

**Sestante Finance S.r.l. – unipersonale**

Sede sociale Roma – Lungotevere Flaminio 18

Capitale sociale Euro 10.000,00 i.v.

Numero iscrizione Registro Imprese di Roma e Codice Fiscale n. 03367430968

Iscritta all'elenco delle società veicolo di Banca d'Italia ex art. 4 Provvedimento del 7 giugno 2017

Rome, April 29, 2022

**Ref:           Annual Balance sheet as at December 31, 2021**  
**Statement required in the Circular CSSF 08/337**

The undersigned Angela Icolaro in his capacity of President of the Board of Directors and legal representative of Sestante Finance S.r.l. hereby declares, to the best of his knowledge, that the condensed set of financial statements which has been prepared in accordance with the applicable set of accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and that the interim management report includes a fair review of the information required under article 4(4) of the Law.

The annual balance sheet as at December 31, 2021 is audited.

Sestante Finance S.r.l.

Chair of the Board of Directors

Angela Icolaro

A handwritten signature in black ink, appearing to read 'Angela Icolaro', with a stylized flourish at the end.

# Sestante Finance S.r.l.

**Financial statements as at December 31, 2021**

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

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

**(Translation from the original Italian text)**

To the Quotaholders of  
Sestante Finance S.r.l.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Sestante Finance S.r.l. (the Company), which comprise the balance sheet as at December 31, 2021 and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

We draw attention to the "Part A Accounting Policies, A.1 General Information, Section 2 – General Preparation Principles" of the disclosure provided by the Directors in the notes to the financial statements to the financial statements where is stated that the Company has the sole purpose of acquiring loans and securities through funding, pursuant to Law n. 130 dated 30 April 1999 and the Company has recognized the financial assets, the notes issued and the other transactions performed within the scope of the securitization transaction in the notes to the financial statements consistent with the predictions of the Law n. 130 dated 30 April 1999, which states that the loans involved in each transaction represent, to all effects, a separate equity from that of the Company and from that of the other transactions.

Our opinion is not qualified in respect of this matter.

## **Key Audit Matters**

We have not identified any key audit matters.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or, have no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but, is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of

- accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Additional information pursuant to article 10 of EU Regulation n. 537/14**

The quotaholders of Sestante Finance S.r.l., in the general meeting held on November 29, 2019 engaged us to perform the audits of the financial statements for each of the years ending December 31, 2019 to December 31, 2027.

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

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

## **Report on compliance with other legal and regulatory requirements**

### **Opinion on the compliance with Delegated Regulation (EU) 2019/815**

The Directors of Sestante Finance S.r.l. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated

Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

**Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998**

The Directors of Sestante Finance S.r.l. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Sestante Finance S.r.l. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Sestante Finance S.r.l. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Sestante Finance S.r.l. as at December 31, 2021 and comply with the applicable laws and regulations.

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

Rome May 9, 2022

EY S.p.A.

Signed by: Enrico Fiorentini, Auditor

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

# **SESTANTE FINANCE S.r.l.**

**HEAD OFFICE IN ROME - LUNGOTEVERE FLAMINIO, 18**

**SHARE CAPITAL: €10,000#**

**FISCAL CODE AND**

**COMPANIES REGISTER OF ROME: 03367430968**

**Financial statements as at 31 December**  
**2021**

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**Corporate bodies (board of directors) and Independent Auditors****Consiglio di Amministrazione**

Presidente	Angela Icolaro
Consiglieri	Luca Mercaldo
	Fabio Mazzoleni

**Collegio Sindacale**

Presidente	Guido Cinti
Sindaci	Francesco Orioli
	Luca Manzoni
Sindaci supplenti:	Antonino Saccà
	Fabio Maffioletti

**Società di revisione**

EYS.p.A.
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## Report on Operations for the 2021 Financial Statements

Dear shareholders,

The global economy in 2021 was characterised by a strong recovery that has to be seen in the context of the deep recession that characterised the previous year and caused by the COVID-19 pandemic and related lockdown periods and the various economic and monetary stimulus measures put in place by various global governments and major central banks. The growth of the global Gross Domestic Product in 2021 is estimated at +5.9% (compared to a contraction of -3.1% in 2020) by the International Monetary Fund (World Economic Outlook, January 2022), while for the European Union it is estimated at +5.2% (compared to a contraction of -6.4% in 2020).

The various economic and monetary stimulus measures put in place by the world's various governments and major central banks, combined with the discontinuity and imbalances created by the lock-down periods of 2020 and 2021, have led to an increase in inflation, which in advanced economies is estimated by the International Monetary Fund (World Economic Outlook, January 2022) at c. +3.1% in 2021 (compared to a level of +0.7% in 2020). Rising inflation has changed the attitude of the main central banks, particularly in the United States and the European Union, and expectations of higher interest rates have led to a rise in bond yields during the second half of 2021 and particularly in the first two months of 2022. This, together with geopolitical tensions related to the situation in Ukraine, led to increased volatility in equity and bond markets in early 2022.

During 2021, various support measures for companies and households put together by various European governments came to an end, both in terms of debt moratoria and restrictions on the attachment of assets to secure debts. In addition, the progress of the vaccination campaign has led to a gradual normalisation of the courts' activities with a consequent acceleration of recovery activity by practitioners compared to what was recorded in 2020.

According to EBA data, European banks had NPEs of €419 billion as at 30 September 2021, of which €185 billion were on the balance sheets of southern European banks (Italy €71 billion, Spain €82 billion, Greece €21 billion, Portugal €8 billion and Cyprus €2 billion). NPE ratios remain at relatively low levels compared to recent history, with an NPE ratio of 2.1% for European banks and 3.6% for southern European banks (Italy 3.6%, Spain 3.1%, Greece 10.5%, Portugal 3.9% and Cyprus 6.9%). It is believed that these levels of the NPE Ratio are not truly representative of the true degree of credit deterioration because it does not yet fully discount the end of the moratoria and various forms of government support put in place during the pandemic and is set to increase during 2022. Indeed, some third-party sources estimate a substantial creation of new NPEs in Southern Europe, amounting to around €200 billion in 2022-2024 in terms of GBV.

The servicing market in Southern Europe continues to be buoyant, with banks particularly keen to accelerate their balance sheet quality improvement projects in view of the expected increase in default rates downstream as the moratorium period ends across Southern Europe in 2021.

## **1 General information and main events in the period.**

Sestante Finance S.r.l. (formerly Gea S.r.l. and hereinafter also referred to as the “Company”) is a special purpose vehicle that was established on 17 December 2001, pursuant to Article 3, paragraph 1, of Law no. 130, of 30 April 1999, and that has been previously registered under no. 33852 in the appropriate general list pursuant to Article 106 of the Consolidation Act on Banking Laws (TUB, Testo Unico Bancario) under Legislative Decree of 1 September 1993.

By an Order dated 29 April 2011, which was published in the Official Gazette no. 110 of 13 May 2011, the Bank of Italy provided, under Article 11, for the cancellation, from the list envisaged under Article 106 of Legislative Decree no. 385, of 1 September 1993, of the Securitisation SPVs that, at the date of entry into force of the Order itself, were already registered on the abovementioned list. Accordingly, the Company is registered on the List of Securitisation SPVs kept by the Bank of Italy as from 14 May 2011.

The share capital, equal to €10,000, is 60% held by “Stichting Artemide” Foundation and 40% held by “Stichting Olimpo” Foundation, both of which have their registered office in the Netherlands.

The Company is managed by a Board of Directors made up of three members, who will hold office until resignation or removal.

The Company’s Board of Statutory Auditors is formed of 5 members, 2 of whom are substitute members. It was re-elected on 29 May 2019 and will remain in office until the approval of the financial statements to 31 December 2021. Furthermore, the Company has no employees on its staff.

It should be noted that, by a contract dated 3 March 2011, Italfondario S.p.A. (now named doNext S.p.A.) was appointed to manage the portfolios of receivables and securities, as well as any administrative, accounting, tax and corporate functions. Furthermore, the quotaholders’ meeting held on 8 July 2011 resolved to move the Company’s registered office from Milan to Rome, at Via Mario Carucci no. 131.

The Company prepares its Financial Statements according to the International Accounting Standards (IAS/IFRS), since in preparing the financial statements for the year ended 31 December 2009 (the first set of financial statements that the Company drew up as an entity included in the list envisaged under Article 106 of the Consolidation Act on Banking Laws) the Directors decided not to change the set of reference accounting standards previously obligatorily applied, deeming that this did not conflict with the provisions of Legislative Decree no. 38/2005.

The IAS/IFRS and related interpretations (SIC/IFRIC) applied have been endorsed by the European Union and were in force at the time of the approval of these financial statements.

For the sake of the completeness of the information we provide, furthermore, the issue of the accounting treatment according to international accounting standards of financial assets and/or groups of financial assets and financial

liabilities arising in the framework of securitisation transactions is still the object of close examination by the bodies responsible for the interpretation of these statutory accounting standards.

## **2 The business**

The sole purpose of the Company is to carry out one or more receivables securitisation transactions as required by Law no. 130/1999, and any subsequent implementing provisions, in the form of the purchase of monetary receivables, both existing and future, for valuable consideration, which can be selected in bulk if a number of receivables is involved, financed by recourse to the issue of the securities referred to in Article 1, paragraph 1, letter b) of Law no. 130/1999, in such a way as to exclude the assumption of any credit risk on the part of the Company. In accordance with the abovementioned Law, and related implementing provisions, the receivables purchased by the Company in the framework of each transaction constitute assets that are separate for all purposes both from those of the Company and from those relating to other transactions, and no action may be taken in relation to separate assets by creditors other than the holders of the securities issued to finance the purchase of the receivables themselves.

It should be noted that, as regards the securities issued, the Company has opted for Luxembourg as member state of origin, except for all Junior classes, marked by “D” and “E”, pursuant to European Directive no. 2004/109/EC of 15 December 2004 (so-called *Transparency Directive*), which has been implemented in Italy through the provisions under Legislative Decree no. 195/2007.

In this regard, should the Company have opted for Italy as origin member state, it should have considered the appointment of a Financial Reporting Manager in the application of Article 154-bis of Legislative Decree no. 58/98, also in the light of the exemptions laid down under Article 83, paragraph 1, letter b), of the Issuers' Regulation 11971 and in consideration of CONSOB communication no. DEM/9058755 of 23 June 2009.

As regards listed securities issued, the Company has opted for Luxembourg as origin member state. As regards risk management and internal control systems applied in relation to the financial reporting process pursuant to Article 123-bis, paragraph 2, letter b), of the Consolidation Act on Finance (TUF, Testo Unico sulla Finanza), it has opted to make use of agents appointed for this purpose (*Servicer, Corporate Servicer, Cash Manager/Account Bank and Computation Agent*) as described in detail in paragraph 7 of this report on operations.

During 2021 the Company pursued its core business of securitisation of performing receivables, related to the following past transactions:

- in December 2003 the Company carried out its first receivables portfolio acquisition from Meliorbanca S.p.A. (hereinafter also referred to as “Sestante Finance 1”);
- in December 2004 the Company carried out its second transaction for the purchase of receivables, acquiring a portfolio of unrated securities issued by Sestante W1 S.r.l. from Commerzbank Ag (formerly Dresdner Bank), financing this acquisition by issuing Notes with a rating (hereinafter also referred to as “Sestante Finance 2”);

- in December 2005 the Company carried out its third transaction, acquiring a new portfolio of unrated securities issued by Sestante W2 S.r.l. from Commerzbank Ag (formerly Dresdner Bank), financing this acquisition by issuing Notes with a rating (hereinafter also referred to as “Sestante Finance 3”). The transaction was completed when the securities portfolio relating to the same was replaced by the receivables portfolio of Sestante W2;
- in December 2006 the Company carried out its fourth transaction, acquiring a new portfolio of unrated securities issued by Sestante W3 S.r.l. from Commerzbank Ag (formerly Dresdner Bank), financing this acquisition by issuing Notes with a rating (hereinafter referred to as “Sestante Finance 4”). This transaction took a concrete form in the 2008 financial year, on 23 July 2008 to be precise, when Sestante Finance acquired the receivables portfolio of Sestante W3 in accordance with the provisions of the Assignment Agreement for the purposes of the compliance with the overall portfolio; the securities portfolio relating to the Sestante Finance transaction was then replaced by the receivables portfolio of the Sestante W3 transaction;
- in June 2008, the Company carried out its fifth securitisation transaction, acquiring a portfolio of performing loans from Meliorbanca S.p.A. (hereinafter referred to as Sestante Finance 5), financing this acquisition by issuing Notes with a rating. On 23 March 2011 the Board of Directors of Meliorbanca S.p.A. passed a resolution on the desecuritisation of the loans assigned and the consequent repurchase of remaining receivables of Sestante Finance 5. The sale of the loan portfolio led to the total repayment with value date 15 April 2011 of the securities issued on 16 June 2008 by Sestante Finance 5;
- in the 2010 financial year, on 31 December 2010 to be precise (with economic effect from 1 January 2011), Sestante Finance acquired the receivables portfolio of Sestante W1 in accordance with the provisions of the Assignment Agreement for the purposes of the compliance with the overall portfolio; the securities portfolio relating to the Sestante Finance 2 transaction was replaced by the receivables portfolio of the Sestante W1 transaction.

The following is the salient information regarding the events that occurred during the financial year in question (data taken from the Securitisation Agreements & Documents, Investor Reports, Payment Report):

#### ❖ SESTANTE FINANCE 1

On 2 December 2003, the Company acquired from Meliorbanca S.p.A. a portfolio of receivables and relations arising from agreements concerning residential mortgage loans granted by the same. The overall value of the purchased receivables was equal to €381.8 million, while the total amount paid to the assignor was equal to €410.2 million.

The receivables were assigned without recourse (*pro soluto*).

The securitisation transaction was carried out through the issue of the following securities; the related breakdown at 31 December 2021 is given below:

**Notes / instruments issued**SPV: *Sestante Finance S.r.l.*Separate Assets: *Sestante 1*

€/000

Notes / Instruments	Issue date	Maturity date	Last Payment Date	Initial capital
Class A1	23-Dec-03	5-Dec-40	27-Dec-21	€351,220
Class A2	23-Dec-03	5-Dec-40	27-Dec-21	€21,000
Class B	23-Dec-03	5-Dec-40	27-Dec-21	€17,170
Class C	23-Dec-03	5-Dec-40	27-Dec-21	€13,360
Class D	23-Dec-03	5-Dec-40	27-Dec-21	€9,550
Class E	20-Jan-06	5-Dec-40	27-Dec-21	€20,997

Situation as at 31-Dec-21	Capital repaid	Interest paid	Interest to be paid	Outstanding capital
Class A1	€328,383	€65,133	€0	€22,837
Class A2	€21,000	€7,308	€0	€0
Class B	€0	€6,271	€0	€17,170
Class C	€0	€6,101	€0	€13,360
Class D	€0	€2,396	€0	€9,550
Class E	€0	€1,750	€0	€20,997

Source of data: *Securitisations Agreements & Documents, Investor Report, Payment Report.*

The issued securities have been listed and rated according to the table reported below:

Notes / Instruments	ISIN code	Stock Exchange	Initial rating	Rating at 31/12/2021		
			Fitch ratings	Fitch ratings	Moody's	S&P
Class A1	IT0003604789	Luxembourg Stock Exchange	Aaa	AA-	Aa3	A+

Class A2 (*)	IT0003604813	Luxembourg Stock Exchange	Aaa	--	--	
Class B	IT0003604839	Luxembourg Stock Exchange	Aa	AA-	Aa3	
Class C	IT0003604854	Luxembourg Stock Exchange		BBB+	Ba1	
Class D	IT0003604870					
Class E	IT0004000938					

(\*) Class A2 Notes have been redeemed in full.

During the year, the three companies confirmed their ratings for Class A1 Notes.

For the class B notes, Fitch Ratings and Moody's also confirmed their ratings; with regard to Class C Notes, Fitch Ratings changed its rating from AA- to BBB+ while Moody's changed its rating aa1 to Ba1.

At the four payment dates of the 2021 financial year, €7.6 million of principal relating to Class A1 Notes, €71,100 of interest relating to Class B Notes and €122,900 of interest relating to Class C Notes were repaid.

## ❖ SESTANTE FINANCE 2

On 3 December 2004, the Company acquired from Commerzbank AG a portfolio of securities issued within the securitisation transaction named Sestante W1. The overall value of the purchased securities was equal to €625.3 million, while the total amount paid for the purchase (which was paid by Dresdner Bank to the assignor on behalf of the Company) was equal to €647.9 million.

As envisaged in a special assignment agreement for compliance purposes, against the cancellation of the securities involved in the Sestante W1 transaction, the monetary receivables constituting the residual securitised assets of the Sestante W1 transaction itself were transferred to the Company without recourse with effect from 1 January 2011. They were made up of land and mortgage loans, originally performing, which Sestante W1 had acquired from the originator Meliorbanca.

The securitisation transaction was carried out through the issue of the following securities; the related breakdown at 31 December 2021 is given below:

## Notes / instruments issued

SPV: *Sestante Finance S.r.l.*

Separate Assets: *Sestante 2*

€/000

Notes / Instruments	Issue date	Maturity date	Last Payment Date	Initial capital
Class A	3-Dec-04	5-Jul-42	8-Oct-21	€575,300

Class B	3-Dec-04	5-Jul-42	8-Oct-21	€34,400
Class C1	3-Dec-04	5-Jul-42	8-Oct-21	€15,600
Class C2	3-Dec-04	5-Jul-42	8-Oct-21	€21,900
Class D	3-Dec-04	5-Jul-42	8-Oct-21	€6,253
<b>Situation as at 31-Dec-20</b>	<b>Capital repaid</b>	<b>Interest paid</b>	<b>Interest to be paid</b>	<b>Outstanding capital</b>
Class A	€532,700	€94,437	€0	€42,600
Class B	€0	€8,391	€0	€34,400
Class C1	€0	€4,992	€0	€15,600
Class C2	€21,404	€2,604	€0	€496
Class D	€0	€6,271	€0	€6,253

Source of data: Securitisations Agreements & Documents, Investor Report, Payment Report.

The issued securities have been listed and rated according to the table reported below:

Notes / Instruments	ISIN code	Stock Exchange	Initial rating	Rating at 31/12/2021		
			Fitch ratings	Fitch ratings	Moody's	S&P
Class A	IT003760136	Luxembourg Stock Exchange	Aaa	AA-	Aa3	A+
Class B	IT003760193	Luxembourg Stock Exchange	A+	BBB+	Ba1	A-
Class C1	IT003760227	Luxembourg Stock Exchange	Bbb	BB-	Caa2	B+
Class C2	IT003760243	Luxembourg Stock Exchange	Bbb	B+	Ca	B
Class D	IT0003760284					

During the year, the three companies Fitch Ratings, Moody's and S&P confirmed their ratings for all classes of notes.

On the four payment dates falling in 2021, €11.9 million of capital was repaid on the Class A notes, €50,000 of interest was paid in relation to Class B Notes, €152,100 of capital and €2,000 of interest were paid in relation to the Class C2 Notes.

### ❖ SESTANTE FINANCE 3

On 16 December 2005, the Company acquired from Commerzbank AG a portfolio of securities issued within the securitisation transaction named Sestante W2. The overall value of the purchased securities was equal to €858.4 million, while the counter-value paid for the purchase (which was paid by Dresdner Bank to the assignor on behalf of the Company) was equal to € 909.9 million.



As envisaged in a special assignment agreement for compliance purposes, against the cancellation of the securities involved in the Sestante W2 transaction, the monetary receivables constituting the residual securitised assets of the Sestante W2 transaction itself were transferred to the Company without recourse with effect from 17 July 2007. They were made up of land and mortgage loans, originally performing, which Sestante W2 had acquired from the originator Meliorbanca.

The securitisation transaction was carried out through the issue of the following securities; the related breakdown at 31 December 2021 is given below:

### Notes / instruments issued

SPV: *Sestante Finance S.r.l.*

Separate Assets: *Sestante 3*

€/000

Notes / Instruments	Issue date	Maturity date	Last Payment Date	Initial capital
Class A	16-Dec-05	5-Jul-45	15-Oct-21	€791,900
Class B	16-Dec-05	5-Jul-45	15-Oct-21	€47,350
Class C1	16-Dec-05	5-Jul-45	15-Oct-21	€21,500
Class C2	16-Dec-05	5-Jul-45	15-Oct-21	€30,150
Class D	16-Dec-05	5-Jul-45	15-Oct-20	€8,610

Situation as at 31-Dec-20	Capital repaid	Interest paid	Interest to be paid	Outstanding capital
Class A	€684,735	€119,883	€0	€107,165
Class B	€0	€10,610	€0	€47,350
Class C1	€0	€5,709	€385	€21,500
Class C2	€9,498	€6,397	€414	€20,652
Class D	€0	€16,153	€0	€8,610

Source of data: *Securitisations Agreements & Documents, Investor Report, Payment Report.*

The issued securities have been listed and rated according to the table reported below:

Notes / Instruments	ISIN code	Stock Exchange	Initial rating	Rating at 31/12/2021		
			Fitch ratings	Fitch ratings	Moody's	S&P
Class A	IT0003937452	Luxembourg Stock Exchange	Aaa	BBB+	Baa2	A+
Class B	IT0003937486	Luxembourg Stock Exchange	Aa-	B	Caa2	B

Class C1	IT0003937510	Luxembourg Stock Exchange	Bbb+	C	Ca	D
Class C2	IT0003937569	Luxembourg Stock Exchange	Bbb	C	Ca	D
Class D	IT0003937551					

During the year, the agencies Moody's and S&P confirmed their ratings for Class A Notes, while Fitch Ratings changed its rating from A to BBB+.

With regard to Class B, C1 and C2 notes, all three agencies, Fitch Ratings, Moody's and S&P, confirmed their ratings;

On the four payment dates falling in 2021, €18.8 million of capital was repaid on the Class A notes; on the contrary, there was no repayment of €58,000 of interest in relation to the Class C1 Notes (totalling €385,000 at 31 December 2021) and of €66,000 of interest in relation to Class C2 Notes (totalling €314,000 at 31 December 2021).

#### ❖ SESTANTE FINANCE 4

On 19 December 2006, the Company acquired from Commerzbank AG a portfolio of securities issued within the securitisation transaction named Sestante W3. The overall value of the purchased securities was equal to €619.0 million, while the counter-value paid for the purchase (which was paid by Dresdner Bank to the assignor on behalf of the Company) was equal to € 657.9 million.

As envisaged in a special assignment agreement for compliance purposes, against the cancellation of the securities involved in the Sestante W2 transaction, the monetary receivables constituting the residual securitised assets of the Sestante W2 transaction itself were transferred to the Company without recourse with effect from 23 July 2008. They were made up of land and mortgage loans, originally performing, which Sestante W2 had acquired from the originator Meliorbanca.

The securitisation transaction was carried out through the issue of the following securities; the related breakdown at 31 December 2020 is given below:

#### Notes / instruments issued

SPV: *Sestante Finance S.r.l.*

Separate Assets: *Sestante 4*

€/000

Notes / Instruments	Issue date	Maturity date	Last Payment Date	Initial capital
Class A1	19-Dec-06	5-Jul-46	25-Oct-21	€342,250
Class A2	19-Dec-06	5-Jul-46	25-Oct-21	€228,150
Class B	19-Dec-06	5-Jul-46	25-Oct-21	€34,100
Class C1	19-Dec-06	5-Jul-46	25-Oct-21	€15,500
Class C2	19-Dec-06	5-Jul-46	25-Oct-21	€21,700

Class D	19-Dec-06	5-Jul-46	25-Oct-21	€6,200
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Situation as at 31-Dec-20	Capital repaid	Interest paid	Interest to be paid	Outstanding capital
Class A1	€342,250	€38,879	€0	€0
Class A2	€88,271	€36,838	€0	€139,879
Class B	€0	€5,943	€41	€34,100
Class C1	€0	€3,015	€741	€15,500
Class C2	€2,049	€3,991	€924	€19,651
Class D	€0	€3,966	€0	€6,200

Source of data: Securitisation Agreements & Documents, Investor Report, Payment Report.

The issued securities have been listed and rated according to the table reported below:

Notes / Instruments	ISIN code	Stock Exchange	Initial rating	Rating at 31/12/2021		
			Fitch ratings	Fitch ratings	Moody's	S&P
Class A1 (*)	IT0004158124	Luxembourg Stock Exchange		--	--	--
Class A2	IT0004158157	Luxembourg Stock Exchange	Aaa	BBB-	Baa3	BBB-
Class B	IT0004158165	Luxembourg Stock Exchange	Aa-	CC	Ca	D
Class C1	IT0004158249	Luxembourg Stock Exchange	Bbb+	C	C	D
Class C2	IT0004158264	Luxembourg Stock Exchange	Bbb	C	C	D
Class D	IT0004158280					

(\*) The Class A1 notes have been redeemed in full

During the year, Fitch and Moody's confirmed their ratings for Class A2 securities, while S&P changed its rating from BB to BBB-.

With regard to Class B, C1 and C2 notes, all three agencies, Fitch Ratings, Moody's and S&P, confirmed their ratings;

On the four payment dates falling in 2021, €15.1 million of capital was repaid on the class A2 notes; on the other hand, no interest was repaid on Class B Notes for a total of €41,000 at 31 December 2021, €39,000 of interest in relation to class C1 Notes (totalling €741,000 at 31 December 2021) and €48,000 of interest on C2 class notes (totalling €924,000 on 31 December 2021).

### **3 Significant events after the year-end**

Securitisation transactions have continued as normal in 2022. In this context, the recognition of receivables at their presumed realisable value requires the utmost attention in making recourse to valuations methods aimed at estimating cash flows expected from collection of the securitised debt. As already mentioned, two years after the beginning of the pandemics the global macro-economic context was showing continuous improvement, although at different paces according to the countries, also depending on how advanced the respective vaccine campaigns were. The outlook for 2022, however, quickly worsened following the escalation of geo-political tensions between Russia and the Ukraine, resulting in a conflict at the end of February. Also due to Ukraine's surprising resistance to invasion, the conflict's outcome is still largely uncertain, but there is a general expectation of negative influx on the overall economic scenario. The main transmission chains of such influx are the increases in prices of energy commodities (natural gas and oil), as well as of certain agricultural raw materials (such as wheat exported from Russia and Ukraine) and industrial goods (such as aluminium), that have shown significant raises, resulting in increased pressure towards an increase of the world's inflation rate at consumption level, that could get close to 6% this year, and push the expected inflation slowdown into 2023. Other transmission channels for the influx of the geo-political crisis range from trade relations, to the banking and financial conduit, to the market players' confidence. The euro-zone, in particular, is significantly exposed to the conflict, especially through the energy and trading channels. It is therefore expected that the huge sanctions imposed towards Russia by the European Commission - as well as by other countries such as the United States - will have a negative backlash also on the euro-zone's economy. Furthermore, global value chains are showing a high level of criticality, that could be increased by the conflict and affect the manufacturing industry (and, as a consequence, the exchange of goods). What is - despite the current uncertainty - reasonably expected in terms of European outlook will certainly also apply to Italy, which is exposed on all the different fronts mentioned so far (starting from the energy front, due to significant reliance on import of Russian gas). As a result, the risks in terms of global outlook remain significant and pointing downward.

Regardless of the new prevailing outlook, it is worth outlining that the servicers doValue and doNext are devoting constant attention to the evaluation and timely adoption of adequate measures for the containment of the possible risks and uncertainties on their operations, and to the corresponding adaptation of strategies in connection with outlook changes. Risks and uncertainties are also constantly monitored through the body of risk policies enacted, the effort to update them, and through evaluation of their implementation status and adequacy. All risks and uncertainties the Company is exposed to are covered by a process of permanent and careful monitoring, also intended to ascertain any impacts from market variables and

conditions on the Company's performance, and on the corresponding representation in the financial statements.

Given the fact that the Company does not hold any significant exposure to foreign markets such as those of Russia, Belarus and Ukraine, the above developments represent - according to the applicable accounting standards - a non-adjusting event following closure of the annual accounts.

Such negative events have been taken into account for the valuation of the portfolios as of 31 December 2021: for any additional information, please refer to the notes to the financial statements.

Considering the characteristics of Sestante Finance S.r.l.'s four loan portfolios, in the first quarter of 2022 regular payments have resumed for the most part according to the amortisation plan.

The Directors have evaluated that the above events and circumstances are not such as to cast any doubt on the Company's ability to continue to operate as a going concern for a period of at least twelve months. Finally, in January 2022 both the Company and doNext S.p.A. transferred their registered office to Lungotevere Flaminio 58, Rome.

## **4 Outlook**

The Company has no present plans to carry out further securitisation transactions. It does expect, on the other hand, through its agents doNext S.p.A. and doValue S.p.A. and in the interests of the Noteholders, to continue with the management of the receivables portfolios that it has acquired. In view of the negative economic scenario, and in the light of the features of the portfolios (all consisting of loans granted for the purchase of first homes backed by a first-degree mortgage), we expect a potential increase in the percentage of defaults. Furthermore, the poor performance of the property market with high loan to value at drawdown and the fact that the residential properties securing the mortgage are mainly located in the provinces (where the fall in property values is greater) make it possible that there will be losses at the end of the foreclosure processes.

### **Going concern**

During the preparation of the Financial Statements, an assessment was made as to the existence of the conditions for the Company to be able to operate as a going concern for a time horizon of at least twelve months after the reporting date. In making this assessment, consideration was given to all available information and the specific activities carried out by the Company, whose exclusive purpose, under Law 130 of 30 April 1999, is to carry out one or more securitisation transactions.

As a result, these financial statements have been prepared on a going concern basis, as there are no events or conditions that would cast doubt on the Company's ability to continue operating as a going concern. Please refer to section 3 "Significant events after the year-end".

## **5 Other information**

The Company has not carried out any research and development activity, nor does it maintain relations with other companies that are in any way related to it.

## **6 Own quotas**

The Company does not hold (nor has it either acquired or disposed of during the period) own quotas or shares or quotas in parent companies, either directly or through trust companies or third parties.

## **7 Report on corporate governance and ownership structures**

Pursuant to Article 123-bis, paragraph 2, letter b), of Legislative Decree no. 58 of 24 February 1998, below is reported the information regarding the main features of the risk management and internal control systems related to the financial reporting process, including consolidated reports, if applicable.

The Company does not have employees and has not accepted any obligation to employ any. The Company avails itself of agents vested with ad hoc mandates in order to pursue its corporate purpose and consequently also as regards the existing risk management and internal control systems related to the financial reporting process. The contract documents of the securitisation transaction regulate the appointment and specifies the work that each of the Company's agents is required to perform. This information is also reported in Part D, Section F.3, of the Notes to the Financial Statements.

The agents for the transactions are appointed from among persons that practise the activities assigned to them by the Company on a professional basis. The agents must perform their duties in accordance with the applicable regulations and in such a way as to allow the Company correctly to fulfil its obligations under the transaction documents and the law.

The main roles played by these agents are:

- (i) the Servicer, which is responsible, among other things, for the management of the purchased receivables;
- (ii) the Corporate Servicer, which is responsible for the administrative and accounting management of the Company;
- (iii) the Cash Manager, the Account Bank and the Computation Agent, which perform cash management, computation and payment services.

Specifically, the Servicer is the "entity responsible for the collection of the assigned receivables and cash and payment services" as required by Article 2, paragraph 3, letter (c), of Law no. 130/1999. Pursuant to Article 2, paragraph 6, of Law no. 130/1999, the role of Servicer may be performed by banks or intermediaries registered in the special list under Article 107, previously in force, of Legislative Decree no. 385 of 1 September 1993, which verify that transactions comply with the law and the prospectus.

Also in accordance with the Bank of Italy's Order of 23 August 2000, the Servicer is responsible for performing operational duties and also acts as a guarantor of the correct performance of securitisation transactions in the interests of the Noteholders and of the market in general.

As of 1 January 2019, the Company has conferred the role of *Master Servicer* of the securitisation transaction to Italfondario S.p.A. (later renamed doNext S.p.A.), which in particular has been responsible for monitoring the securitisation pursuant to Article 2, paragraph 6-bis of Law 130/1999. The role of Special Servicer has been assigned to doValue S.p.A. which is responsible for the management, administration and recovery of securitised receivables.

## **8 Profit (Loss) for the period**

The Company, with a subscribed and paid-up share capital, closed the financial year with a break-even result, after having charged its operating costs to the management of securitised assets.

Sestante Finance S.r.l.  
(The Chairman of the Board of Directors)

**Financial statements as at 31 December 2021**

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BALANCE SHEET

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INCOME STATEMENT

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STATEMENT OF COMPREHENSIVE INCOME

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STATEMENT OF CHANGES IN EQUITY

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STATEMENT OF CASH FLOWS

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NOTES TO THE FINANCIAL STATEMENTS

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**Balance Sheet of Financial Intermediaries**

(€)

<b>Assets</b>	<b>31-dic-21</b>	<b>31-dic-20</b>
40 Financial assets measured at amortised cost	33,098	33,098
a) receivables from banks	33,098	33,098
100 Tax assets	17,102	23,601
a) current	17,102	23,601
120 Other assets	507,795	483,698
<b>TOTAL ASSETS</b>	<b>557,994</b>	<b>540,397</b>

(€)

<b>Liabilities and equity</b>	<b>31-dic-21</b>	<b>31-dic-20</b>
60. Tax liabilities	258	431
a) current	258	431
80. Other liabilities	547,729	529,959
110. Quota Capital	10,000	10,000
150. Reserves	7	7
170. Profit (Loss) for the year	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>557,994</b>	<b>540,397</b>

**Income Statement of financial intermediaries**

		(€)
Items	31-dic-21	31-dic-20
10. Interest earned and similar income	-	-
20. Interest expense and similar charges	-	-
30. <b>INTEREST MARGIN</b>	-	-
30. Commissions earned	-	-
40. Commissions expense	-	-
60. <b>NET COMMISSIONS</b>	-	-
120. <b>BUSINESS MARGIN</b>	-	-
150. <b>NET PROFIT (LOSS ) FROM FINANCIAL OPERATIONS</b>	-	-
160. Administrative expenses:	-167,404	-134,339
a) personnel costs	-17,170	-9,526
b) other administrative expenses	-150,233	-124,813
200. Other operating income and charges	167,561	134,770
210. <b>OPERATING COSTS</b>	<b>157</b>	<b>431</b>
260. <b>PROFIT (LOSS) FROM CURRENT OPERATIONS, BEFORE TAX</b>	<b>157</b>	<b>431</b>
270. Income taxes from current operations for the year	-157	-431
280. <b>PROFIT (LOSS) FROM CURRENT OPERATIONS, AFTER TAX</b>	-	-
300. <b>NET PROFIT (LOSS)</b>	-	-

## Statement of comprehensive income of financial intermediaries

(€)

	Items	2021	2020
10.	<b>Profit (Loss) for the year</b>	-	-
	<b>Other comprehensive income, net of tax without reversal to P&amp;L</b>		
20.	Equity instruments designated at fair value through comprehensive income	-	-
30.	Financial liabilities designated at fair value through P&L (changes in credit rating)	-	-
40.	Financial liabilities designated at fair value through P&L (changes in credit rating)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	-	-
80.	Non-current assets held for sale and disposal groups of assets		
90.	Portion of reserves for valuation of equity-accounted investments	-	-
	<b>Other comprehensive income, net of tax with reversal to P&amp;L</b>		
100.	Hedges of net investments in foreign operations	-	-
110.	Exchange differences	-	-
120.	Cash flow hedge	-	-
130.	Hedging instruments (items not designated)		
140.	Financial assets (other than equity instruments) at fair value through comprehensive income		
150.	Non-current assets held for sale and disposal groups of assets		
160.	Portion of reserves for valuation of equity-accounted investments		
170.	<b>Total other comprehensive income, net of tax</b>	-	-
180.	<b>Comprehensive income (item 10 + 170)</b>	-	-

## Statement of changes in Equity of financial intermediaries

### 2020 Financial Year

(€)

	Balance as at 31.12.19	Changes in opening balances	Balance as at 1.01.20	Allocation of result from previous year		Changes over the year						Comprehensive income for the 2020 FY	Equity at 31.12.20
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						
							Issue of new quotas	Purchase of own quotas	Distribution of extra-dividends	Changes in equity instruments	Other changes		
Quota Capital	10,000		10,000										10,000
Issue premium													
Reserves:													
a) profits	1,142		1,142	-									1,142
b) others	-1,135		-1,135										-1,135
Valuation reserves													
Equity instruments													
Own quotas													
Profit (Loss) for the year	-		-	-								-	-
Equity	10,007		10,007	-	-	-	-	-	-	-	-	-	10,007

## Statement of changes in Equity of financial intermediaries

### 2021 Financial Year

(€)

	Balance as at 31.12.20	Changes in opening balances	Balance as at 1.01.21	Allocation of result from previous year		Changes over the year						Comprehensive income for the 2021 FY	Equity at 31.12.21
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions						
							Issue of new quotas	Purchase of own quotas	Distribution of extra-dividends	Changes in equity instruments	Other changes		
Quota Capital	10,000		10,000										10,000
Issue premium													
Reserves:													
a) profits	1,142		1,142	-									1,142
b) others	-1,135		-1,135										-1,135
Valuation reserves													
Equity instruments													
Own quotas													
Profit (Loss) for the year	-		-	-								-	-
Equity	10,007		10,007	-	-	-	-	-	-	-	-	-	10,007

**Statement of cash flows of Financial Intermediaries**

(€)

<b>OPERATING ACTIVITIES</b>	<b>2021</b>	<b>2020</b>
<b>1. OPERATIONS</b>	-	-
- interest earned collected (+)		
- interest expense paid ( - )		
- dividends and similar income (+)		
- net commissions (+/-)		
- personnel costs ( - )		
- other costs ( - )	(17,399)	
- other income (+)	17,399	-
- taxes		
- costs/income related to disposal groups of assets, net of tax effect (+/-)		
<b>2. CASH FLOW GENERATED FROM/USED IN FINANCIAL ASSETS</b>	<b>(69,037)</b>	<b>(51,440)</b>
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily at fair value		
- financial assets at fair value through comprehensive income		
- financial assets measured at amortised cost		
- other assets	(69,037)	(51,440)
<b>3. CASH FLOW GENERATED FROM/USED IN FINANCIAL LIABILITIES</b>	<b>69,037</b>	<b>51,440</b>
- financial liabilities measured at amortised cost		
- financial liabilities held for trading		
- financial liabilities designated at fair value		
- other liabilities	69,037	51,440
<b>4. CASH FLOW USED IN THE REPAYMENT/REPURCHASE OF FINANCIAL LIABILITIES</b>	-	-
- payables		
- outstanding securities		
- financial liabilities held for trading		
- financial liabilities at fair value		
- other liabilities		
<b>NET CASH FLOW GENERATED FROM/USED IN OPERATING ACTIVITIES</b>	-	-
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. CASH FLOW GENERATED FROM</b>	-	-
- sale of equity investments		
- dividends collected on equity investments		
- sales of property, plant and equipment		
- sales of intangible assets		
- sales of business units		
<b>2. CASH FLOW USED IN</b>	-	-
- purchases of investments		
- purchases of property, plant and equipment		
- purchases of intangible assets		
- purchases of business units		
<b>NET CASH FLOW GENERATED FROM/USED IN INVESTING ACTIVITIES</b>	-	-
<b>C. FINANCING ACTIVITIES</b>	-	-
- issue/purchases of own quotas		
- issue/purchase of equity instruments		
- distribution of dividends and other purposes		
<b>NET CASH FLOW GENERATED FROM/USED IN FINANCING ACTIVITIES</b>	-	-
<b>NET CASH FLOW GENERATED FROM/USED IN THE YEAR</b>	-	-

**RECONCILIATION**

(€)

	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	33,098	33,098
Total net cash flow generated from/used in the year	-	-
Cash and cash equivalents at the end of the year	33,098	33,098

It should be noted that, in the absence of cash on hand, data refer to the cash in the bank accounts outstanding on the closing date of the financial year.

## Notes to the Financial Statements

### Part A – Accounting policies

#### A.1 – GENERAL PART

##### Section 1 – Statement of compliance with International Accounting Standards

The financial statements to 31 December 2021 were prepared in accordance with Italian Legislative Decree 38/2005, the standards issued by the *International Accounting Standards Board* (IASB) and interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) approved by the European Commission as established by Regulation No. 1606 of 19 July 2002, up to the date of approval of the Draft Financial Report by the Board of Directors.

Furthermore, the provisions in the "Framework for the preparation and presentation of Financial Statements" have been complied with, specifically in relation to the principle concerning the prevalence of substance over form, as well as to the importance and significance of information.

In compliance with Article 2 of Legislative Decree no. 38/2005, the Company prepares the annual accounts according to the international accounting standards, since it is an issuer of financial instruments admitted to trading in regulated markets of the European Union.

The Financial Statements are prepared using the formats provided for by the 5th update of the "Instructions for the preparation of the financial statements of IFRS intermediaries other than banking intermediaries" dated 2 November 2021 issued by the Bank of Italy, which replaced the previous Order of 30 December 2018, issued by the Bank of Italy, although the Order of 9 December 2016 removed from its scope any reference to securitisation vehicle companies, as entities no longer qualifying as non-banking financial intermediaries, following the completion of the Reform of Title V, operated by Legislative Decree 141/2010 and subsequent corrective decrees, the accounting effects of which were provided for in Legislative Decree 136/15. As a result of the fact that IAS 1 does not require strict compliance with the structure of schedules and pending the enactment of new rules aimed at replacing those previously in force and at regulating, pursuant to art. 9 of Legislative Decree 38/2005, the preparation of financial statements of securitisation SPVs, these financial statements were drawn up, with regard to corporate management, by using the abovementioned schedules; the latter adopt the amendments introduced by the IFRS9, which became applicable from 1 January 2018.

As regards separate assets, reference was made to the Bank of Italy's Order of 15 December 2015 (3rd updated version), given that the subsequent orders referred to above did not provide any information on the disclosures to be provided for securitisation transactions.



These schedules were regarded as the most suitable option in order to provide information on the Company's financial position, results of operations and cash flows which is useful for the users in making decisions of an economic nature and which, at the same time, appears to be important, reliable, comparable and comprehensible. For the preparation of these financial statements, the Company has also adopted for the first time certain other accounting standards and amendments that are effective for financial years beginning on or after 1 January 2021, a list of which is provided below, noting that these changes have not materially affected the reported amounts:

- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued on 27 August 2020 (application from 1 January 2021)
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS19 (issued on 25 June 2020).

CONSOB on 16 February 2021 published the Warning Notice (no. 1/21): Covid-19 - Measures to support the economy.

On 29 October 2021, ESMA published its Public Statement announcing the priorities for listed issuers to focus on when preparing their 2021 IFRS financial statements, with a particular focus on the impacts of Covid-19 and climate-related issues.

Finally, at 31 December 2021, the following new international accounting standards, or amendments to standards already in force, whose mandatory application starts on 1 January 2022 or a later date (if the financial statements do not coincide with the calendar year) are recognised:

- Amendments, all issued on 14 May 2020, to
  - IFRS 3 Business Combinations;
  - IAS 16 Property, Plant and Equipment;
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
  - Annual Improvements 2018-2020
- IFRS 17 Insurance Contracts, issued on 18 May 2017; including Amendments to IFRS 17, issued on 25 June 2020.

Finally, below are the new accounting standards, amendments and interpretations issued by the IASB, but not yet endorsed by the European Union:

- 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, issued on 23 January 2020 and 15 July 2020 respectively (application from 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (application from 1 January 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021 (applicable from 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021;

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

The Directors do not expect significant impacts from the introduction of these new standards.

## **Section 2 - General principles for the preparation of financial statements**

The Company only conducts the business concerning securitisations of receivables pursuant to Law no. 130 of 30 April 1999 and has recognised its securitisation activities, securities issued and any other transaction carried out within securitisation operations in the notes to the financial statements and not in the balance sheet. Financial assets and liabilities have been recognised in the notes to the financial statements in accordance with the international accounting standards, since the Board of Directors has believed that the application of this set of reference accounting standards is not in conflict with the provisions laid down in Legislative Decree no. 38/2005. This system is also in line with the provisions of law 130 of 30 April 1999, according to which the receivables relating to each securitisation operation constitute separate assets from those of the company and from those relating to other operations.

The financial statements have been drafted with the aim of providing a true and fair representation of the Company's assets and liabilities, cash flows, profit or loss and financial position for the year. They were prepared from the standpoint of going concern (IAS 1 para. 23), in accordance with the accrual principle (IAS 1 paras. 25 and 26) and with consistent presentation and classification of financial statement items (IAS 1 para. 27). Assets and liabilities, as well as income and costs, have not been offset against each other, save where required or permitted by a standard or an interpretation (IAS 1 paragraph 32). The financial statements are made up of mandatory accounting statements required by IAS 1, i.e. Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the Notes to the Financial Statements.

The financial statements have been prepared by using the Euro as reporting currency; unless otherwise specified, the amounts stated in these financial statements are stated in Euro units. These financial statements are accompanied by the report on operations.

These financial statements have been legally audited, as required by Article 14 of Legislative Decree 39 of 27 January 2010 enacting Directive 2006/43/EC, by EY SpA, which was awarded the auditing mandate for the nine-year period 2019-2027.

For the sake of completeness of information, it should be pointed out that the accounting treatment of financial assets and/or groups of financial assets and liabilities arising within securitisation operations, according to the international accounting standards, is still being discussed by the bodies responsible for the interpretation of the related accounting standards.

These financial statements are based on the application of the following general principles for presentation laid down under IAS 1.

1. **Going-concern basis:** assets and liabilities are measured according to operating values, as they are destined to be maintained over time.
2. **Accrual basis of accounting:** costs and revenues are recognised, regardless of the time of their monetary settlement, by accrual period and according to the correlation criterion.
3. **Consistency of presentation:** the presentation and classification of items are kept consistent over time in order to ensure comparability of information, unless a change in these criteria is required by an International Accounting Standard or an interpretation or makes the recognition of values more appropriate in terms of significance and reliability. If there is a change in presentation or classification criteria, the new standards shall be applied - where possible - on a retrospective basis; in this case, the accounts shall specify the nature of said change and related reasons, as well as any items concerned. The models used in the presentation and classification of the accounts are those contained in the Decree issued by the Governor of the Bank of Italy on 15 December 2015 as amended.
4. **Materiality and aggregation:** all material classes of items having a similar nature or function shall be presented separately. Any items of a dissimilar nature or function shall be presented separately, unless they are immaterial.
5. **Offsetting:** assets and liabilities, income and expenses shall not be offset, unless required or permitted by an International Accounting Standard or an interpretation or by the schedules and instructions prepared by the Bank of Italy for the financial statements of financial intermediaries registered in the Special List.
6. **Comparative information:** comparative information in respect of the preceding financial year shall be presented for all amounts reported in the accounting statements, except when an International Accounting Standard or an Interpretation permit or require otherwise. Said information shall also include descriptive information if it is relevant to understanding the accounts. In the transition phase, any differences arising with respect to the previous accounting standards have been charged directly to a specific equity item named "*First Time Adoption Reserves*" (hereinafter referred to as "FTA Reserves").
7. **Framework:** The application of the international accounting standards also makes reference to the "Framework for the preparation and presentation of the financial statements" (*Framework*), even though it is not endorsed, with specific regard to the basic clauses for the preparation of financial statements, which mainly concern the prevalence of substance over form, the concepts of materiality and significance of information as specifically referred to above and the other principles governing financial statements.

### **Section 3 - Events after the reporting date of the Financial statements**

No events occurred after the reporting date which the aforesaid accounting standards required to mention in the Notes to the Financial Statements.

### **Section 4 - Other aspects**

The preparation of the Financial Statements also requires recourse to estimates and assumptions that can have significant effects on the values recognised in the balance sheet and in the income statement, as well as on the disclosures relating to contingent assets and liabilities reported in the financial statements. The preparation of these estimates entails the use of any available information and the adoption of subjective evaluations, which are also based on historical experience, used for the purposes of the preparation of reasonable assumptions for the recognition of management events. Due to their nature, these estimates and assumptions may vary from year to year: therefore, it cannot be ruled out that the present values recognised in the financial statements may significantly differ in subsequent financial years following changes in any subjective evaluations used. Substantially, the type of business conducted by Sestante Finance S.r.l. does not require recourse to estimates on the part of its directors for the purposes of the preparation of the financial statements of the SPV; on the contrary, as regards any information reported in section F of the notes to the financial statements, the recognition of receivables at their presumed realisable value requires recourse to valuations methods aimed at estimating cash flows expected from the repayment of securitised debt, in view of the current geopolitical context now also influenced by the Russia-Ukraine conflict affecting the Western countries and the continuing spread of the 'Covid-19' virus, which also has an impact on the European and world economies.

Given the fact that the Company does not hold any significant exposure to foreign markets such as those of Russia, Belarus and Ukraine, the above developments represent - according to the applicable accounting standards - a non-adjusting event following closure of the annual accounts.

Furthermore, considering the characteristics of the four portfolios of Sestante Finance S.r.l., no further negative effects are being generated on the securitisation transactions. These negative factors were taken into account for the valuation of the portfolios at 31 December 2021.

The securitisation operations carried out by the Company have been accounted for in accordance with the provisions laid down in Law no. 130/99, where it is stated that "receivables relating to securitisation transactions will constitute assets which are separate for all purposes from the company's assets". In preparing the financial statements of Sestante Finance S.r.l., the transactions carried out within the scope of the securitisation of portfolios made up of mortgage and land loans, which were initially owned by Meliorbanca, were recognised in the Notes to the Financial Statements (Annex "F"), only.

In the light of the provisions laid down in Section 1 of Part A 1 of these Notes to the Financial Statements, the Company has applied the Bank of Italy's Instructions of 2 November 2021 to the preparation of these Financial Statements. Accordingly, the receivables purchased, the securities issued and any other transaction carried out

within securitisation operations have been reported in specific statements and described in specific separate sections of the Notes to the Financial Statements and do not form part of the Financial Statement schedules.

This approach is also in line with Law no. 130 of 30 April 1999, according to which "the receivables relating to each securitisation transaction will constitute assets which are separate for all purposes both from the company's assets and from those relating to any other transaction".

Accordingly, these values concerning the securitisation transactions have not been affected by the application of the IAS/IFRS standards, since in no way do these standards deal with the disclosures relating to separate assets. For completeness of information, it should be noted that, under the international accounting standards, the accounting treatment of financial assets and/or groups of financial assets and financial liabilities arising in the context of securitisation transactions is still being examined on the part of the bodies responsible for interpreting the statutory accounting standards.

On 4 September 2015 Legislative Decree no. 139/2015 was published, which became effective for the financial statements of financial years beginning from 1 January 2016 and pursuant to which important amendments were applied to the accounting policies concerning some financial statement items of companies required to comply with the accounting rules laid down in the Italian Civil Code and in the Italian GAAPs.

Specifically, these amendments include the measurement, at amortised cost, of receivables and liabilities that arose during 2016, as well as the *fair value* measurement of derivatives outstanding as at the date of first-time adoption of the

decree.

While pending the enactment of an express regulatory clarification concerning the applicability of these amendments to the separate assets of securitisation SPVs, the Company has decided to continue to apply, in compliance with the principle of continuity, the same accounting policies concerning the items of the offering circular, which are detailed in the paragraph on "Information relating to the Summary Statement" of Part D – Other Information, to which reference should be made.

These Financial Statements were prepared in XHTML format according to Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format), as Sestante Finance S.r.l. is the issuer of securities listed on the Luxembourg Stock Exchange (member state of origin) and as such is bound to follow the regulations implementing the Transparency Directive in the member state of origin chosen by the issuer.

## **A.2 – THE MAIN ITEMS IN THE FINANCIAL STATEMENTS**

The accounting standards used in preparing the financial statements to 31 December 2021 are described below, only with reference to the balance sheet and income statement items that are reported in the schedules. The criteria are reported for the recognition, classification, measurement and derecognition of each item.

### **Assets**

## **1. Financial assets measured at amortised cost**

### **1.1 Criteria for classification**

The portfolio of "Financial assets measured at amortised cost" includes all these assets - in any technical form - from banks.

### **1.2 Criteria for recognition and derecognition**

Financial assets at amortised cost are entered at the time when the right to the relevant claim arises and are derecognised when the contractual rights to cash flows have expired or are transferred without this implying that the entity will retain any associated risks and rewards.

### **1.3 Criteria for measurement**

Upon initial recognition financial assets measured at amortised cost are recognised for a value corresponding to the amount of the related claim which, given the nature of the receivables in question, coincides with the related fair value of the assets.

After initial recognition, receivables are measured at amortised cost where requirements are met for the application of the abovementioned valuation method, given the purely short-term nature of the receivables recognised by the Company. Receivables are also subject to adjustments if there is any objective evidence of the deterioration of the solvency position of the debtors. Any evidence of impairment arises from one or more events which have occurred after initial recognition of the asset and which are such as to have an impact on the estimated future cash flows of the asset that can be measured reliably; the estimate of cash flows takes account of any guarantees that support the debt position and the probability of their payment. It should be noted that, given the Company's operations, claims are usually short-term and, in fact, they relate to exposures to Banks for current account or deposit relations.

Where conditions exist for write-down, the initial value of the receivables shall be reinstated in subsequent financial years insofar as the reasons that led to the adjustment cease to apply, provided that this valuation can be objectively connected to an event that has occurred after the adjustment itself. On the year-end date, there were no receivables valued according to the above methods as the balance only consists of the amount deposited in the current bank accounts as of 31.12.2020, valued at nominal value.

### **1.4 Criteria for recognition of income components**

Income components are allocated to the relevant income statement items on the basis of the following principles:

- a) interest earned on receivables are allocated to “interest and similar income”;
- b) any value adjustments and write-backs of receivables are allocated to “net value adjustments for impairment of receivables”, where requirements are met.

## **2. Tax assets and tax liabilities**

### **2.1 Criteria for classification**

These items include current and deferred tax assets and current and deferred tax liabilities.

Current tax assets and liabilities include receivables for payments made in advance (current assets) and debts to be paid (current liabilities) for income taxes pertaining to the period.

Deferred tax items represent income taxes that may be recovered in future periods in relation to deductible temporary differences (deferred tax assets) and income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

### **2.2 Criteria for recognition, derecognition and measurement**

Deferred tax assets are recognised according to the balance sheet liability method, but only insofar as deductible temporary differences may be offset against future taxable income, while deferred tax liabilities are usually recognised when the related requirements are met.

### **2.3 Criteria for measurement of income components**

Tax assets and liabilities are recognised under item 190 “income taxes from current operations for the year” in the income statement, except when they arise from transactions whose effects are charged directly to Equity; in this case, they are charged directly to equity.

## **3. Other assets**

Reference should be made to liability item 2. Other assets and other liabilities.

## **Liabilities**

## **1. Payables**

### **1.1 Criteria for classification**

Payables to banks include any borrowing activities carried out by the Company.

### **1.2 Criteria for recognition and derecognition**

The aforesaid financial liabilities are recognised at the time of their settlement and at their current value, which usually corresponds to the amount collected by the Company as regards payables to banks and to the amount of the debt as regards payables to financial institutions and customers, given the short term of the related operations.

Financial liabilities are derecognised from the accounts when the related contractual rights have expired or when they are settled.

### **1.3 Criteria for measurement**

After initial recognition, financial liabilities are stated at their collected value or at the initial value of the debt.

### **1.4 Criteria for recognition of income components**

Interest expenses are recognised under item 20 "interest expense and similar charges".

## **2. Other Assets / Other Liabilities**

These items include accounting entries which, given their nature, cannot be allocated to any other specific items in the financial statements. Specifically, the credit or debit balance of the corporate operations against separate assets is recognised under other assets or other liabilities. According to contract agreements, as the corporate operations do not actually have any economic or financial autonomy, the related charges for the financial year, net of income, are charged back to separate assets. The financial contra-entry of this management event is subsequently compared to the previous credit or debit balance claimed from separate assets and determines the net credit or debit position that is then classified under other assets or other liabilities at the time of the preparation of the financial statements.



**A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS**

The Company has no financial assets.

**A.4 – INFORMATION ON *THE FAIR VALUE***

The Company has no financial instruments measured at fair value; accordingly, it has not prepared the section of the notes to the financial statements due to the lack of the related requirements.

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

The assets measured at fair value on a non-recurring basis only relate to the receivables recognised in the financial assets. These mainly includes the current bank account balances outstanding at the closing date of the year, as well as other residual items. They are entered at their nominal value and measured at their presumed realisable value, which therefore approximates the fair value level 3.

**A.5 – INFORMATION ON THE SO-CALLED “DAY ONE PROFIT/LOSS”**

The Company has no financial instruments measured at fair value.

## Part B – Information on the balance sheet

### ASSETS

#### Section 4 – Financial assets measured at amortised cost - Item 40

##### 4.1 Financial assets measured at amortised cost: breakdown of receivables from banks by product

(€)

Breakdown	31/12/2021						31/12/2020					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired assets acquired or	L1	L2	L3	First and second stage	Third stage	of which: impaired assets acquired or	L1	L2	L3
1. Deposits and current accounts	33,098					33,098	33,098					33,098
2. Loans												
2.1 Repos												
2.2 Finance lease												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities	-						-					
3.1 structured securities												
3.2 other debt securities												
4. Other assets	-						-					
<b>Total</b>	<b>33,098</b>					<b>33,098</b>	<b>33,098</b>					<b>33,098</b>

This item is made up of cash and cash equivalents outstanding at the end of the year on current accounts held with resident Banks.

## Section 10 – Tax assets and tax liabilities - Item 100

### 10.1 Tax assets: current and deferred: breakdown

(€)

	31/12/21	31/12/20
<b>a) Current</b>	17,102	23,601
IRES tax advances	132	-
VAT advance	8,687	6,049
IRAP and IRES tax credit	8,283	17,552
<b>b) deferred</b>	-	-
IRES tax	-	-
IRAP [regional business tax]	-	-
<b>TOTAL</b>	<b>17,102</b>	<b>23,601</b>

### 10.2 Tax liabilities: current and deferred: breakdown

(€)

	31/12/21	31/12/20
<b>a) Current</b>	258	431
IRES tax	258	431
<b>b) deferred</b>	-	-
<b>TOTAL</b>	<b>258</b>	<b>431</b>

## Section 12 – Other assets - Item 120

### 12.1 Other assets: breakdown

Other assets are broken down as follows:

	31/12/2021	31/12/2020
Receivables from Sestante 2	30,616	38,862
Receivables from Sestante 3	267,828	250,451
Receivables from Sestante 4	209,112	194,146
Withholdings on interest income on bank accounts	239	239
<b>Total</b>	<b>507,795</b>	<b>483,698</b>

“Receivables from securitised assets” refer to the charging back to the segregated funds of the costs of operating the SPV, net of the advances that these separate funds made towards the company.

## LIABILITIES

### Section 8 – Other liabilities - Item 80

#### 8.1 Other liabilities: breakdown

Other liabilities are broken down as follows:

	31/12/21	31/12/20
VAT payable to treasury	1,261	-
Payables to securitisations	427,099	397,175
Payables to suppliers	114,390	114,610
Other payables	4,979	18,173
<b>Total</b>	<b>547,729</b>	<b>529,959</b>

“Payables to securitisations” are made up of advances paid by separate assets (Sestante Finance Uno) for the payment of costs attributable to the SPV.

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

#### 11.1 Quota capital: breakdown

		(€)
Types		Amount
1. Quota Capital		-
1.1 Ordinary quotas		10,000
1.2 Other quotas		-

The quota capital, fully subscribed and paid up, is made up of quotas that are divided as follows:

- 60% (€6,000) held by “Stichting Artemide – Claude Debussylaan 24, Amsterdam – Holland;
- 40% (€4,000) held by “Stichting Olimpo – Claude Debussylaan 24, Amsterdam – Holland”.

## 11.5 Other Information

### Equity – Origin and level of availability and distributability of reserves

#### INFORMATION ON EQUITY

Nature / description	Importo al 31.12.2021	Possible use	Available quota	Origin
Quota Capital	10,000			
Revenue reserves:				
Retained profits	1,142	A B C	7	D
RESERVE FROM FTA IAS	-1,135			
Risultato dell'esercizio 2021	-	A B C		
<b>Total</b>	<b>10,007</b>			
Non-distributable quota			1,135	
Residual distributable quota			7	

Key :

A: for capital increase

B: for loss coverage

C: for distribution to quotaholders

D: from profit allocation

## Part C – Information on the income statement

### Section 10 – Administrative Expenses -Item 160

#### 10.1 Personnel costs: breakdown

(€)

Items/Sectors	Totale al 31.12.2021	Totale al 31.12.2020
<b>1. Subordinate staff</b> a) wages and salaries b) social security contributions c) retirement allowance d) social security costs e) provision for staff severance pay f) provision for pension fund and similar obligations: - defined contribution - defined benefit g) payments to external supplementary pension funds: - defined contribution - defined benefit h) other costs		
<b>2. Other personnel in active service</b>		
<b>3. Directors and Statutory Auditors</b>	17,170	9,526
<b>4. Retired staff</b>		
<b>5. Recoveries of expenses for employees seconded to other companies</b>		
<b>6. Refunds of expenses for employees seconded to the Company</b>		
<b>Total</b>	<b>17,170</b>	<b>9,526</b>

#### 10.2 Average number of employees by category

It should be noted that the Company has no employees in the workforce.

**10.3 Other administrative expenses: breakdown**

(€)

Items/Sectors	Totale al 31.12.2021	Totale al 31.12.2020
Expenses for the management of corporate positions	28,722	25,848
Legal and notarial fees	-	6,509
Indirect taxes and duties	542	430
Auditing costs	93,907	61,292
Miscellaneous and residual expenses	27,063	30,735
<b>Total</b>	<b>150,233</b>	<b>124,813</b>

Any administrative expenses relating to the Company's ordinary management, and therefore to the management of separate assets, in accordance with the agreements signed by the latter, are passed on to the assets themselves, together with any other operating charges, except in limited cases that cannot be directly referred to the management of securitisation transactions.

**Section 14 - Other operating income and charges - Item 200****14.1 Other operating income and charges: breakdown**

(€)

	Totale al 31.12.2021	Totale al 31.12.2020
<b>Other operating income</b>		
a) Charge-back of working expenses <sup>(1)</sup>	168,633	135,715
b) Contingent assets	-	-
<b>Total other operating income</b>	<b>168,633</b>	<b>135,715</b>
<b>Other operating charges</b>		
a) Contingent liabilities	-	0
b) Penalties	-1,072	-946
<b>Total other operating charges</b>	<b>-1,072</b>	<b>-946</b>
<b>Total other operating income and charges</b>	<b>167,561</b>	<b>134,770</b>

<sup>(1)</sup>This consists of income from charging-back the Company's operating costs to securitised portfolios.

## Section 19 – Income taxes for the year on current operations - Item 270

### 19.1 Income taxes for the year on current operations: breakdown

	(€)	
	Totale al 31.12.2021	Totale al 31.12.2020
1. Current taxes	157	431
2. Changes in current taxes from previous years		
3. Reduction in current taxes for the year		
3.bis Reduction in current taxes for the year for tax credits under Law no. 214/2011		
4. Change in deferred tax assets	-	-
5. Change in deferred tax liabilities		
<b>Taxes accrued for the year</b>	<b>157</b>	<b>431</b>

### 19.2 Reconciliation of theoretical tax burden and the actual tax burden in the accounts

	(€)
Profit (Loss) from current operations, before tax	258
Profit (Loss) from disposal groups of assets, before tax	-
Theoretical taxable income	258
<b>IRES tax - Theoretical tax burden (24%)</b>	<b>62</b>
Decreases in deferred tax assets against an entry through P&L	-
effect of increases in charges	919
Use of previous tax losses	-
Increases in deferred tax assets against an entry through P&L	-
effect of other changes	-101
effect of increases in charges	
Effect of previous tax losses	
<b>IRES tax - Actual tax burden</b>	<b>258</b>
<b>IRAP tax - Theoretical tax burden (5.57%)</b>	<b>14</b>
effect of income not included in taxable base	-7,367
effect of costs not included in taxable base	7,431
Other changes	-446
<b>IRAP tax - Actual tax burden</b>	<b>0</b>



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**Section 21 – Income statement: other information**

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**Section 21.1 Breakdown of interest and commissions earned**

All interest and commissions earned are not attributable to the types specified in the table in this section.

**Part D - Other information**

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**Section 1 – Specific references to the operations carried out**

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**A. Finance lease**

Not present.

**B. Factoring and Assignment of Receivables**

Not present.

**C. Consumer credit**

Not present.

**D. Guarantees issued and Commitments**

Not present.

**E. Merchant Banking**

Not present.

**F. Securitisation of receivables**

## **ANNEX SESTANTE FINANCE 1**

### **19th Financial Year**

## F. Securitisation of receivables - Sestante Finance 1

### F.1 Overview of securitised assets and securities issued

(€/000)

Status of operation as at :	31/12/2021	31/12/2020
<b>A. Securitised assets</b>	<b>56,093</b>	<b>65,200</b>
A) 1 Receivables	55,407	64,729
A) 2 Securities	-	-
A) 3 Other assets	686	471
<b>B. Use of liquidity from management of receivables</b>	<b>9,579</b>	<b>9,724</b>
B) 1 Debt securities	-	-
B) 2 Equity securities	-	-
B) 3 Others	9,579	9,724
B) 3.1 Loans and receivables with banks	9,579	9,724
B) 3.2 Other assets	-	-
<b>C. Notes issued</b>	<b>63,652</b>	<b>72,795</b>
C) 1 Class A1 Notes	22,837	30,486
C) 2 Class A2 Notes	-	-
C) 3 Class B notes	17,170	17,170
C) 4 Class C Notes	13,360	13,360
C) 5 Class D Junior notes	9,550	9,550
C) 6 Class E Junior Notes	20,997	20,997
C) 7 Provision for adjustment of Class D Notes	-6,162	-5,873
C) 8 Provision for adjustment of Class E Notes	-14,100	-12,895
<b>D. Loans received</b>	<b>1,500</b>	<b>1,500</b>
<b>E. Other liabilities</b>	<b>520</b>	<b>630</b>
E) 1 Accrued expenses on securities issued	4	2
E) 2 Payables to suppliers and invoices to be received	45	63
E) 3 Payables to Tax Office	3	6
E) 4 Payable to Servicer for advances and commissions	121	96
E) 5 Others	348	463

Status of operation as at :	31/12/2021	31/12/2020
<b>F. Interest payable on notes issued</b>	<b>201</b>	<b>249</b>
F) 1 Interest expense on notes	194	234
F) 2 Brokerage fees	6	15
<b>G. Transaction commissions and fees</b>	<b>376</b>	<b>344</b>
G) 1 For servicing	289	259
G) 2 For other services	87	85
<b>H. Other Charges</b>	<b>3,560</b>	<b>3,114</b>
H) 1 Negative differences on swaps	870	1,174
H) 2 Administrative expenses	160	219
H) 3 Adjustments on receivables	2,510	1,704
H) 4 Other charges	21	17
<b>I. Interest generated from securitised assets</b>	<b>575</b>	<b>717</b>
I) 1 Interest earned on securitised loans	1,026	1,143
I) 2 Costs for surcharge on loans	-451	-426
<b>L. Other Revenues</b>	<b>3,562</b>	<b>2,989</b>
L) 1 Interest income on bank current accounts	-	-
L) 2 Positive differences on swaps	1,265	1,422
L) 3 Other revenues	1	83
L) 4 Value write-backs on receivables	544	984
L) 5 Profit for the period to be charged to the Provision Class D and Class E adjustment	1,753	500

## **Valuation criteria used for the preparation of the summary statement**

### **1      Securitised assets - Receivables**

Receivables have been recognised, within the limits of their purchase value, at their purchase price and are measured according to their presumed realisable value - which is estimated according to the method and process already reported in Part A "Accounting Policies" of these financial statements -, thus taking account of the debtor's state of solvency, the evidence of any possible impairment loss, guarantees (if any) backing the debt exposure, the probability of them being settled. Default interest accrued in the year was considered to be fully unrecoverable: accordingly, it was written down for their entire amount.

Value adjustments to receivables reflect the estimates made as to the losses expected from the portfolio of receivables, while value write-backs on receivables indicate the actual higher amount collected with respect to the amount expected initially, concerning the portfolio of receivables as at the reporting date of the financial statements on the basis of the applicable accounting standards.

### **2      Uses of liquidity - Receivables from banks**

These are reported at their face value, which corresponds to their presumed realisable value.

### **3      Other assets**

These are measured at their nominal value, which corresponds to their presumed realisable value.

### **4      Accruals and Deferrals**

Accruals and deferrals have been determined on an accruals basis in order to define costs and revenues that actually accrued in the year.

### **5      Securities issued**

The securities issued in the period are recognised at their face values; securities are redeemed exclusively with the sums arising from the receivables being assigned.

### **6      Other liabilities**

These are measured at their nominal value, which corresponds to their presumed settlement value.

## 7 Interest, commissions, income and charges

Any costs and revenues that can be referred to securitised assets and securities issued, interest, commissions, income, other charges and revenues, are accounted for according to the matching principle, in accordance with the Bank of Italy's Order of 29 March 2000. It should be noted that any default interest accrued and not yet collected in relation to the purchased receivables have been adjusted on a prudent basis through an appropriate full write-down.

The results of the management of separate assets are never available to the SPV but are intended to cover the credit risk borne by the notes holders.

### Comment on the items of the summary statement

#### Item A1) Receivables

(€/000)

	31/12/2021	31/12/2020
<b>A</b> Performing receivables	<b>51,415</b>	<b>56,861</b>
- of which surcharge on loans	2,690	3,141
<b>B</b> Doubtful loans	38,023	39,271
<b>B1</b> Bad loans	27,918	27,893
<b>B2</b> Unlikely-to-pay exposures	10,105	11,378
<b>C</b> Value adjustments	-34,031	-31,403
<b>C1</b> Bad loans	-26,457	-25,477
<b>C2</b> Unlikely-to-pay exposures	-7,575	-5,926
<b>Book value A+B-C</b>	<b>55,407</b>	<b>64,729</b>

"Receivables" also include the share of surcharge on the purchase; the initial surcharge paid in December 2003 for a total of **€28,483,095** is accounted for on an accruals basis (as a reduction in interest earned on loans) according to the term of the existing loans; instead, in the case of repayments, the residual surcharge is accounted for in full in the financial year in which said repayment takes place.

#### Item A3) Other assets

(€/000)

	31/12/2021	31/12/2020
- Prepaid expenses (brokerage fees)	54	59
- Other assets	632	412
<b>Total</b>	<b>686</b>	<b>471</b>

It should be noted that:

- the brokerage fees paid in December 2003, totalling €706,250, were charged on an accruals basis on the basis of the residual term of the notes;

- "other assets" are mainly made up of advance payments made for the operation of the SPV (€430,000).

### Item B3) Use of liquidity from management of receivables - Others

(€/000)

	31/12/2021	31/12/2020
- Receivable from banks	9,579	9,724
<b>Total</b>	<b>9,579</b>	<b>9,724</b>

The item is made up of the cash as at 31 December 2021 on the current accounts held with Bank of New York, Milan and London branches, and BPER, inclusive of the related accrued interest and net of the item "Loans received" amounting to €1,500,000.

The details of this item are as follows:

(€ / 000)

	31/12/2021	31/12/2020
- BPER COLLECTION A/C	105	55
- BONY LN INVESTMENT A/C	707	833
- BONY MI PAYMENT A/C	0	0
- BONY MI EXPENSES A/C	120	120
- BONY LN CASH RESERVE A/C	7,146	7,216
- BONY MI CASH COLLATERAL COMMESBANK	1,500	1,500
- BONY MI A2 PRINCIPAL A/C	0	0
<b>Total</b>	<b>9,579</b>	<b>9,724</b>

### Item C) Notes issued

(€/000)

	31/12/2021	31/12/2020
- Class A notes	22,837	30,486
- Class A2 Notes	-	-
- Class B notes	17,170	17,170
- Class C Notes	13,360	13,360
- Class D Notes	9,550	9,550
- Class E Notes	20,997	20,997
- Provision for adjustment of Class D	-6,162	-5,873
- Provision for adjustment of Class E	-14,100	-12,895
<b>Total</b>	<b>63,652</b>	<b>72,795</b>

This item is made up of the nominal value outstanding at 31 December 2021 of the securities issued, net of provisions for adjustment of Classes D and E, to which the profit for the year related, as per the attached schedule.

(€/000)

	Provision for adjustment of class D Notes	Provision for adjustment of class E Notes
<b>Balance at 31/12/2010</b>	<b>2,300</b>	<b>5,040</b>
Result at 31/12/2011	744	1,634
Result at 31/12/2012	1,188	2,613
Result at 31/12/2013	288	633
Result at 31/12/2014	329	724
Result at 31/12/2015	476	1,046
Result at 31/12/2016	-609	-1,339
Result at 31/12/2017	799	1,757
Result at 31/12/2018	26	58
Result at 31/12/2019	176	386
Result at 31/12/2020	-103	343
Result at 31/12/2021	548	1,205
<b>Balance at 31/12/2021</b>	<b>6,162</b>	<b>14,100</b>

It should be also noted that Class A2 notes were repaid in full in 2016 and Class A1 notes were repaid in 2021 as follows:

	Class A1 Notes
<b>Balance at 31/12/2020</b>	<b>30,486</b>
Repayment at 29/03	-1,762
Repayment at 28/06	-1,766
Repayment at 27/09	-2,197
Repayment at 27/12	-1,924
<b>Balance at 31/12/2021</b>	<b>22,837</b>

#### Item D) Loans received

(€/000)

	31/12/2021	31/12/2020
Loans received	1,500	1,500
<b>Total</b>	<b>1,500</b>	<b>1,500</b>

It should be noted that from the 2019 financial year, these loans, relating to guarantees granted in favour of Dresdner Bank, have been reclassified from the item "Loans and receivables with banks" for a more correct representation in the financial statements.



**Item E) - Other liabilities**

(€/000)

	31/12/2021	31/12/2020
Accrued expenses on interest on notes	4	2
Payables to suppliers and invoices to be	45	63
Payables to Tax Office	3	6
Payable to Servicer for advances and	113	96
Items in progress	-	13
Provision for legal expenses	355	450
Other liabilities	-	-
<b>Total</b>	<b>521</b>	<b>630</b>

**Comment on the economic items of the summary statement**

The negative result for the year of €1,753, which was generated from the management of Separate Assets, was charged as an increase in the Provisions for Adjustment of Classes D and E Notes issued.

**Item F) - Interest expense on notes issued**

(€/000)

	31/12/2021	31/12/2020
Interest on Class A1 Notes	-	-
Interest on Class A2 Notes	-	-
Interest on Class B Notes	71	93
Interest on Class C notes	123	141
Brokerage fees	6	15
<b>Total</b>	<b>201</b>	<b>249</b>

This item relates to any interest accrued during the period, as well as the share of brokerage fees accrued in the year.

**Item G) - Transaction commissions and fees**

(€/000)

	31/12/2021	31/12/2020
Fees for servicing and related activities:	289	259
* Base fee	104	108
* Collection fee	147	115
* Corporate fee	38	36
Fees for other services	87	85
<b>Total</b>	<b>376</b>	<b>344</b>

The item includes commissions paid in the year, plus any amount accrued in the period relating to Cash Manager and Computation Agent activities.

**Item H) - Other charges**

(€/000)

	31/12/2021	31/12/2020
Negative differences on swaps	870	1,174
SPV operating costs	21	16
Administrative expenses	160	220
Adjustments on receivables	2,510	1,704
Contingent liabilities	-	-
<b>Total</b>	<b>3,560</b>	<b>3,114</b>

**Item I) - Interest generated from securitised assets**

(€/000)

	31/12/2021	31/12/2020
Interest on loans and default interest	1,019	1,129
Fees for early repayments of loans	7	14
Surcharge on loans	-451	-426
<b>Total</b>	<b>575</b>	<b>717</b>

This item includes any interest accrued in the period, arising from the portfolio of securitised receivables. From this amount the share accrued in the year was deducted in relation to the surcharge on the purchase of loans, as calculated on the basis of their residual term.

**Item L) - Other revenues**

(€/000)

	31/12/2021	31/12/2020
Positive differences on swaps	1,265	1,423
Value write-backs on receivables	504	984
Contingent assets	41	82
Result for the period charged to the Provisions for	1,753	500
<b>Total</b>	<b>3,562</b>	<b>2,989</b>

The item "contingent assets" also includes the amount of legal fees charged to customers.

**Additional information on regulatory and tax issues**

By Ministerial Circular Letter no. 8 dated 6 February 2003, the Revenue Agency provided precise information about the tax treatment of the SPV's separate assets.

Any excess in flows receivable, arising from proceeds relating to securitised assets, compared to flows payable, against the payment of coupons, commissions and expenses, is deducted from the funds available to the SPV, as there is an obligation to allocate the sums to separate assets.

Profits from the management of separate assets are never made available to the SPV, but are intended to cover the credit risk imposed on the noteholders.

Therefore, the Revenue Agency has considered that excess flows (if any), arising in one or more tax periods, do not have any tax effect, at least until the securitisation transaction is completed, i.e. when the residual liquidity ceases to be subject to the abovementioned obligation concerning its allocation and is actually made available to the SPV, thus contributing to form the vehicle's taxable income.

Accordingly, no provisions for taxes were set aside for the year.

By resolution no. 222/03 of 5 December 2003 the Revenue Agency provided additional information as to the treatment of taxes withheld with respect to the SPV in relation to interest paid on bank deposits and current accounts. The Revenue Agency believes that, as long as said obligation continues to apply in relation to the allocation of separate assets, any withholdings on interest from bank deposits and current accounts may be deducted in the financial year in which the SPV's overall income is formed.

**Qualitative information**

## **F.2 Description and performance of the transaction**

On 2 December 2003, Sestante Finance Srl acquired a portfolio of performing loans from Meliorbanca Spa (Via G. Negri 10 - 20123 Milan), derived from the residential mortgage loans provided by that company. The entire portfolio is made up of receivables that can be selected in bulk pursuant to Article 1 of Law no. 130, of 30 April 1999 (Securitisation Act). These receivables are identified on the basis of predetermined criteria that are such as to ensure their homogeneity from a legal and financial point of view.

Receivables were assigned without recourse (pro soluto), pursuant to Article 1267 of the Italian Civil Code; therefore, in no case may Meliorbanca S.p.A. be held liable for the insolvency of the assigned debt, as well as for the inability of each of the assigned debtors to meet their obligations.

The overall value of the purchased receivables was €381,754,905; the counter-value of the transaction paid to Meliorbanca S.p.A. was equal to €410,238,000.

For the purposes of the payment of the acquired portfolio, on 23 December 2003 Sestante Finance S.r.l. issued, pursuant to Article 5 of Law no. 130/99, 5 classes of notes of €412,300,000, in addition to having received a “subordinated loan” of €20,997,000 from Meliorbanca S.p.A.

On 20 January 2006 Sestante Finance S.r.l. repaid the subordinated loan against the issue of Junior Class E notes for a nominal amount of €20,997,000.

For more details on the issues, reference is made to paragraph F.4 below.

The transaction was carried out on a revolving basis, i.e. it provided for the reinstatement of the initial receivables portfolio on a quarterly basis until June 2005.

Sestante Finance S.r.l. carried out, limited to any proceeds arising from the receivables that were already available to it, 4 acquisitions of receivables portfolios in 2004 and one acquisition in 2005, which were assigned by Meliorbanca S.p.A. - Milan branch.

Any loans purchased to replenish the portfolio were selected by the Originator by applying the common criteria laid down in the Assignment Agreement, for the purposes of the identification of the receivables in bulk.

## **F.3 Indication of the parties involved**

The main entities involved in the abovementioned securitisation transaction, for which Meliorbanca, *Dresdner Kleinwort Wasserstein* and *Lehman Brothers Intl* acted as Arrangers are:

- **Issuer**

Sestante Finance S.r.l.

- **Assignor Originator**

Meliorbanca S.p.A.

- **Master Servicer**

doNext S.p.A. (formerly Italfondario S.p.A.) (\*) (\*\*)

- **Special Servicer**

doValue S.p.A. (\*\*)

- **Corporate Servicers**

doNext S.p.A. (formerly Italfondario S.p.A.) and Wilmington Trust SP Servicer Ltd

- **Transaction Bank/ Paying Agent/ Agent Bank/ Custodian Bank**

Bank of New York - Milan branch, formerly JP Morgan Chase Bank – Milan branch

- **Computation Agent**

Bank of New York – London

- **Listing Luxembourg Paying Agent**

Bank of New York – Luxembourg

- **Swap Counterparty**

Commerzbank Ag - (formerly Dresdner Bank) - Frankfurt

- **Representative of the Noteholders**

Bank of New York Corporate Trustee Services Ltd - London

- **Notes Centralised Administration**

Monte Titoli S.p.A.

(\*) This company replaced Meliorbanca S.p.A. on 3 March 2011

(\*\*) Roles since 1 January 2019

## **F.4 Characteristics of the bond issues**

The notes issued by Sestante Finance S.r.l. on 23 December 2003 were limited-recourse bonds.

The repayment on account of interest and capital of the notes issued will be made exclusively with the receipts arising from the portfolio of receivables purchased by Sestante Finance S.r.l. by issuing the notes themselves.

Any proceeds arising from the management of receivables are pledged to the benefit of the noteholders as required by law no. 130/99.

The following notes were issued to finance the acquisition of the receivables portfolio:

- Class A1 Notes (Senior Notes) “Residential Mortgage-Backed Floating Rate Notes” for €351,220,000, due December 2040, 3M Euribor + 0.325 p.a., which were fully placed with institutional investors;
- Class A2 Notes (Senior Notes) “Residential Mortgage-Backed Fixed Rate Notes” for €21,000,000, due December 2040, fixed interest rate of 4.68% p.a., which were initially subscribed by Meliorbanca and then placed with institutional investors in January 2004;

- Class B Notes (Mezzanine Notes) “Residential Mortgage-Backed Floating Rate Notes” for €17,170,000, due December 2040, 3M Euribor + 0.95 p.a., which were initially subscribed by Meliorbanca and then placed with institutional investors in January 2004;
- Class C Notes (Mezzanine Notes) “*Residential Mortgage-Backed Floating Rate Notes*” for €13,360,000, due December 2040, 3M Euribor + 1.45 p.a., which were initially subscribed by Meliorbanca and then placed with institutional investors in January 2004;
- Class D Notes (Junior Notes) “*Residential Mortgage-Backed Floating Rate Notes*” for €9,550,000, due December 2040, which were initially subscribed by Meliorbanca and then placed with institutional investors in January 2006.

On 20 January 2006 Sestante Finance S.r.l. repaid the subordinated loan of €20,997,000, which had been disbursed by Meliorbanca in 2003 to ensure liquidity to the SPV. The amount was paid against the issue of the following Class of Notes:

- Class E Notes (Junior Notes) “*Residential Mortgage-Backed Floating Rate Notes*” for €20,997,000, due December 2040, which were initially subscribed by Meliorbanca and then placed with institutional investors in January 2006.

The denomination of all classes of notes was €10,000; they were issued in dematerialised form and were centralised in Monte Titoli S.p.A..

Class A1, class A2, class B and class C notes were listed on the Luxembourg Stock Exchange. The rating companies allocated the following valuations, as of 31.12.2021:

Class A1: AA- Fitch Ratings / Aa3 Moody's Investors Service Ltd / A+ Standard & Poors;

Class B: AA- Fitch Ratings / Aa3 Moody's Investors Service Ltd;

Class C: BBB+ from Fitch Ratings – Ba1 from Moody's Investors Service Ltd.

No application for rating was submitted for class D and E notes.

Interest is payable in arrears on a quarterly basis on 27 March, 27 June, 27 September and 27 December of each year.

All payments relating to the securitised receivables portfolio are used to pay interest at the expiry dates specified above and to repay capital starting from June 2005.

The payments of the securitised portfolio will be used to redeem Junior Notes only after the repayment of all Senior and Mezzanine Notes.

The order of priority of payments relating to the notes issued, as defined in the Offering Circular, is summarised as follows:

Interest Component:

1. taxes payable by the Company
2. expenses, costs and others for the operation of the Company - listing/rating costs or any other expenses / any amount to settle the Expenses Account with Bank of New York - Milan branch up to the amount of €120,000
3. fees and expenses payable to: Paying Agent / Agent Bank / Computation Agent / Corporate Servicers
4. amounts arising from the Swap contract

5. fees and expenses payable to the servicers for the Servicing agreement
6. interest on Class A1 Notes
7. interest on Class B Notes
8. interest on Class C Notes
9. replenishment of the Cash Reserve
10. interest on Class D and Class E Notes
11. additional premium on interest

Capital Component:

1. interest on class A1 and A2 in the event that there are insufficient funds for the Interest Components
2. capital of Class A1 Notes
3. capital of Class B Notes
4. capital of Class C Notes
5. capital of Class D and Class E Notes

## **F.5 Additional financial transactions**

### Swap

In order to be able to manage risks arising from fluctuations in interest rates, an Interest Rate Swap contract was signed, which is detailed as follows;

Trade date: 22/12/2003 Term: 23/12/2003 - 27/12/2040

Currency: Euro:

Counterparty: Commerzbank Ag (Dresdner Bank) - Frankfurt am Main

Notional Amount at 31.12.2021: €53,367,108

Type: Floater/floater.

In consideration of the above, Commerzbank AG (formerly Dresdner Bank), opened, in the 2004 financial year, a deposit account with Bank of New York - Milan branch (formerly JP Morgan - Milan branch), as security for its performance of the swap contract, in the name of Sestante Finance S.r.l.; Dresdner Bank is required to maintain, with Bank of New York, an amount to be determined according to its rating, as well as to the performance of the swap.

The deposit is remunerated on a monthly basis at the Euribor rate less 35 bps.; at year-end, this deposit was equal to €1,500,000, as the Mark-to-Market of the swap on the same date was negative.

The SPV shall pay the swap payer any imputed interest accrued in the collection period.

Therefore, this amount includes all interest accrued - although not yet collected - on performing, arrears and delinquent positions.

The swap payer shall pay the SPV an amount to cover funded and rated notes (thus excluding interest only and junior notes), together with a fixed amount as excess spread and an amount to cover senior expenses, i.e. all ordinary expenses to keep the vehicle in operation.

Therefore, the purpose of the swap is to normalise cash flows between the SPV's assets and liabilities and to keep it in operation by covering any ordinary operating costs.

Clearly, using this mechanism the credit risk in the assigned portfolio remains within the structure, which influences the higher or lower availability of cash flows allocated to the ordinary payment cascade.

## **F.6 Operational powers of the assignee company**

Starting from coupon payment dates, falling after the date when the residual overall value of the portfolio is equal to or less than 10% of the capital amount of the receivables at the date of assignment, Meliorbanca is granted an option for the purchase without recourse of all receivables outstanding at that date.

The exercise price of the option (Clean-up price) shall be such as to allow the SPV, together with the use of any liquid assets available at that date:

a) to repay the notes in full, to pay interest accrued on the same, to meet any and all securitisation costs and to pay any other amount payable to all its creditors, whose rights under the Inter-creditor Agreement and the rules governing the notes have priority over those granted to the noteholders, or

b) to cope with the waiver by the Junior noteholders of their rights, to pay any amount payable to its creditors, whose rights under the Inter-creditor Agreement and the rules governing Senior and Mezzanine notes have priority over those granted to the Junior noteholders.

## **Quantitative information**



## F.7 Flow data relating to receivables

	(€/000)	
	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>64,729</b>	<b>73,507</b>
b) <b>Increases</b>	<b>1,987</b>	<b>2,345</b>
b.1 interest due and default interest	1,019	1,129
b.2 value write-backs and other revenues <sup>(1)</sup>	616	1,063
b.3 other changes	351	153
c) <b>Decreases</b>	<b>11,309</b>	<b>11,123</b>
c.1 receipts	8,348	8,993
c.2 share of loan surcharge	451	426
c.3 value adjustments	2,510	1,704
<b>Closing balance</b>	<b>55,407</b>	<b>64,729</b>

- <sup>(1)</sup> This item also includes commissions for the early repayment of loans and any legal expenses charged to customers.

## F.8 Trend in overdue receivables

	(€/000)	
	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>7,868</b>	<b>7,254</b>
b) <b>Increases</b>	<b>947</b>	<b>3,025</b>
b.1 uncollected capital	37	1,998
b.2 interest not collected (1)	910	1,027
c) <b>Decreases</b>	<b>4,823</b>	<b>2,411</b>
c.1 receipts	2,313	707
c.2 write-downs from valuation	2,510	1,704
<b>Closing balance</b>	<b>3,992</b>	<b>7,868</b>

**Additional information on bad loans and unlikely-to-pay exposures:**

At 31 December 2021 the unlikely-to-pay exposures were 145 (-9 positions compared to 2020), bad loans were 239 (+8 positions compared to 2020).

The portfolio in question includes residential mortgage loans, mostly aimed at the purchase of first homes, the borrower of which has been often affected by the current serious economic crisis in a significant manner - even beyond the normal -, thus not complying with his/her obligations undertaken upon entering into the contract.

Actions were taken on an amicable basis (reminders sent directly and through external legal consultants, telephone reminders, appointment of external debt collection agencies) both against debtors and against their guarantors - if any -, which were aimed at forcing the obligors to settle their respective positions, while also granting grace periods. Furthermore, the most appropriate legal actions (usually enforcements against real property pledged to secure the loan) were taken or continued to collect debts, or any preliminary measures were taken in relation to enforcement proceedings.

The percentages of allocation, upon first classification, remained unchanged compared to the previous year, and it is believed that they are adequate (as a whole); furthermore, attention was paid to maintaining the provisions in relation to the events that had occurred, both in court (Court-appointed experts, auctions possibly without any award) and out of court.

Although the decline recorded in the property market, in terms of both volumes and values, was less severe than the average in the relevant sector, it is a factor that may affect debt collection and that therefore must be monitored.

## F.9 Cash flows

The cash flows for the period are:

	(€/000)	
	31/12/2021	31/12/2020
<b>Liquidity at the beginning of the year</b>	<b>9,724</b>	<b>9,309</b>
<b>Increases</b>	<b>9,613</b>	<b>10,415</b>
Capitalization of current account interest	-	-
portfolio receipts	8,348	8,993
Positive differences on swaps	1,265	1,422
Other changes	-	-
<b>Decreases</b>	<b>9,758</b>	<b>10,000</b>
Interest on notes	194	234
Reimbursement of notes	7,649	7,863
Negative differences on swaps	870	1,174
Other payments	1,045	729
<b>Liquidity at the end of the year</b>	<b>9,579</b>	<b>9,724</b>

These cash flows were about 1.7 million higher than those assumed in the previous year.

The current expectations for the 2022 financial year are that gross receipts should be not less than €5.8 million, expenses charged to separate assets (mainly for servicing fees) will be in the range of €70,000 million, and the difference should be used to satisfy the claims of the noteholders. These amounts are indicative. Given the nature of securitized receivables, the actual results will depend on circumstances that are partially beyond the issuer's control; these factors include the regularity of debtors' payments and their propensity to make advance repayments.

## F.10 Situation of guarantees and liquidity facilities

Not present.

## F.11 Breakdown by residual life

(€/000)

Items/unexpired term	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
<b>Securitised assets:</b>				
notes				
receivables	961	2,948	16,333	35,165
other assets	2	5	48	632
<b>Total</b>	<b>962</b>	<b>2,953</b>	<b>16,381</b>	<b>35,796</b>
<b>Payables:</b>				
notes	1,871			61,781
loans				
other liabilities	7	514		
<b>Total</b>	<b>1,877</b>	<b>514</b>	<b>-</b>	<b>61,781</b>

It should be noted that the bad loans in the portfolio have been stated in the column “beyond 5 years”.

## F.12 Breakdown by geographical area

All the securitised assets relate, at the date of the loan disbursement, to parties who are resident in Italy; any charges entered to secure the receivables, where existing, relate to properties located in Italy; all receivables are denominated in €.

## F.13 Risk concentration

### F.13.1 Information on the degree of splitting of the receivables portfolio

(€/000)

Brackets	Number	Amount
between 0 and 25,000	536	4,144
from 25,000 to 75,000	445	22,164
from 75,000 to 250,000	282	28,818
beyond 250,000	1	282
<b>Total</b>	<b>1,264</b>	<b>55,408</b>

### **F.13.2 Positions that, individually, exceed 2% of the total amount of portfolio receivables**

No receivables are reported which individually exceed 2% of the overall amount of the portfolio.

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# **SESTANTE FINANCE 2**

## **17th year**

## **at 31 December 2021**

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## F. Securitisation of receivables - Sestante Finance 2

### F.1 - Schedule of securitised assets and notes issued

		(€/000)
Status of operation as at:	31/12/2021	31/12/2020
<b>A. Securitised assets</b>	<b>89,580</b>	<b>104,559</b>
A) 1 Receivables	89,084	103,972
A) 2 Securities	-	-
A) 3 Other assets	495	587
<b>B. Use of liquidity from management of receivables</b>	<b>8,463</b>	<b>9,287</b>
B) 1 Debt securities	-	-
B) 2 Equity securities	-	-
B) 3 Others	8,463	9,287
B) 3.1 Loans and receivables with banks	7,948	9,287
B) 3.2 Receivables from Financial Entities	-	-
B) 3.3 Deductions on bank interest	-	-
B) 3.4 Others	514	-
<b>C. Notes issued</b>	<b>93,267</b>	<b>108,855</b>
C) 1 Class A notes	42,600	54,520
C) 2 Class B notes	34,400	34,400
C) 3 Class C1 notes	15,600	15,600
C) 4 Class C2 notes	496	648
C) 5 Class D Junior notes	6,253	6,253
C) 6 Class D Junior notes issue premium	2,422	2,479
C) 7 Provision for adjustment of Class D Junior notes	-8,504	-5,045
<b>D. Loans received</b>	<b>3,708</b>	<b>3,879</b>
<b>E. Other liabilities</b>	<b>1,067</b>	<b>1,112</b>
E) 1 Accrued expenses on securities issued	16	15
E) 2 Accrued expenses on Swap transactions	-	-
E) 3 Payable to suppliers and invoices to be received	161	215
E) 4 Payable to the Servicer for fees/expenses	69	173
E) 5 SPV's costs charged back to securitisation	31	39
E) 7 Result for the year	-	-
E) 8 Others	790	670

		(€/000)
	31/12/2021	31/12/2020
<b>F. Interest expense and commissions on notes issued</b>	<b>36</b>	<b>65</b>
F) 1 Interest payable on notes issued	0	0
F) 2 Brokerage fees	36	65
<b>G. Transaction commissions and fees</b>	<b>508</b>	<b>530</b>
G) 1 For servicing	452	470
G) 2 For other services	57	60
<b>H. Other Charges</b>	<b>6,315</b>	<b>6,155</b>
H) 1 Negative differentials on SWAP / CAP costs	1,431	1,791
H) 2 Administrative expenses	312	282
H) 3 Value adjustments to receivables	4,568	4,081
H) 4 Other Charges	3	1
<b>I. Interest / commissions earned generated from securitised assets</b>	<b>1,169</b>	<b>1,502</b>
I) 1 Interest earned on securitised loans	1,495	1,815
I) 2 Costs for surcharge on loans	-326	-313
<b>L. Other Revenues</b>	<b>5,690</b>	<b>5,248</b>
L) 1 Interest income on bank current accounts	-	-
L) 2 Positive differentials on swap	1,648	1,925
L) 3 Value adjustments on receivables	876	2,425
L) 4 Other Revenues	64	139
L) 5 Result for the year to be charged to the Provision for adjustment of class D Notes	3,101	759



## **Valuation criteria**

### **used for the preparation of the summary statement**

All items correspond to the data analytically reported in the accounts kept by the Servicer. The accounting method adopted allows, through appropriate reclassifications, the reconciliation of the accounts and the items in the statement itself. Specifically, below are reported the accounting policies adopted for the most significant entries.

It should be noted that profits from the management of separate assets are never made available to the SPV, but are intended to cover the credit risk imposed on the noteholders.

#### **1 Securitised assets**

Receivables have been recognised, within the limits of their purchase value, at their purchase price and are measured according to their presumed realisable value - which is estimated according to the method and process already reported in Part A "Accounting Policies" of these financial statements -, thus taking account of the debtor's state of solvency, the evidence of any possible impairment loss, guarantees (if any) backing the debt exposure, the probability of them being settled. Default interest accrued in the year was considered to be fully unrecoverable: accordingly, it was written down for their entire amount.

Value adjustments to receivables reflect the estimates made as to the losses expected from the portfolio of receivables, while value write-backs on receivables indicate the actual higher amount collected with respect to the amount expected initially, concerning the portfolio of receivables as at the reporting date of the financial statements on the basis of the applicable accounting standards.

#### **2 Uses of liquidity - Receivables from banks**

These are reported at their face value, which corresponds to their realisable value.

#### **3 Other liabilities - Accruals and deferrals**

The recognition of other liabilities, as well as the determination of accruals and deferrals, have been made on an accruals basis in order to define costs and revenues that actually accrued in the period.

#### **4 Securities issued**

These are recognised at their face values; securities will be redeemed exclusively with the sums arising from the repayment of amounts of receivables under assets.

#### **5 Interest, commissions, other revenues**

These items are accounted for according to the matching principle.

## **6 Derivative contracts**

Any amounts arising from derivative contracts are recognised under sundry income and charges according to the matching principle.

## Comment on the items of the summary statement

### Item A1) Receivables

(€/000)

	31/12/2021	31/12/2020
<b>A</b> Performing receivables	<b>81,797</b>	<b>90,533</b>
- of which surcharge on loans	1,958	2,284
<b>B</b> Doubtful loans	77,800	78,392
<b>B1</b> Bad loans	59,521	57,205
<b>B2</b> Unlikely-to-pay exposures	18,279	21,187
<b>C</b> Value adjustments	-70,513	-64,953
<b>C1</b> Bad loans	-55,704	-52,590
<b>C2</b> Unlikely-to-pay exposures	-14,809	-12,363
<b>Book value A+B-C</b>	<b>89,084</b>	<b>103,972</b>

"Receivables" also include the share of surcharge on the purchase; the initial surcharge paid in December 2004 for a total of €22,597,638 is accounted for on an accruals basis (as a reduction in interest earned on loans) according to the term of the existing loans; instead, in the case of repayments, the residual surcharge is accounted for in full in the financial year in which said repayment takes place.

### Item A3) Other assets

(€/000)

	31/12/2021	31/12/2020
- Positive differentials on Swap	55	16
- Prepaid expenses (brokerage fees)	430	466
- Other assets	10	105
<b>Total</b>	<b>495</b>	<b>587</b>

It should be noted that:

- brokerage fees paid in December 2004, totalling €2,263,350, were subject to deferral and charged to profit or loss on an accruals basis according to the residual term of the notes.

**Item B3) Use of liquidity from management of receivables - Others**

(€/000)

	31/12/2021	31/12/2020
- Receivable from banks	7,948	9,287
- Others	514	-
<b>Total</b>	<b>8,463</b>	<b>9,287</b>

The item is made up of the cash as at 31 December 2021 on the current accounts held with Bank of New York, Milan and London branches, and BPER, inclusive of the related accrued interest and net of the item "Loans received" amounting to €3,708,000.

Details of the item "Loans to banks" are as follows:

(€ / 000)

	31/12/2021	31/12/2020
- BPER COLLECTION A/C	123	81
- BONY LN INVESTMENT A/C	3,998	4,842
- BONY MI PAYMENT A/C	0	0
- BONY MI EXPENSES A/C	120	120
- BONY MI CASH COLLATERAL COMMESBANK	2,384	2,384
- BONY LN CONTINGENCY LIQUIDITY RESERVE	1,324	1,495
- CC BPER 1976707-SESTANTE 2	0	365
<b>Total</b>	<b>7,948</b>	<b>9,287</b>

**Item C) Notes issued**

(€/000)

	31/12/2021	31/12/2020
- Class A notes	42,600	54,520
- Class B notes	34,400	34,400
- Class C1 notes	15,600	15,600
- Class C2 notes	496	648
- Class D Junior notes	6,253	6,253
- Class D notes issue premium	2,422	2,479
- Provision for adjustment of class D Junior notes	(8,504)	(5,045)
<b>Total</b>	<b>93,267</b>	<b>108,855</b>

This item is made up of:

- the year-end residual face value of securities issued;
- the year-end residual amount arising from the sale of class D Notes at a price higher than their face value; premiums are accounted for on an accruals basis according to the term and value of the notes themselves;

- the provision for adjustment of class D junior notes. In relation to this provision, created in the 2017 financial year and showing the positive result for the 2016 financial year, a result for the year was also posted for the year ending 31 December 2021; the table below shows the changes in the provision under consideration:

<b>Provision for adjustment of Class D Junior notes</b>	
Balance at 31/12/2016	0
Positive result for the FY 2016	-1,211
Negative result for the FY 2017	3,418
Negative result for the FY 2018	2,402
Positive result for the FY 2019	-323
Negative result for the FY 2020	1,117
Negative result for the FY 2021	3,101
<b>Balance at 31/12/2021</b>	<b>8,504</b>

Class A notes reported repayments totalling €12,566,000 in 2021, which are detailed below:

<b>Class A notes</b>	
<b>Balance at 31/12/2020</b>	<b>54,520</b>
Repayment at 08/01/2021	-3,742
Repayment at 08/04/2021	-2,809
Repayment at 08/07/2021	-2,836
Repayment at 08/10/2021	-2,532
<b>Balance at 31/12/2021</b>	<b>42,600</b>

During 2021, Class C2 securities were also redeemed for a total amount of €159,000, details of which are shown in the table below:

<b>Class C2 notes</b>	
<b>Balance at 31/12/2020</b>	<b>648</b>
Repayment at 08/01/2021	-89
Repayment at 08/07/2021	-63
<b>Balance at 31/12/2021</b>	<b>496</b>

**Item D) Loans received**

(€/000)

	31/12/2021	31/12/2020
- Loans received	3,708	3,879
<b>Total</b>	<b>3,708</b>	<b>3,879</b>

It should be noted that from the 2019 financial year, these loans, relating to guarantees granted in favour of Meliorbanca (€1,324,000) and Commerz Bank (€2,384,000), have been reclassified from the item "Loans and advances to banks" for a more correct representation in the financial statements.

**Item E) - Other liabilities**

(€/000)

	31/12/2021	31/12/2020
Accrued expenses on interest on notes	12	15
Accrued expenses on differentials on Swap	5	-
Payables to suppliers and invoices to be received	177	215
Payables to Tax Office	2	7
Payable to Servicer for advances and commission	197	173
SPV's costs charged back to securitisation	31	39
Items in progress	1	-53
Provision for legal expenses	643	716
<b>Total</b>	<b>1,067</b>	<b>1,112</b>

**Item F) - Interest expense on notes issued**

(€/000)

	31/12/2021	31/12/2020
Interest on Class A notes	-	-
Interest on Class B Notes	-	9
Interest on Class C1 Notes	47	72
Interest on Class C2 notes	1	3
Interest on Class D notes	-	-
Brokerage fees	36	65
Share of issue premium	-48	-84
<b>Total</b>	<b>36</b>	<b>65</b>

It should be noted that no interest was paid for class A and class D Notes during the year.

**Item G) - Transaction commissions and fees**

(€/000)

	31/12/2021	31/12/2020
Fees for servicing and related activities	452	470
* Base fee	198	139
* Collection fee	186	276
* Corporate fee	68	55
Fees for other services	57	60
<b>Total</b>	<b>508</b>	<b>530</b>

**Item H) - Other charges**

(€/000)

	31/12/2021	31/12/2020
Differentials on Swap	1,431	1,792
SPV operating costs	33	27
Contingent liabilities	3	1
Legal and notarial fees	235	196
Other expenses	17	21
Rating assignment service costs	26	38
Value adjustments	4,568	4,080
<b>Total</b>	<b>6,315</b>	<b>6,155</b>

**Item I) - Interest generated from securitised assets**

(€/000)

	31/12/2021	31/12/2020
Interest on loans and default interest	1,485	1,798
Fees for early repayments of loans	11	17
Surcharge on loans	-326	-313
<b>Total</b>	<b>1,169</b>	<b>1,502</b>

The share of surcharge accrued on loans for the year has been deducted from this amount and has been calculated based on the residual term of the loans.

**Item L) - Other revenues**

(€/000)

	31/12/2021	31/12/2020
Positive differences on swaps	1,648	1,925
Value write-backs on receivables	886	2,425
Contingent assets	54	139
Result for the year	3,101	759
<b>Total</b>	<b>5,690</b>	<b>5,248</b>

The item "contingent assets" also includes the amount of legal fees charged to customers.

**Additional information on regulatory and tax issues**

By Ministerial Circular Letter no. 8 dated 6 February 2003, the Revenue Agency provided precise information about the tax treatment of the SPV's separate assets.

Any excess in flows receivable, arising from proceeds relating to securitised assets, compared to flows payable, against the payment of coupons, commissions and expenses, is deducted from the funds available to the SPV, as there is an obligation to allocate the sums to separate assets.

Profits from the management of separate assets are never made available to the SPV, but are intended to cover the credit risk imposed on the noteholders.

Therefore, the Revenue Agency has considered that excess flows (if any), arising in one or more tax periods, do not have any tax effect, at least until the securitisation transaction is completed, i.e. when the residual liquidity ceases to be subject to the abovementioned obligation concerning its allocation and is actually made available to the SPV, thus contributing to form the vehicle's taxable income.

Accordingly, no provisions for taxes were set aside for the year.

By Resolution no. 222/03, of 5 December 2003, the Revenue Agency provided additional information as to the treatment of taxes withheld with respect to the SPV in relation to interest paid on bank deposits and current accounts. The Revenue Agency believes that, as long as said obligation continues to apply in relation to the allocation of separate assets, any withholdings on interest from bank deposits and current accounts may be deducted in the financial year.



## Qualitative information

### F.2 Description and performance of the transaction

On 3 December 2004, Sestante Finance S.r.l. acquired from Commerzbank Ag (formerly Dresdner Bank) - Frankfurt- a portfolio of notes issued by Sestante W S.r.l..

The notes issued by Sestante W S.r.l. were issued in a single class and were secured by a set of six portfolios of receivables, assigned by Meliorbanca S.p.A. to Sestante W S.r.l. without any segregation between the same within a so-called "Warehouse" period.

During this period, Meliorbanca S.p.A. assigned, on a monthly basis and in more than one tranche, from May 2004 to October 2004, a number of receivables portfolios, selected in bulk and in accordance with specific eligibility criteria, arising from performing residential land loans.

Sestante W S.r.l. financed the acquisition of each portfolio through the issue of Asset Backed Securities, which were fully subscribed by Commerzbank Ag - (formerly Dresdner Bank Ag) – Frankfurt.

Subsequently, on 3 December 2004, Commerzbank Ag (formerly Dresdner Bank) assigned the entire portfolio of Securities to Sestante Finance S.r.l..

The face value of the securities purchased was €625,303,000; the total amount of the transaction paid to Dresdner Bank (now Commerzbank) was €647,900,638, which was calculated by adding a premium, for a total of €22,597,638. For the purposes of the payment of the portfolio acquired, on 3 December 2004 Sestante Finance S.r.l. issued, pursuant to Article 5 of Law no. 130/99, five classes of Notes for a total amount of €653,453,000; for the related breakdown, reference is made to paragraph F.4 below.

It should be noted that Sestante Finance S.r.l. took steps to repay the capital of the issued Notes starting from July 2006 (i.e. after the first 18 months following the closing of the securitisation transaction).

As required by the Assignment Agreement for compliance purposes, the assignment of receivables of Sestante W1 to Sestante Finance 2 and the simultaneous repayment of the notes took place starting from 1 January 2011.

### F.3 Indication of the parties involved

The main entities involved in the abovementioned securitisation transaction, for which Meliorbanca, Dresdner Kleinwort Wasserstein and Lehman Brothers Intl acted as Arrangers are:

- **Issuer**

Sestante Finance

- **Seller**

Commerzbank Ag – (formerly Dresdner Bank Ag) – Frankfurt

- **Debtor**

Sestante W S.r.l.

- **Assignor**

Meliorbanca S.p.A.

- **Master Servicer**

doNext S.p.A. (formerly Italfondario S.p.A.) (\*)

- **Special Servicer**

doValue S.p.A. (\*)

- **Corporate Servicers**

doNext S.p.A. (formerly Italfondario S.p.A.) and Wilmington Trust SP Servicer Ltd

- **Transaction Bank/ Paying Agent/ Agent Bank/ Custodian Bank**

Bank of New York – Milan, ex JP Morgan Chase Bank – Milan

- **Computation Agent/ English Account Bank**

Bank of New York – London

- **Listing Luxembourg Paying Agent**

Bank of New York – Luxembourg

- **Swap Counterparty**

Commerzbank Ag - (formerly Dresdner Bank Ag) - Frankfurt

- **Representative of the Noteholders**

Bank of New York Corporate Trustee Services Ltd - London

- **Contingency Liquidity Provider**

Banca Popolare Emilia Romagna / Commerzbank Ag (formerly Dresdner Bank)

- **Notes Centralised Administration**

Monte Titoli S.p.A.

(\*) Roles since 1 January 2019

## **F.4 Characteristics of the bond issues**

The notes issued by Sestante Finance S.r.l. on 3 December 2004 were limited-recourse bonds.

The repayment on account of interest and capital of the notes issued will be made exclusively with the repayment of the portfolio of Sestante W S.r.l. securities entered under its assets.

Any proceeds arising from the management of securities are pledged to the benefit of the noteholders as required by law no. 130/99.

The following notes were issued to finance the acquisition of the portfolio of Sestante W S.r.l. securities:

- Class A Notes (Senior Notes) “*Asset Backed Floating Rate Notes*” for **€575,300,000**, due July 2042 - 3M Euribor + 0.18 p.a. - which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class B Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€34,400,000**, due July 2042 - 3M Euribor + 0.40 p.a. - which were fully placed with institutional investors; the denomination of the notes was €50,000;

- Class C1 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€15,600,000**, due July 2042 - 3M Euribor + 0.85 p.a. - which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class C2 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€21,900,000**, due July 2042 - 3M Euribor + 0.80 p.a. - which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class D Notes (Junior Notes) “*Asset Backed Floating Rate Notes*” for **€6,253,000**, due July 2042 - 3M Euribor (plus an additional premium in the event that there are available funds at each Payment Date) - which were fully subscribed by Meliorbanca S.p.A. and then placed with institutional investors in December 2005; the denomination of the notes was €10,000.

All these securities are held in dematerialised form, and are centralised with Monte Titoli Spa.

Class A, class B, class C1 and class C2 notes were listed on the Luxembourg Stock Exchange.

The rating companies allocated the following valuations, as of 31.12.2020:

- Class A: **AA-** from Fitch Ratings - **Aa3** from Moody's Investors Service Ltd / **A+** from Standard & Poors;
- Class B: **BBB+** from Fitch Ratings - **Ba1** from Moody's Investors Service Ltd – **A-** from Standard & Poors;
- Class C1: **BB-** from Fitch Ratings - **Caa2** from Moody's Investors Service Ltd – **B+** from Standard & Poors;
- Class C2: **B+** from Fitch Ratings - **Ca** from Moody's Investors Service Ltd - **B** from Standard & Poors.

No application for rating was submitted for class D notes.

Interest is payable in arrears on a quarterly basis on 8 January, 8 April, 8 July and 8 October.

All payments relating to the securitised portfolio of loans are used to pay interest at the relevant expiry dates.

The payments of the securitised portfolio will be used to redeem Junior Notes only after the repayment of all Senior and Mezzanine Notes.

The order of priority of payments relating to the notes issued, as defined under point 6 Priority of Payments, is summarised as follows:

Interest Component:

1. expenses, costs and others for the operation of the Company - not payable with the Expense Account / any amount to settle the Expenses Account with Bank of New York - Milan branch up to the amount of €120,000
2. fees and expenses payable to the Representative of the Noteholders
3. fees and expenses payable to: Paying Agent / Computation Agent / Custodian Bank / Corporate Servicers / Servicer
4. amounts arising from the Swap contract
5. interest on Class A Notes
6. interest on Class B Notes

7. interest on Class C1 and Class C2 Notes
8. portions of capital allocated for class C2 Notes
9. replenishment of the Cash Reserve
10. amounts arising from the Swap other than those specified under point 4
11. allocation of additional interest available on the account of class C2 Notes
12. interest on Class D Notes
13. additional premium on Class D Notes

Capital Component:

1. expenses, costs, fees and interest up to Class B Notes, which have not been paid by using the interest component
2. capital of Class A Notes
3. capital of Class B Notes
4. capital of Class C1 Notes
5. capital of Class D Notes

## **F.5 Additional financial transactions**

In order to be able to manage risks arising from fluctuations in interest rates, the following derivative contracts were entered into:

Interest Rate Swap, with reference to Class C2 Notes

Trade date: 03/12/2004

Term: 03/12/2004 - 08/04/2042

Currency Euro

Counterparty: Commerzbank Ag (formerly Dresdner Bank) - Frankfurt

Notional Amount €559,397

Type: Floater / floater

Novation confirmation of the swap initially entered into by Sestante W with the transfer of the collateral to Sestante

Finance S.r.l.:

Trade date: 17/12/2010

Term: 17/12/2010 - 24/06/2042

Currency Euro

Counterparty: Commerzbank Ag (formerly Dresdner Bank) - Frankfurt am Main

Notional Amount: €87,653,644

Type: Floater / floater

## F.6 Operational powers of the assignee company

The sole purpose of the Company is to carry out one or more receivables securitisation transactions as required and regulated by Law no. 130 of 30 April 1999, and any subsequent implementing provisions, financed by recourse to the issue of the securities referred to in the combined provisions of Articles 1 and 5 of said Law, in such a way as to exclude the assumption of any credit risk on the part of the Company. The Company may make use of third-party debt collection agencies in relation to purchased receivables and for the performance of cash and payment services, and may also carry out transactions concerning assignments of purchased receivables and reinvestment in other financial assets concerning any funds deriving from the management of purchased receivables that are not immediately applied to satisfy claims arising from the abovementioned securities.

The Company may carry out all such commercial, personal/real property and financial transactions as shall be deemed appropriate by the governing body, aimed at debt collection and more in general at achieving the corporate purpose, excluding any other financial activities aimed at the general public.

## F.7 Flow data relating to receivables

	(€/000)	
	31/12/2021	31/12/2020
<b>Opening balance</b>	<b>103,972</b>	<b>118,244</b>
<b>Increases</b>	<b>2,425</b>	<b>4,551</b>
interest due and default interest	1,495	1,815
value write-backs and legal fees	930	2,529
other changes	-	207
<b>Decreases</b>	<b>17,313</b>	<b>18,823</b>
receipts	12,399	14,429
share of loans premium	326	313
value adjustments	4,568	4,081
c.4 other changes	19	-
<b>Closing balance</b>	<b>89,084</b>	<b>103,972</b>

## F.8 Trend in overdue receivables

	(€/000)	
	31/12/2021	31/12/2020
<b>Opening balance</b>	<b>13,439</b>	<b>13,048</b>
<b>Increases</b>	<b>913</b>	<b>5,776</b>
uncollected capital	386	3,749
uncollected interest	527	2,027
<b>Decreases</b>	<b>7,064</b>	<b>5,385</b>
receipts	2,647	1,358
write-downs from valuation	4,417	4,027
<b>Closing balance</b>	<b>7,287</b>	<b>13,439</b>

### Further information about non-performing and unlikely to pay positions:

At 31 December 2021 the unlikely-to-pay exposures were 265 (-13 positions compared to 2020), and bad loans were 537 (+103 positions compared to 2020).

The portfolio in question includes residential mortgage loans, aimed at the purchase of first homes, the borrower of which has been often affected by the current serious economic crisis in a significant manner - even more than normal - thus ceasing or suspending the performance of his/her obligations arising from the contracts.

Actions were taken on an amicable basis (reminders sent directly and through external legal consultants, telephone reminders, appointment of external debt collection agencies) both against borrowers and against guarantors - if any -, which were aimed at forcing the obligors to settle their respective positions, while also granting grace periods.

Furthermore, the most appropriate legal actions (usually enforcements against real property pledged to secure the loan) were taken or continued to collect debts, or any preliminary measures were taken in relation to enforcement proceedings.

Although the decline recorded in the property market, in terms of both volumes and values, was less severe than the average in the relevant sector, it is a factor that may affect debt collection and that therefore must be monitored.

The percentages of allocation, upon first classification, remained unchanged compared to the previous year, and it is believed that they are adequate (as a whole); furthermore, attention was paid to maintaining the provisions in relation to the events that had occurred, both in court (Court-appointed experts, auctions possibly without any award) and out of court.

Although the decline recorded in the property market, in terms of both volumes and values, was less severe than the average in the relevant sector, it is a factor that may affect debt collection and that therefore must be monitored.

## F.9 Cash flows

The cash flows for the period are:

	(€/000)	
	31/12/2021	31/12/2020
<b>Liquidity at the beginning of the year</b>	<b>9,287</b>	<b>10,035</b>
<b>Increases</b>	<b>13,992</b>	<b>16,339</b>
Capitalization of current account interest	-	-
receipts from portfolio <sup>(1)</sup>	12,399	14,429
Positive differences on swaps	1,593	1,910
Other changes	-	-
<b>Decreases</b>	<b>15,331</b>	<b>17,087</b>
Interest on notes	48	86
Reimbursement of notes	12,072	12,567
Negative differences on swaps	1,431	1,792
Other payments	1,780	2,642
<b>Liquidity at the end of the year</b>	<b>7,948</b>	<b>9,287</b>

The abovementioned cash flows were higher than forecast by €1.9 million.

The current expectations for the 2022 financial year are that gross receipts should be not less than €9.4 million, expenses charged to separate assets (mainly for servicing fees) will be in the range of €0.1 million, and the difference should be used to satisfy the claims of the noteholders. These amounts are indicative. Given the nature of securitized receivables, the actual results will depend on circumstances that are partially beyond the issuer's control; these factors include the regularity of debtors' payments and their propensity to make advance repayments.

## F.10 Situation of guarantees and liquidity facilities

In 2008 the guarantee provided by Meliorbanca, BPER and DRKW ceased to apply in relation to the "Contingency Liquidity Agreement".

In 2009 Meliorbanca paid an amount of €5,920,520.29 with the SPV to cover the same risk covered by the previous agreement. At 31/12/2021 the guarantee came to €1,324,183.



## F.11 Breakdown by residual life

(€/000)

Items/unexpired term	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
1. Securitised assets:				
1.1. receivables <sup>(1)</sup>	1,604	4,923	27,274	55,284
1.2. notes				-
1.3. other assets	4	11	101	379
<b>Total</b>	<b>1,608</b>	<b>4,934</b>	<b>27,375</b>	<b>55,663</b>
2. Payables:				
2.1. notes	3,085			90,182
2.2. loans				3,708
2.3. other liabilities	16	1,051		0
<b>Total</b>	<b>3,101</b>	<b>1,051</b>	<b>-</b>	<b>93,891</b>

<sup>(1)</sup> It should be noted that the bad loans in the portfolio have been stated in column "beyond 5 years".

## F.12 Breakdown by geographical area

All the securitised assets relate, at the date of the loan disbursement, to parties who are resident in Italy; any charges entered to secure the receivables, where existing, relate to properties located in Italy; all receivables are denominated in €.

## F.13 Risk concentration

### F.13.1 Information on the degree of splitting of the receivables portfolio

(€/000)

Brackets	Number of positions	Amount
between 0 and 25,000	1,809	7,163
from 25,000 to 75,000	740	36,347
from 75,000 to 250,000	423	45,268
beyond 250,000	1	307
<b>Total</b>	<b>2,973</b>	<b>89,084</b>

### **F.13.2 Information about the level of split on receivables portfolios that individually exceed 2% of the total receivables in the portfolio**

There are no receivables that individually exceed 2% of the total amount of the portfolio.

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# **SESTANTE FINANCE 3**

## **17th year**

**at 31 December 2021**

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## F. Securitisation of receivables - Sestante Finance 3

### F.1 - Schedule of securitised assets and notes issued

		(€/000)	
Status of operation as at:	31/12/2021	31/12/2020	
<b>A. Securitised assets</b>	<b>158,236</b>	<b>183,916</b>	
A) 1 Receivables	158,097	183,795	
A) 2 Securities	-	-	
A) 3 Other assets	139	121	
<b>B. Use of liquidity from management of receivables</b>	<b>13,471</b>	<b>13,484</b>	
B) 1 Debt securities	-	-	
B) 2 Equity securities	-	-	
B) 3 Others	13,471	13,484	
B) 3.1 Loans and receivables with banks	12,983	13,483	
B) 3.2 Other assets	488	1	
<b>C. Notes issued</b>	<b>161,892</b>	<b>187,565</b>	
C) 1 Class A notes	107,165	125,961	
C) 2 Class B notes	47,350	47,350	
C) 3 Class C1 notes	21,500	21,500	
C) 4 Class C2 notes	20,652	20,652	
C) 5 Class D Junior notes	8,610	8,610	
C) 6 Class D Junior notes issue premium	13,153	13,426	
C) 7 Provision for adjustment of class D Junior notes	-56,538	-49,934	
<b>D. Loans received</b>	<b>6,851</b>	<b>7,120</b>	
<b>E. Other liabilities</b>	<b>2,964</b>	<b>2,715</b>	
E) 1 Accrued expenses on securities issued	25	37	
E) 2 Accrued expenses on Swap transactions	171	190	
E) 3 Payable to suppliers and invoices to be received	227	248	
E) 4 Payable to the Servicer for fees/expenses	86	232	
E) 5 SPV costs charged back to the securitisation	268	250	
E) 6 Others	2,187	1,758	

		(€/000)
	31/12/2021	31/12/2020
<b>F. Interest payable on notes issued</b>	<b>15</b>	<b>42</b>
F) 1 Interest payable on notes issued	-	-
F) 2 Brokerage fees	15	42
<b>G. Transaction commissions and fees</b>	<b>763</b>	<b>709</b>
G) 1 For servicing	653	619
G) 2 For other services	110	90
<b>H. Other Charges</b>	<b>12,406</b>	<b>10,140</b>
H) 1 Differences on swaps/ cap costs	3,171	3,717
H) 2 SPV operating costs	59	47
H) 3 Administrative expenses	490	428
H) 4 Other charges	-	0
H) 5 Value adjustments on receivables	8,687	5,948
<b>I. Interest generated from securitised assets</b>	<b>1,591</b>	<b>2,301</b>
I) 1 Interest earned on securitised loans	2,591	3,094
I) 2 Costs for surcharge on loans	-1,000	-793
<b>L. Other Revenues</b>	<b>11,594</b>	<b>8,590</b>
L) 1 Positive differentials on swap	2,558	3,075
L) 2 Other revenues	315	1,102
L) 3 Value write-backs on receivables	2,017	2,693
L) 4 Result for the year to be allocated to Class D adjustment provision	6,703	1,720

## **Valuation criteria**

### **used for the preparation of the summary statement**

All items correspond to the data analytically reported in the accounts kept by the Servicer. The accounting method adopted allows, through appropriate reclassifications, the reconciliation of the accounts and the items in the statement itself. Specifically, below are reported the accounting policies adopted for the most significant entries.

The results of the management of separate assets are never available to the SPV but are intended to cover the credit risk borne by the notes holders.

#### **1 Securitised assets - Receivables**

Securitised assets are recognised at purchase price and are measured according to their presumed realisable value - which is estimated according to the method and process already reported in Part A "Accounting Policies" of these financial statements -, thus taking account of the debtor's state of solvency, the evidence of any possible impairment loss, guarantees (if any) backing the debt exposure, the probability of them being settled. Default interest accrued in the year was considered to be fully unrecoverable: accordingly, it was written down for their entire amount.

Value adjustments to receivables reflect the estimates made as to the losses expected from the portfolio of receivables, while value write-backs on receivables indicate the actual higher amount collected with respect to the amount expected initially, concerning the portfolio of receivables as at the reporting date of the financial statements on the basis of the applicable accounting standards.

#### **2 Uses of liquidity - Receivables from banks**

These are reported at their face value, which corresponds to their presumed realisable value.

#### **3 Securities issued**

These are recognised at their face value and will be redeemed exclusively with the sums arising from the collection of the debts being securitised.

#### **4 Other assets, other liabilities, accruals and deferrals**

Payables to suppliers have been assessed and accruals and deferrals have been determined on an accruals basis in order to define the costs and revenues that actually accrued in the year .

#### **5 Interest, commissions, revenues, other income and charges**

Any costs and revenues relating to securitised assets, the notes issued, interest, commissions, revenues and other income and charges are accounted for according to the matching principle in accordance with the Bank of Italy's

order of 29 March 2000. Since any default interest relating to the receivables purchased, which accrued during the year, is regarded as uncollectable in full, it is adjusted through a specific full write-down.

## **6 Derivative contracts**

Any amounts arising from derivative contracts are recognised under sundry income and charges according to the matching principle.

## Comment on the items of the summary statement

### Item A1) Receivables

(€/000)

	31/12/2021	31/12/2020
<b>A</b> Performing receivables	<b>144,202</b>	<b>158,568</b>
- of which surcharge on loans	6,171	7,171
<b>B</b> Doubtful loans	126,392	129,376
<b>B1</b> Bad loans	96,798	92,170
<b>B2</b> Unlikely-to-pay exposures	29,594	37,206
<b>C</b> Value adjustments	-112,497	-104,148
<b>C1</b> Bad loans	-88,860	-83,302
<b>C2</b> Unlikely-to-pay exposures	-23,637	-20,846
<b>Book value A+B-C</b>	<b>158,097</b>	<b>183,796</b>

“Receivables” also include the year-end residual amount of the share of surcharge on the loans forming part of the Sestante W2 portfolio that was acquired in July 2007; this item, which was equal to an initial amount of €43,077,022, was accounted for (as a reduction in interest earned on loans) on an accruals basis according to the term of the existing loans; instead, in the case of repayments, the residual surcharge is accounted for in full in the financial year in which said repayment takes place.

### Item A3) Other assets

(€/000)

	31/12/2021	31/12/2020
- Prepaid expenses (brokerage fees)	91	106
- Other assets	48	15
	<b>139</b>	<b>121</b>

It should be noted that:

- any brokerage fees paid in December 2005, totalling €921,050, were charged on an accruals basis on the basis of the residual term of the notes.



**Item B3) Use of liquidity from management of receivables - Others**

(€/000)

	<b>31/12/2021</b>	<b>31/12/2020</b>
- Receivable from banks	12,983	13,483
- Withholdings on bank interest earned	-	1
- Others	488	
<b>Total</b>	<b>13,471</b>	<b>13,484</b>

The item "Loans and receivables with banks" is made up of the cash as at year-end on the accounts held with Bank of New York, Milan and London branches, and BPER, inclusive of the related accrued interest and net of the item "Loans received" amounting to €6,851,000.

Details of the item "Receivable from banks" are as follows:

(€ / 000)

	<b>31/12/2021</b>	<b>31/12/2020</b>
- BPER COLLECTION A/C	338	106
- BONY LN INVESTMENT A/C	5,744	5,747
- BONY MI PAYMENT A/C	0	0
- BONY MI EXPENSES A/C	50	50
- BONY MI CASH COLLATERAL COMMESBANK	4,334	4,334
- BONY MI CONTINGENCY LIQUIDITY FACILITY	2,517	2,786
- CC BPER 1976708-SESTANTE 3	-	461
<b>Total</b>	<b>12,983</b>	<b>13,483</b>

**Item C) Notes issued**

(€/000)

	<b>31/12/2021</b>	<b>31/12/2020</b>
- Class A notes	107,165	125,961
- Class B notes issued	47,350	47,350
- Class C1 notes issued	21,500	21,500
- Class C2 notes issued	20,652	20,652
- Class D Junior notes	8,610	8,610
- Class D notes issue premium	13,153	13,426
- Provision for adjustment of Class D notes	-56,538	-49,934
<b>Total</b>	<b>161,892</b>	<b>187,565</b>

It should be noted that the negative result for the year was charged to the Provision for adjustment of class D notes, whose breakdown is reported below:

(€/000)

<b>Provision for adjustment of Class D notes</b>	
- <b>Balance at 31/12/2009</b>	<b>4,907</b>
- Result at 31/12/2010	3,788
- Result at 31/12/2011	12,220
- Result at 31/12/2012	10,242
- Result at 31/12/2013	3,918
- Result at 31/12/2014	5,296
- Result at 31/12/2015	5,994
- Result at 31/12/2016	-7,581
- Result at 31/12/2017	6,756
- Result at 31/12/2018	1,802
- Result at 31/12/2019	872
- Result at 31/12/2020	1,621
- Result at 31/12/2021	6,703
<b>Balance at 31/12/2021</b>	<b>56,538</b>

Below is reported the breakdown of the repayments of class A notes that were made in the year:

(€/000)

Class A notes	
<b>Balance at 31/12/2020</b>	<b>125,961</b>
- Repayment at 15/01/2021	-4,578
- Repayment at 15/04/2021	-4,577
- Repayment at 15/07/2021	-5,193
- Repayment at 15/10/2021	-4,448
<b>Balance at 31/12/2021</b>	<b>107,165</b>

**Item D) Loans received**

(€/000)

	31/12/2021	31/12/2020
Loans received	6,851	7,120
<b>Total</b>	<b>6,851</b>	<b>7,120</b>

It should be noted that from the 2019 financial year, these loans, relating to guarantees granted in favour of Dresdner (€4,334,000) and Unicredit (€2,517,000), have been reclassified from the item "Loans and receivables from banks" for a more correct representation in the financial statements.

**Item E) - Other liabilities**

(€/000)

	31/12/2021	31/12/2020
Accrued expenses on interest on notes	25	37
Accrued expenses on differentials on Swap / CAP	171	190
Payables to suppliers and invoices to be received	227	248
Payables to Tax Office	1	10
Payable to Servicer for advances and commission	287	232
Items in progress	1	93
Costs charged back to securitised assets	268	250
Provision for legal expenses	1,186	1,167
Other liabilities	799	674
<b>Total</b>	<b>2,964</b>	<b>2,715</b>

## Comment on the economic items of the summary statement

The negative result to 31/12/2021 of €6,703,000, generated from the management of the separate securitised assets, was allocated as an increase to the Class D Notes adjustment provision.

### Item F) - Interest expense on notes issued

(€/000)

	31/12/2021	31/12/2020
Interest on Class A notes	-	-
Interest on Class B Notes	-2	39
Interest on Class C notes	53	94
Interest on Class C2 notes	61	101
Class D notes issue premium	-113	-234
Brokerage fees	15	42
<b>Total</b>	<b>15</b>	<b>42</b>

This item relates to the interest accrued in the year (net of the share of issue premium), as well as the amount of brokerage fees accrued in the year.

The contra-entry through P&L of the deferred issue premium has been allocated to the item reported above up to the amount of interest expense on notes issued, while the remaining portion has been allocated to item "L) – Other revenues".

### Item G) - Transaction commissions and fees

(€/000)

	31/12/2021	31/12/2020
Fees for servicing and related activities	653	619
* Base fee	320	337
* Collection fee	307	258
* Corporate fee	26	24
Fees for other services	110	90
<b>Total</b>	<b>763</b>	<b>709</b>

**Item H) - Other charges**

(€/000)

	31/12/2021	31/12/2020
Differentials on Swap	3,171	3,717
Value adjustments	8,687	5,948
Legal and notarial fees	458	363
SPV operating costs	59	47
Rating assignment service costs	31	34
Other expenses	-	31
<b>Total</b>	<b>12,406</b>	<b>10,140</b>

**Item I) - Interest generated from securitised assets**

(€/000)

	31/12/2021	31/12/2020
Interest on loans and default interest	2,561	3,073
Fees for early repayments of loans	29	21
Surcharge on loans	-1,000	-793
<b>Total</b>	<b>1,591</b>	<b>2,301</b>

This item includes any interest collected in the year, arising from the portfolio of securitised receivables. From this amount the share accrued in the year was deducted in relation to the surcharge on the purchase of loans, as calculated on the basis of their residual term.

**Item L) - Other revenues**

(€/000)

	31/12/2021	31/12/2020
Interest income on current accounts	-	-
Positive differences on swaps	2,558	3,075
Value write-backs on receivables	2,017	2,693
Contingent assets	315	1,102
Result for the year to be charged to the Provision for adjustment of class D notes	6,703	1,720
<b>Total</b>	<b>11,594</b>	<b>8,590</b>

The item "contingent assets" also includes the amount of legal fees charged to customers, as well as the amount of deferred issue premium of securities exceeding interest expense (equal to €314,000).

**Additional information on regulatory and tax issues**

By Ministerial Circular Letter no. 8 dated 6 February 2003, the Revenue Agency provided precise information about the tax treatment of the SPV's separate assets.

Any excess in flows receivable, arising from proceeds relating to securitised assets, compared to flows payable, against the payment of coupons, commissions and expenses, is deducted from the funds available to the SPV, as there is an obligation to allocate the sums to separate assets.

Profits from the management of separate assets are never made available to the SPV, but are intended to cover the credit risk imposed on the noteholders.

Therefore, the Revenue Agency has considered that excess flows (if any), arising in one or more tax periods, do not have any tax effect, at least until the securitisation transaction is completed, i.e. when the residual liquidity ceases to be subject to the abovementioned obligation concerning its allocation and is actually made available to the SPV, thus contributing to form the vehicle's taxable income.

Accordingly, no provisions for taxes were set aside for the year.

By Resolution no. 222/03, of 5 December 2003, the Revenue Agency provided additional information as to the treatment of taxes withheld with respect to the SPV in relation to interest paid on bank deposits and current accounts. The Revenue Agency believes that, as long as said obligation continues to apply in relation to the allocation of separate assets, any withholdings on interest from bank deposits and current accounts may be deducted in the financial year in which the SPV's overall income is formed.

**Qualitative information****F.2 Description and performance of the transaction**

On 16 December 2005, Sestante Finance Srl acquired a portfolio of securities issued by Sestante W Srl, from *Commerzbank* (formerly *Dresdner Bank*) Ag - Frankfurt.

The notes issued by Sestante W S.r.l. were issued in a single class and were secured by a set of nine portfolios of receivables, assigned by Meliorbanca S.p.A. to Sestante W S.r.l. without any segregation between the same within a so-called "Warehouse 2" period.

During this period, Meliorbanca S.p.A. assigned, on a monthly basis and in more than one tranche, from December 2004 to November 2005, a number of receivables portfolios, selected in bulk and in accordance with specific eligibility criteria, arising from performing residential land loans.

Sestante W S.r.l. financed the acquisition of each portfolio through the issue of Asset Backed Securities, which were fully subscribed by Commerzbank Ag - (formerly Dresdner Bank) – Frankfurt.

Subsequently, on 16 December 2005, Commerzbank Ag (formerly Dresdner Bank) assigned the entire portfolio of Notes to Sestante Finance S.r.l..

The face value of the notes purchased was **€858,378,000**; the counter-value of the transaction paid was **€909,926,000**, which corresponds to the book value, together with a premium of 5.87725% (equal to the sum of

€50,449,094), plus the amount of €1,099,506 (interest accrued up to 16 December 2005 attributable to Dresdner Bank - now Commerzbank).

For the purposes of the payment of the portfolio acquired, on 16 December 2005 Sestante Finance S.r.l. issued, pursuant to Article 5 of Law no. 130/99, five classes of Notes for a total amount of **€899,510,000**; for the related breakdown, reference is made to paragraph F.4 below.

On 17 July 2007, Sestante Finance S.r.l. acquired from Sestante W 2 the entire amount of the residual receivables portfolio at that date, equal to **€840,514,467**.

At the same date, the notes issued by Sestante W 2 were cancelled.

### **F.3 Indication of the parties involved**

The main entities involved in the abovementioned securitisation transaction, for which Meliorbanca, *Dresdner Kleinwort Wasserstein* and *Lehman Brothers Intl* acted as Arrangers are:

- **Issuer**

Sestante Finance S.r.l.

- **Seller**

Commerzbank Ag – (formerly Dresdner Bank Ag) – Frankfurt

- **Assignor**

Meliorbanca S.p.A.

- **Master Servicer**

doNext S.p.A. (formerly Italfondario S.p.A.) (\*)

- **Special Servicer**

doValue S.p.A. (\*)

- **Corporate Servicers**

doNext S.p.A. (formerly Italfondario S.p.A.) and Wilmington Trust SP Servicer Ltd

- **Transaction Bank/ Paying Agent/ Agent Bank/ Custodian Bank**

Bank of New York – Milan, ex JP Morgan Chase Bank – Milan

- **Computation Agent/ English Account Bank**

Bank of New York – London

- **Listing Luxembourg Paying Agent**

Bank of New York – Luxembourg

- **Swap Counterparty**

Commerzbank Ag - (formerly Dresdner Bank) - Frankfurt

- **Liquidity Provider**

UniCredit - Milan branch

- **Representative of the Noteholders**

Bank of New York Corporate Trustee Service Ltd - London

- **Notes Centralised Administration**

Monte Titoli S.p.A.

(\*) Roles since 1 January 2019

## **F.4 Characteristics of the bond issues**

The notes issued by Sestante Finance S.r.l. on 16 December 2005 were limited-recourse bonds.

The repayment on account of interest and capital of the notes issued will be made exclusively with the proceeds from the receivables portfolio that replaced the Sestante W2 S.r.l. notes entered under its assets.

Any proceeds arising from the management of notes are pledged to the benefit of the noteholders as required by law no. 130/99.

The following notes were issued to finance the acquisition of the portfolio of Sestante W S.r.l. securities:

- Class A Notes (Senior Notes) “*Asset Backed Floating Rate Notes*” for **€791,900,000**, due July 2045 - 3M Euribor + 0.22 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class B Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€47,350,000**, due July 2045 - 3M Euribor + 0.45 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class C1 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€21,500,000**, due July 2045 - 3M Euribor + 0.80 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class C2 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€30,150,000**, due July 2045 - 3M Euribor + 0.85 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class D Notes (Junior Notes) “*Asset Backed Floating Rate Notes*” for **€8,610,000**, due July 2045 - 3M Euribor (plus an additional premium in the event that there are available funds at each Payment Date) -, which were fully subscribed by Meliorbanca S.p.A. and then placed with institutional investors on 20 December 2005; the denomination of the notes was €10,000.

All these securities are held in dematerialised form, and are centralised with Monte Titoli Spa.

Class A, class B, class C1 and class C2 notes were listed on the Luxembourg Stock Exchange. The rating companies allocated the following valuations, as of 31.12.2021:

- Class A: **A+** from Standard & Poors – **Baa2** from Moody's Investors Service Ltd – **BBB+** from Fitch Ratings;
- Class B: **B** Standard & Poors – **Caa2** Moody's Investors Service Ltd - **B** Fitch Ratings;
- Class C1: **D** from Standard & Poors / **Ca** from Moody's Investors Service Ltd - **C** from Fitch Ratings.
- Class C2: **D** by Standard & Poors / **Ca** by Moody's Investors Service Ltd - **C** by Fitch Ratings.
- No application for rating was submitted for class D notes.



Interest is payable in arrears on a quarterly basis on 15 January, 15 April, 15 July and 15 October of each year.

All payments relating to the securitised portfolio of notes are used to pay interest at the expiry dates reported above.

The payments of the securitised portfolio will be used to redeem Junior Notes only after the repayment of all Senior and Mezzanine Notes.

The order of priority of payments relating to the notes issued, as defined under point 3 Priority of Payments, in the Transaction Information specified in the *Offering Circular*, is summarised herein as follows:

Interest Component:

1. expenses, costs and others for the operation of the Company - not payable with the Expense Account / any amount to settle the Expenses Account with JP Morgan - Milan branch up to the amount of €50,000
2. fees and expenses payable to the Representative of the Noteholders
3. fees and expenses payable to: *Paying Agent / Computation Agent / Custodian Bank / Corporate Servicers / Servicer*
4. amounts arising from the Swap contract
5. amounts arising from the Liquidity Facility agreement
6. interest on Class A Notes
7. interest on Class B Notes
8. interest on Class C1 and Class C2 Notes
9. portions of capital allocated for class C2 Notes
10. replenishment of the Cash Reserve
11. amounts arising from the Swap other than those specified under point 4
12. interest on Class D Notes
13. additional premium on Class D Notes

Capital Component:

1. capital of Class A Notes
2. capital of Class B Notes
3. capital of Class C1 Notes
4. capital of Class C1 Notes
5. capital of Class D Notes
6. any other amount that cannot be classified under other items of priority

## **F.5 Additional financial transactions**

In order to be able to manage risks arising from fluctuations in interest rates, the following derivative contracts were entered into:

Interest Rate Swap, with reference to Class C2 Notes

Trade date: 14/12/2005

Term: 16/12/2005 - 16/07/2045

Currency Euro

Counterparty: Commerzbank Ag (formerly Dresdner Bank) - Frankfurt

Notional Amount €20,651,909

Type: Fixed / floater

Following the acquisition of the receivables portfolio on 17 July 2007, Sestante Finance S.r.l. acquired the following Interest Rate Swap contract, which had been initially entered into by Sestante W 2:

Interest Rate Swap (Sestante W 2)

Trade date: 14/12/2005

Term: 16/12/2005 - 16/07/2045

Currency Euro

Counterparty: Commerzbank Ag (formerly Dresdner Bank) - Frankfurt

Notional Amount €149,361,501

Type: Floater / floater

It should be noted that the contract makes reference to the Class A, B and C1 Notes issued by Sestante Finance S.r.l., to the additional premium and to the Senior Notes expenses.

The SPV pays, in relation to the swap, any imputed interest accrued in the collection period.

This amount then includes all interest accrued – although not yet collected - on performing, arrears and delinquent positions.

Therefore, the purpose of the swap is to normalise cash flows between the SPV's assets and liabilities and to keep it in operation by covering any ordinary operating costs.

On the contrary, it is evident that, according to this mechanism, the credit risk attached to the portfolio remains within the vehicle, thus affecting any higher or lower available flows intended to meet payments.

## **F.6 Operational powers of the assignee company**

Starting from coupon payment dates, falling after the date when the residual overall value of the portfolio is equal to or less than 10% of the capital amount of the receivables at the date of assignment, Meliorbanca is granted an option for the purchase without recourse of all receivables outstanding at that date.

The exercise price of the transaction (Clean-up price) shall be such as to allow the SPV, together with the use of any liquid assets available at that date, to repay the notes in full, to pay interest accrued on the same, to meet any and all securitisation costs and to pay any other amount payable to all its creditors.

## Quantitative information

### F.7 Flow data relating to receivables

(€/000)

	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>183,795</b>	<b>204,143</b>
b) <b>Increases</b>	<b>5,221</b>	<b>6,241</b>
b.1 interest due and default interest	2,561	3,073
b.2 value write-backs	2,017	2,693
b.3 legal and other fees	180	156
b.4 other changes	462	319
c) <b>Decreases</b>	<b>30,918</b>	<b>26,589</b>
c.1 receipts	21,231	19,848
c.2 share of loan surcharge	1,000	793
c.3 value adjustments	8,687	5,948
<b>Closing balance</b>	<b>158,098</b>	<b>183,795</b>

### F.8 Trend in overdue receivables

	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>25,228</b>	<b>24,280</b>
b) <b>Increases</b>	<b>1,267</b>	<b>8,690</b>
b.1 uncollected capital	376	5,454
b.2 uncollected interest	892	3,236
c) <b>Decreases</b>	<b>12,601</b>	<b>7,742</b>
c.1 receipts	5,436	1,952
c.2 write-downs from valuation	7,164	5,790
<b>Closing balance</b>	<b>13,895</b>	<b>25,228</b>

**Further information about non-performing and unlikely to pay positions:**

At 31 December 2021 the unlikely-to-pay exposures were 372, and the bad loans were 837.

The number of unlikely to pay positions has fallen by 50, while the bad loans have increased by 178 units.

This is a portfolio of residential mortgage loans used to purchase first homes, for whom the borrower has often been significantly affected – even more than usual – by the serious economic crisis, which means that the loan repayments have either been terminated or suspended.

Actions were taken on an amicable basis (reminders sent directly and through external legal consultants, telephone reminders, appointment of external debt collection agencies) both against borrowers and against guarantors - if any -, which were aimed at forcing the obligors to settle their respective positions, while also granting grace periods.

Furthermore, the most appropriate legal actions (usually enforcements against real property pledged to secure the loan) were taken or continued to collect debts, or any preliminary measures were taken in relation to enforcement proceedings.

The percentages of allocation, upon first classification, remained unchanged compared to the previous year, and it is believed that they are adequate (as a whole); furthermore, attention was paid to maintaining the provisions in relation to the events that had occurred, both in court (Court-appointed experts, auctions possibly without any award) and out of court.

Although the decline recorded in the property market, in terms of both volumes and values, was less severe than the average in the relevant sector, it is a factor that may affect debt collection and that therefore must be monitored.

**F.9 Cash flows**

Cash flows for the year are summarised as follows:

	(€/000)	
	31/12/2021	31/12/2020
<b>Liquidity at the beginning of the year</b>	<b>13,483</b>	<b>15,270</b>
<b>Receipts</b>	<b>23,756</b>	<b>22,923</b>
receivables portfolio receipts	21,231	19,848
positive differentials on Swap	2,525	3,075
other changes	-	-
<b>Payments</b>	<b>24,256</b>	<b>24,710</b>
interest on notes	149	237
redemption of notes	18,796	18,964
negative differences on swaps	3,190	3,716
other payments	2,121	1,793
<b>Liquidity at the end of the year</b>	<b>12,983</b>	<b>13,483</b>

These cash flows were € 6.2 million higher than forecast, a significant increase.

The current expectations for the 2022 financial year are that gross receipts should be not less than €14.1 million, expenses charged to separate assets (mainly for servicing fees) will be in the range of €0.2 million, and the difference should be used to satisfy the claims of the noteholders. These amounts are indicative. Given the nature of securitised receivables, the actual results will depend on circumstances that are partially beyond the issuer's control; these factors include the regularity of debtors' payments and their propensity to make advance repayments.

## **F.10 Situation of guarantees and liquidity facilities**

The company Sestante Finance Srl has entered into a "*Contingency Liquidity Facility*" with Meliorbanca and UniCredit, to secure the sum of €2,517,014 (1.43% of the capital of the Class A, B and C1 Notes) to protect the "*Commingling Risk*", which is the risk of the loss of income following a default by the servicer, which may result in the defaulting servicer moving the receivables to a third party with an adequate rating.

The abovementioned amount is guaranteed by UniCredit. Any charges relating to this guarantee received shall be borne by Sestante Finance.

Sestante Finance S.r.l. acquired the following guarantee, which had been initially entered into by Sestante W S.r.l., Meliorbanca S.p.A. and UniCredit, from 17 July 2007.

Sestante W S.r.l. has entered into a Collection Guarantee Reserve agreement with Meliorbanca S.p.A. and UniCredit, so as to guarantee an amount of €11,550,000 to cover the risk of commingling between third-party assets and the SPV's assets following the default of the Servicer.

The abovementioned amount is guaranteed by UniCredit. Any charges relating to this guarantee received shall be borne by Meliorbanca.

## F.11 Breakdown by residual life

(€/000)

Items/unexpired term	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
1. Securitised assets:				
1.1. receivables from banks				
1.2. receivables from customers	2,739	8,408	46,579	100,371
1.3. other assets	4	11	91	33
<b>Total</b>	<b>2,743</b>	<b>8,419</b>	<b>46,670</b>	<b>100,404</b>
2. Payables:				
2.1. notes	4,609			157,282
2.2. loans				
2.3. Other liabilities	313	666	-	1,985
<b>Total</b>	<b>4,923</b>	<b>666</b>	<b>-</b>	<b>159,267</b>

The non-performing accounts in the portfolio were entered in the “beyond 5 years” column

## F.12 Breakdown by geographical area

All the securitised assets relate, at the date of the loan disbursement, to parties who are resident in Italy; any charges entered to secure the receivables, where existing, relate to properties located in Italy; all receivables are denominated in €.

## F.13 Risk concentration

### F.13.1 Information on the level of splitting of the receivables portfolio

(€/000)

Brackets	Number of positions	Amount
between 0 and 25,000	4,942	8,130
from 25,000 to 75,000	1,081	54,166
from 75,000 to 250,000	844	94,928
beyond 250,000	3	873
<b>Total</b>	<b>6,870</b>	<b>158,097</b>

**F.13.2 Information about the level of split on receivables portfolios that individually exceed 2% of the total receivables in the portfolio**

There are no receivables that individually exceed 2% of the total amount of the portfolio.

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# **SESTANTE FINANCE 4**

## **16th Financial Year**

**At 31 December 2021**

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## F. Securitisation of receivables - Sestante Finance 4

### F.1 - Schedule of securitised assets and notes issued

		(€/000)	
Status of operation as at:	31/12/2021	31/12/2020	
<b>A. Securitised assets</b>	<b>152,054</b>	<b>174,214</b>	
A) 1 Receivables	151,601	173,733	
A) 2 Securities	-	-	
A) 3 Other assets	453	481	
<b>B. Use of liquidity from management of receivables</b>	<b>9,638</b>	<b>9,272</b>	
B) 1 Debt securities	-	-	
B) 2 Equity securities	-	-	
B) 3 Others	9,638	9,272	
B) 3.1 Loans and receivables with banks	9,098	9,271	
B) 3.2 Deductions on bank interest	-	1	
B) 3.2 Other assets	539	-	
<b>C. Notes issued</b>	<b>153,068</b>	<b>174,803</b>	
C) 1 Class A1 Notes	-	-	
C) 2 Class A2 Notes	139,879	155,009	
C) 3 Class B notes	34,100	34,100	
C) 4 Class C1 notes	15,500	15,500	
C) 5 Class C2 notes	19,651	19,651	
C) 6 Class D Junior Notes	6,200	6,200	
C) 7 Class D Junior issue premium	11,421	11,649	
C) 8 Provision for adjustment of Notes	-73,683	-67,306	
<b>D. Loans received</b>	<b>4,775</b>	<b>4,992</b>	
<b>E. Other liabilities</b>	<b>3,848</b>	<b>3,691</b>	
E) 1 Accrued expenses on securities issued	15	22	
E) 2 Accrued expenses on Swap transactions	121	167	
E) 3 Payable to suppliers and invoices to be received	282	177	
E) 4 Payable for servicing fees and expenses	188	201	
E) 5 SPV costs charged back to the securitisation	209	194	
E) 6 Other liabilities	3,033	2,930	

		(€/000)	
		31/12/2021	31/12/2020
<b>F.</b>	<b>Interest payable on notes issued</b>	<b>9</b>	<b>32</b>
F) 1	Interest payable on notes issued	80	151
F) 2	Brokerage fees	9	32
F) 3	Class D Junior issue premium	-80	-151
<b>G.</b>	<b>Transaction commissions and fees</b>	<b>879</b>	<b>750</b>
G) 1	For servicing	780	673
G) 2	For other services	100	77
<b>H.</b>	<b>Other Charges</b>	<b>11,779</b>	<b>10,095</b>
H) 1	Negative differentials on SWAP / CAP costs	3,161	3,673
H) 2	Administrative expenses	514	502
H) 3	Adjustments on receivables	8,048	5,920
H) 4	Other charges	56	0
<b>I.</b>	<b>Interest generated from securitised assets</b>	<b>1,856</b>	<b>2,356</b>
I) 1	Interest earned on securitised loans	2,675	2,998
I) 2	Costs for surcharge on loans	-819	-642
<b>L.</b>	<b>Other Revenues</b>	<b>10,811</b>	<b>8,521</b>
L) 1	Interest income on bank current accounts	-	-
L) 2	Positive differentials on swap	2,372	2,810
L) 3	Other Revenues	279	471
L) 4	Value write-backs on receivables	1,782	2,572
L) 5	Result for the year to be allocated to Class D adjustment provision	6,378	2,668

## **Valuation criteria**

### **used for the preparation of the summary statement**

All items correspond to the data analytically reported in the accounts kept by the Servicer.

The accounting method adopted allows, through appropriate reclassifications, the reconciliation of the accounts and the items in the statement itself. Specifically, below are reported the accounting policies adopted for the most significant entries.

The results of the management of separate assets are never available to the SPV but are intended to cover the credit risk borne by the notes holders.

#### **1 Securitised assets - Receivables**

Receivables have been recognised, within the limits of their purchase value, at their purchase price and are measured according to their presumed realisable value - which is estimated according to the method and process already reported in Part A "Accounting Policies" of these financial statements -, thus taking account of the debtor's state of solvency, the evidence of any possible impairment loss, guarantees (if any) backing the debt exposure, the probability of them being settled. Default interest accrued in the year was considered to be fully unrecoverable: accordingly, it was written down for their entire amount.

Value adjustments to receivables reflect the estimates made as to the losses expected from the portfolio of receivables, while value write-backs on receivables indicate the actual higher amount collected with respect to the amount expected initially, concerning the portfolio of receivables as at the reporting date of the financial statements on the basis of the applicable accounting standards.

#### **2 Uses of liquidity - Receivables from banks**

These are reported at their face value, which corresponds to their realisable value.

#### **3 Securities issued**

These are recognised at their face value and will be redeemed exclusively with the sums arising from the receivables being assigned.

#### **4 Other assets, other liabilities, accruals and deferrals**

Payables to suppliers have been assessed and accruals and deferrals have been determined on an accruals basis in order to define the costs and revenues that actually accrued in the year .

## 5 Interest, commissions, revenues, other income and charges

Any costs and revenues relating to securitised assets, the notes issued, interest, commissions, revenues and other income and charges are accounted for according to the matching principle in accordance with the Bank of Italy's order of 29 March 2000. Since any default interest relating to the receivables purchased, which accrued during the year, is regarded as uncollectable in full, it is adjusted through a specific full write-down.

## 6 Derivative contracts

Any amounts arising from derivative contracts are recognised under other income and charges according to the matching principle.

### Comment on the items of the summary statement

#### Item A1) Receivables

(€/000)

		31/12/2021	31/12/2020
<b>A</b>	Performing receivables	<b>139,533</b>	<b>150,689</b>
	- of which surcharge on loans	5,629	6,447
<b>B</b>	Doubtful loans	136,285	139,854
<b>B1</b>	Bad loans	103,304	101,277
<b>B2</b>	Unlikely-to-pay exposures	32,981	38,577
<b>C</b>	Value adjustments	-124,217	-116,809
<b>C1</b>	Bad loans	-97,948	-93,985
<b>C2</b>	Unlikely-to-pay exposures	-26,269	-22,824
<b>Book value A+B-C</b>		<b>151,601</b>	<b>173,734</b>

"Receivables" also include the year-end residual amount of the share of surcharge on the purchase of the loans forming part of the Sestante W2 portfolio that was acquired in July 2007; this item, which was equal to an initial amount of **€27,579,871**, was accounted for (as a reduction in interest earned on loans) on an accruals basis according to the term of the existing loans; instead, in the case of repayments, the residual surcharge is accounted for in full in the financial year in which said repayment takes place.

**Item A3) Other assets**

(€/000)

	31/12/2021	31/12/2020
- Prepaid expenses (brokerage fees)	406	415
- Other assets	47	66
<b>Total</b>	<b>453</b>	<b>481</b>

It should be noted that:

- the brokerage fees paid in June 2008, totalling € 945,190, were charged on an accruals basis on the basis of the residual term of the notes.

**Use of liquidity from management of receivables****Item B 3) Other**

(€/000)

	31/12/2021	31/12/2020
- Receivable from banks	9,098	9,271
- Withholdings on bank interest earned	-	1
- Others	539	-
<b>Total</b>	<b>9,638</b>	<b>9,272</b>

The item "Loans and receivables with banks" is made up of the cash as at 31 December 2021 on the accounts held with Bank of New York, Milan and London branches, and BPER, inclusive of the related accrued interest and net of the item "Loans received" amounting to €4,775,000.

Details of the item "Receivable from banks" are as follows:

(€ / 000)

	31/12/2021	31/12/2020
- BPER COLLECTION A/C	157	161
- BONY LN INVESTMENT A/C	4,116	3,660
- BONY MI PAYMENT A/C	0	0
- BONY MI EXPENSES A/C	50	50
- BONY MI CASH COLLATERAL COMMESBANK	2,066	2,066
- BONY LN CONTINGENCY LIQUIDITY RESERVE	2,710	2,926
- BONY LND COLLECS GUAR. RES. A/C	0	0
- CC BPER 1976709-SESTANTE 4	0	409
<b>Total</b>	<b>9,098</b>	<b>9,271</b>

**Item C) Notes issued**

(€/000)

	<b>31/12/2021</b>	<b>31/12/2020</b>
- Class A2 Notes	139,879	155,009
- Class B notes issued	34,100	34,100
- Class C1 notes issued	15,500	15,500
- Class C2 notes issued	19,651	19,651
- Class D Notes	6,200	6,200
- Class D notes issue premium	11,421	11,649
- Provision for adjustment of Class D	-73,683	-67,306
<b>Total</b>	<b>153,068</b>	<b>174,803</b>

This item is made up of:

- the residual face value at 31 December 2021 of notes issued;
- the residual amount at 31 December 2021 arising from the issue of Class D Notes at a price higher than their face value (initially totalling €18,046,000); premiums are accounted for on an accruals basis according to the term of the notes themselves;
- a provision for adjustment of D Junior Notes that reports the result for the year, the breakdown of which is reported below:

(€/000)

Provision for adjustment of Class D notes	
<b>Balance at 31/12/2009</b>	<b>9,462</b>
Result at 31/12/2010	1,928
Result at 31/12/2011	14,623
Result at 31/12/2012	16,058
Result at 31/12/2013	6,520
Result at 31/12/2014	6,645
Result at 31/12/2015	8,494
Result at 31/12/2016	-3,655
Result at 31/12/2017	2,605
Result at 31/12/2018	1,090
Result at 31/12/2019	867
Result at 31/12/2020	2,668
Result at 31/12/2021	6,378
<b>Balance at 31/12/2021</b>	<b>73,684</b>

It should be noted that the redemption of Class A2 notes, which had started in 2016, continued during the year as follows :

Class A2 notes	
<b>Balance at 31/12/2020</b>	<b>155,009</b>
Repayment at 23/01/2021	-3,310
Repayment at 23/04/2021	-3,324
Repayment at 23/07/2021	-4,162
Repayment at 23/10/2021	-4,335
<b>Balance at 31/12/2021</b>	<b>139,879</b>

#### Item D) Loans received

(€/000)

	31/12/2021	31/12/2020
Loans received	4,775	4,992
<b>Total</b>	<b>4,775</b>	<b>4,992</b>

Meliorbanca S.p.A. has granted the SPV a limited-repayment loan in order to set up the "Guarantee Reserve" to serve the Securitisation.

The reserve has been set aside against the possible failure by the Servicer to fulfil its obligations to transfer any receipts to Sestante Finance S.r.l..

By acquiring the receivables portfolio of Sestante W 3, Sestante Finance has also acquired the loan of €8,000,000 that was initially granted to Sestante W with the same characteristics referred to above; it should be noted that said loan was fully repaid on 10 November 2011.

Conversely, the guarantee of €8,860,000, which was initially granted by Meliorbanca S.p.A. to Sestante Finance S.r.l., which was aimed at covering the risk connected to the loss of profits following the possible default of the Servicer and which would be recorded in transferring the same from the defaulting Servicer to a third party with an adequate rating – was duly decreased. In fact, this guarantee was proportional to 1.43% of the outstanding amount of Class A, B and C1 Notes, the normal amortisation of which implicitly reduced the outstanding amount of the guarantee granted.

It should be noted that from the 2019 financial year, these loans, relating to guarantees granted in favour of Meliorbanca (€2,066,000) and Commerz Bank (€2,709,000), have been reclassified from the item “Loans and receivables with banks” for a more correct representation in the financial statements.

#### Item E) - Other liabilities

(€/000)

	31/12/2021	31/12/2020
Accrued expenses on interest on notes	15	22
Accrued expense for SWAP differentials / CAP	121	167
Payables to suppliers and invoices to be received	307	176
Payables to Tax Office	2	6
Payable to Servicer for advances and commission	198	202
Items in progress	1	1
Costs charged back to securitised assets	209	194
Provision for legal expenses	1,289	1,292
Other liabilities	1,706	1,631
<b>Total</b>	<b>3,848</b>	<b>3,691</b>

#### Comment on the economic items of the summary statement

The negative result to 31 December 2021 of €6,378,000, generated from the management of the separate securitised assets, was allocated as an increase to the Class D adjustment provision.



**Item F) - Interest expense on notes issued**

(€/000)

	31/12/2021	31/12/2020
Interest on Class A1 Notes	-	-
Interest on Class A2 Notes	-	-
Interest on Class B Notes	0	10
Interest on Class C1 Notes	36	63
Interest on Class C2 notes	44	78
Class D Junior issue premium	-80	-151
Brokerage fees	9	32
<b>Total</b>	<b>9</b>	<b>32</b>

This item relates to the interest paid during the year, as at the dates scheduled for payments, in addition to the amount accrued from 23 October to 31 December (net of the shares of the issue premium), as well as the amount of brokerage fees accrued in the year.

The contra-entry through P&L of the deferred issue premium has been allocated to the item reported above up to the amount of interest expense on notes, while the remaining portion has been allocated to item "L) – Other revenues".

**Item G) - Transaction commissions and fees**

(€/000)

	31/12/2021	31/12/2020
Fees for servicing and related activities	780	673
* Base fee	312	0
* Collection fee	443	328
* Corporate fee	25	345
Fees for other services	100	77
<b>Total</b>	<b>879</b>	<b>750</b>

"Fees for other services" includes any fees due to the *Bank of New York* for the activity of Cash Manager and any fees relating to the Liquidity facility agreement.

**Item H) - Other charges**

(€/000)

	31/12/2021	31/12/2020
SWAP differentials / CAP costs	3,161	3,673
Contingent liabilities	-	-
SPV operating costs	56	45
Legal and notarial fees	482	392
Rating assignment service costs	31	38
Other expenses	-	27
Value adjustments	8,048	5,920
<b>Total</b>	<b>11,779</b>	<b>10,095</b>

**Item I) - Interest generated from securitised assets**

(€/000)

	31/12/2021	31/12/2020
Interest on loans and default interest	2,658	2,978
Fees for early repayments of loans	17	20
Surcharge on loans	-819	-642
<b>Total</b>	<b>1,856</b>	<b>2,356</b>

This item includes any interest collected in the year, in addition to the amounts accrued at 31 December 2021, arising from the receivables portfolio. From this amount the share accrued in the year was deducted in relation to the surcharge on the purchase of receivables, as calculated on the basis of their residual term.

**Item L) - Other revenues**

(€/000)

	31/12/2021	31/12/2020
Positive differences on swaps	2,372	2,810
Value write-backs on receivables	1,782	2,572
Contingent assets	279	471
Result for the period charged to the Provisions for adjustment of notes	6,378	2,668
<b>Total</b>	<b>10,811</b>	<b>8,521</b>

The item "contingent assets" also includes the amount of legal fees charged to customers, as well as the amount of deferred issue premium of notes exceeding interest expense (equal to €148,000).

**Additional information on regulatory and tax issues**

By Ministerial Circular Letter no. 8 dated 6 February 2003, the Revenue Agency provided precise information about the tax treatment of the SPV's separate assets.

Any excess in flows receivable, arising from proceeds relating to securitised assets, compared to flows payable, against the payment of coupons, commissions and expenses, is deducted from the funds available to the SPV, as there is an obligation to allocate the sums to separate assets.

Profits from the management of separate assets are never made available to the SPV, but are intended to cover the credit risk imposed on the noteholders.

Therefore, the Revenue Agency has considered that excess flows (if any), arising in one or more tax periods, do not have any tax effect, at least until the securitisation transaction is completed, i.e. when the residual liquidity ceases to be subject to the abovementioned obligation concerning its allocation and is actually made available to the SPV, thus contributing to form the vehicle's taxable income.

Accordingly, no provisions for taxes were set aside for the year.

By Resolution no. 222/03, of 5 December 2003, the Revenue Agency provided additional information as to the treatment of taxes withheld with respect to the SPV in relation to interest paid on bank deposits and current accounts.

The Revenue Agency believes that, as long as said obligation continues to apply in relation to the allocation of separate assets, any withholdings on interest from bank deposits and current accounts may be deducted in the financial year in which the SPV's overall income is formed.

## Qualitative information

### F.2 Description and performance of the transaction

On 19 December 2006, Sestante Finance S.r.l. acquired from Commerzbank (formerly Dresdner Bank) Frankfurt - a portfolio of notes issued by Sestante W S.r.l..

The notes issued by Sestante W S.r.l. were issued in a single class and were secured by a set of six portfolios of receivables, assigned by Meliorbanca S.p.A. to Sestante W S.r.l. without any segregation between the same within a so-called "Warehouse 3" period.

During this period, Meliorbanca S.p.A. assigned, on a monthly basis and in more than one tranche, from December 2005 to November 2006, a number of receivables portfolios, selected in bulk and in accordance with specific eligibility criteria, arising from performing residential land loans.

Sestante W S.r.l. financed the acquisition of each portfolio through the issue of Asset Backed Securities, which were fully subscribed by Commerzbank Ag - (formerly Dresdner Bank) – Frankfurt.

Subsequently, on 19 December 2006, Dresdner Bank (now Commerzbank) assigned the entire portfolio of Notes to Sestante Finance S.r.l..

The face value of the notes purchased was €618,961,000; the counter-value of the transaction paid was €657,883,650 (together with a premium of €38,922,550).

For the purposes of the payment of the portfolio acquired, on 15 December 2005 Sestante Finance S.r.l. issued, pursuant to Article 5 of Law no. 130/99, five classes of Notes for a total amount of €647,900,000; for the related breakdown, reference is made to paragraph F.4 below.

On 23 July 2008, Sestante Finance S.r.l. acquired from Sestante W 3 the entire amount of the residual receivables portfolio at that date, equal to €573,326,483.

At the same date, the notes issued by Sestante W 3 were cancelled.

### F.3 Indication of the parties involved

The main entities involved in the abovementioned securitisation transaction, for which Meliorbanca, *Dresdner Kleinwort Wasserstein* and *Lehman Brothers Intl* acted as Arrangers are:

- **Issuer**

Sestante Finance S.r.l.

- **Seller**

Commerzbank Ag – (formerly Dresdner Bank Ag) – Frankfurt

- **Assignor**

Meliorbanca S.p.A.

- **Master Servicer**

doNext S.p.A. (formerly Italfondario S.p.A.) (\*)

- **Special Servicer**

doValue S.p.A. (\*)

- **Corporate Servicers**

doNext S.p.A. (formerly Italfondario S.p.A.) and Wilmington Trust SP Servicer Ltd

- **Transaction Bank/ Paying Agent/ Agent Bank/ Custodian Bank**

Bank of New York – Milan branch, formerly JP Morgan Chase Bank – Milan branch

- **Computation Agent/ English Account Bank**

Bank of New York – London

- **Listing Luxembourg Paying Agent**

Bank of New York – Luxembourg

- **Swap Counterparty**

Commerzbank Ag - (formerly Dresdner Bank) - Frankfurt

- **Representative of the Noteholders**

Bank of New York Corporate Trustee Services Ltd - London

- **Notes Centralised Administration**

Monte Titoli S.p.A.

(\*) Roles since 1 January 2019

## **F.4 Characteristics of the bond issues**

The notes issued by Sestante Finance S.r.l. on 19 December 2006 were limited-recourse bonds. The reimbursement of the notes issued, in terms of interest and capital, is only guaranteed by the receipts from the “Sestante W Srl” portfolio of notes.

Any proceeds arising from the management of notes are pledged to the benefit of the noteholders as required by law no. 130/99.

The following notes were issued to finance the acquisition of the portfolio of Sestante W S.r.l. securities:

- Class A1 Notes (Senior Notes) “*Asset Backed Floating Rate Notes*” for **€342,250,000**, due July 2046 - 3M Euribor + 0.16 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class A2 Notes (Senior Notes) “*Asset Backed Floating Rate Notes*” for **€228,150,000**, due July 2046 - 3M Euribor + 0.22 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class B Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€34,100,000**, due July 2046 - 3M Euribor + 0.35 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;

- Class C1 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€15,500,000**, due July 2046 - 3M Euribor + 0.78 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class C2 Notes (Mezzanine Notes) “*Asset Backed Floating Rate Notes*” for **€21,700,000**, due July 2046 - 3M + 0.77 p.a. -, which were fully placed with institutional investors; the denomination of the notes was €50,000;
- Class D Notes (.Junior Notes) “*Asset Backed Floating Rate Notes*” for **€6,200,000**, due July 2046 - 3M Euribor (plus an additional premium in the event that there are available funds at each Payment Date) -, which were fully subscribed by Meliorbanca S.p.A. and then placed with institutional investors in December 2006; the denomination of the notes was €10,000.

All these securities are held in dematerialised form, and are centralised with Monte Titoli Spa.

Class A2, B, C1 and C2 notes were listed on the Luxembourg Stock Exchange. The rating companies allocated the following valuations, as of 31.12.2021:

Class A2: **BBB-** from Standard & Poors / **Baa3** from Moody's Investors Service Ltd / **BB** from Fitch Ratings;

Class B: **D** Standard & Poors / **Ca** Moody's Investors Service Ltd / **CC** Fitch Ratings;

Class C1: **D** by Standard & Poors / **C** by Moody's Investors Service Ltd / **C** by Fitch Ratings;

Class C2: **D** by Standard & Poors / **C** by Moody's Investors Service Ltd / **C** by Fitch Ratings.

No application for rating was submitted for class D notes.

Interest is payable in arrears on a quarterly basis on 23 January, 23 April, 23 July and 23 December of each year.

All payments relating to the securitised portfolio of notes are used to pay interest at the relevant expiry dates and, from July 2008, to repay capital.

The payments of the securitised portfolio will be used to redeem Junior Notes only after the repayment of all Senior and Mezzanine Notes.

The order of priority of payments relating to the notes issued, as defined under point 3 Priority of Payments, in the Transaction Information specified in the *Offering Circular*, is summarised herein as follows:

#### Interest Component:

1. expenses, costs and others for the operation of the Company - not payable with the Expense Account/ any amount to settle the Expenses Account with Bank of New York - Milan branch up to the amount of €50,000
2. fees and expenses payable to the Representative of the Noteholders
3. fees and expenses payable to: *Paying Agent / Computation Agent / Custodian Bank / Corporate Servicers / Servicer*
4. amounts arising from the Swap contract
5. amounts arising from the use of the subordinated loan
6. interest on Class A1 and Class A2 Notes
7. interest on Class B Notes
8. interest on Class C1 and Class C2 Notes
9. portions of capital allocated for class C2 Notes

10. replenishment of the Cash Reserve
11. amounts arising from the Swap other than those specified under point 4
12. interest on Class D Notes
13. additional premium on Class D Notes

Capital Component:

1. capital of Class A1 Notes
2. capital of Class A2 Notes
3. capital of Class B Notes
4. capital of Class C1 Notes
5. capital of Class D Notes
6. any other amount that cannot be classified under other items of priority

## **F.5 Additional financial transactions**

In order to be able to manage risks arising from fluctuations in interest rates, the following derivative contracts were entered into:

Interest Rate Swap, with reference to Class C2 Notes

Trade date: 19/12/2006

Term: 19/12/2005 - 23/07/2046

Currency Euro

Counterparty: Dresdner Bank - Frankfurt

Notional Amount €19,651,161

Type: Fixed / floater – Sestante pays TF 3.90 on a quarterly basis, Dresdner pays 3M on a quarterly basis

Following the acquisition of the receivables portfolio on 23 July 2008, Sestante Finance S.r.l. acquired the following Interest Rate Swap contract that had been initially entered into by Sestante W 3:

Interest Rate Swap

Trade date: 19/12/2006

Term: 19/04/2006 - 23/07/2046

Currency Euro

Counterparty: Commerzbank Ag (formerly Dresdner Bank) - Frankfurt

Notional Amount €146,577,289

Type: Floater /floater

It should be noted that Dresdner Bank pays 3M Euribor + 1.5 spread, plus Senior Notes Expenses; Sestante 4 pays scheduled interest on a quarterly basis.

The SPV shall pay the swap payer any imputed interest accrued in the collection period.

Therefore, this amount includes all interest accrued - although not yet collected - on performing, arrears and delinquent positions.

The swap payer shall pay the SPV an amount to cover funded and rated notes (thus excluding interest only and junior notes), together with a fixed amount as excess spread and an amount to cover senior expenses, i.e. all ordinary expenses to keep the vehicle in operation.

Therefore, the purpose of the swap is to normalise cash flows between the SPV's assets and liabilities and to keep it in operation by covering any ordinary operating costs.

Clearly, using this mechanism the credit risk in the assigned portfolio remains within the structure, which influences the higher or lower availability of cash flows allocated to the ordinary payment cascade.

## **F.6 Operational powers of the assignee company**

Sestante Finance S.r.l. has operational powers that are limited by its by-laws.



## Quantitative information

### F.7 Flow data relating to receivables

(€/000)

	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>173,733</b>	<b>191,045</b>
b) <b>Increases</b>	<b>4,457</b>	<b>5,735</b>
b.1 interest due and default interest	2,658	2,978
b.2 value write-backs	1,782	2,572
b.3 legal and other fees	17	185
c) <b>Decreases</b>	<b>26,589</b>	<b>23,047</b>
c.1 receipts <sup>(*)</sup>	17,814	16,752
c.2 share of loan surcharge	819	642
c.3 value adjustments	8,048	5,920
c.4 other changes	-92	-267
<b>Closing balance</b>	<b>151,601</b>	<b>173,733</b>

### F.8 Trend in overdue receivables

	31/12/2021	31/12/2020
a) <b>Opening balance</b>	<b>23,045</b>	<b>21,797</b>
b) <b>Increases</b>	<b>1,700</b>	<b>8,842</b>
b.1 uncollected capital	896	5,319
b.2 uncollected interest	804	3,523
c) <b>Decreases</b>	<b>12,677</b>	<b>7,594</b>
c.1 receipts	5,761	1,711
c.2 write-downs from valuation	6,916	5,883
<b>Closing balance</b>	<b>12,068</b>	<b>23,045</b>

**Additional information on bad loans and unlikely-to-pay exposures:**

At 31 December 2021 the unlikely-to-pay exposures were 362 (-41 position compared to 2020), and bad loans were 817 (-169 positions compared to 2020).

This is a portfolio of residential mortgage loans used to purchase first homes, for whom the borrower has often been significantly affected – even more than usual – by the serious economic crisis, which means that the loan repayments have either been terminated or suspended.

Actions were taken on an amicable basis (reminders sent directly and through external legal consultants, telephone reminders, appointment of external debt collection agencies) both against borrowers and against guarantors - if any -, which were aimed at forcing the obligors to settle their respective positions, while also granting grace periods.

Furthermore, the most appropriate legal actions (usually enforcements against real property pledged to secure the loan) were taken or continued to collect debts, or any preliminary measures were taken in relation to enforcement proceedings.

The percentages of allocation, upon first classification, remained unchanged compared to the previous year, and it is believed that they are adequate (as a whole); furthermore, attention was paid to maintaining the provisions in relation to the events that had occurred, both in court (Court-appointed experts, auctions possibly without any award) and out of court.

Although the decline recorded in the property market, in terms of both volumes and values, was less severe than the average in the relevant sector, it is a factor that may affect debt collection and that therefore must be monitored.

## F.9 Cash flows

The cash flows for the period are:

	(€/000)	
	31/12/2021	31/12/2020
<b>Liquidity at the beginning of the year</b>	<b>9,271</b>	<b>10,128</b>
<b>Receipts</b>	<b>20,168</b>	<b>19,562</b>
Capitalization of current account interest	-	-
Portfolio receipts	17,814	16,752
Positive differentials on Swap	2,354	2,810
Other changes	-	-
<b>Payments</b>	<b>20,341</b>	<b>20,419</b>
Interest on notes	102	154
Redemption of notes	15,130	14,861
Negative differences on swaps	3,208	3,664
Repayment of loans and interest	217	212
Other payments	1,685	1,528
<b>Liquidity at the end of the year</b>	<b>9,098</b>	<b>9,271</b>

These cash flows were €5.1 million higher than those assumed in the previous year.

The current expectations for the 2022 financial year are that gross receipts should be not less than €12.6 million, expenses charged to separate assets (mainly for servicing fees) will be in the range of €0.2 million, and the difference should be used to satisfy the claims of the noteholders. These amounts are indicative. Given the nature of securitised receivables, the actual results will depend on circumstances that are partially beyond the issuer's control; these factors include the regularity of debtors' payments and their propensity to make advance repayments.

## F.10 Situation of guarantees and liquidity facilities

Sestante Finance S.r.l. has entered into a *Contingency Liquidity Facility* Agreement with Meliorbanca S.p.A., so as to guarantee an amount of €8,860,000 (equal to 1.43% of the capital of Class A1, A2, B and C1 Notes) to cover the so-called *Commingling Risk*, i.e. the risk connected to the loss of profits following the default of the Servicer - that can be recorded in transferring the same from the defaulting Servicer to a third party with an adequate rating.

## F.11 Breakdown by residual life

(€/000)

Items/unexpired term	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
1. Securitised assets:				
1.1. receivables from banks				
receivables from				
1.2. customers	2,725	8,364	46,335	94,178
1.3. other assets	2	7	426	18
<b>Total</b>	<b>2,727</b>	<b>8,370</b>	<b>46,761</b>	<b>94,196</b>
2. Payables:				
2.1. notes	3,757			149,312
2.2. loans	54	162	864	3,695
2.3. other liabilities	240	613		2,995
<b>Total</b>	<b>4,051</b>	<b>775</b>	<b>864</b>	<b>156,002</b>

It should be noted that the bad loans in the portfolio have been stated in column "beyond 5 years".

## F.12 Breakdown by geographical area

All the securitised assets relate, at the date of the loan disbursement, to parties who are resident in Italy; any charges entered to secure the receivables, where existing, relate to properties located in Italy; all receivables are denominated in €.

## F.13 Risk concentration

### F.13.1 Information on the level of splitting of the receivables portfolio

(€/000)

Brackets	Number of positions	Amount
between 0 and 25,000	2,827	6,039
from 25,000 to 75,000	795	39,758
from 75,000 to 250,000	891	104,416
beyond 250,000	3	1,389
<b>Total</b>	<b>4,516</b>	<b>151,601</b>

### F.13.2 Information about the level of split on receivables portfolios that individually exceed 2% of the total receivables in the portfolio

No receivables are reported which individually exceed 2% of the total amount of the portfolio.

## G. E-money and payment services

Not present.

## H. Operations with Third-party Funds

Not present.

## I. Secured loan transactions

Not present.

## L. Covered Bond

Not present.

## M. Other assets

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## Section 2 – Securitisation transactions

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No transactions have been reported in relation to the securitisation of own receivables.

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## **Section 3 – Information on risks and related hedging policies**

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### **3.1 – Credit risk**

#### **QUALITATIVE INFORMATION**

##### **1. General information**

It should be noted that the credit risk percentage is almost nil as "Receivables" are exclusively due from bank counterparties; "Other assets" concern receivables from the securitised portfolio for which insolvency risks are imposed on the holders of the notes themselves.

In any case, the current domestic and international macroeconomic scenario of widespread slowdowns in growth, the Italian and international health emergency linked to the Covid-19 epidemic and the consequent government measures that remain in place are having a severe impact on the economic and social system, making it difficult to achieve the current plan objectives.

The economic effects of the health emergency and the consequent government measures restricting economic activities are very significant. At present, though, it remains difficult to make impact estimates of their depth and duration, and to develop benchmark scenarios that are reliable and stable enough to carry out medium-term assessments or planning.

The control and administration functions of the servicers doValue and doNext are monitoring internal and external indicators carefully so as to identify and implement the right measures to mitigate the current crisis.

## QUANTITATIVE INFORMATION

### 1. Breakdown of financial assets by portfolio and credit quality

(€/000)

Portfolios/quality	Bad loans	Impaired loans	Restructured loans	Expired loans	Other assets	Total
1. Financial assets held for trading						
2. Financial assets at fair value						
3. Available-for-sale financial assets						
4. Financial assets held to maturity						
5. Loans and receivables with banks					33	33
6. Loans and receivables with financial entities						
7. Loans and receivables with customers						
8. Other assets					490	490
9. Hedging derivatives						

### 3.2 Market risk

Not present.

### 3.3 Operating risks

It should be noted that the Company exclusively makes use of services rendered by third parties. Specifically, it should be noted that the servicers doValue S.p.A. and doNext S.p.A. have entered into Disaster Recovery agreement in order to safeguard the integrity of its IT records.

### 3.4 Liquidity risks

The Company is not exposed to any particular liquidity risk since the SPV operating costs are covered by the flows arising from securitisation transactions.

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## Section 4 – Information on equity

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For information on the Company's Equity at 31 December 2021, refer to Section 12, Part B, of these Notes to the Financial Statements.

**Section 5 - Analytical statement of comprehensive income**

(€)

	Items	Gross Amount	Income tax	Net Amount
10.	Profit (Loss) for the year	157	-157	-
130.	Total other comprehensive income			
140.	Comprehensive income (Item 10+130)	157	-157	-

**Section 6 – Transactions with related parties****6.1 Information on the fees due to executives with strategic responsibilities**

The Company has no employees.

No personal fees are envisaged to the benefit of directors. For the sake of completeness, it should be noted that the Company has entered into a Corporate Services Agreement with *Wilmington Trust SP Services Limited*, as well as a *Stichtingen Corporate Services Agreement* relating to its controlling entities. These contracts regulate, in the interests of the noteholders involved in the securitisation transaction, certain fees relating to the appointment of directors and to the operation of the Company and of the foundations that are its controlling companies.

**6.2 Receivables and guarantees issued to the benefit of directors and statutory auditors**

Not present.

**6.3 Information on transactions with related parties**

The Company has no significant transactions with related parties. However, it should be noted that the notes included in the separate assets are the object of investments by groups to which the control of the servicers doValue S.p.A. and doNext S.p.A. can be attributed.

**Section 7 – Other information**



## 7.1 Direction and coordination

It is acknowledged that the Company is not subject to any third-party activities of direction and coordination.

## 7.2 Fees due to the independent auditors

As required by Article 149-duodecies of the Issuer's Regulation, below is the schedule of fees for the 2021 financial year paid to the auditing firm EY SpA, for the legal auditing of the financial reports including the auditing of the company's bookkeeping and the tax certifications.

<i><b>Type of services</b></i>	<i><b>Fees</b></i>
<i>Audit of Accounts</i>	40,000
<i>Certification Services</i>	-
<i>Other Services</i>	12,000
<i><b>Total</b></i>	52,000

Sestante Finance S.r.l.

The Chairman of the Board of Directors