabilities and legal rights and obligations constituting the so-called "Debit card Business unit", with effect from 1 October 2021. The transaction is aimed at completing the process of centralising e-money services at the Electronic Money Institution (EMI) PostePay SpA.

4.5 Reform of benchmark rate

For an analysis of the effects of the reform of the benchmark rate, please refer to the information provided in Part E.

A.2 – Part relative to the main items of the financial statements

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

1 – Financial assets measured at fair value through Profit or loss

a) recognition criteria

Financial assets measured at fair value through profit or loss are initially recognised on the settlement date for debt and equity securities, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes all financial assets other than those classified as "Financial assets measured at fair value through other comprehensive income" and as "Financial assets measured at amortised cost". In particular, this item includes: a) financial assets purchased and held mainly for trading; b) financial assets designated as such on initial recognition, thanks to the fair value option; c) financial assets mandatorily measured at fair value through profit or loss.

This item comprises:

- debt securities and loans that are classified in the "Other/Trading" business model (thus not in the "Hold to Collect" and "Hold to Collect and Sell" business models) or fail to meet the SPPI test[215];
- equity securities held for trading or that were not initially recognised at fair value through other comprehensive income;
- derivative contracts, except those designated as hedges, that are classified as assets or liabilities held for trading, depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparties are offset during collateralisation, where allowed by contract.

c) measurement and recognition of gains and losses

These financial assets are recognised at fair value with any changes in fair value recognised in profit or loss in line "Item 80 - Profits/(Losses) on trading" and in line "Item 110 - Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss".

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards, as well as the relevant control activities, relating to the financial asset are substantially transferred. Where it is not possible to ascertain the substantial transfer of risks and benefits, financial assets are derecognised if no control is maintained over them. Finally, assets sold are derecognised if the contractual right to receive the related cash flows is maintained, but at the same time a contractual obligation is undertaken to pay these flows to a third party, without delay and only to the extent of those received.

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

a) recognition criteria

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date. These assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes financial assets held in connection with a business model where financial instruments are held to collect contractual cash flows and for sale ("Hold to Collect and Sell" - HTCS business model), with the relevant contract calling for the payment, at specified dates, of principal and interest accrued on the principal outstanding (SPPI).

In addition to debt securities that meet the aforementioned characteristics, this item comprises also equity secutities that would otherwise be measured at fair value through profit or loss, for which the election was made to report any subsequent changes in fair value through other comprehensive income (FVTOCI option).

215. The acronym SPPI - Solely Payments of Principal and Interest defines financial assets held solely to collect the relevant contractual cash flows, as represented by payments of principal and interest accrued on the principal outstanding at specified dates. The SPPI test is intended to check that the characteristics of the instruments are consistent with this objective.

c) measurement and recognition of gains and losses

Financial assets other than equity secutities are measured at fair value and any subsequent change in fair value is recognised through Other comprehensive income ("OCI") until the financial asset is either derecognised or reclassified, except for currency gains and losses recognised in the statement of profit or loss in "Item 80 – Profits/(Losses) on trading". When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit or loss in "Item 100 – Profits/(Losses) on disposal or repurchase".

The effects of the application of amortised cost are recognised in profit or loss in "Item 10 – Interest and similar income".

Expected credit losses are calculated in relation to these financial assets, as illustrated in the specific section. These expected losses are recognised in profit or loss in "Item 130 – Net losses/recoveries due to credit risk" with a counter-entry made under the "Item 110 – Valuation reserves".

Equity securities elected to be classified in this item are measured at fair value and any changes in such fair value are recognised in line "Item 110 – Valuation reserves" without subsequent recycling to profit or loss, not even in case of sale. The only component that is reported in profit or loss is the related dividends.

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards, as well as the relevant control activities, relating to the financial asset are substantially transferred. Where it is not possible to ascertain the substantial transfer of risks and benefits, financial assets are derecognised if no control is maintained over them. Finally, assets sold are derecognised if the contractual right to receive the related cash flows is maintained, but at the same time a contractual obligation is undertaken to pay these flows to a third party, without delay and only to the extent of those received.

3 – Financial assets measured at amortised cost

a) recognition criteria

Financial assets measured at amortised cost are initially recognised on (i) the settlement date for debt securities and investments and (ii) the date on which the service is rendered for trade receivables. They are initially recognised at fair value which is generally the price paid for debt securities or at the contractual value of the service rendered for all the other receivables. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes financial assets held in connection with a business model where the objective is the collection of the relevant cash flows ("Hold to Collect" - HTC business model), represented by payments, at specified dates, of principal and interest accrued on the principal outstanding (SPPI). The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

In addition to debt securities that reflect the characteristics outlined above, this item comprises mainly the deposits with the MEF and the trade receivables.

c) measurement and recognition of gains and losses

These assets are measured at amortised cost, that is the value assigned to the financial asset on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. Any gains or losses are recognised in profit or loss in line "Item 10 – Interest and similar income".

The carrying amount of financial assets measured at amortised cost is adjusted to take into account expected credit losses, as illustrated in the specific section. These expected credit losses are recognised in profit or loss in line "Item 130 – Net losses/ recoveries due to credit risk".

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards, as well as the relevant control activities, relating to the financial asset are substantially transferred. Where it is not possible to ascertain the substantial transfer of risks and benefits, financial assets are derecognised if no control is maintained over them. Finally, assets sold are derecognised if the contractual right to receive the related cash flows is maintained, but at the same time a contractual obligation is undertaken to pay these flows to a third party, without delay and only to the extent of those received.

4 – Hedges

The Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the accounting treatments provided for by IAS 39 with reference to hedge accounting.

a) recognition and classification criteria

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedge:

- *fair value hedges*: hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss;
- *cash flow hedges:* a hedge of the exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

Derivative contracts that constitute effective hedging relationships are shown as assets or liabilities depending on whether the fair value is positive or negative.

b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

Fair value hedges

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. Any difference represents the ineffective portion of the hedge and is accounted for as a loss or gain, recognised separately in line "Item 90 – Profits/(Losses) on hedging".

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (the Cash flow hedge reserve, within line "Item 110 – Valuation reserve"). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line "Item 90 – Profits/(Losses) on hedging".

Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as forward purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified in line "Item 80 – Profits/(Losses) on trading" for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

9 – Current and deferred taxation

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity.

BancoPosta RFC is not a separate legal person and is not either directly or indirectly assessable to taxes. BancoPosta's share of taxes on Poste Italiane SpA's overall income is charged to BancoPosta RFC based on the profit or loss presented in this Separate Report adjusted for deferred taxation. In the case of both IRES and IRAP, the computation takes all permanent and temporary changes in BancoPosta's operations into account. Any items not directly relating to BancoPosta are included in the Poste Italiane computation.

Current tax assets and liabilities form part of intersegment relations and are presented in the Separate Report in "Other assets" and "Other liabilities", as they are settled with the segment of Poste Italiane SpA outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, which continues to be the sole taxable entity.

10 – Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss under net provisions for the year. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. Under the option granted by the relevant accounting standards, limited disclosure is provided when, in rare cases, disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC's position in a dispute or in ongoing negotiations with third parties.

11 – Financial liabilities measured at amortised cost

a) recognition and classification criteria

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. The sub-items Due to banks and Due to customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost, employing the effective interest rate method. If there is a change in the expected cash flows and they can be reliably estimated, the value of amounts due is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied.

c) derecognition criteria

Financial liabilities are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

12 – Financial liabilities held for trading

a) classification and recognition criteria

Financial liabilities held for trading consist of derivatives which do not qualify for classification as hedging instruments in accordance with accounting standards, or originally obtained as a hedge which was subsequently discontinued. Financial liabilities held for trading are recognised on the derivative contract date.

b) measurement and recognition of gains and losses

Financial liabilities held for trading are measured at fair value though profit or loss in “Item 80 - Profits/(Losses) on trading”.

c) derecognition criteria

Financial liabilities on trading are derecognised when they are extinguished or when the obligation specified in the contract expires, is cancelled or discharged.

14 – Foreign currency transactions

a) recognition criteria

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

b) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:

- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate
- non-monetary items measured at fair value at closing exchange rates.

Foreign exchange differences realised on the settlement of monetary items or on the translation of monetary and non-monetary items, using exchange rates other than the rate used to translate the item on initial recognition, are recognised in profit or loss in line "Item 80 - Profits/(Losses) on trading".

15 – Other information

Revenue recognition

Revenue deriving from contracts with customers reflects the consideration to which the entity expects to be entitled in exchange for those goods and services (transaction price).

In accordance with IFRS 15, revenue is recognised on the basis of a 5-step framework, which consists of the following:

1. identify the contract with the customer (sales contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges);
2. identify the performance obligations, which can be defined as the explicit or implicit promise to transfer a distinct good or service to the customer;
3. determine the transaction price;
4. in case of bundles of goods or services involving different performance obligations, allocate the transaction price to the performance obligation; to that end, it is necessary to estimate the stand-alone selling price of each component;
5. recognise revenue when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer. Performance obligations can be fulfilled:
   - "at a point in time"": in the case of obligations fulfilled at a point in time, revenue is recognised only when control over the goods or service is passed to the customer. In this respect, consideration is given not only to the significant exposure to the risks and benefits related to the goods or service but also physical possession, customer's acceptance, the existence of legal rights, etc.;
   - "over time"": in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer's satisfaction. In this case an appropriate approach is defined to measure the "progress" of the performance obligation (the output method).

Every single obligation of the supplier to the customer is considered, measured and recognised separately. This approach involves a preliminary accurate analysis of the contract to identify every "single product/service" or every "single component" of a product/service that the supplier promises to provide, attributing to each the relevant consideration, and to monitor each such obligation during the life of the contract (in terms both of manner and timing of fulfilment and the customer's level of satisfaction).

For revenue recognition purposes, so-called variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) are included to supplement or adjust the transaction price. Among the variable components of the consideration, of particular importance are the penalties (other than those provided for compensation for damages), which IFRS 15 provides to be recorded as a direct decrease in revenue, instead of allocating them to a provision for risks and charges.

In the presence of multiple performance obligations, the total transaction price is allocated to each performance obligation to the extent of the consideration that the entity is entitled to receive for the transfer of the relevant goods and services to the customer. The transaction price will be allocated on the basis of the Standalone Selling Price of the goods and services associated with the performance obligation. The Standalone Selling Price is the price at which an entity would sell the goods and services separately to the customer, under similar circumstances and to similar customers. If the Standalone Selling Price is not observable, the Company needs to estimate it considering all the information available (market conditions, information on the customer or the class of customers) and the estimation methods used in similar circumstances.

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. Returns on the portion of current account deposits deposited with the MEF are determined on an accruals basis, using the effective interest rate method, and classified in “Item 10 - Interest and similar income”. A similar classification is applied to income from Eurozone government bonds, in which deposits paid into accounts by private customers and tax credits Law No. 77/2020 are invested.

Moreover, dividends are recognised in profit or loss when the right to receive payment is established, which generally corresponds with approval of the distribution by the shareholders of the investee company.

Impairment

Loans and receivables and debt securities classified under “Financial assets measured at amortised cost” and “Financial assets measured at fair value through other comprehensive income” are tested for impairment in accordance with the Expected Credit Losses (ECL) model. The method utilised is the “General deterioration model”, whereby:

- if on the reporting date the credit risk of a financial instrument has not increased significantly since initial recognition, a 12-month ECL is recognised (stage 1). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- if on the reporting date the credit risk of the financial instrument has increased significantly since initial recognition, a lifetime ECL is recognised (stage 2). Interest on the instrument is calculated on the gross carrying amount (amortised cost inclusive of the ECL);
- if a financial instrument is already impaired on initial recognition or shows objective evidence of impairment at the reporting date, a lifetime ECL is recognised (stage 3). Interest is recognised on the amortised cost, that is the value of the exposure – determined on the basis of the effective interest rate – adjusted by the expected credit losses.

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition.

However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate.

On the other hand, a simplified approach to measure the loss provisions is applied to trade receivables that do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses.

For a detailed description of the approaches, reference is made to Part E - Section 1 - Credit risk.

Tax credits Law No. 77/2020

The tax credits were acquired by Poste Italiane SpA in accordance with the provisions of the "Decreto Rilancio" (Decree-Law No. 34/2020 converted as amended by Law No. 77/2020), which introduced tax breaks to support citizens and businesses and promote economic recovery following the Covid-19 health emergency. The main features of these tax credits are: (i) their possible use in netting; (ii) their transferability to third-party purchasers; and (iii) their non-refundability by the tax Authorities.

Since it is not possible to identify an accounting framework directly applicable to this case, in compliance with the provisions of IAS 8, an accounting policy was defined suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction. On the basis of the analyses carried out and the documents published by the main Italian supervisory bodies[216],although the definition of financial assets in IAS 32 is not directly applicable to this case, it is believed that an accounting model based on IFRS 9 represents the most appropriate accounting policy since:

a. at inception, an asset as defined by the Conceptual Framework arises in the transferee's financial statements

b. they may be used to offset a payable that is usually settled in cash (tax payables), and exchanged for other financial assets on terms that may be potentially favourable to the entity

c. a business model can be identified (Hold to Collect, Hold to Collect and Sell or other business models).

Consequently, tax credit are recognised at the acquisition date at their fair value (coinciding with the price paid). They are then measured:

- at amortised cost, if acquired for use in offsetting taxes or contributions from Poste Italiane SpA, on the basis of the legislation on the characteristics of the individual receivables ("Hold to Collect" - HTC - business model);
- at fair value through comprehensive income, if purchased also for sale to third parties ("Hold to Collect and Sell" - HTCS - business model). When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit or loss in "Item 100 – Profits/(Losses) on disposal or repurchase".

As specified in the joint document of the Authorities, recalling that, under International Accounting Standards, purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets, the most appropriate classification, for the purposes of presentation in the financial statements, is the residual classification in "Item 120 - Other Assets" in the Balance Sheet. The related remuneration is recognised in profit or loss in line "Item 10 – Interest and similar income".

Repurchase agreements

Any securities received as part of a transaction entailing subsequent re-sale and the delivery of securities as part of a transaction entailing their subsequent repurchase are not either recognised or derecognised. Consequently, in the case of securities purchased under a resale agreement, the amount paid is recognised as an amount due from customers or banks under Financial assets measured at amortised cost; in the case of securities sold under a repurchase agreement, the liability is recognised as an amount due to banks or customers under Financial liabilities measured at amortised cost. The transactions described are subject to offsetting if, and only if, they are carried out with the same counterparty, have the same maturity and offsetting is provided for in the contract.

Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates.

Related parties external to the Group include the MEF and its direct and indirect subsidiaries and associates. Related parties also include Poste Italiane SpA's key management personnel and the funds representing post-employment benefit plans for the personnel of BancoPosta RFC and its related parties. The state and public sector entities other than the MEF are not classified as related parties. Transactions generated by Financial Assets and Liabilities represented by instruments traded on organised markets are not considered related-party transactions.

216. On 5 January 2021, the Bank of Italy, Consob and IVASS published document No. 9 of the Coordination Table on the application of IAS/IFRS "Accounting treatment of tax credits associated with the "Cura Italia" and "Rilancio" Law Decrees acquired following disposal by direct beneficiaries or previous purchasers".

Employee benefits

Short-term employee benefits are those that will be fully paid within twelve months of the end of the year in which the employee provided his or her services. Such benefits include wages, salaries, social security contributions, holiday pay and sick pay.

The undiscounted value of short-term employee benefits, to be paid to employees in consideration of employment services provided over the relevant period, is accrued as personnel expenses.

There are two types of **post-employment benefit**:

- Defined benefit plans

  Defined benefit plans include employee termination benefits payable to employees in accordance with art. 2120 of the Italian Civil Code for the part accrued until 31 December 2006. In fact, following the reform of the supplementary pension fund, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, BancoPosta RFC's defined benefit liability is applicable only to the provisions made up to 31 December 2006[217].

  Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the Separate Report is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). As BancoPosta RFC is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

- Defined contribution plans

  Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

Termination benefits payable to employees are recognised as a liability when BancoPosta RFC gives a binding commitment, also on the basis of consolidated relationships and mutual undertakings with union representatives, to terminate the employment of an employee, or group of employees, prior to the normal retirement date or, alternatively, an employee or group of employees accepts an offer of benefits in consideration of a termination of employment. Termination benefits payable to employees are immediately recognised as personnel expenses.

Other long-term employee benefits consist of benefits not payable within twelve months of the end of the reporting period during which the employees provided their services. The net change in the value of any of the components of the liability during the reporting period is recognised in full in profit or loss.

217. Where, following entry into effect of the new legislation, the employee has not exercised any option regarding the investment of vested employee termination benefits, the company has remained liable to pay the benefits until 30 June 2007, or until the date, between 1 January 2007 and 30 June 2007, on which the employee exercised a specific option. Where no option was exercised, from 1 July 2007 vested employee termination benefits have been paid into a supplementary pension fund.

Share-based payments

Share-based payment transactions may be settled in cash, equity instruments, or other financial instruments. In the event of share-based payment transactions BancoPosta RFC is required to measure the goods or services acquired and the liability incurred at fair value.

In the case of cash-settled share-based payment transactions:

- a liability is recognised as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the liability;
- the fair value of the liability must be remeasured at the end of each reporting period, recognising any changes in profit or loss, until it is extinguished.

In the case of equity-settled share-based payment transactions:

- an increase in shareholders' equity is recorded as a matching entry at cost;
- if the fair value of the goods or services received or acquired cannot be reliably determined, this value must be estimated indirectly on the basis of the fair value of the equity instruments granted at the grant date;

In the event of benefits granted to employees, recognition should take place in "Item 160 a) – Personnel expenses" over the period in which the employees render service and the expense accounted for.

Perpetual subordinated loan

The perpetual subordinated loan is classified as an equity instrument, in view of the fact that BancoPosta RFC has the unconditional right to defer repayment of the principal and payment of the coupons until the date of its liquidation. Therefore, the amount received from Poste Italiane SpA is recognised as an increase in the shareholders' equity; conversely, repayments of principal and payments of coupons due (at the time the related contractual obligation arises) are recognised as a decrease in the shareholders' equity.

Classification of the costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence are normally recognised in "Item 160 b) – Other administrative expenses".

Use of estimates

The preparation of financial information requires the use of estimates and assumptions that can have a significant effect on the final values indicated in the financial statements and in the disclosure provided. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Estimates and assumptions are periodically reviewed and the impact of any changes is reflected in the financial statements for the period in which the estimate is revised if the revision only influences the current period, or also in future periods if the revision influences both current and future periods. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in this Separate Report may also vary significantly as a result of changes in the subjective valuations used.

The following section describes the accounting treatments that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a material impact on the Separate Report, also taking account of the effects of the health emergency linked to the spread of the Coronavirus pandemic, which has had a significant impact on the economic and social context and makes it difficult to make realistic forecasts regarding the economic and financial outlook for the market and the Poste Italiane Group.

Impairment and stage allocation

For the purposes of calculating impairment and determining the stage allocation, the main factors estimated are as follows, relating to the internal model developed for Sovereign, Banking and Corporate counterparties:

- estimates of ratings by counterparty;
- estimation of the probability of default "PD" for counterparties.

With regard to trade receivables, on the other hand, stage allocation is not applied in accordance with the Simplified Approach. Impairment, for these items in the financial statements, is based on:

- analytical impairment: on exceeding a defined receivable threshold analytical monitoring of the individual receivable position is carried out, on the basis of internal or external evidence; or
- flat-rate impairment: preparation of a matrix for determination of the historical losses observed.

For further details, please refer to Part E – Credit Risk.

Revenue from contracts with customers

The main factors in the recognition of revenue from contracts with customers include elements of variable consideration, particularly penalties (other than those related to compensation for damages). Elements of variable consideration are identified at the inception of the contract and estimated at every reporting date for the entire contract term, to take into account new circumstances and changes in the circumstances already considered for the previous estimations. Elements of variable consideration include refund liabilities.

Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

Provisions for risks and charges

Provisions for risks and charges represent probable liabilities in connection with personnel, suppliers, third parties and, in general, liabilities deriving from present obligations. These provisions cover the liabilities that could result from legal action of varying nature, the impact on profit or loss of seizures incurred and not yet definitively assigned, and amounts expected to be refundable to customers where the final amount payable has yet to be determined.

Determination of the amounts to be provided involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing this Separate Report.

Share-based payments

As described in detail in Part I, the valuation of the Poste Italiane Group's existing share-based payment arrangements at the end of this Separate Report has been carried out using an internal pricing tool that adopts simulation models that meet the requirements of the relevant accounting standards and take account of the specific characteristics of the Plans. The plan terms and conditions link the award of the related options to the occurrence of certain events, such as the achievement of performance targets and performance hurdles and, in certain areas of operation, compliance with certain capital adequacy and liquidity requirements. For these reasons, measurement of the liability, equity reserve and the corresponding economic effects involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account in preparing this Separate Report.

Employee termination benefits

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions. These assumptions, which are based on the Group's experience and relevant best practices, are subject to periodic reviews.

A.3 – Information on transfers between financial asset portfolios

There have been no transfers between portfolios.

A.4 Information on fair value

Qualitative information

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2020, except for appropriate additions to include models to support the fair value measurement of tax credit acquired with reference to Law No. 77/2020 described below. These general principles have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with IFRS 13 – Fair Value Measurement, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level consists of fair value measurements made using prices quoted (unadjusted) in active markets for identical assets or liabilities which the entity can access at the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the valuation of which is based on the bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third. Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level consists of fair value measurements made using inputs different from the quoted prices included in Level 1 and observable directly or indirectly for the asset or liability[218]. For BancoPosta RFC, these include the following types of financial instrument:

- straight government and non-government, Italian and foreign bonds listed on inactive markets or unlisted;
- unlisted equity securities;
- derivative financial instruments;
- *Reverse Repo*;
- financial liabilities listed on inactive markets or unlisted, constituted by funding repos.

218. Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the individual technical forms include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

Level 3: this level consists of fair value measurements made using as well as the level 2 inputs also inputs not observable for the asset or liability. In BancoPosta RFC's case, the following categories of financial instruments for which no price is observable directly or indirectly in the market are relevant:

- equity securities;
- tax credits Law No. 77/2020

A.4.1 Levels of fair value 2 and 3: measurement techniques and inputs used

Information on the valuation models used is summarised below by type of financial instrument.

Level 2: this level includes the following categories of financial instrument:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or unlisted: the valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk based on spreads determined on listed and liquid benchmark securities of the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Unlisted equities securities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner is adjusted through the application of a discount, quoted by primary market counterparties, representing the cost implicit in the process to align the value of the unquoted shares to the quoted ones.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
  - Bond forwards: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.

  The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by BancoPosta RFC.
- Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Reverse Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: this level includes the following categories of financial instrument:

- unlisted equity securities for which no prices are observable directly or indirectly on the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.
- Tax credits Law No. 77/2020 for which no prices are observable directly or indirectly on the market. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.

A.4.2 Measurement processes and sensitivities

The processes used in recurring and non-recurring fair value measurements of instruments classified in Level 3 are described in paragraphs A.4.1 and A.4.5, respectively, of Part A.

Sensitivity analysis of recurring fair value measurements classified in Level 3 of the hierarchy is conducted for the Series C Visa Incorporated Convertible Participating Preferred Stock. Measurement of these financial instruments is in fact subject to change following alterations that may occur in the discount factor applied in determining fair value, in order to take into account the illiquid nature of the shares. This discount factor, estimated using an internal valuation technique, is above all influenced by the annual volatility of the underlying shares. Applying the maximum volatility according to the technique used, the potential reduction in fair value could reach approximately 15.09%.

A.4.3 Fair value hierarchy

The primary factors contributing to transfers between fair value levels include changes in the observability of significant inputs and market conditions (including the liquidity parameter) and refinements in valuation models used in measuring fair value.

For all classes of assets and liabilities, the transfer from one level to another takes place on the date of the event or change in circumstances that led to the transfer.

Information on transfers during the period is provided Part A.4.5 - Fair value hierarchy.

A.4.4 Other information

There is no need to provide the additional disclosures required by IFRS 13, paragraphs 51, 93(h) and 96.

Quantitative information

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

Assets/Liabilities measured at fair value (€m)		31.12.2021			31.12.2020		
		Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
1.	Financial assets measured at fair value through Profit or loss	-	-	39	-	38	34
	a) financial assets held for trading	-	-	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	-	-	39	-	38	34
2.	Financial assets measured at fair value through other comprehensive income	37,290	336	-	42,324	314	-
3.	Hedging derivatives	-	873	-	-	78	-
4.	Property, plant and equipment	-	-	-	-	-	-
5.	Intangible assets	-	-	-	-	-	-
Total		**37,290**	**1,209**	**39**	**42,324**	**430**	**34**
1.	Financial liabilities held for trading	-	3	-	-	20	-
2.	Financial liabilities designated at fair value	-	-	-	-	-	-
3.	Hedging derivatives	-	5,461	-	-	8,243	-
Total		**-**	**5,464**	**-**	**-**	**8,263**	**-**

* Notes on this position are provided in Part B, Assets, Table 2.5.

The table does not include tax credits Law No. 77/2020 measured at fair value with impact on other comprehensive income, the fair value of which at 31 December 2021 was €3,301 million, and to which level 3 in the fair value hierarchy is attributed.

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

(€m)	Financial assets measured at fair value through Profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**34**	**-**	**-**	**34**	**-**	**-**	**-**	**-**
2. Increases	**5**	**-**	**-**	**5**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profit recognition:	5	-	-	5	-	-	-	-
2.2.1. Profit or loss	5	-	-	5	-	-	-	-
- of which gains	5	-	-	5	-	-	-	-
2.2.2. Equity	-	x	x	x	-	-	-	-
2.3.Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Impairment recognition:	-	-	-	-	-	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- of which losses	-	-	-	-	-	-	-	-
3.3.2. Equity	-	x	x	x	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**39**	**-**	**-**	**39**	**-**	**-**	**-**	**-**

In the period under review, the changes relate to the fluctuation in fair value of Series C Visa Incorporated Convertible Participating Preferred Stock.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	53,733	30,244	3,418	20,623	52,024	31,188	3,573	18,769
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**53,733**	**30,244**	**3,418**	**20,623**	**52,024**	**31,188**	**3,573**	**18,769**
1. Financial liabilities measured at amortised cost	95,799	-	13,249	82,539	86,110	-	14,380	71,762
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**95,799**	**-**	**13,249**	**82,539**	**86,110**	**-**	**14,380**	**71,762**

In determining the fair values shown in the table, the following criteria were used:

- debt securities measured at amortised cost were recognised applying the same rules as those used in the fair value measurement of financial assets measured at fair value through other comprehensive income; these instruments are shown in Level 1 of the fair value hierarchy;
- the fair value for repurchase agreements was measured using discounted cash flow techniques, described in paragraph A.4.1; in the fair value hierarchy these financial instruments are shown in Level 2;
- the carrying amount of other financial assets and liabilities represents a reasonable approximation of fair value and is shown in the column corresponding to Level 3 in the fair value hierarchy.

The table does not include tax credits Law No. 77/2020 measured at amortised cost with a carrying amount of €2,708 million and a fair value of €2,674 million as at 31 December 2021. This fair value is determined using discounted cash flow techniques, described in paragraph A.4.1, and corresponds to Level 3 of the fair value hierarchy.

A.5 – Information on day one profit/loss

This form of profit or loss is not applicable to BancoPosta RFC.

Part B – Information on the Balance sheet

Assets

Section 1 – Cash and cash equivalents – Item 10[219]

1.1 Cash and cash equivalents: breakdown

(€m)	Total at 31.12.2021	Total at 31.12.2020
a) Cash	2,906	3,042
b) Current accounts and demand deposits with Central Banks	4,771	3,362
c) Current accounts and demand deposits with banks	3	4
Total	**7,680**	**6,408**

"Cash" is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. These cash funds, which are held in post offices (€1,279 million) and service companies[220] (€1,627 million), cannot be used for any purpose other than the extinguishment of obligations arising from the above transactions. Cash includes foreign banknotes equivalent to €20 million.

The increase in the sub-item "Current accounts and demand deposits with Central Banks" is due mainly to temporary excess liquidity deriving from deposits from individuals on the account opened with the Bank of Italy and not yet invested.

Section 2 – Financial assets measured at fair value through Profit or loss – Item 20

BancoPosta RFC had no financial instruments in the trading book either at 31 December 2021 or 31 December 2020. BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers.

At 31 December 2021 and 31 December 2020, there were no financial assets in the portfolio designated at fair value under the fair value option.

219. Following the seventh update of Bank of Italy Circular No. 262 of 22 December 2005, effective from 31 December 2021, the information content of the balance sheet was changed by reclassifying, in assets, demand receivables from banks and central banks from "Item 40 - Financial assets measured at amortised cost" to "Item 10 - Cash and cash equivalents". Therefore, in order to allow for a consistent comparison with the 2020 figures, amounts due from banks relating to current accounts and demand deposits, previously recorded under "Item 40 – Financial assets measured at amortised cost", were reclassified to the sub-item "Current accounts and demand deposits with banks" for a total of €4 million.
220. They carry out transport and custody of valuables awaiting payment to the State Treasury.

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

Item/Amount (€m)	Total at 31.12.2021			Total at 31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**-**	**39**	**-**	**38**	**34**
3. UCIs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**39**	**-**	**38**	**34**

Investments in equity securities refer to the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) assigned following the completion sale of the Visa Europe Ltd. share to Visa Incorporated in 2016. These shares are convertible into ordinary shares at the rate of 6,829[221] ordinary shares for each C share, minus a suitable illiquidity discount.

The overall net change in fair value during the year under review is a positive €5 million and is recorded in profit or loss under "Item 110 – Profits (Losses) of other financial assets and liabilities measured at fair value through profit or loss".

In the first half of 2021,BancoPosta RFC entered into a forward sale agreement for 198,000 Visa Incorporated ordinary shares at a price of US$210.24 per share and at an exchange rate of 1.2044. The total consideration is €35 million and the settlement date is 1 March 2023. The ordinary shares involved in the forward sale amount to approximately 28,994 Visa Incorporated (series C) preference shares held in portfolio at the applicable conversion rate at 31 December 2021. The fair value of the forward sale has decreased by €3 million in the reporting year, reflecting movements in both the price of the shares in dollars and the euro/dollar exchange rate. This reduction has been recognised in profit or loss in "Item 80 - Profits (Losses) on trading".

In addition, on 1 March 2021, the forward sale of 400,000 Visa Incorporated ordinary shares outstanding at 31 December 2020 was settled without exchange of the underlying asset, the economic effect of which, in the amount of approximately €1 million, was recognised in "Item 80 - Profits/(Losses) on trading".

Finally, during the first half of 2021, we entered into a forward sale, settled on 3 June 2021, of 2,199 preference shares of Visa Incorporated Series A Preferred Stock[222] (corresponding to 220,000 ordinary shares), with exchange of the underlying. This transaction generated a net positive effect of approximately €1 million, of which €2 million was recognised in the statement of profit or loss in "Item 110 – Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss" as a positive effect of the exchange of the underlying asset.

221. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.
222. *On 21 June 2020 (the fourth year after closing), the process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock commenced, partially concluded on 24 September 2020 with the grant of 2,199 preference shares of Visa Incorporated Series A Preferred Stock.*

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

(€m)	Total at 31.12.2021	Total at 31.12.2020
1. Equity instruments	**39**	**72**
of which: banks	-	-
of which: other financial companies	39	72
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCIs	**-**	**-**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**39**	**72**

Section 3 – Financial assets measured at fair value through other comprehensive income – Item 30

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

Item/Amount (€m)	Total at 31.12.2021			Total at 31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**37,290**	**336**	**-**	**42,324**	**314**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	37,290	336	-	42,324	314	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**37,290**	**336**	**-**	**42,324**	**314**	**-**

Investments in debt securities are recognised at fair value, for €37,626 million (of which €261 million in accrued interest).

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

Item/Amount (€m)	Total at 31.12.2021	Total at 31.12.2020
1. Debt securities	**37,626**	**42,638**
a) Central banks	-	-
b) Public Administration entities	37,626	42,638
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	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**37,626**	**42,638**

Debt securities issued by governments include Eurozone fixed income government bonds, represented by Italian government securities with a nominal value of €31,416 million. Total fair value fluctuation for the period was negative for €2,190 million and was recognised in the equity reserve for the negative amount of €999 million in relation to the portion of the portfolio not hedged by fair value hedges, and a gain of €1,191 million recognised through profit or loss in relation to the hedged portion. The decrease in this item is due to the above-mentioned change in fair value as well as to higher sales/redemptions compared to purchases made during the year, since, after the conversion into Law no. 106 of 23 July 2021 of Italian Law Decree No. 73 of 25 May 2021, part of the deposits from private customers was used to purchase tax credits transferable pursuant to Italian Law Decree 34/2020 ("Decreto Rilancio").

Securities with a nominal value of €6,814 million are encumbered as follows:

- €5,459 million, carried at fair value for €6,261 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2021;
- €30 million, carried at fair value for €30 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with interest rate swaps and repurchase agreements concluded in the year under review;
- €1,291 million, carried at fair value for €1,636 million, and delivered to the Bank of Italy to secure an intraday credit line;
- €34 million carried at fair value for €38 million and delivered to the Bank of Italy in relation to the clearing service offered by the central bank for the execution of Sepa Direct Debits.

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

(€m)	Gross amount					Total impairments				Total partial writeoffs*
	Stage 1		Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
		of which: Instruments with low credit risk								
Debt securities	37,638	-	-	-	-	12	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	**37,638**	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**42,656**	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**-**

* amount reported for disclosure purposes

Fixed income instruments recognised at FVTOCI are adjusted for impairment through the relevant equity reserve, with a matching entry in profit or loss. Accumulated impairments at 31 December 2021 amount to €12 million (€18 million at 31 December 2020).

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks by type

Type of transactions/Amounts (€m)	Total at 31.12.2021						Total at 31.12.2020					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stage 1 and 2	Stage 3	Acquired or originated impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired	Level 1	Level 2	Level 3
A. Due from Central Banks	**-**	**-**	**-**				**-**	**-**	**-**			
1. Time deposits	-	-	-	x	x	x	-	-	-	x	x	x
2. Compulsory reserve	-	-	-	x	x	x	-	-	-	x	x	x
3. Repurchase agreements	-	-	-	x	x	x	-	-	-	x	x	x
4. Other	-	-	-	x	x	x	-	-	-	x	x	x
B. Due from banks	**3,379**	**-**	**-**				**6,340**	**-**	**-**			
1. Loans	3,379	-	-				6,340	-	-			
1.1 Current accounts	-	-	-	x	x	x	-	-	-	x	x	x
1.2 Time deposits	-	-	-	x	x	x	-	-	-	x	x	x
1.3 Other loans:	3,379	-	-	x	x	x	6,340	-	-	x	x	x
- Reverse repurchase agreements	-	-	-	x	x	x	-	-	-	x	x	x
- Finance leases	-	-	-	x	x	x	-	-	-	x	x	x
- Other	3,379	-	-	x	x	x	6,340	-	-	x	x	x
2. Debt securities	-	-	-				-	-	-			
2.1 Structured securities	-	-	-	x	x	x	-	-	-	x	x	x
2.2 Other debt securities	-	-	-	x	x	x	-	-	-	x	x	x
Total	**3,379**	**-**	**-**	**-**	**-**	**3,379**	**6,340**	**-**	**-**	**-**	**-**	**6,340**

The sub-item "Other loans, Other" includes receivables for guarantee deposits relating to sums paid to counterparties for outstanding interest rate swaps (€3,241 million as collateral pursuant to specific Credit Support Annexes), entered into for cash flow and fair value hedge policies adopted by BancoPosta RFC and repo transactions (€72 million as collateral provided for in specific Global Master Repurchase Agreements). The decrease in receivables for guarantee deposits compared to the previous year is mainly due to the reduction in amounts paid to counterparties for outstanding interest rate swaps, following the positive change in the fair value of hedging derivatives due to the rise in the interest rate curve.

In addition, "Other loans, Other" includes trade receivables for €66 million arising from contracts with customers, accounted for in accordance with IFRS 15 (€52 million at 31 December 2020) mainly relating to financial services and personal loan distribution.ì

4.2 Financial assets measured at amortised cost: breakdown of amounts due to customers by type

	Total at 31.12.2021						Total at 31.12.2020					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
Type of transactions/Amounts (€m)	Stage 1 and 2	Stage 3	Acquired or originated impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired	Level 1	Level 2	Level 3
1. Loans	**17,244**	**-**	**-**				**12,429**	**-**	**-**			
1.1 Current accounts	5	-	-	x	x	x	5	-	-	x	x	x
1.2 Reverse repurchase agreements	-	-	-	x	x	x	1	-	-	x	x	x
1.3 Mortgages	-	-	-	x	x	x	-	-	-	x	x	x
1.4 Credit cards, personal and salary loans	-	-	-	x	x	x	-	-	-	x	x	x
1.5 Finance leases	-	-	-	x	x	x	-	-	-	x	x	x
1.6 Factoring	-	-	-	x	x	x	-	-	-	x	x	x
1.7 Other loans	17,239	-	-	x	x	x	12,423	-	-	x	x	x
2. Debt securities	**33,110**	**-**	**-**				**33,255**	**-**	**-**			
2.1 Structured securities	-	-	-	x	x	x	-	-	-	x	x	x
2.2 Other debt securitiess	33,110	-	-	x	x	x	33,255	-	-	x	x	x
Total	**50,354**	**-**	**-**	**30,244**	**3,418**	**17,244**	**45,684**	**-**	**-**	**31,188**	**3,573**	**12,428**

A description of "Loans" is provided below.

As at 31 December 2021, there are repurchase agreements in place for €1,577 million (€364 million at 31 December 2020) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter CC&G) for the temporary use of liquidity from private customer deposits. These transactions are guaranteed by securities for a total nominal amount of €1,475 million. The fair value of Reverse repurchase agreements is shown in Level 2 of the fair value hierarchy.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G, that meet the requirements of IAS 32, are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€363 million at 31 December 2020).

"Other loans" primarily consist of:

- €12,724 million, of which €17 million in accrued interest, in public customers' current account deposits deposited with the MEF (at 31 December 2020 amounting to €7,344 million), remunerated, in accordance with the provisions of a specific agreement with the MEF renewed on 25 June 2021 and amended on 19 January 2022, at a variable rate calculated on a basket of government securities[223]. The deposit has been adjusted to reflect accumulated impairments of €5 million, to reflect the risk of counterparty default (€4 million at 31 December 2020). The increase in loans in question was due to higher deposits from postal current accounts, deriving mainly from the signing of new agreements with public customers in the second half of the year;

223. The floating rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average 10-year BTP return recognised monthly.

- €1,985 million, of which €5 million for net accrued interest expense, from deposits with the MEF (the so-called Buffer account) whose remuneration is commensurate with the Eonia rate[224]until 31 December 2021 and with the Euro Short Term Rate (ESTR)[225] from 1 January 2022;
- €1,545 million in receivables for guarantee deposits, of which: (i) €932 million for amounts paid to counterparties for outstanding interest rate swaps (collateral provided for by specific Credit Support Annexes); (ii) €612 million for amounts paid to CC&G for outstanding repo transactions (€275 million) and as a pre-financed contribution to the Default Fund[226] (€337 million); (iii) €1 million for amounts paid as collateral under clearing systems with central counterparties for over-the-counter (OTC) derivatives transactions[227];
- €179 million euros in receivables due from Poste Italiane SpA's capital outside the ring-fence, including €178 million relating to the balance of cash transactions that settle collections and payments with third parties managed through Poste Italiane SpA's Finance function. The decrease in the balance of cash transaction amounts (€901 million at 31 December 2020) is due to the combined effect of the collection of items in 2020 relating to previous years and the adjustment of settlement times for intersegment transactions;
- €387 million in fees receivable from Cassa Depositi e Prestiti during the year in connection with postal savings;
- €224 million from Poste Vita in respect of commissions deriving from the placement of insurance policies;
- €72 million in amounts due from PostePay for services relating to the placement of payment products;
- €14 million in amounts due for the payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security).

Receivables arisen from contracts with customers, which fall within the scope of IFRS 15, amount to €823 million (€991 million at 31 December 2020). These are mainly due to financial services, pension payments, interest on postal deposits, and personal loan distribution, net of any loss provisions for €42 million (€47 million at 31 December 2020). Information on the dynamics of total value adjustments is described in Part E, Section 1.

"Other debt securities" include Italian fixed income government bonds and securities guaranteed by the Italian State for €28,027 million. Their carrying amount of €33,110 million reflects the amortised cost of unhedged fixed income instruments, totalling €11,327 million, the amortised cost of fair-value hedged fixed income bonds, totalling €19,595 million, increased by €2,188 million to take into account the effects of the hedge (€4,390 million related to 2020). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2021 amount to approximately €11 million (€15 million at 31 December 2020).

At 31 December 2021 the total fair value of these instruments, inclusive of €234 million in accrued interest, amounts to €33,662 million, of which €30,244 million classified in Level 1 of the fair value hierarchy and €3,418 million classified in Level 2.

Securities with a nominal value of €8,651 million are encumbered as follows:

- €7,972 million, carried at amortised cost for €8,763 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded at 31 December 2021;
- €479 million, carried at amortised cost for €609 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with interest rate swaps and repurchase agreements concluded in the year under review;
- €200 million, carried at amortised cost for €378 million, were delivered to the Bank of Italy to secure an intraday credit line.

224. The rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the Eurozone (the biggest banks in all the Eurozone countries).
225. The rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) No 1333/2014 of 26 November 2014 and based on uncollateralised overnight fixed rate deposit transactions in excess of € 1 million.
226. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
227. Securities market not subject to any specific regulation as regards the organisation and operation of the market.

4.3 Financial assets measured at amortised cost: breakdown of amounts due from customers by debtor/issuer

Type of transactions/Amounts (€m)	Total at 31.12.2021			Total at 31.12.2020		
	Stage 1 and 2	Stage 3	Acquired or originated impaired	Stage 1 and 2	Stage 3	Acquired or originated impaired
1. Debt securities	**33,110**	**-**	**-**	**33,255**	**-**	**-**
a) Public Administration entities	29,895	-	-	29,955	-	-
b) Other financial companies	3,215	-	-	3,300	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**17,244**	**-**	**-**	**12,429**	**-**	**-**
a) Public Administration entities	14,768	-	-	9,397	-	-
b) Other financial companies	2,278	-	-	2,111	-	-
of which: insurance companies	230	-	-	223	-	-
c) Non-financial companies	194	-	-	917	-	-
d) Households	4	-	-	4	-	-
Total	**50,354**	**-**	**-**	**45,684**	**-**	**-**

Securities related to "Other financial companies" for a carrying amount of €3,215 million refer to fixed-rate securities for a total nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

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

Item/Amount (€m)	Gross amount					Total impairments				Total partial writeoffs*
	Stage 1		Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
		of which: Instruments with low credit risk								
Debt securities	33,121	-	-	-	-	11	-	-	-	-
Loans	19,740	-	946	12	-	5	58	12	-	-
Total at 31.12.2021	**52,861**	**-**	**946**	**12**	**-**	**16**	**58**	**12**	**-**	**-**
Total at 31.12.2020	**51,000**	**-**	**1,106**	**13**	**-**	**19**	**63**	**13**	**-**	**-**

* amount reported for disclosure purposes

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(€m)	Fair value at 31.12.2021			Notional amount* at 31.12.2021	Fair value at 31.12.2020			Notional amount* at 31.12.2020
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**873**	**-**	**14,008**	**-**	**78**	**-**	**2,275**
1) *Fair value*	-	797	-	11,879	-	10	-	1,220
2) Cash flow	-	76	-	2,129	-	68	-	1,055
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) *Fair value*	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**873**	**-**	**14,008**	**-**	**78**	**-**	**2,275**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Hedging Transaction/Type (€m)	Fair Value							Cash flow		Foreign investments
	Specific						General	Specific	General	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	394	-	-	-	x	x	x	-	x	x
2. Financial assets measured at amortised cost	403	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**797**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	76	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 6 – Adjustments for changes in hedged financial assets portfolio – Item 60

No macro-hedges have been arranged at the reporting date.

Section 7 – Investments – Item 70

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

Section 8 – Property, plant and equipment – Item 80

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

Section 9 – Intangible assets – Item 90

There are no intangible assets.

Section 10 – Tax assets and liabilities – assets Item 100 and liabilities Item 60

Current tax assets and liabilities form part of intersegment relations and are shown in "Other assets" (Item 120 in Assets) and "Other liabilities" (Item 80 in Liabilities), as they are settled with Poste Italiane SpA's functions outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, as the sole taxable entity.

Deferred tax assets and liabilities are analysed below:

10.1 Deferred tax assets: breakdown

Description (€m)	Financial assets and liabilities		Hedging derivatives		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through Profit or loss	-	1	-	-	11	-	36	7	47	8
Deferred tax assets through Equity	119	22	73	14	-	-	-	-	192	36
2021 total	**119**	**23**	**73**	**14**	**11**	**-**	**36**	**7**	**239**	**44**
Deferred tax assets through Profit or loss	-	2	-	-	13	-	34	6	47	8
Deferred tax assets through Equity	32	6	31	6	-	-	-	-	63	12
2020 total	**32**	**8**	**31**	**6**	**13**	**-**	**34**	**6**	**110**	**20**

10.2 Deferred tax liabilities: breakdown

Description (€m)	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax liabilities through Profit or loss	-	1	-	-	-	1
Deferred tax liabilities through Equity	521	98	42	8	563	106
2021 total	**521**	**99**	**42**	**8**	**563**	**107**
Deferred tax liabilities through Profit or loss	1	2	-	-	1	2
Deferred tax liabilities through Equity	769	144	53	10	822	154
2020 total	**770**	**146**	**53**	**10**	**823**	**156**

10.3 Changes in deferred tax assets through Profit or loss

(€m)	Total at 31.12.2021	Total at 31.12.2020
1. Opening balance	**55**	**79**
2. Increases	**2**	**1**
2.1 Deferred tax assets recognised in the year	2	1
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	2	1
d) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(2)**	**(25)**
3.1 Deferred tax assets derecognised in the year	(2)	(25)
a) reversals	-	(19)
b) write-downs of non-recoverable items	(2)	-
c) due to changes in accounting policies	-	(6)
d) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	**55**	**55**

10.4 Changes in deferred tax liabilities through Profit or loss

(€m)	Total at 31.12.2021	Total at 31.12.2020
1. Opening balance	**(3)**	**-**
2. Increases	**-**	**(4)**
2.1 Deferred tax liabilities recognised in the year	-	(4)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	(2)
c) other	-	(2)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**2**	**1**
3.1 Deferred tax liabilities derecognised in the year	2	1
a) reversals	2	-
b) due to changes in accounting policies	-	-
c) other	-	1
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**(1)**	**(3)**

10.5 Changes in deferred tax assets through Equity

(€m)	Total at 31.12.2021	Total at 31.12.2020
1. Opening balance	**75**	**233**
2. Increases	**174**	**24**
2.1 Deferred tax assets recognised in the year	174	24
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	174	24
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(21)**	**(182)**
3.1 Deferred tax assets derecognised in the year	(21)	(182)
a) reversals	(20)	(62)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(1)	(120)
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**228**	**75**

10.6 Changes in deferred tax liabilities through Equity

(€m)	Total at 31.12.2021	Total at 31.12.2020
1. Opening balance	**(976)**	**(662)**
2. Increases	**(32)**	**(448)**
2.1 Deferred tax liabilities recognised in the year	(32)	(448)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(32)	(448)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**339**	**134**
3.1 Deferred tax liabilities derecognised in the year	339	134
a) reversals	142	134
b) due to changes in accounting policies	-	-
c) other	197	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**(669)**	**(976)**

The net charge or credit to Profit or loss due to movements in deferred tax assets and liabilities through Equity is the tax effect on reserves described in Part D.

The positive change in deferred tax assets and liabilities recorded in shareholders' Equity mainly reflects the decrease in fair value reserves related to Financial assets at fair value through comprehensive income.

Section 11 – Non-current assets held for sale and discontinued operations and associated liabilities – assets Item 110 and liabilities Item 70

There are no non-current assets held for sale or discontinued operations at the reporting date.

Section 12 – Other assets – Item 120

12.1 Other assets:breakdown

Item/Amount (€m)	Total at 31.12.2021	Total at 31.12.2020
Tax credits Law no. 77/2020	6,008	-
Tax credits at amortised cost	2,707	-
Tax credits measured at fair value through other comprehensive income	3,301	-
Tax receivables from revenue agency	412	349
Items in process	564	612
Current tax assets receivable from Poste Italiane SpA outside the ring-fence	75	15
Other items	1,779	1,654
Total	**8,838**	**2,630**

Tax credits pursuant to Law No. 77/2020, amounting to €6,008 million euros, relate to purchases made by Poste Italiane SpA and transferred to BancoPosta in 2021 against free capital resources as well as resources subject[228] and not subject to restrictions on their use in accordance with the provisions of the "Decreto Rilancio" (Decree Law No. 34/2020, subsequently converted into Law No. 77/2020), which introduced tax relief to promote economic recovery following the Covid-19 health emergency.

Changes in these receivables during 2021 are shown below:

	Tax credits at amortised cost		Tax credits measured at FV through other comprehensive income		Total at 31.12.2021	
(€m)	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount
1. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**
2. Increases	**3,366**	**2,707**	**3,538**	**3,310**	**6,904**	**6,017**
2.1 Purchases	3,366	2,683	3,538	3,275	6,904	5,958
2.2 Positive changes in fair value	-	-	-	1	-	1
2.3 Transfers from other portfolios	-	-	-	-	-	-
2.4 Other changes	-	24	-	34	-	58
3. Decreases	**-**	**-**	**-**	**(9)**	**-**	**(9)**
3.1 Sales	-	-	-	-	-	-
3.2 Repayments	-	-	-	-	-	-
3.3 Negative changes in fair value	-	-	-	(9)	-	(9)
3.4 Transfers to other portfolios	-	-	-	-	-	-
3.5 Altre variazioni	-	-	-	-	-	-
4. Other changes	**3,366**	**2,707**	**3,538**	**3,310**	**6,904**	**6,008**

228. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits.

The main changes during the year relate to:

- purchases of €5,958 million, of which €2,683 million related to loans at amortised cost and €3,275 million related to FVTOCI loans at FVTOCI;
- income accrued during the period amounting to €58 million, of which approximately €24 million relating to receivables at amortised cost and €34 million relating to receivables at FVTOCI.

At 31 December 2021, the fair value[229] of tax credits measured at amortised cost was €2,674 million.

With regard to the purchase of tax credits derived from building bonuses, offered by the Poste Italiane to its customers, certain local Public Prosecutors' Offices, in the period between November 2021 and February 2022, decided as a precautionary measure to seize approximately €240 million worth of tax credits that were undergoing purchase procedures.

As a result of these measures, adopted in proceedings in which Poste Italiane is a bona fide third party and/or an injured party, the Company filed for a review, the outcome of which has led to the release of most of the sums previously subject to precautionary measures.

Taking into account the effects of the anti-fraud decree, which allows for the extension of the set-off window for the duration of the seizure, the amortised cost of the residual receivables that are subject to an seizure order at the date of these financial statements has been adjusted by estimating the average duration of the seizure as one year.

Tax credits mainly refer to advances paid to the Treasury, of which: (i) to be recovered from customers in the amount of €388 million for stamp duty to be paid virtually in 2022 and €9 million for withholding tax on interest payable to current account holders relating to 2021; (ii) a credit balance with the Treasury for €2 million for stamp duty paid virtually in 2021.

The sub-item "Items in process" includes:

- amounts due from the commercial partners for providing PostePay top-ups for €27 million;
- €78 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- amounts to be charged to PostePay SpA for €76 million (mainly in the first few days of 2022).

"Other items" include mainly:

- €1,614 million in stamp duty accrued to 31 December 2020 payable by holders of outstanding Interest-bearing Postal Certificates[230]; An equal amount has been recognised in "Other liabilities" as tax payables (Part B, Liabilities, Table 8.1) until expiration or early extinguishment of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €114 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law.

229. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 3.
230. Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Gazette 127 of 1 June 2012).

Movements in current tax assets and liabilities receivable from and payable to Poste Italiane SpA outside the ring-fence are shown below:

	Current taxes 2021			Current taxes 2020		
	IRES	IRAP		IRES	IRAP	
Description (€m)	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Total	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Total
Opening balance	**(22)**	**2**	**(20)**	**68**	**9**	**77**
Payments	218	39	257	57	21	78
on account for the current year	170	34	204	57	21	78
on balance of previous year	48	5	53	-	-	-
Provisions to Profit or loss	(157)	(33)	(190)	(147)	(28)	(175)
current taxes	(168)	(34)	(202)	(170)	(35)	(205)
changes in current taxation for previous years	11	1	12	23	7	30
Provisions to Equity	2	-	2	-	-	-
Other	26	-	26	-	-	-
Closing balance	**67**	**8**	**75**	**(22)**	**2**	**(20)**
of which:						
Current tax assets due from Poste Italiane outside the ring-fence (Item 120 Assets)	67	8	75	11	4	15
Current tax liabilities due to Poste Italiane outside the ring-fence (Item 80 Liabilities)	-	-	-	(32)	(3)	(35)

Current tax receivables, totalling €75 million, mainly refer to receivables recognised as a result of the following: (i) the signing of the agreement on the Patent Box relating to the 2016-2019 financial years (€20 million); (ii) the responses received regarding two petitions for rulings on the tax effects of the application of IFRS 9 and 15 (€8 million); (iii) the response received regarding a petition submitted mainly about the tax recognition of income components arising from the management of postal current account deposits (€14 million). These assets will become compensable after the submission of the relevant supplementary tax returns.

Liabilities

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

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks by type

Type of transactions/Amounts (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2. Due to banks	**10,701**	**x**	**x**	**x**	**10,815**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	707	x	x	x	720	x	x	x
2.2 Time deposits	-	x	x	x	-	x	x	x
2.3 Loans	9,773	x	x	x	9,701	x	x	x
2.3.1 Repurchase agreements	9,773	x	x	x	9,701	x	x	x
2.3.2 Other	-	x	x	x	-	x	x	x
2.4 Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
2.5 Lease payables	-	x	x	x	-	x	x	x
2.6 Other payables	221	x	x	x	394	x	x	x
Total	**10,701**	**-**	**9,760**	**928**	**10,815**	**-**	**9,731**	**1,114**

At 31 December 2021, €9,773 million is due to banks under the terms of "Loans, repurchase agreements" entered into with primary financial institutions involving securities with a total nominal value of €8,822 million. These regard €6,002 million in Long Term Repos and €3,771 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral in collateralisation transactions. At 31 December 2021, repurchase agreements with a nominal value of €2,956 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Repurchase agreements are classified as fair value Level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are classified as Level 3.

The sub-item "Other payables" includes €219 million in guarantee deposits relating to sums received from counterparties for outstanding Repo transactions (collateral provided for by specific Global Master Repurchase Agreements).

BancoPosta RFC has access to uncommitted overnight revocable credit lines amounting to €759 million, overdraft facilities for €144 million and personal guarantees for €410 million, granted to Poste Italiane SpA and undrawn at 31 December 2021.

In addition, from 26 June 2020, it may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2021.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €1,491 million, and the facility is unused at 31 December 2021.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers by type

Type of transactions/Amounts (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	76,948	x	x	x	65,882	x	x	x
2. Time deposits	-	x	x	x	-	x	x	x
3. Loans	6,927	x	x	x	8,235	x	x	x
3.1 Repurchase agreements	3,487	x	x	x	4,647	x	x	x
3.2 Other	3,440	x	x	x	3,588	x	x	x
4. Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
5. Lease payables	-	x	x	x	-	x	x	x
6. Other payables	1,223	x	x	x	1,178	x	x	x
Total	**85,098**	**-**	**3,489**	**81,611**	**75,295**	**-**	**4,649**	**70,648**

The sub-item "Current accounts and demand deposits" include €8,284 million in postal current accounts held by PostePay SpA mainly relating to the deposit of income from prepaid cards, €544 million in postal current accounts held by Poste Vita SpA and €172 million in current accounts held by Poste Italiane outside the ring-fence. The increase in this item compared to 31 December 2021 is mainly due to new relationships with customers for the sale of tax credits pursuant to Law Decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020) and the increase in public administration inventories following the signing of new agreements.

At 31 December 2021 "Loans, repurchase agreements" amount to €5,064 million, reflecting transactions entered into with CC&G in relation to securities with a nominal amount of €4,610 million. These regard €1,096 million in Long Term Repos and €3,968 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral in collateralisation transactions.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G, that meet the requirements of IAS 32, are offset. The effect of netting at 31 December 2021, already included in the exposure to net balances, amounted to €1,577 million (€363 million at 31 December 2020).

The sub-item "Loans, Other" consist of the net amount of €3,441 million deposited in the MEF account held at the Treasury, which breaks down as follows:

- the balance of cash flows for advances, amounting to €3,488 million, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta;
- net balance of cash flows from the management of postal savings of €220 million, due to the excess repayments on deposits made in the last two days of the year in question and settled in the first few days of the following year; at 31 December 2021, the balance consisted of a receivable of €185 million owed to Cassa Depositi e Prestiti and a receivable of €35 million owed to the MEF for issues of Interest-bearing Postal Certificates attributable to Cassa Depositi e Prestiti;
- amounts payable due to thefts suffered by Post Offices of €155 million, relating to obligations assumed towards the MEF on behalf of the Treasury as a result of theft and embezzlement; these obligations derive from withdrawals made from the Treasury, which are necessary to replenish the cash shortfall due to these criminal events so as to ensure the continuity of the Post Offices' operations;
- amounts payable for operational risks for €18 million regard the portion of advances obtained to fund operations, in relation to which asset under recovery is certain or probable.

The sub-item "Other payables" consists mainly of domestic postal orders for €880 million and endorsed cheques in circulation for €321 million and guarantee deposits for €9 million relating to amounts received from counterparties with outstanding interest rate swaps (collateral provided for by specific Credit Support Annexes).

The Level 2 fair value refers to the repurchase agreements while the fair value of the remaining instruments of this line item approximates to its carrying amount and it is consequently classified as Level 3.

1.3 Financial liabilities measured at amortised cost: breakdown of outstanding securities by type

There are no securities in issue.

Section 2 – Financial liabilities held for trading – Item 20

2.1 - Financial liabilities held for trading - breakdown by type

Type of transactions/Amounts (€m)	Total at 31.12.2021					Total at 31.12.2020				
	Nominal or Notional amount	Fair Value			Fair Value*	Nominal or Notional amount	Fair Value			Fair Value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Other	-	-	-	-	x	-	-	-	-	x
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives		-	3	-			-	20	-	
1.1 Trading	x	-	-	-	x	x	-	-	-	x
1.2 Connected to the fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	3	-	x	x	-	20	-	x
2. Credit derivatives		-	-	-			-	-	-	
2.1 For trading	x	-	-	-	x	x	-	-	-	x
2.2 Connected to the fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Other	x	-	-	-	x	x	-	-	-	x
Total B	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**20**	**-**	**-**
Total (A+B)	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**20**	**-**	**-**

* *Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue.*

Financial liabilities held for trading relate to a forward sale agreement for 198,000 ordinary shares of Visa Incorporated (discussed in Section 2 of Assets).

Section 3 – Financial liabilities designated at fair value – Item 30

No financial liabilities are held in portfolio designated at fair value through profit or loss (the “fair value option”).

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(€m)	Fair value at 31.12.2021			Notional amount* at 31.12.2021	Fair value at 31.12.2020			Notional amount* at 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**5,461**	**-**	**27,711**	**-**	**8,243**	**-**	**32,928**
1) Fair value	-	5,197	-	25,991	-	8,121	-	29,814
2) Cash flow	-	264	-	1,720	-	122	-	3,114
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**5,461**	**-**	**27,711**	**-**	**8,243**	**-**	**32,928**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Hedging Transaction/Type (€m)	Fair Value							Cash flow		Foreign investments
	Specific						General	Specific	General	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	2,586	-	-	-	x	x	x	264	x	x
2. Financial assets measured at amortised cost	2,610	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**5,196**	**-**	**-**	**-**	**-**	**-**	**-**	**264**	**-**	**-**
1. Financial liabilities	1	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 5 – Adjustments for changes in hedged financial liabilities portfolio – Item 50

No macro-hedges have been arranged at the reporting date.

Section 6 – Tax liabilities – Item 60

Please refer to Assets, Section 10.

Section 7 – Liabilities associated with non-current assets held for sale and discontinued operations – Item 70

There are no such liabilities at the reporting date.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Item/Amounts (€m)	Total at 31.12.2021	Total at 31.12.2020
Tax payables to revenue agency	1,638	1,542
Items in process	626	599
- amounts to be credited to Postal Savings books	125	104
- other	501	495
Amounts payable to Poste Italiane outside the ring-fence:	3	490
- for services rendered by Poste Italiane SpA	-	455
- current tax liabilities	-	35
- contribution of BancoPosta's "Debit card Business Unit"	3	-
Amounts payable to customers	56	119
Amounts payable to suppliers	132	364
Amounts payable to staff	9	8
Contract liabilities	68	29
Other items	3	3
Total	**2,535**	**3,154**

The sub-item “Tax payables to revenue agency” mainly includes:

- €1,614 million in stamp duty accrued to 31 December 2020 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 12.1;
- €8 million in tax withholdings on current account interest earned by customers.

The sub-item “Due to suppliers” primarily includes €116 million in trade payables due to PostePay for collection and payment services under the service contract.

“Amounts payable to assets outside the ring-fence” amount to €3 million and refer to the amount due to PostePay SpA, equal to the difference between the carrying amounts of the assets and liabilities of the debit card business transferred to it on 1 October 2021, which will be settled in the first few months of 2022. The decrease of €455 million in the sub-item “Payables to assets

outside the ring-fence for services of Poste Italiane SpA" compared with 31 December 2020 is attributable to the adjustment of the settlement timeframes of intersegment transactions in line with the collection timeframes.

"Items in process, other" refer, among other things, to domestic and foreign transfers and BancoPosta's operations for amounts to be credited to customers, mainly in the first few days of 2022.

"Contract liabilities" are mainly due to the placement of loan products, as shown in the following table:

Description (€m)	Balance at 31.12.20	Increases/(Decreases)	Change due to recognition of revenue for period	Balance at 31.12.21
Liabilities for fees to be refunded	24	(24)	68	68
Liabilities for volume discounts	2	(2)	-	-
Deferred income from trading transactions	3	(3)	-	-
Total	**29**	**(29)**	**68**	**68**

Liabilities for fees to be refunded refer to the estimate of the commissions to be relegated to partners in case of the contractually agreed early repayment of loan products placed after 1 January 2018.

Changes in deferred income of a commercial nature reflect the contribution of € 3 million to PostePay SpA on 1 October 2021 of the deferred income from Postamat card fees, which were collected in advance.

Changes in the sub-item "Current tax liabilities payable to assets outside the ring-fence" is commented in Section 12 of Assets.

Section 9 – Employee termination benefits – Item 90

Movements in employee termination benefits during the year under review are shown below:

9.1 Employee termination benefits: annual changes

(€m)	Total at 31.12.2021	Total at 31.12.2020
A. Opening balance	**3**	**3**
B. Increases	**-**	**-**
B.1 Provisions for the year	-	-
B.2 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Benefits paid	-	-
C.2 Other changes	-	-
D. Closing balance	**3**	**3**

The current service cost is not applicable to the employee termination benefits attributable to BancoPosta RFC, since this cost is recognised in personnel expenses, as the contributions are paid over to pension funds or other social security institutions.

9.2 Other information

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2021 and 2020:

Economic and financial assumptions

	31.12.2021
Discounting rate	0.44%
Inflation rate	1.75%
Annual rate of increase of employee termination benefits	2.813%

Demographic assumptions

	31.12.2021
Mortality	2018 ISTAT
Disability	INPS Tables by age and gender
Employee turnover	Specific table with rates differentiated by length of service. The average length of service for participants corresponds to an annual rate of 0.11%
Advance rate	1.25% for lengths of service of at least 8 years
Pensionable	Reaching requirements for Obligatory General Insurance

Actuarial gains/(losses)

(€m)	31.12.2021	31.12.2020
Change in demographic assumptions	-	-
Change in financial assumptions	-	-
Other changes related to experience	0.1	0.1
Total	**0.1**	**0.1**

Sensitivity analysis

	Employee termination benefits at 31.12.2021
Inflation rate +0.25%	3
Inflation rate -0.25%	3
Discount rate +0.25%	3
Discount rate -0.25%	3
Turnover rate +0.25%	3
Turnover rate -0.25%	3

Other information

	31.12.2021
Service Cost	-
Average duration of defined benefit plan	13.5
Average employee turnover	0.19%

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Item/Amounts	Total at 31.12.2021	Total at 31.12.2020
1. Provisions for credit risk relating to financial commitments and guarantees given	-	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for retirement benefits	-	-
4. Other provisions for risks and charges	229	213
4.1 litigation	94	81
4.2 personnel expenses	1	1
4.3 other	134	131
Total	**229**	**213**

The composition of "Other provisions" is provided in Table 10.6, below.

10.2 Provisions for risks and charges: annual changes

(€m)	Provisions for other commitments and guarantees given	Provisions for retirement benefits	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**213**	**213**
B. Increases	**-**	**-**	**62**	**62**
B.1 Provisions for the year	-	-	62	62
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changed discount rates	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**-**	**(46)**	**(46)**
C.1 Uses during the year	-	-	(33)	(33)
C.2 Changes due to changed discount rates	-	-	-	-
C.3 Other changes	-	-	(13)	(13)
D. Closing balance	**-**	**-**	**229**	**229**

The main changes are commented in the remainder of this section.

10.6 Provisions for risks and charges - other provisions

Description	Total at 31.12.2021	Total at 31.12.2020
Litigation	**94**	**81**
Provisions for disputes with third parties	94	81
Provisions for disputes with staff	-	-
Provisions for personnel expenses	**1**	**1**
Other provisions	**134**	**131**
Provisions for operational risks	134	131
Total	**229**	**213**

Provisions for disputes with third parties regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Net provisions for the year, totalling €31 million, relate to the updating of estimated liabilities and utilisations for settled disputes.

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types.

Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change.

Provisions for operational risks primarily reflect risks linked to the distribution of postal savings products issued in previous years, adjustments and settlements of income for previous years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta, primarily in its capacity as a third party in foreclosure, adjustments and balancing of income from previous years, and fraud. Provisions for the year totalling € 17 million mainly reflect the revision of the estimated risks linked to the distribution of postal savings products and adjustments and balance calculations of profits from previous years.

Section 11 – Redeemable shares – Item 120

Not applicable

Section 12 – Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.4 Profit reserves: other information

As of 31 December 2021, the retained earnings reserve amounted to €1,186 million, increased by the allocation of €50 million as decided by the Shareholders' Meeting of 28 May 2021 and decreased by €6 million for interest expense accrued on equity instruments.

Other reserves amounted to €1,211 million, including the initial reserve of €1,000 million provided to BancoPosta RFC on its creation, €210 million in additional capital contributions in 2018, and €1 million for incentive plans reserves, described in Part I.

Regarding the availability and distributability of the reserves of BancoPosta RFC, reference should be made to the information provided in Section 5, Table B.3 – *Availability and distributability of reserves* – of this section – *Financial statements of Poste Italiane* – of the Annual Report.

12.5 Equity instruments: composition and annual changes

The BancoPosta RFC capital instruments refer to a perpetual subordinated loan with a non-call period of 8 years, with a nominal value of €350 million granted on 30 June 2021 with the aim of strengthening BancoPosta's Leverage Ratio (Basel III) and Tier 1 ratio[231].

The main features of the financing are as follows:

- The loan has no fixed maturity and must be redeemed only in the event of the dissolution or liquidation, as specified in the terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to occur at any time from the First Call Date of 30 June 2029 and at each interest payment date thereafter. A loss absorption mechanism is provided for if the CET 1 ratio falls below 5.125%;
- The annual fixed coupon is 4.697% up to the first "Reset Date" set for 30 June 2029. From that date, annual interest will be determined on the basis of the 5-year Euro Mid Swap rate, in addition to a spread of 472.7 basis points. Interest is payable at the issuer's discretion and on a cumulative basis, commencing 30 December 2021. The issue price was set at 100%.

231. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

Other information

3. Assets pledged as collateral for liabilities and commitments

Portfolios (€m)	Total at 31.12.2021	Total at 31.12.2020
1. Financial assets measured at fair value through Profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	6,291	9,060
3. Financial assets measured at amortised cost	9,372	6,969
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

"Financial assets measured at fair value through other comprehensive income" relate to securities used as collateral in repurchase agreements and to securities provided as collateral to counterparties with which interest rate swap transactions with negative fair value are in place. "Financial assets measured at amortised cost" relate to securities used as collateral in repurchase agreements and securities provided as collateral to counterparties with outstanding interest rate swaps with negative fair value and in repurchase agreements.

4. Brokerage and management on behalf of third parties

Type of services (€m)	Amount
1. Execution of orders on behalf of customers	**-**
a) purchases	-
1. settled	-
2. not settled	-
b) sale	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**-**
3. Custody and administration of securities	**61,242**
a) third-party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third-party securities in custody (excluding portfolio management): other	1,799
1. securities issued by the reporting bank	-
2. other securities	1,799
c) third-party securities deposited with third parties	1,799
d) own securities deposited with third partiesi	59,443
4. Other transactions	**252,839**
a) Postal Savings Books	99,249
b) Interest-bearing Postal Certificates	153,590

The "Custody and administration of third-party securities deposited with third parties" relates to customers' securities held at primary market operators and presented at their nominal value. Orders received from customers are executed by qualified, designated credit institutions.

"Other transactions" include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

5. Financial assets offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2021 (f=c-d-e)	Net amount at 31 December 2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	873	-	873	866	7	-	-
2. Repurchase agreements	1,577	1,577	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2021	**2,450**	**1,577**	**873**	**866**	**7**	**-**	**x**
Total at 31.12.2020	**442**	**363**	**79**	**79**	**-**	**x**	**-**

6. Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2021 (f=c-d-e)	Net amount at 31 December 2020
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	5,461	-	5,461	1,405	3,976	80	-
2. Repurchase agreements	14,837	1,577	13,260	13,235	24	1	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2021	**20,298**	**1,577**	**18,721**	**14,640**	**4,000**	**81**	**x**
Total at 31.12.2020	**22,954**	**363**	**22,591**	**15,226**	**7,364**	**x**	**1**

The above tables have been compiled in accordance with IFRS 7, which requires a specific disclosure regardless of whether or not the financial instruments have been offset in the financial statements.

In particular, the tables show:

- the carrying amounts, before and after the effects of accounting offsetting, relating to repurchase agreements that meet the conditions necessary for the recognition of such effects;
- the carrying amounts relating to derivative transactions and repurchase agreements that do not meet these conditions but are governed by standardised bilateral netting agreements that allow, in the event of counterparty default, the offsetting of credit and debit positions (ISDA and GMRA agreements);
- he value of the collateral attached to them.

In order to present the tables and in compliance with the requirements of IFRS 7 and Bank of Italy Circular no. 262, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

Part C – Information on Profit or loss

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms (€m)	Debt securities	Loans	Other transactions	FY 2021	FY 2020
1. Financial assets measured at fair value through Profit or loss	**-**	**-**	**-**	**-**	**-**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**821**	**-**	**x**	**821**	**898**
3. Financial assets measured at amortised cost	**670**	**29**	**-**	**699**	**681**
3.1 Due from banks	-	1	-	1	-
3.2 Due from customers	670	28	-	698	681
4. Hedging derivatives	**x**	**x**	**(88)**	**(88)**	**(37)**
5. Other assets	**x**	**x**	**58**	**58**	**-**
6. Financial liabilities	**x**	**x**	**x**	**43**	**45**
Total	**1,491**	**29**	**(30)**	**1,533**	**1,587**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on finance leases	-	-	-	-	-

The sub-item "Other assets" includes interest income accrued during the year related to tax credits under Law No. 77/2020, as described in "Section 12 – Other Assets – Item 120" of Part B.

The sub-item "Financial liabilities" reflects mainly interest income accruing during the year on repurchase agreements.

The decrease in this item compared to the previous year is due to lower yields on investments in securities, partly offset by new income from investments in tax credits.

1.3 Interest expense and similar charges: breakdown

Items/Technical forms (€m)	Payables	Securities	Other transactions	FY 2021	FY 2020
1. Financial liabilities measured at amortised cost	**(71)**	**-**	**-**	**(71)**	**(77)**
1.1 Due to central banks	-	x	x	-	-
1.2 Due to banks	(34)	x	x	(34)	(35)
1.3 Due to customers	(37)	x	x	(37)	(42)
1.4 Debt securities in issue	x	-	x	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**x**	**x**	**-**	**-**	**-**
5. Hedging derivatives	**x**	**x**	**-**	**-**	**-**
6. Financial assets	**x**	**x**	**x**	**(20)**	**(12)**
Total	**(71)**	**-**	**-**	**(91)**	**(89)**
of which: interest expense on lease payables	-	-	-	-	-

The sub-item "Financial assets" mainly includes interest expense on the deposit at MEF (Buffer account) for €9 million and interest expense accrued during the year for reverse repurchase agreements for €6 million.

1.5 Differentials related to hedge transactions

Items (€m)	FY 2021	FY 2020
A. Positive hedge differentials	43	26
B. Negative hedge differentials	(131)	(63)
C. NET (A-B)	**(88)**	**(37)**

The decrease in this item compared to the previous year is mainly due to the effects of the increase in fair value hedging transactions.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amount (€m)		FY 2021	FY 2020
a)	**Financial instruments**	**2**	**6**
	1. Securities placements	1	2
	1.1 Underwriting and/or on an firm commitment basis	-	-
	1.2 Without an irrevocable commitment	1	2
	2. Reception and transmission of orders and execution of orders on behalf of customers	1	4
	2.1 Receiving and transmitting orders for one or more financial instruments	1	4
	2.2 Execution of orders on behalf of customers	-	-
	3. Other fees associated with activities related to financial instruments	-	-
	of which: dealing on own account	-	-
	of which: individual portfolio management	-	-
b)	***Corporate Finance***	**-**	**-**
	1. M&A advisory	-	-
	2. Treasury services	-	-
	3. Other fee and commission income in relation to corporate finance activities	-	-
c)	**Investment advice**	**-**	**-**
d)	**Clearing and settlement**	**-**	**-**
e)	**Custody and administration**	**2**	**2**
	1. Depository banking	-	-
	2. Other fees associated with custody and administration	2	2
f)	**Central administrative services for collective portfolio management**	**-**	**-**
g)	**Fiduciary activities**	**-**	**-**
h)	**Payment services**	**796**	**831**
	1. Current accounts	233	223
	2. Credit cards	-	-
	3. Other debit cards and other payment cards	26	35
	4. Bank transfers and other payment orders	61	58
	5. Other fee and commission income in relation to payment services	476	515
i)	**Arrangement of third-party services**	**2,776**	**2,731**
	1. Collective portfolio management	-	-
	2. Insurance products	489	439
	3. Other products	2,287	2,292
	of which: managing individual portfolios	-	-
j)	**Structured finance**	**-**	**-**
k)	**Securitisation servicing activities**	**-**	**-**
l)	**Loan commitments given**	**-**	**-**
m)	**Financial guarantees given**	**-**	**-**
	of which: credit derivatives	-	-
n)	**Financing services**	**-**	**-**
	of which: credit derivatives	-	-
o)	**FX trading**	**-**	**-**
p)	**Commodities**	**-**	**-**
q)	**Other fee and commission income**	**13**	**12**
	of which: for managing multilateral exchange services	-	-
	of which: for managing organised trading services	-	-
Total		**3,589**	**3,582**

Commissions for "Arrangement of third-party services" include, within the context of the distribution of other products, fees receivable in return for the collection of postal savings deposits, totalling €1,753 million, relating to the issue and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books, carried out on behalf of Cassa Depositi e Prestiti under the agreement renewed on 23 December 2021 for the period 2021-2024, with effect from 1 January 2021.

The balance of this item, substantially unchanged from the previous year, reflects the positive impact of the sale of financing products, insurance products and products issued by PostePay SpA, offset by a decrease in commissions on postal savings and payment services, primarily relating to slips and debit cards[232].

Revenue from contracts with customers

Description (€m)	FY 2021	FY 2020
Financial instruments	**2**	**6**
Recognised at a point in time	-	-
Recognised over time	2	6
Custody and administration	**2**	**2**
Recognised at a point in time	-	-
Recognised over time	2	2
Payment services	**796**	**831**
Recognised at a point in time	278	312
Recognised over time	517	518
Arrangement of third-party services	**2,776**	**2,731**
Recognised at a point in time	-	-
Recognised over time	2,776	2,731
Other fee and commission income	**13**	**12**
Recognised at a point in time	-	-
Recognised over time	13	12
Total	**3,589**	**3,582**

Revenues from contracts with customers mainly relate to: (i) revenue from arrangement of third-party services: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. With regard to the remuneration for postal savings deposits, the agreement entered into with Cassa Depositi e Prestiti provides for the payment of a variable fee when certain levels of funding are reached, the quantification of which is determined annually on the basis of volumes of deposits and early redemptions; certain commercial agreements, entered into with leading financial partners for the placement of loan products, provide for the chargeback of placement fees in the event of early redemption or subrogation by customers; (ii) revenue for payment services: recognised at point in time on the basis of the number of transactions accepted at the counter (e.g. commissions on postal current account slips) and valued on the basis of the contractual terms of sale and recognised over time based on the customer's use of the service, mainly with reference to commissions on delegated services and on current account management services.

232. With effect from 1 October 2021, debit cards came under the business transferred to PostePay SpA.

2.2 Fee and commission income by product and service distribution channel

Channel/Amount (€m)	FY 2021	FY 2020
A. own counters:	**2,777**	**2,733**
1. portfolio management	-	-
2. securities placements	1	2
3. third-party products and services	2,776	2,731
B. door-to-door:	**-**	**-**
1. portfolio management	-	-
2. securities placements	-	-
3. third-party products and services	-	-
C. other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. securities placements	-	-
3. third-party products and services	-	-

"Own counters" means Poste Italiane SpA's post office network.

2.3 Fee and commission expense: breakdown

Channel/Amount (€m)	FY 2021	FY 2020
a) Financial instruments	**-**	**2**
of which: financial instrument trading	-	-
of which: financial instrument placements	-	-
of which: individual portfolio management	-	-
- Own	-	-
- For third parties	-	-
b) Clearing and settlement	**-**	**-**
c) Custody and administration	**1**	**1**
d) Collection and payment services	**265**	**287**
of which: credit cards, debit cards and other payment cards	-	-
e) Securitisation servicing	**-**	**-**
f) Loan commitments received	**-**	**-**
g) Financial guarantees received	**-**	**-**
of which: credit derivatives	-	-
h) Door-to-door marketing of financial instruments, products and services	**-**	**-**
i) FX trading	**-**	**-**
j) Other fee and commission expenses	**1**	**2**
Total	**267**	**292**

Commission expense for collection and payment services mainly refers to costs accrued for services under the contract with PostePay.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

During the year, BancoPosta RFC received dividends of €0.4 million on its shares in Visa Incorporated, accounted for in "Financial assets measured at fair value through Profit or loss".

Section 4 – Profits/(Losses) on trading – Item 80

4.1 Profits/(Losses) on trading: breakdown

Transactions/Profit components (€m)	Unrealised gains (A)	Trading profits (B)	Unrealised Losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**2**	**-**	**-**	**2**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-	2
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**1**
4. Derivative instruments	**-**	**-**	**(3)**	**(2)**	**(5)**
4.1 Financial derivatives:	-	-	(3)	(2)	(5)
- On debt securities and interest rates	-	-	-	-	-
- On equity instruments and share indices	-	-	(3)	(2)	(5)
- On foreign exchange 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	**-**	**2**	**(3)**	**(2)**	**(2)**

Section 5 – Profits/(Losses) on hedging – Item 90

5.1 Profits/(Losses) on hedging: breakdown

Profit components /Amounts (€m)	FY 2021	FY 2020
A. Income on:		
A.1 Fair value hedge derivatives	3,144	10
A.2 Hedged financial assets (fair value)	625	3,268
A.3 Hedged financial liabilities (fair value)	1	-
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	**3,770**	**3,278**
B. Cost of:		
B.1 Fair value hedge derivatives	(625)	(3,270)
B.2 Hedged financial assets (fair value)	(3,139)	(10)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	(1)	-
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	**(3,765)**	**(3,280)**
C. Profits/(Losses) on hedging (A - B)	**5**	**(2)**
of which: result of hedges of net positions	-	-

Section 6 – Profits/(Losses) on disposal or repurchase – Item 100

6.1 Profits/(Losses) on disposal or repurchase: breakdown

Items/Profit components (€m)	FY 2021			FY 2020		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Finacial assets						
1. Financial assets measured at amortised cost	1	(96)	(95)	101	(38)	63
1.1 Due from banks	-	-	-	-	-	-
1.2 Due from customers	1	(96)	(95)	101	(38)	63
2. Financial assets measured at fair value through other comprehensive income	504	(2)	502	399	(97)	302
2.1 Debt securities	504	(2)	502	399	(97)	302
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**505**	**(98)**	**407**	**500**	**(135)**	**365**
B. Financial liabilities measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Profits/(Losses) on other financial assets and liabilities measured at fair value through profit or loss – Item 110

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

Transactions/Profit components (€m)	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**2**	**2**	**-**	**-**	**4**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	2	2	-	-	4
1.3 UCI units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**3**
Total	**2**	**2**	**-**	**-**	**7**

Section 8 – Net losses/recoveries due to credit risk – Item 130

8.1 Net losses/recoveries due to credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Profit components (€m)	Impairment losses (1)						Recoveries (2)				FY 2021	FY 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-		-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Due from customers	**(2)**	**(11)**	**-**	**-**	**-**	**-**	**5**	**5**	**1**	**-**	**(2)**	**(16)**
- Loans	(1)	(11)	-	-	-	-	-	5	1	-	(6)	(7)
- Debt securities	(1)	-	-	-	-	-	5	-	-	-	4	(9)
Total	**(2)**	**(11)**	**-**	**-**	**-**	**-**	**5**	**5**	**1**	**-**	**(2)**	**(16)**

8.2 Net losses/recoveries due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Profit components (€m)	Impairment losses (1)						Recoveries (2)				FY 2021	FY 2020
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**(2)**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**6**	**(6)**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(2)**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**6**	**(6)**

The positive change in total net value adjustments compared to the previous year is mainly due to the improvement in the creditworthiness of debt securities.

Section 9 – Profits/(Losses) from contract amendments without termination – Item 140

Nothing to report.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Type of expense/Amount (€m)	FY 2021	FY 2020
1) Employees	(33)	(34)
a) wages and salaries	(23)	(24)
b) social security	(6)	(6)
c) employee termination benefits	(1)	(1)
d) social security costs	-	-
e) provision for employee termination benefits	-	-
f) provisions for post-employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(1)	(1)
- defined contribution plans	(1)	(1)
- defined benefit plans	-	-
h) cost of share-based payments	(1)	-
i) other employee benefits	(1)	(2)
2) Other active personnel	-	-
3) Directors and Statutory Auditors	-	-
4) Retirees	-	-
5) Recovery of employment costs of staff seconded to other companies	-	-
6) Refund of costs of third-party employees seconded to the company	-	-
Total	**(33)**	**(34)**

10.2 Average number of employees by category*

	FY 2021	FY 2020
Employees	**390**	**410**
a) executives	27	33
b) middle managers	291	296
c) other employees	72	81
Other employees	**-**	**-**
Total	**390**	**410**

* Figures expressed in full time equivalent terms.

10.4 Other employee benefits

This primarily relates to redundancy payments.

10.5 Other administrative expenses: breakdown

Type of expense/Amount (€m)	FY 2021	FY 2020
1) Cost of services provided by Poste Italiane SpA	(4,379)	(4,380)
2) Advisory and other professional services	(17)	(16)
3) Taxes, penalties and duties	(17)	(14)
4) Other expenses	-	-
Total	**(4,413)**	**(4,410)**

The cost of services provided by Poste Italiane functions outside the ring-fence relates to those services described in Part A – *Accounting policies*, A.1, Section 4 – *Other information*.

Section 11 – Net provisions for risks and charges – Item 170

11.3 Net provisions for other risks and charges: breakdown

Items/Profit components (€m)	Provisions	Reversals	2021 Net result	2020 Net result
Provisions for litigation	(35)	4	(31)	5
Provisions for other risks and charges	(25)	8	(17)	64
Total	**(60)**	**12**	**(48)**	**69**

The main provisions and releases are discussed in Part B – Section 10 of Liabilities.

The negative change compared with the previous year of €117 million mainly reflects the transfers to profit or loss recognised in 2020 as a result of the revised estimate of certain risks linked to the distribution of postal savings products and legal disputes with third parties, as well as the conclusion in 2020 of voluntary protection initiatives undertaken for customers subscribing to the "Europa Immobiliare 1" and "Obelisco" real estate funds.

Section 12 – Net losses/(recoveries) on property, plant and equipment – Item 180

Nothing to report.

Section 13 – Net losses/(recoveries) on intangible assets – Item 190

Nothing to report.

Section 14 – Other operating income/(expenses) – Item 200

14.1 Other operating expenses: breakdown

Profit components /Amounts (€m)	FY 2021	FY 2020
1. Burglaries and theft	(2)	(6)
2. Other expenses	(15)	(72)
Total	**(17)**	**(78)**

14.2 Other operating income: breakdown

Componenti reddituali/Valori (€m)	FY 2021	FY 2020
1. Other revenue from contracts with customers	8	2
2. Other operating income	17	143
Total	**25**	**145**

The sub-item "Other revenue from contracts with customers" includes income recognised at point time for copying documents and prescription of endorsed cheques and income recognised over time for protesting postal cheques.

The change compared to the previous year in the sub-items "Other expenses" and "Other operating income" is due to the effects of the conclusion in 2020 of the overall revision of estimates of settlement of prior year items.

Section 15 – Profits/(Losses) on investments – Item 220

Nothing to report.

Section 16 – Profits/(Losses) on fair value measurement of property, plant and equipment and intangible assets – Item 230

Nothing to report.

Section 17 – Impairment of goodwill – Item 240

Nothing to report.

Section 18 – Profits/(Losses) on disposal of investments – Item 250

Nothing to report.

Section 19 – Income tax expense on continuing operations – Item 270

19.1 Income tax for the year from continuing operations: breakdown

Profit components /Amount (€m)		FY 2021	FY 2020
1.	Current taxes (-)	(202)	(205)
2.	Increase/(decrease) in current taxes of prior period taxation (+/-)	12	30
3.	Reduction in current taxes (+)	-	-
3. *bis*	Reduction in current taxes due to tax credit pursuant to Law 214/2011 (+)	-	-
4.	Increase/(decrease) in deferred tax assets (+/-)	-	(24)
5.	Increase/(decrease) in deferred tax liabilities (+/-)	1	(2)
6.	**Tax expense for the year (-) (-1+/-2+3+3-*bis*+/-4+/-5)**	**(189)**	**(201)**

19.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description (€m)	FY 2021		FY 2020	
	IRES	Proportion %	IRES	Proportion %
Profit before tax	*698*		*829*	
Theoretical tax	167	24.0%	199	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Net provisions for risks and charges and impairments of receivables	6	0.9%	(10)	-1.2%
Taxation for previous years	(10)	-1.4%	-	0.0%
Other	(5)	-0.7%	(3)	-0.4%
Effective tax (before recognition of the Patent Box tax effect)	**158**	**22.7%**	**186**	**22.4%**
Patent Box tax effect	(1)	-0.1%	(19)	-2.3%
Effective tax charge	**157**	**22.6%**	**167**	**20.1%**

The increase in the tax rate in 2021 compared to the previous year is due to the lower impact of the Patent Box.

Description (€m)	FY 2021		FY 2020	
	IRAP	Proportion %	IRAP	Proportion %
Profit before tax	*698*		*829*	
Theoretical tax	31	4.5%	37	4.5%
Effect of increases/(decreases) on theoretical tax charge				
Provisions for risks and charges	1	0.1%	(2)	-0.2%
Other	-	0.0%	3	0.4%
Effective tax (before recognition of the Patent Box tax effect)	**32**	**4.6%**	**38**	**4.6%**
Patent Box tax effect	-	0.0%	(4)	-0.5%
Effective tax charge	**32**	**4.6%**	**34**	**4.1%**

Section 20 – Profit/(Loss) after tax from discontinued operations – Item 290

Nothing to report.

Section 21 – Other information

All information has been presented above.

Section 22 – Earnings per share

Nothing to report.

Part D – Comprehensive income

Analysis of comprehensive income

Items (€m)		FY 2021	FY 2020
10.	**Profit/(Loss) for the year**	**508**	**629**
	Other components of comprehensive income not reclassified to Profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value	-	-
	b) transfers to other Equity	-	-
30.	Financial liabilities measured at fair value through Profit or loss (changes in own credit rating):	-	-
	a) changes in fair value	-	-
	b) transfers to other Equity	-	-
40.	Hedges of Equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	-	-
80.	Non-current assets and disposal groups held for sale	-	-
90.	Share of valuation reserve attributable to equity-accounted investments	-	-
100.	Tax expense on other comprehensive income not reclassified to Profit or loss	-	-
	Other components of comprehensive income reclassified to Profit or loss		
110.	Hedges of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to Profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in value	-	-
	b) reclassified to Profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(187)	(24)
	a) changes in fair value	(178)	(27)
	b) reclassified to Profit or loss	(9)	3
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedges (elements not designated):	-	-
	a) changes in value	-	-
	b) reclassified to Profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	(1,433)	1,693
	a) changes in fair value	(1,007)	1,947
	b) reclassified to Profit or loss	(426)	(254)
	- losses due to credit risk	(6)	6
	- realised gains/(losses)	(420)	(260)
	c) other changes	-	-
160.	Non-current assets and disposal groups held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassified to Profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves attributable to equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to Profit or loss	-	-
	- losses	-	-
	- realised gains/(losses)	-	-
	c) other changes	-	-
180.	Tax expense on other comprehensive income reclassified to Profit or loss	460	(474)
190.	**Total other comprehensive income**	**(1,160)**	**1,195**
200.	**Comprehensive income (Items 10+190)**	**(652)**	**1,824**

Part E – Information on risks and related hedging policies

Introduction

BancoPosta's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds raised by private customers on postal current accounts must be used in Eurozone government bonds[233], whilst deposits by Public Administration entities are deposited with the MEF.

In 2021, BancoPosta RFC's operations focused on investment of the significantly increased volume of current account deposits, the reinvestment of funds deriving from maturing government bonds and in the active management of financial instruments.

The 2021 financial year was characterised by an increase in Italian government bond yields (the 10-year BTP rose from 0.5% to 1.17%). This took the BTP-Bund spread to 135 basis points compared to 111 last year. These movements brought down the price of securities.

As regards BancoPosta's capital structure, the €350 million capital increase through Additional Tier 1 was completed on 30 June 2021. The Leverage Ratio stood at 3.0%[234]at the end of 2021, partly as a result of the further increase in assets on the balance sheet, mainly due to the increase in investments.

The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned system is thus the general reference for the policy of investments (the limits of which are determined by specific Guidelines approved by the Board of Directors) in order to limit exposure to interest rate and liquidity risks.

Financial risk management

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including through the progressive implementation of adequate IT tools. In this regard, on 16 February 2021, Poste Italiane SpA's Board of Directors adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System. From an organisational viewpoint, the model consists of:

- the **Control and Risk Committee**, established in 2015 as an internal board committee, whose role, based on adequate research activity, is to act in an advisory capacity and make recommendations to support the Board of Directors in assessing and making decisions regarding the internal control and risk management system and regarding the approval of financial and non-financial periodic reports;

233. The funds raised by private customers on postal current accounts must be used in Eurozone government bonds and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee (as provided by the Law no. 296 of 27 December 2006 and subsequent amendments provided by the 2015 Stability Law no. 190 of 23 December 2014). With the conversion into Italian Law no. 106 of 23 July 2021 of Italian Law Decree no.73 of 25 May 2021, it is permitted for BancoPosta RFC, within the scope of 50% of funding from private customers investible in securities backed by the Italian government guarantee, to use up to 30% of this quota in the purchase of tax credits transferable under the terms of Italian Law Decree no.34/2020 (the so-called "Decreto Rilancio") or other tax credits transferable under the terms of the current legislation.
234. The value already includes the proposed capital strengthening of €200 million through the provision of profit for the year 2021.

- the **Financial and Insurance Services Committee**, established on 19 March 2018 to replace the previous Finance, Savings and Investment Committee, with the aim of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;
- **BancoPosta's Risk Management Government Outsourcing** function performs Risk Measurement and Control activities, duly observing the organisational separation of controlling functions from those having management responsibilities.

The management of investments and risk hedging related to BancoPosta RFC have been assigned by means of a specific mandate to the specialist functions of BancoPosta Fondi SpA SGR, a Poste Italiane Group company.

In constructing the BancoPosta RFC Risk Model, attention was also given to the existing prudential supervisory standards for banks and to the specific instructions for BancoPosta, introduced by the Bank of Italy on 27 May 2014 with the third revision to Circular No. 285 of 17 December 2013 and subsequent updates.

The above prudential standards have imposed the same obligations on BancoPosta as those applicable to banks in terms of corporate governance, internal controls and risk management, requiring, among other things, achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- oversight of implementation of the Company's strategies and policies;
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function;
- application of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

Section 1 – Credit Risk

Credit risk regards the types of risk described below.

Credit risk is defined as the possibility that a change in the creditworthiness of a counterparty, to which the entity is exposed, could result in a matching change in the value of the amount due. It thus represents the risk that the debtor is partially or entirely unable to repay the principal and interest due.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

Qualitative information

1. Generalities

Presidential Decree 144/2001 prohibits BancoPosta RFC from making loans to members of the public. As a result, there are no credit policies.

The nature of BancoPosta RFC's operations, however, results in a considerable concentration of exposure to Republic of Italy risk, as a result of its investments in Government securities and its deposits at the MEF. Credit risk models, explained below, show, however, that for capital requirements this type of investment does not determine capital absorption.

2. Credit risk management policies

2.1 Organisational aspects

The role of BancoPosta RFC's Risk Management function is the management and control of credit, counterparty and concentration risks.

Monitoring credit risk is particularly focused on the following exposures:

- Eurozone government bonds or other securities backed by the Italian State for the use of liquidity collected through current accounts from private customers;
- deposits at the MEF in which Public Administration account and private customer deposits are invested;
- any eventual amounts due from the Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in progress: cheque clearing, use of electronic cards, collections;
- emporarily overdrawn postal current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2022;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (CSA – Credit Support Annexes and GMRA – Global Master Repurchase Agreements);
- cash collateral provided to the guarantee fund of the Central Counterparty "Cassa di Compensazione e Garanzia" for repurchase agreement transactions;
- trade receivables payable by partners in relation to financial/insurance product placement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

2.2 Management, measurement and control systems

Credit risk is controlled through the following:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration monitoring thresholds per issuer/counterparty;
- monitoring of changes in counterparty ratings.

The limits for BancoPosta RFC's financial transactions contain rating limits that only permit dealings with investment grade counterparties. The limits referred to above have been established by the "Guidelines on Poste Italiane SpA's financial management[235] for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and Eurozone government issuers with a rating at least equal to that of the Italian Republic.

With reference to the monitoring thresholds of concentration risk, the limits set by prudential regulations are applied[236].

The standardised approach[237] as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. Application of this method entails the use of Standard & Poor's, Moody's, Fitch and DBRS for the computation of counterparty credit rating classes.

235. On 3 August 2021, Poste Italiane SpA's Board of Directors approved the updated version of the Guidelines on Poste Italiane SpA's financial management, on the proposal of the CEO and with the consent of the Audit and Risk Committee.
236. According to prudential regulations, with reference to the rules on Large Exposures, risk-weighted assets must remain below 25% of own funds. As a rule, exposures are recognised at nominal value, taking into consideration any credit risk mitigation techniques. To take into account the lower risk related to the nature of the borrower, more favourable weighting factors are applied.
237. The standardized approach entails risk weightings in accordance with the nature of the exposure and the identity of the counterparty and the counterparty's external credit rating.

In terms of prudential oversight, the following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:

- the standardised method[238] is used for interest rate swaps and forward purchases/sales of government bonds;;
- Credit Risk Mitigation (CRM) techniques, the Full Method[239], are used for repurchase transactions.

Concentration risk is measured using the method described in EU Regulation 575/2013 with regard to large exposures.

2.3 Measurement of expected credit losses

The Expected Credit Loss (ECL) method introduced by IFRS 9 applies to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

For financial assets other than trade receivables, BancoPosta RFC applies the General deterioration approach, with models to estimate risk parameters depending on the type of counterparty:

- Internal risk parameter estimation models for debt securities and deposits with Sovereign, Banking and Corporate counterparties;
- risk parameters deriving from agency ratings or average default rates for the sector for Public Administration and Central Counterparties.

Expected credit losses are determined either over a 12-month horizon or a lifetime horizon, depending on the stage of the exposure, on the basis of the following metrics:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

Below, the main assumptions adopted in determining the single factors are illustrated:

- PD: as indicated from the start,a Point in Time (PIT) and forward-looking valuation has been adopted;
- LGD: use has been made of the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, floating-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

BancoPosta RFC elected not to adopt the low risk credit exemption and to proceed instead with the staging of the financial instruments concerned.

Based on the impairment models described above, to allocate properly performing exposures in stage 1 or stage 2, the significant increase in exposures other than trade receivables is determined on the basis of the change in notches between the rating at the time of investment and the rating at the reporting date.

238. According to this methodology, the risk exposure of derivatives is calculated through the sum, increased by 40%, of the following two components: the replacement cost, represented by the fair value of the derivatives considering the effect of the collateral provided and received, and the add-on, calculated on the basis of the contractual characteristics of the derivatives, among which are the notional amount, maturity and the reference risk driver.
239. With the full CRM approach, the amount of risk exposure is reduced by the value of the collateral; specific rules are provided to take into account the volatility of market prices for the collateralised asset and the collateral received.

This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (vintage factor);
- an additive factor to mitigate the non-linearity of the PD vis-a-vis the rating classes[240];
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[241].

Based on the above information, BancoPosta RFC does not apply the presumption that an exposure past due for over 30 days indicates automatically significant increases in credit risk after initial recognition.

BancoPosta RFC defines a default on the basis of ad hoc assessments that take into consideration:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

With respect to payment delays, the definition of default is based on the following approach:

- late payments, even by one day, or debt renegotiation for financial instruments with sovereign counterparties;
- payments 90 days past due, for financial instruments with banking and corporate counterparties.

In keeping with the accounting standard, in determining ECL consideration was given also to forward looking elements based on broad-consensus scenarios.

The approach followed involves inclusion of forward-looking information in the estimation of the PD. In particular, the internal approach adopted allows completion of the input dataset necessary to calculate PD starting from a number of scenario values related to the approach. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[242].

As to the estimation techniques used, it is noted that since the approaches to calculate the PD for Sovereign, Banking and Corporate counterparties cannot use default events, as they are not frequent, a shadow rating approach was adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be identified directly by the rating or, alternatively, with the default rate linked to the rating level. The target was constructed on the basis of a rating agency selected as reference, considering both the large number of counterparties rated and the availability of historical data over a time horizon considered adequate.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

For trade receivables BancoPosta applies the simplified approach, where no significant increase in credit risk is expected. However, the loss provisions are calculated for an amount equal to lifetime expected credit loss.

240. The additive factor is built in view of the rating level at the reporting date, where the better the rating the higher the threshold for the transition to Stage 2.
241. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

242. In particular, the use of such approach is limited to situations where, actually, the final figures are deemed to be no longer representative of the counterparty's risk.

Such approach is implemented through the following process:

- based on total revenue or the historical credit exposure, a credit threshold is identified beyond which the single receivables or the single exposure is evaluated. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, if any, or alternatively on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

Finally, the potential effects of the Russia-Ukraine conflict on the economic scenario are currently difficult to foresee and any changes in the estimates for setting the PD will be reflected in the financial statements prepared in subsequent periods (see also Part A, Section 3 - *Events after the end of the reporting period*).

Changes due to Covid-19

Measurement of expected losses

For the purposes of determining the forward-looking information to be included in the calculation of expected losses on financial instruments pursuant to IFRS 9, considering the changes in the Italian economic scenario, the Group, with reference to BancoPosta RFC, deemed it appropriate to update the forecast scenarios to take into account new elements based on the International Monetary Fund's estimates for the year 2021, which led to a change in the PD of Italy compared to what was used in the measurements in the Separate Report at 31 December 2020. On the other hand, with regard to the Corporate and Banking counterparties, the improvement in the economic scenario meant that there was no need for an upward adjustment to the PD, made for the end of the 2020 financial year and linked to the increase in sector risk recorded by the rating agencies.

Also with regard to trade receivables, the changing national economic scenario meant that there is no need to adjust the PD, made for the 2020 financial year and linked to the increase in sectoral risk signalled by the rating agencies (analytical impairment) or to the increase in historical risk recorded in periods of acute stress (flat-rate basis impairment).

The amount of expected losses on financial instruments in the RFC is mainly attributable to exposures to the Italian Republic. In the calculation of the ECL, the sensitive parameter is the PD which, in the case of the Italian Republic, is estimated through the application of an internal model dedicated to sovereign counterparties used in macroeconomic variable inputs. The sensitivity of the PD, and therefore of the ECL, to these macroeconomic factors can be assessed by comparing the PD value of the Italian Republic in two forecast scenarios for 2022.

At 31 December 2021, the following sensitivity analysis was performed on financial instruments relating to BancoPosta RFC:

- the application of the model to a scenario characterised by a 5% increase in the Debt/GDP ratio and a significant decrease in Italy's competitiveness would result in a 43% increase in the PD of the Italian Republic, with a negative effect on the provision to cover expected losses of approximately €10 million;
- the application of the model to a scenario characterised by a decrease in the Debt/GDP ratio of 7% would determine a decrease in the PD of the Italian Republic of 21% with a consequent positive effect of approximately €5 million on the fund to cover expected losses.

2.4 Credit risk mitigation techniques

BancoPosta RFC adopts credit and counterparty risk mitigation techniques. In particular:

- regarding hedging derivatives and repurchase agreements, credit and counterparty risks are mitigated by entering into a master netting agreement and requiring collateral in the form of cash or government securities. In addition, during 2021, BancoPosta RFC began trading in OTC derivatives with Qualifying Central Counterparty clearing through clearing brokers, in compliance with the requirements of Article 305 of Regulation (EU) 575/2013 (the CRR);
- n relation to trade receivables credit terms are extended for customers, requesting, in certain cases, guarantees or sureties issued by prime banks or insurance companies.

There were no impacts from the Covid-19 pandemic on guarantees and other credit risk mitigation instruments.

At 31 December 2021, BancoPosta RFC does not hold financial assets secured by guarantees or other credit risk mitigating instruments for which no loss provisions have been made (except for the temporary use of liquidity in reverse repurchase agreements).

The main types of instrument used by BancoPosta RFC to hedge credit and counterparty risk are described below:

Fixed income instruments

Debt instruments secured by guarantees or other credit risk mitigation instruments are bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2021. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic.

Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, BancoPosta RFC has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralization of derivative transactions and repurchase agreements, respectively. From 2021, BancoPosta RFC have also started trading in OTC derivatives with Qualified Central Counterparty clearing, for which specific margins are provided through clearing brokers.

With regard to repurchase agreement transactions, in order to mitigate counterparty risk and gain readier access to the market, from December 2017, BancoPosta RFC began to enter into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in Part B – Other Information, tables 5 and 6, to which reference is made.

Trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, BancoPosta RFC has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

BancoPosta RFC accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of postal escrow account.

Considering the limited risk of insolvency of government customers, BancoPosta RFC as a rule exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

Accordingly, the guarantees held are related mainly to private customers.

For all the exposures evaluated individually, to calculate loss provisions, guarantees reduce the amount of the exposure at risk.

At 31 December 2021, unsecured trade receivables minus the relevant loss provisions amount to €889 million.

3. Credit-impaired financial assets

BancoPosta RFC holds a single non-performing financial asset, which relates to items illegally taken away but that are now being recovered for €12 million.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balance, impairment, trends and business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/quality (€m)	Bad loans	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	-	-	56	53,677	53,733
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,626	37,626
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2021	**-**	**-**	**-**	**56**	**91,303**	**91,359**
Total at 31.12.2020	**-**	**-**	**-**	**70**	**94,592**	**94,662**

A.1.2 Distribution of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolio/quality (€m)	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairments	Net exposure	Total partial write-offs*	Gross exposure	Total impairments	Net exposure	
1. Financial assets measured at amortised cost	12	12	-	-	53,807	74	53,733	53,733
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,638	12	37,626	37,626
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total at 31.12.2021	**12**	**12**	**-**	**-**	**91,445**	**86**	**91,359**	**91,359**
Total at 31.12.2020	**13**	**13**	**-**	**-**	**94,762**	**100**	**94,662**	**94,662**

* amount reported for disclosure purposes

Portfolio/quality (€m)	Assets of evidently low credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	873
Total at 31.12.2021	**-**	**-**	**873**
Total at 31.12.2020	**-**	**-**	**78**

A.1.3 Distribution of financial assets by past due category (carrying amounts)

Portfolio/Stage (€m)	Stage 1			Stage 2			Stage 3			Acquired or originated impaired		
	1–30 days	30–90 days	Over 90 days	1–30 days	30–90 days	Over 90 days	1–30 days	30–90 days	Over 90 days	1–30 days	30–90 days	Over 90 days
1. Financial assets measured at amortised cost	-	-	-	38	2	16	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale												
Total at 31.12.2021	**-**	**-**	**-**	**38**	**2**	**16**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**-**	**-**	**-**	**10**	**50**	**10**	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: overall impairment losses/recoveries and overall provisions

Portfolio/Stage (€m)	Total impairments																	
	Assets in stage 1						Assets in stage 2					Assets in stage 3						
	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at FV through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at FV through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at FV through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment
Total opening impairment losses	**-**	**19**	**18**	**-**	**-**	**37**	**-**	**63**	**-**	**-**	**40**	**23**	**-**	**13**	**-**	**-**	**13**	**-**
Increases in acquired or originated financial assets	-	1	2	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	(3)	-	-	(3)	-	(2)	-	-	(2)	-	-	(1)	-	-	(1)	-
Net losses/ recoveries due to credit risk (+/-)	-	(4)	(5)	-	-	(9)	-	7	-	-	5	2	-	-	-	-	-	-
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	(10)	-	-	(10)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**16**	**12**	**-**	**-**	**28**	**-**	**58**	**-**	**-**	**33**	**25**	**-**	**12**	**-**	**-**	**12**	**-**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Portfolio/Stage (€m)	Total impairments					Total provisions for commitments to disburse funds and financial guarantees given				Total
	Acquired or originated impaired financial assets									
	Financial assets measured at amortised cost	Financial assets measured at FV through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given acquired or originated impaired	
Total opening impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**113**
Increases in acquired or originated financial assets	-	-	-	-	-	-	-	-	-	3
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	(6)
Net losses/ recoveries due to credit risk (+/-)	-	-	-	-	-	-	-	-	-	(2)
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	(10)
Other changes	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**98**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-

The decrease in the provision to cover expected losses is mainly due to: (i) the improved macroeconomic context and consequent reduction, mainly for the securities portfolio and deposits with the MEF, of the risk due to the current pandemic (ii) the utilisation of the provision for doubtful accounts set aside at the time on overdrawn current accounts with a debit balance totalling €10 million. These amounts were written off when it was realised that the recovery was uneconomic, also taking into account the small amount of the individual credit positions; (iii) the increase in expected losses attributable to the portfolio of trade receivables recognised in the second stage, based on the simplified method.

A.1.6 On- and off-balance-sheet credit exposures to banks: gross and net amounts

Exposure type/amount (€m)		Gross exposure					Total impairments and total provisions					Net exposure	Total partial writeoffs*
			Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A.	**On-balance sheet exposures**												
A.1	**Demand**												
a)	Non-Performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	4,774	4,774	-	X	-	-	-	-	X	-	4,774	-
A.2	**Other**												
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Performing past-due exposures	31	-	31	X	-	-	-	-	X	-	31	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	3,348	3,313	35	X	-	-	-	-	X	-	3,348	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL A		**8,153**	**8,087**	**66**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,153**	**-**
B.	**Off-balance sheet exposures**												
a)	Non-Performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	1,017	-	-	X	-	-	-	-	X	-	1,017	-
TOTAL B		**1,017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,017**	**-**
TOTAL A+B		**9,170**	**8,087**	**66**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,170**	**-**

* amount reported for disclosure purposes

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with derivatives registering positive fair value, gross of any netting agreements[243] and with repurchase agreements with margins that qualify as Securities Financing Transactions (SFT)[244].

243. BancoPosta RFC is not a party to enforceable master netting agreements or similar arrangements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements but used standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions in relation to derivative financial instruments.
244. As defined in the prudential requirements.

A.1.7 On- and off-balance-sheet credit exposures to costumers: gross and net amounts

Exposure type/amount (€m)		Gross exposure					Total impairments and total provisions					Net exposure	Total partial writeoffs*
			Stage 1	Stage 2	Stage 3	Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
A.	**On-balance sheet exposures**												
a)	Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b)	Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c)	Non-performing past-due exposures	12	X	-	12	-	12	X	-	12	-	-	-
	- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d)	Performing past-due exposures	82	-	82	X	-	57	-	57	X	-	25	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e)	Other performing exposures	87,984	87,186	798	X	-	29	28	1	X	-	87,955	-
	- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL A		**88,078**	**87,186**	**880**	**12**	**-**	**98**	**28**	**58**	**12**	**-**	**87,980**	**-**
B.	**Off-balance sheet exposures**												
a)	Non-Performing	-	X	-	-	-	-	X	-	-	-	-	-
b)	Performing	249	-	-	X	-	-	-	-	X	-	249	-
TOTAL B		**249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**249**	**-**
TOTAL A+B		**88,327**	**87,186**	**880**	**12**	**-**	**98**	**28**	**58**	**12**	**-**	**88,229**	**-**

* Amount reported for disclosure purposes.

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with derivative transactions with positive fair value gross of any existing netting agreements.

A.1.9 On-balance sheet credit exposures to customers: trends in gross non-performing exposures

Reason/Category (€m)		Bad loans	Unlikely to pay	Non-performing past due
A.	**Opening gross exposure**	**-**	**-**	**13**
	- of which: transferred and not derecognised	-	-	-
B.	**Increases**	**-**	**-**	**-**
B.1	Transfers from performing exposures	-	-	-
B.2	Transfers from acquired or originated impaired financial assets	-	-	-
B.3	Transfers from other categories of non-performing exposures	-	-	-
B.4	Contract amendments without termination	-	-	-
B.5	Other increases	-	-	-
C.	**Decreases**	**-**	**-**	**(1)**
C.1	Transfers to performing exposures	-	-	-
C.2	*Write-off*	-	-	-
C.3	Collections	-	-	(1)
C.4	Proceeds on disposal	-	-	-
C.5	Losses on disposal	-	-	-
C.6	Transfers to other categories of non-performing exposures	-	-	-
C.7	Contract amendments without termination	-	-	-
C.8	Other decreases	-	-	-
D.	**Closing gross exposure**	**-**	**-**	**12**
	- of which: transferred and not derecognised	-	-	-

A.1.11 On-balance-sheet non-performing credit exposures to customers: trends in overall impairment losses/recoveries

Reason/Category (€m)		Bad loans		Unlikely to pay		Non-performing past due	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	**Total opening impairment losses**	**-**	**-**	**-**	**-**	**13**	**-**
	- of which: transferred and not derecognised	-	-	-	-	-	-
B.	**Increases**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Impairment losses to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2	Other impairment losses	-	-	-	-	-	-
B.3	Losses on disposal	-	-	-	-	-	-
B.4	Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5	Contract amendments without termination	-	-	-	-	-	-
B.6	Other increases						
C.	**Decreases**	**-**	**-**	**-**	**-**	**(1)**	**-**
C.1	Reversal of impairment losses on valuation	-	-	-	-	-	-
C.2	Reversal of impairment losses on collection	-	-	-	-	(1)	-
C.3	Proceeds on disposal	-	-	-	-	-	-
C.4	*Write-off*	-	-	-	-	-	-
C.5	Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6	Contract amendments without termination	-	-	-	-	-	-
C.7	Other decreases	-	-	-	-	-	-
D.	**Total closing impairment losses**	**-**	**-**	**-**	**-**	**12**	**-**
	- of which: transferred and not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

BancoPosta RFC has no lending policies as it does not grant loans to the public. It also uses internal models only for the measurement of expected losses as required by IFRS 9, but not for the quantification of capital requirements for credit risk.

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

Exposures (€m)	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**942**	**2,633**	**48,801**	**-**	**-**	**-**	**1,443**	**53,819**
- Stage 1	942	2,600	48,348	-	-	-	971	52,861
- Stage 2	-	33	453	-	-	-	460	946
- Stage 3	-	-	-	-	-	-	12	12
- Acquired or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**37,638**	**-**	**-**	**-**	**-**	**37,638**
- Stage 1	-	-	37,638	-	-	-	-	37,638
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**942**	**2,633**	**86,439**	**-**	**-**	**-**	**1,443**	**91,457**
D. Commitments to disburse funds and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B + C + D)	**942**	**2,633**	**86,439**	**-**	**-**	**-**	**1,443**	**91,457**

Stage 2 reflects mainly financial assets represented by trade receivables for which loss provisions are measured with the simplified approach.

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P	DBRS
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AAL
2	A+ to A-	A1 to A3	A+ to A-	AH to AL
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL
5	B+ to B-	B1 to B3	B+ to B-	BH to BL
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.2 Guaranteed on-and off-balance-sheet credit exposures to customers

(€m)	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
			Mortgages	Lease financing	Securities	Other collateral	Credit derivatives					Unsecured loans				
							CLNs	Other derivatives								
								Central counterparties	Banks	Other financial companies	Other entities	Public Administration entities	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet credit exposures:																
1.1 guaranteed in full	-	-	-	-		-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	4,793	4,792	-	-	1,569		-	-	-	-	-	3,000	-	-	-	**4,569**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance sheet credit exposures:																
2.1 guaranteed in full	8	8	-	-	-	8	-	-	-	-	-	-	-	-	-	**8**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-		-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

Partially guaranteed on- balance sheet credit exposures relate to:

- repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32, and are therefore offset in the financial statements by €1,577 million.
- fixed-rate securities for a nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

B. Distribution and concentration of credit exposures

B.1 Distribution of on- and off-balance sheet credit exposures to customers by economic sector

Exposures/ Counterparties (€m)		Public Administration entities		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A.	**On-balance sheet exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	12	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	82,289	31	5,492	2	230	-	195	29	4	24
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A		**82,289**	**31**	**5,492**	**2**	**230**	**-**	**195**	**41**	**4**	**24**
B.	**Off-balance sheet exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	-	-	249	-	-	-	-	-	-	-
TOTAL B		**-**	**-**	**249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021		**82,289**	**31**	**5,741**	**2**	**230**	**-**	**195**	**41**	**4**	**24**
TOTAL (A+B) at 31.12.2020		**82,391**	**43**	**5,425**	**2**	**223**	**-**	**917**	**39**	**4**	**29**

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposure/ Geographic area (€m)		ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A.	**On-balance sheet exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	12	-	-	-	-	-	-	-	-
A.4	Performing exposures	87,047	86	933	-	-	-	-	-	-	-
TOTAL A		**87,047**	**98**	**933**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.	**Off-balance sheet exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	-	-	249	-	-	-	-	-	-	-
TOTAL B		**-**	**-**	**249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021		**87,047**	**98**	**1,182**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2020		**87,517**	**113**	**1,220**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposure/ Geographic area (€m)		ITALY, NORTH-WEST		ITALY, NORTH-EAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A.	**On-balance sheet exposures**								
A.1	Bad loans	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	12	-	-	-	-
A.4	Performing exposures	2	9	1	4	87,040	45	4	28
TOTAL A		**2**	**9**	**1**	**16**	**87,040**	**45**	**4**	**28**
B.	**Off-balance sheet exposures**								
B.1	Non-performing exposures	-	-	-	-	-	-	-	-
B.2	Performing exposures	-	-	-	-	-	-	-	-
TOTAL B		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021		**2**	**9**	**1**	**16**	**87,040**	**45**	**4**	**28**
TOTAL (A+B) at 31.12.2020		**3**	**10**	**-**	**17**	**87,510**	**56**	**4**	**30**

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

B.3 Geographical distribution of on- and off-balance sheet credit exposures to banks

Exposure/ Geographic area (€m)		ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A.	**On-balance sheet exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	5,325	-	2,828	-	-	-	-	-	-	-
TOTAL A		**5,325**	**-**	**2,828**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.	**Off-balance sheet exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	73	-	551	-	-	-	-	-	-	-
TOTAL B		**73**	**-**	**551**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021		**5,398**	**-**	**3,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2020		**4,888**	**-**	**5,724**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on- and off-balance sheet credit exposures to banks

Exposure/ Geographic area (€m)	ITALIA, NORTH-WEST		ITALIA, NORTH-EAST		ITALIA, CENTRE		ITALIA, SOUTH E ISLANDS	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	396	-	1	-	4,928	-	-	-
TOTAL A	**396**	**-**	**1**	**-**	**4,928**	**-**	**-**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	42	-	-	-	31	-	-	-
TOTAL B	**42**	**-**	**-**	**-**	**31**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021	**438**	**-**	**1**	**-**	**4,959**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2020	**740**	**-**	**1**	**-**	**4,147**	**-**	**-**	**-**

B.4 Large exposures

In compliance with the supervisory standards in force, the table for "Large exposures" shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 81% of the total carrying amount. The remaining exposures regard primary counterparties represented by European banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposures	
a) Carrying amount (€m)	97,044
b) Weighted amount (€m)	1,300
c) Number	5

E. Disposal of assets

A. Financial assets sold but not fully derecognised

Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

Quantitative information

E.1 Financial assets sold recognised in full and related financial liabilities: carrying amounts

(€m)	Financial assets sold recognised in full				Related financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**6,261**	**-**	**6,261**	**-**	**5,988**	**-**	**5,988**
1. Debt securities	6,261	-	6,261	-	5,988	-	5,988
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**8,763**	**-**	**8,763**	**-**	**8,849**	**-**	**8,849**
1. Debt securities	8,763	-	8,763	-	8,849	-	8,849
2. Loans	-	-	-	-	-	-	-
TOTAL at 31.12.2021	**15,024**	**-**	**15,024**		**14,837**	**-**	**14,837**
TOTAL at 31.12.2020	**15,249**	**-**	**15,249**		**14,711**	**-**	**14,711**

Section 2 – Market risk

Market risk relates to:

- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;
- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows will fluctuate because of movements in market interest rates;
- interest rate risk of future cash flows: the risk that the cash flows will fluctuate because of movements in inflation rates in the market.

2.1 Interest rate and price risks – supervisory trading book

At 31 December 2021, there were financial liabilities for trading deriving exclusively from the stipulation of a forward contract for the sale of 198 thousand ordinary shares of Visa Incorporated for the purpose of stabilising their yield. This transaction does not meet the "trading intent" requirement, as defined by art. 104 of EU Regulation no. 575/2013, for classification in the "Regulatory trading book"; this intent is, however, excluded from the "Guidelines on Poste Italiane SpA's financial management" for BancoPosta RFC.

Information on the market risks associated with this transaction is provided in the "Banking Book" section.

2.2 Interest rate and price risks – banking book

Qualitative information

A. Generalities, management policies and interest rate and price risk measurement methods

Interest rate risk

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises from the mismatch - in terms of interest rate, interest rate resets and maturities - of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and an impact on future results. This risk is of particular relevance to variable rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk primarily refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed component of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration[245].

245. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

The internal model for measuring interest rate risk on the banking book is based on the economic value method. This results in a need to develop an amortisation schedule for the demand deposits consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 20 years is used for retail customer deposits, 10 years for business customer deposits and Postepay cards[246], and 5 years for Public Administration deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors - such as the duration of deposits and the value of asset and liability items on the balance sheet - that contribute to determining the measurement of exposure. In particular, the stress tests are based on an assumed reduction in the maximum time horizon (cut-off point) for demand deposits and the revaluation of the assets and liabilities under adverse market scenarios.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance - in line with the risk appetite and thresholds and limits established in the RAF - with financial operations guidelines as approved from time to time by Poste Italiane SpA's Board of Directors.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC also monitors market risk, including fair value interest rate and spread risks, inherent in financial assets measured at fair value through other comprehensive income and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

Spread risk

The spread risk relates to investments in Euro government securities or Italian State-backed securities classified in the Financial assets portfolio at fair value though comprehensive income. During the 2021 financial year, Italian government bonds performed better on average compared to the previous year, and at 31 December 2021, the yield differential between the 10-year Italian government bond and the German Bund (the "spread") stood at approximately 135 bps, an increase from the previous year's figure (111 bps at 31 December 2020).

In the period in question, as described above, the portfolio of financial assets measured at fair value through other comprehensive income (notional of around €31 billion), held by BancoPosta RFC, showed an overall net decrease in fair value of approximately €2.2 billion: this change was partly recognised in the profit or loss account for a negative amount of approximately €1.2 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the negative change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for approximately €1 billion.

Price risk

Price risk relates to financial assets measured at fair value through profit or loss.

This sensitivity analysis takes into account the main positions potentially exposed to the greatest risk of price movements.

BancoPosta RFC monitors the price risk to which its shareholdings are exposed by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

246. Prepaid cards have been the responsibility of PostePay SpA since 1 October 2018. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment restrictions imposed on the remaining private customer deposits. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

Quantitative information

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Euro

Type/Time-to-maturity (€m)		Demand	3 months or less	3–6 months	6 months–1 year	1–5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**20,286**	**6,493**	**3,306**	**1,415**	**7,397**	**7,222**	**46,817**	**-**
1.1	Debt securities	-	4,579	3,306	1,415	7,397	7,222	46,817	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	4,579	3,306	1,415	7,397	7,222	46,817	-
1.2	Due from banks	3,379	-	-	-	-	-	-	-
1.3	Due from customers	16,907	1.914	-	-	-	-	-	-
	- current accounts	4	-	-	-	-	-	-	-
	- other loans	16,903	1.914	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	16,903	1.914	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**81,337**	**4,916**	**1,341**	**1,632**	**6,948**	**-**	**-**	**-**
2.1	Due to customers	80,411	2,642	860	466	1,095	-	-	-
	- current accounts	76,948	-	-	-	-	-	-	-
	- other deposits	3,463	2,642	860	466	1,096	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	3,463	2,642	860	466	1,096	-	-	-
2.2	Due to banks	926	2,274	481	1,166	5,853	-	-	-
	- current accounts	707	-	-	-	-	-	-	-
	- other deposits	219	2,274	481	1,166	5,853	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	1,116	739	273	-	-	-	-
	+ Short positions	-	-	-	-	-	665	1,391	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	'- Other derivatives								
	+ Long positions	-	10,424	-	7,801	19,935	625	805	-
	+ Short positions	-	5,226	-	1,875	-	-	32,489	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: US dollar

Type/Time-to-maturity (€m)		Demand	3 months or less	3–6 months	6 months–1 year	1–5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers		-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Posizioni lunghe	-	-	-	-	-	-	-	-
	+ Posizioni corte	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Swiss Franc

Type/Time-to-maturity (€m)		Demand	3 months or less	3–6 months	6 months–1 year	1–5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities		-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	2	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Other currencies

Type/Time-to-maturity (€m)		Demand	3 months or less	3–6 months	6 months–1 year	1–5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

2. Banking portfolio: internal models and other methods of sensitivity analysis

Fair value interest rate risk

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

At 31 December 2021, BancoPosta RFC's financial asset portfolio measured at fair value through other comprehensive income had a duration of 5.15 (at 31 December 2020 the duration was 5.65) for the securities and derivatives portfolio and 2 for tax credits. The sensitivity analysis is shown in the table.

Fair value interest rate risk

Analysis date (€m)	Notional value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	31,415	37,626	(717)	600	-	-	(717)	600
Tax credits Italian Law no. 77/2020	3,538	3,301	(65)	67	-	-	(65)	67
Assets - Hedging derivatives	2,129	77	220	(257)	-	-	220	(257)
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**37,082**	**41,004**	**(562)**	**410**	**-**	**-**	**(562)**	**410**
2020 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	33,569	42,638	(1,299)	1,306	-	-	(1,299)	1,306
Tax credits Italian Law no. 77/2020	-	-	-	-	-	-	-	-
Assets - Hedging derivatives	330	-	19	(20)	-	-	19	(20)
Liabilities - Hedging derivatives	(2,119)	(54)	162	(179)	-	-	162	(179)
Variability at 31 December 2020	**31,780**	**42,584**	**(1,118)**	**1,107**	**-**	**-**	**(1,118)**	**1,107**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

All of BancoPosta RFC's investments are classified as "Financial assets measured at amortised cost", "Financial assets measured at fair value through other comprehensive income" and Other assets in relation to tax credits under Law 77/2020. The sensitivity analysis reported concerns the latter two categories of assets and related derivative financial instruments.

In particular, the risk in question concerns:

- in relation to Financial assets measured at fair value through other comprehensive income: fixed income government securities for €37,626 million, consisting of fixed-rate bonds for €12,056 million, floating-rate bonds for €403 million, floating-rate bonds reclassified to fixed income bonds through interest rate swaps of cash flow hedges for €2,375 million, inflation-indexed bonds for €864 million and fixed- or floating-rate bonds reclassified to variable rate positions through fair value hedge derivatives for €21,928 million (of which €14,403 million with forward starts);
- in relation to hedge derivatives, forward sales of government securities for a notional amount of €2,129 million, classified as cash flow hedges.
- in relation to Other assets, tax credits under Law No. 77/2020 with a total fair value of €3,301 million.

Spread risk

Spread risk reflects the impact of the difference between yields on sovereign debt and the fair value of Eurozone government bonds, where such difference, or spread, reflects the perception of markets regarding issuers' creditworthiness.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The sensitivity to the spread[247] has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The sensitivity analyses are shown below.

Fair value spread risk

Analysis date (€m)	Notional value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	31,415	37,626	(4,305)	5,198	-	-	(4,305)	5,198
Assets - Hedging derivatives	2,129	77	227	(264)	-	-	227	(264)
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**33,544**	**37,703**	**(4,078)**	**4,934**	**-**	**-**	**(4,078)**	**4,934**
2020 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	33,569	42,638	(4,376)	5,227	-	-	(4,376)	5,227
Assets - Hedging derivatives	330	-	19	(21)	-	-	19	(21)
Liabilities - Hedging derivatives	(2,119)	(54)	170	(187)	-	-	170	(187)
Variability at 31 December 2020	**31,780**	**42,584**	**(4,187)**	**5.019**	**-**	**-**	**(4,187)**	**5,019**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

It is worthy of note that any change in the spread would not entail any accounting effect on financial assets measured at amortised cost but would affect solely unrealised gains/losses. In other words, fixed income instruments measured at amortised cost, which at 31 December 2021 amounted to €33,110 million (nominal value of €28,027 million) and have a fair value of €33,662 million, would be reduced in fair value by approximately €4.17 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

In addition to sensitivity analyses, BancoPosta RFC monitors fair value interest rate risk by computing maximum potential loss or VaR – Value at Risk. The results of the VaR analysis regarding the variability of spread risk are shown below.

247. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 30 bps and the spread of the BTP compared to the 10-year swap rate of 87 bps).

Spread risk - VaR analyses

Analysis date (€m)	Risk exposure		SpreadVaR
	Notional	Fair value	
2021 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	31,415	37,626	267
Variability at 31 December 2021	**31,415**	**37,626**	**267**
2020 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	33,569	42,638	231
Variability at 31 December 2020	**33,569**	**42,638**	**231**

* The VAR for fixed-income securities also takes into account forward sales.

Maximum potential loss (VaR – Value at Risk), a statistical estimation with a time horizon of 1 day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

In order to jointly monitor spread and fair value interest rate risks, the following table shows the results of the VaR analysis conducted with reference to financial assets measured at fair value through other comprehensive income and the relevant derivative financial instruments, taking into account the variability of both risk factors:

(€m)	2021	2020
Average VaR	(586)	(552)
Minimum VaR	(287)	(225)
Maximum VaR	(1,626)	(1,385)

Taking into account both financial assets measured at fair value through other comprehensive income (including the related hedges outstanding) and forward sales, the combined analysis of spread risk and fair value interest rate risk at 31 December 2021 results in a potential loss of €337 million (VaR at the end of the period). The increase in VaR at the end of the period compared to the €226 million at 31 December 2020 is due to the increased volatility experienced in the markets during the year.

Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2020 and 31 December 2021 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

Cash flow interest rate risk

(€m)	2021			2020		
	Risk exposure	Net interest and other banking income		Risk exposure	Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
- Deposits with Bank of Italy	4.771	48	(48)	3,362	34	(34)
- Deposits at banks	4	-	-	4	-	-
Financial assets measured at amortised cost						
Due from banks						
- Collateral guarantees	3,313	33	(33)	6,289	63	(63)
Due from customers						
- Deposits at MEF (PA deposits)	12,712	127	(127)	7,340	73	(73)
- Deposits at MEF (private customer deposits)	1,990	20	(20)	1,991	20	(20)
- Collateral guarantees	1,545	15	(15)	1,205	12	(12)
- Due from Poste Italiane SpA outside the ring-fence	175	2	(2)	898	9	(9)
- Fixed income instruments	5,770	58	(58)	4,070	41	(41)
Financial assets measured at fair value through other comprehensive income						
- Fixed income instruments	9,800	98	(98)	6,029	60	(60)
Financial liabilities measured at amortised cost						
Due to banks						
- Collateral guarantees	(219)	(2)	2	(392)	(4)	4
- Repurchase agreements	(2,956)	(30)	30	(900)	(9)	9
Due to customers						
- Collateral guarantees	(9)	-	-	-	-	-
Total variability	**36,896**	**369**	**(369)**	**29,896**	**299**	**(299)**

Cash flow interest rate risk at 31 December 2021 was primarily due to:

- the placement of Public Administration and private customer deposits with the MEF;
- deposits with the Bank of Italy of temporary excess of liquidity deriving from private customer deposits;
- fixed-rate securities issued by the Italian State reclassified to variable-rate positions through fair value hedge derivative contracts for a total nominal value of €15,070 million, mainly related to: (i) Italian Government securities for €6,046 million, whose fair value hedge starts to produce its effects in the 12 months after the reporting period; (ii) Italian State inflation-linked securities with a nominal value of €100 million;
- floating-rate bonds issued by the Italian State with a total nominal value of €400 million;
- receivables for a total amount of €4,858 million for security deposits provided as collateral for derivative liabilities and repurchase agreements.

Cash flow inflation risk

Cash flow inflation rate risk at 31 December 2021 relates to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges or fair value hedges entered into by BancoPosta RFC, having a nominal value of €902 million and a carrying amount of €1,101 million. The effects of sensitivity analysis are immaterial.

Price risk

The sensitivity of financial instruments to price risk is analysed using a variability stress calculated with reference to one-year historical volatility, considered to be representative of potential market movements.

Price risk

Analysis date (€m)	Exposure	Change in value		Net interest and other banking income		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2021 effects							
Financial assets measured at fair value through Profit or loss							
Equity instruments	39	10	(10)	10	(10)	-	-
Financial liabilities held for trading	(3)	(9)	9	(9)	9	-	-
Variability at 31 December 2021	**36**	**1**	**(1)**	**1**	**(1)**	**-**	**-**
2020 effects							
Financial assets measured at fair value through Profit or loss							
Equity instruments	72	31	(31)	31	(31)	-	-
Financial liabilities held for trading	(20)	(31)	31	(31)	31	-	-
Variability at 31 December 2020	**52**	**-**	**-**	**-**	**-**	**-**	**-**

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 2.5.

The preference Visa Incorporated shares (Series C Convertible Participating Preferred Stock and Series A Preferred Stock[248]) held in portfolio were sensitivity tested using similar Class A shares, after adjusting for the volatility of the shares traded on the NYSE. This volatility was mitigated by the partial forward sale of approximately 90% of Visa Incorporated Series C ordinary shares in 2021. The shares' price risk is also monitored through the computation of VaR.

The VaR sensitivity analyses are shown below:

(€m)	2021	2020
Closing VaR	-	-
Average VaR	-	-
Minimum VaR	-	-
Maximum VaR	(1)	(1)

248. The Visa Incorporated Series A Preferred Stock was in the portfolio as at 31 December 2020 and was sold in June 2021.

2.3 Foreign exchange risk

Qualitative information

A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of portfolio, through fluctuations in foreign exchange rates. In BancoPosta RFC's case, this risk primarily derives from foreign currency bank accounts, foreign currency cash and VISA shares[249].

Foreign exchange risk is controlled by the Risk Management unit using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rates equal to the historical volatility are assumed to emulate market fluctuations.

249. The exchange rate risk relating to VISA shares was mitigated through a forward sale transaction carried out during 2019.

B. Foreign exchange hedges

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items (€m)		Currency					
		US dollar	Swiss franc	GB sterling	Japanese yen	Tunisian dinar	Other currencies
A.	**Financial assets**	**52**	**6**	**3**	**-**	**-**	**-**
	A.1 Debt securities	-	-	-	-	-	-
	A.2 Equity instruments	39	-	-	-	-	-
	A.3 Due from banks	13	6	3	-	-	-
	A.4 Due from customers	-	-	-	-	-	-
	A.5 Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Financial liabilities**	**-**	**-**	**-**	**-**	**-**	**-**
	C.1 Due to banks	-	-	-	-	-	-
	C.2 Due to customers	-	-	-	-	-	-
	C.3 Debt securities	-	-	-	-	-	-
	C.4 Other financial liabilities	-	-	-	-	-	-
D.	**Other liabilities**	**-**	**-**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**						
	- Options						
	+ Long positions	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-
	- Other derivatives						
	+ Long positions	35	-	-	-	-	-
	+ Short positions	37	-	-	-	-	-
Total assets		**87**	**6**	**3**	**-**	**-**	**-**
Total liabilities		**37**	**-**	**-**	**-**	**-**	**-**
Net position (+/-)		**50**	**6**	**3**	**-**	**-**	**-**

"Other assets" relate to foreign currencies held in post offices for the foreign exchange service.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

Foreign exchange risk - US dollar

Analysis date (€m)	USD position ($000)	EUR position (€000)	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2021 effects								
Financial assets measured at fair value through Profit or loss								
Equity instruments	44	39	2	(2)	2	(2)	-	-
Liabilities held for trading	(3)	(3)	(2)	2	(2)	2	-	-
Variability at 31 December 2021	**41**	**36**	**-**	**-**	**-**	**-**	**-**	**-**
2020 effects								
Financial assets measured at fair value through Profit or loss								
Equity instruments	89	72	5	(5)	5	(5)	-	-
Liabilities held for trading	(24)	(20)	(1)	1	(1)	1	-	-
Variability at 31 December 2020	**65**	**52**	**4**	**(4)**	**4**	**(4)**	**-**	**-**

Section 3 – Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: year-end notional amounts

Underlying Asset/Type of derivative (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**35**	**-**	**-**	**-**	**51**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	35	-	-	-	51	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**35**	**-**	**-**	**-**	**51**	**-**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivative (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	(3)	-	-	-	(20)	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**(3)**	**-**	**-**	**-**	**(20)**	**-**	**-**

A.3 OTC trading financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets (€m)	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and equity indexes				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- 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 falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and equity indexes				
- notional amount	-	35	-	-
- positive fair value	-	-	-	-
- negative fair value	-	(3)	-	-
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

Underlying asset/Residual life (€m)		1 year or less	1 - 5 years	Over 5 years	Total
A.1	Financial derivatives on debt securities and interest rates	-	-	-	-
A.2	Financial derivatives on equity instruments and equity indexes	-	35	-	35
A.3	Financial derivatives on currencies and gold	-	-	-	-
A.4	Financial derivatives on commodities	-	-	-	-
A.5	Other financial derivatives	-	-	-	-
Total at 31.12.2021		**-**	**35**	**-**	**35**
Total at 31.12.2020		**51**	**-**	**-**	**51**

3.2 Hedge accounting

BancoPosta RFC has fair value and cash flow hedge policies for which it elected, under IFRS 9, to maintain the accounting treatment provided for by IAS 39.

The reform of the main interest rate benchmarks, known as the "InterBank Offered Rate (IBOR) Reform", has involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and providing guidelines for the updating of contract models.

Currently, the main benchmark indices for the Eurozone are:

- the Euro Short Term Rate – ESTR (administered by the European Central Bank and published from 2 October 2019) which replaced the Euro OverNight Index Average (EONIA – no longer quoted from 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

BancoPosta RFC has financial instruments indexed to EURIBOR, which continues to be quoted daily and the related cash flows continue to be exchanged with counterparties as usual. There is therefore no uncertainty regarding this parameter resulting from the IBOR reform at 31 December 2021. These instruments are collateralised daily and remunerated at EONIA in 2021 and ESTR from 2022.

In particular, BancoPosta RFC also holds interest rate swaps designated as fair value hedges that have the EURIBOR-indexed floating "leg", for a notional amount of €37,870 million. With particular reference to these instruments, whose cash flows at 31 December 2021 were discounted at the EONIA rate, BancoPosta RFC amended the existing contracts with the counterparties by redefining the discount rate as ESTR plus 8.5 bps.

Qualitative information

A. Fair value hedges

BancoPosta RFC has a government bond portfolio - made up of fixed income BTPs and inflation-linked BTPs - subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into interest rate swaps Over the Counter (OTC) to hedge the fair value of the bonds held in portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation.

Moreover, BancoPosta RFC engages in repurchase agreements, in euro government bonds or securities guaranteed by the Italian government, for a variety of purposes, including investing in government securities, meeting liquidity requirements deriving from the funding of current accounts and actively managing treasury positions and deposits as collateral. These transactions are mainly at fixed rates and are therefore exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into interest rate swaps Over the Counter (OTC) to hedge the fair value of the repurchase agreements held in portfolio.

B. Cash flow hedges

BancoPosta RFC enters into:

- **forward purchases** of government securities, to limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in portfolio;
- **orward sales** of government securities to pursue the stabilisation of returns.

These derivatives qualify as cash flow hedges of forecast transactions.

In addition, BancoPosta RFC has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, BancoPosta RFC enters into OTC interest rate swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

C. Hedges of foreign operations

BancoPosta RFC does not have a policy for hedges of foreign operations.

D. Hedging instruments

Regarding fair value hedge instruments, the main source of ineffectiveness is the use of different spreads/fixed rates[250] in determining the fair value of the hypothetical derivative and the derivative actually entered into. In particular, to evaluate the effectiveness of the hedge relationship, for the hypothetical derivative use is made of the mid-market spread/fixed rate, which makes the present value at the settlement date equal to zero, and for the actual derivative the interest rate agreed upon with the counterparty.

As to cash flow hedge instruments, the main source of ineffectiveness is the use of the fixed income component used in determining the fair value of the hypothetical derivative and the actual derivative. In particular, to evaluate the effectiveness of the hedge relationship use is made, for the hypothetical derivative, the fixed rate that makes the present value at the settlement date equal to zero while for the actual derivative the calculation is performed with the interest rate agreed upon with the counterparty.

With respect to the hedges of forecast transactions, no source of ineffectiveness was identified, as the forward prices of the counterparties were assumed to be perfectly equal to the theoretical forward prices.

E. Hedged items

BancoPosta RFC designates as hedged items:

- fixed income and index-linked portfolio securities and fixed-rate repurchase agreements, within the fair value hedge policy;
- inflation-linked bonds and forecast transactions, in connection with cash flow hedge policies.

In particular, in fair value hedges of government securities, the credit risk of the Italian Republic is not hedged and is set for the duration of the swap. In addition, full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

With regard to fair value hedges of repurchase agreements, total hedges are in place, with an immediate start date.

250. For Repurchase Agreements, hedging is carried out by defining the variable rate component simply indexed to EURIBOR and the fixed rate component that instead incorporates market conditions.

Regarding fair value hedges, BancoPosta RFC evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[251], using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative[252]".With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception (spot or forward start – for government securities only) and differ solely in their spread/fixed rate which is considered, as already indicated, the main source of ineffectiveness. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. In particular:

- the "Critical terms [253]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and repurchase agreement hedging swaps for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[254]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Regarding cash flow hedges, BancoPosta RFC evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regard to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction concluded with the counterparty on the test and inception date and the discounted value of the difference between the theoretical forward price of the BTP calculated on the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[255].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

251. IAS 39 requires two effectiveness tests:
    - prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
    - etrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

    For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
    A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.
252. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
    - on a cumulative basis, by observing the performance of the hedge since inception;
    - on a periodic basis, by comparing the hedge performance with that of the last test.

    The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).
253. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows
254. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.
255. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. In particular:

- the "Critical terms" approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[256]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: year-end notional amounts

Underlying Asset/Type of derivative (€m)	Total at 31.12.2021				Total at 31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**41,719**	**-**	**-**	**-**	**35,203**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	39,590	-	-	-	32,754	-	-
c) Forwards	-	2,129	-	-	-	2,449	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
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	**-**	**41,719**	**-**	**-**	**-**	**35,203**	**-**	**-**

256. Calculated by assuming a parallel shift of + / - 100 bps of the yield curves.

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

	Positive and negative fair value								Change in value used to recognise ineffective portion of hedge	
	Total at 31.12.2021				Total at 31.12.2020				Total at 31.12.2021	Total at 31.12.2020
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
Type of derivative (€m)		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	796	-	-	-	78	-	-	925	17
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	77	-	-	-	-	-	-	77	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**873**	**-**	**-**	**-**	**78**	**-**	**-**	**1,002**	**17**
2. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	(5,461)	-	-	-	(8,189)	-	-	1,299	(3,272)
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	(54)	-	-	-	(54)
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**(5,461)**	**-**	**-**	**-**	**(8,243)**	**-**	**-**	**1,299**	**(3,326)**

A.3 OTC hedging financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets (€m)	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and equity indexes				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- 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 falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	31,935	9,784	-
- positive fair value	-	624	249	-
- negative fair value	-	(4,259)	(1,202)	-
2) Equity instruments and equity 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 hedging financial derivatives: notional amounts

Underlying asset/Residual life (€m)		1 year or less	1–5 years	Over 5 years	Total
A.1	Financial derivatives on debt securities and interest rates	5,185	215	36,319	41,719
A.2	Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3	Financial derivatives on currencies and gold	-	-	-	-
A.4	Financial derivatives on commodities	-	-	-	-
A.5	Other financial derivatives	-	-	-	-
Total at 31.12.2021		**5,185**	**215**	**36,319**	**41,719**
Total at 31.12.2020		**2,649**	**1,165**	**31,389**	**35,203**

D. Hedged instruments

D.1 Fair value hedges

(€m)		Microhedges: carrying amount	Micro-hedges - net positions: balance sheet value of assets or liabilities (before netting)	Micro-hedges			Microhedges: carrying amount
				Cumulative changes in fair value of hedged instruments	Termination of the hedge: residual cumulative changes in fair value	Change in value use to recognise ineffective portion of hedge	
A.	**Assets**						
1.	**Financial assets measured at fair value through other comprehensive income - hedging:**						
1.1	Debt securities and interest rates	21,928	-	2,173	-	(1,103)	X
1.2	Equity instruments and equity indexes	-	-	-	-	-	X
1.3	Currencies and gold	-	-	-	-	-	X
1.4	Receivables	-	-	-	-	-	X
1.5	Other	-	-	-	-	-	X
2.	**Financial assets measured at amortised cost - hedging:**						
1.1	Debt securities and interest rates	21,783	-	2,189	-	(1,411)	X
1.2	Equity instruments and equity indexes	-	-	-	-	-	X
1.3	Currencies and gold	-	-	-	-	-	X
1.4	Receivables	-	-	-	-	-	X
1.5	Other	-	-	-	-	-	X
Total at 31.12.2021		**43,711**	**-**	**4,362**	**-**	**(2,514)**	**-**
Total at 31.12.2020		**42,409**	**-**	**8,076**	**-**	**3,257**	**-**
B.	**Liabilities**						
1.	**Financial liabilities measured at amortised cost - hedging:**						
1.1	Debt securities and interest rates	2,960	-	1	-	1	X
1.2	Currencies and gold	-	-	-	-	-	X
1.3	Other	-	-	-	-	-	X
Total at 31.12.2021		**2,960**	**-**	**1**	**-**	**1**	**-**
Total at 31.12.2020		**901**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedges and hedges of foreign investments

(€m)	Change in value use to recognise ineffective portion of hedge	Hedging reserve	Termination of hedge: residual value of hedge reserve
A. Cash flow hedges			
1. Assets			
1.1 Debt securities and interest rates	217	(50)	-
1.2 Equity instruments and equity indexes	-	-	-
1.3 Currencies and gold	-	-	-
1.4 Receivables	-	-	-
1.5 Other	-	-	-
2. Liabilities			
1.1 Debt securities and interest rates	-	-	-
1.2 Currencies and gold	-	-	-
1.3 Other	-	-	-
Total (A) at 31.12.2021	**217**	**(50)**	**-**
Total (A) at 31.12.2020	**50**	**137**	**-**
B. Hedges of foreign investments	**X**	**-**	**-**
Total (A + B) at 31.12.2021	**217**	**(50)**	**-**
Total (A + B) at 31.12.2020	**50**	**137**	**-**

E. Effects of hedging transactions through Equity

E.1 Reconciliation of equity components

(€m)	Cash flow hedge reserve					Hedge reserve of foreign investments				
	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other
Opening balance	**137**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value (effective portion)	(178)	-	-	-	-	-	-	-	-	-
Reclassifications to Profit or loss	(9)	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfers to initial carrying amount of hedged instruments	-	-	-	-	-	X	X	X	X	X
Closing balance	**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3.3 Other information on trading and hedging derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

At 31 December 2021 Banco Posta RFC had no master netting or similar agreements in place that meet the requirements of IAS 32, paragraph 42, regarding offsetting financial assets and liabilities. During 2021, BancoPosta RFC began trading in OTC derivatives with Qualifying Central Counterparty clearing through clearing brokers for a notional amount of €1 million.

Section 4 – Liquidity risk

Qualitative information

A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term loans and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of repurchase agreement finance, with collateral in the form of securities held in portfolio, due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In order to mitigate liquidity and market risk in the event of extreme market scenarios, from 26 June 2020 BancoPosta RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion.

The liquidity risk in BancoPosta RFC regards the investment of current account and prepaid card deposits[257], the related investment in securities issued or guaranteed by the Italian State, or in tax credits as well as the margining inherent in derivative transactions. The potential risk may arise from a mismatch between the maturities of investments in securities and tax credits and the maturities of contractual (demand) liabilities in current accounts, thus compromising the ability to physiologically meet obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of 20 years for retail customers, 10 years for business customers and PostePay cards and 5 years for Public Administration customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:

- long-term repos, amounting to an outstanding €7.1 billion;
- short-term deposits created through repurchase agreements as funding for incremental deposits used as collateral for interest rate swaps and Repos (collateral provided, respectively, under CSAs and GMRAs).

257. Prepaid cards have been the responsibility of PostePay SpA since 1 October 2018. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment restrictions imposed on the remaining private customer deposits. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risk at the beginning of this Part E.

The liquidity risk resulting from clauses for the release of additional guarantees in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold amount[258] to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below "BBB-". The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basel 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Taking into account the capital structure of BancoPosta RFC characterised by the presence of a high amount of EU government bonds and deposits mainly made up of retail deposits, these indicators are well above the limits imposed by prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

Quantitative information

1. Distribution of residual terms to maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005 and subsequent updates), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

258. The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.

Currency: Euro

Item/time bracket (€m)		Demand	1–7 days	7–15 days	15 days–1 month	1–3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**15,827**	**5,459**	**-**	**1,213**	**818**	**1,379**	**2,029**	**11,022**	**52,477**	**12**
A.1	Government bonds	-	-	-	4	796	740	1,996	7,480	46,977	-
A.2	Other debt securities	-	-	-	-	22	10	33	-	3,000	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	15,827	5,459	-	1,209	-	629	-	3,542	2,500	12
	- Banks	66	3,313	-	-	-	-	-	-	-	-
	- Customers	15,761	2,146	-	1,209	-	629	-	3,542	2,500	12
B.	**On-balance sheet liabilities**	**82,311**	**1,348**	**201**	**1,072**	**2,519**	**1,339**	**1,627**	**6,942**	**-**	**-**
B.1	Deposits and current accounts	77,655	-	-	-	-	-	-	-	-	-
	- Banks	707	-	-	-	-	-	-	-	-	-
	- Customers	76,948	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	4,656	1,348	201	1,072	2,519	1,339	1,627	6,942	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	428	689	739	273	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	1,714	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	2	95	12	128	-	-	-
	- Short positions	-	-	-	-	142	1	211	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Commitments to disburse funds										
	- 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	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: US dollar

Item/time bracket (€m)		Demand	1–7 days	7–15 days	15 days–1 month	1–3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Commitments to disburse funds										
	- 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	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Swiss Franc

Item/time bracket (€m)		Demand	1–7 days	7–15 days	15 days–1 month	1–3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	2	-	-	-	-	-	-	-	-	-
	- Banks	2	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Commitments to disburse funds										
	- 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	-	-	-	-	-	-	-	-	-	-

1. Distribution of residual terms to maturity of financial assets and liabilities

Currency: Other currencies

Item/time bracket (€m)		Demand	1–7 days	7–15 days	15 days–1 month	1–3 months	3–6 months	6 months–1 year	1–5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Commitments to disburse funds										
	- 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	-	-	-	-	-	-	-	-	-	-

Section 5 – Operational risk

Qualitative information

A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This type includes, among other things, losses deriving from fraud, human errors, interruptions of operations, unavailability of systems, contractual non-fulfilment, natural catastrophes. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2021, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses more efficient, monitoring, reporting and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and person in charge of the IT risk analysis and assessment process, in continuation of the 2020 measures, and the monitoring of IT risk recovery plans was strengthened.

The activities carried out in 2021 also included assessments of the risk profile associated with the outsourcing of BP RFC and the ex-ante assessments of the risk profile associated with innovation in the BancoPosta offering and/or specific project initiatives.

Quantitative information

At 31 December 2021, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Operational risk

Event type	Number of types
Internal fraud	29
External fraud	41
Employee practices and workplace safety	7
Customers, products and business practices	35
Damage to material property	4
Business disruption and system failure	8
Execution, delivery and process management	100
Total at 31 December 2021	**224**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Part F – Information on Equity

Section 1 – BancoPosta RFC's equity

A. Qualitative information

The prudential regulations applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013, the purpose of which was to implement EU Regulation 575/2013 (the so-called Capital Requirements Regulation, or "CRR") and Directive 2013/36/EU (the so-called Capital Requirements Directive, or "CRD IV"), containing the reforms required in order to introduce the "Basel 3" regulations. In the third revision of the above Circular[259], the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity. As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards[260].

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of Bank of Italy Circular 285/2013, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF[261].Compliance with the objective, threshold and limit system established by the RAF influences decisions regarding profit distributions as part of capital management.

259. Amended with Update no. 34 of 22 September 2020.
260. Equity for regulatory purposes takes into account the provisions of:
- Regulation (EU) No 2017/2395 amending Regulation (EU) No 575/2013 as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on own funds". BancoPosta RFC has availed itself of the possibility, recognised by these regulations, to adopt a "transitional approach" (so-called (phase-in) of recording the effects of adjustments for expected losses over a transitional period of 5 years, sterilising the impact in CET1 by applying decreasing percentages over time.
- Regulation (EU) No 2020/873 of the European Parliament and of the Council of 24/06/2020 amending Regulations (EU) No 575/2013 and (EU) No 2019/876 as regards adjustments in response to the Covid-19 pandemic" (the "Quick Fix"). Enabled by this legislation, BancoPosta RFC has adopted the new percentages for the transitional period from 31 December 2020 to 31 December 2024.

261. A definition of the RAF is provided in the "Introduction" to Part E.

B. Quantitative information

B.1 Company equity: breakdown

Item/Amount (€m)	Amount at 31.12.2021	Amount at 31.12.2020
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	2,397	2,353
- profit	1,186	1,142
a) legal	-	-
b) required by articles of association	-	-
c) treasury shares	-	-
d) other	1,186	1,142
- other	1,211	1,211
4. Equity instruments	350	-
5. (Treasury shares)	-	-
6. Valuation reserves:	1,118	2,278
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,156	2,182
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	(36)	98
- Hedging instruments (undesignated elements)	-	-
- Translation differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains/(losses) on defined benefit plans	(2)	(2)
- Share of valuation reserves relating to equity accounted investments	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	508	629
Total	**4,373**	**5,260**

"Reserves, other" consists of: i) the initial reserve of €1 billion provided to BancoPosta RFC on its creation, through the attribution of Poste Italiane SpA's retained earnings increased by the €210 million equity injection, resolved by the Extraordinary Shareholders' Meeting of 29 May 2018, through the allocation of Poste Italiane SpA's available reserves; ii) €1 million profit reserves for incentive plans, described in Part I.

"Equity instruments" include the capital contribution completed on 30 June 2021, through the granting of a perpetual subordinated loan under terms and conditions that allow it to be counted as Additional Tier 1 capital ("AT 1").

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Asset/Value (€m)	Total at 31.12.2021		Total at 31.12.2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,506	(344)	2,275	(93)
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
Total	**1,506**	**(344)**	**2,275**	**(93)**

The table does not include the negative reserve related to tax credits under Law No. 77/2020 measured at fair value through comprehensive income, which amounted to €6 million at 31 December 2021.

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

(€m)	Debt securities	Equity instruments	Loans
1. Opening balance	**2,182**	**-**	**-**
2. Increases	**284**	**-**	**-**
2.1 Increases in fair value	269	-	-
2.2 Losses due to credit risk	2	x	-
2.3 Reclassification to profit or loss of negative reserve for realised losses	13	x	-
2.4 Transfers to other equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**(1,304)**	**-**	**-**
3.1 Decreases in fair value	(983)	-	-
3.2 Recoveries due to credit risk	(8)	-	-
3.3 Reclassification to profit or loss of positive reserve for realised gains	(313)	x	-
3.4 Transfers to other equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**1,162**	**-**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

(€m)	Total at 31.12.2021	Total at 31.12.2020
Opening actuarial gains/(losses)	**(2)**	**(2)**
Actuarial gains/(losses)	-	-
Taxation of actuarial gains/(losses)	-	-
Closing actuarial gains/(losses)	**(2)**	**(2)**

Section 2 – Own funds and capital ratios

BancoPosta RFC's own funds consists exclusively of Tier 1 capital ("CET 1" and "AT 1").

Common Equity Tier 1 ("CET 1") consists of:

- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds[262];
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

Additional Tier 1 ("AT 1") includes the capital injection of €350 million completed on 30 June 2021.

As at 31 December 2021, own funds amounted to €2,983 million, of which €200 million from the profit for the year 2021 (in compliance with the provisions of art. 26 of Regulation (EU) No 575/2013) and €30 million from the application of the transitional provisions to mitigate the effects of IFRS 9 on Financial Assets measured at amortised cost[263].

Based on prudential standards, BancoPosta is required to comply with the following minimum capital ratios:

- Common Equity Tier 1 ratio (the ratio of CET1 to total risk weighted assets - RWAs): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of Tier 1 to total risk weighted assets - RWAs): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer);
- Total capital ratio (the ratio of total own funds to total risk weighted assets - RWA[264]), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer).

Following the Supervisory Review and Evaluation Process (SREP), on 17 March 2022 the Bank of Italy notified BancoPosta RFC of the start of the procedure to decide on the amount of capital that BancoPosta must hold, in addition to the regulatory minimum, to cover its overall risk exposure. The new limits required by the Supervisory Authority (Overall Capital Requirement (OCR) ratios) would be composed as follows:

- primary tier 1 capital ratio (CET 1 ratio): 7.80%, consisting of a binding measure of 5.30% (of which 4.50% for minimum regulatory requirements and 0.80% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;
- tier 1 capital ratio (CET 1 ratio): 9.55%, consisting of a binding measure of 7.05% (of which 6.00% for minimum regulatory requirements and 1.05% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;
- total capital ratio: 11.95%, consisting of a binding measure of 9.45% (of which 8% for minimum regulatory requirements and 1.45% for additional requirements determined by the SREP) and the rest made up by the capital conservation buffer;

Also, to ensure compliance with the binding measures outlined above and to ensure that BancoPosta's own funds can absorb any losses caused by stress scenarios, considering the results of stress tests carried out on BancoPosta RFC under ICAAP, the Bank of Italy has identified the following capital levels that BancoPosta will be required to maintain:

- primary tier 1 capital ratio (CET 1 ratio): 8.55%, comprising an OCR CET1 ratio of 7.80% and a Target Component (Pillar 2 Guidance, P2G), against a higher risk exposure under stress conditions, equal to 0.75%;
- tier 1 capital ratio (CET 1 ratio): 10.30%, comprising an OCR T1 ratio of 9.55% and a Target Component, against a higher risk exposure under stress conditions, equal to 0.75%;
- total capital ratio: 12.70%, comprising an OCR TC ratio of 11.95% and a Target Component, against a higher risk exposure under stress conditions, equal to 0.75%;

BancoPosta RFC at 31 December 2021 was in compliance with current prudential regulations, with a Tier 1 ratio and Total Capital ratio of 21.9% and a CET1 ratio of 19.3%[265], which are also in line with the additional requirements provided for in the current procedure.

262. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence
263. Of which €13 million relating to 2020 and 2021, calculated in accordance with EU Regulation 2020/873 ("Quick fix" CRR).
264. Risk weighted assets, or RWAs, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.
265. The ratios take into account the calculation of €200 million, as this sum is the subject of Poste Italiane Board of Directors resolution regarding the proposed allocation of profit for the year 2021, in compliance with the provisions of art. 26 of Regulation (EU) no. 575/2013.

For more details, reference is made, as provided for by Bank of Italy Circular no. 262, to the information on own funds and capital adequacy contained in the public disclosure ("Pillar 3").

Part G – Business combinations

No business combinations took place either during or subsequent to the period under review.

Part H – Related party transactions

1. Payments to key management personnel

Key management personnel consist of Directors and first-line managers of Poste Italiane SpA, whose compensation before social security and welfare charges and contributions are disclosed in paragraph 6.5 – *Related parties* – of this section – *Financial statements of Poste Italiane* – of the Annual Report and are reflected in the accounts of BancoPosta RFC as part of the charges for services provided by Poste Italiane assets outside the ring-fence, referred to in Part C, Table 10.5 above, and defined by the appropriate executive regulations (Part A, paragraph A.1, Section 4).

2. Related party transactions

Related party transactions have been carried out on terms equivalent to those prevailing in arm's length transactions between independent parties.

Impact of related party transactions on the statement of financial position at 31 December 2021

Name (€m)	Total at 31.12.2021						
	Financial assets	Due from banks and customers	Hedging derivative assets and (liabilities)	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	179	-	75	-	172	4
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	21	-	-	-	6	3
Consorzio PosteMotori	-	11	-	-	-	18	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	12	-
Poste Vita SpA	-	224	-	-	-	544	5
Postel SpA	-	-	-	-	-	1	-
PostePay SpA	-	72	-	78	-	8,284	122
SDA Express Courier SpA	-	-	-	-	-	4	-
Indirect subsidiaries							
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	7	-	-	-	11	-
Poste Welfare Servizi Srl	-	-	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	1	-
Associates							
Financit SpA	-	20	-	-	-	-	-
Related parties external to the Group							
MEF	-	14,755	-	-	-	3,441	-
Cassa Depositi e Prestiti Group	3,216	387	-	-	-	-	-
Monte dei Paschi Group	-	137	(117)	-	-	199	-
Other related parties external to the Group	-	-	-	-	-	-	-
Provision for doubtful debts due from external related parties	(1)	(5)	-	-	-	-	-
Total	**3,215**	**15,808**	**(117)**	**153**	**-**	**12,695**	**134**

Impact of related party transactions on the statement of financial position at 31 December 2020

Name (€m)	Total at 31.12.2020						
	Financial assets	Due from banks and customers	Hedging derivative assets and (liabilities)	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	902	-	22	-	140	491
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	17	-	-	-	25	4
Consorzio PosteMotori	-	10	-	-	-	27	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	17	-
Poste Vita SpA	-	214	-	-	-	484	7
Postel SpA	-	-	-	-	-	2	-
PostePay SpA	-	220	-	90	-	7,044	354
SDA Express Courier SpA	-	-	-	-	-	4	-
Indirect subsidiaries							
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	8	-	-	-	18	-
Poste Welfare Servizi Srl	-	-	-	-	-	14	-
Poste Insurance Broker	-	-	-	-	-	1	-
Associates							
Financit SpA	-	-	-	-	-	-	-
Related parties external to the Group							
MEF	-	9,376	-	-	-	3,588	-
Cassa Depositi e Prestiti Group	3,302	432	-	-	-	-	-
Monte dei Paschi Group	-	248	(245)	-	-	773	-
Other related parties external to the Group	-	-	-	-	-	-	1
Provision for doubtful debts due from external related parties	(2)	(6)	-	-	-	-	-
Total	**3,300**	**11,421**	**(245)**	**112**	**-**	**12,139**	**857**

Impact of related party transactions on profit or loss for the year ended at 31 December 2021

Name (€m)	FY 2021							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net (losses)/ recoveries on impairment	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	1	-	-	-	-	-	(4,379)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	74	(14)	-	-	-	-
Consorzio PosteMotori	-	-	38	-	-	-	-	-
Poste Vita SpA	1	-	477	-	-	-	-	-
PostePay SpA	1	(30)	214	(250)	-	-	-	2
Indirect subsidiaries								
Poste Assicura SpA	-	-	43	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	-	-	-
Associates								
Financit SpA	-	-	16	-	-	-	-	-
Related parties external to the Group								
MEF	28	(9)	62	-	-	1	-	-
Cassa Depositi e Prestiti Group	65	-	1,753	(1)	-	-	-	-
Enel Group	-	-	5	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	-
Monte dei Paschi Group	2	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(2)	-
Total	**98**	**(39)**	**2,685**	**(265)**	**-**	**1**	**(4,381)**	**2**

Impact of related party transactions on profit or loss for the year ended at 31 December 2020

Name (€m)	FY 2020							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net (losses)/ recoveries on impairment	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	1	-	-	-	-	-	(4,380)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	58	(13)	-	-	-	-
Consorzio PosteMotori	-	-	35	-	-	-	-	-
Poste Vita SpA	1	-	429	-	-	-	-	-
PostePay SpA	1	(29)	181	(273)	-	-	-	3
Indirect subsidiaries								
Poste Assicura SpA	-	-	34	-	-	-	-	-
Poste Insurance Broker	-	-	-	-	-	-	-	-
Associates								
Financit SpA	-	-	-	-	-	-	-	-
Related parties external to the Group								
MEF	32	(6)	61	-	-	(1)	-	-
Cassa Depositi e Prestiti Group	71	-	1,851	(2)	-	-	-	-
Enel Group	-	-	4	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	-
Monte dei Paschi Group	1	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(1)	-
Total	**107**	**(35)**	**2.655**	**(288)**	**-**	**(1)**	**(4,381)**	**3**

Part I – Share-based payment arrangements

A. Qualitative information

1. Description of share-based payment arrangements

Long-term incentive schemes: phantom stock plan

The Annual General Meeting of Poste Italiane SpA's shareholders held on 24 May 2016 approved the information circular for the "Long-term Incentive Plan for 2016-2018 (LTIP) – Phantom Stock Plan", prepared in accordance with art 84-*bis* of the Regulations for Issuers. The LTIP, set up in line with market practices, aims to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Description of the Plan

The "ILT Phantom Stock 2016-2018" Plan provides for the assignment to the Beneficiaries of rights to receive units representing the value of the Poste Italiane share (the so-called Phantom Stock), and the related bonus in cash, at the end of a vesting period. The number of phantom stocks awarded to each Beneficiary is dependent on achieving some conditions and targets over a three-year period. The Plan covers a medium- to long-term period. In particular, the plan includes three award cycles, corresponding to the financial years 2016, 2017 and 2018, each with a duration of three years.

The phantom stocks are awarded if the performance targets are achieved, and converted into a cash bonus based on the market value of the share in the thirty stock exchange trading days prior to the grant date for the phantom stocks or at the end of a retention period. The main characteristics of the Plan are described below.

Beneficiaries

The beneficiaries of the Plan are BancoPosta RFC's Risk Takers.

Plan terms and conditions

The Performance Targets, to which receipt of the cash bonus is subject, are as follows:

- an indicator of earnings over a three-year period, based on the RORAC (Return On Risk Adjusted Capital), used for the LTIP with the aim of taking into account the continuity and sustainability of the long-term performance after appropriately adjusting for risk;
- an indicator of shareholder value creation, based on the Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with other FTSE MIB-listed companies.

Vesting of the Phantom Stocks is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three- year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, based on CET 1 at the end of the period;
- Indicator of short-term liquidity, based on LCR at the end of the period.

The phantom stocks will be awarded by the end of the year following the end of the Performance Period, and are subject to a one-year retention period before they can be converted into cash, following verification that the conditions for each Plan have been met.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

First Cycle 2016-2018

The First Cycle of the "Phantom Stock Plan LTIP" (2016-2018) vested in 2018 and the cash value of the units has been fully paid out in previous years.

Second Cycle 2017-2019

At the end of the one-year retention period to which the 56,165 Phantom Stocks deriving from the finalisation of the Plan, which matured in 2019, were subject, the cash equivalent of the units fully paid out during the year amounted to approximately €0,6 million. The cost recognised in the period was approximately €0.1 million.

Third Cycle 2018-2020

Also the Third Cycle of the "Phantom Stock LTIP", awarded in 2018 (2018-2020), vested in 2020. The final number of phantom stocks awarded under the Plan totals 62,767, subject to a one-year retention period. The cost recognised during the year was approximately €0.3 million, whilst the liability recognised in amounts due to staff was approximately €0.7 million.

Long-term incentive schemes: performance share plan

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2019 approved the document, prepared in accordance with art 84-*bis* of Issuer Regulations, on "Incentive plans based on financial instruments - ILT Performance Share Plan" first Cycle 2019-2021 and second Cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2021 approved the document, prepared in accordance with art 84-*bis* of Issuer Regulations, on the "Incentive plans based on financial instruments - ILT 2021-2023 Performance Share Plan", with reference to the performance period 2021-2023.

These incentive schemes, set up in line with market practices, aim to link a portion of the variable component of remuneration to the achievement of earnings targets and the creation of sustainable shareholder value over the long term.

Description of the Plans

The Performance Share Plans, as described in the relevant Information Documents, provides for the assignment of Rights to the allocation of ordinary shares of Poste Italiane. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle, the Qualifying Conditions and compliance with the Malus Provisions. The Plans cover a medium- to long-term period. In particular, the "ILT Performance Share" Plan is divided into two cycles (2019 and 2020 allocation), each lasting three years, while the "ILT 2021-2023 Performance Share" Plan provides for a single allocation cycle in 2021. Shares are awarded if performance targets are met or after a Retention Period. The key characteristics of the Plans are described below.

Beneficiaries

The beneficiaries of the Plan are some BancoPosta RFC resources.

Conditions of the "ILT Performance Share" Plan First cycle 2019-2021 and Second Cycle 2020-2022

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, for the first award cycle are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[266].

Vesting of the Rights and the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- 40% up-front;
- the remaining 60% in two portions, with deferral periods of 2 and 4 years, respectively.

A further Retention Period of one year will be applied to both the up-front and deferred portions.

The deferred shares will be awarded following verification that BancoPosta RFC, short-term liquidity and risk-adjusted profitability levels are met.

Conditions of the "ILT Performance Share 2021-2023" Plan

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[267];
- a sustainable finance indicator linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of ESG-inclusive products to the total number of products offered.

Vesting of the Rights and the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

266. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.
267. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- 40% up-front;
- the remaining 60% in five deferred annual instalments over a five-year period (the first three representing 10% of the total rights accrued and the next two representing 15% of the total rights accrued).

A further Retention Period of one year will be applied to both the up-front and deferred portions.

The deferred shares will be awarded following verification that BancoPosta RFC, short-term liquidity and risk-adjusted profitability levels are met.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

First Cycle 2019-2021

The total number of Rights to receive Shares assigned for the First Cycle of the Plan concerns 10 Beneficiaries and was 43,166 units, whose unit fair value at the grant date (7 October 2019) was €8.29. The cost recognised for 2021 was approximately €0.2 million, whilst the specific equity reserve was approximately €0.4 million.

Second Cycle 2020-2022

The total number of Rights to receive Shares assigned for the Second Cycle of the Plan concerns 10 Beneficiaries and was 61,663 units, whose unit fair value at the grant date (12 November 2020) was €3.91. The cost recognised for 2021 was approximately €0.1 million, whilst the specific equity reserve was approximately €0.2 million.

2021-2023 Plan

The total number of Rights to receive Shares assigned concerns 9 Beneficiaries and was 72,044 units, whose unit fair value at the grant date (28 May 2021) was €8.23. The cost recognised for 2021 was approximately €0.2 million, equivalent to the equity reserve specifically created.

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued the Supervisory Provisions for BancoPosta (Part IV, Chapter I, “BancoPosta” included in Circular 285 of 17 December 2013 “Prudential supervisory standards for banks”) which, in taking into account the specific organisational and operational aspects of BancoPosta, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 “Remuneration and incentive policies and practices” in the above Circular 285). These standards provide that a part of the bonuses paid to BancoPosta RFC’s Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane’s shares, and application of the following deferral mechanisms:

- for 60% of the 5-year pro-rata incentive, for key personnel who benefit from both the short-term incentive system and the long-term incentive plan “Phantom Stock ILT Plan”;
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020 and MBO 2021) provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of shares in Poste Italiane SpA and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata for the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[268], for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019, 2020 and 2021) is subject to the existence of a Performance Hurdle (Group Profitability EBIT) and Qualifying Conditions as follows:

- Capital adequacy parameter: CET 1, threshold level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. At 31 December 2021, the number of Phantom Stocks relating to the 2017 and 2018 MBO plans in place was 40,727. During the year, a cost of approximately €0.2 million was recognised, payments of €0.4 million were made and the liability recognised amounted to approximately €0.4 million.

At 31 December 2021, the number of Rights to receive Shares, deriving from the short-term MBO 2019, 2020 and 2021 incentive plans (the latter estimated on the basis of the best information available, pending the actual finalisation of the system in order to record the cost of the service received), was 29,063. During the year, a cost of approximately €0.3 million was recognised and at 31 December 2021, a specific Equity reserve of approximately €0.3 million and a liability of approximately €0.4 million were recognised.

Part L – Operating segments

The economic flows generated by BancoPosta RFC's operations and the related performance are reported internally on a regular basis to the top management without identifying different segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

268. For the 2021 MBO only, there are four pro-rata years, although cash payment is foreseen only for the fourth year.

Part M – Information on leases

During the reporting period, BancoPosta RFC did not carry out any transactions falling under IFRS 16 relating to Leases.

Page intentionally left blank


Poste


italiane