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ORGANIZZAZIONE
VICINANZA

POSTE ITALIANE'S FINANCIAL STATEMENTS

AT 31 DECEMBER **2022**

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1. Introduction

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

Poste Italiane's shares have been listed on the Mercato Telematico Azionario (the MTA, an electronic stock exchange) since 27 October 2015. At 31 December 2022, the Company is 35% owned by CDP and 29.3% owned by the MEF, with the remaining shares held by institutional and retail investors. Poste Italiane SpA continues to be under the control of the MEF. At 31 December 2022, the Parent Company holds 7,535,991 treasury shares (equal to around 0.58% of the share capital).

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

The Group's business is assessed and presented on the basis of four operating segments: (i) Mail, Parcels and Distribution, (ii) Payments and Mobile, (iii) Financial Services and (iv) Insurance Services.

In addition to the mail, parcel and logistics service, the Mail, Parcels and Distribution segment also includes the activities of the sales network, the Post Offices and the corporate functions of Poste Italiane SpA that provide services to the other segments in which the Group operates. The sector also includes the provision of Welfare services.

The Payments and Mobile Services segment includes the management of payments and e-money services, also carried out through the network of LIS points of sale, as well as mobile and fixed telephone services and energy (electricity and gas) sales services to end customers by PostePay SpA.

The Financial Services segment refers to the placement and distribution of financial and insurance products and services by Bancoposta, such as current accounts, postal savings products (on behalf of Cassa Depositi e Prestiti), mutual investment funds, loans provided by banks, policies and the activities of BancoPosta Fondi SpA SGR.

The Insurance Services segment regards primarily the activities of Poste Vita SpA, which operates in ministerial life assurance Classes I, III and V, and of its direct subsidiary, Poste Assicura SpA, which operates in P&C insurance.

In addition, it should be noted that in the first half of 2022 the company Poste Welfare Servizi, previously allocated to the Insurance Services Strategic Business Unit, is represented in the Mail, Parcels and Distribution Strategic Business Unit. The comparative statement of profit or loss and statement of financial position figures have therefore been reclassified to reflect this organisational change.

This section of the Annual Report (*Poste Italiane's Financial Statements*) at 31 December 2022 includes the consolidated financial statements of the Poste Italiane Group, the separate financial statements of Poste Italiane SpA and BancoPosta RFC's Separate Report. The Report has been prepared in euros, the currency of the economy in which the Group operates.

The Group's consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements. All amounts in the financial statements and the notes are shown in millions of euros and rounded (without decimal figures), unless stated otherwise. It follows that the sum of the rounded amounts may not coincide with the rounded totals.

The separate financial statements of Poste Italiane SpA consist of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes. Amounts in the financial statements are shown in euros (except for the statement of cash flows, which is shown in thousands of euros), whilst those in the notes are shown in millions of euros (without decimal figures), unless stated otherwise. It follows that the sum of the rounded amounts may not coincide with the rounded totals.

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

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

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

2. Basis of preparation and significant accounting policies

2.1 Compliance with IAS/IFRS

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

The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC", previously known as the Standing Interpretations Committee or "SIC"), adopted by the European Union and contained in the EU Regulations in force at 31 December 2022, regarding which no derogations were made.

2.2 Basis of presentation

The accounting standards reflect the **full operations** of the Group and Poste Italiane SpA in the foreseeable future. The companies of the Poste Italiane Group, as a going concern, prepare their financial statements on a **going concern** basis, also taking into account the Group's economic and financial outlook derived from the Strategic Plan approved on 18 March 2021 (and the related updates approved by the Board of Directors on 22 March 2022) and the 2023 Budget approved by the Board of Directors on 29 March 2023.

The statement of financial position has been prepared on the basis of the **"current/non-current distinction"**[128]. In the Statement of profit (loss) for the year, the **classification criterion based on the nature of the cost components** has been adopted; details of interest income calculated using the effective interest criterion, as well as gains and losses deriving from the derecognition of financial assets measured at amortised cost (as per IAS 1 - *Presentation of Financial Statements* paragraph 82) are provided in section 4.3 Notes to the Statement of profit or loss. The statement of cash flows has been prepared under the **indirect method**[129].

The accounting standards and the recognition, measurement and classification criteria adopted in these annual accounts are the same as those used in the previous year's preparation, with the exception of what is stated in Section 2.5 - *New accounting standards and interpretations*.

The disclosures provided in these annual financial statements take into account the guidelines and recommendations of the European regulatory and supervisory bodies (ESMA)[130] published during the year in order to provide a guideline in the current economic context, which is heavily influenced by the Russia/Ukraine conflict. The accounting implications of complying with these recommendations are described in section 2.4 - *Use of estimates*.

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

128. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period (IAS 1, par. 68).
129. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.
130. Public statement ESMA32-63-1320 of 28 October 2022 "European common enforcement priorities for 2022 annual financial reports".

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

The values shown in the financial statements are compared with the corresponding values for the same period of the previous year. In this regard, it should be noted that certain data referring to the year under comparison have also been reclassified to take into account the new representation of Poste Welfare Servizi within the Mail, Parcels and Distribution segment.

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

With regard to the interpretation and application of newly published, or revised, international accounting standards, and to certain aspects of taxation[131], where the related interpretations are based on examples of best practice or case-law that cannot yet be regarded as exhaustive, the financial statements have been prepared on the basis of the relevant best practices and the guidelines agreed with the Tax Authorities as part of "cooperative compliance". Any future guidance or updated interpretations will be reflected in subsequent reporting periods, in accordance with the specific procedures provided for by the related standards.

Finally, Directive 2004/109/EC (the 'Transparency Directive') and Delegated Regulation (EU) 2019/815 introduced the obligation for issuers of securities listed on regulated markets in the European Union to prepare their annual financial report in a single electronic reporting format (European Single Electronic Format), approved by ESMA. Therefore, it is envisaged that the Annual Financial Report be prepared in XHTML format and that, for financial years commencing on or after 1 January 2022, the Notes to the Consolidated Financial Statements, in addition to the Notes to the Financial Statements, be prepared using the ESMA-IFRS taxonomy and the integrated computer language (iXBRL).

2.3 Summary of significant accounting policies and measurement criteria

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

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

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses. Where the condition is met, this cost is increased for charges directly related to the purchase or construction of the asset, including – where identifiable and measurable – that relating to employees involved in the planning and/or preparation for use phase. Interest expense incurred by the Group for loans specifically for the acquisition or construction of property, plant and equipment is capitalised together with the value of the asset; all other interest expense is recognised as finance costs in profit or loss for the year in question. Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss in the related year. The capitalisation of costs attributable to the extension, modernisation or improvement of assets owned by Group companies or held under lease is carried out to the extent that they qualify for separate recognition as an asset or as a component of an asset, applying the component approach, which requires each component with a different estimated useful life and value to

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

be recognised and amortised separately.

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

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

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

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

Investment property

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

Intangible assets

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

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

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

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

Lease arrangements

At the conclusion of the contract, the actual existence of a lease component is assessed. The contract is, or contains, a lease if in return for consideration it confers the right to control the use of a specified asset for a period of time. The activity is usually specified as explicitly stated in the contract or when it is available for use by the customer. The right of control is evaluated on the basis of the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to decide on its use. The initial assessment is only reviewed during the term of the contract if there are modifications to the contract conditions with substantial impact on the right to control the underlying asset.

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

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

The lease liability is initially recorded at the present value of the lease instalments not paid on the date the contract commences[132], discounted using the incremental borrowing rate, defined by loan period and for each Group company. The lease liability is subsequently reduced to reflect the lease payments made and increased to reflect interest on the remaining amount.

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

- the lease term (for example, in the case of early termination of the contract or an extension of the lease);
- the assessment of a purchase option for the underlying asset; in these cases, lease payments due are reviewed on the basis of the revised lease term and to take account of the change in the amounts payable in view of the purchase option;
- future lease payments deriving from a change in the index or rate used to determine the payments (e.g. ISTAT), or as a result of a renegotiation of the financial conditions.

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

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

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

Impairment of assets

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

132. The payments included in the initial measurement of the lease liability include:
- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. ISTAT indexes);
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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

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

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

An impairment loss is recognised in profit or loss for the amount by which the net carrying amount of the asset, or the CGU to which it belongs, exceeds its recoverable amount. In particular, if the impairment loss regards goodwill and is higher than the related carrying amount, the remaining amount is allocated to the assets included in the CGU to which the goodwill has been allocated, in proportion to their carrying amount[133]. Except in the case of goodwill, if the impairment indicators no longer exist, the carrying amount of the asset or CGU is reinstated and the reversal recognised in profit or loss. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and depreciation or amortisation been charged.

Investments

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

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

Financial instruments

In accordance with IFRS 9 - *Financial instruments*, the classification of financial assets and liabilities is determined at the time of initial recognition and at the relative fair value, according to the purpose for which they were acquired. The purchase and sale of financial instruments is recognised by category, either on the date on which the Group commits to purchase or sell the asset (the transaction date), or, in the case of insurance transactions and BancoPosta's operations, at the settlement date[134]. Any changes in fair value between the transaction date and the settlement date are recognised in the financial statements.

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

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

- Financial assets measured at amortised cost

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

- Financial assets measured at fair value through other comprehensive income (FVTOCI)

  This category includes financial assets held both to collect the relevant contractual cash flows and for sale (the held to collect and sell or HTC&S business model), with the contractual cash flows representing solely payments of principal and interest. These financial assets are measured at fair value and, until they are derecognised or reclassified, gains or losses from valuation are recognised in other comprehensive income. Exceptions to this are gains and losses due to impairment and foreign

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

exchange gains and losses recognised in the profit or loss in the year in question. If the financial asset is derecognised, the accumulated gains/(losses) recognised in OCI are recycled to profit or loss.
This category also includes equity instruments that would otherwise be recognised through profit or loss, for which the irrevocable election was made to recognise changes in fair value through OCI (the FVTOCI option). This option entails the recognition of solely dividends through profit or loss.

- Financial assets measured at fair value through profit or loss

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

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

An expected credit loss (ECL) provision must be made for financial assets recognised at amortised cost and financial assets at fair value through OCI, as follows: (i) specific provisions for doubtful debts are made for expected losses on financial assets measured at amortised cost; (ii) expected losses on financial assets measured at fair value through other comprehensive income are recognised in profit or loss, with a contra entry in the fair value reserve in equity. The method utilised is the "General impairment model", whereby:

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

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

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

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

- if the financial asset is reclassified from fair value through profit or loss to fair value through other comprehensive income, the financial asset continues to be measured at fair value;
- if the financial asset is reclassified from fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. The cumulative gain (loss) recognised previously through other comprehensive income is recycled to profit or loss on the reclassification date.

Financial assets are derecognised when there is no longer a contractual right to receive cash flows from the investment or when all the related risks and rewards and control have been substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

In addition, for impaired financial assets, derecognition may take place following the write-off of the same, following the acknowledgement that there is no reasonable expectation of recovery (e.g. prescription).

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

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

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

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

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

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

- Fair value hedges[135]

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

135. A hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss.

- Cash flow hedges[136]

  The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve, with movements in the reserve accounted for in "*Other comprehensive income*" (the "Cash flow hedge reserve"). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in profit or loss for the period.
  Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affects profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the purchase of fixed income debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss for the period. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

Embedded derivatives

An embedded derivative is a derivative included in a combined contract or hybrid instrument, also containing a non-derivative contract or host contract, which originates all or part of the cash flows of the combined contract. Embedded derivatives are separated from the host contract and recognised as a derivative when:

- the host contract is not a financial instrument measured at fair value through profit or loss;
- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Within the Group, contracts that may contain embedded derivatives are contracts for the purchase of non-financial items entered into by PostePay SpA with clauses or options that influence the contract price, for which, however, embedded derivatives are not separable from the host contract.

Repurchase agreements

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

Tax credits Law no. 77/2020

In order to identify the correct accounting treatment of receivables acquired in relation to Relaunch Decree no. 34/2020 (later converted into Law no. 77 of 17 July 2020), since it is not possible to identify the framework directly applicable to this case, in compliance with the provisions of IAS 8, an accounting policy was defined suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction. On the basis of the analyses carried out and the documents

136. A hedge of the exposure to the variability of cash flows attributable to a particular risk associated with an asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

published by the main Italian supervisory bodies (Joint Document of the Bank of Italy, IVASS and CONSOB[137]), although the definition of financial assets in IAS 32 is not directly applicable to this case, an accounting model was developed based on IFRS 9 given that:

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

At the date of purchase, these receivables are recorded at their fair value (coinciding with the price paid) and subsequently measured:

- at amortised cost, if acquired for use in offsetting tax or social security payables by Poste Italiane SpA, based on the provisions of the relevant regulations ("Hold to Collect" business model);
- at fair value with impact on overall profitability, if also purchased for eventual sale to third parties ("Hold to Collect and Sell" business model).

It should be noted that during the year, tax credits previously measured at fair value through other comprehensive income were reclassified to the category tax credits at amortised cost. The reclassification, effective as of 1 October 2022, became necessary as a result of the lack of development in the market for second sales between financial intermediaries, which therefore required BancoPosta RFC to revise its business model for these loans.

Classification of receivables and payables attributable to BancoPosta RFC

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

Own use exemption

The standards establishing the principles for the recognition and measurement of financial instruments are also applied to derivative contracts to buy or sell non-financial items that are settled net in cash or in another financial instrument, with the exception of contracts entered into, and that continue to be held, for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (the own use exemption). This exemption applies to the recognition and measurement of forward electricity and natural gas contracts entered into by the subsidiary Postepay SpA if the following conditions have been met:

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

When the above conditions are met, the contract for the purchase or sale of non-financial items is classified as a "normal contract of sale".

137. On 5 January 2021, the Bank of Italy, CONSOB and IVASS published Document no. 9 of the Coordination Round-Table Group on the Application of IAS/IFRS "Accounting Treatment of Tax Credits Associated with the "Heal Italy" and "Relaunch" Law Decrees Acquired as a Result of Disposal by Direct Beneficiaries or Previous Purchasers".

Taxes

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

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

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

The Group's taxation and accounting standards take account of the effects of Poste Italiane SpA's participation in the national tax consolidation scheme, for which the option has been exercised in accordance with the law, together with the following subsidiaries: Poste Vita SpA, SDA Express Courier SpA, Poste Air Cargo Srl, Postel SpA, Europa Gestioni Immobiliari SpA, Poste Welfare Servizi Srl, Poste Assicura SpA, BancoPostaFondi SpA SGR, PostePay SpA, Poste Insurance Broker Srl, MLK Deliveries SpA, Indabox Srl and Nexive Network Srl. The tax consolidation arrangement is governed by Group regulations based on the principles of neutrality and equality of treatment, which are intended to ensure that the companies included in the tax consolidation are in no way penalised as a result. Following adoption of the tax consolidation arrangement, the Parent Company's tax expense is determined at consolidated level on the basis of the tax expense or tax losses for the period for each company included in the consolidation, taking account of any withholding tax or advances paid. Poste Italiane SpA posts its IRES tax expense to income taxes for the period, after adjustments to take account of the positive or negative impact of tax consolidation adjustments. Should the reductions or increases in tax expense deriving from such adjustments be attributable to the companies included in the tax consolidation, Poste Italiane SpA attributes such reductions or increases in tax expense to the companies in question. The economic benefits deriving from the offset of tax losses transferred to the consolidating entity by the companies participating in the tax consolidation arrangement are recognised in full by Poste Italiane SpA. Other taxes not related to income are included in "Other operating costs".

Inventories

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

In the case of properties held for sale[138], if present, cost is represented by the fair value of each asset at the date of acquisition, plus any directly attributable transaction costs, whilst the net realisable value is based on the estimated sale price under normal market conditions, less direct costs to sell.

Long-term contract work is measured using the percentage of completion method, using cost to cost accounting[139].

Environmental certificates not used in the reporting period are recognised in inventories.

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

Environmental certificates

Within the Poste Italiane Group, environmental certificates refer to:

- Emission allowances held by the company Poste Air Cargo Srl as an incentive to reduce greenhouse gas emissions[140] with the aim of achieving an improvement in technologies used in energy production and industrial processes;
- Guarantees of origin and carbon credits held by the company Postepay SpA; the former aimed at certifying the origin from renewable sources of the electricity sold; the latter aimed at fully offsetting CO_2 emissions from natural gas consumption.

Emission allowances

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

The issue, free of charge, of emission allowances involves a commitment to produce, in the relevant year, a quantity of greenhouse gas emissions in proportion to the emission allowances received: this commitment, commensurate with the market value of the emission allowances at the time of allocation, is disclosed in the notes to the financial statements. At the end of the year, the commitment is reduced or derecognised in proportion to the greenhouse gas emissions effectively produced and any residual value is reported in the section, "Additional information", in the Annual Report.

Guarantees of origin and carbon credits

Guarantees of Origin are certifications attesting to the renewable origin of the sources used by IGO (Guarantee of Origin Plants) classified plants. For each MWh of renewable electricity fed into the grid by IGO-qualified plants, the GSE (Gestore Servizi Energetici) issues a GO certificate to the producer, in accordance with Directive 2009/28/EC. As of 1 January 2013, electricity sales companies are obliged to procure a quantity of GO certificates equal to the electricity sold as renewable. To do this, each company is required, by 31 March of the year following the year in which electricity was supplied to end customers, to cancel a quantity of GOs equal to the electricity sold as renewable.

Carbon credits, on the other hand, represent a negotiable security that allows a company or organisation to offset the carbon dioxide (CO_2) emitted in the course of its activities (in the case of Postepay SpA, the CO_2 emissions of the gas marketed to end customers), by adhering to environmental sustainability projects aimed at pursuing a path of ecological transition and de-carbonisation.

CO_2 offsetting takes place through the acquisition of carbon credits for a value equivalent to the CO_2 emissions resulting from the gas consumption of the Company's end customers. Each carbon credit represents the offsetting of one tonne of CO_2.

The accounting treatment of emission allowances, as well as guarantees of origin and carbon credits to the extent that they are similar, is carried out in accordance with the provisions of the OIC "*Greenhouse Gas Emission Allowances*", as well as with the reference best practice for the main IAS adopters.

The purchase and sales of environmental certificates are accounted for in profit or loss in the year in which the transaction occurs. At the end of the year, any surplus deriving from purchases are accounted for in closing inventory at the lower of cost and net realisable value[141]. In the event of a deficit, the resulting charge and related liability are accounted for at the end of the year at market value.

Business Combinations

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

140. Introduced into the Italian and European regulatory system by the Kyoto Protocol.
141. Any surplus emission allowances allocated free of charge are not accounted for in closing inventory.

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

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

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

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

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

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

Cash and deposits attributable to BancoPosta

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

Cash and cash equivalents

Cash and cash equivalents refer to cash in hand, deposits held at call with banks, amounts that at 31 December 2022 the Parent Company has temporarily deposited with the MEF and other highly liquid short-term investments with original maturities of ninety days or less. Current account overdrafts are accounted for in current liabilities.

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

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

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

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

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

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

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

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

Equity

Share capital

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

Treasury shares

Treasury shares are recognised at cost and deducted from equity. The effects of any subsequent sales are recognised in equity.

Hybrid bonds

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

Reserves

Reserves include capital and revenue reserves. They include, among others, the BancoPosta ring-fenced capital reserve, representing the dedicated assets attributed to Bancoposta RFC, legally autonomous, the Parent Company's legal reserve, the fair value reserve, relating to items recognised at fair value through equity, and the cash flow hedge reserve, reflecting the effective portion of hedging instruments outstanding at the end of the reporting period and the translation reserve which includes the exchange differences from the translation, in the presentation currency, of the financial statements of the consolidated companies that operate with a non-Euro functional currency.

Retained earnings

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

Insurance contracts

The following policies and classification and measurement criteria refer specifically to the operations of the Poste Italiane Group's insurance companies. in application of the provisions of IFRS 4, replaced in its entirety as of 1 January 2023 by the new accounting standard **IFRS 17 - Insurance Contracts**, for the discussion of which reference should be made to *Note 2.5 New accounting standards and interpretations and those soon to be effective*.

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

Under IFRS 4, contracts that transfer significant insurance risk are considered insurance contracts. These contracts are accounted for and valued in accordance with the principles used to prepare the separate financial statements, observing the applicable laws and regulations[142].

Insurance risk is significant if, and only if, an insured event could cause the insurer to pay significant additional economic benefits under any circumstances, other than those that have no identifiable effect on the economic aspect of the transaction, even if the insured event is highly unlikely. The reference accounting standard does not provide a specific indication of the level of significance. Therefore, it is up to the Group insurance companies to define a threshold beyond which the additional payment in the event of the insured event may generate the transfer of a significant insurance risk[143].

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

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

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

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

In the case of contracts for separately managed accounts with discretionary participation features[144] (DPF, as defined in Appendix A of IFRS 4), IFRS 4 makes reference, as illustrated above, to national GAAP. The contracts are classified as "financial", but accounted for as "insurance" as follows:

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

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

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

Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. In those rare cases in which disclosure of some or all of the information regarding the risks in question could seriously prejudice the Group's position in a dispute or in ongoing negotiations with third parties, the Group exercises the option granted by the relevant accounting standards to provide limited disclosure.

Employee benefits

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

The undiscounted value of short-term employee benefits to be paid to employees in consideration of employment services provided over the relevant period is accrued as personnel expenses.

There are two types of **post-employment benefit**:

- Defined benefit plans
  Defined benefit plans include employee termination benefits payable to employees in accordance with article 2120 of the Italian Civil Code.
  As a result of the supplementary pension reform, for all companies with at least 50 employees, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, the company's defined benefit liability is applicable only to the provisions made up to 31 December 2006[145]. In the case of companies with less than 50 employees, vested employee termination benefits continue to fully increase the accumulated liability for the company.
  Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the financial statements is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (such as employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). In the case of companies with at least 50 employees, as the company is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the Group's obligations at the end of the period, due to changes in the actuarial assumptions, are recognised directly in Other comprehensive income.
- Defined contribution plans
  Employee termination benefits fall within the scope of defined contribution plans provided the benefits vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

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

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

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

Share-based payments

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

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

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

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

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

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

Translation of items denominated in currencies other than the euro

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

Revenue recognition

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

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

- identify the contract with the customer (sales contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges);
- identify the performance obligations, which can be defined as the explicit or implicit promise to transfer a distinct good or service to the customer;
- determine the transaction price;
- in the case of bundles of goods or services involving different performance obligations, allocate the transaction price to the performance obligation; to that end, it is necessary to estimate the stand-alone selling price of each component;

- recognise revenue when or as the entity fulfils the performance obligation, that is upon delivery of the good or service to the customer. Performance obligations can be fulfilled:
  - "at a point in time": in the case of obligations fulfilled at a point in time, revenue is recognised only as control over the good or service is passed to the customer. In that respect, consideration is given not only to the significant exposure to the risks and benefits related to the good or service but also physical possession, customer's acceptance, the existence of legal rights, etc.;
  - "over time": in the case of obligations fulfilled over time, the measurement and recognition of revenue reflect, virtually, the progress of the customer's satisfaction. An appropriate approach is defined to measure progress of the performance obligation (the output method).

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

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

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

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

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

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

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

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

Government grants

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

Finance income and costs

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

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

Earnings per share

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

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

Diluted: at the date of preparation of these financial statements no financial instruments have been issued which have potentially dilutive characteristics[146].

Related parties

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

2.4 Use of estimates

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

Accounting treatments that require greater subjectivity in the preparation of estimates are described below, also taking into account the geopolitical uncertainty arising from the war between the European countries Russia-Ukraine and the unique characteristics of the macroeconomic environment of reference recorded during the year (in line with ESMA requirements[147]).

Revenue and amounts due from the State

Revenue from activities carried out in favour of or on behalf of the State and Public Administration entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finance. The legal framework of reference is still subject to change

146. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all instruments which can be converted into ordinary shares issued by the Parent Company. The calculation is based on the ratio of profit attributable to the Parent Company, adjusted to take account of any costs or income deriving from the conversion, net of any tax effect, and the weighted average number of shares outstanding, assuming conversion of all convertible securities.
147. Public statement ESMA 32-63-1320 of 28 October 2022.

and, as has at times been the case, circumstances were such that estimates made in relations to previous financial statements, with effects on the statement of profit or loss, had to be changed. The complex process associated with the determination of receivables, which has not been completed yet, may result in changes in the results for the accounting periods after the period ended 31 December 2022 to reflect variations in estimates, due to future regulatory enactments or following the finalisation of expired agreements to be renewed.

At 31 December 2022, Poste Italiane Group's receivables outstanding with central and local authorities amounted to roughly €958 million (€636 million at 31 December 2021), gross of provisions for doubtful debts.

The table below summarises amounts due from the State.

Receivables (€m)	31.12.2022	31.12.2021
Remuneration of current account deposits	227	17
Universal Service	31	31
Delegated services	30	30
Electoral subsidies	1	1
Other	1	2
Trade receivables due from the MEF	**290**	**81**
Shareholder transactions:		
Amounts due following cancellation of Decision EC 16/07/2008	**39**	**39**
Total amounts due from the MEF	**329**	**120**
Due from Ministries and Public Administration entities: Chair of the Cabinet Office for publisher tariff subsidies	173	120
Due from Ministries and Public Administration entities: MiMIT	50	49
Other trade receivables due from Public Administration entities	358	294
Trade receivables due from Public Administration entities	**581**	**463**
Other receivables and assets:		
Sundry receivables due from Public Administration entities	**-**	**-**
Amounts receivable for IRES refund	48	52
Amounts receivable for IRAP refund	1	1
Current tax assets and related interest	**49**	**53**
Total amounts due from MEF and the Public Administration	**958**	**636**

At 31 December 2022, provisions for doubtful debts reflect receivables for which no provision had been made in the state budget and uncertainty regarding past due amounts due from the Public Administration. For further details, see notes A8 - Trade receivables and A9 - Other receivables and assets.

Revenue from contracts with customers

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

Provisions for risks and charges

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

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

In order to reflect in the financial statements the risks arising from potential fraud perpetrated against Poste Italiane and, therefore, to determine the accounting impacts associated with the potential risk on tax credits, as described in greater detail in Note A10 - *Tax credits Law no. 77/2020*, without prejudice to compliance with Bank of Italy/CONSOB/Ivass Document no. 9 as to all other aspects related to the accounting recognition of the tax credits in question (see the section "Tax credits Law no. 77/2020" of paragraph 2.3 *Summary of significant accounting policies and measurement criteria* for further details), the decision was taken to refer to the provisions of IAS 37 - Provisions, Contingent Assets and Contingent Liabilities, with regard to the measurement of the risks in question. The applicability of IAS 37, in order to reflect in the financial statements the risk of not being able to offset the tax credits on which fraud was ascertained, was considered because the possible failure to recover the carrying amount of the tax credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, but rather from the possibility that, for those ascertained to be cases of fraud, the liability of the assignee - even if a third party in good faith or an offended party to the offence - will also be called to account for assumptions other than the possible irregular use of the tax credit or for use to a greater extent than the tax credit received[148]. As a result of the in-depth analyses carried out on the tax credits acquired, also with the support of external legal, tax and accounting consultants, a specific provision was estimated, recorded consistently with the above and for clarity in the liability item "Provisions for risks and charges". It should be noted that the determination of the above-mentioned provision necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which relate to the outcome of the proceedings under way, the identification of the receivables whose deductions have been assigned are effectively non-existent, and the outcome of the initiatives that will be activated by Poste Italiane to recover the amounts paid to the entities in respect of which cases of fraud have been ascertained.

Impairment and stage allocation for financial instruments

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

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

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

- analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
- forfeit impairment: elaboration of a provision matrix for historical losses.

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

Impairment tests of goodwill, cash generating units and equity investments

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

In accordance with the relevant accounting standard, when it is not possible to estimate the recoverable amount of an individual asset, the Group identifies the smallest group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets (Cash Generating Units - CGUs). The process of identifying such CGUs necessarily involves management's judgement as to the specific nature of the assets and business to which they belong and evidence that the cash inflows from the group of assets are closely interdependent and largely independent of those from other assets (or groups of assets). The number and scope of CGUs are systematically updated to reflect the effects of new aggregation and reorganisation

148. As provided for in Article 121, paragraph 4 of Law Decree no. 34/2020, which states "...omissis...Suppliers and transferees shall only be liable for any use of the tax credit in an irregular manner or to an extent greater than the tax credit received...omissis...".

operations carried out by the Group, as well as to take into account those external factors that could affect the ability of assets to generate independent cash inflows.

The current environment - which has resulted in highly volatile markets and great uncertainty with regard to economic projections, characterised by the increase in prices and inflation rates and geopolitical tensions arising from the conflict between Russia and Ukraine, and the decline of the postal market in which the Group operates, make it difficult to produce reliable economic/financial forecasts.

The most significant impairment tests performed at 31 December 2022 refer to:

	Amount (€m)	Method used	Explicit forecast period	Growth rate	Discount rate
Goodwill allocated to the Mail, Parcels and Distribution segment CGU	213	DCF	2023-2025	2.1%	6.19% (WACC)
Goodwill allocated to LIS (Payments and Mobile) CGU	459	DCF	2023-2025	2.1%	8.64% (WACC)
Investment in Anima Holding SpA	213	DDM	2023-2025	2.1%	8.34% (Ke)

DCF: Discounted Cash Flow
DDM: Dividend Discount Model

Mail, Parcels and Distribution CGU

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

The impairment test of the Mail, Parcels and Distribution CGU was performed, consistent with the previous year and with what was presented to the market, at a consolidated level by including the companies within the same operating segment. Compared to previous years, the companies Plurima, Agile and Sourcesense are included in the explicit cash flows and net invested capital of the Mail, Parcels and Distribution CGU as a result of the acquisitions completed in the current year.

In order to estimate the value in use of the CGU, reference was made to the 2023 Budget approved by Poste Italiane SpA's Board of Directors on 29 March 2023 and to the best economic and financial forecasts for the two-year period 2024-2025 approved at the same meeting by the Board of Directors. In determining the terminal value, calculated on the basis of the last year of explicit forecasts, income was normalised. Reference was also made to the transfer prices that BancoPosta RFC is expected to pay for the services provided by Poste Italiane's distribution network. A long-term growth rate of 2.1% and a WACC (Weighted Average Cost of Capital) of 6.19% were used. The analysis made it possible to conclude positively on the appropriateness of the figures of the financial statements, as well as the related sensitivity analyses on the significant variables that have confirmed the carrying amounts.

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

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

LIS (Payments and Mobile) CGU

Following the Purchase Price Allocation process, details of which are provided in Note 2.6 - *Basis of consolidation*, goodwill of €459 million emerged, equal to the residual difference between the consideration transferred for the acquisition of the LIS Group and the adjusted fair value of the net assets acquired.

In performing the impairment test, reference was made to the CGU consisting of LIS Holding and LIS Pay as the cash-generating unit.

In order to estimate the value in use of the CGU, reference was made to the 2023 Budget and the financial forecasts for the two-year period 2024-2025 approved by the Board of Directors of the respective companies; a long-term growth rate of 2.1% and a WACC of 8.64% were used.

Based on the test results, there was no need to make impairment adjustments at 31 December 2022.

Investment in Anima Holding SpA

With reference to the impairment test of the investment in Anima Holding SpA, the value in use was determined taking into account available 2023-2025 forecasts, a long-term growth rate of 2.1% and a cost of equity (ke) of 8.34%.

At 31 December 2022, there was no need to make additional adjustments to the negative effect already recognised in the first half of 2022 of €21 million.

Other equity investments in associates

With reference to the impairment tests of the equity investments in the other associates Financit, Replica Sim and Eurizon Capital Real Asset, no impairment adjustments were found to be necessary at 31 December 2022.

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

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

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

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

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

Investment property	Years	% annual depreciation
Property	39-42	3%-2%
Structural improvements to own properties	17-18	6%

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

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

La Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the statement of financial position.

Technical provisions for insurance business

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

In order to verify the adequacy of the technical provisions, the Liability Adequacy Test (LAT) is performed periodically. It measures the ability of future cash flows from insurance contracts to cover liabilities to the policyholder[149]. The LAT is conducted on the basis of the present value of future cash flows, obtained by projecting expected future cash flows from the existing portfolio to the end of the reporting period, based on appropriate assumptions regarding the cause of termination (death, surrender, redemption, reduction) and the performance of claim expenses. If necessary, technical provisions are topped up and the related cost charged to profit or loss.

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

Share-based payments

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

Employee termination benefits

The measurement of Employee termination benefits is also based on calculations performed by independent actuaries. The calculation takes account of termination benefits accrued for the period of service to date and is based on various demographic and economic-financial assumptions.

The main actuarial assumptions applied in the calculation of employee termination benefits at 31 December 2022, also based on the experience of each Group company and the reference best practice, are as follows:

Economic and financial assumptions

	31.12.2022
Discount rate	**3.63%**
Inflation rate	**2.30%**
Annual rate of increase of employee termination benefits	**3.225%**

Demographic assumptions

	31.12.2022
Mortality	ISTAT 2018
Disability	INPS tables broken down by age and gender
Retirement age	Achievement of general mandatory insurance requirements
Frequency of employee termination benefits advances	Specific table with rates differentiated by Company
Employee turnover frequency	Specific table with rates differentiated by Company

Determination of the lease liability

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

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

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

Options on minority interests[150]

In the context of particular corporate transactions, there are call and put options that will allow Poste Italiane to purchase, at certain future dates, shares held by minority shareholders. The exercise price of these options is generally determined on the basis of a formula that provides for the application of a multiplier to certain economic/equity targets of the company acquired. For said cases in the consolidated financial statements, a financial liability has been recognised (in addition to the portion of equity attributable to non-controlling interests), to take account of the possible exercise of options, as matching entry to Group's equity, the value of which depends on estimates made internally and which could change even significantly in the current and future years. Subsequent changes in the value of the financial liability will be reflected in the Group's statement of profit or loss.

For details of the corporate transactions from which the need to recognise this financial liability arose, see *Note B8 - Financial Liabilities*.

Information on non-financial issues

Climate change

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

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

Risks related to climate change have been taken into account in the preparation of these financial statements. With particular regard to the accounting treatment reserved for greenhouse gas emission allowances relating to the Group's airline, Poste Air Cargo, as well as guarantees of origin and carbon credits held by the company Postepay and relating to the provision of Energy (electricity and gas) sales services, please refer to "Note 2.3 - *Summary of significant accounting policies and measurement criteria*".

Macroeconomic environment

The estimates used in the preparation of the Financial Statements adequately take into account the particular macroeconomic context of reference, at 31 December 2022 heavily impacted by a number of factors such as: pandemic effects, inflation, rising

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

interest rates, deterioration of the economic climate, geopolitical risks and uncertainties on future developments. These uncertainties are reflected in the indicators used as the basis for the estimates. For information on how these uncertainties have been reflected in the estimated PDs used to calculate expected losses, please refer to "*Note 6 - Risk management - Credit Risk*"; while for a full discussion of risks related to the economic environment, please refer to the specific sections of the Report on Operations.

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

Accounting standards and interpretations applicable from 1 January 2022

- Amendments to **IAS 16 - Property, Plant and Equipment**, the purpose of which is to clarify that income from the sale of products made during the testing phase of the asset itself, as well as the related production costs, must necessarily be recognised in the statement of profit or loss.
- Amendments to **IAS 37 - Provisions, Contingent Liabilities and Contingent Assets** to clarify that, for the purpose of assessing whether a contract is onerous, it is necessary to consider not only the incremental costs of fulfilling the contract (such as labour and direct materials), but also all other costs directly attributable to the contract (such as the depreciation of assets used to fulfil that specific contract).
- Amendments to **IFRS 3 - Business Combinations** to update the reference in the standard to the Conceptual Framework in the revised version of 2018, without this leading to changes in the provisions of the standard.
- Amendments to the following accounting standards in the context of routine standard improvement activities with the objective of resolving non-urgent issues related to inconsistencies in the standards or to provide clarifications of terminology:
  - **IAS 41 - Agriculture;**
  - **IFRS 1 - First-time Adoption of International Financial Reporting Standards;**
  - **IFRS 9 - Financial Instruments;**
  - **Illustrative Examples of IFRS 16 Leases.**

The adoption of the newly applied accounting standards outlined above has had no impact on the Poste Italiane Group's financial reporting.

Accounting standards and interpretations soon to be effective

The following are applicable from 1 January 2023:

- **IFRS 17 - Insurance Contracts**. The new accounting standard on insurance contracts, which will fully replace the provisions of IFRS 4, aims to:
  - ensure that an entity provides information that fairly represents the rights and obligations arising from the insurance contracts issued;
  - eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts (including reinsurance contracts); and
  - improve comparability between entities belonging to the insurance sector by providing for specific presentation and disclosure requirements.

The standard changes the representation of the profitability of the insurance business from a presentation of results by volume (premiums issued and claims expenses) to a representation more focused on contract margins.

In accordance with the new accounting standard, it is necessary to identify those contracts that meet the definition of an insurance contract, thus defining the scope of application of the new standard.

The insurance contracts within the scope of application will initially be subdivided according to the year they were underwritten and their profitability. In fact, the standard provides that groups of insurance contracts are, following the performance of an "onerousness test", divided into:

- profitable contracts;
- onerous contracts;
- contracts that at the time of initial recognition do not have a high probability of becoming onerous.

The groups of contracts identified can be measured by applying the General Model (also referred to as the Building Block Approach - BBA); this approach involves defining the cash flows associated with the insurance contract, consisting of:

- future cash inflows and outflows;
- an adjustment that takes into account the time value of money and the financial risks associated with the flows themselves;
- an adjustment for non-financial risk (risk adjustment).

The final result of the sum of the preceding components, if positive, determines the so-called Contractual Service Margin (CSM) that will be issued over the life of the insurance contract according to the so-called Coverage Unit, while if negative the Loss Component, recognised immediately in the statement of profit or loss.

The standard provides for the possibility of using two further measurement models:

- Premium Allocation Approach (PAA), an optional and alternative model to the general model, is applicable to contracts characterised by a coverage period of no more than one year, as well as to groups of contracts for which the company considers that simplification linked to the model would not lead to a significantly different result from that obtained with the general model;
- Variable Fee Approach (VFA), a mandatory measurement model for investment contracts with discretionary participation features, such as separately managed accounts and unit-linked insurance.

The provisions of the new standard are to be applied to insurance contracts issued, reinsurance contracts issued and held, and investment contracts with a discretionary participation feature (DPF). The preliminary effects resulting from the initial application of IFRS 17 at 1 January 2022 are presented in the section "*Accounting standards and interpretations soon to be effective: ESMA Disclosure - Quantitative impacts*".

- **Amendments** to **IFRS 17 - Insurance Contracts** aimed at introducing a transition option regarding comparative information on financial assets presented at the date of initial application of the new standard, in order to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements.
- **Amendments** to **IAS 1 - Presentation of Financial Statements** and **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors** aimed at improving disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.
- **Amendments** to **IAS 12 - Income Taxes** to clarify how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amount, such as leases and decommissioning obligations, with the objective of reducing diversity in the recognition of deferred tax assets and liabilities on such transactions.

Lastly, at the reporting date, the IASB has issued the following amendments, still not yet endorsed by the European Commission:

- *Amendments IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current e Non-Current Liabilities with Covenants;*
- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.*

The potential impact on the Poste Italiane Group's financial reporting of the accounting standards, amendments and interpretations due to come into effect is currently being assessed. It should also be noted that the Group has not arranged for the early adoption of any standards, interpretations or amendments that have been issued but are not yet in force.

Accounting standards and interpretations soon to be effective: ESMA disclosure

On 13 May 2022, the European Securities and Markets Authority (hereinafter referred to as ESMA) published Public Statement ESMA32-339-208 "Transparency on implementation of IFRS 17 Insurance Contracts"[151] with the aim of identifying certain information that listed companies are encouraged to provide in their 2022 Half-Year and Annual Financial Reports regarding the impacts of the first-time application of **IFRS 17- Insurance Contracts**.

The IFRS 17 implementation project was launched by the Poste Italiane Group during 2019 and concerned the insurance companies of the Poste Vita Group (Poste Vita SpA and Poste Assicura SpA) as well as, limited to the related impact on the consolidated financial statements, the Parent Company, with the assistance of a consultant with proven expertise and professionalism. Below we provide some preliminary relevant information required by ESMA concerning the effects of applying IFRS 17.

Scope of application

The application of the principle requires an analysis of existing contracts in order to identify those that reflect the definition of an "insurance contract", i.e. a contract under which one party accepts a significant insurance risk from another party, agreeing to indemnify the insured or the beneficiary in the event that the latter suffers loss as a result of a specific event, i.e. the insured event.

Therefore, insurance contracts issued by companies belonging to the Poste Vita Group, as well as reinsurance contracts held, fall within the scope of the standard. With regard to the contracts issued by the other Poste Italiane Group companies, no elements were identified that could be brought within the definition of an insurance contract, i.e., although falling within this definition, the Group opted to continue applying IFRS 15 and/or IFRS 9 instead of IFRS 17 as permitted by the new standard.

Level of portfolio aggregation

The Poste Italiane Group will apply IFRS 17 to its entire portfolio of contracts issued by Group companies and reinsurance contracts held. The level of aggregation defined envisages an initial distinction between Life and P&C business and then a distinction into different Unit Of Accounts that accommodate contracts with similar contractual characteristics and product risk. This classification was also made taking into account the Solvency II Lines of Business, where possible.

Application of exemption to annual cohorts

As envisaged in the endorsement of the final version of the standard, the Poste Italiane Group will adopt the exemption option relating to the application of the annual cohorts[152], limited to the portfolios pertaining to the Line of Business "With Profit Participating" and the hybrid products with separately managed components of Poste Vita. These contracts will therefore not be divided into annual cohorts, but will be managed together by exploiting the mutualisation effect of returns[153], typical of segregated managed accounts. No impact on P&C business is expected.

This exemption stems from the fact that in insurance practice, the revaluation rules for insurance liabilities are a function of the returns on the related financial assets, which are calculated through a common management of these assets and therefore not differentiated according to the specific sub-portfolios included in a specific separately managed account or between product generation years. The presence of cohorts generates complexities in terms of quantifying the "mutualisation effect" arising from the inclusion of different Units of Account (new production) in a pool of Units of Account pertaining to pre-existing portfolios, as well as complexities in terms of allocation of return on assets to specific Units of Account that could generate distorting effects in IFRS 17 results.

151. Also referred to by ESMA Public Statement 32-63-1320 "European common enforcement priorities for 2022 annual financial reports", which identifies the key information that listed companies are required to present in their 2022 Annual Financial Reports.
152. Cohort means the division of contracts according to the year of signing.
153. Intergenerational mutuality is generated on those products of long duration that provide for the entry of policyholders even at different times in the life of the product. In these cases, the mutualisation effect makes it possible to offset losses and gains from portfolio management between the different generations of policyholders participating in the product.

Discount rate

For the discounting of future cash flows related to insurance contracts, the Group has decided to adopt a “bottom-up approach” for the derivation of discount curves borrowed from Solvency II, in which the reference Basic Risk Free Curve is based on the Risk Free Rate curve provided by EIOPA without Volatility Adjustment (i.e. the measure defined for Solvency II purposes that allows the effects of market volatility to be mitigated).

The Basic Risk Free curve, depending on the specific business, will be adjusted to take into account specific Illiquidity Premiums (a component representing the level of liquidity of the counterparty) calibrated to portfolios or at Company level.

Below are the details of the portfolios:

- in relation to the Separately managed account participating business and the Unit Linked portfolio connected to Separately managed accounts (Multi-branch products), it was decided to calibrate the IFRS 17 Illiquidity Premium on the basis of the composition of the reference portfolio (e.g. Separately managed accounts or Company) using approaches and metrics borrowed from the Solvency II approach;
- in relation to the non-participating Life Business and for the Unit Linked portfolio not connected to Separately managed accounts, it was decided to adopt values of Illiquidity Premiums consistent with the Volatility Adjustment value provided by EIOPA, in line with Solvency II;
- in relation to the P&C Business, it was decided to adopt only the Basic Risk Free curve, thus assuming an Illiquidity Premium of 0, in line with the Solvency II framework.

Risk adjustment

The Risk Adjustment, i.e. the remuneration that Poste Italiane Group companies charge for taking non-financial risks, will be calculated separately for Life and P&C business. This measure represents an adjustment of the estimated Present Value Future Cash Flow, which will affect the determination of the CSM.

To determine the Risk Adjustment, the Poste Italiane Group decided to use the percentile metric. According to this approach, the Risk Adjustment represents the potential loss in relation to the obligations assumed towards policyholders (Technical Reserves) that companies would incur, at a given level of probability (percentile level), to cover the insurance risks assumed, thus reflecting the companies’ risk appetite.

In the identification of the confidence level for the Risk Adjustment, equal to 70% for the Life business and 80% for the P&C business, among other elements, the Solvency II valuation framework was taken into account, considering the same perimeter of underlying risks.

Evaluation models adopted

The Premium Allocation Approach, adopted exclusively for P&C Business, will be used for all contracts that include one or more of the following features:

- duration of 720 days or less;
- single premium with duration ≤ 7 years;
- multi-year duration and membership of the Collective Business;
- multi-year duration and belonging to a Portfolio where the weight of the Multi-year Business is less than or equal to 5% in the last 3 financial years.

It is specified that, in order to determine these requirements, sensitivity analyses were conducted to identify which features of the contracts had a non-significant impact in terms of the outcome when applying the PAA compared to those that would have been obtained by applying the BBA.

With reference to the VFA model, adopted exclusively for the Life business, the Group assessed the eligibility for the model for the following types of products:

- With Profit Participating;
- Unit-linked standalone insurance;
- Hybrid products with investment components.

The BBA model will be applied in both P&C and Life business and adopted for portfolios other than those described above.

Definition of the Contractual Service Margin release pattern choice

With reference to the Life business, the Poste Italiane Group determines the CSM release by adopting a Coverage Unit (CU) based on a Volume-based driver, defined separately for each measurement model adopted:

- BBA model: the CU is defined with a driver based on the sums insured, which are similar to the lump-sum death benefit for pure risk contracts, and on the mathematical provisions, for annuities (in the payout phase) not under the Separately managed accounts from Long-Term Care products;
- VFA model: the CU for DPF contracts is defined using a driver based on mathematical provisions.

As part of the CSM release pattern of the P&C business, for contracts valued under the BBA Model, the Group decided to use a release driver based on earned premiums before commissions. The evaluation of the driver also takes into account the effect of any premium refunds and related commission reversals.

Method of determining contract boundaries

The valuation of a group of insurance contracts must take into account the Contract Boundaries, i.e. the contractual elements that can change the cash flows linked to the contract. The identification of these elements makes it possible to distinguish future cash flows related to existing contracts, which must be included in the estimate at the measurement date, from cash flows that will arise in the future and which must be measured separately in accordance with IFRS 17. The contract boundary identification techniques adopted by the Group are the same as those used in the Solvency II context, with the exception of the case relating to non-cancellable tacit renewals of certain P&C business products, which define a new initial recognition and, therefore, a new cohort.

Method of determining the investment component

The investment component represents the amount under the insurance contract that the issuing entity must recognise even if the insured event does not occur. The standard expressly requires that this component be displayed separately if distinct. The Group identifies the investment component for certain insurance contracts and defines it as follows:

- for investment products and annuities in the accumulation phase, the investment component is equal to the difference between the liquidated value and the surrender value net of penalties;
- for annuities that are certain to be paid out, the value of the investment component corresponds to the value of the benefits paid out.

Finally, with respect to P&C business, the investment component is identified in outward reinsurance contracts that provide scalar or profit sharing.

Insurance finance income/expenses

The recognition of insurance finance income and expenses, i.e. the effects of changes in the time value of money and financial risk, as required by the standard, will be calculated separately per measurement model:

- for the VFA portfolio, insurance finance income/expenses will be recognised in the statement of profit or loss or in Other Comprehensive Income (OCI) in relation to the result of Fair Value Underlying Items defined in accordance with IFRS 9;
- with regard to the BBA measurement model, finance income and expenses items will be calculated on the basis of the valuation curves adopted for the calculation of IFRS 17 flows.

Transition method

The Group plans to adopt the Modified Retrospective Approach for the life investment portfolio and the Fair Value Approach for the life pure risk portfolio.

With regard to the P&C business, for the 2021 and earlier cohorts (i.e. for products issued up to 2021) the Fair Value Approach will be adopted, for the 2022 cohort a "Running" approach will be applied as if the standard was already in force on 1 January 2022.

Interactions between IFRS 17 and IFRS 9

The Poste Italiane Group, and thus also the two insurance companies, has been applying IFRS 9 since 1 January 2018. Following the adoption of IFRS 17, there were no changes to the classification and measurement rules for financial assets.

In order to limit accounting mismatches between IFRS 9 and IFRS 17, the Group plans to adopt the OCI option on the IFRS 17 liability portfolio, with the intention of aligning the financial and mirroring effects between the OCI reserve and the effects on the statement of profit or loss.

Quantitative impacts

The following table shows the preliminary effects of the initial application of IFRS 17 on the Poste Italiane Group's condensed statement of financial position at the transition date of 1 January 2022, highlighting the main items impacted.

(€bn)	31 December 2021 IFRS 4 balances	Accounting entries eliminated	Reclassified accounting items	Effects of IFRS 17 measurement	1 January 2022 Restated	Change
Fixed assets	4.3				4.3	-
Equity investments and financial assets	249.1				249.1	-
Technical provisions attributable to reinsurers	0.1	(0.1)			-	(0.1)
Assets for outward reinsurance	-			0.05	0.05	0.05
Trade receivables and other assets	14.4		(0.0)		14.3	(0.0)
Deferred tax assets	1.2			0.4	1.6	0.4
Cash	15.6				15.6	-
Total Assets	**284.7**	**(0.1)**	**(0.0)**	**0.4**	**285.1**	**0.3**
Technical provisions for insurance business	159.1	(159.1)			-	(159.1)
Liabilities under insurance contracts	-			160.3	160.3	160.3
Provisions	2.2				2.2	0.0
Financial liabilities	104.7				104.7	0.0
Trade payables and other liabilities	6.6				6.6	
Total Liabilities	**272.6**	**(159.1)**	**-**	**160.3**	**273.9**	**1.2**
Equity	**12.1**	**159.0**	**(0.0)**	**(159.9)**	**11.2**	**(0.9)**

As required by the new accounting standard, the expected profit on contracts (CSM) will be suspended within insurance liabilities and released over the life of the contracts, resulting in an increase in the value of insurance liabilities in the transition from IFRS 4 to the new IFRS 17.

The following is a preliminary breakdown of net liabilities under insurance contracts issued at the transition date:

(€bn)	
LIABILITIES UNDER INSURANCE CONTRACTS	**Balance at 1° January 2022**
Liability for remaining coverage (LRC)	**159.4**
Liability for remaining coverage (LRC)	0.0
LRC Premium Allocation Approach	147.5
PVFC - Present Value of future cash flow	1.3
Risk Adjustment	10.5
Liability for incurred claims (LIC)	**1.0**
Cash Flow related to past services	1.0
Risk Adjustment	0.0
Total	**160.3**

Considering that the accounting, control and validation processes of the IT structure related to the management of IFRS 17 data are currently being finalised, the impact of the application of IFRS 17 at 1 January 2023 and on the statement of profit or loss for the comparative year 2022 will be presented in the next consolidated financial reports.

2.6 Basis of consolidation

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

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

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

The consolidated financial statements have been specifically prepared at 31 December 2022, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

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

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

- the assets, liabilities, costs and revenue of consolidated entities are accounted for on a line-by-line basis, separating where applicable the equity and profit/(loss) amounts attributable to non-controlling interests in consolidated equity and consolidated profit or loss;
- business combinations, in which control over an entity is acquired, are accounted for using the acquisition method. The cost of a business combination is represented by the current value (fair value) at the date of acquisition of the assets sold, the liabilities assumed, the equity instruments issued and any other directly attributable accessory charges; the difference between the acquisition price and the current value of the assets and liabilities acquired, after verifying the correct measurement of the current values of the assets and liabilities acquired and the acquisition cost, if positive, is recorded under Intangible Assets under "Goodwill", or, if negative, is charged to profit or loss;

- acquisitions of non-controlling interests in entities already controlled by the Group are not accounted for as acquisitions, but as equity transactions; in the absence of a relevant accounting standard, the Group recognises any difference between the cost of acquisition and the related share of net assets of the subsidiary in equity;
- any significant gains and losses (and the related tax effects) on transactions between companies consolidated on a line-by-line basis, to the extent not yet realised with respect to third parties, are eliminated, as are intercompany payables and receivables, costs and revenue, and finance costs and income;
- gains and losses deriving from the disposal of investments in consolidated companies are recognised in profit or loss based on the difference between the sale price and the corresponding share of consolidated equity disposed of.

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

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

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

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

Main changes to the scope of consolidation

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

Plurima SpA

On 18 March 2022, Poste Italiane signed a binding agreement with Opus Srl. and the private equity operator Siparex to acquire a majority stake in Plurima SpA ("Plurima") for a consideration based on a total enterprise value of €130 million. The closing took place on 2 May 2022. The transaction was carried out through Poste Welfare Servizi Srl ("PWS"), a wholly-owned subsidiary of Poste Italiane, and financed with available cash resources.

With the completion of the transaction, PWS holds 70% of the share capital of Plurima Bidco Srl (Bidco), which in turn owns 100% of Plurima. The final consideration paid by BidCo, taking into account the purchase price adjustment defined on the basis of Plurima's net financial position at the date of closing (as regulated between the parties in the sale and purchase agreement), amounted to €135.2 million (difference with net assets acquired at the date of acquisition of €122.7 million).

In addition, Plurima holds 100% of the share capital of Logos Srl. and 60% of the share capital of Bridge Technologies Srl.

Finally, in order to simplify the control structure of the Poste Italiane Group, on 20 June 2022, the reverse merger project of Bidco into Plurima was approved by the respective boards of directors and submitted to the companies' shareholders' meetings. The deed of merger was signed on 22 December 2022 with effect from 1 January 2023.

Below are the carrying amounts of the assets acquired and liabilities assumed at the date of acquisition of Plurima and its subsidiaries:

(€k)	Carrying amount (A)	Fair Value Adjustments (B)	Fair Value (A+B)
Net assets acquired			
Intangible assets*	451	30,502	30,953
Property, plant and equipment	6,568	-	6,568
Right-of-use asset	100,699	-	100,699
Trade and other receivables and other assets	19,842	-	19,842
Financial assets	555	-	555
Cash and cash equivalents	11,958	-	11,958
Employee termination benefits	(4,986)	-	(4,986)
Provisions for risks and charges	(1,540)	-	(1,540)
Trade and other payables	(13,687)	(8,510)	(22,197)
Financial liabilities	(106,945)	-	(106,945)
Total net assets acquired	**12,915**	**21,992**	**34,907**
Equity attributable to non-controlling interests			358
Net assets acquired by the Group			**34,549**
Goodwill			**100,668**
Total fee			**135,217**

* Total value net of goodwill recorded in the financial statements of the acquired companies.

Poste Italiane engaged an independent expert to support the Purchase Price Allocation ("PPA") process, aimed at (i) allocating the Price Consideration to the fair value of the net assets of the acquired entities (regardless of whether or not they are already recognised in the financial statements) and (ii) deriving the goodwill value as the difference between the purchase price and the fair value of the net assets acquired (expressed net of deferred tax liabilities).

Based on the valuation activities performed to date, an adjustment to the fair value of the net assets acquired totalling €22.0 million was recognised, of which:

- €30.5 million related to customer contracts and customer-related intangible assets;
- €8.5 million related to deferred taxation effects connected to the higher value of identified assets.

For the other intangible assets already recognised in the opening financial statements of the acquired companies, as well as for all other assets and liabilities included in the opening statements of financial position of the Plurima Group, the net carrying amount already represents a proxy for fair value.

The remaining difference between the consideration transferred (€135.2 million) and the fair value of the portion of the net assets acquired, adjusted following the PPA process, (€34.5 million) was allocated to Goodwill in the amount of €100.7 million.

The results described above must be considered, at 31 December 2022, still provisional as Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combination within twelve months of the acquisition date.

Below are the total economic values of the acquired company included in the consolidated statement of profit or loss from the date of first-time consolidation:

(€k)	From 1 April to 31 December 2022
Revenue	45,134
Operating income	4,180
Profit/(loss) for the period	**1,692**

LIS Holding SpA

On 14 September 2022, PostePay, following the authorisations received from the AGCM and the Bank of Italy, completed the acquisition of 100% of LIS Holding SpA (together with its subsidiary LIS Pay SpA, "LIS") at a price of €700 million determined on the basis of an enterprise value of €630 million and a conventionally agreed net available cash of €70 million (compared to an actual net available cash at closing of approximately €140 million). At the acquisition date, the difference between the consideration paid to the transferor and the net value of the identifiable assets acquired and liabilities assumed was €595.9 million.

The total carrying amounts of the assets acquired and liabilities assumed at the date of acquisition of LIS Holding and its subsidiary LIS Pay are shown below:

(€k)	Carrying amount (A)	Fair Value Adjustments (B)	Fair Value (A+B)
Net assets acquired			
Intangible assets*	8,721	192,362	201,083
Property, plant and equipment	16,200	-	16,200
Investments	-	-	-
Right-of-use asset	7,247	-	7,247
Trade and other receivables and other assets	28,886	-	28,886
Financial assets	127,951	-	127,951
Cash and cash equivalents	152,812	-	152,812
Employee termination benefits	(1,377)	-	(1,377)
Provisions for risks and charges	-	-	-
Trade and other payables	(129,248)	(55,439)	(184,687)
Financial liabilities	(107,044)	-	(107,044)
Total net assets acquired	**104,148**	**136,923**	**241,071**
Equity attributable to non-controlling interests			-
Net assets acquired by the Group			**241,071**
Goodwill			**458,929**
Total fee			**700,000**

* Total value net of goodwill recorded in the financial statements of the acquired companies.

Poste Italiane engaged an independent expert to support the Purchase Price Allocation ("PPA") process, aimed at (i) allocating the Price Consideration to the fair value of the net assets of the acquired entity (regardless of whether or not they are already recognised in the financial statements) and (ii) deriving the goodwill value as the difference between the purchase price and the fair value of the net assets acquired (expressed net of deferred tax liabilities).

Based on the valuation activities performed to date, an adjustment to the fair value of the net assets acquired totalling €136.9 million was recognised, of which:

- intangible assets in the amount of €192.4 million relating to existing contractual relationships with points of sale;
- deferred tax effects related to the higher value of intangible assets in the amount of €55.4 million.

For the other intangible assets already recognised in the opening financial statements of the acquired companies, as well as for all other assets and liabilities included in the opening statements of financial position of LIS, the net carrying amount already represents a proxy for fair value.

The remaining difference between the consideration transferred (€700 million) and the fair value of the net assets acquired, adjusted following the PPA process, (€241.1 million) was allocated to Goodwill in the amount of €458.9 million.

The results described above must be considered, at 31 December 2022, still provisional as Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combination within twelve months of the acquisition date.

Below are the total economic values of the acquired company included in the consolidated statement of profit or loss from the date of first-time consolidation:

(€k)	From 1 September to 31 December 2022
Revenue	96,584
Operating income	16,682
Profit/(loss) for the period	**11,504**

Sourcesense SpA

On 24 June 2022, Poste Italiane's Board of Directors approved the promotion, in agreement with certain shareholders of Sourcesense SpA ("Sourcesense"), of a voluntary cash takeover bid (OPA) on all the shares and warrants issued by the company. Sourcesense SpA, a company operating in the Information Technology sector in Italy and the United Kingdom, holds 100% of the share capital of the companies Sourcesense Digital Srl., Sourcesense Technology Srl and Sourcesense Limited.

At the end of the offer period (12 September - 21 October 2022), also taking into account the instruments subject to the acceptance and non-acceptance commitment subscribed by the shareholders of Sourcesense who acted in concert with the takeover bid, a number of shares corresponding to 98.37% of the share capital of the issuer and a number of warrants corresponding to 96.03% of those issued were tendered.

As a result of the above, the legal and statutory prerequisites have been created for Poste Italiane to exercise the Squeeze-out Right pursuant to Article 111 of the Consolidated Law on Finance and the Squeeze-out Obligation pursuant to Article 108, paragraph 1, of the Consolidated Law on Finance "squeeze out"), on the remaining shares and warrants.

On 4 November 2022, the squeeze-out procedure was finalised, as a result of which Poste Italiane holds a controlling stake in Sourcesense of 70%, and the shareholders who acted in concert with Poste Italiane have a minority stake of 30%.

Below are the carrying amounts of the assets acquired and liabilities assumed at the date of acquisition of Sourcesense and its subsidiaries:

(€k)	Carrying amount (A)	Fair Value Adjustments (B)	Fair Value (A+B)
Net assets acquired			
Intangible assets	1,189	-	1,189
Property, plant and equipment	107	-	107
Right-of-use asset	1,767	-	1,767
Trade receivables and other assets	9,810	-	9,810
Financial assets	55	-	55
Cash and cash equivalents	7,866	-	7,866
Employee termination benefits	(1,756)	-	(1,756)
Trade payables and other liabilities	(6,572)	-	(6,572)
Financial liabilities	(3,559)	-	(3,559)
Total net assets acquired	**8,907**		**8,907**
Equity attributable to non-controlling interests			2,672
Net assets acquired by the Group			**6,235**
Goodwill			**23,934**
Total fee			**30,169**

Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combinations within twelve months of the acquisition date.

At the date of preparation of this annual financial report, the temporary difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3, is equal to €23.9 million.

This difference at 31 December 2022 is recognised in Goodwill, under Intangible assets pending completion of the process of valuation of the individual components of the acquired assets.

Below are the total economic values of the acquired company included in the consolidated statement of profit or loss from the date of first-time consolidation:

(€k)	From 1 October to 31 December 2022
Revenue	8,278
Operating income	722
Profit/(loss) for the period	**343**

Agile Lab

On 5 August 2022, Poste Italiane signed a binding agreement to acquire a 70% stake in the Agile Lab group (hereinafter "Agile Lab"), accompanied by a strategic partnership with the founding partners who will retain the remaining 30%.

Agile Lab is a specialised data management group, offering tailor-made technology solutions that exploit artificial intelligence, as well as services involving the reselling of open source software products developed by technology partners.

Following the closing of the transaction on 13 October 2022, for a total consideration of approximately €18 million, Poste holds 70% of the share capital of Agile Power, which owns 100% of Agile Lab, Agile Skill, Agile Next and Aim 2 Srl. The remaining 30% of the share capital will be subject to call and put options to be activated as from 30 April 2026, which will allow Poste Italiane to acquire a 100% stake in the medium term.

Below are the total carrying amounts of the assets acquired and liabilities assumed at the date of acquisition of Agile Power and its subsidiaries:

(€k)	Carrying amount (A)	Fair Value Adjustments (B)	Fair Value (A+B)
Net assets acquired			
Intangible assets	419	-	419
Property, plant and equipment	89	-	89
Right-of-use asset	380	-	380
Trade receivables and other assets	5,254	-	5,254
Financial assets	314	-	314
Cash and cash equivalents	1,965	-	1,965
Employee termination benefits	(426)	-	(426)
Trade payables and other liabilities	(1,948)	-	(1,948)
Financial liabilities	(378)	-	(378)
Total net assets acquired	**5,669**		**5,669**
Equity attributable to non-controlling interests			1,701
Net assets acquired by the Group			**3,968**
Goodwill			**13,982**
Total fee			**17,950**

Poste Italiane has made use of the option provided for in paragraphs 45 et seq. of IFRS 3 to complete the valuation of the business combinations within twelve months of the acquisition date.

At the date of preparation of this annual financial report, the temporary difference between the consideration paid to the seller and the net value at the acquisition date of the identifiable assets acquired and liabilities assumed, measured in accordance with IFRS 3, is equal to €14 million.

This difference at 31 December 2022 is recognised in Goodwill, under Intangible assets pending completion of the process of valuation of the individual components of the acquired assets.

Below are the total economic values of the acquired company included in the consolidated statement of profit or loss from the date of first-time consolidation:

(€k)	From 1 October to 31 December 2022
Revenue	1,613
Operating income	(1,610)
Profit/(loss) for the period	**(1,203)**

Eurizon Capital Real Asset SGR ("ECRA")

On 25 June 2021, Poste Vita and BancoPosta Fondi SGR signed definitive agreements for the acquisition of 40% of the share capital, including 24.50% of voting shares, of Eurizon Capital Real Asset SGR SpA ("ECRA"), a company specialising in investments supporting the real economy controlled by Eurizon (Intesa Sanpaolo Group).

At the same time as the subscription of the capital increase, a portfolio management mandate was finalised between the parties for the transfer to ECRA of the management of a number of alternative investment funds, thus gaining access to a global platform that will allow the development of an integrated management model throughout the investment life cycle. The closing of the transaction was completed on 31 January 2022. It should be noted that ECRA continues to be controlled and consolidated by Intesa Sanpaolo SpA.

The following is a comparison of the price paid and the net assets acquired of the company under review:

(€k)	
Share of equity	**2,223**
Adjustments for fair value measurement	-
Net assets acquired after allocation (pro-rata)	**2,223**
Goodwill	**1,178**
Total fee	**3,401**

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

Conversion of the Financial Statements into foreign currencies

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

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

The exchange rates used to convert the financial statements of consolidated companies in foreign currencies[154] are those published by the Bank of Italy and the European Central Bank and presented in the table below:

	2022		2021	
Currency	**Exact change on 31 December**	**Average annual exchange rate**	**Exact change on 31 December**	**Average annual exchange rate**
Honk Kong Dollar	-	-	8.833	9.154*
Chinese Yuan Renminbi	7.358	7.079	7.195	7.589*
US Dollar	1.067	1.053	1.133	1.183
British Pound Sterling	0.887	0.870**	-	-

* The exchange rate shown relates to Sengi Express Limited and Sengi Express Guangzhou Limited and is calculated based on the period between 30 June 2021 and the date of acquisition of the companies (1 March 2021).

** The exchange rate shown relates to Sourcesense Limited and is calculated based on the period between 31 December 2022 and the date of acquisition of the company (1 October 2022).

154. During 2022, Sengi Express Limited adopted the euro as its functional currency instead of the Hong Kong dollar by applying conversion procedures to the new functional currency in accordance with IAS 21.

3. Material events during the year

3.1 Principal corporate actions

Information is provided below on corporate actions that took place during the year under review, which are not reflected in the financial statements as at 31 December 2022 and which supplement what has already been reported in the section on main changes to the scope of consolidation in Note 2.6 - *Basis of consolidation.*

Net Insurance SpA

On 28 September 2022, the Board of Directors of Poste Vita approved the promotion of a voluntary total cash takeover bid for ordinary shares and warrants of Net Insurance SpA ("Net Insurance"), in consultation with certain shareholders. Following the authorisations received from CONSOB, IVASS and AGCM, the acceptance period for the offers promoted by a corporate vehicle directly controlled by Poste Vita ("Net Holding") began on 27 February. The acceptance period for the offers will end on 6 April 2023. The transaction is expected to be completed by the first half of 2023.

The consideration that has been offered for each share is €9.50 (corresponding to a premium of 28% on the weighted average of the official daily prices of Borsa Italiana for the last month) and the consideration that will be offered for each warrant is €4.81 (corresponding to a premium of 60% on the weighted average of the official daily prices of Borsa Italiana for the last month).

Net Insurance, a company with shares traded on the regulated market known as Euronext STAR Milan ("ESM") organised and managed by Borsa Italiana SpA, is an insurance company whose offer is dedicated to insurance coverage related to the credit sector and, in particular, of salary and pension-backed loans, protection and insurtech[155], thanks to agreements with technology partners.

The following corporate actions also took place during 2022.

- On 26 January 2022, **MFM Holding Ltd (Moneyfarm)** carried out a capital increase worth about €53 million, subscribed for about €44 million by M&G plc, a listed asset manager based in the United Kingdom, and pro-rata by Poste Italiane with an investment of about €9 million, in order not to dilute its own shareholding of about 14%. In addition, on 24 November 2022, binding agreements were signed for Poste Italiane to participate, with an investment of approximately €3 million, in a further capital increase promoted by Moneyfarm in order to finance part of the purchase price of 100% of **Profile Financial Solutions Ltd**, a company active in the pension fund consolidation business in the UK under the Profile Pensions brand. The transaction is expected to be closed in the second quarter of 2023.
- On 26 January 2022, the Board of Directors of Poste Vita approved the transaction for the transfer of 100% of the shares held in **Poste Welfare Servizi** to Poste Italiane. The transaction took effect on 24 February 2022.
- On 8 April 2022, Poste Italiane, with a total investment of €25 million, acquired 2.30% (2.15% on a fully diluted basis) of the share capital of Scalapay Limited, a company that operates in several European countries in the Buy Now Pay Later ("BNPL") market on on-line and physical channels, allowing end customers to pay for a product/service in three monthly instalments without interest, against a commission paid by merchants.
- On 23 June 2021, the Board of Directors of PostePay SpA approved the signing of binding agreements for the sale of the interest held by PostePay SpA in Tink AB, a fintech operator specialising in open banking technology solutions, for a consideration of approximately €77 million, as part of the announced sale of 100% of **Tink AB** to Visa Open Connect Limited, a Visa Group company. The transaction was agreed on the basis of an enterprise value valuation of Tink AB of €1.8 billion. PostePay SpA's total investment in Tink amounted to €22.1 million, representing a 4.7% interest in the company on a fully diluted basis. The closing of the transaction was completed on 10 March 2022.

155. Insurtech identifies the entire digitisation process of the insurance industry, from policy underwriting to claims management, through the use of technologies such as Big Data Analytics, Artificial Intelligence and Application Program Interfaces (APIs).

- On 24 June 2022, Poste Italiane's Board of Directors and the Shareholders' Meeting of **PSIA Srl ("PSIA")** approved the merger by incorporation of PSIA into Poste Italiane, which became effective on 1 November 2022. The merger is part of a corporate reorganisation that will allow Poste Italiane to directly hold shares in the listed company NEXI SpA, thereby simplifying the structure of the Group.
- On 29 September 2022, the reverse merger of **Plurima Bidco Srl** into Plurima was approved by the shareholders' meetings of the two companies. The transaction, which provided for the application of the regulatory simplifications for mergers of wholly-owned companies, became effective as of 1 January 2023.
- On 23 June 2022, the Board of Directors of **BancoPosta Fondi SGR** approved the sale of its ICT management business unit to Poste Italiane. The transaction previously communicated to the Bank of Italy, pursuant to Title IV, Chapter III - Section II, Article 1 of the Regulation on Collective Asset Management, became effective as of 1 October 2022.

3.2 Other material events

The following material events also occurred in 2022:

Russia-Ukraine Conflict

The year 2022 was characterised by the beginning of the crisis between the European countries Russia and Ukraine.

In order to assess the impact of the conflict on the Group, as required by the national and international authorities (ESMA and CONSOB)[156], an assessment was made of the current and potential future impacts of the sanctions imposed on Russia by state and supranational authorities, on the Group's activities, financial position and results of operations in view of the available evidence and the scenarios that could be envisaged at the date of preparation of the following financial statements.

The potential impacts, although at present random and uncertain also in relation to the pressure on inflation driven by sharp increases in energy and raw material prices, appear limited in relation to the fact that the Group's operations are almost entirely located within the national territory and without branches in the value chain with the countries involved.

In addition, monitoring of the existing relations between the Group and the parties directly or indirectly involved was carried out, which led to the following findings:

- with reference to the Parent Company, the existence of relations with the corresponding foreign postal administrations of Russia, Belarus and Ukraine have credit and debit balances of insignificant amounts;
- with reference to Poste Vita, within the Multi-asset funds, there are some indirect exposures to the countries involved in the aforementioned events that represent a non-significant portion of the relevant NAV.

Purchase of treasury shares

In execution of the authorisation to purchase treasury shares resolved by the Shareholders' Meeting of Poste Italiane on 27 May 2022, aimed at acquiring shares to be allocated to directors and employees of the Group who are beneficiaries of the variable incentive plans, the launch of which was communicated to the market on the same date, from 30 May 2022 to 13 June 2022, Poste Italiane purchased no. 2,600,000 treasury shares (equal to 0.199% of the share capital), at an average price of €9.730848 per share, for a total value of €25,300,204.62.

Following the transaction, considering also the treasury shares in the portfolio deriving from previous buy-back transactions and the delivery to the beneficiaries of the incentive plans, Poste Italiane holds 7,535,991 treasury shares, equal to 0.58% of the share capital.

156. Public statement ESMA32-63-1320 "European common enforcement priorities for 2022 annual financial reports" of 28 October 2022 and CONSOB Warning notice no. 3/22 of 19 May 2022.

Interim dividend

On 9 November 2022, Poste Italiane's Board of Directors, in light of the financial position and results of operations of Poste Italiane SpA at 30 June 2022, the performance for the following months, the business outlook and the related expected economic prospects at 31 December 2022, and in line with the Group's dividend policy, resolved to bring forward, as an interim dividend, part of the ordinary dividend for 2022. To this end, the Company has prepared a Report and Financial Statements pursuant to article 2433-bis of the Italian Civil Code, which show that the Company's financial position, results of operations and cash flows allow such distribution. The opinion of the independent auditors was obtained on these documents.

The interim dividend of €0.210 per share, gross of any legal withholding taxes, will be paid with effect from 23 November 2022, with "ex-dividend date" of coupon no. 11 coinciding with 21 November 2022 and record date (i.e. the date on which the dividend was entitled to be paid) coinciding with 22 November 2022.

Based on the number of shares outstanding at 9 November 2022, which amounted to 1,298,574,009, the total amount of the interim dividend was €273 million.

Polis Project - Home of Digital Services

The "Polis Project - Home of Digital Services"[157] was launched in the 2022 financial year, with the aim of promoting the economic, social and territorial cohesion of the country and overcoming the digital divide in small towns and inland areas.

The project envisages a total investment of around €1.2 billion to be realised by 31 December 2026 and the allocation by the Ministry of Enterprise and Made in Italy of a total contribution of €800 million.

At 31 December 2022, these financial statements reflect the non-repayable grant received in advance from MIMIT of €125 million recognised as deferred income.

157. Under the "*National Plan for Complementary Investments*" (Law Decree no. 59 of 6 May 2021, converted, with amendments, into Law no. 101 of 1 July 2021) of the National Recovery and Resilience Plan (NRP).


4

POSTE ITALIANE GROUP

FINANCIAL STATEMENTS AT 31 DECEMBER **2022**

4. Poste Italiane Group Financial Statements at 31 December 2022

4.1 Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets (€m)	Notes	31 December 2022	*of which related parties*	31 December 2021	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,404	-	2,267	-
Investment property	[A2]	31	-	32	-
Intangible assets	[A3]	1,817	-	873	-
Right-of-use assets	[A4]	1,334	-	1,116	-
Investments accounted for using the equity method	[A5]	267	267	277	277
Financial assets	[A6]	191,850	3,578	221,226	3,780
Trade receivables	[A8]	3	-	3	-
Deferred tax assets	[C12]	2,044	-	1,245	-
Other receivables and assets	[A9]	4,118	2	4,012	2
Tax credits Law no. 77/2020	[A10]	7,458	-	5,551	-
Technical provisions attributable to reinsurers		44	-	50	-
Total		**211,370**		**236,652**	
Current assets					
Inventories	[A7]	157	-	155	-
Trade receivables	[A8]	2,179	435	2,508	575
Current tax assets	[C12]	140	-	115	-
Other receivables and assets	[A9]	1,096	10	1,146	8
Tax credits Law no. 77/2020	[A10]	1,563	-	905	-
Financial assets	[A6]	34,290	11,986	27,630	12,855
Cash and deposits attributable to BancoPosta	[A11]	5,848	-	7,659	-
Cash and cash equivalents	[A12]	4,983	1,991	7,958	1,991
Total		**50,256**		**48,076**	
Total Assets		**261,626**		**284,728**	

Liabilities and Equity	Notes	31 December 2022	*of which related parties*	31 December 2021	*of which related parties*
Equity					
Share capital	[B2]	1,306	-	1,306	-
Reserves	[B4]	(352)	-	3,599	-
Treasury shares		(63)	-	(40)	-
Retained earnings		8,002	-	7,237	-
Total equity attributable to owners of the Parent		**8,893**		**12,102**	
Equity attributable to non-controlling interests		44	-	8	-
Total		**8,937**		**12,110**	
Non-current liabilities					
Technical provisions for insurance business	[B5]	139,986	-	159,089	-
Provisions for risks and charges	[B6]	804	55	693	59
Employee termination benefits	[B7]	705	-	922	-
Financial liabilities	[B8]	10,939	201	15,122	154
Deferred tax liabilities	[C12]	700	-	953	-
Other liabilities	[B10]	2,004	-	1,749	-
Total		**155,138**		**178,528**	
Current liabilities					
Provisions for risks and charges	[B6]	551	12	575	13
Trade payables	[B9]	2,234	72	2,029	82
Current tax liabilities	[C12]	60	-	16	-
Other liabilities	[B10]	2,000	69	1,860	73
Financial liabilities	[B8]	92,706	4,377	89,610	3,646
Total		**97,551**		**94,090**	
Total Liabilities and Equity		**261,626**		**284,728**	

Consolidated Statement of Profit or Loss

(€m)	Notes	FY 2022	*of which related parties*	FY 2021	*of which related parties*
Revenue from Mail, Parcels and other	[C1]	3,651	839	3,694	466
Net revenue from Financial Services	[C2]	4,938	2,048	4,783	1,909
Revenue from Financial Services		5,125	2,052	4,931	1,917
Expenses from financial activities		(187)	(4)	(148)	(8)
Revenue from Insurance Services after changes in technical provisions and other claim expenses	[C3]	2,153	16	1,861	15
Insurance premium revenue		17,518	-	17,829	-
Income from insurance activities		4,437	16	4,374	15
Change in technical provisions for insurance business and other claim expenses		(13,794)	-	(19,964)	-
Expenses from insurance activities		(6,008)	-	(378)	-
Revenue from Payments and Mobile	[C4]	1,147	51	882	49
Net operating revenue		**11,889**		**11,220**	
Cost of goods and services	[C5]	2,960	167	2,873	161
Personnel expenses	[C6]	5,226	71	5,467	73
Depreciation, amortisation and impairments	[C7]	830	-	790	-
Capitalised costs and expenses	[C8]	(41)	-	(33)	-
Other operating costs	[C9]	519	5	253	6
of which non-recurring costs		320		-	
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C10]	104	1	24	(4)
Operating profit/(loss		**2,291**		**1,846**	
Finance costs	[C11]	126	2	73	2
Finance income	[C11]	169	1	369	1
of which non-recurring income		-		225	
Impairment losses/(reversals of impairment losses) on financial assets		-	-	-	-
Profit/(Loss) on investments accounted for using the equity method	[A5]	(6)	-	26	-
Profit/(Loss) before tax		**2,328**		**2,168**	
Income tax expense	[C12]	817	-	588	-
of which, non-recurring costs/(income)		-		-	
Profit for the year		**1,511**		**1,580**	
of which attributable to owners of the Parent		1,506		1,578	
of which attributable to non-controlling interests		5		2	
Earnings per share	**[B1]**	**1.158**		**1.214**	
Diluted earnings per share		**1.158**		**1.214**	

Consolidates Statement of comprehensive income

(€m)	Notes	FY 2022	FY 2021
Profit/(Loss) for the year		**1,511**	**1,580**
Items to be reclassified in the Statement of profit or loss for the year			
FVOCI debt instruments			
Increase/(decrease) in fair value during the year	[tab. B4]	(4,747)	(1,052)
Transfers to profit or loss from realisation	[tab. B4]	(161)	(424)
Increase/(decrease) for expected losses		4	(6)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B4]	279	(178)
Transfers to profit or loss	[tab. B4]	(409)	(8)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		1,440	475
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		1	-
Change in translation reserve		(1)	1
Items not to be reclassified in the Statement of profit or loss for the year			
Equity instruments measured at FVOCI - increase/(decrease) in fair value during the period		(315)	75
Actuarial gains/(losses) on employee termination benefits	[tab. B7]	125	(4)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		(30)	2
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method		-	-
Total other comprehensive income		**(3,814)**	**(1,119)**
Total comprehensive income for the year		**(2,303)**	**461**
of which attributable to owners of the Parent		(2,309)	459
of which attributable to non-controlling interests		6	2

Consolidated Statement of changes in equity

	Equity													
	Share capital	Treasury shares	Reserves								Retained earnings	Total equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
(€m)			Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Translation reserve	Reserve for investments accounted for using equity method	Incentive plans reserve				
Balance at 1 January 2021	**1,306**	**(40)**	**299**	**1,210**	**-**	**2,294**	**98**	**-**	**2**	**6**	**6,327**	**11,502**	**5**	**11,507**
Total comprehensive income for the year	-	-	-	-	-	(987)	(132)	1	-	-	1,577	459	2	461
Dividends paid	-	-	-	-	-	-	-	-	-	-	(421)	(421)	-	(421)
Interim dividend	-	-	-	-	-	-	-	-	-	-	(241)	(241)	-	(241)
Incentive plans	-	-	-	-	-	-	-	-	-	7	-	7	-	7
Equity instruments - perpetual hybrid bonds	-	-	-	-	800	-	-	-	-	-	(4)	796	-	796
Other changes	-	-	-	-	-	-	-	-	1	-	(1)	-	1	1
Balance at 31 December 2021	**1,306**	**(40)**	**299**	**1,210**	**800**	**1,307**	**(34)**	**1**	**3**	**13**	**7,237**	**12,102**	**8**	**12,110**
Total comprehensive income for the year	-	-	-	-	-	(3,811)	(93)	(1)	-	-	1,596*	(2,309)	6	(2,303)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(526)	(526)	(3)	(529)
Interim dividend	-	-	-	-	-	-	-	-	-	-	(273)	(273)	-	(273)
Purchase of treasury shares	-	(25)	-	-	-	-	-	-	-	-	-	(25)	-	(25)
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-	-	(69)	(69)	-	(69)
Incentive plans	-	2	-	-	-	-	-	-	-	6	-	8	-	8
Coupons paid to holders of perpetual hybrid bonds	-	-	-	-		-	-	-	-	-	(16)	(16)	-	(16)
Other changes	-	-	-	-	-	(54)	-	-	2	-	54	2	-	2
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	(1)	(1)	33	32
Balance at 31 December 2022	**1,306**	**(63)**	**299**	**1,210**	**800**	**(2,558)**	**(127)**	**-**	**5**	**19**	**8,002**	**8,893**	**44**	**8,937**

* This item includes profit for the year (Group portion) of €1,506 million and actuarial gains on provisions for employee termination benefits of €91 million, after the related current and deferred taxation.

Consolidated Statement of cash flows

(€m)	Notes	FY 2022	FY 2021
Cash and cash equivalents at beginning of year		**7,958**	**4,516**
Profit/(Loss) before tax		**2,328**	**2,168**
Depreciation, amortisation and impairments	[tab. C7]	830	790
Impairments/(Reversals of impairments) of investments	[tab. C11.1]	-	(225)
Net provisions for risks and charges	[tab. B6]	439	363
Use of provisions for risks and charges	[tab. B6]	(354)	(501)
Provisions for employee termination benefits	[tab. B7]	2	1
Employee termination benefits	[tab. B7]	(118)	(129)
(Gains)/Losses on disposals		(1)	2
Impairment losses/(reversals of impairment losses) on financial assets		(1)	-
(Dividends)	[tab. C11.1]	-	-
Dividends received		-	-
(Finance income realised)	[tab. C11.1]	(1)	(3)
(Finance income in form of interest)	[tab. C11.1]	(158)	(136)
Interest received		146	133
Interest expense and other finance costs	[tab. C11.2]	118	64
Interest paid		(78)	(32)
Losses and impairment losses/(reversals of impairment losses) on receivables	[tab. C10]	97	33
Income tax paid	[tab. C12.3]	(509)	(394)
Other changes		6	(20)
Cash flow generated by operating activities before movements in working capital	**[a]**	**2,746**	**2,114**
Movements in working capital:			
(Increase)/decrease in Inventories	[tab. A7]	2	11
(Increase)/decrease in Trade receivables		261	(184)
(Increase)/decrease in Other receivables and assets		192	(45)
Change in tax credits Law no. 77/2020		11	(526)
Increase/(decrease) in Trade payables		91	129
Increase/(decrease) in Other liabilities		233	244
Cash flow generated by/(used in) movements in working capital	**[b]**	**790**	**(371)**
Increase/(decrease) in liabilities attributable to financial activities, payments, cards and acquiring and insurance		**5,077**	**10,813**
Net cash generated by/(used for) financial assets and tax credits Law no. 77/2020 attributable to financial activities, payments, cards and acquiring and insurance		(17,954)	(13,294)
(Increase)/decrease in cash and deposits attributable to BancoPosta	[tab. A11]	1,810	(1,268)
Increase/(decrease) in net technical provisions for insurance business		4,076	10,334
(Income)/Expense and other non-cash components		3,635	(4,144)
Cash generated by/(used for) financial assets/liabilities attributable to financial activities, payments, cards and acquiring and insurance	**[c]**	**(3,356)**	**2,441**
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**	**180**	**4,184**
- of which related party transactions		1,971	(5,975)
Investing activities:			
Property, plant and equipment	[tab. A1]	(341)	(342)
Investment property	[tab. A2]	-	-
Intangible assets	[tab. A3]	(469)	(412)
Investments		(3)	(50)
Other financial assets		(132)	(4)
Investments in consolidated companies net of cash acquired		(678)	(40)
Disposals:			
Property, plant and equipment, investment property, intangible assets and assets held for sale		5	3
Other financial assets		12	423
Net cash flow from/(for) investing activities	**[e]**	**(1,606)**	**(422)**
- of which related party transactions		(7)	(1)
Proceeds from/(Repayments of) long-term borrowings	[tab. B8.4]	110	(87)
(Increase)/decrease in loans and receivables		-	-
Increase/(decrease) in short-term borrowings	[tab. B8.4]	(812)	(366)
(Purchase)/sale of treasury shares		(25)	-
Dividends paid	[B3]	(801)	(662)
Equity instruments - perpetual hybrid bonds		(21)	0
Other transactions with minority shareholders		-	794
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(1,549)**	**(321)**
- of which related party transactions		(512)	(422)

(€m)	Notes	FY 2022	FY 2021
Effect of exchange rate differences on cash and cash equivalents	**[g]**	**-**	**1**
Net increase/(decrease) in cash	**[h]=[d+e+f+g]**	**(2,975)**	**3,442**
Cash and cash equivalents at end of year	**[tab. A12]**	**4,983**	**7,958**
Restricted cash and cash equivalents at end of year		(3,755)	(5,369)
Unrestricted cash and cash equivalents at end of year		**1,228**	**2,589**

4.2 Notes to the Statement of Financial Position

Assets

A1 – Property, plant and equipment (€2,404 million)

The following table shows movements in property, plant and equipment in 2022:

tab. A1 – Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	76	3,219	2,402	349	670	2,024	93	8,833
Accumulated depreciation	-	(2,078)	(1,859)	(314)	(424)	(1,849)	-	(6,524)
Impairment losses	(0)	(17)	(9)	0	(10)	(6)	(0)	(42)
Balance at 1 january 2022	**76**	**1,124**	**534**	**35**	**236**	**169**	**93**	**2,267**
Changes during the year								
Acquisitions	0	45	72	10	36	70	107	341
Adjustments	-	-	-	-	-	-	-	-
Reclassifications	(0)	17	23	0	5	11	(56)	(0)
Disposals	(0)	(0)	(0)	(0)	(0)	0	(1)	(1)
Change in scope of consolidation	-	-	15	3	2		1	23
Depreciation	-	(31)	(63)	(13)	(46)	(77)	-	(230)
(Impairment losses)/Reversals	-	0	(0)	-	8	(4)	(0)	4
Total changes	**(0)**	**31**	**46**	**(0)**	**5**	**3**	**52**	**136**
Cost	77	3,278	2,542	363	707	2,056	145	9,167
Accumulated depreciation	-	(2,107)	(1,952)	(328)	(464)	(1,877)	-	(6,728)
Impairment losses	(0)	(16)	(10)	(1)	(1)	(7)	(0)	(35)
Balance at 31 December 2022	**76**	**1,155**	**580**	**34**	**241**	**173**	**145**	**2,404**

At 31 December 2022, property, plant and equipment includes assets belonging to the Parent Company located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €42 million.

Investments of €341 million in 2022 consists largely of:

- €45 million relating mainly to extraordinary maintenance of Post Offices and local head offices around the country (€17 million), personnel and management offices (€15 million) and mail and parcel sorting offices (€11 million);
- €72 million for plants, with the most significant expenditure made by the Parent Company, of which €34 million for the construction of plants related to buildings, €13 million for the construction and extraordinary maintenance of connectivity systems and €10 million for creation and extraordinary maintenance of video surveillance systems;

- €36 million invested mainly in the upgrade of plants (€20 million) and the structural part (€13 million) of leased properties;
- €70 million relating to Other assets, of which €54 million incurred by the Parent Company mainly for the purchase of hardware for the renewal of technological equipment at the post offices and head offices and the consolidation of storage systems (€48 million) and €13 million incurred by PostePay SpA mainly for the purchase of electronic devices for the range of "PosteMobile Casa" and "PosteCasa Ultraveloce" offers (€8 million) and, to a residual degree, the purchase of mobile phones and mobile telephone equipment intended for rental;
- €107 million relating to Assets under construction and advances, of which €82 million incurred by the Parent Company and relating, for €68 million, to extraordinary maintenance works and the infrastructural equipment of the sales and production network and €8 million for the purchase of computer hardware and other equipment yet to enter service.

Reclassifications from property, plant and equipment under construction amounted to €56 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, they relate to the Parent Company for the conclusion of extraordinary renovations of properties owned and improvements of leased properties (€32 million) and the activation of hardware and other technological equipment (€13 million).

A2 – Investment property (€31 million)

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

tab. A2 – Movements in investment property

(€m)	FY 2022
Cost	90
Accumulated depreciation	(58)
Impairment losses	-
Balance at 1 January	**32**
Changes during the year	
Acquisitions	1
Reclassifications	-
Disposals	(1)
Depreciation	(1)
Total changes	**(1)**
Cost	88
Accumulated depreciation	(57)
Impairment losses	-
Balance at 31 December	**31**
Fair value at 31 December	72

The fair value of investment property at 31 December 2022 includes €61 million representing the sale price applicable to the Parent Company's former service accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company[158].

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

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

A3 – Intangible Assets (€1,817 million)

The following table shows movements in intangible assets in 2022:

tab. A3 – Movements in intangible assets

(€m)	Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Other	Total
Cost	4,221	232	177	9	4,639
Accumulated amortisation and impairments	(3,656)	-	(102)	(8)	(3,766)
Balance at 1 January 2022	**565**	**232**	**75**	**1**	**873**
Changes during the year					
Acquisitions	234	236	-	-	469
Reclassifications	209	(209)	-	-	-
Transfers and disposals	-	(2)	-	-	(2)
Change in scope of consolidation	9	2	597	223	831
Amortisation and impairments	(349)	-	-	(5)	(354)
Foreign exchange differences	-	-	(1)	-	(1)
Total changes	**103**	**26**	**597**	**218**	**944**
Cost	4,689	258	773	231	5,952
Accumulated amortisation and impairments	(4,021)	-	(102)	(12)	(4,135)
Balance at 31 December 2022	**668**	**258**	**672**	**219**	**1,817**

Investments in Intangible assets during 2022 amounted to €469 million, including about €38 million in software development activities and the related expenses developed within the Group, primarily relating to personnel expenses (€33 million). Development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Group, are not capitalised.

The increase in **Industrial patents and intellectual property rights, concessions, licences, trademarks and similar rights** totals €234 million, before amortisation for the period, and relates primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

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

The balance of **intangible assets under construction** includes activities of the Parent Company mainly regarding the development for software relating to the infrastructure platform (€116 million), for BancoPosta services (€68 million), for support to the sales network (€40 million), for the postal products platform (€18 million) and for the engineering of reporting processes for other Business functions and personnel (€14 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights amounting to €209 million due to the completion and start-up of new software programmes and the development of existing ones, related to the infrastructure platform (€98 million), BancoPosta services (€52 million), support for the sales network (€32 million), the postal products platform (€17 million) and the engineering of reporting processes for other business and staff functions (€10 million).

Finally, following the start-up of the Energy Project, the Parent Company invested approximately €30 million in application software, of which approximately €8 million has not yet entered into production.

The breakdown of the item **Goodwill** is as follows.

tab. A3.1 – Goodwill

Description (€m)	31.12.2022	31.12.2021	Changes
Mail, Parcels and Distribution SBU	**213**	**75**	**138**
Plurima	101	-	101
Poste Italiane	33	33	-
Sourcesense	24	-	24
Poste Welfare Servizi	18	18	-
Sengi Express Limited	16	16	-
Agile	14	-	14
MLK Deliveries	5	5	-
Nexive Network	3	3	-
sennder Italia	-	-	-
Payments and Mobile SBU	**459**	**-**	**459**
LIS	459	-	459
Total	**672**	**75**	**596**

The balance of €672 million refers to goodwill allocated to the Mail, Parcels and Distribution SBU and the Payments and mobile SBU. The main changes for the year relate to the recognition of new goodwill in connection with the acquisitions of Plurima (€101 million), Sourcesense (€24 million) and Agile (€14 million) for the Mail, Parcels and Distribution SBU, and the acquisition of LIS (€459 million) for the Payments and Mobile SBU. For further details on the acquisitions completed during the year, please refer to paragraph 2.6 - Basis of consolidation.

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

The increase in the residual item is mainly attributable to the intangible assets identified as part of the purchase price allocation process of the Plurima group (€31 million) and LIS (€192 million) acquired during the year, for which reference should be made to section 2.6 - Basis of consolidation.

A4 – Right-of-use Assets (€1,334 million)

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

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,478	170	27	51	1,726
Accumulated amortisation and impairments	(440)	(120)	(13)	(37)	(610)
Balance at 1 January 2022	**1,038**	**50**	**14**	**14**	**1,116**
Changes during the year					
New contract acquisitions	56	256	6	9	328
Adjustments	60	-	-	(2)	58
Contract terminations	(18)	(8)	-	(2)	(28)
Change in scope of consolidation	108	2	1	-	110
Amortisation and impairments	(160)	(77)	(8)	(5)	(249)
Total changes	**46**	**173**	**(1)**	**-**	**219**
Cost	1,680	373	31	54	2,138
Accumulated amortisation and impairments	(596)	(150)	(18)	(40)	(804)
Balance at 31 December 2022	**1,084**	**224**	**13**	**14**	**1,334**

Acquisitions during the year mainly related to the Parent Company (€291 million) and related to new contracts and renewals of contracts existing at the beginning of the year of a real estate nature (€28 million), the rental of company vehicles used for mail and parcel delivery activities (€254 million) and mixed-use vehicles (€5 million), the rental of IT equipment (€4 million) and to the subsidiary SDA Express Courier for the stipulation of real estate lease contracts for new operating headquarters and warehouses intended for the management of specific orders in the "integrated logistics" segment (€25 million). The item "Adjustments" refers to contractual changes during the period in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

tab. A4.1 – Economic effects of lease agreements

Description (€m)	FY 2022	FY 2021
Depreciation of right-of-use assets	249	241
Financial charges on lease payables	24	24
Costs related to short-term leases	38	39
Costs related to lease of low-value assets	15	19
Costs related to lease of intangible assets	72	55
Total	**397**	**379**

tab. A4.2 – Movements in lease liability

(€m)	2022
Balance at 1 January	**1,166**
New contract increases	328
Payments	(251)
Finance costs	24
Change in scope	111
Other changes	30
Balance at 31 December	**1,407**
of which current	297
of which non-current	1,110

A5 – Investments accounted for using the equity method (€267 million)

tab. A5 – Investments

Description (€m)	31.12.2022	31.12.2021	Changes
Investments in associates	263	275	(11)
Investments in subsidiaries	3	2	1
Total	**267**	**277**	**(11)**

tab. A5.1 – Partecipazioni valutate con il metodo del Patrimonio Netto*

Investments (€m)	Balance at 01.01.2022	Increases/ (Decreases)	Impairment losses accounted for using the equity method	Impairment losses dividend adjustments	Balance at 31.12.2022
in associates					
Anima Holding SpA	226	2	(5)	(11)	213
Conio Inc	1	0	(0)	-	1
Consorzio Italia Cloud	-	-	0	-	0
Eurizon Capital Real Asset SGR	-	3	0	-	4
Financit SpA	38	0	(2)	-	36
ItaliaCamp Srl	0	-	0	-	1
Replica Sim SpA	10	-	(0)	-	9
Total associates	**275**	**6**	**(6)**	**(11)**	**263**
in subsidiaries					
Address Software Srl	0	-	0	-	1
Kipoint SpA	2	-	0	-	2
Indabox Srl	0	-	0	-	0
Total subsidiaries	**2**	**-**	**0**	**-**	**3**
Total	**277**	**6**	**(6)**	**(11)**	**267**

* The values shown in the table are rounded in millions of euros (without decimal places). It follows that the sum of the rounded amounts may not coincide with the rounded totals.

As required by IFRS, the equity investments were subjected to an impairment test in order to verify whether there is objective evidence that their carrying value may not be fully recoverable. Specifically, following this impairment test, the carrying value of the investment in Anima Holding was adjusted, as of 30 June, by €21 million (the effect is shown in the "accounted for using the equity method" column). For the methodology applied and the parameters used to perform the impairment test on Anima Holding at 31 December 2022, please refer to Note 2.4 - *Use of estimates*, with regard to the *Impairment tests of goodwill, cash generating units and equity investments* section. The list and highlights of subsidiaries, joint ventures and associates accounted for using the equity method are provided in *Additional Information - Scope of Consolidation and Highlights of Equity Investments* (Note 13).

A6 – Financial Assets (€226,141 million)

tab. A6 – Financial Assets

Description (€m)	Balance at 31.12.2022 Non-current assets	Balance at 31.12.2022 Current assets	Balance at 31.12.2022 Total	Balance at 31.12.2021 Non-current assets	Balance at 31.12.2021 Current assets	Balance at 31.12.2021 Total	Changes
Financial assets at amortised cost	29,483	16,812	46,295	34,287	19,026	53,313	(7,018)
Financial assets at FVTOCI	114,031	16,204	130,235	141,798	8,055	149,853	(19,618)
Financial assets at FVTPL	42,573	929	43,501	44,341	473	44,814	(1,313)
Derivative financial instruments	5,764	346	6,110	800	76	876	5,233
Total	**191,850**	**34,290**	**226,141**	**221,226**	**27,630**	**248,856**	**(22,715)**
of which Financial Activities	61,914	21,327	83,241	69,042	20,667	89,709	(6,468)
of which Insurance Activities	129,390	12,765	142,155	151,372	6,832	158,204	(16,049)
Of which Postal and Business Activities	539	1	540	77	7	84	456
Of which Payment Services and Card Payments Activities	8	198	206	735	124	859	(653)

Financial assets by operating segment break down as follows:

- Financial activities, relate primarily to the financial assets of BancoPosta RFC and the company, BancoPosta Fondi SpA SGR;
- Insurance activities, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Mail, Parcels and Distribution, representing all the other financial assets held by the Parent Company (different from those held by BancoPosta) and the other financial assets held by companies that provide postal and business services;
- Payment Services and Card Payments, representing the financial assets held by Poste Pay, LIS Holding and LIS Pay.

Financial activities

tab. A6.1 – Financial assets - Financial Services

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	27,473	16,428	43,901	32,429	18,710	51,139	(7,238)
Loans and receivables	0	16,203	16,203	0	18,029	18,029	(1,826)
Loans	-	1,358	1,358	-	0	0	1,358
Receivables	0	14,844	14,844	0	18,029	18,029	(3,184)
Deposits with the MEF	0	11,902	11,902	0	12,707	12,707	(805)
Receivables	-	11,907	11,907	-	12,712	12,712	(804)
Provisions for doubtful amounts deposited with MEF	0	(5)	(5)	0	(5)	(5)	(1)
MEF account held at the Treasury	-	-	-	-	-	-	-
Other financial receivables	-	2,942	2,942	-	5,322	5,322	(2,379)
Fixed income instruments	27,473	226	27,699	32,429	681	33,110	(5,411)
Financial assets at FVTOCI	28,638	4,552	33,190	35,774	1,884	37,658	(4,468)
Fixed income instruments	28,638	4,552	33,190	35,774	1,884	37,658	(4,468)
Financial assets at FVTPL	40	-	40	39	-	39	1
Equity instruments	40	-	40	39	-	39	1
Derivative financial instruments	5,764	346	6,109	800	73	873	5,236
Total	**61,914**	**21,327**	**83,241**	**69,042**	**20,667**	**89,709**	**(6,468)**

Financial assets at amortised cost

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

tab. A6.1.1 – Movements in financial assets at amortised cost

(€m)	Loans and receivables	Fixed income instruments	Total
Balance at 1 January 2022	**18,029**	**33,110**	**51,139**
Purchases		2,109	2,109
Changes in amortised cost	-	(90)	(90)
Transfers to equity reserves	-	(126)	(126)
Changes in fair value through profit or loss	-	(5,398)	(5,398)
Changes in cash flow hedges (*)	-	128	128
Changes due to impairment	(1)	(2)	(3)
Net changes	(186)		(186)
Effects of sales on profit or loss	-	77	77
Accruals	1	226	227
Sales, redemptions and settlement of accruals		(2,334)	(2,334)
Other changes	(1,640)	-	(1,640)
Balance at 31 December 2022	**16,203**	**27,699**	**43,901**

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

Loans and receivables

The item **Loans** refers to reverse repurchase agreements of €4,575 million (€1,577 million at 31 December 2021) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter the CC&G) for the temporary use of liquidity from private funding. These transactions are guaranteed by securities for a total notional amount of €4,425 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021). At 31 December 2022, the fair value[159] of said item was €1,358 million.

Receivables include:

- **Deposits with the MEF**, for €11,907 million, including public customers' postal current account deposits, which earn a variable rate of return, calculated on a basket of government bonds[160]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2021). During the 2022 financial year, hedging (management) derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value.
- **Other financial receivables**, relating for €2,457 million to collateral deposits - of which €1,447 million for amounts paid to counterparties for repo transactions on fixed-income securities (collateral provided for by specific Global Master Repurchase Agreements), €978 million for amounts paid to CC&G (€613 million for outstanding repo transactions and €365 million as a pre-financed contribution to the Default Fund[161]), €31 million for amounts paid to counterparties for interest rate swap transactions (collateral provided for by specific Credit Support Annexes). The year-on-year decrease in guarantee deposits is due to the upward shift in the interest rate curve, which mainly generated a decrease in amounts paid to counterparties with which interest rate swap transactions are in place as a result of the positive change in the fair value of hedging derivatives, partially offset by the increase in amounts paid to counterparties with which repo transactions are in place as a result of the negative change in the fair value of collateral securities.

159. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.
160. The variable rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.
161. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

Fixed income instruments

These are Eurozone fixed income instruments held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €28,304 million. Their carrying amount of €27,699 million reflects the amortised cost of unhedged fixed income bonds, totalling €15,614 million, the amortised cost of fair-value hedged fixed income bonds, totalling €14,799 million, decreased by €2,714 million to take into account the effects of the hedge (increased by €2,188 in 2021). Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2022 amount to approximately €13 million (€11 million at 31 December 2021).

At 31 December 2022, the fair value[162] of these securities was €23,651 million (including €226 million in accrued income).

This category of financial asset includes fixed rate instruments, amounting to nominal €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2022, their carrying amount totals €2,863 million).

Financial assets at fair value through other comprehensive income

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

tab. A6.1.2 – Movements in financial assets at FVTOCI

(€m)	Fixed income instruments
Balance at 1 January 2022	**37,658**
Purchases	9,237
Transfers to equity reserves	(411)
Changes in amortised cost	(57)
Changes in fair value through equity	(4,408)
Changes in fair value through profit or loss	(5,721)
Changes in cash flow hedges (*)	202
Effects of sales on profit or loss	258
Accruals	265
Sales, redemptions and settlement of accruals	(3,833)
Balance at 31 December 2022	**33,190**

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

Fixed income instruments

These are mainly Eurozone fixed income Government securities, consisting of government bonds, especially issued by the Italian government, held by BancoPosta RFC, with a nominal value of €37,489 million.

Total fair value fluctuation for the year in question was negative for €10,130 million, with €4,408 million recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and €5,721 million recognised through profit or loss in relation to the hedged portion.

Accumulated impairments at 31 December 2022 amount to €16 million (€12 million at 31 December 2021). The decrease in this item is mainly due to the negative fair value fluctuation mentioned above, partially offset by higher purchases than sales/reimbursements during the year.

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

162. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €20,927 million of the total amount qualifies for inclusion in Level 1 and €2,724 million for inclusion in Level 2.

Financial assets at fair value through profit or loss

Equity instruments

Equity instruments include:

- for €20 million, the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) assigned following the completion of the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016; these shares are convertible to ordinary shares at the rate of 3.634[163] ordinary shares for each C share, and are discounted accordingly at a suitable rate to take account of their illiquidity. The process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock continued during the year, partially concluded on 29 July 2022 with the grant of 1,019 preference shares of Visa Incorporated Series A Preferred Stock;
- for €20 million, the fair value of 1,019 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of 100 ordinary shares for every share of Class A Preferred Stock.

Net fair value gains in the year under review, amounting to €1 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

Derivative financial instruments

tab. A6.1.3 – Derivative financial instruments

Description (€m)	Balance at 31.12.2022		Balance at 31.12.2021	
	Nominal	Fai value	Nominal	Fair value
Cash flow hedges				
Forward purchases	3,433	(92)	-	-
Forward sales	1,099	346	1,714	76
Interest rate swaps	2,943	(531)	1,720	(264)
Fair value hedges				
Interest rate swaps on securities at FVTOCI and AC	27,940	5,571	34,914	(4,398)
Interest rate swaps on repos	3,996	(155)	2,956	(1)
FVTPL				
Forward sales	0	(4)	0	(3)
Derivative financial instruments	**39,411**	**5,135**	**41,304**	**(4,590)**
Of which:				
Derivative assets	27,404	6,109	13,593	873
Derivative liabilities	12,007	(975)	27,711	(5,463)

Cash flow hedges in the form of interest rate swaps relate exclusively to FVTOCI securities, while forward sales relate to FVTOCI securities with a nominal value of €869 million and securities at amortised cost with a nominal value of €230 million.

Interest rate risk cash flow hedges recorded a net negative change of €89 million during the year, of which €280 million related to the net positive change in fair value of the effective component of the hedge, reflected in the cash flow hedge reserve, and €369 million related to the net negative change in completed transactions[164] during the year and the ineffective component of hedging contracts.

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

- securities measured at amortised cost with a nominal value of €13,510 million and securities measured at FVTOCI with a nominal value of €14,430 million; in total, they underwent a net positive change of €9,969 million during the year, of which €11,040 million related to the net positive change in fair value of the effective component of the hedge and €1,071 million related to the net negative change in transactions completed during the year and the ineffective component of hedging contracts;

163. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.
164. Transactions settled include forward transactions settled, accrued differentials and the settlement of interest rate swaps linked to securities sold.

- repurchase agreements classified at amortised cost with a nominal value of €3,996 million, whose net negative change was €154 million, of which €126 million related to the net negative change in fair value of the effective hedging component and €28 million related to the net negative change in completed transactions.

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

- forward purchases with a nominal amount of €3,433 million;
- forward sales with a nominal value of €1,099 million and the settlement of those outstanding at 1 January 2022, totalling €1,714 million;
- interest rate swaps designated as cash flow hedges with a nominal value of €1,323 million;
- fair value hedge interest rate swaps with a nominal amount of €5,585 million, including €1,010 million in hedges for repurchase agreement transactions;
- extinguishment of matured interest rate swap fair value hedges on repurchase agreements with a notional amount of €2,956 million;
- early extinguishment of interest rate swap fair value hedges for a total notional amount of €8,563 million (of which €1,575 million related to hedging transactions for which the underlying security was also sold) with the aim of consolidating a fixed yield in line with the market situation while improving the income profile of a portion of the portfolio also for subsequent years.

In addition, the Parent Company entered into and settled forward purchases for a total nominal value of €532 million (measured at fair value through profit or loss) to hedge the 10-year index-linked component of the remuneration of the use of funding from public customers. In total, these transactions generated a negative effect of €71 million in the year under review, which was recognised in profit or loss under the item Income from investments in postal current accounts and free cash.

Insurance activities

tab. A6.2 – Financial assets - Insurance Services

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	2,008	185	2,193	1,856	188	2,044	149
Receivables	-	34	34	-	24	24	9
Fixed income instruments	2,008	151	2,159	1,856	164	2.020	139
Financial assets at FVTOCI	84,850	11,651	96,501	105,214	6,171	111,385	(14,885)
Fixed income instruments	84,348	11,651	95,999	104,689	6,171	110,860	(14,861)
Other investments	501	0	502	525	0	525	(23)
Financial assets at FVTPL	42,532	929	43,461	44,302	473	44,775	(1,314)
Receivables	-	110	110	-	41	41	69
Fixed income instruments	1,959	326	2,285	2,524	55	2,579	(294)
Units of mutual investment funds	40,552	229	40,781	41,757	159	41,916	(1,136)
Equity instruments	-	264	264	0	217	217	47
Other investments	21	0	21	22	0	22	(1)
Derivative financial instruments	-	-	-	-	-	-	-
Total	**129,390**	**12,765**	**142,155**	**151,372**	**6,832**	**158,204**	**(16,049)**

Financial assets at amortised cost

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

tab. A6.2.1 – Movements in financial assets at amortised cost

(€m)	Receivables	Fixed income instruments	Total
Balance at 1 January 2022	**24**	**2,020**	**2,044**
Purchases		274	274
Changes in amortised cost	-	10	10
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges	-	-	-
Changes due to impairment	-	-	-
Net changes	9		9
Effects of sales on profit or loss	-	-	-
Accruals	-	19	19
Sales, redemptions and settlement of accruals		(164)	(164)
Balance at 31 December 2022	**34**	**2,159**	**2,193**

Receivables

Financial receivables of €34 million mainly regard receivables for management commissions of Poste Vita internal funds.

Fixed income instruments

Fixed income instruments at amortised cost at 31 December 2022 have a carrying amount of €2,159 million. These instruments exclusively relate to the free capital of Poste Vita SpA and Poste Assicura SpA. At 31 December 2022, the fair value[165] of these securities is €1,863 million.

Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2022 amount to approximately €0.9 million (€0.7 million at 31 December 2021).

165. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €1,767 million of the total amount qualifies for inclusion in level 1 and €96 million for inclusion in Level 2.

Financial assets at fair value through other comprehensive income

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

tab. A6.2.2 – Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Other investments	Total
Balance at 1 January 2022	**110,860**	**525**	**111,385**
Purchases	18,732	-	18,732
Transfers to equity reserves	(136)	-	(136)
Changes in amortised cost	1,328	-	1,328
Changes in fair value through equity	(23,362)	(23)	(23,385)
Effects of sales on profit or loss	(186)	-	(186)
Accruals	794	-	794
Sales, redemptions and settlement of accruals	(12,031)	-	(12,031)
Balance at 31 December 2022	**95,999**	**502**	**96,501**

These financial instruments have recorded a fair value loss of €23,385 million. This includes a portion of €23,047 million (primarily securities held by Poste Vita SpA) that was transferred to policyholders, with a contra-entry made in technical provisions in accordance with the shadow accounting method, and a portion of €338 million reflected in a matching negative movement in the related equity reserve.

Fixed income instruments

At 31 December 2022, fixed income instruments relate to investments primarily held by Poste Vita SpA for €95,646 million (a nominal value of €109,593 million) issued by European governments and European blue-chip companies. These instruments are mainly intended to cover products related to separately managed accounts, and therefore, the related gains and losses are transferred in full to policyholders and recognised in technical provisions using the shadow accounting method. These fixed income instruments comprise bonds issued by CDP SpA, with a fair value of €264 million.

The overall fluctuation in fair value in the year in question was negative for €23,362 million and is almost fully transferred to policyholders.

Accumulated impairments at 31 December 2022 amount to €48 million, almost entirely transferred to policyholders using the shadow accounting method (at 31 December 2021, impairments amounted to €52 million).

Other investments

At 31 December 2022, they are composed for €502 million of a Cassa Depositi e Prestiti's Constant Maturity Swap private placement. Fair value losses registered during the period, totalling €23 million, have been transferred to policyholders using the shadow accounting method.

Financial assets at fair value through profit or loss

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

tab. A6.2.3 – Movements in financial assets at FVTPL

(milioni di euro)	Receivables	Fixed income instruments	Units of mutual investment funds	Equity instruments	Other investments	Total
Balance at 1 January 2022	**41**	**2,579**	**41,916**	**217**	**22**	**44,775**
Purchases		418	6,488	158	-	7,063
Changes in fair value through profit or loss	-	(461)	(4,571)	(25)	(1)	(5,058)
Net changes	69					69
Effects of sales on profit or loss	-	(14)	(178)	-	-	(191)
Accruals	-	34	-	-	-	34
Sales, redemptions and settlement of accruals		(270)	(2,874)	(87)	-	(3,231)
Balance at 31 December 2022	**110**	**2,285**	**40,781**	**264**	**21**	**43,461**

Receivables

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

Fixed income instruments

At 31 December 2022, fixed income securities of €2,285 million consist primarily of €2,271 million in corporate instruments issued by blue-chip companies. Corporate financial instruments totalling €1,890 million are linked to separately managed accounts, €289 million to cover Class III insurance policies and the remaining €92 million relates to the Company's free capital.

Units of mutual investment funds

At 31 December 2022, units of mutual investment funds amounting to €40,781 million include around €31,617 million to cover Class I separately managed account products and €9,159 million to cover Class III policies. The remaining €5 million relates to investment of the company's free capital (see note 13 – *Additional information - Unconsolidated structured entities*). Net investment in the funds during the period amounts to €3,614 million and the fair value has decreased by approximately €4,571 million, almost entirely transferred to Class I policyholders using the shadow accounting method. At 31 December 2022, the investments in UCITS (including multi-asset funds) amounted to €36,418, units in mutual real estate funds totalled €2,380 million, while mutual funds that primarily invest in bonds came to €1,982 million.

Equity instruments

Equity instruments amount to €264 million, and cover primarily the contractual obligations arising on Class I products linked to separately managed accounts and Class III policies. The change over the period reflects the combined effect of net investments of approximately €71 million and the registration of expenses of €24 million.

Other investments

Other investments of €21 million relate to a Constant Maturity Swap placed by Cassa Depositi e Prestiti (a nominal value of €22 million) and covering products linked to separately managed accounts.

Derivative financial instruments

At 31 December 2022, all derivative transactions were completed.

Postal and Business Activities

tab. A6.3 – Financial assets - Postal and Business Services

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Financial assets at amortised cost	2	1	3	2	4	6	(4)
Receivables	2	1	3	2	4	6	(4)
Guarantee deposits	-	-	-	-	3	3	(3)
Due from the purchasers of service accommodation	2	1	3	2	2	4	(1)
Due from others	-	20	20	-	20	20	(0)
Provisions for doubtful debts	(0)	(20)	(20)	(0)	(20)	(20)	0
Financial assets at FVTOCI	536	0	536	75	-	75	461
Fixed income instruments	91	0	91	0	-	0	91
Equity instruments	445	-	445	75	-	75	370
Financial assets at FVTPL	-	-	-	-	-	-	-
Derivative financial instruments	0	0	0	0	3	3	(3)
Total	**539**	**1**	**540**	**77**	**7**	**84**	**455**

Financial assets at fair value through other comprehensive income

tab. A6.3.1 – Movements in financial assets at FVTOCI

(€m)	Fixed income instruments	Equity instruments	Total
Balance at 1 January 2022	**-**	**75**	**75**
Purchases	98	34	132
Changes in amortised cost	1	-	1
Changes in fair value through equity	(9)	(72)	(80)
Reclassifications	-	408	408
Balance at 31 December 2022	**91**	**445**	**536**

Fixed income instruments

This item includes one Italian government bond with a nominal value of €110 million purchased during the year. The fluctuation in fair value at 31 December 2022 was negative for €9 million and recognised in the specific equity reserve.

Azioni

tab. A6.3.2 – Shares at FVTOCI

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2022	Changes
Moneyfarm Holding Ltd	57	53	4
sennder Technologies Gmbh	19	19	-
Scalapay Limited	25	-	25
Nexi SpA	343	-	343
Milkman SpA	2	3	(1)
Total	**445**	**75**	**370**

Shares at FVTOCI amounted to €445 million and, compared to the previous year (€75 million), changed by:

- participation in January 2022 by Poste Italiane in a new capital increase promoted by Moneyfarm Holding Ltd with an investment of €9 million;
- acquisition in April 2022 by Poste Italiane of 2.30% (2.15% on a fully diluted basis) of the share capital of Scalapay Limited with an investment of €25 million;
- the completion of the merger by incorporation, effective as of 1 November 2022, of the subsidiary PSIA Srl (previously classified in the "Payment Services and Card Payments" segment), as a result of which Poste Italiane holds a 3.6% stake in Nexi SpA corresponding, as of the date of the transaction, to approximately €408 million;
- the overall negative fair value fluctuation during the year of €72 million (of which €65 million related to the reduction in the fair value of Nexi SpA from the date of the transaction) recognised in the specific equity reserve.

During the year under review, the total change in fair value of Nexi SpA amounted to €308 million (€243 million from 1 January 2022 to 31 October 2022 and €65 million from 1 November 2022 to 31 December 2022).

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

Further details of the corporate transactions during the year are provided in note 3.1 – *Principal corporate actions*.

Financial assets at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes[166], whose value at 31 December 2022 is zero.

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

Derivative financial instruments

tab. A6.3.3 – Derivative financial instruments

Description (€m)	Balance at 31.12.2022		Balance at 31.12.2021	
	Nominal	Fai value	Nominal	Fair value
Cash flow hedges				
Interest rate swaps	50	0	50	(3)
FVTPL				
Commodity swaps	-	(0)	5	3
Derivative financial instruments	**50**	**(0)**	**55**	**0**
Of which:				
Derivative assets		0		3
Derivative liabilities		(0)		(3)

At 31 December 2022, derivative instruments in place are represented primarily by a cash flow hedging interest rate swap contract entered into by Poste Italiane in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B8 - *Financial liabilities*); with this transaction, the Parent Company assumed the obligation to pay the fixed rate of 4.035% and sold the variable rate of the bond, which at 31 December 2022 was 4.282%.

The following transactions took place during 2022:

- stipulation and settlement of forward purchases by the Parent Company on government bonds for a nominal value of €110 million;
- stipulation and settlement of euro/dollar exchange rate risk management hedging transactions for aircraft leasing costs by Poste Air Cargo Srl;
- In addition, in November 2022, the swap contract entered into by Poste Air Cargo Srl in the 2020 financial year to cover the fuel costs for the air mail transport performed expired.

Payment Services and Card Payments Activities

tab. A6.4 – Financial assets - Payment Services and Card Payments Services

Description (€m)	Balance at 31.12.2022			Balance at 31.12.2021			
	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	0	198	198	-	124	124	74
Receivables	0	198	198	-	124	124	74
Financial assets at FVTOCI	8	-	8	735	-	735	(727)
Equity instruments	8	-	8	735	-	735	(727)
Total	**8**	**198**	**206**	**735**	**124**	**859**	**(653)**

Financial assets at amortised cost

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

Financial assets at fair value through other comprehensive income

The Shares at FVOCI of "Payment services and card payments" decreased by €728 million, mainly due to the effect:

- of the reclassification of Nexi SpA into the "Postal and business" segment following the completion of the merger by incorporation of PSIA Srl into Poste Italiane, effective as of 1 November 2022, the value of which, at the date of the transaction, amounted to approximately €408 million;
- the overall fair value fluctuation of Nexi SpA itself from the beginning of the year to the date of the transaction in the amount of €243 million;
- of the sale of the equity investment in Tink AB on 10 March 2022.

For further information in this regard, see Note 3.1 - *Principal corporate actions*.

A7 – Inventories (€157 million)

tab. A7 – Inventories

Description	Balance at 31.12.2021	Increase/(decrease)	Other changes	Balance at 31.12.2022
Properties held for sale	128	(1)	1	129
Work in progress, semi-finished and finished goods and goods for resale	11	5	4	20
Raw, ancillary and consumable materials	16	(6)	-	9
Total	**155**	**(2)**	**4**	**157**

Properties held for sale refer entirely to the portion of EGI SpA's real estate portfolio to be sold, whose fair value[167] at 31 December 2022 amounts to approximately €275 million. It should be noted that during the year, EGI sold three properties for a total of €20 million, resulting in a capital gain at the consolidated level of €14 million. This change was offset by an increase resulting from redevelopment and extraordinary maintenance work carried out by the company for about €6 million.

The change in raw, ancillary and consumable materials refers partly to protective equipment, disinfectant gel and other materials purchased mainly in 2020.

A8 – Trade receivables (€2,182 million)

tab. A8 – Trade receivables

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Due from customers	3	1,916	1,919	3	2,439	2,442	(523)
Due from Parent Company (MEF)	-	257	257	-	48	48	209
Due from subsidiaries, associates and joint ventures	-	5	5	-	21	21	(16)
Prepayments to suppliers	-	-	-	-	-	-	-
Total	**3**	**2,179**	**2,182**	**3**	**2,508**	**2,511**	**(329)**

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

Due from customers

tab. A8.1 – Due from customers

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Ministries and Public Administration entities	-	581	581	-	463	463	118
Due from private individuals for parcel delivery services	-	493	493	-	628	628	(135)
Due from private individuals for mail services	-	395	395	-	447	447	(52)
Overseas counterparties	-	386	386	-	549	549	(162)
Amounts due for other BancoPosta services	-	62	62	-	92	92	(30)
Overdrawn current accounts	-	40	40	-	37	37	3
Cassa Depositi e Prestiti	-	21	21	-	387	387	(366)
Other amounts due from customers	3	453	457	3	364	367	89
Provisions for doubtful debts due from customers	-	(517)	(517)	-	(529)	(529)	12
Total	**3**	**1,916**	**1,919**	**3**	**2,439**	**2,442**	**(523)**

The decrease in Amounts due from customers is mainly attributable to the decrease in receivables from Cassa Depositi e Prestiti and reflects the new billing and payment methods on a monthly basis and no longer on a quarterly basis, introduced by the Agreement of 23 December 2021, effective from 1 January 2022.

Specifically[168]:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €173 million, of which €54 million accrued during the year. These receivables are shown gross of the collection of an unavailable amount of €125 million, relating to the tariff subsidies applied in 2020, 2021 and the first half of 2022, deposited by the Cabinet Office - Publishing Department, in a non-interest-bearing account held by the Parent Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. At 31 December 2022, following the integration of the appropriations for the period 2018-2021 in the State Budget 2023, the provisions for doubtful debts, allocated over the years, were released in the amount of approximately €17 million.
  - Integrated Notification and mailroom services rendered to central and local government authorities, amounting to €83 million.
  - Reimbursement of real estate, vehicles and surveillance expenses incurred on behalf of the Ministry of Enterprise and Made in Italy (MiMIT) in the amount of €49 million[169]. This receivable is made up of the remaining €24 million from the original claim of €62 million that was the subject of legal action brought by Poste Italiane for recognition of charges arising from the use of real estate until 2012. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MIMIT and the latter appealed before the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance. In December 2021, in compliance with the first instance judgment, MIMIT paid approximately €38 million to the Company, the effects of which were reflected in the financial statements for the year ended 31 December 2021. The supplement to the balance consists of €25 million and, during the year, following joint audits, the charges arising from the use of real estate by MIMIT, in the period 2013 - 2021, for a total value of approximately €15 million, were defined. This amount, which had been allocated to the provisions for doubtful debts, was therefore released.
  - Unfranked mail services provided on credit, totalling €38 million, to central and local government authorities.
  - Market Registered Mail services, totalling €38 million, provided to central and local government entities.
  - Mail forwarding and notification services provided following a tender procedure for a total of €30 million.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €21 million.

168. At 31 December 2022, the balance of trade receivables includes €10 million, net of the related provisions for doubtful debts, relating to rental income falling within the scope of IFRS 15 – Revenue from Contracts with Customers.
169. See "Revenue and amounts due from the State" below, showing overall amounts due from the Ministry of Enterprise and Made in Italy (€50 million), including amounts due for postal and other services.

- Amounts due for **parcel delivery services** relate to shipments carried out by the Parent Company and services provided by the subsidiary SDA Express Courier SpA.
- Amounts due for **mail services** refer to receivables mainly owed by the Parent Company to private customers who use the "delivery and mailing" range of services.
- Amounts due from **overseas counterparties** primarily relates to postal services carried out for overseas postal operators.
- Amounts due for other **BancoPosta services** mainly refer to intermediation services (banking, personal loans, mortgages) provided.
- Amounts due for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.
- Amounts due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta RFC's Postal savings deposits service and still not paid.

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

Due from the Parent Company

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

tab. A8.2 – Due from the Parent Company

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Remuneration of current account deposits	227	17	210
Universal Service	31	31	-
Delegated services	30	30	-
Publisher tariff and electoral subsidies	1	1	-
Other	1	2	(1)
Provision for doubtful debts due from the Parent Company	(33)	(33)	-
Total	**257**	**48**	**209**

Specifically:

- The **remuneration of current account deposits** refers almost entirely to amounts accrued in 2022 and entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC. The increase compared to 31 December 2021 is mainly due to the rise in the interest rate curve. In March 2023, €222 million was collected in relation to the remuneration of deposits from accounts opened by the Public Administration.
- Receivables for **Universal Service** compensation includes:

tab. A8.2.1 – Universal Service compensation receivable

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	9	8	1
Total	**31**	**31**	**-**

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

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

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

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

- Amounts due for **delegated services**, refer exclusively to the amount accrued in 2022 and relating to the remuneration of services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 31 December 2022 and in the process of being renewed.
- Amounts due arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

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

A9 – Other receivables and assets (€5,215 million)

tab. A9 – Other receivables and assets

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current assets**	**Current assets**	**Total**	**Non-current assets**	**Current assets**	**Total**	**Changes**
Substitute tax paid	4,060	585	4,645	3,939	603	4,542	103
Due from social security agencies and pension funds (excl. fixed-term contract settlements)	-	138	138	-	172	172	(34)
Receivables relating to fixed-term contract settlements	36	76	112	46	76	122	(10)
Receivables for amounts that cannot be drawn on due to court rulings	-	71	71	-	77	77	(6)
Accrued income and prepaid expenses from trading transactions	-	32	32	-	61	61	(30)
Tax assets	-	88	88	-	88	88	(0)
Other amounts due from associates	-	-	-	-	1	1	(1)
Interest accrued on IRES refund	-	46	46	-	47	47	(1)
Sundry receivables	25	235	260	29	206	235	26
Provisions for doubtful debts due from others	(3)	(173)	(177)	(3)	(185)	(188)	12
Total	**4,118**	**1,096**	**5,215**	**4,012**	**1,146**	**5,158**	**57**

In Specifically:

- **Substitute tax paid** refers mainly to:
  - €2,269 million on non-current receivables paid in advance by Poste Vita SpA for the financial years 2015-2021, relating to withholding and substitute tax paid on capital gains on life policies[170];
  - €1,790 million charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 31 December 2022[171]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early settlement of the Interest-bearing Postal Certificates or the insurance policies, i.e. the date on which the tax is payable to the tax authorities (tab. B10.3);
  - €386 million relating to advances paid in relation to stamp duty to be paid in virtual form in 2023 and charged to customers and to be recovered from Poste Italiane's customers;
  - €102 million relating to stamp duty charged to Postal Savings Books, which Poste Italiane SpA pays in virtual form as required by law.
- Amounts due from **social security agencies and pension funds** refer for €14 million to the residual sums relating to periods of suspension or reduction of work for Covid-19, which the Parent Company has advanced to its employees and recoverable through access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the labour union agreements

170. Of the total amount, a portion of €420 million, assessed on the basis of provisions at 31 December 2021, has yet to be paid and is accounted for in "Other taxes payable" (tab. B10.3).
171. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree no. 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

of 30 April and 21 December 2020. In this regard, during the 2022 financial year, the Parent Company recovered approximately €43 million by means of an adjustment with the contributions due to the Social Security Institute.

- **Receivables relating to fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €112 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. Amounts due from INPS (formerly IPOST) of €42 million, covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014; negotiations are in progress with the debtor for their recovery.
- **Amounts that cannot be drawn on due to court rulings** include €59 million in amounts seized and not assigned to creditors, in the process of recovery, and €12 million in amounts stolen from the Parent Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. In January 2023, following the signing of a settlement agreement, these sums were collected and consequently the provisions for doubtful debts allocated at the time were released to the statement of profit or loss.
- **Interest accrued on IRES refund**, refers to interest accruing up to 31 December 2022 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on labour costs and almost entirely attributable to the Parent Company. For the recovery of said receivable, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the Agenzia delle Entrate in Rome to refund the amounts claimed. The Agenzia delle Entrate have appealed both judgments before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the Agenzia delle Entrate 's appeal against one of the judgments (proceedings pursuant to Law Decree no. 201/2011). Poste Italiane has appealed this judgment before the Supreme Court of Cassation. In the last quarter of 2019, the Court of Cassation had the opportunity to rule on other proceedings concerning the operation of the reimbursement pursuant to Law Decree no. 201/11; with respect to the judgement issued, there is a homogeneity of legal-formal circumstances that lead to the conclusion that the principle of law, referred to in the aforementioned judgement of the Court of legitimacy, can also have its effects in existing judgements. Also the judgement concerning Law Decree no. 185/2008, is currently pending before the Supreme Court of Cassation following Poste Italiane's challenge, on 23 January 2023, of the Lazio Regional Tax Tribunal's judgment in favour of the Agenzia delle Entrate. Elements of uncertainty about the final outcome of the case are taken into account in the provisions for doubtful debts due from others.
- **Accrued income and prepaid expenses from trading transactions** decreased by €30 million compared to last year. At 31 December 2021, this item included, for approximately €38 million, the one-off payment made in advance to employees in July 2021 to cover the contractual vacancy relating to the first half of 2022, in accordance with what was defined in the renewal of the National Collective Labour Agreement signed on 23 June 2021.
- **Provisions for doubtful debts due from others** are described in Note 6 – *Risk management*.

A10 – Tax Credits Law no.77/2020 (€9,021 million)

tab. A10 – Tax Credits Law no. 77/2020

	Balance at 31.12.2022			Balance at 31.12.2021			
(€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Tax credits at amortised cost	7,458	1,563	9,021	3,090	65	3,155	5,866
Tax credits at FVTOCI	-	-	-	2,461	840	3,301	(3,301)
Total tax credit	**7,458**	**1,563**	**9,021**	**5,551**	**905**	**6,456**	**2,565**
of which Financial Activities	7,127	1,473	8,600	5,168	840	6,008	2,592
of which Postal and Business Activities	331	90	421	383	65	448	(27)

This item refers to tax credits acquired by Poste Italiane SpA against free capital resources or transferred to BancoPosta RFC for resources subject to and not subject to the restriction on their use, in accordance with the provisions of the Relaunch Decree (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency.

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

During the year, tax credits previously measured at fair value through other comprehensive income were reclassified to tax credits at amortised cost. The reclassification, effective as of 1 October 2022, became necessary as a result of the lack of development in the market for second sales between financial intermediaries, which therefore required BancoPosta RFC to revise its business model for these loans.

Changes in these tax credits during 2022 are shown below:

tab. A10.1 – Movements in Tax Credits Law no. 77/2020

(€m)	Tax Credits at CA	Tax Credits at FVTOCI	Total
Balance at 1 January 2022	**3,155**	**3,301**	**6,456**
Purchases	3,471	-	3,471
Changes in amortised cost	209	84	293
Changes in fair value through equity	-	(122)	(122)
Offsetting	(365)	(755)	(1,120)
Portfolio transfer	2,508	(2,508)	-
Other changes	43	-	43
Balance at 31 December 2022	**9,021**	**-**	**9,021**

The main changes in the year under review refer to:

- purchases of €3,471 million, of which €3,174 million pertaining to BancoPosta RFC[172];
- accrued income for the year amounting to €293 million, of which €273 million pertaining to BancoPosta RFC;
- negative changes in the fair value of tax credits measured at FVTOCI in the amount of €122 million (from 1 January to 30 September 2022);
- reclassification from the FVTOCI category to amortised cost in the amount of €2,508 million;
- offsetting of €1,120 million, of which €812 million are attributable to BancoPosta RFC.

The item Other changes includes the positive effects, amounting to €130 million, recognised on 1 October 2022 as an increase in equity, following the reclassification of tax credits to the amortised cost category, partially offset by the derecognition of certain maturing credits not offset during the year.

At 31 December 2022, the fair value[173] of tax credits at amortised cost is €8,172 million. At that date, the fair value of only the tax credits subject to reclassification was €2,425 million; the overall change in fair value recognised during the year, of €14 million, would have been recognised in equity in the absence of the reclassification.

As part of the actions aimed at combating tax fraud perpetrated through the monetisation of tax credits, starting from the end of the 2021 financial year, a number of Public Prosecutors' Offices have implemented preventive seizures that, in some cases also involved tax credits acquired by Poste Italiane (some of which were subsequently released from seizure in the course of 2022) for a nominal value of the credits of approximately €410 million, against a value paid to customers that was lower and corresponding to a carrying amount of approximately €334 million at 31 December 2022, including interest capitalised for the recognition at amortised cost of the credits in question.

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

In a regulatory context that is constantly evolving, and taking into account the position taken by the case law[174], starting in the second half of the 2022 financial year, on the unusability of tax credits due to conduct unrelated to the transferee and the interpretations of the Agenzia delle Entrate, a legal and accounting analysis was conducted to comprehensively assess the potential risks to which Poste Italiane could be exposed if the tax credits acquired over time by the same were to derive from fraudulent conduct. In particular, in order to determine the accounting impact related to this potential risk, reference was made to the provisions of IAS 37 - *Provisions, Contingent Assets and Contingent Liabilities* (as better illustrated in the section *Use of estimates*), as the possible non-recovery of the carrying amount of the tax credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, as envisaged by the impairment model set forth in IFRS 9, but rather from the possibility that, for what will be ascertained cases of fraud, the liability of the assignee - even if a third party in good faith or an offended party to the crime - will also be called to account for assumptions other than the possible irregular use of the tax credit or for a use in excess of the tax credit received. As a result of the in-depth investigations conducted on the tax credits acquired, also with the support of external legal, tax and accounting consultants, a total provision for these risks of €320 million was recognised under the liability item "Provisions for risks and charges".

It should be noted that the determination of the above-mentioned provision necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which relate to the outcome of the proceedings under way, the identification of the receivables whose deductions have been assigned are effectively non-existent, and the outcome of the initiatives that will be activated by Poste Italiane to recover the amounts paid to the entities in respect of which cases of fraud have been ascertained.

A11 – Cash and deposits attributable to BancoPosta (€5,848 million)

tab. A11 – Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Cash and cash equivalents in hand	3,960	2,886	1,074
Bank deposits	1,888	4,773	(2,885)
Total	**5,848**	**7,659**	(1,810)

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of postal savings bonds and payments into post office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of post offices. These funds, which are held at post offices (€1,070 million) and at service[175] companies (€2,890 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. The decrease with respect to 31 December 2021 is due to the decrease in the item Bank deposits mainly as a result of the purchase of tax credits, pursuant to Law Decree no. 34/2020, through the surplus liquidity deriving from the collection from private individuals deposited on the account opened with the Bank of Italy, partially offset by the increase in the item Cash and cash equivalents due to higher amounts held with the Service Companies.

174. The Court of Cassation, through a number of rulings made in the course of 2022, confirmed the reconstruction postulated by the Public Prosecutor's Office, recognising the legitimacy of the seizure orders due to the non-existence of the claims subject to the precautionary measure.
175. They carry out transport and custody of valuables awaiting payment to the State Treasury.

A12 – Cash and cash equivalents (€4,983 million)

tab. A12 – Cash and cash equivalents

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Bank deposits and amounts held at the Italian Treasury	2,962	5,941	(2,980)
Deposits with the MEF	1,991	1,990	0
Cash and cash equivalents in hand	31	27	4
Total	**4,983**	**7,958**	**(2,975)**

The balance of cash and cash equivalents at 31 December 2022 includes restricted cash of approximately €3,755 million, of which €1,284 million relates to funds on deposit with the MEF, known as the "Buffer" account, collected from customers and subject to a restriction on their use, €2,259 million consisting of liquidity used to cover insurance technical provisions, €125 million deposited by the Cabinet Office - Publishing Department in a non-interest-bearing account with the State Treasury as an advance on payments for reductions in publisher fees granted by the Parent Company (note A8), €52 million in liquidity to be transferred to principals as part of the management of collections and payments of the subsidiary LIS Pay, €20 million restricted as a result of judicial provisions relating to various disputes and €15 million for management of cash on hand and other restrictions.

Equity

B1 – Equity (€8,937 million)

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

tab. B1 – Reconciliation of equity

(€m)	Equity at 31.12.2022	Changes in equity during 2022	Net profit/(loss) for 2022	Equity at 31.12.2021
Financial statements of Poste Italiane SpA	**3,808**	**(4,074)**	**847**	**7,034**
Balance of profit (loss) of consolidated subsidiaries	8,791	-	1,334	7,457
Investments accounted for using the equity method	142	2	(6)	146
Balance of FV and CFH reserves of investee companies	(370)	(486)	-	115
Actuarial gains and losses on employee termination benefits of investee companies	(3)	4	-	(7)
Fees to be amortised attributable to Poste Vita SpA and Poste Assicura SpA	(25)	-	4	(29)
Effects of intercompany transactions	(158)	(90)	(5)	(62)
Derecognition of infra-group dividends	(3,739)	-	(653)	(3,086)
Elimination of adjustments to value of consolidated companies	586	-	(12)	598
Purchase Price Allocation Adjustments	(3)	-	(3)	-
Amortisation/Impairment of goodwill	(156)	-	-	(156)
Impairments of disposal groups held for sale	(40)	-	-	(40)
Recognition of liabilities for call options	(88)	(69)	11	(29)
Other consolidation adjustments	148	(1)	(11)	160
Equity attributable to owners of the Parent	**8,893**	**(4,714)**	**1,506**	**12,102**
Equity attributable to non-controlling interests (excluding profit/(loss))	38	33	-	6
Net profit/(loss) attributable to non-controlling interests	5	(2)	5	2
Equity attributable to non-controlling interests	**44**	**31**	**5**	**8**
Total Consolidatet Equity	**8,937**	**(4,683)**	**1,511**	**12,110**

At 31 December 2022, earnings per share were €1.158 (€1.214 at 31 December 2021), calculated as the ratio of the Group profit for the year of €1,506 million to the weighted average of the number of outstanding ordinary shares.

B2 – Share Capital (€1,306 million)

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

At 31 December 2022, the Company held 7,535,991 treasury shares (representing approximately 0.58% of the share capital) with a total value of approximately €63 million. All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B3 – Shareholders transactions

As approved by the Shareholders' Meeting of 27 May 2022, on 22 June 2022, the Parent Company distributed dividends of €526 million (dividend per share equal to €0.405) as the balance for 2021, taking into account the interim dividend of €241 million (dividend per share equal to €0.185) already paid in November 2021. In addition, on 9 November 2022, the Board of Directors of Poste Italiane resolved to advance part of the ordinary dividend for 2022 as an interim dividend. The interim dividend of €273 million was distributed on 23 November 2022 (dividend per share of €0.210).

B4 – Reserves (€-352 million)

tab. B4 – Reserves

(€m)	Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair value reserve	Cash flow hedge reserve	Translation reserve	Reserve for investments accounted for using equity method	Incentive plans reserve	Total
Balance at 1 January 2022	**299**	**1,210**	**800**	**1,307**	**(34)**	**1**	**3**	**13**	**3,599**
Increase/(decrease) in fair value during the year	-	-	-	(5,192)	279	-	-	-	(4,914)
Tax effect of changes in fair value	-	-	-	1,398	(79)	-	-	-	1,319
Transfers to profit or loss from realisation	-	-	-	(161)	(409)	-	-	-	(570)
Tax effect of transfers to profit or loss	-	-	-	46	117	-	-	-	162
Increase/(decrease) for expected losses	-	-	-	4	-	-	-	-	4
Share of after-tax comprehensive income/(loss) of investees accounted for using equity method	-	-	-	-	-	-	1	-	1
Other changes	-	-	-	93	-	(1)	-	-	92
Gains/(losses) recognised in equity	-	-	-	(3,811)	(93)	(1)	1	-	(3,905)
Incentive plans	-	-	-	-	-	-	-	6	6
Other changes	-	-	-	(54)	-	-	2	-	(52)
Equity instruments - perpetual hybrid bonds	-	-	-	-	-	-	-	-	-
Balance at 31 December 2022	**299**	**1,210**	**800**	**(2,558)**	**(127)**	**-**	**5**	**19**	**(352)**

The **reserve for Equity instruments - perpetual hybrid bonds** includes the issue of the perpetual hybrid bond for an amount of €800 million.

The **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. In 2022, the decreases in fair value totalled €5,192 million, reflecting:

- for €4,530 million the net negative change in the value of instruments within the Group's Financial activities, of which negative €122 million related to tax credits Law no. 77/2020 measured at fair value through other comprehensive income (on 1 October 2022, the negative fair value reserve totalling €130 million, €93 million net of the tax effect, was cancelled following the reclassification of the credits to the tax credits at amortised cost category, as more fully described in Note A10 - Tax Credits Law no. 77/2020);
- a net decrease of €338 million in financial assets attributable to the Group's Insurance activities segment;
- a net decrease of €80 million in financial assets attributable to the Group's Postal and Business segment;
- a net decrease of €243 million in financial assets attributable to the Group's Payment and Mobile segment.

The **cash flow hedge reserve**, attributable to the Parent Company, reflects changes in the fair value of the effective portion of cash flow hedges. In 2022, the fair value gain of €279 million reflects a net gain of €280 million on derivative financial instruments attributable to Financial activities and a net gain of €1 million on the value of derivative instruments held outside the ring-fence;

The **Incentive Plans reserve** includes the estimate of the valuations for the year relating to the long-term "Performance Share LTIP" incentive plans and the MBO short-term incentive plan, carried out on the basis of the provisions of IFRS 2.

Liabilities

B5 – Technical provisions for insurance business (€139,986 million)

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

tab. B5 – Technical provisions for insurance business

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Mathematical provisions	142,887	136,898	5,989
Outstanding claims provisions	816	790	26
Technical provisions where investment risk is transferred to policyholders	9,839	7,847	1,992
Other provisions	(13,915)	13,260	(27,175)
for operating costs	71	70	1
for deferred liabilities to policyholders	(13,986)	13,190	(27,176)
Technical P&C provisions	358	294	64
Total	**139,986**	**159,089**	**(19,103)**

The technical provisions borne by reinsurers are shown under assets in the statement of financial position and amount to a total of €44 million.

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

The **provisions for deferred liabilities to policyholders** include portions of gains and losses attributable to policyholders under the shadow accounting method. In particular, the value of the provisions reflects the attribution to policyholders, in accordance with the relevant accounting standards (to which reference is made for more details), of unrealised profits and losses on financial assets at FVTOCI at 31 December 2022 and, to a lesser extent, on financial instruments at fair value through profit or loss.

B6 – Provisions for risks and charges (€1,355 million)

Movements in provisions for risks and charges are as follows:

tab. B6 – Movements in provisions for risks and charges for FY 2022

Description (€m)	Balance at 01.01.2022	Provisions	Transfers to profit or loss	Uses	Change in scope of consolidation	Balance at 31.12.2022
Provisions for operational risks	145	11	(22)	(14)	-	120
Provisions for disputes with third parties	298	66	(42)	(24)	-	298
Provisions for disputes with staff [(1)]	44	3	(3)	(8)	-	35
Provisions for personnel expenses	125	95	(35)	(77)	-	109
Provisions for early retirement incentives	518	54	-	(218)	-	354
Provisions for risks - tax credits Law no. 77/2020	-	320	-	-	-	320
Provisions for taxation/social security contributions	19	2	(0)	(0)	0	20
Other provisions for risks and charges	119	11	(21)	(12)	2	98
Total	**1,268**	**562**	**(123)**	**(354)**	**2**	**1,355**
Overall analysis of provisions						
- non-current portion	693					804
- current portion	575					551
	1,268					**1,355**

(1) Net uses for Personnel expenses amount to €3 million. Service costs (legal assistance) total €3 million.

Specifically:

- **Provisions for operational risks**, which mainly relate to liabilities arising from BancoPosta's operations, mainly reflect risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third party, impairments and adjustments to income from previous years and fraud. The net transfers for the year, totalling €11 million, mainly reflect the prescription of certain stocks related to the funds transfer business and the adjustment of estimates of risks related to the distribution of postal savings products as well as fraud.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. The changes in the year refer to the update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change. They have increased by €95 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€35 million) and settled disputes (€77 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Group's binding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave by 31 December 2024. The provisions made at 31 December 2021 were utilised for €218 million.
- The **provisions for risks - tax credits Law no. 77/2020** were established to cover probable liabilities analytically described in Note A10 - Tax Credits Law no. 77/2020.
- **Provisions for taxation/social security contributions** have been made to cover potential future tax and social security liabilities.
- **Other provisions for risks and charges** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Parent Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Parent Company, claims for payment of accrued interest expense due to certain suppliers and frauds.

B7 – Employee termination benefits (€705 million)

The following movements in employee termination benefits took place in 2022:

tab. B7 – Movements in provisions for employee termination benefits

(€m)	FY 2022
Balance at 1 January	**922**
Change in scope	9
Current service cost	2
Interest component	16
Effect of actuarial (gains)/losses	(125)
Uses for the period	(118)
Balance at 31 December 2022	**705**

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

tab. B7.1 – Actuarial gains and losses

	31.12.2022
	TFR
Change in demographic assumptions	8
Change in financial assumptions	(163)
Other experience-related adjustments	46
Total	**(125)**

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

tab. B7.2 – Sensitivity analysis

	31.12.2022
	TFR
Inflation rate +0.25%	713
Inflation rate -0.25%	698
Discount rate +0.25%	694
Discount rate -0.25%	718
Turnover rate +0.25%	706
Turnover rate -0.25%	705

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

tab. B7.3 – Other information

	31.12.2022
Expected service cost	2.5
Average duration of defined benefit plan	8.0
Average employee turnover per annum	2.000%

B8 – Financial liabilities (€103,644 million)

tab. B8 – Financial liabilities

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Financial liabilities at amortised cost	10,047	92,534	102,582	9,672	89,565	99,237	3,345
Postal current accounts	-	68,336	68,336	-	68,597	68,597	(261)
Loans	8,932	3,069	12,001	8,721	6,861	15,582	(3,581)
Bonds	997	50	1,048	1,047	-	1,047	1
Due to financial institutions	7,934	3,018	10,952	7,674	6,861	14,535	(3,582)
Lease payables	1,110	297	1,407	947	219	1,166	241
MEF account held at the Treasury	-	4,169	4,169	-	3,441	3,441	728
Other financial liabilities	5	16,663	16,669	4	10,447	10,451	6,218
Financial liabilities at FVTPL	69	19	88	29	-	29	59
Financial liabilities for purchase of minority interests	69	19	88	29	-	29	59
Derivative financial instruments	823	152	975	5,421	45	5,466	(4,491)
Cash flow hedges	490	137	627	258	9	267	360
Fair value hedges	333	10	343	5,160	36	5,196	(4,852)
Fair value through profit or loss	-	4	4	3	-	3	2
Total	**10,939**	**92,706**	**103,644**	**15,122**	**89,610**	**104,733**	**(1,088)**

Postal current accounts

They represent BancoPosta's direct deposits, and include interest accrued at 31 December 2022, which was settled with customers in January 2023.

Loans

Other than the guarantees described in the following notes, loans are unsecured and are not subject to financial covenants, which would require Group companies to comply with financial ratios or maintain a certain minimum rating. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree immediate early repayment of the loan. However, standard negative pledge[176] provisions do apply.

Bonds

The item **Bonds** refers to two loans issued by the Parent Company as part of the €2.5 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. In particular:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2022, the fair value[177] of the loan was €851 million;
- a loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in note A6 – Financial assets. At 31 December 2022, the fair value[178] of the loan was €51 million.

Due to financial institutions

tab. B8.1 – Due to financial institutions

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Repurchase agreements	7,109	3,016	10,125	6,951	6,310	13,261	(3,136)
EIB fixed rate loan maturing 12/03/26	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/26	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	150	-	150	0
EIB fixed rate loan maturing 02/05/2028	100	-	100	-	-	-	100
Other loans	2	1	3	-	551	551	(548)
Accrued interest expense	-	1	1	-	-	-	-
Total	**7,934**	**3,018**	**10,952**	**7,674**	**6,861**	**14,535**	**(3,582)**

At 31 December 2022, outstanding liabilities of €13,342 million relate to repurchase agreements entered into by the Parent Company with major financial institutions and Central Counterparties, amounting to a total nominal value of €13,070 million. These payables refer for €6,972 million to Long Term Repos and €6,370 million to ordinary loan operations, the resources from both invested in Italian fixed income government securities and as funding for deposits used as collateral. At 31 December 2022, repurchase agreements with a nominal value of €3,996 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021).

176. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.
177. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.
178. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

The fair value[179] of the repurchase agreements in question at 31 December 2022 is €9,776 million.

On 31 March 2022, a new loan of €100 million was signed with the EIB "Green Mobility". The loan, disbursed on 2 May 2022, provides interest at a fixed rate of 1.467% and matures on 2 May 2028.

At 31 December 2022, the fair value[180] of the four EIB loans totals €744 million.

For information regarding the Poste Group's credit lines and available liquidity at 31 December 2022, reference should be made to note 6 - *Risk management - Financial risks - Liquidity risk.*

Lease payables

Lease liabilities at 31 December 2022 amount to €1,407 million. For more details on the change in this item, see Note A4 - *Right-of-use assets*.

MEF account held at the Treasury

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

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Balance of cash flows for advances	-	4,083	4,083	-	3,488	3,488	595
Balance of cash flows from management of postal savings	-	(84)	(84)	-	(220)	(220)	137
Amounts payable due to theft	-	155	155	-	155	155	-
Amounts payable for operational risks	-	14	14	-	18	18	(4)
Total	**-**	**4,169**	**4,169**	**-**	**3,441**	**3,441**	**728**

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

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

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Net advances	-	4,083	4,083	-	3,488	3,488	595
MEF postal current accounts and other payables	-	670	670	-	670	670	-
MEF - State pensions	-	(670)	(670)	-	(670)	(670)	-
Total	**-**	**4,083**	**4,083**	**-**	**3,488**	**3,488**	**595**

The **balance of cash flows from management of postal savings**, amounting to a positive €84 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2022 consists of €16 million payable to Cassa Depositi e Prestiti, and €100 million of amounts due from the MEF for Interest-bearing Postal Certificates issued on its behalf.

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

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

Amounts payable for operational risks for €14 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Other financial liabilities

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

tab. B8.3 – Other financial liabilities

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Management of prepaid cards and other EMI items	-	9,270	9,270	-	8,208	8,208	1,062
Domestic and international money transfers	-	1,108	1,108	-	938	938	170
Guarantee deposits	-	4,824	4,824	-	228	228	4,597
Endorsed cheques	-	476	476	-	322	322	154
Other items in process	-	303	303	-	264	264	39
Other amounts payable to third parties	-	173	173	-	69	69	104
Amounts to be credited to customers	-	314	314	-	125	125	189
Cheques to be credited to savings books	-	-	-	-	141	141	(141)
RAV, F23, F24 and road tax	-	105	105	-	107	107	(2)
Other	5	90	95	4	45	49	45
Total	**5**	**16,663**	**16.669**	**4**	**10,447**	**10,451**	**6,217**

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

Payables for guarantee deposits refer exclusively to sums received from counterparties for interest rate swap transactions (collateral provided for in a specific Credit Support Annexes). The increase in this item compared to 31 December 2021 was due to the positive change in the fair value of derivatives following the rise in the interest rate curve.

Financial liabilities for purchase of minority interests

The item refers to the estimated consideration (call and put options) that will allow Poste Italiane and Poste Welfare Servizi to purchase the additional shares held by the minority shareholders of 30% of MLK Deliveries SpA, Plurima SpA, Sourcesense SpA and Agile.

Derivative financial instruments

Movements in derivative financial instruments during 2022 are described in note A6 – *Financial assets*.

Changes in financial liabilities arising from financing activities

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

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

Description (€m)	Balance at 31.12.2021	Net cash flow from/ (for) financing activities	Net cash flow from/ (for) operating activities*	Non-cash flows	Balance at 31.12.2022
Loans	15,573	(455)	(1,502)	(1,616)	12,000
Bonds	1,047	-	-	1	1,048
Due to financial institutions	14,526	(455)	(1,502)	(1,616)	10,952
Lease payables	1,166	(251)	-	492	1,407
Other financial liabilities	10,451	4	6,840	(626)	16,669
Total	**27,190**	**(702)**	**5,338**	**(1,749)**	**30,076**

* The total amount of €5,338 million is included in the cash flow from/(for) operating activities, the balance of which in the statement of cash flows amounts to €180 million and regards loans and other financial liabilities not attributable to financing activities.

Net debt/(funds)

The following table shows the net debt/(funds) at 31 December 2022:

Net debt/(funds) at 31 December 2022

Balance at 31.12.2022 (€m)	Mail, Parcels & Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	*of which related parties*
Financial liabilities	**4,918**	**100,941**	**303**	**9,557**	**(12,074)**	**103,644**	
Financial liabilities at amortised cost	3,291	90,298	40	9,468	(515)	102,582	*4,385*
Postal current accounts	-	68,852	-	-	(515)	68,336	*1*
Bonds	1,048	-	-	-	-	1,048	-
Due to financial institutions	827	10,125	-	-	-	10,952	-
Other borrowings	1	-	-	-	-	1	-
Lease payables	1,397	0	1	9	-	1,407	*8*
MEF account held at the Treasury	-	4,169	-	-	-	4,169	*4,169*
Other financial liabilities	18	7,153	39	9,459	-	16,669	*207*
Financial liabilities at FVTPL	88	-	-	-	-	88	-
Financial liabilities for purchase of minority interests	88	-	-	-	-	88	-
Derivative financial instruments	0	975	-	-	-	975	*193*
Intersegment financial liabilities	1,539	9,668	263	89	(11,559)	-	-
Technical provisions for insurance business	**-**	**-**	**139,986**	**-**	**-**	**139,986**	-
Financial assets	**(1,083)**	**(83,701)**	**(142,351)**	**(10,545)**	**11,539**	**(226,141)**	
Financial instruments at amortised cost	(3)	(43,901)	(2,193)	(198)	(0)	(46,295)	*(14,838)*
Financial instruments at FVTOCI	(536)	(33,190)	(96,501)	(8)	-	(130,235)	*(502)*
Financial instruments at FVTPL	(1)	(40)	(43,461)	-	-	(43,501)	*(21)*
Derivative financial instruments	(0)	(6,109)	-	-	-	(6,110)	*(203)*
Intersegment financial assets	(543)	(460)	(196)	(10,339)	11,539	-	-
Tax Credits Law no. 77/2020	**(420)**	**(8,601)**	**-**	**-**	**-**	**(9,021)**	
Technical provisions attributable to reinsurers	**-**	**-**	**(44)**	**-**	**-**	**(44)**	**-**
Net debt/(net financial surplus)	**3,415**	**8,640**	**(2,105)**	**(988)**	**(536)**	**8,425**	
Cash and deposits attributable to BancoPosta	**-**	**(5,848)**	**-**	**-**	**-**	**(5,848)**	**-**
Cash and cash equivalents	**(575)**	**(2,018)**	**(2,732)**	**(172)**	**515**	**(4,983)**	***(1,991)***
Net debt/(funds)	**2,839**	**773**	**(4,837)**	**(1,161)**	**(21)**	**(2,406)**	

Net debt/(funds) at 31 December 2021

Balance at 31.12.2021 (€m)	Mail, Parcels & Distribution	Financial Services	Insurance Services	Payments and Mobile	Eliminations	Consolidated	*of which related parties*
Financial liabilities	**4,795**	**102,198**	**284**	**8,716**	**(11,261)**	**104,732**	
Financial liabilities at amortised cost	3,505	88,185	31	8,316	(800)	99,237	*3,651*
Postal current accounts	-	69,397	-	-	(800)	68,597	*1*
Bonds	1,047	-	-	-	-	1,047	-
Due to financial institutions	1,274	13,261	-	-	-	14,535	*199*
Other borrowings	-	-	-	-	-	-	-
Lease payables	1,163	0	2	1	-	1,166	*6*
Finance lease liabilities	-	-	-	-	-	-	-
MEF account held at the Treasury	-	3,441	-	-	-	3,441	*3,441*
Other financial liabilities	21	2,086	29	8,315	-	10,451	*4*
Financial liabilities at FVTPL	29	-	-	-	-	29	
Financial liabilities for purchase of minority interests	29	-	-	-	-	29	
Derivative financial instruments	3	5,463	-	-	-	5,466	*148*
Intersegment financial liabilities	1,258	8,550	253	400	(10,461)	-	-
Technical provisions for insurance business	**-**	**-**	**159,089**	**-**	**-**	**159,089**	-
Financial assets	**(942)**	**(89,995)**	**(158,587)**	**(9,783)**	**10,451**	**(248,856)**	
Financial instruments at amortised cost	(6)	(51,139)	(2,044)	(124)	-	(53,313)	*(16,089)*
Financial instruments at FVTOCI	(75)	(37,658)	(111,385)	(735)	-	(149,853)	*(525)*
Financial instruments at FVTPL	(0)	(39)	(44,775)	-	-	(44,814)	*(22)*
Derivative financial instruments	(3)	(873)	-	-	-	(876)	-
Intersegment financial assets	(858)	(286)	(383)	(8,924)	10,451	-	-
Tax Credits Law no. 77/2020	**(448)**	**(6,008)**	**-**	**-**	**-**	**(6,456)**	
Technical provisions attributable to reinsurers	**-**	**-**	**(50)**	**-**	**-**	**(50)**	**-**
Net debt/(net financial surplus)	**3,405**	**6,195**	**736**	**(1,067)**	**(810)**	**8,459**	
Cash and deposits attributable to BancoPosta	**-**	**(7,659)**	**-**	**-**	**-**	**(7.659)**	**-**
Cash and cash equivalents	**(2,121)**	**(2,021)**	**(4,584)**	**(32)**	**800**	**(7,958)**	***(1,991)***
Net debt/(funds)	**1,284**	**(3,485)**	**(3,848)**	**(1,099)**	**(10)**	**(7,158)**	

Total net debt/(funds) at 31 December 2022 showed funds of €2,406 million, down €4,752 million from 31 December 2021 (surplus of €7,158 million). The change during the period is largely attributable to the negative valuation effects for the year of approximately €5.2 billion of the investments classified in the FVTOCI category, held mainly by the Financial Services Strategic Business Unit (negative effect of approximately €4.5 billion) and residually by the Strategic Business Units Insurance Services (negative effect of approximately €0.3 billion), Payments and Mobile (negative effect of approximately €0.2 billion) and Postal and Business (negative effect of approximately €0.1 billion). The change also includes a positive operating result of €2.4 billion (of which €1.5 billion is attributable to profit for the period), the positive effect of the change in working capital and taxes of approximately €1.1 billion, capital expenditure of €0.8 billion, dividend payments totalling €0.8 billion (of which €273 million relates to the interim dividend planned for 2022) and other decreases totalling €0.4 billion, mainly attributable to the increase in financial liabilities for leases falling under IFRS 16. Finally, the change includes the negative effect of the acquisition of LIS, Plurima, Sourcesense and Agile for a total of €0.8 billion.

An analysis of the Net debt/(funds) of the Mail, Parcels and Distribution segment at 31 December 2022, in accordance with ESMA recommendation 32-382-1138, is provided below:

Financial debt ESMA

(€m)	At 31.12.2022	At 31.12.2021
A. Cash and cash equivalents	(575)	(2,122)
B. Cash equivalents	-	-
C. Other current financial assets	(1)	(8)
D. Liquidity (A + B + C)	**577)**	**(2,130)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	379	785
F. Current portion of the non-current financial payable	1	-
G. Current financial debt (E + F)	**381**	**785**
H. Net current financial debt (G + D)	**(196)**	**(1,345)**
I. Non-current financial debt (excluding current portion and debt instruments)	2,001	1,705
J. Debt instruments	997	1,047
K. Trade payables and other non-current payables	18	22
L. Non-current financial debt (I + J + K)	**3,017**	**2,774**
M. Total financial debt (H + L)	**2,821**	**1,429**

Reconciliation of financial debt ESMA

(€m)	At 31.12.2022	At 31.12.2021
M. Total financial debt (H + L)	**2,821**	**1,429**
Non-current financial assets	(539)	(76)
K. Trade payables and other non-current payables	(18)	(22)
Tax credits Law no. 77/2020	(420)	(448)
Net debt/(funds)	**1,843**	**883**
Intersegment financial receivables and borrowings	996	401
Net debt/(funds) including intersegment transactions	**2,839**	**1,284**

B9 – Trade payables (€2,234 million)

tab. B9 – Trade payables

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Due to suppliers	1,655	1,400	254
Contract liabilities	553	605	(53)
Due to subsidiaries	3	3	-
Due to associates	23	21	2
Total	**2,234**	**2,029**	**205**

Due to suppliers

tab. B9.1 – Due to suppliers

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Italian suppliers	1,402	1,214	188
Foreign suppliers	79	28	50
Overseas counterparties*	173	158	16
Total	**1,655**	**1,400**	**254**

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

Contract liabilities

tab. B9.2 – Movements in contract liabilities

Description (€m)	Balance at 01.01.2022	Change due to recognition of revenue for period	Other changes	Balance at 31.12.2022
Prepayments and advances from customers	490	-	(56)	434
Other contract liabilities	60	(24)	31	67
Liabilities for fees to be refunded	55	41	(45)	52
Liabilities for volume discounts	-	-	-	1
Total	**605**	**17**	**(70)**	**553**

Prepayments and advances from customers

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

tab. B9.2.1 – Prepayments and advances from customers

Description (€m)		Balance at 31.12.2022	Balance at 01.01.2022	Changes
Prepayments from overseas counterparties		223	329	(106)
Advances for Publishing from PCM	[tab. A8.1]	125	84	41
Advances for shipments		67	61	6
Advances for other services		18	15	3
Other services		1	1	-
Total		**434**	**490**	**(56)**

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

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

B10 – Other liabilities (€4,004 million)

tab. B10 – Other liabilities

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Due to staff	10	720	731	20	719	739	(8)
Social security payables	20	439	459	26	428	454	5
Other taxes payable	1,790	658	2,448	1,648	570	2,218	229
Sundry payables	52	136	188	48	106	154	35
Accrued liabilities and deferred income	133	46	179	7	37	44	136
Total	**2,004**	**2,000**	**4,004**	**1,749**	**1,860**	**3,609**	**395**

Due to staff

tab. B10.1 – Due to staff

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Fourteenth month salaries	-	208	208	-	204	204	4
Incentives	10	408	418	20	406	426	(8)
Accrued vacation pay	-	41	41	-	41	41	-
Other amounts due to staff	-	63	63	-	68	68	(5)
Total	**10**	**720**	**731**	**20**	**719**	**739**	**(8)**

Social security payables

tab. B10.2 – Social security payables

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
INPS	1	330	332	4	323	327	5
Pension funds	-	89	89	-	86	86	3
INAIL	18	-	19	22	-	22	(3)
Other agencies	-	19	19	-	19	19	-
Total	**20**	**439**	**459**	**26**	**428**	**454**	**5**

Other taxes payable

tab. B10.3 – Other taxes payable

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Stamp duty payable	1,790	21	1,810	1,648	-	1,648	162
Tax due on insurance provisions	-	420	420	-	362	362	57
Withholding tax on employees' and consultants' salaries	-	91	91	-	104	104	(13)
VAT payable	-	24	24	-	21	21	4
Substitute tax	-	32	32	-	34	34	(2)
Withholding tax on postal current accounts	-	29	29	-	8	8	21
Other taxes due	-	41	41	-	41	41	-
Total	**1,790**	**658**	**2,448**	**1,648**	**570**	**2,218**	**229**

Specifically:

- The **stamp duty payable** includes the balance due to the Treasury for the tax paid virtually in the 2022 financial year. The non-current portion of the stamp duty mainly relates to the amount accrued at 31 December 2022 on Interest-bearing Postal Certificates outstanding and on Class III and V insurance policies pursuant to the new law referred to in Note A9 – *Other receivables and assets*.
- **Tax due on insurance provisions** relates to Poste Vita SpA and is described in note A9.

Sundry payables

tab. B10.4 – Sundry payables

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Sundry payables attributable to BancoPosta	-	5	5	-	29	29	(24)
Guarantee deposits	14	0	14	18	0	18	(3)
Other payables	38	131	169	30	77	107	62
Total	**52**	**136**	**188**	**48**	**106**	**154**	**35**

Accrued liabilities and deferred income

Accrued expenses and deferred income, which increased by €136 million compared to the year of comparison, include deferred income of €125 million for the non-repayable grant received in advance from the Parent Company for the realisation of the “Polis Project - Home of Digital Services”, for which reference should be made to Note 3.2 - *Other material events*.

4.3 Notes to the Statement of Profit or Loss

Revenue from contracts with customers

Description (€m)	Notes	FY 2022	FY 2021
Revenue from Mail, Parcels and other	**[C1]**	**3,651**	**3,694**
of which Revenue from contracts with customers		**3,208**	**3,165**
recognised at a point in time		400	447
recognised over time		2,808	2,718
Net revenue from Financial Services	**[C2]**	**4,938**	**4,783**
Revenue from Financial Services		5,125	4,931
Expenses from financial activities		(187)	(148)
of which Revenue from contracts with customers		**2,520**	**2,735**
recognised at a point in time		233	282
recognised over time		2,288	2,453
Revenue from Insurance Services after changes in technical provisions and other claim expenses	**[C3]**	**2,153**	**1,861**
Insurance premium revenue		*17,518*	*17,829*
Income from insurance activities		*4,437*	*4,374*
Change in technical provisions for insurance business and other claim expenses		*(13,794)*	*(19,964)*
Expenses from insurance activities		*(6,008)*	*(378)*
of which Revenue from contracts with customers		**-**	**-**
recognised at a point in time		-	-
recognised over time		-	-
Revenue from Payments and Mobile	**[C4]**	**1,147**	**882**
of which Revenue from contracts with customers		**1,146**	**882**
recognised at a point in time		485	372
recognised over time		661	510
Total		**11,889**	**11,220**

Revenue from contracts with customers breaks down as follows:

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

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

- **Revenue from payments and mobile** refers to:
  - card payments, collections and payments relating primarily to the cards issued by Postepay recognised at a point in time when issued and the services linked to them recognised over time as the service is used by the customer. These services include interchange fees recognised by international circuits on payment transactions with debit cards detected over time. The item includes commissions for acquiring services rendered to merchants recognised over time due to the use of the service, F23 and F24 proxy acceptance services recognised over time due to the level of service rendered, and PagoPA collection services recognised at a point in time when the service is provided. As of 1 September 2022, services provided by the LIS Group contribute to this item, which mainly include collection and payment services (including pay slip collection services) provided by LIS Pay and recognised at a point in time upon collection, and revenue from the processing of telephone top-ups and network fees and services paid by points of sale to LIS Holding recognised over time due to the use of the service;
  - mobile and fixed line telecommunications services, including: revenue from "standard telecommunications offerings" recognised over time using the output method and based on the traffic offered (voice, SIM and data) to the customer; revenue generated by the fixed line "PosteMobile Casa" and "PosteCasa Ultraveloce" offerings, recognised over time using the output method and based on the fee charged to the customer; revenue in the form of SIM activation fees recognised at a point in time when the SIM card is handed over to the customer. Within the Poste Italiane Group, the only mobile and fixed line telecommunications contracts used are in the form of bundles combining two performance obligations to which the implicit discount is allocated on the basis of the related fair value. The revenue from this type of offer, however, is not significant in terms of total revenue from payments and mobile services.

C1 – Revenue from Mail, Parcels and Other (€3,651 million)

This item breaks down as follows:

tab. C1 – Revenue from Mail, Parcels and Other

Description (€m)	FY 2022	FY 2021	Changes
Mail	1,749	1,767	(18)
Parcels	1,395	1,403	(8)
Other revenue	190	210	(20)
Total external revenue	**3,335**	**3,380**	**(45)**
Universal Service compensation	262	262	-
Publisher tariff subsidies	54	53	1
Total revenue	**3,651**	**3,694**	**(43)**

Market revenue showed a decrease compared to the 2021 financial year essentially due to the drop in the traditional mail and parcels market, due both to the normalisation of market trends and to the effects on the economy deriving from the Russian-Ukrainian conflict, in addition to the slowdown in incoming flows from China linked to the low value consignment regulations and the restrictive measures to cope with the health emergency, which affected most of the year. The decrease is partly mitigated by the positive contribution from the hospital logistics business conducted by the company Plurima acquired by the Group during the year. In addition, there was a decrease in other revenue, mainly due to the lower contribution of revenue from the PosteMotori Consortium, whose activities are in the process of being concluded.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the 2020-2024 Contratto di Programma (Service Contract) in force on 1 January 2020.

Publisher tariff subsidies[181] relate to the amount receivable by Poste Italiane from the Cabinet Office - Publishing Department as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry of Enterprise and Made in Italy (former MiSE) in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. With AGCom Resolution 454/22/CONS of 30 December 2022, the new universal basic tariffs of the subsidised publishing products included in the Universal Service were defined. The Resolution provided for a gradual increase in basic tariffs as of 1 September 2022, with no impact on the subsidised tariffs paid by senders and with a consequent increase in the compensation received by Poste Italiane per item sent at the subsidised tariff. In this regard, it should be noted that for the year under review, the amount of subsidies that the Parent Company has granted is covered in the 2022 State Budget.

C2 – Net revenue from Financial Services (€4,938 million)

Net revenue from financial services regards services provided mainly within the Parent Company's BancoPosta RFC and the subsidiary BancoPosta Fondi SGR.

This item breaks down as follows:

tab. C2 – Revenue from Financial Services

Description (€m)	FY 2022	FY 2021	Changes
Revenue from financial services	4,684	4,393	291
Income from financial activities	428	523	(95)
Other operating income	13	15	(2)
Expenses from financial activities	(187)	(148)	(39)
Total	**4,938**	**4,783**	**155**

Revenue from financial services breaks down as follows:

tab. C2.1 – Revenue from financial services

Description (€m)	FY 2022	FY 2021	Changes
Income from investment of postal current account deposits and free cash	2,008	1,523	485
Fees for collection of postal savings deposits	1,600	1,753	(153)
Other revenue from current account services	426	398	28
Commissions on payment of bills by payment slip	216	264	(48)
Distribution of loan products	192	209	(17)
Income from delegated services	89	99	(10)
Mutual fund management fees	118	120	(2)
Money transfers	13	15	(2)
Other	22	12	10
Total	**4,684**	**4,393**	**291**

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

Revenue from financial services showed an increase compared to the 2021 financial year mainly attributable to income from investment of postal current account deposits and free cash balances, partly offset by the decrease in income from postal savings deposits due to the contraction in deposits affected by the macroeconomic environment during the year.

In particular:

- **Income from investment of postal current account deposits and free cash** breaks down as follows:

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

Description (€m)	FY 2022	FY 2021	Changes
Income from investments in securities	1,482	1,434	48
Interest income on securities at amortised cost	677	670	7
Interest income on securities at FVOCI	821	816	5
Interest income (expense) on asset swaps of CFH on securities at FVOCI and AC	20	16	4
Interest income (expense) on asset swaps of FVH on securities at FVOCI and AC	(79)	(104)	25
Interest income on repurchase agreements	43	36	7
Income from investments in tax credits	273	59	214
Interest income on tax credits at AC	189	25	164
Interest income on tax credits at FVTOCI	84	34	50
Income from deposits held with the MEF	252	28	224
Remuneration of current account deposits (deposited with the MEF)	323	28	295
Differential on derivatives stabilising returns	(71)	-	(71)
Portion of interest income on own liquidity (finance income)	(1)	-	(1)
Other income	2	2	-
Total	**2,008**	**1,523**	**485**

The increase in this item compared to the previous year is mainly attributable to the income from deposits held with the MEF and the income from investments in tax credits.

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The amount of income includes the impact of the interest rate hedge. The increase in this item with respect to the 2021 financial year is mainly due to the effects of the upward shift in the interest rate curve and the decrease in the fair value hedges in place for early settlements described in Note A6 - *Financial assets*.

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

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited at Public Administration entities, remunerated at a variable rate as described in Note A6 - *Financial assets*. The increase compared to 31 December 2021 is mainly due to the rise in the interest rate curve.

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021 to cover the period 2021-2024.
- Revenue from **current account services** primarily relates to charges on current accounts, fees on amounts collected and on statements of account sent to customers, annual fees on debit cards and related transactions.
- Income from the **distribution of loan products** relates to commissions received by the Parent Company on the placement of personal loans and mortgages on behalf of third parties.

Income from financial activities breaks down as follows:

tab. C2.2 – Income from financial activities

Description (€m)	FY 2022	FY 2021	Changes
Income from financial instruments at FVTOCI	262	503	(241)
Realised gains	262	503	(241)
Income from financial instruments at amortised cost	129	1	128
Realised gains	129	1	128
Income from equity instruments at FVTPL	2	8	(6)
Fair value gains	1	5	(4)
Realised gains	-	2	(2)
Income from valuation of cash flow hedges	1	-	1
Fair value gains	1	-	1
Income from fair value hedges	17	6	10
Fair value gains	17	6	10
Foreign exchange gains	5	4	2
Fair value gains	1	-	-
Realised gains	4	2	1
Other income	12	1	11
Total	**428**	**523**	**(94)**

The decrease in **Other income from financial activities**, compared to the previous year, is mainly due to lower realised gains from financial instruments.

Expenses from financial activities breaks down as follows:

tab. C2.3 – Expenses from financial activities

Description (€m)	FY 2022	FY 2021	Changes
Expense from financial instruments at FVTOCI	4	2	3
Realised losses	4	2	3
Expenses from financial instruments at amortised cost	53	96	(43)
Realised losses	53	96	(43)
Expenses from financial instruments at FVTPL	2	5	(4)
Fair value losses	1	2	(1)
Realised losses	-	3	(2)
Expenses from cash value hedges	-	1	(1)
Fair value losses	-	1	(1)
Interest expense	127	44	84
Interest on customers' deposits	85	1	84
Interest expense on repurchase agreements	14	9	6
Due to the Parent Company	4	9	(5)
On guarantee deposits	24	26	(1)
Interest expense on own liquid funds (finance costs)	(1)	(1)	-
Total	**187**	**148**	**39**

Expenses from financial activities increased compared to the 2021 financial year mainly due to higher interest expenses recognised to public customers for deposits on postal current accounts, as a result of the rise in the interest rate curve, partially offset by lower expenses for losses from the realisation of financial instruments.

C3 – Revenue from Insurance Services after changes in technical provisions and other claims expenses (€2,153 million)

This item breaks down as follows:

tab. C3 – Revenue from Insurance Services after changes in technical provisions and other claim expenses

Description (€m)	FY 2022	FY 2021	Changes
Insurance premium revenue	17,518	17,829	(311)
Income from insurance activities	4,437	4,374	63
Change in technical provisions for insurance business and other claim expenses	(13,794)	(19,964)	6,170
Expenses from insurance activities	(6,008)	(378)	(5,630)
Total	**2,153**	**1,861**	**292**

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

tab. C3.1 – Insurance premium revenue

Description (€m)	FY 2022	FY 2021	Changes
Class I	16,344	16,619	(275)
Class III	756	863	(107)
Classes IV and V	80	92	(12)
Gross "life" premiums	**17,179**	**17,574**	**(395)**
Outward reinsurance premiums	(10)	(10)	-
Net "life" premiums	**17,170**	**17,564**	**(394)**
P&C premiums	358	295	63
Outward reinsurance premiums	(10)	(30)	20
Net "P&C" premiums	**348**	**265**	**83**
Total	**17,518**	**17,829**	**(311)**

Life gross premiums amounted to €17,179 million. The decrease of €395 million compared to the previous year mainly relates to Branch I products (exclusively for the Multiramo product component).

Although marginal in relation to total net inflows, the contribution of net premiums pertaining to the P&C segment was up from €265 million in 2021 to the current €348 million, due to the growth in all business lines (property, personal and modular protection, payments and welfare protection).

Income from insurance activities is as follows:

tab. C3.2 – Income from insurance activities

Description (€m)	FY 2022	FY 2021	Changes
Income from financial instruments at FVTOCI	3,613	2,893	720
Interest	3,549	2,727	822
Realised gains	64	166	(102)
Income from financial instruments at amortised cost	6	5	1
Interest	6	5	1
Realised gains	-	-	-
Income from financial instruments at FVPL	693	1,382	(689)
Interest	321	297	24
Fair value gains	335	841	(506)
Realised gains	37	244	(207)
Other income	126	93	32
Total	**4,437**	**4,374**	**64**

The increase in Income from insurance activities of €64 million compared to the 2021 financial year was mainly attributable to income from financial assets at FVOCI in the amount of €720 million, mainly related to accrued interest, partly offset by the decrease (€689 million) in income from financial instruments at FVPL, due to the conditions in the financial markets. These gains from valuation, which are almost exclusively related to investments included in separately managed accounts, were almost entirely transferred to policyholders through the shadow accounting method.

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

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

Description (€m)	FY 2022	FY 2021	Changes
Claims paid	9,542	9,503	39
Change in mathematical provisions	6,031	7,141	(1,110)
Change in outstanding claim provisions	26	(11)	37
Change in Other technical provisions	(3,999)	308	(4,307)
Change in technical provisions where investment risk is transferred to policyholders	1,993	2,872	(879)
Total change in technical provisions for insurance business and other claim expenses: Life	**13,593**	**19,813**	**(6,220)**
Portion ceded to reinsurers: Life	**(9)**	**(6)**	**(3)**
Total change in technical provisions for insurance business and other claim expenses: P&C	**206**	**169**	**37**
Portion ceded to reinsurers: P&C	**4**	**(12)**	**16**
Total	**13,794**	**19,964**	**(6,170)**

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

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

Expenses from insurance activities break down as follows:

tab. C3.4 – Expenses from insurance activities

Description (€m)	FY 2022	FY 2021	Changes
Expense from financial instruments at FVOCI	252	19	232
Interest	5	10	(6)
Realised losses	247	9	238
Expense from financial instruments at FVPL	5,711	306	5,405
Fair value losses	5,382	205	5,176
Realised losses	329	101	229
Impairment losses/reversals of impairment losses due to credit risk	(4)	(7)	3
Other expenses	48	60	(10)
Total	**6,008**	**378**	**5,630**

The increase in Expenses from insurance activities (€5,630 million compared to the 2021 financial year) is mainly attributable to higher valuation losses on financial instruments at FVTPL, which were affected by the macroeconomic environment of the period.

C4 – Revenue from Payments and Mobile (€1,147 million)

This item breaks down as follows:

tab. C4 – Revenue from Payments and Mobile

Description (€m)	FY 2022	FY 2021	Changes
Electronic money	581	456	125
Fees for issue and use of prepaid cards	423	355	69
Acquiring	47	28	19
Other fees	111	73	38
Mobile	317	307	9
Payments services	233	115	118
Payment Slips	68	8	60
Commissions for processing tax payments using forms F23/F24	48	49	(1)
Money transfers	109	51	58
Other products and services	9	8	1
Revenue from energy services	12	-	12
Other operating income	4	4	1
Total	**1,147**	**882**	**265**

These consist of revenue from e-money products and payment services, revenue from mobile telephony services, and residually, starting from the year under review, from the sale of electricity and gas, rendered mainly by PostePay SpA and the LIS Group, which contributes to revenue for the last four months of the year.

Revenue from payment and mobile services posted an increase of €265 million compared to the same period of 2021, with a positive contribution from all segments. Specifically, the E-money and Collection and Payment Services segments, which benefited from the consolidation of the LIS Group as of September 2022, grew thanks to increased payment card operations, growth in acquiring transactions, higher revenue from the PagoPA service to the Public Administration and instant transfers from Postepay Evolution. Telecommunication services also recorded higher revenue compared to the same period in 2021, attributable to higher fixed telephony revenue driven by fibre connectivity service revenue. The positive contribution of the energy segment from 2022 onwards is also reported following the launch by Postepay of the new energy offer to employees, pensioners and family members of the Group.

C5 – Cost of goods and services (€2,960 million)

tab. C5 – Cost of goods and services

Description (€m)	FY 2022	FY 2021	Changes
Service costs	2,633	2,599	34
Lease expense	137	124	13
Raw, ancillary and consumable materials and goods for resale	190	150	40
Total	**2,960**	**2,873**	**87**

Costs for goods and services increased by a total of €87 million compared to the 2021 financial year mainly due to the expansion of the company scope during the year and the increase in costs generated by the international inflationary scenario exacerbated by the Russian-Ukrainian conflict.

Service costs

tab. C5.1 – Service costs

Description (€m)	FY 2022	FY 2021	Changes
Transport of mail, parcels and forms	1,084	1,072	12
Routine maintenance and technical assistance	250	248	2
Outsourcing fees and external service charges	256	267	(11)
Mobile telecommunication services for customers	169	194	(25)
Credit and debit card fees and charges	218	142	76
Personnel services	129	119	10
Energy and water	80	103	(23)
Cleaning, waste disposal and security	109	114	(5)
Transport of cash	62	72	(10)
Advertising and promotions	62	46	16
Exchange of mail and telegraphy	42	46	(4)
Telecommunications and data transmission	43	46	(3)
Asset management fees	43	43	-
Consultants' fees and legal expenses	18	18	-
Electronic document management, printing and enveloping services	12	13	(1)
Remuneration of Statutory Auditors	1	1	-
Other	55	54	1
Total	**2,633**	**2,599**	**34**

The increase in service costs is mainly due to the increase in credit/debit card management fees and charges also as a result of the consolidation of LIS Pay as of 1 September 2022, partially offset by lower costs for other services.

Lease expense

tab. C5.2 – Lease expense

Description (€m)	FY 2022	FY 2021	Changes
Equipment hire and software licences	86	68	18
Real estate leases and ancillary costs	36	36	-
Vehicle leases	3	3	-
Other lease expense	12	17	(5)
Total	**137**	**124**	**13**

Raw, ancillary and consumable materials and goods for resale

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

Description (€m)	FY 2022	FY 2021	Changes
Consumables, advertising materials and goods for resale	87	69	18
Fuels and lubricants	74	55	19
Electricity and gas costs	13	-	13
Electronic money card	9	11	(2)
Printing of postage and revenue stamps	4	4	-
SIM cards and scratch cards	1	-	1
Change in inventories of work in progress, semi-finished and finished goods and goods for resale	(5)	-	(5)
Change in inventories of raw, ancillary and consumable materials	6	11	(5)
Change in property held for sale	1	-	1
Total	**190**	**150**	**40**

The increase compared to the 2021 financial year was mainly affected by the generalised increase in the purchase prices of fuel and raw materials, higher costs in the energy segment as a result of the launch of the commercial offer during the year, and the expansion of the company scope during the financial year.

C6 – Personnel expenses (€5,226 million)

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

tab. C6 – Personnel expenses

Description (€m)	Note	FY 2022	FY 2021	Changes
Wages and salaries		3,856	3,924	(68)
Social security contributions		1,099	1,116	(17)
Employee termination benefits: current service cost	[tab. B7]	2	1	1
Employee termination benefits: supplementary pension funds and INPS		234	232	2
Agency staff		3	11	(8)
Remuneration and expenses paid to Directors		3	2	1
Early retirement incentives		22	40	(18)
Net provisions (reversals) for disputes with staff	[tab. B6]	(3)	-	(3)
Allocations to the provisions for early retirement incentives	[tab. B6]	54	195	(141)
Amounts recovered from staff due to disputes		(4)	(4)	-
Share-based payments		9	12	(3)
Other personnel expenses/(cost recoveries)		(49)	(62)	13
Total		**5,226**	**5,467**	**(241)**

Personnel expenses decreased compared to 2021 by €241 million attributable, for the extraordinary component, to lower redundancy incentives, and for the ordinary component, mainly to the reduction in average headcount (about 1,600 FTE less than in 2021), which includes the effect of the entry of resources (about 1,300 in total) from the companies acquired in April (Plurima), September (LIS) and October (Sourcesense and Agile).

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

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

tab. C6.1 – Number of employees

	Average			Year end		
Category	**FY 2022**	**FY 2021**	**Changes**	**31.12.2022**	**31.12.2021**	**Changes**
Executives	660	668	(8)	679	627	52
Middle managers	15,136	15,172	(36)	15,161	14,843	318
Operational staff	89,871	91,811	(1,940)	89,896	89,130	766
Back-office staff	4,619	4,657	(38)	6,080	3,435	2,645
Total employees on permanent contracts*	**110,286**	**112,308**	**(2,022)**	**111,816**	**108,035**	**3,781**

* Figures expressed in Full Time Equivalent terms.

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 119,806 (in 2021: 121,423).

C7 – Depreciation, amortisation and impairments (€830 million)

This item breaks down as follows:

tab. C7 – Depreciation, amortisation and impairments

Description (€m)	FY 2022	FY 2021	Changes
Depreciation of property, plant and equipment	230	220	10
Impairments/recoveries/adjustments of property, plant and equipment	(4)	(17)	13
Depreciation of investment property	1	1	-
Amortisation and impairments of intangible assets	354	345	9
Depreciation of right-of-use assets	251	237	14
Impairments/recoveries/adjustments of right of use	(2)	4	(6)
Total	**830**	**790**	**40**

Depreciation, amortisation and impairment showed an increase of €40 million compared to 2021, mainly due to higher depreciation and lower impairment losses on property, plant and equipment (€23 million), amortisation of intangible assets (€9 million) related to investments in software applications that became available for use and to gains recognised in accordance with IFRS 3 as a result of company acquisitions made during the year and, residually, to rights of use (€8 million) mainly due to the expansion of the company scope.

C8 – Capitalised costs and expenses (€41 million)

Capitalised costs and expenses break down as follows:

tab. C8 – Increases relating to assets under construction

Description (€m)	Note	FY 2022	FY 2021	Changes
Property, plant and machinery:	**[A1]**	**3**	**2**	**1**
Cost of goods and services		3	2	1
Intangible assets:	**[A3]**	**38**	**31**	**7**
Cost of goods and services		3	2	1
Personnel expenses		33	27	6
Depreciation and amortisation		2	2	-
Total		**41**	**33**	**8**

C9 – Other operating costs (€519 million)

Other operating costs break down as follows:

tab. C9 – Other operating costs

Description (€m)	Note	FY 2022	FY 2021	Changes
Net provisions for risks and charges made/(released)		323	94	228
for disputes with third parties	[tab. B6]	24	56	(32)
for operational risks	[tab. B6]	(11)	21	(32)
for other risks and charges	[tab. B6]	(10)	16	(26)
for taxation	[tab. B6]	(1)	1	(2)
for risks on tax credit - Law no. 77/2020	[tab. B6]	320	-	320
Operational risk events		25	17	8
Thefts		2	3	-
Loss of BancoPosta assets, net of recoveries		4	-	4
Other operating losses of BancoPosta		19	14	4
Capital losses		2	3	(1)
Municipal property tax, urban waste tax and other taxes and duties		107	75	31
Other current expenses		62	65	(2)
Total		**519**	**253**	**265**

Other operating costs increased compared to the year of comparison due to higher provisions for risks on tax credits, partly offset by lower net allocations to the remaining items of other provisions for risks and charges due to both updated estimated liabilities and the disappearance of those identified in the past. For further details, see Note B6 - *Provisions for risks and charges*.

C10 – Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets (€104 million)

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

Description (€m)	FY 2022	FY 2021	Changes
Net impairments and losses on receivables and other assets (uses of provisions)	97	33	64
Impairment losses/(reversals of impairment losses) financial activities	1	1	-
Impairment losses/(reversals of impairment losses) debt instruments at FVTOCI	4	(6)	10
Impairment losses/(reversals of impairment losses) debt instruments at amortised cost	2	(4)	6
Total	**104**	**24**	**80**

C11 – Finance income (€169 million) and costs (€126 million)

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

Finance income

tab. C11.1 – Finance income

Description (€m)	FY 2022	FY 2021	Changes
Income from financial instruments at FVTOCI	66	43	23
Interest	64	42	22
Accrued differentials on fair value hedges	1	(2)	3
Realised gains	1	3	(2)
Income from financial instruments at amortised cost	64	60	4
Interest	64	60	4
Income from financial instruments at FVPL	8	6	2
Fair value gains	3	4	(1)
Accrued differentials on derivative financial instruments at FVPL	5	2	3
Income from financial liabilities at FVTPL	11	17	(6)
Other finance income	10	238	(228)
Finance income on discounted receivables	2	3	(1)
Late payment interest	23	24	(1)
Impairment of amounts due as late payment interest	(22)	(20)	(2)
Nexi transaction revaluation proceeds	-	225	(225)
Other income	2	6	(4)
Foreign exchange gains	11	5	6
Total	**169**	**369**	**(200)**

For the purposes of reconciliation with the statement of cash flows, in 2022 finance income after both realised gains and foreign exchange gains amounted to €157 million (€136 million in 2021 net of Nexi transaction proceeds).

Finance income decreased by €199 million compared with the previous year. It should be noted that the 2021 financial year benefited from the positive effect of the non-recurring capital gain recognised as a result of the SIA-Nexi transaction in the amount of €225 million.

Finance costs

tab. C11.2 – Finance costs

Description (€m)	Note	FY 2022	FY 2021	Changes
Finance costs on financial liabilities		33	33	-
on bonds		4	3	1
on due to financial institutions		4	3	1
on lease payables		24	24	-
from derivative financial instruments		1	2	(1)
Sundry costs on financial assets		18	2	16
Realised losses on financial instruments at FVOCI		-	-	-
Losses from valuation on financial instruments at FVTPL		18	2	16
Realised losses on financial instruments at FVPL		-	-	-
Finance costs on provisions for employee termination benefits and pension plans	[tab. B7]	16	9	7
Interest expense on own liquid funds		1	1	-
Other finance costs		50	19	31
Foreign exchange losses		9	9	-
Total		**126**	**73**	**53**

For the purposes of reconciliation with the statement of cash flows, in 2022 finance costs after foreign exchange losses amounted to €118 million (€64 million in 2021).

C12 – Income tax expense (€817 million)

tab. C12 – Income tax expense

Description (€m)	FY 2022				FY 2021				
	IRES	IRAP	Foreign companies	Total	IRES	IRAP	Foreign companies	Total	Changes
Current tax expense	408	111	1	520	400	112	1	513	7
Deferred tax assets	50	11	-	61	22	9	-	31	30
Deferred tax liabilities	190	47	-	236	38	6	-	44	193
Total	**647**	**169**	**1**	**817**	**460**	**127**	**1**	**588**	**228**

Income taxes increased by €228 million compared to the previous year, mainly due to higher taxes recognised by the Parent Company as a result of the improved result for the year.

Below is the reconciliation of the Parent Company's theoretical IRES tax rate and the effective tax rate of 35.11%:

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

Description (€m)	FY 2022 Tax	FY 2022 Tax Rate	FY 2021 Tax	FY 2021 Tax Rate
Profit before tax	2,328		2,168	
Theoretical tax charge	559	24.00%	520	24.00%
Effect of increases/(decreases) on theoretical tax charge				
Non-deductible out-of-period losses	6	0.25%	11	0.49%
Net provisions for risks and charges and impairment of receivables	99	4.24%	22	1.03%
Non-deductible taxes	1	0.06%	4	0.18%
Realignment of tax bases and carrying amounts and taxation for previous years	(10)	-0.44%	(17)	-0.78%
Technical provisions for insurance business	0	0.01%	-	-0.02%
Adjustments to equity investments measured using the equity method	1	0.06%	(6)	-0.28%
Effect of foreign company taxes	(1)	-0.03%	-	-0.01%
Revaluation of equity instruments (SIA-Nexi transaction)	-	0.00%	(48)	-2.23%
Patent Box and ACE tax effect	(6)	-0.27%	(12)	-0.57%
Other differences	(0)	-0.02%	(12)	-0.50%
IRAP Italian companies	169	7.25%	126	5.83%
Effective tax charge	**817**	**35.11%**	**588**	**27.13%**

With reference to the impairment losses, arising from the derecognition of certain maturing receivables not offset during the year, and the provision for tax credits (see also Note A10 - *Tax Credits Law no. 77/2020*), considering the current uncertainty regarding the relative tax treatment and the Company's need to consult the Agenzia delle Entrate in advance, based on the provisions of IFRIC 23 - Uncertainty of Treatment for Income Tax Purposes, the aforementioned charges have been valued as non-deductible for the purpose of determining income taxes for the year and no deferred tax assets have been recognised on these charges. The possible positive tax effects that may emerge as a result of potential developments in the interpretation of the cases in question and the conclusion of discussions with the Agenzia delle Entrate will be reflected in future financial statements.

Current tax expense

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

Description (€m)	Current tax 2022 IRES Assets/ (Liabilities)	IRAP Assets/ (Liabilities)	Foreign companies Assets/ (Liabilities)	Total
Balance at 1 January	**93**	**7**	**(1)**	**99**
Payments	393	120	-	513
Provisions to profit or loss	(408)	(111)	(1)	(520)
Provisions to equity	3	(3)	-	(1)
Other	(7)	0	(0)	(7)
Balance at 31 December	**70**	**12**	**(2)**	**80**
Of which:				
Current tax assets	94	46	-	140
Current tax liabilities	(24)	(33)	(2)	(60)

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

At 31 December 2022, current tax assets/(liabilities) include:

- the liability of €12 million determined by IRES and IRAP provisions for the year 2022 net of IRES and IRAP advances paid and IRES and IRAP receivables from the previous year;
- a net liability for a total of €3 million recognised following the response received to the petition filed by the Parent Company with the Agenzia delle Entrate on the IRAP treatment of the components of employee termination benefits. In its reply, the Agenzia delle Entrate indicated a different criterion for the time allocation of these components from that provided for by international accounting standards;
- assets totalling €45 million (including €12 million recognised by the Poste Vita and €33 million by the Parent Company), relating to participation in the Patent Box scheme and the tax benefit for the Parent Company linked to the Aid to Economic Growth (ACE) for 2016. These assets will become offsettable after the submission of the relevant supplementary tax returns;
- assets for a total of €14 million related to a request for a tax ruling filed by the Parent Company referring to the tax recognition of income components arising from the management of postal current account balances;
- the substitute tax credit of €18 million relating to the redemption carried out by the Parent Company during 2018, pursuant to art. 15, paragraph 10 ter of Law Decree no. 185 of 29 November 2008, of goodwill and other intangible assets relating to the acquisition of the equity investment in FSIA Investimenti Srl;
- the substitute tax credit of €8 million relating to the redemption carried out by the Parent Company during the year, pursuant to art. 15, paragraphs 10 bis and 10 ter of Law Decree no. 185 of 29 November 2008, of the goodwill arising from the acquisition of the equity investments in Nexive Group and Sengi Express Limited. The payment of the substitute tax will allow, as of the financial year following the payment for Nexive Group and as of the second financial year following the payment for Sengi Express Limited, the amounts of the redeemed goodwill to be deducted for tax purposes;
- assets totalling €9 million recognised as a result of the responses received to two requests for a tax ruling filed with the Agenzia delle Entrate concerning the tax effects of application of IFRS 9 and 15. These assets will become compensable after the submission of the relevant supplementary tax returns;
- the remaining IRES receivable of €1 million to be recovered on the failure to deduct IRAP resulting from the requests filed pursuant to art. 6 of Law Decree no. 185 of 29 November 2008 and art. 2 of Law Decree no. 201 of 6 December 2011, which provided for partial deductibility of IRAP for IRES purposes. It should be noted that during the year, an amount of €4 million was collected from the Parent Company (in this regard, see the information on receivables for related interest in Note A9).

Deferred tax assets and liabilities

tab. C12.3 – Deferred tax assets and liabilities

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021
Deferred tax assets	2,044	1,245
Deferred tax liabilities	(700)	(953)
Total	**1,344**	**292**

Movements in deferred tax assets and liabilities are shown below:

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

Description (€m)	FY 2022	FY 2021
Balance at 1 January	**292**	**(106)**
Net income/(expense) recognised in profit or loss	(297)	(75)
Net income/(expense) recognised in equity	1,416	470
Change in scope of consolidation	(66)	3
Balance at 31 December	**1,344**	**292**

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

tab. C12.5 – Movements in deferred tax assets

Description	Property, plant and equipment and intangible assets	Depreciation and amortisation	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Technical provisions for insurance business	Other	Total
Balance at 1 January 2022	**51**	**12**	**226**	**100**	**296**	**34**	**449**	**77**	**1,245**
Income/(expense) recognised in profit or loss	(2)	(2)	(1)	(7)	(57)	(1)	18	(11)	(61)
Income/(expense) recognised in equity	-	-	891	-	-	(32)	-	-	859
Balance at 31 December 2022	**50**	**11**	**1.119**	**94**	**237**	**1**	**467**	**67**	**2,044**

tab. C12.6 – Movements in deferred tax assets and assets

Description	Financial assets and liabilities	Other	Total
Balance at 1 January 2022	**892**	**61**	**953**
Expense/(income) recognised in profit or loss	227	11	236
Expense/(income) recognised in equity	(557)	-	(557)
Balance at 31 December 2022	**562**	**74**	**700**

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

tab. C12.7 – Deferred tax assets and liabilities recognised in equity

Description (€m)	FY 2022	FY 2021
Fair value reserve for financial assets at FVTOCI	1,407	420
Cash flow hedge reserve for hedging instruments	37	54
Actuarial gains/(losses) on employee termination benefits	(32)	(4)
Other	4	-
Total	**1,416**	**470**

4.4 Operating segments

The identified operating segments, which are in line with the Group's strategic guidelines, are as follows:

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

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

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

FY 2022 (€m)	**Mail, Parcels & Distribution**	**Financial Services**	**Insurance Services**	**Payments and Mobile**	**Adjustments and eliminations**	**Total**
Net external revenue from ordinary activities	3,651	4,938	2,153	1,147	-	11,889
Net intersegment revenue from ordinary activities	4,862	820	3	264	(5,948)	-
Net operating revenue	**8,512**	**5,759**	**2,156**	**1,410**	**(5,948)**	**11,889**
Depreciation, amortisation and impairments	(805)	(0)	(3)	(23)	2	(830)
Non-cash expenses	(498)	21	(1)	(7)	-	(486)
Total non-cash expenses	**(1,304)**	**20**	**(5)**	**(30)**	**2**	**(1,316)**
Operating profit/(loss)	**(326)**	**887**	**1,350**	**379**	**(0)**	**2,291**
Finance income/(costs)	(31)	(13)	87	(0)	-	43
(Impairment losses)/reversal of impairment losses on debt instruments, receivables and other assets	1	0	(0)	(0)	-	0
Profit/(Loss) on investments accounted for using the equity method	1	(7)	-	-	-	(6)
Intersegment finance income/(costs)	46	(2)	(45)	1	0	-
Income tax expense	(52)	(243)	(413)	(110)	-	(817)
Net profit/(loss) for the year	**(361)**	**622**	**979**	**270**	**0**	**1,511**
External revenue from contracts with customers	**3,208**	**2,520**	**-**	**1,146**	**-**	**6,875**
Recognition at a point in time	400	233	-	485	-	1,118
Recognition over time	2,808	2,288	-	661	-	5,757

FY 2022 (€m)	**Mail, Parcels & Distribution**	**Financial Services**	**Insurance Services**	**Payments and Mobile**	**Adjustments and eliminations**	**Total**
Assets	**12,902**	**104,744**	**148,495**	**11,743**	**(16,258)**	**261,626**
Non-current assets	9,701	72,202	132,424	742	(3,698)	211,370
Current assets	3,201	32,542	16,072	11,001	(12,560)	50,256
Liabilities	**10,393**	**103,406**	**141,680**	**10,332**	**(13,121)**	**252,689**
Non-current liabilities	4,623	10,339	140,653	83	(559)	155,138
Current liabilities	5,770	93,067	1,027	10,249	(12,562)	97,551
Other information						
Capital expenditure	788	0	0	23	-	810
Investments accounted for using the equity method	4	262	-	-	-	267

FY 2022 (€m)	Mail, Parcels & Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Net external revenue from ordinary activities	3,694	4,783	1,861	882	-	11,220
Net intersegment revenue from ordinary activities	4,696	759	3	319	(5,778)	-
Net operating revenue	**8,391**	**5,542**	**1,864**	**1,201**	**(5,778)**	**11,220**
Depreciation, amortisation and impairments	(770)	(0)	(4)	(16)	1	(790)
Non-cash expenses	(64)	(44)	(5)	(12)	-	(125)
Total non-cash expenses	**(834)**	**(44)**	**(9)**	**(28)**	**1**	**(915)**
Operating profit/(loss)	**(301)**	**747**	**1,119**	**282**	**(0)**	**1,846**
Finance income/(costs)	(18)	(13)	101	226	-	296
(Impairment losses)/reversal of impairment losses on debt instruments, receivables and other assets	0	(0)	0	0	-	(0)
Profit/(Loss) on investments accounted for using the equity method	1	22	-	3	-	26
Intersegment finance income/(costs)	46	1	(48)	(0)	0	-
Income tax expense	46	(200)	(349)	(85)	-	(588)
Net profit/(loss) for the year	**(226)**	**556**	**824**	**425**	**0**	**1,580**

External revenue from contracts with customers	**3,165**	**2,735**	**-**	**882**	**-**	**6,781**
Recognition at a point in time	447	282	-	372	-	1,101
Recognition over time	2,718	2,453	-	510	-	5,680

31 December 2021 (€m)	Mail, Parcels & Distribution	Financial Services	Insurance Services	Payments and Mobile	Adjustments and eliminations	Total
Assets	**12,865**	**109,410**	**166,377**	**10,194**	**(14,117)**	**284,728**
Non-current assets	7,849	76,384	154,409	783	(2,773)	236,652
Current assets	5,016	33,026	11,967	9,411	(11,344)	48,076
Liabilities	**10,088**	**104,996**	**160,439**	**9,304**	**(12,209)**	**272,618**
Non-current liabilities	4,320	15,126	159,654	336	(909)	178,528
Current liabilities	5,769	89,870	784	8,968	(11,301)	94,090
Other information						
Capital expenditure	739	-	-	15	-	754
Investments accounted for using the equity method	3	274	-	-	-	277

Disclosure about geographical segments, based on the geographical areas in which the various Group companies are based or the location of its customers, is of no material significance. At 31 December 2022, the entities consolidated on a line-by-line basis are mainly based in Italy and, on a residual and insignificant basis in China and the United Kingdom[182]; customers are mainly located in Italy: revenue from foreign customers does not account for a significant percentage of total revenue. Assets include those deployed by the segment in the course of ordinary business activities and those that could be allocated to it for the performance of such activities.

182. Total net revenue from ordinary operations by third parties recognised by the fully consolidated companies based in China and the United Kingdom amounted to €117 million, while EBIT and net trading income amounted to €8 million.

4.5 Related party transactions

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

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

Impact of related party transactions on the financial position at 31 December 2022

Name (€m)	Balance at 31.12.2022						
	Financial assets	Trade receivables	Other assets Other receivables	Cash and cash equivalents	Financial liabilities	Trade payables	Other liabilities
Subsidiaries							
Address Software Srl	-	-	-	-	-	1	-
Kipoint SpA	-	1	-	-	1	2	-
Associates							
Anima Holding Group	-	-	-	-	-	7	-
Italia Camp Srl	-	-	-	-	-	-	-
Financit SpA	-	3	-	-	-	16	-
Eurizon Capital Real Asset SGR	-	-	-	-	-	1	-
Related parties external to the Group							
MEF	11,907	384	17	1,991	4,176	4	1
Cassa Depositi e Prestiti Group	3,388	26	-	-	-	16	-
Enel Group	-	23	-	-	-	-	-
Eni Group	-	5	-	-	-	7	-
SACE Group	-	-	-	-	-	-	-
Leonardo Group	-	1	-	-	-	15	-
Montepaschi Group	276	1	-	-	397	-	-
Other related	20	21	1	-	4	4	68
Provision for doutful debts	(27)	(31)	(6)	-	-	-	-
Total	**15,564**	**435**	**12**	**1,991**	**4,578**	**72**	**69**

At 31 December 2022, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to €67 million (€72 million at 31 December 2021).

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

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

At 31 December 2022, net provisions for risks and charges used to cover probable liabilities arising from transactions with related parties external to the Group attributable to trading relations amounted to about €0.7 million (€0.4 million at 31 December 2021).

Impact of related party transactions on profit or loss in FY 2022

	Balance at 31.12.2022												
	Revenue					Costs							
						Capital expenditure		Current expenses					
Name (€m)	**Revenue and income from Mail, Parcels and other**	**Revenue from Payments and Mobile**	**Revenue from Financial Services**	**Revenue from Insurance Services after changes in technical provisions and other claim expenses**	**Finance income**	**Property, plant and equipment**	**Intangible assets**	**Cost of goods and services**	**Personnel expenses**	**Other operating costs**	**Expenses from financial activities**	**Impairment losses/ (reversals of impairment losses) on debt instruments, receivables and other assets**	**Finance costs**
Subsidiaries													
Address Software Srl	-	-	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	0	-	-	-	-	-	-	2	(0)	-	-	-	0
Associates													
Anima Holding Group	2	-	-	-	-	-	-	29	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	(0)	-	-	-	-
Eurizon Capital Real Asset SGR	-	-	-	-	-	-	-	2	-	-	-	-	-
Related parties external to the Group													
MEF	730	48	385	-	1	0	-	1	-	3	3	1	1
Cassa Depositi e Prestiti Group	16	0	1,665	16	-	9	3	48	0	0	-	0	1
Enel Group	41	-	1	0	-	-	0	1	-	0	-	0	-
Eni Group	10	-	1	-	-	0	-	41	-	0	-	-	-
Equitalia Group	1	-	-	-	-	-	-	-	-	-	-	-	-
SACE Group	1	-	-	-	-	-	-	-	-	-	-	-	-
Leonardo Group	1	-	-	-	-	0	2	25	-	-	-	-	-
Montepaschi Group	16	-	1	-	-	-	-	0	-	-	1	-	0
Other related parties external to the Group	35	2	0	-	-	-	-	16	71	1	-	-	0
Total	**893**	**51**	**2,052**	**16**	**1**	**9**	**6**	**167**	**71**	**5**	**4**	**1**	**2**

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

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

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

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

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

Impact of related party transactions or positions

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

Impact of related party transactions

Description (€m)	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
	Balance at 31.12.2022			Balance at 31.12.2021		
Financial position						
Financial assets	226,140	15,564	6.9	248,856	16,635	6.7
Trade receivables	2,182	435	19.9	2,511	575	22.9
Other receivables and assets	5,214	12	0.2	5,158	10	0.2
Cash and cash equivalents	4,983	1,991	40.0	7,958	1,991	25.0
Provisions for risks and charges	1,355	67	4.9	1,268	72	5.7
Financial liabilities	103,645	4,578	4.4	104,732	3,800	3.6
Trade payables	2,234	72	3.2	2,029	82	4.0
Other liabilities	4,004	69	1.7	3,609	73	2.0

	Balance at 31.12.2022			Balance at 31.12.2021		
Profit or loss						
Revenue from Mail, Parcels & other	3,651	893	24.5	3,694	466	12.6
Net revenue from Financial Services	4,938	2,048	41.5	4,783	1,909	39.9
Revenue from Insurance Services after changes in technical provisions and other claim expenses	2,153	16	0.7	1,861	15	0.8
Revenue from Payments and Mobile services	1,147	51	4.4	882	49	5.6
Cost of goods and services	2,960	167	5.6	2,873	161	5.6
Personnel expenses	5,226	71	1.4	5,467	73	1.3
Other operating costs	519	5	1.0	253	6	2.4
Finance costs	126	2	1.6	73	2	2.7
Finance income	169	1	0.6	369	1	0.3
Cash flows						
Net cash flow from/(for) operating activities	180	1,971	1,095	4,184	(5,975)	n.a.
Net cash flow from/(for) investing activities	(1,606)	(7)	0	(422)	(1)	0.2
Net cash flow from/(for) financing activities and shareholder transactions	(1,549)	(512)	33	(321)	(422)	131

Key management personnel

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

Remuneration of key management personnel

Description (€k)	Balance at 31.12.2022	Balance at 31.12.2021
Remuneration to be paid in short/medium term	13,164	13,189
Post-employment benefits	571	568
Other benefits to be paid in longer term	1,871	2,447
Share-based payments	2,469	4,488
Total	**18,075**	**20,692**

Remuneration of Statutory Auditors

Name (€k)	Balance at 31.12.2022	Balance at 31.12.2021
Remuneration	1,275	1,146
Expenses	71	49
Total	**1,346**	**1,195**

The remuneration paid to members of the Parent Company's Supervisory Board for 2022 amounts to approximately €97 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the period and, at 31 December 2022, Group companies do not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

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

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POSTE ITALIANE SPA

FINANCIAL STATEMENTS AT 31 DECEMBER **2022**

5. Poste Italiane SpA Financial Statements at 31 December 2022

5.1 Financial Statements

Statement of Financial Position

Assets (figures in €)	Notes	31 December 2022	*of which related parties*	31 December 2021	*of which related parties*
Non-current assets					
Property, plant and equipment	[A1]	2,203,281,482	-	2,110,135,123	-
Investment property	[A2]	30,622,319	-	31,867,655	-
Intangible assets	[A3]	944,624,830	-	827,850,352	-
Right-of-use assets	[A4]	1,039,707,878	-	944,837,581	-
Investments	[A5]	3,676,236,144	*3,676,236,144*	2,597,963,884	*2,597,963,884*
Financial assets	[A6]	62,775,153,352	*3,391,476,890*	69,430,001,636	*3,563,071,036*
Trade receivables	[A8]	762,775	-	1,444,601	-
Deferred tax assets	[C11]	1,455,493,776	-	673,928,219	-
Other receivables and assets	[A9]	1,788,073,590	*1,586,649*	1,674,174,765	*1,586,649*
Tax credits Law no. 77/2020	[A10]	7,457,745,566	-	5,550,787,032	-
Total		**81,371,701,712**		**83,842,990,848**	
Current assets					
Inventories	[A7]	4,157,570	-	10,892,808	-
Trade receivables	[A8]	2,656,054,944	*1,206,342,400*	2,923,894,324	*1,279,804,421*
Current tax assets	[C11]	98,312,324	-	105,707,017	-
Other receivables and assets	[A9]	832,135,995	*32,974,635*	972,639,259	*77,992,685*
Tax credits Law no. 77/2020	[A10]	1,563,051,854	-	905,334,967	-
Financial assets	[A6]	21,421,328,172	*12,095,426,518*	20,782,886,770	*12,976,002,876*
Cash and deposits attributable to BancoPosta	[A11]	5,848,037,590	-	7,658,525,248	-
Cash and cash equivalents	[A12]	2,257,992,640	*1,991,118,738*	3,869,639,203	*1,990,837,959*
Total		**34,681,071,089**		**37,229,519,596**	
Total Assets		**116,052,772,801**		**121,072,510,444**	

Liabilities and Equity (figures in €)	Notes	31 December 2022	*of which related parties*	31 December 2021	*of which related parties*
Equity					
Share capital	[B1]	1,306,110,000	-	1,306,110,000	-
Treasury shares		(62,850,781)	-	(39,809,472)	-
Reserves	[B2]	162,829,069	-	3,485,766,355	-
Retained earnings/(Accumulated losses)		2,401,421,381	-	2,282,303,950	-
Total		**3,807,509,669**		**7,034,370,833**	
Non-current liabilities					
Provisions for risks and charges	[B4]	740,904,188	*55,226,126*	628,455,987	*59,576,036*
Employee termination benefits	[B5]	677,640,667	-	896,075,368	-
Financial liabilities	[B6]	10,600,138,427	*231,168,307*	14,947,537,167	*188,720,039*
Deferred tax liabilities	[C11]	231,802,483	-	673,469,161	-
Other liabilities	[B8]	1,907,044,515	*889,202*	1,676,549,800	*1,417,574*
Total		**14,157,530,280**		**18,822,087,483**	
Current liabilities					
Provisions for risks and charges	[B4]	515,658,933	*12,097,961*	540,723,533	*12,301,569*
Trade payables	[B7]	1,969,876,704	*478,400,954*	2,031,318,809	*547,595,715*
Current tax liabilities	[C11]	44,379,053	-	1,380,316	-
Other liabilities	[B8]	1,455,075,322	*214,726,262*	1,331,988,195	*104,374,640*
Financial liabilities	[B6]	94,102,742,840	*15,345,654,065*	91,310,641,275	*13,735,122,147*
Total		**98,087,732,852**		**95,216,052,128**	
Total Liabilities and Equity		**116,052,772,801**		**121,072,510,444**	

Statement of Financial Position (continued)

Supplementary Statement showing BancoPosta RFC at 31.12.2022

Assets (figures in €)	Notes	Capital outside the ring-fence	BancoPosta RFC	Eliminations	Total
Non-current assets					
Property, plant and equipment		2,203,281,482	-	-	2,203,281,482
Investment property		30,622,319	-	-	30,622,319
Intangible assets		944,624,830	-	-	944,624,830
Right-of-use assets		1,039,707,878	-	-	1,039,707,878
Investments		3,676,236,144	-	-	3,676,236,144
Financial assets		874,904,811	61,900,248,541	-	62,775,153,352
Trade receivables		762,775	-	-	762,775
Deferred tax assets	[C11]	298,182,186	1,157,311,590	-	1,455,493,776
Other receivables and assets	[A9]	50,180,229	1,737,893,361	-	1,788,073,590
Tax credits Law no. 77/2020	[A10]	330,431,856	7,127,313,710	-	7,457,745,566
Total		**9,448,934,510**	**71,922,767,202**	**-**	**81,371,701,712**
Current assets					
Inventories		4,157,570	-	-	4,157,570
Trade receivables	[A8]	1,836,768,708	819,286,236	-	2,656,054,944
Current tax assets		98,312,324	-	-	98,312,324
Other receivables and assets	[A9]	259,503,121	572,632,874	-	832,135,995
Tax credits Law no. 77/2020	[A10]	89,847,114	1,473,204,740	-	1,563,051,854
Financial assets		29,409,273	21,391,918,899	-	21,421,328,172
Cash and deposits attributable to BancoPosta	[A11]	-	5,848,037.590	-	5,848,037,590
Cash and cash equivalents	[A12]	241,439,753	2,016,552,887	-	2,257,992,640
Total		**2,559,437,863**	**32,121,633,226**	**-**	**34,681,071,089**
Intersegment relations net amount		**-**	**129,677,856**	**(129,677,856)**	**-**
Total Assets		**12,008,372,373**	**104,174,078,284**	**(129,677,856)**	**116,052,772,801**

Liabilities and Equity (figures in €)	Notes	Capital outside the ring-fence	BancoPosta RFC	Eliminations	Total
Equity					
Share capital		1,306,110,000	-	-	1,306,110,000
Treasury shares		(62,850,781)	-	-	(62,850,781)
Reserves	[B2]	822,795,833	(659,966,764)	-	162,829,069
Retained earnings/(Accumulated losses)		427,374,281	1,974,047,100	-	2,401,421,381
Total		**2,493,429,333**	**1,314,080,336**	**-**	**3,807,509,669**
Non-current liabilities					
Provisions for risks and charges	[B4]	595,887,291	145,016,897	-	740,904,188
Employee termination benefits	[B5]	675,658,094	1,982,573	-	677,640,667
Financial liabilities		2,668,161,530	7,931,976,897	-	10,600,138,427
Deferred tax liabilities	[C11]	6,227,317	225,575,166	-	231,802,483
Other liabilities	[B8]	168,859,648	1,738,184,867	-	1,907,044,515
Total		**4,114,793,880**	**10,042,736,400**	**-**	**14,157,530,280**
Current liabilities					
Provisions for risks and charges	[B4]	472,615,588	43,043,345	-	515,658,933
Trade payables	[B7]	1,788,311,580	181,565,124	-	1,969,876,704
Current tax liabilities		44,379,053	-	-	44,379,053
Other liabilities	[B8]	1,374,614,838	80,460,484	-	1,455,075,322
Financial liabilities		1,590,550,245	92,512,192,595	-	94,102,742,840
Total		**5,270,471,304**	**92,817,261,548**	**-**	**98,087,732,852**
Intersegment relations net amount		**129,677,856**	**-**	**(129,677,856)**	**-**
Total Liabilities and Equity		**12,008,372,373**	**104,174,078,284**	**(129,677,856)**	**116,052,772,801**

Statement of Financial Position (continued)

Supplementary Statement showing BancoPosta at 31.12.2021

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

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

Statement of Profit or Loss

(figures in €)	Notes	FY 2022	*of which related parties*	FY 2021	*of which related parties*
Revenue from sales and services	[C1]	8,903,676,705	*4,285,273,955*	8,485,026,380	*3,653,819,723*
Other income from financial activities	[C2]	427,964,847	-	523,113,943	-
Other operating income	[C3]	721,244,219	*667,154,668*	683,080,503	*627,082,678*
Total revenue		**10,052,885,771**		**9,691,220,826**	
Cost of goods and services	[C4]	2,497,560,589	*1,414,663,808*	2,485,746,083	*1,399,811,077*
Expenses from financial activities	[C2]	215,134,855	*32,681,434*	177,863,666	*37,965,371*
Personnel expenses	[C5]	4,986,728,183	*65,312,252*	5,235,409,900	*71,940,755*
Amortisation and impairments	[C6]	743,981,131	*4,914,188*	715,251,253	*4,669,106*
Capitalised costs and expenses		(36,895,738)	-	(30,765,998)	-
Other operating costs	[C7]	473,146,063	*7,525,172*	209,128,719	*4,336,072*
of which non-recurring costs		*320,000,000*		-	
Impairment losses/(reversals of impairment losses) on debt instruments, receivables and other assets	[C8]	97,051,092	*950,386*	14,083,421	*(4,064,499)*
Operating profit/(loss)		**1,076,179,596**		**884,503,782**	
Finance costs	[C9]	71,125,774	*4,674,892*	64,136,159	*2,616,133*
Finance income	[C9]	94,605,058	*77,618,762*	76,053,961	*56,764,966*
Impairment losses/(reversals of impairment losses) on financial assets	[C10]	(598,953)	*(48,335)*	(183,867)	*(228,153)*
Profit/(Loss) before tax		**1,100,257,833**		**896,605,451**	
Income tax expense	[C11]	253,145,095	-	99,413,907	-
Profit for the Year		**847,112,738**		**797,191,544**	

Statement of comprehensive income

(figures in €)	Notes	FY 2022	FY 2021
Net profit/(loss) for the year		**847,112,738**	**797,191,544**
Items to be reclassified in the Statement of profit or loss for the year			
FVTOCI debt instruments and receivables			
Increase/(decrease) in fair value during the year		(4,405,691,981)	(1,007,889,068)
Transfers to profit or loss from realisation	[tab. B2]	(150,548,691)	(419,700,895)
Increase/(decrease) for expected losses	[tab. B2]	4,153,828	(5,883,608)
Cash flow hedges			
Increase/(decrease) in fair value during the year	[tab. B2]	278,515,402	(177,529,225)
Transfers to profit or loss	[tab. B2]	(408,797,835)	(7,746,497)
Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the year		1,334,512,522	459,566,489
Items not to be reclassified in the Statement of profit or loss for the year			
FVTOCI equity instruments			
Increase/(decrease) in fair value during the year		(71,808,237)	27,664,265
Transfers to equity		-	-
Actuarial gains/(losses) on employee termination benefits	[tab. B5]	119,481,198	(4,306,905)
Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the year		(32,308,009)	2,127,900
Total other comprehensive income		**(3,332,491,803)**	**(1,133,697,544)**
Total comprehensive income for the Year		**(2,485,379,065)**	**(336,506,000)**

Statement of Changes in Equity

(figures in €)	Equity										Total
			Reserves								
	Share capital	Treasury shares	Legal reserve	BancoPosta RFC reserve	Equity instruments - perpetual hybrid bonds	Fair Value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus	Retained earnings/ (Accumulated losses)	
Balance at 1 January 2021	**1,306,110,000**	**(39,999,994)**	**299,234,320**	**1,210,000,000**	**-**	**2,190,764,913**	**99,009,777**	**5,994,777**	**14,907,464**	**2,153,083,896**	**7,239,105,153**
Total other comprehensive income for the year	-	-	-	-	-	(999,453,773)	(132,396,737)	-	-	795,344,510	(336,506,000)
Balance dividends paid on FY 2020 profits	-	-	-	-	-	-	-	-	-	(421,484,174)	(421,484,174)
Interim dividend on FY 2021 profits	-	-	-	-	-	-	-	-	-	(240,662,260)	(240,662,260)
Equity instruments - perpetual hybrid bonds	-	-	-	-	800,000,000	-	-	-	-	(4,000,330)	795,999,670
Merger contribution	-	-	-	-	-	-	-	-	(9,778,647)	-	(9,778,647)
Incentive plans	-	190,522	-	-	-	-	-	7,484,261	-	22,308	7,697,091
Balance at 31 December 2021	**1,306,110,000**	**(39,809,472)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**1,191,311,140**	**(33,386,960)**	**13,479,038**	**5,128,817**	**2,282,303,950**	**7,034,370,833**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	350,000,000	1,156,011,119	(35,989,145)	1,029,300	-	1,692,123,388	4,373,174,662
Total comprehensive income for the year	-	-	-	-	-	(3,325,640,562)	(93,162,731)	-	-	933,424,228	(2,485,379,065)
Balance dividends paid on FY 2021 profits	-	-	-	-	-	-	-	-	-	(525,922,474)	(525,922,474)
Interim dividend on FY 2022 profits	-	-	-	-	-	-	-	-	-	(272,700,542)	(272,700,542)
Purchase of treasury shares	-	(25,300,205)	-	-	-	-	-	-	-	(1,923)	(25,302,128)
Coupons paid to holders of hybrid perpetual bonds	-	-	-	-	-	-	-	-	-	(15,960,000)	(15,960,000)
Merger contribution	-	-	-	-	-	(239,911,300)	-	-	330,001,682	-	90,090,382
Incentive plans	-	2,258,896	-	-	-	-	-	5,775,625	-	273,137	8,307,658
Other movements	-	-	-	-	-	-	-	-	-	5,005	5,005
Balance at 31 December 2022	**1,306,110,000**	**(62,850,781)**	**299,234,320**	**1,210,000,000**	**800,000,000**	**(2,374,240,722)**	**(126,549,691)**	**19,254,663**	**335,130,499**	**2,401,421,381**	**3,807,509,669**
of which attributable to BancoPosta RFC	-	-	-	1,210,000,000	350,000,000	(2,092,203,851)	(129,496,216)	1,733,303	-	1,974,047,100	1,314,080,336

* This item includes net profit for the year of €847 million and actuarial gains on provisions for employee termination benefits of €119 million, after the related current and deferred taxation.

Statement of Cash Flows

(€k)		Notes	FY 2022	FY 2021
Cash and cash equivalents at beginning of year			**3,869,639**	**4,029,413**
Profit/(Loss) before tax			1,100,258	896,605
Depreciation, amortisation and impairments		[tab. C6]	743,981	715,251
Net provisions for risks and charges		[tab. B4]	430,181	349,439
Use of provisions for risks and charges		[tab. B4]	(343,332)	(490,320)
Employee termination benefits paid		[tab. B5]	(114,332)	(126,605)
(Gains)/losses on disposals		[tab. C7]	(1,129)	1,296
Impairment losses/(reversals of impairment losses) on financial assets			(597)	(183)
(Dividends)			(10,694)	(8,398)
Dividends received			10,694	8,398
(Finance income in form of interest)		[tab. C9.1]	(77,350)	(62,622)
Interest received			73,002	69,407
Interest expense and other finance costs		[tab. C9.2]	66,421	57,209
Interest paid			(31,706)	(30,033)
Losses and impairment losses/(reversals of impairment losses) on receivables		[tab. C8]	89,799	23,648
Income tax paid		[tab. C11.3]	(360,660)	(332,903)
Other changes			(12,334)	(3,759)
Cash flow generated by operating activities before movements in working capital	**[a]**		**1,562,202**	**1,066,430**
Movements in working capital:				
(Increase)/decrease in Inventories		[A7]	6,735	10,206
(Increase)/decrease in Trade receivables			246,678	69,162
(Increase)/decrease in Other receivables and assets			409,366	277,919
Increase/(decrease) in Trade payables			(61,457)	(118,753)
Increase/(decrease) in Other liabilities			229,600	(22,650)
Change in tax credits Law no. 77/2020			10,613	(525,674)
Cash flow generated by/(used in) movements in working capital	**[b]**		**841,535**	**(309,790)**
Increase/(decrease) in Financial liabilities attributable to BancoPosta			4,821,908	10,814,228
Net cash generated by/(used for) financial assets			(5,180,205)	1,767,978
(Increase)/Decrease in other financial assets BancoPosta assets and tax credits Law No. 77/2020			(2,176,925)	(9,871,166)
(Increase)/decrease in Cash and deposits attributable to BancoPosta			1,810,487	(1,267,653)
(Income)/Expense and other non-cash components from financial activities			383,864	(1,841,709)
Cash generated by/(used for) financial assets and liabilities attributable to BancoPosta	**[c]**		**(340,871)**	**(398,322)**
Net cash flow from/(for) operating activities	**[d]=[a+b+c]**		**2,062,866**	**358,318**
- of which related party transactions			***2,766,191***	***(5,012,477)***
Investing activities:				
Property, plant and equipment		[tab. A1]	(286,809)	(298,375)
Investment property		[tab. A2]	(375)	(456)
Intangible assets		[tab. A3]	(463,536)	(409,153)
Investments			(1,373,120)	(409,210)
Other financial assets			(175,131)	(74,578)
Disposals:				
Property, plant and equipment, investment property and assets held for sale			5,512	3,823

(€k)	Notes	FY 2022	FY 2021
Investments		-	410
Other financial assets		36,645	506,756
Mergers		975	(9,451)
Net cash flow from/(for) investing activities	**[e]**	**(2,255,839)**	**(690,234)**
- of which related parties		***(1,095,880)***	***(394,246)***
Proceeds from/(Repayments of) long-term borrowings	[B6.5]	100,000	(100,000)
Increase/(decrease) in short-term borrowings	[B6.5]	(673,750)	139,882
Dividends paid	[B3]	(798,623)	(662,146)
Sale/(purchase) of treasury shares		(25,300)	-
Equity instruments - perpetual hybrid bonds		(21,000)	794,407
Net cash flow from/(for) financing activities and shareholder transactions	**[f]**	**(1,418,673)**	**172,143**
- of which related party transactions		***(416,770)***	***106,386***
Net increase/(decrease) in cash	**[g]=[d+e+f]**	**(1,611,646)**	**(159,774)**
Cash and cash equivalents at end of year	[tab. A12]	**2,257,993**	**3,869,639**
Cash and cash equivalents at end of year	[tab. A12]	**2,257,993**	**3,869,639**
Restricted net cash and cash equivalents at end of year		(1,724,336)	(1,735,501)
Unrestricted net cash and cash equivalents at end of year		**533,657**	**2,134,138**

5.2 Information on BancoPosta RFC

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

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

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

Nature of assets and contractual rights and authorisations

BancoPosta's assets, contractual rights and authorisations pursuant to notarial deed were conferred on BancoPosta RFC exclusively by Poste Italiane SpA without third-party contributions. BancoPosta's operations consist of those listed in Presidential Decree 144 of 14 March 2001, as amended[183], with the exception of activities linked to card payments and payment services, carried out by the subsidiary, PostePay SpA. More details on this aspect are provided below:

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

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

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

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

latter to operate as an Electronic Money Institution (EMI)[184]. In addition, in order to complete the process of centralising e-money on the above-mentioned EMI, on 28 May 2021, Poste Italiane's Extraordinary Shareholders' Meeting, after obtaining all the authorisations required by law, approved the removal of the restriction on the allocation of BancoPosta RFC, assets and legal relations constituting the so-called "Debit Branch", with the deed of contribution in favour of Postepay SpA taking effect from 1 October 2021.

BancoPosta RFC's operations

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

In compliance with the 2007 Budget Law, from 2007 the Company is required to invest the funds raised from deposits paid into postal current accounts by private customers in Eurozone government securities[185]. Funds deposited by Public Administration entities are, instead, deposited with the Ministry of the Economy and Finance and earn a variable rate of return linked to a basket of government securities, in accordance with a specific agreement with the MEF regarding treasury services, expired on 31 December 2022 and being renewed. In addition, under the agreement with the MEF, expired on 31 December 2022 and being renewed, a percentage of the funds deriving from private customer deposits may be placed in a special "Buffer" account at the MEF, with the objective of ensuring flexibility with regard to investments in view of daily movements in amounts payable to current account holders. These loans bear interest from 1 January 2022[186] at a variable rate equal to the Euro Short Term Rate (ESTR)[187].

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

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

- Identification of transactions in Poste Italiane SpA's general ledgers relating to BancoPosta's ring-fenced operations which are then extracted for recording in BancoPosta's separate ledgers.
- Allocation to BancoPosta RFC of all relevant revenue and costs; in particular the services rendered by the different functions of Poste Italiane SpA to BancoPosta RFC, are exclusively recorded as payables in BancoPosta's separate books, in special intersegment accounts only, and subsequently settled.
- Settlement of all incoming and outgoing third party payments by Poste Italiane SpA's Chief Financial Office.
- Allocation of income taxes based on BancoPosta RFC's separate report after adjusting for deferred taxation.
- Reconciliation of BancoPosta's separate books to Poste Italiane's general ledger.

184. The business unit consists of assets and contractual rights linked to:
Own products: prepaid cards (card payments), payment services, acquiring services, tax payments using forms F23/F24 and international money transfers (Moneygram) forming part of the operations carried out independently by the EMI. In particular, these products are issued by the EMI, which is responsible for their conception, development and management, whilst BancoPosta RFC acts as distributor of the products through the Group's physical distribution network.
Products handled under Service Contracts: payment products and services and money transfers carried out exclusively within the scope of BancoPosta RFC's operations, as they are "reserved to" the ring-fence by Presidential Decree 144/01. In particular, with the aim of leveraging the infrastructure of the hybrid EMI, BancoPosta has outsourced operations relating to payment products and services issued by BancoPosta, and distributed by BancoPosta through Poste Italiane's physical network, to the EMI under an outsourcing agreement between BancoPosta and the EMI.
185. Moreover, following the amendment of art. 1, paragraph 1097 of Law 296 of 27 December 2006, introduced by art. 1, paragraph 285 of the 2015 Stability Law (Law 190 of 23 December 2014), it became possible for BancoPosta RFC to invest up to 50% of its deposits in securities guaranteed by the Italian government. Lastly, with the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase transferable tax credits pursuant to Law Decree no. 34/2020 (the so-called “"Decreto Rilancio" ") or other transferable tax credits pursuant to current legislation.
186. Until 31 December 2021, these deposits are remunerated at a variable rate calculated on the basis of the Euro OverNight Index Average (EONIA), the rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).
187. Rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) no. 1333/2014 of 26 November 2014 and based on uncollateralised fixed-rate overnight deposit facility transactions exceeding €1 million.

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

In compliance with the Circular, the Regulation governing BancoPosta RFC's contracting out and outsourcing process approved by the Board of Directors[188] makes provision for a distinction between control functions and essential or important functions and non-essential or important control functions.

BancoPosta RFC may therefore both outsource operating activities, entering into agreements with third parties, and contract out certain operating or control activities to Poste Italiane functions, agreeing "Specific Operating Guidelines" with the heads of the various functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant functions, the Chief Executive Officer and, where required, the Company's Board of Directors. The transfer prices set out in the Operating Guidelines are determined according to objective criteria that reflect the real contribution of the various functions to BancoPosta RFC's results. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by one of the Issuer's functions do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In such a case, an adequate mark-up, defined on the basis of appropriate analyses of comparable subjects, shall be applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Operating Guidelines, which expired on 31 December 2022 and are being renewed for the three-year period 2023-2025, were notified to the Bank of Italy pursuant to the Supervisory Provisions, 60 days before the actual start. The Supervisory Authority gave a positive opinion to proceed.

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

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

Essential or important Functions   Control Functions

188. The Regulation was revised on 24 June 2022.

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

Obligations

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

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

Separate Report

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

In this regard, the following table shows a reconciliation of the components of BancoPosta RFC's equity, as shown in the Company's statement of financial position and in the Separate Report[189].

Reconciliation of separate equity

(€m)

	Separate Report Item	110	130	140	180
Reconciliation of separate equity		**Valutation reserves**	**Equity instruments**	**Reserves**	**Profit for the year**
Reserves	(660)	(2,222)	350	1,212	-
BancoPosta RFC reserve	1,210	-	-	1,210	-
Equity instruments - perpetual hybrid bonds	350	-	350	-	-
Fair value reserve	(2,092)	(2,092)	-	-	-
Cash flow hedge reserve	(130)	(130)	-	-	-
Incentive plans reserve	2	-	-	2	-
Retained earnings	1,974	(1)	-	1,373	602
Profit	1,975	-	-	1,373	602
Cumulative actuarial gains/(losses) on defined benefit plans	(1)	(1)	-	-	-
Total	**1,314**	**(2,223)**	**350**	**2,585**	**602**

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

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

Further regulatory aspects

Pursuant to art. 2, paragraph 17-undecies of Law Decree 225[190] of 29 December 2010, which states that “the assets and contractual rights included in BancoPosta’s ring-fenced capital shall be shown separately in the Company’s statement of financial position”, Poste Italiane SpA’s statement of financial position includes a *Supplementary statement showing BancoPosta RFC*.

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

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

190. Converted into Law 10 of 26 February 2011.

5.3 Notes to the Statement of Financial Position

Assets

A1 – Property, Plant and Equipment (€2,203 million)

Movements in property, plant and equipment are as follows:

tab. A1 – Movements in property, plant and equipment

(€m)	Land	Properties used in operations	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other assets	Assets under construction and advances	Total
Cost	75	3,064	2,208	343	657	1,854	79	8,280
Accumulated depreciation	-	(1,955)	(1,761)	(311)	(415)	(1,701)	-	(6,143)
Impairment losses	-	(16)	(1)	(1)	(8)	(1)	-	(27)
Balance at 1 January 2022	**75**	**1,093**	**446**	**31**	**234**	**152**	**79**	**2,110**
Changes during the year								
Additions	-	43	65	9	33	54	82	286
Reclassifications	-	17	21	-	5	10	(53)	-
Disposals	-	-	-	-	(1)	-	-	(1)
Depreciation	-	(30)	(49)	(12)	(45)	(64)	-	(200)
(Impairments)/Reversal of impairment losses	-	-	-	-	8	-	-	8
Total changes	**-**	**30**	**37**	**(3)**	**-**	**-**	**29**	**93**
Cost	75	3,124	2,287	348	688	1,877	108	8,507
Accumulated depreciation	-	(1,985)	(1,803)	(319)	(454)	(1,724)	-	(6,285)
Impairment losses	-	(16)	(1)	(1)	-	(1)	-	(19)
Balance at 31 December 2022	**75**	**1,123**	**483**	**28**	**234**	**152**	**108**	**2,203**

None of the above items is attributable to BancoPosta RFC.

At 31 December 2022, property, plant and equipment includes assets located on land held under concession or sub-concession, which are to be handed over free of charge at the end of the concession term. These assets have a total carrying amount of €42 million.

Investments of €286 million in 2022 consists largely of:

- €43 million relating to extraordinary maintenance of Post Offices around the country (€17 million), personnel and management offices (€15 million) and mail and parcel sorting offices (€11 million);
- €65 million for plants, of which €34 million for the construction of plant related to buildings, €13 million for the creation and extraordinary maintenance of connectivity systems and €10 million for the creation and extraordinary maintenance of video surveillance systems;
- €33 million invested in the upgrade of plant (€20 million) and the structural part (€13 million) of properties held under lease;
- €54 million relating to "Other assets", including €48 million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems.

Investments in progress amount to €82 million, of which €68 million is for extraordinary maintenance works and infrastructural equipment of the sales and production network and €8 million for the purchase of hardware and other technological equipment that has not yet been incorporated into the production process.

Reclassifications from property, plant and equipment under construction amounted to €53 million and refer mainly to the purchase cost of assets that became available and ready for use during the year; in particular, €32 million refer to the completion of extraordinary renovations of owned properties and improvements of leased properties and €13 million for the activation of hardware and other technological equipment.

A2 – Investment property (€31 million)

Investment property primarily regards former service accommodation owned by Poste Italiane SpA pursuant to Law 560 of 24 December 1993, and residential accommodation previously used by post office directors. None of the above items is attributable to BancoPosta RFC.

tab. A2 – Movements in investment property

(€m)	FY 2022
Cost	90
Accumulated depreciation	(58)
Impairment losses	-
Balance at 1 January	**32**
Changes during the year	
Additions	1
Reclassifications	-
Disposals	(1)
Depreciation	(1)
Reversals of impairment losses (impairment losses)	-
Total changes	**(1)**
Cost	88
Accumulated depreciation	(57)
Impairment losses	-
Balance at 31 December	**31**
Fair value at 31 December	**72**

The fair value of investment property at 31 December 2022 includes €61 million representing the sale price applicable to the Parent Company's accommodation in accordance with Law 560 of 24 December 1993, while the remaining balance reflects market price estimates computed internally by the Company[191].

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

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

A3 – Intangible Assets (€945 million)

The following table shows movements in intangible assets:

tab. A3 – Movements in intangible assets

(€m)	Industrial patents, intellectual property rights, concessions, licences, trademarks and similar rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Goodwill	Total
Cost	4,074	2	233	33	4,342
Accumulated amortisation and impairments	(3,512)	(2)	-	-	(3,514)
Balance at 1 January 2022	**562**	**-**	**233**	**33**	**828**
Changes during the year					
Additions	230	-	234	-	464
Reclassifications	209	-	(209)	-	-
Disposals	-	-	(2)	-	(2)
Accumulated amortisation and impairment	(345)	-	-	-	(345)
Total changes	**94**	**-**	**23**	**-**	**117**
Cost	4,514	2	256	33	4,805
Accumulated amortisation and impairments	(3,858)	(2)	-	-	(3,860)
Balance at 31 December 2022	**656**	**-**	**256**	**33**	**945**

None of the above items is attributable to BancoPosta RFC.

Investments in Intangible assets during 2022 amounted to €464 million, including €37 million in internal software development activities and the related expenses, primarily relating to personnel expenses (€33 million). Research and development costs, other than those incurred directly to produce identifiable software used, or intended for use, within the Company, are not capitalised.

The increase in **industrial patents and intellectual property rights**, totalling €230 million, before amortisation for the year, relates primarily to the purchase and entry into service of new software programmes following the purchase of software licences.

Purchases of intangible assets under construction (€234 million) mainly refer to activities for the development of software for infrastructure platforms and for BancoPosta services.

The balance of **intangible assets under construction** (€256 million) includes activities regarding the development for software relating to the infrastructure platform (€116 million), for BancoPosta services (€68 million), for support to the sales network (€40 million), for the postal products platform (€18 million) and for the engineering of reporting processes for other Business functions and personnel (€14 million).

During the year, reclassifications were made from Intangible assets under construction to Industrial patents and intellectual property rights amounting to €209 million due to the completion and start-up of new software programmes and the development of existing ones, related to the infrastructure platform (€98 million), BancoPosta services (€52 million), support for the sales network (€32 million), the postal products platform (€17 million) and the engineering of reporting processes for other business and staff functions (€10 million).

The entry 'Goodwill' (€33 million) resulted from the acquisition and subsequent reorganisation of the Nexive Group. Goodwill attributable to Poste Italiane is allocated within the Mail, Parcels and Distribution CGU.

For the purpose of impairment tests of goodwill in the separate financial statements, since all goodwill is attributable to the CGU, it was decided to proceed by recognising the result of the impairment test in the consolidated financial statements, which did not show any impairment losses. For the methodology applied and the parameters used to perform the impairment tests at 31 December 2022, please refer to Note 2.4 - Use of estimates, with regard to the *Impairment tests of goodwill, cash generating units and equity investments section*.

Finally, following the start-up of the Energy Project, Poste Italiane invested around €30 million in application software, of which around €8 million has not yet entered into production.

A4 – Right-of-use assets (€1,040 million)

Movements in right-of-use assets are as follows:

tab. A4 – Change to right-of-use asset

(€m)	Properties used in operations	Company fleet	Vehicles for mixed use	Other assets	Total
Cost	1,273	129	22	37	1,461
Accumulated depreciation	(376)	(97)	(10)	(29)	(512)
Impairment losses	(1)	(3)	-	-	(4)
Balance at 1 January 2022	**896**	**29**	**12**	**8**	**945**
Changes during the year					
New contract acquisitions	28	254	5	4	291
Adjustments	37	-	-	-	37
Disposals	(17)	(8)	-	(2)	(27)
Depreciation	(128)	(68)	(6)	(6)	(208)
(Impairment)/Reversal of impairment	-	(1)	-	3	2
Total changes	**(80)**	**177**	**(1)**	**(1)**	**95**
Cost	1,315	329	25	36	1,705
Accumulated depreciation	(498)	(119)	(14)	(32)	(663)
Impairment losses	(1)	(4)	-	3	(2)
Balance at 31 December 2022	**816**	**206**	**11**	**7**	**1,040**

Acquisitions during the year refer mainly to new contracts and renewals of contracts existing at the beginning of the year for real estate (€28 million), the rental of company vehicles used for mail and parcel delivery activities (€254 million), mixed-use vehicles (€5 million) and the rental of computer equipment (€4 million). The item "Adjustments" refers to contractual changes during the year in question, e.g. for changes in duration due to extension, revision of economic conditions, etc.

Movements in lease payables are as follows:

tab. A4.1 – Changes in Lease Payables

(€m)	FY 2022
Balance at 1 January	**989**
New contract increases	291
Payments	(208)
Finance expenses/(income)	19
Other changes	10
Balance at 31 December	**1,101**
of which medium-/long-term	844
of which short-term	257

The table below summarises the effects recognised in the statement of profit or loss:

tab. A4.2 – Economic effects of leasing agreements

(€m)	FY 2022
Amortisation of right-of-use assets	208
Impairments/recoveries/adjustments of right of use	(2)
Financial expenses/(income) on lease payables	19
Costs relating to short-term leases	4
Costs relating to low value asset leases	9
Costs relating to intangible asset leases	75
Total	**313**

A5 – Investments (€3,676 million)

This item includes the following:

tab. A5 – Investments

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Investments in subsidiaries	3,423	2,345	1,078
Investments in associates	253	253	-
Total	**3,676**	**2,598**	**1,078**

No investments are attributable to BancoPosta RFC.

Changes in equity investments in subsidiaries and associates are shown below:

tab. A5.1 – Movements in investments in FY 2022

Investments (€m)	Balance at 01.01.2022	Additions				Decreases		Impairment losses		Balance at 31.12.2022
		Subscriptions /Payments on capital a/c	Purchases, mergers	Reclass. Non-current assets held for sale	Incentive plans	Sales, liquidations, mergers, de-mergers	Reclass. Non-current assets held for sale	Write-back	(Write-down)	
in subsidiaries										
Agile Power Srl	-	5	13	-	-	-	-	-	-	18
BancoPosta Fondi SpA SGR	9	-	-	-	-	-	-	-	-	9
CLP ScpA	-	-	-	-	-	-	-	-	-	-
Consorzio PosteMotori	-	-	-	-	-	-	-	-	-	-
Cons. per i Servizi di Telefonia Mobile ScpA	-	-	-	-	-	-	-	-	-	-
EGI SpA	170	-	-	-	-	-	-	-	-	170
MLK Deliveries SpA	15	-	-	-	-	-	-	-	-	15
Nexive Network Srl	16	-	-	-	-	-	-	-	-	16
Nexive Scarl	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	-	-	-	-	-	-	-	-
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	1
Poste Vita SpA	1,521	500	49	-	-	-	-	-	-	2,070
Poste Welfare Servizi Srl	-	55	21	-	-	-	-	-	-	76
Postel SpA	82	-	-	-	1	-	-	-	-	83
PostePay SpA	202	700	-	-	-	-	-	-	-	902
PSIA Srl	296	-	-	-	-	(296)	-	-	-	-
SDA Express Courier SpA	14	-	-	-	-	-	-	-	-	14
sennder Italia Srl	3	-	-	-	-	-	-	-	-	3
Sengi Express Limited	16	-	-	-	-	-	-	-	-	16
Sourcesense SpA	-	-	30	-	-	-	-	-	-	30
Total subsidiaries	**2,345**	**1,260**	**113**	**-**	**1**	**(296)**	**-**	**-**	**-**	**3,423**
in associates										
Anima Holding SpA	203	-	-	-	-	-	-	-	-	203
Conio Inc.	-	-	-	-	-	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	-	40
ItaliaCamp Srl	-	-	-	-	-	-	-	-	-	-
Replica SIM SpA	10	-	-	-	-	-	-	-	-	10
Total associates	**253**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**253**
Total	**2,598**	**1,260**	**113**	**-**	**1**	**(296)**	**-**	**-**	**-**	**3,676**

Le The following movements occurred in 2022:

- Acquisition, on 13 October 2022, of a 70% equity investment in the company Agile Power Srl[192] and indirectly of the entire Agile Lab Group, specialising in Data Management, offering tailor-made technology solutions that exploit artificial intelligence, as well as services involving the reselling of open source software products developed by technology partners. The acquisition transaction, worth a total of €18 million, provided for the payment by Poste Italiane in favour of the Founding Shareholders, who will retain the remaining 30%, of €13 million and the subscription of a paid capital increase in favour of the companies of €5 million;
- Recapitalisation, on 3 August 2022, of the company Poste Vita SpA through the subscription of a capital instrument, subordinated and non-convertible, with perpetual duration and non-call period of 10 years, totalling €500 million, aimed at strengthening its Solvency Ratio;

192. Agile Power Srl holds 100% of Agile Lab, Agile Skill, Agile Next and Aim 2 Srl.

- Purchase on 24 February 2022 of 100% of the share capital of Poste Welfare Servizi Srl from Poste Vita SpA for a total of €70 million. The transaction, carried out in compliance with the provisions of the Assirevi Preliminary IFRS Guidelines - OPI no. 1 "*Accounting Treatment of Business Combinations under Common Control in the Financial Statements and Consolidated Financial Statements*"[193], provided for the recognition of the investment in Poste Welfare Servizi Srl at historical cost (€21 million) and the consequent increase in the investment in Poste Vita SpA (€49 million) for the difference between the consideration paid and the carrying amount of the investment acquired;
- Capital contribution, on 14 April 2022, in favour of Poste Welfare Servizi Srl of a total of €55 million for the purpose of providing the company with the financial resources necessary for the acquisition of Plurima SpA[194];
- Subscription, on 9 September 2022, of the paid capital increase of PostePay SpA for a total of €700 million aimed at providing the company with the financial resources necessary to complete the acquisition of LIS Holding SpA, completed on 14 September 2022;
- Merger by incorporation of the subsidiary PSIA Srl into Poste Italiane SpA, approved by Poste Italiane's Board of Directors and the Shareholders' Meeting of PSIA on 24 June 2022. The transaction, effective from 1 November 2022, was accounted for at historical cost, generated a merger surplus of €330 million, and is recognised in the appropriate equity reserve;
- Adhesion, on 28 October 2022, by Poste Italiane SpA to the voluntary takeover bid for the shares and warrants issued by Sourcesense SpA with a total investment of €30 million. The consideration due to the holders of the shares and warrants, amounting to €4.20 per share and €0.78 per warrant, respectively, was paid against the simultaneous transfer to Poste Italiane of the right of ownership over these shares and warrants. On 29 December 2022, following the exercise of convertible warrants by the other shareholders, Poste Italiane SpA's stake in Sourcesense SpA increased from 70.75% to 70%.

Finally, on 29 September 2022, the IT business unit of BancoPosta Fondi SpA SGR was transferred to Poste Italiane SpA, effective as of 1 October 2022.

Further details of the main corporate actions during 2022, are provided in Note 3.1 – *Principal corporate actions*.

The impairment tests required by the related accounting standards have been conducted in order to identify any evidence of impairment. Based on the available information and the impairment test results[195], there was no need to adjust the carrying amount of the investments.

In particular, with regard to the controlling equity investments operating in the Mail, Parcels and Distribution business segment, the individual equity investments, although relevant as individual assets from an accounting point of view, do not have autonomous capacity to generate and manage cash flows, in consideration of the Group's organisational model. Therefore, these controlling equity investments do not assume individual relevance for the purposes of carrying out the impairment tests in the separate financial statements, but are aggregated (together with the operating activities carried out directly by the Parent Company) in a single CGU; this approach is linked to the organisational model used by the Group, so that given the inability of the individual equity investments to generate independent cash flows with respect to the other equity investments, it would be impossible to calculate their individual recoverable value, according to the provisions of IAS 36.

193. According to the ASSIREVI document, in the case of transactions involving the purchase of a controlling interest from another entity under common control for cash consideration, if the transaction is not carried out at arm's length, any difference between the carrying amount of the business acquired and the transaction consideration constitutes a shareholder transaction. (section 1.1 - Acquisition and Transfer of Business Units).

194. With the finalisation of the transaction, Poste Welfare Servizi Srl holds 70% of the share capital of Plurima Bidco Srl, a company engaged in the holding and management of shareholdings, which was specifically set up to acquire 100% of the share capital of Plurima SpA.

195. The method applied and the criteria used in conducting impairment tests at 31 December 2022, are described in Note 2.4 – *Use of estimates*, with regard to the *impairment testing of goodwill, cash generating units and investments*.

The following table shows a list of investments in subsidiaries and associates at 31 December 2022:

tab. A5.2 – List of equity investments

Name (€k)	% share	Share capital[1]	Net profit/ (loss) for the year	Carrying amount of equity	Share of equity	Carrying amount at 31.12.2022	Difference between equity and carrying amount
in subsidiaries							
Agile Power Srl[2]	70.00	65	(4)	5,689	3,982	17,951	(13,969)
BancoPosta Fondi SpA SGR	100.00	12,000	26,884	55,816	55,816	8,592	47,224
CLP ScpA	51.00	516	-	788	402	313	89
Consorzio PosteMotori	58.12	120	-	120	70	70	-
Cons. per i Servizi di Telefonia Mobile ScpA	51.00	120	-	116	59	61	(2)
EGI SpA.	55.00	103,200	4,315	243,014	133,658	169,893	(36,235)
MLK Deliveries SpA	70.00	333	663	13,308	9,316	15,088	(5,772)
Nexive Network Srl	100.00	50	225	8,242	8,242	16,000	(7,758)
Nexive Scarl	82.14	28	-	26	21	-	21
PatentiViaPoste ScpA	69.65	120	-	124	86	84	2
Poste Air Cargo Srl	100.00	1,000	2,244	7,040	7,040	845	6,195
Poste Vita SpA	100.00	1,216,608	935,538	6,575,971	6,575,971	2,069,606	4,506,365
Poste Welfare Servizi Srl	100.00	16	2,937	78,966	78,966	75,921	3,045
Postel SpA	100.00	20,400	(3,810)	81,641	81,641	82,590	(949)
PostePay SpA	100.00	7,561	261,220	1,403,594	1,403,594	902,132	501,462
SDA Express Courier SpA	100.00	5,000	34,963	59,556	59,556	14,177	45,379
sennder Italia Srl	65.00	46	3,164	10,513	6,833	3,255	3,578
Sengi Express Limited[3]	51.00	541	6,987	6,256	3,191	16,000	(12,809)
Sorcesense SpA[2]	70.00	880	112	7,010	4,907	30,169	(25,262)
in associates							
Anima Holding SpA[4]	11.02	7,292	86,579	1,382,213	152,320	203,001	(50,681)
Conio Inc.[2]	16.29	12,522	(752)	10,527	1,715	486	1,229
Financit SpA	40.00	14,950	13,724	63,766	25,506	40,000	(14,494)
ItaliaCamp Srl[5]	19.40	155	123	2,721	528	2	526
Replica SIM SpA	45.00	10,500	(1,045)	9,625	4,331	10,000	(5,669)

(1) Consortium fund in the case of consortia. The companies all have their registered offices in Rome, with the exception of Anima Holding SpA, Nexive Network Srl, Nexive Scarl, sennder Italia Srl, Replica SIM SpA and Agile Power Srl with registered offices in Milan; Conio Inc. with registered offices in California (USA) and Sengi Express Limited with registered offices in Hong Kong (China).
(2) For these companies, the amounts indicated have been calculated under IFRS and, therefore, may not be consistent with those included in the annual financial statements prepared in accordance with the Italian Civil Code and Italian GAAP and, in the case of Conio Inc., in accordance with US GAAP.
(3) The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the Annual Report of the company in accordance with local GAAP.
(4) Figures taken from the company's latest interim financial statements at 30 September 2022, as approved by its board of directors.
(5) Data derived from the accounts for the period ended 31 December 2021, the latest approved by the company.

A6 – Financial Assets (€84,197 million)

tab. A6 – Financial Assets

Description (€m)	Balance at 31.12.2022 Non-current assets	Current assets	Total	Balance at 31.12.2021 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	27,812	16,538	44,350	32,761	18,836	51,597	(7,247)
Financial assets at FVTOCI	29,160	4,537	33,697	35,830	1,871	37,701	(4,004)
Financial assets at FVTPL	40	-	40	39	-	39	1
Derivative financial instruments	5,764	346	6,110	800	76	876	5,234
Total	**62,776**	**21,421**	**84,197**	**69,430**	**20,783**	**90,213**	**(6,016)**
of which attributable to BancoPosta RFC	61,901	21,392	83,293	69,023	20,731	89,754	(6,461)
of which unallocated assets	875	29	904	407	52	459	445

Financial assets attributable to BancoPosta RFC

Financial assets attributable to BancoPosta

Description (€m)	Balance at 31.12.2022 Non-current assets	Current assets	Total	Balance at 31.12.2021 Non-current assets	Current assets	Total	Changes
Loans and receivables	27,473	16,509	43,982	32,429	18,787	51,216	(7,234)
Borrowings	-	16,283	16,283	-	18,106	18,106	(1,823)
Receivables	-	1,358	1,358	-	-	-	1,358
Deposits with the MEF	-	14,925	14,925	-	18,106	18,106	(3,181)
Receivables	-	11,902	11,902	-	12,707	12,707	(805)
Provisions for doubtful amounts deposited with MEF	-	11,907	11,907	-	12,712	12,712	(805)
MEF conto Tesoreria dello Stato	-	(5)	(5)	-	(5)	(5)	-
Other financial receivables	-	3,023	3,023	-	5,399	5,399	(2,376)
Fixed income instruments	27,473	226	27,699	32,429	681	33,110	(5,411)
Financial assets at FVTOCI	28,624	4,537	33,161	35,755	1,871	37,626	(4,465)
Fixed income instruments	28,624	4,537	33,161	35,755	1,871	37,626	(4,465)
Financial assets at FVTPL	40	-	40	39	-	39	1
Equity instruments	40	-	40	39	-	39	1
Derivative financial instruments	5,764	346	6,110	800	73	873	5,237
Total	**61,901**	**21,392**	**83,293**	**69,023**	**20,731**	**89,754**	**(6,461)**

The activities in question concern the financial transactions carried out by the Company pursuant to Presidential Decree no. 144 of 14 March 2001, as amended, which, as from 2 May 2011, fall within the scope of RFC (see Note 5.2 - Information on BancoPosta RFC).

Financial assets at amortised cost

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

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

Securities (€m)	Loans and receivables	Fixed income instruments		Total
	Carrying amount	Nominal value	Carrying amount	Carrying amount
Balance at 1 January 2022	**18,106**	**28,027**	**33,110**	**51,216**
Purchases	-	2,282	2,109	2,109
Changes in amortised cost	-	-	(90)	(90)
Transfers to equity reserves	-	-	(126)	(126)
Changes in fair value through profit or loss	-	-	(5,398)	(5,398)
Changes in cash flow hedges*	-	-	128	128
Changes due to impairment	(1)	-	(3)	(4)
Net changes	(183)	-	-	(183)
Effects of sales on profit or loss	-	-	77	77
Accruals	1	-	226	227
Sales, redemptions and settlement of accruals	-	(2,005)	(2,334)	(2,334)
Other changes	(1,640)	-	-	(1,640)
Balance at 31 December 2022	**16,283**	**28,304**	**27,699**	**43,982**

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

Loans and receivables

The item **Loans** refers to reverse repurchase agreements of €4,575 million (€1,577 million at 31 December 2021) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter the CC&G) for the temporary use of liquidity from private funding. These transactions are guaranteed by securities for a total notional amount of €4,425 million. Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021). At 31 December 2022, the fair value[196] of said item was €1,358 million.

Receivables include:

- **Deposits with the MEF**, for €11,907 million, including public customers' postal current account deposits, which earn a variable rate of return, calculated on a basket of government bonds[197]. The deposit has been adjusted to reflect accumulated impairments of approximately €5 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2021). During the 2022 financial year, hedging (management) derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value.
- **Other financial receivables**, relating for (i) €2,457 million to collateral deposits - of which €1,447 million for sums paid to counterparties for repo transactions on fixed-income securities (collateral under specific Global Master Repurchase Agreements), €978 million for sums paid to CC&G of which €613 million for outstanding repo transactions and €365 million as a pre-funded contribution to the Default Fund[198], €31 million for amounts paid to counterparties for interest rate swap transactions (collateral provided for in specific Credit Support Annexes) and (ii) €80 million in receivables due from the subsidiary PostePay SpA for amounts mainly debited in early 2023. The year-on-year decrease in guarantee deposits is due to the upward shift in the interest rate curve, which mainly generated a decrease in amounts paid to counterparties with which interest rate swap transactions are in place as a result of the positive change in the fair value of hedging derivatives, partially offset by the increase in amounts paid to counterparties with which repo transactions are in place as a result of the negative change in the fair value of collateral securities.

196. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.
197. The variable rate in question is calculated as follows: 40% is based on the average return on 6-month BOTs recognised monthly and the remaining 60% is based on the average ten-year BTP return recognised monthly.
198. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.

Fixed income instruments

These are euro area **fixed income securities** held by BancoPosta RFC, consisting of government securities issued by the Italian government and securities guaranteed by the Italian government with a nominal value of €28,304 million. Their carrying amount of €27,699 million reflects the amortised cost of unhedged fixed income bonds, totalling €15,614 million, the amortised cost of fair-value hedged fixed income bonds, totalling €14,799 million, decreased by €2,714 million to take into account the effects of the hedge (increased by €2,188 in 2021). Fixed income instruments measured at amortised cost are adjusted to take into account the related impairments. Accumulated impairments at 31 December 2022 amount to approximately €13 million (€11 million at 31 December 2021). At 31 December 2022, the fair value[199] of these securities was €23,651 million (including €226 million in accrued income).

This category of financial asset includes fixed rate instruments, for a total nominal amount of €3,000 million, issued by Cassa Depositi e Prestiti SpA and guaranteed by the Italian government (at 31 December 2022, their carrying amount totals €2,863 million).

Financial assets at fair value through other comprehensive income

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

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

Securities (€m)	Fixed income instruments	
	Nominal value	Fair value
Balance at 1 January 2022	**31,416**	**37,626**
Purchases	9,428	9,224
Transfers to equity reserves	-	(411)
Changes in amortised cost	-	(58)
Changes in fair value through equity	-	(4,405)
Changes in fair value through profit or loss	-	(5,721)
Changes in cash flow hedges*	-	202
Effects of sales on profit or loss	-	258
Accruals	-	265
Sales, redemptions and settlement of accruals	(3,355)	(3,819)
Balance at 31 December 2022	**37,489**	**33,161**

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

Fixed income instruments

These are Euro area **fixed income securities**, consisting of government securities issued mainly by the Italian government with a nominal value of €37,489 million. The total fair value loss for the year amount to €10,126 million, recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges (negative for €4,405 million) and recognised through profit or loss in relation to the hedged portion (negative for €5,721 million). These instruments are subject to impairments recognised in profit or loss with a matching entry in the relevant equity reserve. Accumulated impairments at 31 December 2022 amount to €16 million (€12 million at 31 December 2021). The decrease in this item is mainly due to the negative fair value fluctuation mentioned above, partially offset by higher purchases than sales/reimbursements during the year.

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

199. In terms of the fair value hierarchy, which reflects the relevance of the sources used to measure assets, €20,927 million of the total amount qualifies for inclusion in Level 1 and €2,724 million for inclusion in Level 2.

Financial assets measured at fair value through profit or loss

Equity instruments

Equity instruments include:

- for €20 million, the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) assigned following the completion of the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016; these shares are convertible to ordinary shares at the rate of 3.634[200] ordinary shares for each C share and are discounted accordingly at a suitable rate to take account of their illiquidity. The process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock continued during the year, partially concluded on 29 July 2022 with the grant of 1,019 preference shares of Visa Incorporated Series A Preferred Stock;
- for €20 million, the fair value of 1,019 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of 100 ordinary shares for every share of Class A Preferred Stock.

Net fair value gains in the year under review, amounting to €1 million, have been recognised in profit or loss in the items Income and Expenses from financial activities.

Derivative financial instruments

tab. A6.3 – Movements in derivative financial instruments

Description (€m)	Balance at 31.12.2022		Balance at 31.12.2021	
	Nominal	Fair value	Nominal	Fair value
Cash Flow hedges				
Forward purchases	3,433	(92)	-	-
Forward sales	1,099	346	1,714	76
Interest rate swaps	2,943	(531)	1,720	(264)
Fair value hedges				
Interest rate swaps on FVTOCI and CA securities	27,940	5,571	34,914	(4,398)
Interest rate swaps on repos	3,996	(155)	2,956	(1)
FVTPL				
Forward sales	-	(4)	-	(3)
Total	**39,411**	**5,135**	**41,304**	**(4,590)**
Of which:				
Derivative assets	27,404	6,110	13,593	873
Derivative liabilities	12,007	(975)	27,711	(5,463)

200. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.

Cash flow hedges in the form of interest rate swaps relate exclusively to FVTOCI securities, while forward sales relate to FVTOCI securities with a nominal value of €869 million and securities at amortised cost with a nominal value of €230 million.

Interest rate risk cash flow hedges recorded a net negative change of €89 million during the year, of which €280 million related to the net positive change in fair value of the effective component of the hedge, reflected in the cash flow hedge reserve, and €369 million related to the net negative change in completed transactions[201] during the year and the ineffective component of hedging contracts.

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

- securities measured at amortised cost with a nominal value of €13,510 million and securities measured at FVTOCI with a nominal value of €14,430 million; in total, they underwent a net positive change of €9,969 million during the year, of which €11,040 million related to the net positive change in fair value of the effective component of the hedge and €1,071 million related to the net negative change in transactions completed during the year and the ineffective component of hedging contracts;
- repurchase agreements classified at amortised cost with a nominal value of €3,996 million, whose net negative change was €154 million, of which €126 million related to the net negative change in fair value of the effective hedging component and €28 million related to the net negative change in completed transactions.

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

- forward purchases with a nominal amount of €3,433 million;
- forward sales with a nominal value of €1,099 million and the settlement of those outstanding at 1 January 2022, totalling €1,714 million;
- interest rate swaps designated as cash flow hedges with a nominal value of €1,323 million;
- fair value hedge interest rate swaps with a nominal amount of €5,585 million, including €1,010 million in hedges for repurchase agreement transactions;
- extinguishment of matured interest rate swap fair value hedges on repurchase agreements with a notional amount of €2,956 million;
- early extinguishment of interest rate swap fair value hedges for a total notional amount of €8,563 million (of which €1,575 million related to hedging transactions for which the underlying security was also sold) with the aim of consolidating a fixed yield in line with the market situation while improving the income profile of a portion of the portfolio also for subsequent years.

In addition, the Company entered into and settled forward purchases for a total nominal value of €532 million (measured at fair value through profit or loss) to hedge the 10-year index-linked component of the remuneration of the use of funding from public customers. In total, these transactions generated a negative effect of €71 million in the year under review, which was recognised in profit or loss under the item Income from investments in postal current accounts and free cash.

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

Financial assets outside ring-fence

Financial assets Unallocated assets

Description (€m)	Balance at 31.12.2022 Non-current assets	Current assets	Total	Balance at 31.12.2021 Non-current assets	Current assets	Total	Changes
Financial assets at amortised cost	339	29	368	332	49	381	(13)
Loans and receivables	339	29	368	332	49	381	(13)
Borrowings	337	28	365	330	44	374	(9)
Receivables	2	1	3	2	5	7	(4)
Guarantee deposits	-	-	-	-	3	3	(3)
Amounts due from the purchasers of service accommodation	2	1	3	2	2	4	(1)
Due Others	-	20	20	-	20	20	-
Provisions for doubtful debts	-	(20)	(20)	-	(20)	(20)	-
Financial assets at FVTOCI	536	-	536	75	-	75	461
Fixed income instruments	91	-	91	-	-	-	91
Equity instruments	445	-	445	75	-	75	370
Derivative financial instruments	-	-	-	-	3	3	(3)
Total	**875**	**29**	**904**	**407**	**52**	**459**	**445**

Financial assets at amortised cost

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

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

(€m)	Loans Carrying amount	Receivables Carrying amount	Total Carrying amount
Balance at 1 January 2022	**374**	**7**	**381**
Purchases	43	-	43
Changes in amortised cost	-	-	-
Changes in fair value through profit or loss	-	-	-
Changes in cash flow hedges*	-	-	-
Changes due to impairment	-	-	-
Net changes	-	(4)	(4)
Effects of sales on profit or loss	-	-	-
Extraordinary transactions**	(21)	-	(21)
Accruals	4	-	4
Sales, redemptions and settlement of accruals	(35)	-	(35)
Balance at 31 December 2022	**365**	**3**	**368**

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

** The item Extraordinary transactions refers to the repayment of the loan to PSIA Srl following the merger of the company into Poste Italiane SpA effective as of 1 November 2022.

Loans

This item breaks down as follows:

tab. A6.4.1 – Loans at amortised cost

Name (€m)	Balance at 31.12.2022 Loans	Correspondence a/c	Total	Balance at 31.12.2021 Loans	Correspondence a/c	Total	Changes
Direct subsidiaries							
Nexive Network Srl	-	17	17	-	25	25	(8)
Poste Air Cargo Srl	-	5	5	-	7	7	(2)
PSIA Srl	-	-	-	21	-	21	(21)
Poste Vita SpA	253	-	253	251	-	251	2
SDA Express Courier SpA	48	-	48	60	-	60	(12)
sennder Italia Srl	-	-	-	11	-	11	(11)
Indirect subsidiaries							
Plurima Bidco Srl	43	-	43	-	-	-	43
	344	**22**	**366**	**343**	**32**	**375**	**(9)**
Provision for impairment of intercompany loans	(1)	-	(1)	(1)	-	(1)	-
Total	**343**	**22**	**365**	**342**	**32**	**374**	**(9)**

The item includes:

- €253 million relating to an irredeemable subordinated loan, issued to Poste Vita SpA in order to bring the subsidiary's capitalisation into line with expected growth in earned premiums, in compliance with the specific regulations governing the insurance sector;
- for €48 million three loans granted to the subsidiary SDA Express Courier SpA in the financial years 2019, 2020 and 2021, to support the construction of the new automated HUB facilities in Bologna, "North" and "Centre" repayable in a single instalment on 2 August 2027, 16 April 2029 and 5 August 2030 respectively;
- for €43 million, two loans granted during the year to the subsidiary Plurima Bidco Srl to meet short-term operating needs and to support the corporate transaction for the acquisition of a majority stake in the company Plurima SpA repayable in a single instalment on 28 April 2023 and 27 April 2029, respectively;
- €22 million regarding overdrafts on intercompany current accounts granted to subsidiaries, paying interest on an arm's length basis.

These loans have been adjusted to reflect accumulated impairments of approximately €1 million, to reflect the risk of counterparty default, unchanged from 31 December 2021.

Receivables

Amounts due from others, with a nominal value of €20 million, regard the remaining amount due from Invitalia SpA as a result of the sale of Banca del Mezzogiorno-MedioCreditoCentrale SpA (BdM), fully written off.

Financial assets at fair value through other comprehensive income

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

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

	Fixed income instruments		Equity instruments	Total
(€m)	Nominal value	Fair value	Fair value	Fair value
Balance at 1 January 2022	**-**	**-**	**75**	**75**
Purchases	110	98	34	132
Transfers to equity reserves	-	-	-	-
Other changes in equity	-	-	-	-
Changes in amortised cost	-	2	-	2
Changes in fair value through equity	-	(9)	(72)	(81)
Changes in fair value through profit or loss	-	-	-	-
Changes in cash flow hedges*	-	-	-	-
Effects of sales on profit or loss	-	-	-	-
Accruals	-	-	-	-
Extraordinary transactions	-	-	408	408
Sales, redemptions and settlement of accruals	-	-	-	-
Balance at 31 December 2022	**110**	**91**	**445**	**536**

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

Fixed income instruments

This item includes one Italian government bond with a nominal value of €110 million purchased during the year. The fluctuation in fair value at 31 December 2022 was negative for €9 million and recognised in the specific equity reserve.

Equity instruments

This item breaks down as follows:

tab. A6.5.1 – Shares FVTOCI

Name (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
MFM Holding Ltd	57	53	4
sennder GmbH	19	19	-
Milkman SpA	2	3	(1)
Scalapay Limited	25	-	25
Nexi SpA	343	-	343
Total	**446**	**75**	**371**

In January 2022, Poste Italiane participated in a new capital increase promoted by MFM Holding Ltd with an investment of €9 million.

In April 2022, Poste Italiane acquired 2.30% (2.15% on a fully diluted basis) of the share capital of Scalapay Limited with an investment of €25 million.

Lastly, following the completion of the merger by incorporation of the subsidiary PSIA Srl, effective as of 1 November 2022, Poste Italiane acquired a 3.6% stake in the company Nexi SpA corresponding, as of the date of the transaction, to approximately €408 million and the related negative fair value reserve totalling €240 million (Table B2 - *Reserves*).

The overall fluctuation in fair value in the year in question was negative for €72 million and recognised in the specific equity reserve.

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

Further details of the main corporate actions during 2022, are provided in notes 3.1 – *Principal corporate actions*.

Financial assets at fair value through profit or loss

This item consists of equity instruments (as defined by art. 2346, paragraph 6 of the Italian Civil Code) resulting from the conversion of Contingent Convertible Notes[202], whose value at 31 December 2022 is zero.

Derivative financial instruments

tab. A6.6 – Movements in derivative financial instruments

Description (€m)	Balance at 31.12.2022		Balance at 31.12.2021	
	Nominal	Fair value	Nominal	Fair value
Cash Flow hedges				
Interest rate swaps	50	-	50	(3)
Commodity swaps	-	-	5	3
Total	**50**	**-**	**55**	**-**
Of which:				
Derivative assets	50	-	5	3
Derivative liabilities	-	-	50	(3)

At 31 December 2022, derivative financial instruments include:

- a cash flow hedging interest rate swap contract entered into in 2013 to protect the cash flows of the €50 million bond issued on 25 October 2013 (Note B.6 - *Financial liabilities*); with this transaction, the Company assumed the obligation to pay the fixed rate of 4.035% and sold the variable rate of the bond, which at 31 December 2022 was 4.282%;
- by call and put options that will allow Poste Italiane to acquire the shares held by the minority shareholders of MLK Deliveries SpA (as well as the ownership of the Milkman technology for e-commerce applications), the Agile Lab Group and Sourcesense SpA. The exercise price of these options is commensurate with the achievement of certain economic/equity targets by the companies. At 31 December 2022, the value of the options is zero as the price defined in the option is representative of the fair value of the companies.

The following transactions took place during 2022:

- stipulation and settlement of forward purchases on government bonds for a nominal value of €110 million;
- stipulation and settlement of transactions to hedge the euro/dollar exchange rate risk of aircraft leasing costs carried out through the subsidiary Poste Air Cargo Srl.

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

Lastly, in November 2022, the swap contract entered into during the 2020 financial year to hedge the fuel costs of air mail transport carried out through the subsidiary Poste Air Cargo Srl expired

A7 – Inventories (€4 million)

tab. A7 – Inventories

Description (€m)	Balance at 01.01.2022	Increase/(decrease)	Balance at 31.12.2022
Raw, ancillary and consumable materials	11	(7)	4
Total	**11**	(7)	**4**
of which attributable to BancoPosta RFC	-	-	-

This item includes inventories of Raw, ancillary and consumable materials related to protective devices, disinfectant gel and other materials mainly purchased in the year 2020. The change is partly attributable to materials used during the year.

A8 – Trade receivables (€2,657 million)

tab. A8 – Trade receivables

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Due from customers	1	1,608	1,609	2	2,142	2,144	(535)
Due from subsidiaries and associates	-	791	791	-	734	734	57
Due from the Parent company	-	257	257	-	48	48	209
Total	**1**	**2,656**	**2,657**	**2**	**2,924**	**2,926**	**(269)**
of which attributable to BancoPosta RFC	-	819	819	-	899	899	(80)

Due from customers

tab. A8.1 – Due from customers

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	Non-current assets	Current assets	Total	Non-current assets	Current assets	Total	Changes
Ministries and Public Administration entities	-	565	565	-	463	463	102
Amounts due from individuals for parcel delivery services	-	418	418	-	537	537	(119)
Overseas counterparties	-	386	386	-	549	549	(163)
Amounts due from individuals for mail services	-	275	275	-	324	324	(49)
Amounts due for other BancoPosta services	-	62	62	-	92	92	(30)
Overdrawn current accounts	-	40	40	-	37	37	3
Cassa Depositi e Prestiti	-	22	22	-	387	387	(365)
Other amounts due from customers	1	233	234	2	159	161	73
Provisions for doubtful debts due from customers	-	(393)	(393)	-	(406)	(406)	13
Total	**1**	**1,608**	**1,609**	**2**	**2,142**	**2,144**	**(535)**
of which attributable to BancoPosta RFC	-	108	108	-	497	497	(389)

The decrease in Amounts due from customers is mainly attributable to the decrease in receivables from Cassa Depositi e Prestiti and reflects the new billing and payment methods on a monthly basis and no longer on a quarterly basis, introduced by the Agreement of 23 December 2021, effective from 1 January 2022.

Specifically[203]:

- Amounts due from **Ministries and Public Administration entities** refer mainly to the following services:
  - Compensation for Publisher tariff subsidies, due from the Presidenza del Consiglio dei Ministri - Dipartimento dell'Editoria (Cabinet Office – Publishing Department), amounting to €173 million, of which €54 million accrued during the year. These receivables are shown gross of the collection of an unavailable amount of €125 million, relating to the tariff subsidies applied in 2020, 2021 and the first half of 2022, deposited by the Cabinet Office - Publishing Department, in a non-interest-bearing account held by the Company with the State Treasury and for this reason recorded under Payables for advances received. Release of the amount deposited and extinguishment of the receivables in question are awaiting approval from the European Commission. At 31 December 2022, following the integration of the appropriations for the period 2018-2021 in the State Budget 2023, the provisions for doubtful debts, allocated over the years, were released in the amount of approximately €17 million.
  - Integrated notification and mailroom services rendered to central and local government authorities, amounting to €83 million.
  - Reimbursement of real estate, vehicles and surveillance expenses incurred on behalf of the Ministry of Enterprise and Made in Italy (MIMIT)[204] in the amount of €49 million[205]. This receivable is made up of the remaining €24 million from the original claim of €62 million that was the subject of legal action brought by Poste Italiane for recognition of charges arising from the use of real estate until 2012. On 30 April 2020, a partially favourable judgement was published for Poste Italiane; the judgement was notified to MIMIT and the latter appealed before the Court of Appeal with a request for suspension. On 3 December 2020, the request was not granted and a decision is now pending in the second instance. In December 2021, in compliance with the first instance judgment, MIMIT paid approximately €38 million to the Company, the effects of which were reflected in the financial statements for the year ended 31 December 2021. The supplement to the balance consists of €25 million and, during the year, following joint audits, the charges arising from the use of real estate by MIMIT, in the period 2013 - 2021, for a total value of approximately €15 million, were defined. This amount, which had been allocated to the provisions for doubtful debts, was therefore released.
  - Unfranked mail services provided on credit, totalling €38 million, to central and local government authorities.
  - Market Registered Mail services, totalling €38 million, provided to central and local government entities.
  - Mail forwarding and notification services provided following a tender procedure for a total of €30 million.
  - The payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security), totalling €21 million.
- Amounts due for **parcel delivery services** refer to receivables from customers using the "national and international express courier" range of services.
- Amounts due from **overseas counterparties** primarily relates to postal services carried out for overseas postal operators.
- Amounts due for **mail services** refer to receivables to private customers who use the "delivery and mailing" range of services.
- Amounts due for **other BancoPosta services** mainly refer to intermediation services (banking, personal loans, mortgages) provided totalling €37 million.
- Amounts due for **overdrawn current accounts** derive almost exclusively from overruns due to the debiting of BancoPosta's periodic fees.
- Amounts due from **Cassa Depositi e Prestiti** refer to fees for BancoPosta's deposit-taking activities.
- **Provisions for doubtful debts due from customers** are described in Note 6 – *Risk management*.

203. At 31 December 2022, the balance of trade receivables includes €8 million, net of the related provisions for doubtful debts, relating to rental income falling within the scope of IFRS 15 – *Revenue from Contracts with Customers*.
204. Former Ministry of Economic Development.
205. See "Revenue and amounts due from the State" below, showing overall amounts due from the Ministry of Enterprise and Made in Italy (€50 million), including amounts due for postal and other services.

Due to subsidiaries and associates

tab. A8.2 – Due from subsidiaries and associates

Name (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	20	23	(3)
CLP ScpA	3	3	-
Consorzio PosteMotori	3	13	(10)
EGI SpA	1	1	-
MLK Deliveries SpA	1	-	1
PatentiViaPoste ScpA	4	2	2
Poste Air Cargo Srl	1	1	-
Poste Vita SpA	333	237	96
Postel SpA	47	59	(12)
PostePay SpA	282	302	(20)
Poste Welfare Servizi Srl	5	2	3
SDA Express Courier SpA	17	29	(12)
Sengi Express Limited	33	23	10
Nexive Network Srl	3	1	2
Nexive Scarl	11	8	3
Indirect subsidiaries			
Kipoint SpA	1	-	1
Poste Assicura SpA	23	10	13
Poste Insurance Broker Srl	1	-	1
Associates			
Financit SpA	3	20	(17)
Italia Camp Srl	-	1	(1)
Provisions for doubtful debts	(1)	(1)	-
Total	**791**	**734**	**57**
of which attributable to BancoPosta RFC	454	355	99

These trade receivables include:

- Poste Vita SpA: primarily regarding fees deriving from the sale of insurance policies through post offices and attributable to BancoPosta RFC (€253 million);
- PostePay SpA: mainly for product placement services related to the payments business (€140 million), for payment and funds transfer transactions (€51 million) and for the SMA service on its own account and on behalf of third parties (€34 million).

Due from the Parent Company

This item relates to trade receivables due from the Ministry of the Economy and Finance:

tab. A8.3 – Amounts due from the Parent Company

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Remuneration of current account deposits	227	17	210
Universal Service	31	31	-
Delegated services	30	30	-
Publisher tariff and electoral subsidies	1	1	-
Other	1	2	(1)
Provision for doubtful debts due from Parent company	(33)	(33)	-
Total	**257**	**48**	**209**
of which attributable to BancoPosta RFC	257	47	257

- The remuneration of current account deposits refers entirely to amounts accrued in 2022 and almost entirely relates to the deposit of funds deriving from accounts opened by Public Administration entities and attributable to BancoPosta RFC. The increase compared to 31 December 2021 is mainly due to the rise in the interest rate curve. In March 2023, €222 million was collected in relation to the remuneration of deposits from accounts opened by the Public Administration.
- Receivables for Universal Service compensation includes:

tab. A8.3.1 – Universal Service compensation receivable

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Remaining balance for 2012	23	23	-
Remaining balance for 2005	8	8	-
Total	**31**	**31**	**-**

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

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

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

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

- Amounts due for **delegated services**, refer exclusively to the amount accrued in 2022 and relating to the remuneration of services performed by BancoPosta on behalf of the state in accordance with a special agreement with the MEF, expired on 31 December 2022 and in the process of being renewed.
- Amounts due arising from **electoral subsidies** refer to compensation for previous years, for which no provision has been made in the state budget.

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

A9 – Other receivables and assets (€2,620 million)

This item breaks down as follows:

tab. A9 – Other receivables and assets

Description (€m)	Notes	Balance at 31.12.2022 Non-current assets	Current assets	Total	Balance at 31.12.2021 Non-current assets	Current assets	Total	Changes
Substitute tax paid		1,738	525	2,263	1,614	542	2,156	107
Due from social security agencies and pension funds (excl. fixed-term contract settlements)		-	137	137	-	171	171	(34)
Receivables relating to fixed-term contract settlements		36	76	112	46	76	122	(10)
Receivables for amounts that cannot be drawn on due to court rulings		-	71	71	-	77	77	(6)
Interest accrued on IRES refund	[C12]	-	46	46	-	46	46	-
Due from subsidiaries and associates		-	32	32	-	76	76	(44)
Tax assets		-	43	43	-	35	35	8
Accrued income and prepaid expenses from trading transactions		-	9	9	-	50	50	(41)
Sundry receivables		17	42	59	17	58	75	(16)
Provisions for doubtful debts due from others		(3)	(149)	(152)	(3)	(158)	(161)	9
Total		**1,788**	**832**	**2,620**	**1,674**	**973**	**2,647**	**(27)**
of which attributable to BancoPosta RFC		1,738	573	2,311	1,614	589	2,203	108

Specifically:

- **Substitute tax** paid, attributable to BancoPosta RFC, primarily regards:
  - €1,738 million charged to holder of Interest-bearing Postal Certificates for stamp duty at 31 December 2022[206]; this amount is balanced by a matching entry in "Other taxes payable" until expiration or early extinguishment of the Interest-bearing Postal Certificates, i.e. the date on which the tax is payable to the tax authorities (tab. B9.3);
  - €386 million relating to stamp duty to be paid in virtual form in 2023 and to be recovered from customers;
  - €102 million relating to stamp duty to be charged to Postal Savings Book holders, which the Company pays in virtual form as required by law;
  - €8 million in withholding tax on interest paid to current account holders for 2022, which is to be recovered from customers.
- Amounts due from **social security agencies and pension funds** refer for €14 million to the residual sums relating to periods of suspension or reduction of work for Covid-19, which the Company has advanced to its employees and recoverable through access to the benefits of the Bilateral Solidarity Fund at INPS, enabled by the signing of the labour union agreements of 30 April and 21 December 2020. In this regard, during the 2022 financial year, the Company recovered approximately €43 million by means of an adjustment with the contributions due to the Social Security Institute.
- **Receivables relating to fixed-term contract settlements** consist of salaries to be recovered following the agreements of 13 January 2006, 10 July 2008, 27 July 2010, 18 May 2012, 21 March 2013, 30 July 2015 and 19 June 2018 between Poste Italiane SpA and the labour unions, regarding the re-employment by court order of personnel previously employed on fixed-term contracts. This item refers to receivables with a present value of €112 million from personnel, from INPS and pension funds recoverable in the form of variable instalments, the last of which is due in 2042. A breakdown of the receivables by individual agreement is provided below:

206. Introduced by article 19 of Law Decree 201/2011 converted with amendments by Law 214/2011 in the manner provided for by the MEF Decree of 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

tab A9.1 – Receivables from fixed-term contract settlements

Description (€m)	Balance at 31.12.2022 Non-current assets	Current assets	Total	Nominal value	Balance at 31.12.2021 Non-current assets	Current assets	Total	Nominal value	Changes
Receivables									
due from staff under agreement of 2006	-	1	1	1	-	-	-	-	1
due from staff under agreement of 2008	2	7	9	9	6	7	13	14	(4)
due from staff under agreement of 2010	16	6	22	25	19	6	25	30	(3)
due from staff under agreement of 2012	14	5	19	21	16	5	21	24	(2)
due from staff under agreement of 2013	1	-	1	2	1	-	1	2	-
due from staff under agreement of 2015	1	-	1	1	1	1	2	2	(1)
due from staff under agreement of 2018	-	-	-	-	-	-	-	1	-
due from INPS (former IPOST)	-	42	42	42	-	42	42	42	-
due from INPS (Social security)	2	10	12	13	3	10	13	13	(1)
due from pension funds	-	5	5	5	-	5	5	5	-
Total	**36**	**76**	**112**		**46**	**76**	**122**		**(10)**

Amounts due from INPS (formerly IPOST) of €42 million, covered by a specific agreement with IPOST dated 23 December 2009. Payment of this amount consists of six instalments of €6.9 million each, falling due between 30 June 2012 and 31 December 2014; negotiations are in progress with the debtor for their recovery.

- **Amounts that cannot be drawn on due to court rulings** include €59 million in amounts seized and not assigned to creditors in the process of recovery, and €12 million in amounts stolen from the Company in December 2007 as a result of an attempted fraud and that have remained on deposit with an overseas bank. In January 2023, following the signing of a settlement agreement, these sums were collected and consequently the provisions for doubtful debts allocated at the time were released to the statement of profit or loss.
- **Accrued interest on IRES refund**, refers to interest accruing up to 31 December 2022 in relation to the tax credit determined by an unreported deduction from the IRES tax base of IRAP paid on labour costs. For the recovery of said receivable, two disputes were brought before the Provincial Tax Tribunal of Rome, which upheld Poste Italiane's appeals, ordering the Agenzia delle Entrate in Rome to refund the amounts claimed. The Agenzia delle Entrate have appealed both judgments before the Regional Tax Tribunal and, on 23 March 2018, the Tribunal upheld the Agenzia delle Entrate 's appeal against one of the judgments (proceedings pursuant to Law Decree no. 201/2011). Poste Italiane has appealed this judgment before the Supreme Court of Cassation. In the last quarter of 2019, the Court of Cassation had the opportunity to rule on other proceedings concerning the operation of the reimbursement pursuant to Law Decree no. 201/11; with respect to the judgement issued, there is a homogeneity of legal-formal circumstances that lead to the conclusion that the principle of law, referred to in the aforementioned judgement of the Court of legitimacy, can also have its effects in existing judgements. Also the judgement concerning Law Decree no. 185/2008, is currently pending before the Supreme Court of Cassation following Poste Italiane's challenge, on 23 January 2023, of the Lazio Regional Tax Tribunal's judgment in favour of the Agenzia delle Entrate. Elements of uncertainty about the final outcome of the case are taken into account in the provisions for doubtful debts due from others.
- Amounts due from **subsidiaries and associates** include €23 million in amounts receivable from subsidiaries by Poste Italiane SpA, as the consolidating entity (Note 2.3 – *Summary of significant accounting policies and measurement criteria*). The related amounts are mainly due from the subsidiary PostePay SpA.
- **Accrued income and prepaid expenses from trading transactions** decreased by €41 million compared to last year. At 31 December 2021, this item included, for approximately €38 million, the one-off payment made in advance to employees in July 2021 to cover the contractual vacancy relating to the first half of 2022, in accordance with what was defined in the renewal of the National Collective Labour Agreement signed on 23 June 2021.

Provisions for doubtful debts due from others are described in Note 6 – *Risk management*.

A10 – Tax Credits Law no. 77/2020 (€9,021 million)

tab. A10 – Tax credits Law no. 77/2020

Description (€m)	Balance at 31.12.2022 Non-current assets	Current assets	Total	Balance at 31.12.2021 Non-current assets	Current assets	Total	Changes
Tax credits at amortised cost	7,458	1,563	9,021	3,090	65	3,155	5,866
Tax credits at FVTOCI	-	-	-	2,461	840	3,301	(3,301)
Total	**7,458**	**1,563**	**9,021**	**5,551**	**905**	**6,456**	**2,565**
of which attributable to BancoPosta RFC	7,127	1,473	8,600	5,168	840	6,008	2,592

This item refers to tax credits acquired by Poste Italiane SpA against free capital resources or transferred to BancoPosta RFC for resources subject to and not subject to the restriction on their use, in accordance with the provisions of the "Decreto Rilancio" (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency.

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

During the year, tax credits previously measured at fair value through other comprehensive income were reclassified to tax credits at amortised cost. The reclassification, effective as of 1 October 2022, became necessary as a result of the lack of development in the market for second sales between financial intermediaries, which therefore required BancoPosta RFC to revise its business model for these loans.

Changes in these tax credits during 2022 are shown below:

tab. A10.1 – Movements in tax credits Law 77/2020

(€m)	Tax credits at CA	Tax credits at FVTOCI	Total
Balance at 1 January 2022	**3,155**	**3,301**	**6,456**
Purchases	3,471	-	3,471
Changes in amortised cost	209	84	293
Changes in fair value through equity	-	(122)	(122)
Offsetting	(365)	(755)	(1,120)
Portfolio transfer	2,508	(2,508)	-
Other changes	43	-	43
Balance at 31 December 2022	**9,021**	**-**	**9,021**

The main changes in the year under review refer to:

- purchases of €3,471 million, of which €3,174 million pertaining to BancoPosta RFC[207];
- accrued income for the year amounting to €293 million, of which €273 million pertaining to BancoPosta RFC;
- negative changes in the fair value of tax credits measured at FVTOCI in the amount of €122 million (from 1 January to 30 September 2022);
- reclassification from the FVTOCI category to amortised cost in the amount of €2,508 million;
- offsetting of €1,120 million, of which €812 million are attributable to BancoPosta RFC.

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

The item Other changes includes the positive effects, amounting to €130 million, recognised on 1 October 2022 as an increase in equity, following the reclassification of tax credits to the amortised cost category, partially offset by the derecognition of certain maturing credits not offset during the year.

At 31 December 2022, the fair value[208] of tax credits at amortised cost is €8,172 million. At that date, the fair value of only the tax credits subject to reclassification was €2,425 million; the overall change in fair value recognised during the year, of €14 million, would have been recognised in equity in the absence of the reclassification.

As part of the actions aimed at combating tax fraud perpetrated through the monetisation of tax credits, starting from the end of the 2021 financial year, a number of Public Prosecutors' Offices have implemented preventive seizures that, in some cases also involved tax credits acquired by Poste Italiane (some of which were subsequently released from seizure in the course of 2022) for a nominal value of the credits of approximately €410 million, against a value paid to customers that was lower and corresponding to a carrying amount of approximately €334 million at 31 December 2022, including interest capitalised for the recognition at amortised cost of the credits in question.

In a regulatory context that is constantly evolving, and taking into account the position taken by the case law[209], starting in the second half of the 2022 financial year, on the unusability of tax credits due to conduct unrelated to the transferee and the interpretations of the Agenzia delle Entrate, a legal and accounting analysis was conducted to comprehensively assess the potential risks to which Poste Italiane could be exposed if the tax credits acquired over time by the same were to derive from fraudulent conduct. In particular, in order to determine the accounting impact related to this potential risk, reference was made to the provisions of IAS 37 - *Provisions, Contingent Assets and Contingent Liabilities* (as better illustrated in the section *Use of estimates*), as the possible non-recovery of the carrying amount of the tax credits would not derive from a characteristic of the asset being measured or from significant increases in the credit risk after the initial recognition of the asset or, more simply, from the ascertained default of the debtor, as envisaged by the impairment model set forth in IFRS 9, but rather from the possibility that, for what will be ascertained cases of fraud, the liability of the assignee - even if a third party in good faith or an offended party to the crime - will also be called to account for assumptions other than the possible irregular use of the tax credit or for a use in excess of the tax credit received. As a result of the in-depth investigations conducted on the tax credits acquired, also with the support of external legal, tax and accounting consultants, a total provision for these risks of €320 million was recognised under the liability item "Provisions for risks and charges".

It should be noted that the determination of the above-mentioned provision necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which relate to the outcome of the proceedings under way, the identification of the receivables whose deductions have been assigned are effectively non-existent, and the outcome of the initiatives that will be activated by Poste Italiane to recover the amounts paid to the entities in respect of which cases of fraud have been ascertained.

A11 – Cash and deposits attributable to BancoPosta (€5,848 million)

This item breaks down as follows:

tab. A11 – Cash and deposits attributable to BancoPosta

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Cash and cash equivalents in hand	3,960	2,886	1,074
Bank deposits	1,888	4,773	(2,885)
Total	**5,848**	**7,659**	**(1,811)**

This item relates exclusively to BancoPosta RFC assets.

The cash and cash equivalents on hand are derived from deposits made in postal current accounts and postal savings products (subscription of postal savings bonds and payments into post office savings books), or from advances withdrawn from the State Treasury to guarantee the operations of post offices. These funds, which are held at post offices (€1,070 million)

208. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 3.
209. The Court of Cassation, through a number of rulings made in the course of 2022, confirmed the reconstruction postulated by the Public Prosecutor's Office, recognising the legitimacy of the seizure orders due to the non-existence of the claims subject to the precautionary measure.

and at service[210] companies (€2,890 million), may not be used for purposes other than to repay obligations contracted in the transactions described above. The decrease with respect to 31 December 2021 is due to the decrease in the item Bank deposits mainly as a result of the purchase of tax credits, pursuant to Law Decree no. 34/2020, through the surplus liquidity deriving from the collection from private individuals deposited on the account opened with the Bank of Italy, partially offset by the increase in the item Cash and cash equivalents due to higher amounts held with the Service Companies.

A12 – Cash and cash equivalents (€2,258 million)

This item breaks down as follows:

tab. A12 – Cash and cash equivalents

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Bank deposits and amounts held at the Italian Treasury	243	1,859	(1,616)
Deposits with the MEF	1,991	1,990	1
Cash and cash equivalents in hand	24	21	3
Total	**2,258**	**3,870**	**(1,612)**
of which attributable to BancoPosta RFC	2,017	2,012	5

Bank deposits and amounts held at the Italian Treasury include €125 million deposited by the Cabinet Office – Publishing Department in a non-interest bearing escrow account with the Italian Treasury as advance payment for publisher tariff subsidies due to the Company (Note A8). In addition, bank deposits and amounts held at the Italian Treasury include €20 million whose use is restricted by court orders related to different disputes.

Cash held on **deposit with the MEF** at 31 December 2022 include approximately €1,579 million in amounts deposited with the MEF in a buffer account, consisting of customer deposits subject to restrictions on their use and yet to be invested (Note – 5.2 – *Information on BancoPosta RFC*).

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

Equity

B1 – Share capital (€1,306 million)

Poste Italiane SpA's share capital consists of 1,306,110,000 no-par value ordinary shares, of which Cassa Depositi e Prestiti SpA (CDP) holds 35% and the Ministry of the Economy and Finance holds 29.3%, while the remaining shares are held by institutional and retail investors.

At 31 December 2022, the Company held 7,535,991 treasury shares (representing approximately 0.58% of the share capital) with a total value of approximately €63 million. All the shares in issue are fully subscribed and paid up. No preference shares have been issued.

B2 – Reserves (€163 million)

This item breaks down as follows:

tab. B2 – Reserves

(€m)	Legal reserve	Equity instruments - perpetual hybrid bonds	BancoPosta RFC reserve	Fair value reserve	Cash flow hedge reserve	Incentive plans reserve	Merger surplus	Total
Balance at 1 January 2021	**299**	**-**	**1,210**	**2,191**	**99**	**6**	**15**	**3,820**
Increases/(decreases) in fair value during the year	-	-	-	(980)	(178)	-	-	(1,158)
Tax effect of changes in fair value	-	-	-	287	51	-	-	338
Transfers to profit or loss	-	-	-	(420)	(7)	-	-	(427)
Tax effect of transfers to profit or loss	-	-	-	120	2	-	-	122
Increase/(decrease) for expected losses	-	-	-	(6)	-	-	-	(6)
Gains/(losses) recognised in equity	-	-	-	(999)	(132)	-	-	(1,131)
Tax effect of transfers to profit or loss	-	-	-	-	-	-	(10)	(10)
Increase/(decrease) for expected losses	-	800	-	-	-	-	-	800
Gains/(losses) recognised in equity	-	-	-	-	-	7	-	7
Balance at 31 December 2021	**299**	**800**	**1,210**	**1,192**	**(33)**	**13**	**5**	**3,486**
of which attributable to BancoPosta RFC	-	350	1,210	1,156	(36)	1	-	2,681
Increases/(decreases) in fair value during the year	-	-	-	(4,608)	279	-	-	(4,329)
Tax effect of changes in fair value	-	-	-	1,292	(79)	-	-	1,213
Transfers to profit or loss	-	-	-	(150)	(409)	-	-	(559)
Tax effect of transfers to profit or loss	-	-	-	43	116	-	-	159
Increase/(decrease) for expected losses	-	-	-	4	-	-	-	4
Transfer of tax credits portfolio (net of tax effect)	-	-	-	93	-	-	-	93
Gains/(losses) recognised in equity	-	-	-	(3,326)	(93)	-	-	(3,419)
Merger contribution	-	-	-	(240)	-	-	330	90
Equity instruments - perpetual hybrid bonds	-	-	-	-	-	6	-	6
Balance at 31 December 2022	**299**	**800**	**1,210**	**(2,374)**	**(126)**	**19**	**335**	**163**
of which attributable to BancoPosta RFC	-	350	1,210	(2,092)	(130)	2	-	(660)

- The **reserve for equity instruments-perpetual hybrid bonds**[211] includes the perpetual hybrid bond with a non-call period of 8 years for institutional Investors, with a total nominal value of €800 million, issued by Poste Italiane SpA on 24 June 2021, with the aim of strengthening the Group's capital structure, and, in particular, BancoPosta's Leverage Ratio (Basel III) and Tier 1 ratio, as well as Poste Vita's Solvency II ratio, thus helping to support the Group's long-term growth in accordance with the guidelines of the Strategic Plan.
- The **fair value reserve** regards changes in the value of financial assets at fair value through other comprehensive income. In 2022, the decreases in fair value totalled €4,608 million, reflecting:
  - a net decrease of €4,405 million in financial assets measured at fair value through other comprehensive income and attributable to BancoPosta RFC;
  - a net decrease of €81 million in financial assets measured at fair value through other comprehensive income held outside the ring-fence;
  - for €122 million the net decrease in tax credits pursuant to Law no. 77/2020 measured at fair value through other comprehensive income. On 1 October 2022, the negative fair value reserve totalling €130 million (€93 million net of tax effect) was cancelled as a result of the reclassification of the receivables into the amortised cost tax credit category, as better described in Note A10 - *Tax Credits Law no. 77/2020*.

  In addition, during the year, as better described in the preceding paragraphs, following the merger by incorporation of PSIA Srl, Poste Italiane directly held an equity investment in NEXI SpA, whose fair value reserve, accrued from 1 January to the merger date, was negative €240 million.
- The **cash flow hedge reserve** represents changes in the fair value of the effective portion of cash flow hedges outstanding. In 2022, the fair value gain of €279 million reflects a net gain of €280 million on derivative financial instruments attributable to BancoPosta RFC and a net loss of €1 million on the value of financial instruments held outside the ring-fence.
- The **Incentive Plans reserve** includes the estimate of the valuations for the year relating to the long-term "Performance Share LTIP" incentive plans and the MBO short-term incentive plans, carried out on the basis of the provisions of IFRS 2.
- The **Merger Surplus/Deficit Reserve**, which increased compared to 31 December 2021, refers for €330 million to the merger surplus generated following the merger by incorporation into Poste Italiane SpA of the subsidiary PSIA Srl described in Note A5 - *Equity investments*.

B3 – Availability and distributability of reserves

The following table shows the availability and distributability of Poste Italiane SpA's reserves. Retained earnings include the profit for 2022 of €847 million.

During the year, dividends were distributed for a total of €799 million, based on the following resolutions:

- on 27 May 2022, the Shareholders' Meeting resolved the distribution dividends of €526 million (dividend per share equal to €0.405), which took place on 22 June 2022 as the balance for 2021, taking into account the interim dividend of €241 million (dividend per share equal to €0.185) already paid in November 2021;
- on 9 November 2022, Poste Italiane's Board of Directors, in line with the Group's dividend policy, resolved to advance part of the ordinary dividend for 2022 as an interim dividend. The interim dividend of €273 million was distributed on 23 November 2022 (dividend per share of €0.210).

211. The main features of the issue are:
- The bonds have no fixed maturity and must be redeemed only in the event of the dissolution or liquidation of the Company, as specified in the relevant terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to occur at any time from the First Call Date of 24 March 2029 through 24 June 2029 and on each interest payment date thereafter.
- The fixed annual coupon is 2.625% until the first Reset Date set for 24 June 2029. From that date, the annual interest is determined on the basis of the 5-year Euro Mid Swap rate, plus an initial spread of 267.7 basis points, increased by a further 25 basis points from 24 June 2034 and by a further 75 basis points from 24 June 2049. Interest is payable at the option of the issuer and on a cumulative basis, commencing 24 June 2022. The issue price was set at 100%.

tab. B3 – Availability and distributability of reserves

(€m)		31.12.2022	Potential use
Share capital		**1,306**	
Treasury shares		**(63)**	
Reserves			
- legal reserve		**299**	
legal reserve	261		B
legal reserve	38		A B D
- BancoPosta RFC reserve		**1,210**	**- -**
Equity instruments - perpetual hybrid bonds		**800**	**- -**
- fair value reserve		**(2,374)**	**- -**
- cash flow hedge reserve		**(126)**	**- -**
- incentive plans reserve		**19**	**- -**
- merger surplus		**335**	**A B D**
Retained earnings/(Accumulated losses)		**2,402**	
retained earnings/(accumulated losses)	66		- -
retained earnings at 31 December 2017	1,377		C
retained earnings/(accumulated losses)	1,026		A B D
unrealised gains/(losses) on financial instruments at FVTPL net of tax effect	26		B C
after-tax actuarial gains/(losses)	(93)		- -
Total		**3,808**	
of which distributable		1,399	

A: for capital increases
B: to cover losses
C: to cover BancoPosta losses
D: for shareholder distributions

Liabilities

B4 – Provisions for risks and charges (€1,257 million)

Movements in provisions for risks and charges are as follows:

tab. B4 – Movements in provisions for risks and charges for FY 2022

Description (€m)	Balance at 01.01.2022	Provisions	Finance costs	Released to profit or loss	Uses	Finance costs Released to profit or loss	Balance at 31.12.2022
Provisions for operational risk	134	8	-	(20)	(13)	-	109
Provisions for disputes with third parties	265	57	1	(35)	(23)	-	265
Provisions for disputes with staff (1)	43	2	-	(3)	(8)	-	34
Provisions for personnel expenses	120	89	-	(33)	(75)	-	101
Provisions for early retirement incentives	515	53	-	-	(216)	-	352
Provisions for risks - tax credits Law no. 77/2020	-	320	-	-	-	-	320
Provisions for taxation	3	1	-	-	-	-	4
Other provisions for risks and charges	89	7	-	(16)	(8)	-	72
Total	**1,169**	**537**	**1**	**(107)**	**(343)**	**-**	**1,257**
of which attributable to BancoPosta RFC	229	12	-	(33)	(20)	-	188
Overall analysis of provisions:							
- non-current portion	628						741
- current portion	541						516
	1,169						**1,257**

(1) Net uses for Personnel expenses amount to €3 million. Service costs (legal assistance) total €2 million.

Specifically:

- **Provisions for operational risks**, which relate to liabilities arising from BancoPosta's operations, mainly reflect risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third party, impairments and adjustments to income from previous years and fraud. The net transfers for the year, totalling €12 million, mainly reflect the prescription of certain stocks related to the funds transfer business and the adjustment of estimates of risks related to the distribution of postal savings products as well as fraud.
- **Provisions for disputes with third parties** regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Movements during the year primarily regard updated estimates of liabilities and uses to cover liabilities settled.
- **Provisions for disputes with staff** regard liabilities that may arise following labour litigation and disputes of various types. The changes in the year refer to the update of the estimate of the liabilities and the related legal expenses, taking account of both the overall value of negative outcomes in terms of litigation.
- **Provisions for personnel expenses** are made to cover expected liabilities arising in relation to the cost of labour, with are certain or likely to occur but whose estimated amount is subject to change. They have increased by €89 million to reflect the estimated value of new liabilities and decreased as a result of past contingent liabilities that failed to materialise (€33 million) and settled disputes (€75 million).
- **Provisions for early retirement incentives** reflect the estimated costs to be incurred as a result of the Company's bonding commitment to pay early retirement incentives on a voluntary basis, under the current redundancy scheme agreed with the labour unions for a determinate number of employees who will leave the Company by 31 December 2024. The provisions made at 31 December 2021 were utilised for €216 million.
- The **provisions for risks - tax credits Law no. 77/2020** were established to cover probable liabilities analytically described in Note A10 - Tax Credits Law no. 77/2020.

- **Provisions for taxation** have been made to cover estimated tax liabilities.
- **Other provisions for risks and charges** cover probable liabilities of various type, including: estimated liabilities deriving from the risk that specific legal actions undertaken in order to reverse seizures of the Company's assets may be unable to recover the related amounts, claims for rent arrears on properties used free of charge by the Company, claims for payment of accrued interest expense due to certain suppliers and frauds.

B5 – Employee termination benefits (€678 million)

Movements in employee termination benefits are as follows:

tab. B5 – Movements in provisions for employee termination benefits

(€m)		FY 2022
Balance at 1 January		**896**
interest component	15	
effect of actuarial gains/(losses)	(119)	
Provisions for the year		(104)
Uses for the period		(114)
Balance at 31 December		**678**
of which attributable to BancoPosta RFC		2

The interest component is recognised in finance costs. The current service cost, which from 2007 is paid to pension funds or third-party social security agencies and is no longer included in the employee termination benefits managed by the Company, is recognised in personnel expenses. Net uses of provisions for employee termination benefits amount to €103 million and €11 million to substitute tax.

Actuarial gains and losses are generated by the following factors:

tab. B5.1 – Actuarial (gains) and losses

(€m)	31.12.2022
Change in demographic assumptions	(8)
Change in financial assumptions	(155)
Other experience-related adjustments	44
Total	**(119)**

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

tab. B5.2 – Sensitivity analysis

(€m)	Employee termination benefits at 31.12.2022
Inflation rate +0.25%	685
Inflation rate -0.25%	671
Discount rate +0.25%	667
Discount rate -0.25%	690
Turnover rate +0.25%	679
Turnover rate -0.25%	677

tab. B5.3 – Other information

	31.12.2022
Expected service cost	-
Average duration of defined benefit plan	7.50
Average employee turnover	2.00%

B6 – Financial liabilities (€104,703 million)

tab. B6 – Financial liabilities

Description (€m)	Balance at 31.12.2022			Balance at 31.12.2021			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost	9,777	93,951	103,728	9,527	91,266	100,793	2,935
Derivative financial instruments	823	152	975	5,421	45	5,466	(4,491)
Total	**10,600**	**94,103**	**104,703**	**14,948**	**91,311**	**106,259**	**(1,556)**
of which attributable to BancoPosta RFC	7,932	92,512	100,444	12,369	89,375	101,744	(1,300)
of which unallocated assets	2,668	1,591	4,259	2,579	1,936	4,515	(256)

Financial liabilities attributable to BancoPosta RFC

Financial liabilities attributable to BancoPosta

Description (€m)	Balance at 31.12.2022			Balance at 31.12.2021			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Financial liabilities at amortised cost	7,109	92,360	99,469	6,951	89,330	96,281	3,188
Payables deriving from postal current accounts	-	78,004	78,004	-	77,483	77,483	521
Loans	7,109	3,016	10,125	6,951	6,309	13,260	(3,135)
Due to financial institutions	7,109	3,016	10,125	6,951	6,309	13,260	(3,135)
MEF account held at the Treasury	-	4,168	4,168	-	3,441	3,441	727
Other financial liabilities	-	7,172	7,172	-	2,097	2,097	5,075
Derivative financial instruments*	823	152	975	5,418	45	5,463	(4,488)
Cash flow hedges	490	137	627	255	9	264	363
Fair value hedges	333	11	344	5,160	36	5,196	(4,852)
Fair value through profit or loss	-	4	4	3	-	3	1
Total	**7,932**	**92,512**	**100,444**	**12,369**	**89,375**	**101,744**	**(1,300)**

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

Postal current accounts

These payables include net amounts accrued at 31 December 2022 and settled with customers in January 2023. The balance includes amounts due to Poste Italiane Group companies, totalling €9,668 million, of which €9,401 million relating to postal current accounts held by PostePay SpA relating primarily to customer current account deposits from prepaid cards and €179 million represented by postal current accounts held by Poste Vita SpA.

LOANS

Due to financial institutions

At 31 December 2022, outstanding liabilities of €13,342 million relate to repurchase agreements entered into by the Company with major financial institutions and Central Counterparties, amounting to a total nominal value of securities committed for €13,070 million. These liabilities regard €6,972 million in Long Term Repos and €6,370 million in ordinary borrowing operations, the resources from both invested in Italian fixed income government securities and as funding for deposits used as collateral. At 31 December 2022, repurchase agreements with a nominal value of €3,996 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Finally, financial assets and liabilities relating to repurchase agreements managed through the Central Counterparty that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021). At 31 December 2022, the fair value[212] of the above borrowings amounts to €9,776 million.

MEF account held at the Treasury

tab. B6.1 – MEF account held at the Treasury

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Balance of cash flows for advances	-	4,083	4,083	-	3,488	3,488	595
Balance of cash flows from management of postal savings	-	(84)	(84)	-	(220)	(220)	136
Amounts payable due to theft	-	155	155	-	155	155	-
Amounts payable for operational risks	-	14	14	-	18	18	(4)
Total	**-**	**4,168**	**4,168**	**-**	**3,441**	**3,441**	**727**

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

tab. B6.1.1 – Balance of cash flows for advances

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Net advances	-	4,083	4,083	-	3,488	3,488	595
MEF postal current accounts and other payables	-	670	670	-	670	670	-
MEF - State pensions	-	(670)	(670)	-	(670)	(670)	-
Total	**-**	**4,083**	**4,083**	**-**	**3,488**	**3,488**	**595**

The **balance of cash flows from the management of postal savings**, amounting to a positive €84 million, represents the balance of withdrawals less deposits during the last two days of the year and cleared early in the following year. The balance at 31 December 2022 consists of €16 million payable to Cassa Depositi e Prestiti, and €100 million of amounts due from the MEF for Interest-bearing Postal Certificates issued on its behalf.

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

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

Amounts payable for operational risks for €14 million regard the portion of advances obtained to fund the operations of BancoPosta, in relation to which asset under recovery is certain or probable.

Derivative financial instruments

Movements in derivative financial instruments during 2022 are described in Note A6 – *Financial assets*.

Other financial liabilities

tab. B6.2 – Other financial liabilities

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Guarantee deposits	-	4,824	4,824	-	228	228	4,596
Domestic and international money transfers	-	1,108	1,108	-	938	938	170
Endorsed cheques	-	476	476	-	322	322	154
Cashed cheques	-	183	183	-	141	141	42
Other amounts payable to third parties	-	173	173	-	69	69	104
Amounts to be credited to customers	-	104	104	-	130	130	(26)
Payables for items in process	-	304	304	-	269	269	35
Total	**-**	**7,172**	**7,172**	**-**	**2,097**	**2,097**	**5,075**

Payables for guarantee deposits refer exclusively to sums received from counterparties for interest rate swap transactions (collateral provided for in a specific Credit Support Annexes). The increase in this item compared to 31 December 2021 was due to the positive change in the fair value of derivatives following the rise in the interest rate curve.

Financial liabilities outside ring-fence

Financial liabilities Unallocated assets

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Financial liabilities at amortised cost	2,668	1,591	4,259	2,576	1,936	4,512	(253)
Borrowings	1,820	53	1,873	1,770	551	2,321	(448)
Bonds	997	51	1,048	1,047	-	1,047	1
Due to financial institutions	823	2	825	723	551	1,274	(449)
Lease payables	844	257	1,101	802	187	989	112
Financial liabilities due to subsidiaries	-	1,281	1,281	-	1,195	1,195	86
Other financial liabilities	4	-	4	4	3	7	(3)
Derivative financial instruments*	-	-	-	3	-	3	(3)
Cash flow hedging	-	-	-	3	-	3	(3)
Total	**2,668**	**1,591**	**4,259**	**2,579**	**1,936**	**4,515**	**(256)**

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

Loans

Loans are unsecured and are not subject to financial covenants, which would require the company to comply with economic and financial ratios. EIB loans are subject to the maintenance of a minimum rating level of BBB- (or equivalent) by the two rating agencies of Poste Italiane, without prejudice to the bank's right to request guarantees or an increase in the margin, or in the event of failure to agree immediate early repayment of the loan. Standard negative pledge provisions do apply, however[213].

Bonds

The item **Bonds** refers to two loans issued by the Poste Italiane SpA as part of the €2.5 billion Euro Medium Term Notes (EMTN) Programme promoted by the Company during the 2013 financial year on the Luxembourg Stock Exchange. Specifically:

- a senior unsecured loan with a total nominal value of €1 billion issued on 10 December 2020 in two tranches, placed in public form with institutional investors. The first tranche of €500 million matures on 10 December 2024, has an above-par issue price of 100.10 with fixed annual coupon of 0.00% and an effective yield to maturity of -0.025%; the second tranche of €500 million matures on 10 December 2028, with an issue price below par of 99.758, a fixed annual coupon of 0.50% and an effective yield to maturity of 0.531%. At 31 December 2022, the fair value[214] of the loan was €851 million;
- a loan with a nominal value of €50 million, privately placed and issued at par on 25 October 2013. The term to maturity of the loan is ten years and the interest rate is 3.5% for the first two years and variable thereafter (EUR Constant Maturity Swap rate plus 0.955%, with a cap of 6% and a floor of 0%). The interest rate risk exposure was hedged as described in Note A6 – *Financial assets*. At 31 December 2022, the fair value[215] of the loan was €51 million.

Due to financial institutions

At 31 December 2022, the committed and uncommitted credit lines are as follows:

tab. B6.3 – Due to financial institutions

Description (€m)	Balance at 31.12.2022 Non-current liabilities	Current liabilities	Total	Balance at 31.12.2021 Non-current liabilities	Current liabilities	Total	Changes
Loans	-	-	-	-	550	550	(550)
EIB fixed rate loan maturing 12/03/2026	173	-	173	173	-	173	-
EIB fixed rate loan maturing 16/10/2026	400	-	400	400	-	400	-
EIB fixed rate loan maturing 19/05/2028	150	-	150	150	-	150	-
EIB fixed rate loan maturing 02/05/2028	100	-	100	-	-	-	100
Other Payables and Accrued Interest	-	2	2	-	1	1	1
Total	**823**	**2**	**825**	**723**	**551**	**1,274**	**(449)**

As at 31 December 2022, no committed and uncommitted credit lines were used for short-term financing.

On 31 March 2022, a new loan of €100 million was signed with the EIB "Green Mobility". The loan, disbursed on 2 May 2022, provides interest at a fixed rate of 1.467% and matures on 2 May 2028.

At 31 December 2022, the fair value[216] of the four EIB loans is €744 million. The amount of the other financial liabilities in the table - *Financial liabilities outside ring-fence* approximates their fair value.

213. A commitment given to creditors by which a borrower undertakes not to give senior security or other restrictions on assets to other lenders ranking pari passu with creditors, unless the same degree of protection is also offered to them.
214. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 1.
215. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.
216. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 2.

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021
Committed credit lines	**2,450**	**1,750**
Short-term loans	2,450	1,750
Uncommitted credit lines	**2,035**	**2,250**
Short-term loans	1,005	1,309
Current account overdrafts	144	144
Unsecured loans	886	797
Total	**4,485**	**4,000**
Uncommitted uses	**588**	**937**
Short-term loans	-	550
Unsecured loans*	588	387
Total	**588**	**937**

* At 31 December 2022, unsecured loans were used for €373 million on behalf of Poste Italiane SpA and for €215 million, on behalf of Group companies.

No collateral has been provided to secure the credit lines available.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 26 June 2020, BancoPosta RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2022.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €2,582 million, and the facility is unused at 31 December 2022.

Lease payables

Lease liabilities at 31 December 2022 amount to €1,101 million. For more details on the change in this item, see Note A4 - *Right-of-use assets*.

Derivative financial instruments

Movements in derivative financial instruments during 2022 are described in Note A6 – *Financial assets*.

Financial liabilities due to subsidiaries

These liabilities relate to intercompany current accounts paying interest at market rates and break down as follows:

tab. B6.4 – Financial liabilities due to subsidiaries

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	30	33	(3)
EGI SpA	21	14	7
MLK Deliveries SpA	4	-	4
Nexive Scarl	6	6	-
PatentiViaPoste ScpA	13	-	13
Poste Vita SpA	190	377	(187)
Postel SpA	6	7	(1)
PostePay SpA	915	666	249
SDA Express Courier SpA	24	50	(26)
sennder Italia Srl	9	15	(6)
Poste Welfare Servizi Srl	8	19	(11)
Indirect subsidiaries			
Rispamrio Holding SpA	50	-	50
LIS Pay Spa	-	-	-
Poste Assicura SpA	4	7	(3)
Kipoint SpA	1	1	1
Total	**1,281**	**1,195**	**86**

Changes in liabilities arising from financing activities

The following disclosures are provided in accordance with IAS 7, following the amendments introduced by EU Regulation 1990/2017 of 6 November 2017.

tab. B6.5 – Changes in liabilities arising from financing activities

Description (€m)	Balance at 01.01.2022	Net cash flow from/ (for) financing activities	Non-cash flows	Balance at 31.12.2022
Borrowings	2,321	(450)	2	1,873
Bonds	1,047	-	1	1,048
Due to financial institutions	1,274	(450)	1	825
Lease payables	989	(208)	320	1,101
Financial liabilities due to subsidiaries	1,195	86	-	1,281
Other financial liabilities	7	(3)	-	4
Total	**4,512**	**(575)**	**322**	**4,259**

Net debt/(funds)

The following table shows the net debt/(funds) at 31 December 2022:

Net debt/(funds) at 31 December 2022

Balance at 31.12.2022 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	*of which related parties*
Financial liabilities	**4,608**	**100,672**	**(576)**	**104,704**	
Postal current accounts	-	78,231	(227)	78,004	*9,668*
Bonds	1,048	-	-	1,048	-
Due to financial institutions	825	10,125	-	10,950	-
Lease payables	1,101	-	-	1,101	*44*
MEF account held at the Treasury	-	4,169	-	4,169	*4,169*
Derivative financial instruments	-	975	-	975	*193*
Other financial liabilities	1,285	7,172	-	8,457	*1,504*
Intersegment financial liabilities	349	-	(349)	-	-
Financial assets	**(904)**	**(83,642)**	**349**	**(84,197)**	
Financial instruments at amortised cost	(368)	(43,982)	-	(44,350)	*(15,284)*
Financial instruments at FVTOCI	(536)	(33,161)	-	(33,697)	-
Financial instruments at fair value through profit or loss	-	(40)	-	(40)	-
Derivative financial instruments	-	(6,110)	-	(6,110)	*(203)*
Intersegment financial assets	-	(349)	349	-	-
Tax credits Law no. 77/2020	**(421)**	**(8,600)**	**-**	**(9,021)**	**-**
Liabilities/(net financial assets)	**3,283**	**8,430**	**(227)**	**11,486**	
Cash and deposits attributable to BancoPosta	**-**	**(5,848)**	**-**	**(5,848)**	**-**
Cash and cash equivalents	**(469)**	**(2,016)**	**227**	**(2,258)**	***(1,991)***
Net debt/(funds)	**2,814**	**566**	**-**	**3,380**	

Net debt/(funds) at 31 December 2021

Balance at 31.12.2021 (€m)	Capital outside ring-fence	BancoPosta RFC	Eliminations	Poste Italiane SpA	*of which related parties*
Financial liabilities	**4,690**	**101,916**	**(347)**	**106,259**	
Postal current accounts	-	77,655	(172)	77,483	*8,884*
Bonds	1,047	-	-	1,047	-
Due to financial institutions	1,274	13,260	-	14,534	*199*
Lease payables	989	-	-	989	*46*
MEF account held at the Treasury	-	3,441	-	3,441	*3,441*
Derivative financial instruments	3	5,463	-	5,466	*148*
Other financial liabilities	1,202	2,097	-	3,299	*1,206*
Intersegment financial liabilities	175	-	(175)	-	-
Financial assets	**(459)**	**(89,929)**	**175**	**(90,213)**	
Financial instruments at amortised cost	(381)	(51,216)	-	(51,597)	*(16,509)*
Financial instruments at FVTOCI	(75)	(37,626)	-	(37,701)	-
Financial instruments at fair value through profit or loss	-	(39)	-	(39)	-
Derivative financial instruments	(3)	(873)	-	(876)	*(31)*
Intersegment financial assets	-	(175)	175	-	-
Tax credits Law no. 77/2020	**(448)**	**(6,008)**	**-**	**(6,456)**	**-**
Liabilities/(net financial assets)	**3,783**	**5,979**	**(172)**	**9,590**	
Cash and deposits attributable to BancoPosta	**-**	**(7,659)**	**-**	**(7,659)**	**-**
Cash and cash equivalents	**(2,028)**	**(2,014)**	**172**	**(3,870)**	***(1,991)***
Net debt/(funds)	**1,755**	**(3,694)**	**-**	**(1,939)**	

Total net debt[217] of the Company at 31 December 2022, as shown above, presents a deficit of €3,380 million, down by €5,319 compared to the values at 31 December 2021 (funds of €1,939 million). The change was mainly attributable to the negative valuation effects of investments classified as FVTOCI in the amount of approximately €4.5 billion, the cash absorption generated by the distribution of dividends totalling €799 million (of which €273 million related to the interim ordinary dividend planned for the 2022 financial year), partially offset by the decrease in working capital of €644 million and the profit for the period of €847 million. In addition, the change also includes the effects of corporate acquisitions in 2022 totalling €173 million and the recapitalisation of Poste Vita SpA, for €500 million, through the subscription of a subordinated, non-convertible capital instrument, and of PostePay SpA, for €700 million, aimed at providing the company with the financial resources needed to complete the acquisition of LIS Holding SpA.

217. The Net debt/(funds) includes Tax Credits whose value at 31 December 2022 was €9,021 million. Although these receivables derive from business activities and are classified in the financial statements under other assets, in order to improve the representation of the indicator in question, they have been assimilated to financial assets.

At 31 December 2022, the financial debt outside the ring-fence, calculated in accordance with ESMA Guidelines 32-382-1138, is provided below:

ESMA net financial debt for capital outside ring-fence

(€m)	At 31.12.2022	At 31.12.2021
A. Cash	(469)	(2,028)
B. Cash equivalents	-	-
C. Other current financial assets	(29)	(52)
D. Liquidity (A+B+C)	**(498)**	**(2,080)**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	1,590	1,935
F. Current portion of non-current debt	1	1
G. Current financial debt (E+F)	**1,591**	**1,936**
H. Net current financial debt (G + D)	**1,093**	**(144)**
I. Non-current financial debt (excluding current portion and debt instruments)	1,671	1,532
J. Debt instruments	997	1,047
K. Trade payables and other non-current payables	18	22
L. Non-current financial debt (I + J + K)	**2,686**	**2,601**
M. Total financial debt (H + L)	**3,779**	**2,457**

Reconciliation of financial debt ESMA

(€m)	At 31.12.2022	At 31.12.2021
M. Total financial debt (H + L)	**3,779**	**2,457**
Non-current financial assets	(875)	(407)
K. Trade payables and other non-current payables	(18)	(22)
Tax credits Law no. 77/2020	(421)	(448)
Industrial Net Financial Position	**2,465**	**1,580**
Intersegment financial (receivables)/payables	349	175
Net debt/(funds) for capital outside ring-fence including intersegment transactions	**2,814**	**1,755**

B7 – Trade payables (€1,970 million)

tab. B7 – Trade payables

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Due to suppliers	1,047	963	84
Due to subsidiaries and associates	422	510	(88)
Contract liabilities	501	558	(57)
Total	**1,970**	**2.031**	**(61)**
of which attributable to BancoPosta RFC	182	201	(19)

Due to suppliers

tab. B7.1 – Due to suppliers

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Italian suppliers	858	788	70
Overseas suppliers	16	18	(2)
Overseas counterparties*	173	157	16
Total	**1,047**	**963**	**84**
of which attributable to BancoPosta RFC	8	12	(4)

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

Due to subsidiaries and associates

tab. B7.2 – Due to subsidiaries and associates

Name (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Direct subsidiaries			
BancoPosta Fondi SpA SGR	3	4	(1)
CLP ScpA	100	98	2
Consorzio per i Servizi di Telefonia Mobile ScpA	14	47	(33)
EGI SpA	-	1	(1)
MLK Deliveries SpA	9	6	3
Nexive Network Srl	-	4	(4)
Poste Vita SpA	2	2	-
Postel SpA	17	22	(5)
PostePay SpA	123	150	(27)
Poste Welfare Servizi Srl	4	2	2
SDA Express Courier SpA	145	171	(26)
Sourcesense SpA	1	-	1
Indirect subsidiaries			
Address Software Srl	1	1	-
Kipoint SpA	2	2	-
Poste Assicura SpA	1	-	1
Total	**422**	**510**	**(88)**
of which attributable to BancoPosta RFC	105	120	(15)

These trade payables include:

- SDA Express Courier SpA: mainly for the pick-up, sorting and delivery service of national and international express products;
- PostePay SpA: mainly for collection and payment services under the service contract (€100 million) and for acquiring services (€20 million).

Contract liabilities

tab. B7.3 – Contract liabilities

Description (€m)	Balance at 01.01.2022	Increases/(Decreases)	Change due to recognition of revenue for period	Balance at 31.12.2022
Prepayments and advances from customers	490	(57)	-	433
Liabilities for fees to be refunded	68	(49)	49	68
Total	**558**	**(106)**	**49**	**501**
of which attributable to BancoPosta RFC	68	(49)	49	68

Prepayments and advances from customers

This item refers to amounts received from customers as prepayment for the following services to be rendered:

tab. B7.3.1 – Prepayments and advances from customers

Description (€m)		Balance at 31.12.2022	Balance at 31.12.2021	Changes
Prepayments from overseas counterparties		223	329	(106)
Advances for Publishing from PCM	[tab.A8.1]	125	84	41
Advances for shipments		67	61	6
Advances for other services		18	16	2
Total		**433**	**490**	**(57)**
of which attributable to BancoPosta RFC		-	-	-

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

B8 – Other liabilities (€3,362 million)

tab. B8 – Other liabilities

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	Changes
Due to staff	5	694	699	15	696	711	(12)
Social security payables	19	423	442	26	414	440	2
Other taxes payable	1,738	171	1,909	1,614	137	1,751	158
Other amounts due to subsidiaries	1	146	147	2	32	34	113
Sundry payables	12	19	31	15	51	66	(35)
Accrued expenses and deferred income	132	2	134	5	2	7	127
Total	**1,907**	**1,455**	**3,362**	**1,677**	**1,332**	**3,009**	**353**
of which attributable to BancoPosta RFC	1,738	80	1,818	1,615	61	1,676	142

Due to staff

These items primarily regard accrued amounts that have yet to be paid at 31 December 2022. The breakdown is as follows:

tab. B8.1 – Due to staff

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Fourteenth month salaries	-	198	198	-	195	195	3
Incentives	5	402	407	15	401	416	(9)
Accrued vacation pay	-	37	37	-	39	39	(2)
Other amounts due to staff	-	57	57	-	61	61	(4)
Total	**5**	**694**	**699**	**15**	**696**	**711**	**(12)**
of which attributable to BancoPosta RFC	-	5	5	1	5	6	(1)

Social security payables

tab. B8.2 – Social security payables

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
NPS	1	319	320	4	313	317	3
Pension funds	-	87	87	-	84	84	3
Health funds	-	5	5	-	5	5	-
INAIL	18	4	22	22	3	25	(3)
Other agencies	-	8	8	-	9	9	(1)
Total	**19**	**423**	**442**	**26**	**414**	**440**	**2**
of which attributable to BancoPosta RFC	-	3	3	-	3	3	-

Other taxes payable

tab. B8.3 – Other taxes payable

	Balance at 31.12.2022			Balance at 31.12.2021			
Description (€m)	**Non-current liabilities**	**Current liabilities**	**Total**	**Non-current liabilities**	**Current liabilities**	**Total**	**Changes**
Withholding tax on employees' and consultants' salaries	-	82	82	-	90	90	(8)
Withholding tax on postal current accounts	-	29	29	-	8	8	21
Stamp duty payable	1,738	21	1,759	1,614	-	1,614	145
Other taxes due	-	39	39	-	39	39	-
Total	**1,738**	**171**	**1,909**	**1,614**	**137**	**1,751**	**158**
of which attributable to BancoPosta RFC	1,738	68	1,806	1,614	24	1,638	168

The **stamp duty payable** includes the balance due to the Treasury for the tax paid virtually in the 2022 financial year. The non-current portion of stamp duty payable primarily regards the amount due at 31 December 2022 on interest-bearing postal certificates in circulation, in compliance with the legislation referred to in Note A9 – *Other receivables and assets*.

Other amounts due to subsidiaries

tab. B8.4 – Other amounts due to subsidiaries

Name (€m)	Balance at 31.12.2022 Non-current liabilities	Balance at 31.12.2022 Current liabilities	Balance at 31.12.2022 Total	Balance at 31.12.2021 Non-current liabilities	Balance at 31.12.2021 Current liabilities	Balance at 31.12.2021 Total	Changes
Direct subsidiaries							
Nexive Network Srl	-	2	2	2	12	14	(12)
Nexive Scarl	-	1	1	-	1	1	-
Poste Vita SpA	-	121	121	-	10	10	111
Postel SpA	1	2	3	-	1	1	2
PostePay SpA	-	1	1	-	4	4	(3)
SDA Express Courier SpA	-	18	18	-	1	1	17
Indirect subsidiaries							
Poste Assicura SpA	-	1	1	-	3	3	(2)
Total	**1**	**146**	**147**	**2**	**32**	**34**	**113**
of which attributable to BancoPosta RFC	-	-	-	-	-	-	-

This item mainly includes the amount payable to subsidiaries by Poste Italiane SpA, as the consolidating entity in the tax consolidation arrangement (Note 2.3 – *Summary of significant accounting policies and measurement criteria*), to whom the subsidiaries have transferred tax assets in the form of payments on account, withholding taxes and taxes paid overseas, after deducting IRES payable to the Parent Company by the subsidiaries and the benefit connected with the tax loss contributed by the subsidiary Postel SpA in 2022.

Sundry payables

This item breaks down as follows:

tab. B8.5 – Sundry payables

Description (€m)	Balance at 31.12.2022 Non-current liabilities	Balance at 31.12.2022 Current liabilities	Balance at 31.12.2022 Total	Balance at 31.12.2021 Non-current liabilities	Balance at 31.12.2021 Current liabilities	Balance at 31.12.2021 Total	Changes
Sundry payables attributable to BancoPosta	-	5	5	-	29	29	(24)
Guarantee deposits	12	-	12	15	-	15	(3)
Other payables	-	14	14	-	22	22	(8)
Total	**12**	**19**	**31**	**15**	**51**	**66**	**(35)**
of which attributable to BancoPosta RFC	-	5	5	-	29	29	(24)

Accrued liabilities and deferred income

tab. B8.6 – Accrued liabilities and deferred income

Description (€m)	Balance at 31.12.2022			Balance at 31.12.2021			Changes
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total	
Deferred income	132	2	134	5	2	7	127
Total	**132**	**2**	**134**	**5**	**2**	**7**	**127**
of which attributable to BancoPosta RFC	-	-	-	-	-	-	-

The item **Accrued expenses and deferred** income, which increased with respect to 31 December 2021, refers for €125 million to the non-repayable grant received in advance by the Company for the realisation of the “Polis Project - Home of Digital Services”, as better described in Note 3.2 - *Other material events*.

5.4 Notes to the Statement of Profit or Loss

C1 – Revenue from sales and services (€8,904 million)

tab. C1 – Revenue from sales and services

Description (€m)	FY 2022	FY 2021	Changes
Postal Services	3,112	3,057	55
of which Revenue from contracts with customers	3,112	3,057	55
recognised at a point in time	351	398	(47)
recognised over time	2,761	2,659	102
BancoPosta services	5,467	5,123	344
of which Revenue from contracts with customers	3,459	3,597	(138)
recognised at a point in time	233	282	(49)
recognised over time	3,226	3,315	(89)
Other sales of goods and services	325	305	20
of which Revenue from contracts with customers	325	305	20
recognised at a point in time	25	1	24
recognised over time	300	304	(4)
Total	**8,904**	**8,485**	**419**

Revenue from contracts with customers breaks down as follows:

- **Revenue from Postal Services** refer to services provided to customers through the retail and business channels; revenue generated through the retail channel is recognised at a point in time given the number of transactions handled through the various sales channels (post offices, call centres and online) and measured on the basis of the rates applied; revenue generated through the business channel is generally earned as a result of annual or multi-annual contracts and is recognised over time using the output method determined on the basis of shipments requested and handled. These contracts include elements of variable consideration (primarily volume discounts and penalties linked to the quality of service provided) estimated using the expected value method and recognised as a reduction from revenue.
- **Revenue from BancoPosta Services** refers to:
  - revenue from placement and brokerage: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. In terms of payment for the collection of postal savings, the agreement entered into with Cassa Depositi e Prestiti envisages payment of a variable consideration on achieving certain levels of inflows, determined annually on the basis of the volume of inflows and expected redemptions; certain commercial agreements, entered into with leading financial partners for the placement of financial products, envisage the return of placement fees in the event of early termination or surrender by the customer;
  - revenue from current account and related services: these are recognised over time, measured on the basis of the service rendered (including the related services, e.g. bank transfers, securities deposits, etc.) and quantified on the basis of the contract terms and conditions offered to the customer;
  - revenue from commissions on payment of bills by payment slip: these are recognised at a point in time given the number of transactions handled by post offices and quantified on the basis of the terms and conditions in the contract of sale;
  - revenue not from contracts with customers accounted for in accordance with IFRS 9 - *Financial Instruments*.

Revenue from Postal Services

tab. C1.1 – Revenue from Postal Services

Description (€m)	FY 2022	FY 2021	Changes
Mail	1,748	1,693	55
Parcels	1,041	1,041	-
Philately	7	8	(1)
Total external revenue	**2,796**	**2,742**	**54**
Universal Service compensation	262	262	-
Publisher tariff subsidies	54	53	1
Total revenue	**3,112**	**3,057**	**55**

Market revenue showed an increase compared to the year 2021, essentially attributable to mail revenue, which was mainly affected by the growth in revenue from integrated services due to the resumption of activities for the notification of administrative and judicial documents, as well as the resumption of mailings of tax bills, affected last year by the continuing effects of the pandemic. This growth was partially offset by the expected structural decline in revenue from traditional mail business.

Universal Service compensation relates to amounts paid by the MEF to cover the costs of fulfilling the USO. Annual compensation, amounting to €262 million, is established in the 2020-2024 Contratto di Programma (Service Contract) in force on 1 January 2020.

Publisher tariff subsidies[218] relate to the amount receivable by the Company from the Cabinet Office - Publishing Department as compensation for the discounts applied to publishers and non-profit organisations when sending mail. The compensation is determined on the basis of the tariffs set in the decree issued by the Ministry of Enterprise and Made in Italy (former MiSE) in agreement with the Ministry of the Economy and Finance, on 21 October 2010 and Law Decree 63 of 18 May 2012, as converted into Law 103 of 16 July 2012. With AGCom Resolution 454/22/CONS of 30 December 2022, the new universal basic tariffs of the subsidised publishing products included in the Universal Service were defined. The Resolution provided for a gradual increase in basic tariffs as of 1 September 2022, with no impact on the subsidised tariffs paid by senders and with a consequent increase in the compensation received by the Company per item sent at the subsidised tariff. In this regard, it should be noted that for the year under review, the amount of subsidies that the Company has granted is covered in the 2022 State Budget.

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

BancoPosta services

tab. C1.2 – Revenue from BancoPosta services

Description (€m)	FY 2022	FY 2021	Changes
Income from investment of postal current account deposits and free cash	2,008	1,526	482
Fees for collection of postal savings deposits	1,600	1,753	(153)
Insurance brokerage	538	489	49
Other revenue from current account services	431	437	(6)
Distribution of payment products and services	251	213	38
Distribution of loan products	226	240	(14)
Commissions on payment of bills by payment slip	216	264	(48)
Income from delegated services	89	99	(10)
Distribution of investment funds	70	73	(3)
Money transfers	13	14	(1)
Other products and services	25	15	10
Total	**5,467**	**5,123**	**344**

Revenue from financial services showed an increase compared to the 2021 financial year mainly attributable to income from investment of postal current account deposits and free cash balances, partly offset by the decrease in income from postal savings deposits due to the contraction in deposits affected by the macroeconomic environment during the year.

Specifically:

- **Income from investment of postal current account deposits and free cash** breaks down as follows:

tab. C1.2.1 – Income from investment of postal current account deposits and free cash

Description (€m)	FY 2022	FY 2021	Changes
Income from investments in securities	1,482	1,434	48
Interest income on securities at amortised cost	677	670	7
Interest income on securities at FVTOCI	821	816	5
Interest income (expense) on asset swaps of CFH on securities at FVTOCI and AC	20	16	4
Interest income (expense) on asset swaps of FVH on securities at FVTOCI and AC	(79)	(104)	25
Interest income on repurchase agreements	43	36	7
Income from investments in tax credits	273	58	215
Interest income on tax credits at AC	189	24	165
Interest income on tax credits at FVTOCI	84	34	50
Income from deposits held with the MEF	252	28	224
Remuneration of current account deposits (deposited with the MEF)	323	28	295
Differential on derivatives stabilising returns	(71)	-	(71)
Portion of interest income on own liquidity (finance income)	(1)	-	(1)
Other income	2	6	(4)
Total	**2,008**	**1,526**	**482**

The increase in this item compared to the previous year is mainly attributable to the income from deposits held with the MEF and the income from investments in tax credits.

Income from investments in securities relates to interest earned on investment of deposits paid into postal current accounts by private customers. The amount of income includes the impact of the interest rate hedge. The increase in this item with respect to the 2021 financial year is mainly due to the effects of the upward shift in the interest rate curve and the decrease in the fair value hedges in place for early settlements described in Note A6 - Financial assets.

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

Income from deposits held with the MEF primarily represents accrued interest for the year on amounts deposited at Public Administration entities, remunerated at a variable rate as described in Note A6 - *Financial assets*. The increase compared to 31 December 2021 is mainly due to the rise in the interest rate curve.

- **Fees for the collection of postal savings deposits** relates to remuneration for the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books. This service is provided by Poste Italiane SpA on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021 to cover the period 2021-2024.
- **Revenue from insurance brokerage** derives from fees receivable from the subsidiaries, Poste Vita and Poste Assicura, in return for the sale of insurance policies.
- **Revenue from current account services** primarily includes charges for account maintenance fees (€283 million), fees for collection and on-line credit transfer services (€73 million) and fees for reporting services carried out for customers (€28 million).
- Income from the **distribution of payment products** and services regards fees received in return for distributing and promoting the products issued by the subsidiary, PostePay SpA.
- Income from the **distribution of loan products** relate to commissions received by the Company on the placement of personal loans and mortgages on behalf of third parties.
- **Income from delegated services** primarily regards amounts received by the Company for the payment of pensions and bank transfers credited by INPS (€25 million) and services on the basis of the agreement with the MEF (€61 million).

Other sales of goods and services

The main revenue items include: income from the subsidiary PostePay SpA for the execution of e-money and payment transactions (€102 million); income from the subsidiaries PostePay SpA (€40 million), Poste Vita SpA (€37 million), Postel SpA (€22 million) and SDA Express Courier SpA (€16 million) for technology services in support of business activities and income from call centre services (€13 million).

C2 – Other income (€428 million) and expenses (€215 million) deriving from financial activities

tab. C2.1 – Other income from financial activities

Description (€m)	FY 2022	FY 2021	Changes
Income from equity instruments at FVTPL	2	8	(6)
Fair value gains	1	5	(4)
Realised gains	-	2	(2)
Dividends from other equity investments	1	1	-
Income from financial instruments at FVTOCI	262	503	(241)
Realised gains	262	503	(241)
Income from financial instruments at amortised cost	130	1	129
Realised gains	130	1	129
Income from fair value hedges	16	6	10
Gains from valuation	16	6	10
Income from valuation of cash flow hedges	1	-	1
Fair value gains	1	-	1
Foreign exchange gains	5	4	1
Fair value gains	1	2	(1)
Realised gains	4	2	2
Other income	12	1	11
Total	**428**	**523**	**(95)**

The decrease in **Other income from financial activities**, compared to the previous year, is mainly due to lower realised gains from financial instruments.

tab. C2.2 – Expenses from financial activities

Description (€m)	FY 2022	FY 2021	Changes
Interest expense	156	73	83
in customers' deposits	114	30	84
Interest on guarantee deposits	25	26	(1)
Interest expense on repurchase agreements	14	9	5
due to the Parent company	4	9	(5)
Portion of interest expense on own liquidity (finance costs)	(1)	(1)	-
Expenses from financial assets at FVTOCI	4	2	2
Realised losses	4	2	2
Expenses from financial instruments at amortised cost	53	96	(43)
Realised losses	53	96	(43)
Expenses from cash value hedges	-	1	(1)
Losses from valuation	-	1	(1)
Expenses from financial instruments at FVTPL	2	6	(4)
Fair value losses	2	3	(1)
Realised losses	-	3	(3)
Total	**215**	**178**	**37**

Expenses from financial activities increased compared to the 2021 financial year mainly due to higher interest expenses recognised to public customers for deposits on postal current accounts, as a result of the rise in the interest rate curve, partially offset by lower expenses for losses from the realisation of financial instruments.

C3 – Other operating income (€721 million)

tab. C3 – Other operating income

Description (€m)	FY 2022	FY 2021	Changes
Dividends from subsidiaries	641	613	28
Interest income on tax credits at AC	20	11	9
Rentals	14	12	2
Recoveries of contract expenses and other recoveries	13	15	(2)
Reimbursement of personal expenses	5	5	-
Gains on disposals*	3	1	2
Government grants	2	3	(1)
Other income	23	23	-
Total	**721**	**683**	**38**

* For the purposes of reconciliation with the statement of cash flows, in 2022 this item is positive for €1 million, after losses of €2 million. In 2021, this item, after losses of €3 million, amounted to a negative €2 million.

The increase in **Other operating income** is mainly due to higher dividends distributed by subsidiaries during the year.

Dividends from subsidiaries

tab. C3.1 – Dividends from subsidiaries

Name (€m)	FY 2022	FY 2021	Changes
Poste Vita SpA	397	429	(32)
PostePay SpA	119	126	(7)
SDA Express Courier SpA	91	36	55
BancoPosta Fondi SpA SGR	26	20	6
Postel SpA	3	2	1
Sengi Express Limited	2	-	2
EGI SpA	2	-	2
Poste Air Cargo Srl	1	-	1
Total	**641**	**613**	**28**

C4 – Cost of goods and services (€2,497 million)

tab. C4 – Cost of goods and services

Description (€m)	FY 2022	FY 2021	Changes
Service costs	2,279	2,298	(19)
Lease expense	100	82	18
Raw, ancillary and consumable materials and goods for resale	118	106	12
Total	**2,497**	**2,486**	**11**

Costs for goods and services increased by a total of €11 million compared to the 2021 financial year. This trend is mainly attributable to the increase in costs generated by the international inflationary scenario exacerbated by the Russian-Ukrainian conflict and the fees associated with the increased use of cloud technology, partly offset by lower costs incurred under the service contract with the subsidiary PostePay SpA related to the lower volumes of pay slips recognised during the year.

Service costs

tab. C4.1 – Service costs

Description (€m)	FY 2022	FY 2021	Changes
Transport of mail, parcels and forms	1,101	1,036	65
Outsourcing fees and external service charges	413	471	(58)
Routine maintenance and technical assistance	214	211	3
Personnel services	122	113	9
Cleaning, waste disposal and security	93	97	(4)
Energy and water	72	96	(24)
Transport of cash	61	71	(10)
Telecommunications and data transmission	54	63	(9)
Exchange of correspondence and telegrams	44	48	(4)
Advertising and promotions	44	34	10
Electronic document management, printing and enveloping services	25	25	-
Agent commissions and other	12	8	4
Insurance premiums	12	12	-
Consultants' fees and legal expenses	12	12	-
Securities custody and management fees	-	1	(1)
Total	**2,279**	**2,298**	**(19)**

Lease expense

tab. C4.2 – Lease expense

Description (€m)	FY 2022	FY 2021	Changes
Equipment hire and software licences	84	66	18
Property rentals	10	8	2
Vehicle leases	2	2	-
Other lease expense	4	6	(2)
Total	**100**	**82**	**18**

Raw, ancillary and consumable materials and goods for resale

tab. C4.3 – Raw, ancillary and consumable materials and goods for resale

Description (€m)	FY 2022	FY 2021	Changes
Fuels and lubricants	54	45	9
Consumables and goods for resale	35	33	2
Change in inventories of raw, ancillary and consumable materials	7	10	(3)
Stationery and printed matter	18	14	4
Printing of postage and revenue stamps	4	4	-
Total	**118**	**106**	**12**

C5 – Personnel expenses (€4,987 million)

tab. C5 – Personnel expenses

Description (€m)	Notes	FY 2022	FY 2021	Changes
Wages and salaries		3,694	3,762	(68)
Social security contributions		1,050	1,066	(16)
Employee termination benefits: supplementary pension funds and INPS		225	224	1
Agency staff		1	11	(10)
Remuneration and expenses paid to Directors		2	2	-
Share-based payments		7	11	(4)
Early retirement incentives		21	36	(15)
Net provisions (reversals) for disputes with staff	[tab. B4]	(3)	-	(3)
Provisions for early retirement incentives	[tab. B4]	53	194	(141)
Amounts recovered from staff due to disputes		(5)	(4)	(1)
Other personnel expenses/(cost recoveries)		(58)	(67)	9
Total		**4,987**	**5,235**	**(248)**

Personnel expenses decreased by €248 million compared to 2021, attributable, for the extraordinary component, to lower redundancy incentives, and for the ordinary component, mainly to the reduction in average headcount (about 1,500 FTE less than in 2021).

Net provisions for disputes with staff and provisions for restructuring charges are described in Note B4 – *Provisions for risks and charges*.

The following table shows the Company's average and year-end headcounts by category:

tab. C5.1 – Number of employees

	Average			Year end		
Permanent workforce	**FY 2022**	**FY 2021**	**Changes**	**31.12.2022**	**31.12.2021**	**Changes**
Executives	537	554	(17)	537	521	16
Middle managers (A1)	6,511	6,354	157	6,486	6,367	119
Middle managers (A2)	7,564	7,515	49	7,522	7,475	47
Grades B, C, D	87,430	89,392	(1,962)	87,052	87,250	(198)
Grades E, F	4,611	4,650	(39)	6,057	3,433	2,624
Total employees on permanent contracts*	**106,653**	**108,465**	**(1,812)**	**107,654**	**105,046**	**2,608**

* Figures expressed in full-time equivalent terms.

Furthermore, taking account of personnel on flexible contracts, the average number of full-time equivalent personnel is 115,808 (in 2021: 117,389).

C6 – Depreciation, amortisation and impairments (€744 million)

tab. C6 – Depreciation, amortisation and impairments

Description (€m)	**FY 2022**	**FY 2021**	**Changes**
Depreciation of property, plant and equipment	200	191	9
Impairments/recoveries/adjustments of property, plant and equipment	(8)	(19)	11
Depreciation of investment property	1	1	-
Amortisation and impairments of intangible assets	345	340	5
Amortisation of right-of-use assets	208	199	9
Impairments/recoveries/adjustments of right of use	(2)	3	(5)
Total	**744**	**715**	**29**

Depreciation, amortisation and impairment showed an increase of €29 million compared to the year ended 2021, mainly due to higher depreciation and lower reversals of impairment losses on property, plant and equipment (€20 million), on rights of use (€4 million) mainly due to the expansion of the leased fleet, and amortisation on intangible assets (€5 million) related to investments in software applications that became available for use during the year.

C7 – Other operating costs (€473 million)

tab. C7 – Other operating costs

Description (€m)	Notes	FY 2022	FY 2021	Changes
Operational risk events		25	17	8
Thefts	[tab. B6.1.2]	3	2	1
Loss of BancoPosta assets, net of recoveries		4	1	3
Other operating losses of BancoPosta		18	14	4
Net provisions for risks and charges made/(released)		322	85	237
for disputes with third parties	[tab. B4]	22	53	(31)
for operational risks	[tab. B4]	(12)	17	(29)
Provisions for taxation	[tab. B4]	1	-	1
for other risks and charges	[tab. B4]	(9)	15	(24)
for risks on tax credits Law 77/2020	[tab. B4]	320	-	320
Capital losses		2	3	(1)
Other taxes and duties		95	64	31
Municipal property tax		28	27	1
Stamp duty		28	17	11
Other taxes and duties		39	20	19
Other current expenses		29	40	(11)
Total		**473**	**209**	**264**

Other costs and charges increased compared to the year of comparison due to higher provisions for risks on tax credits, partly offset by lower net allocations to the remaining items of other provisions for risks and charges due to both the updating of estimated liabilities and the disappearance of those identified in the past, see Note B4 - *Provisions for risks and charges*.

C8 – Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets (€97 million)

tab. C8 – Impairment losses/(Reversals of impairment losses) on debt instruments, receivables and other assets

Description (€m)	FY 2022	FY 2021	Changes
Net impairment trade receivables and other assets	89	24	65
Net impairment debt instruments and receivables of financial operations	8	(10)	18
Total	**97**	**14**	**83**

C9 – Finance income (€95 million) and costs (€71 million)

Finance income

tab C9.1 – Finance income

Description (€m)	Notes	FY 2022	FY 2021	Changes
Income from subsidiaries and associates		76	56	20
Interest on loans		10	8	2
Interest on non-convertible subordinated equity instruments		15	-	15
Dividends from associates[1]		11	8	3
Other finance income		40	40	-
Income from financial instruments at FVTOCI		1	1	-
Interest on fixed-income instruments		1	3	(2)
Accrued differentials on fair value hedges		-	(2)	2
Expenses from financial instruments at FVTPL		5	5	-
Fair value gains		-	3	(3)
Accrued differentials on FVTPL derivative financial instrument		5	2	3
Other finance income		6	9	(3)
Remuneration of own liquid funds of Poste Italiane	[tab. C1.2.1]	1	-	1
Finance income on discounting receivables[2]		2	3	(1)
Late payment interest		21	24	(3)
Impairment of amounts due as late payment interest		(20)	(20)	-
Other income		2	2	-
Foreign exchange gains[1]		7	5	2
Total		**95**	**76**	**19**

(1) For the purposes of reconciliation with the statement of cash flows, in 2022 finance income after foreign exchange gains and dividends from associates amounts to €77 million (€63 million in 2021).
(2) Finance income on discounted receivables regards interest on amounts due from staff and INPS for CTD agreements.

Finance income increased year-on-year in 2021 mainly due to interest accrued and paid on the subordinated, non-convertible capital instrument issued by the subsidiary Poste Vita SpA in 2021 and subscribed by Poste Italiane.

Finance costs

tab. C9.2 – Finance costs

Description (€m)	Notes	FY 2022	FY 2021	Changes
Finance costs on financial liabilities		30	29	1
on lease payables		19	21	(2)
on due to financial institutions		4	3	1
on bonds		4	3	1
on derivative financial instruments		1	2	(1)
on payables due to parent companies		2	-	2
Finance costs on provisions for employee termination benefits	[tab. B5]	15	9	6
Finance costs on provisions for risks	[tab. B4]	1	-	1
Remuneration of Poste Italiane's own liquidity	[tab. C2.2]	1	1	-
Other finance costs		20	18	2
Foreign exchange losses[1]		4	7	(3)
Total		**71**	**64**	**7**

(1) For the purposes of reconciliation with the statement of cash flows, in 2022 finance costs after foreign exchange losses amounted to €67 million (€57 million in 2021).

Finance costs increased compared to the year 2021 mainly due to the financial component of the allocation to employee termination benefits.

C10 – Impairment losses/(Reversals of impairment losses) on financial assets

At 31 December 2022 and 31 December 2021, this item had an insignificant balance.

C11 – Income tax expense (€253 million)

The nominal IRES rate is 24%, while the theoretical average IRAP rate is 4.48%[219]. The breakdown of income taxes for the year is as follows:

tab. C11 – Income tax expense

Description (€m)	FY 2022			FY 2021			Changes
	IRES	IRAP	Total	IRES	IRAP	Total	
Current tax expense	132	43	175	25	19	44	131
Deferred tax assets	68	10	78	49	8	57	21
Deferred tax liabilities	-	-	-	-	(1)	(1)	1
Total	**200**	**53**	**253**	**74**	**26**	**100**	**153**

Income taxes for the year include the positive effect of €6 million relating to the tax benefit associated with the Aid to Economic Growth (ACE), referred to the 2013 financial year, for which, in the period under review, the uncertainties associated with quantification no longer exist.

219. The nominal tax rate for IRAP is 3.90% for entities as a whole and 4.20% for entities that hold concessions other than those relating to the construction and operation of motorways and tunnels (+/–0.92% resulting from regional surtaxes and/or relief and +0.15% as a result of additional surtaxes levied in regions with a health service deficit).

The tax rate for 2022 is 23.01% and consists of:

tab. C11.1 – Reconciliation between theoretical and effective IRES rate

Description (€m)	FY 2022		FY 2021	
	IRES	Tax Rate	IRES	Tax Rate
Profit before tax	1,100		897	
Theoretical tax charge	264	24.0%	215	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(148)	-13.47%	(142)	-15.82%
Taxation for previous years	(8)	-0.72%	(16)	-1.77%
Net provisions for risks and charges and doubtful debts	98	8.93%	22	2.43%
Non-deductible out-of-period losses	4	0.36%	7	0.76%
Non-deductible taxes	1	0.05%	3	0.33%
Other	(5)	-0.44%	(4)	-0.41%
Effective tax (before recognition of the Patent Box and ACE tax effect)	**206**	**18.72%**	**85**	**9.52%**
Patent Box and ACE tax effect previous years	(6)	-0.56%	(11)	-1.29%
Effective tax charge	**200**	**18.16%**	**74**	**8.23%**

tab. C11.2 – Reconciliation between theoretical and effective IRAP rate

Description (€m)	FY 2022		FY 2021	
	IRAP	Tax Rate	IRAP	Tax Rate
Profit before tax	1,100		897	
Theoretical tax charge	49	4.48%	40	4.49%
Effect of increases/(decreases) on theoretical tax charge				
Dividends from investee companies	(29)	-2.65%	(28)	-3.11%
Non-deductible personnel expenses	17	1.56%	17	1.87%
Net provisions for risks and charges and doubtful debts	18	1.62%	-	0.01%
Non-deductible out-of-period losses	1	0.07%	1	0.14%
Finance income and costs	(1)	-0.14%	-	0.00%
Impairment losses/(reversals of impairment losses) on financial assets	-	-	(1)	-0.14%
Non-deductible taxes	1	0.11%	2	0.14%
Taxation for previous years	(1)	-0.05%	(3)	-0.32%
Other	(2)	-0.15%	(2)	-0.21%
Effective tax (before recognition of the Patent Box tax effect)	**53**	**4.85%**	**26**	**2.87%**
Patent Box tax effect previous years	-	-	-	-0.01%
Effective tax charge	**53**	**4.85%**	**26**	**2.85%**

With reference to the impairment losses, arising from the derecognition of certain maturing receivables not offset during the year, and the provision for tax credits (see also Note A10 - *Tax Credits Law no. 77/2020*), considering the current uncertainty regarding the relative tax treatment and the Company's need to consult the Agenzia delle Entrate in advance, based on the provisions of IFRIC 23 - Uncertainty of Treatment for Income Tax Purposes, the aforementioned charges have been valued as non-deductible for the purpose of determining income taxes for the year and no deferred tax assets have been recognised on these charges. The possible positive tax effects that may emerge as a result of potential developments in the interpretation of the cases in question and the conclusion of discussions with the Agenzia delle Entrate will be reflected in future financial statements.

Current tax expense

tab. C11.3 – Movements in current tax assets/(liabilities)

	Current tax 2022		
	IRES	IRAP	Total
Description (€m)	Assets/ (Liabilities)	Assets/ (Liabilities)	
Balance at 1 January	**89**	**16**	**105**
Payments	351	14	365
for payments on account for the current year	343	14	357
substitute tax	8	-	8
Collection of claim for IRES refund	(4)	-	(4)
Provisions to profit or loss	(132)	(43)	(175)
for current liabilities	(138)	(43)	(181)
for Patent Box and ACE tax effect	6	-	6
Provisions to equity	7	(4)	3
Tax consolidation	(249)	-	(249)
Other*	9	-	9
Balance at 31 December	**71**	**(17)**	**54**
of which:			
Current tax assets	89	9	98
Current tax liabilities	(18)	(26)	(44)

* This item refers to receivables for withholding taxes.

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

At 31 December 2022, current tax assets/(liabilities) include:

- liabilities of €39 million relating to all companies participating in tax consolidation determined by IRES and IRAP provisions for the year 2022 net of IRES and IRAP advances paid and IRES and IRAP receivables from the previous year;
- a net liability for a total of €3 million recognised following the response received to the petition filed by the Company with the Agenzia delle Entrate on the IRAP treatment of the components of employee termination benefits. In its reply, the Agenzia delle Entrate indicated a different criterion for the time allocation of these components from that provided for by international accounting standards;
- assets totalling €43 million, of which €33 million related to the Patent Box regime for the 2015-2019 financial years and the tax benefit recognised to the Company related to the Economic Growth Allowance (ACE) for the 2013 and 2016 financial years, and €10 million related to the residual Patent Box asset transferred by the subsidiary Poste Vita SpA to Poste Italiane. These assets will become compensable after the submission of the relevant supplementary tax returns;
- assets for a total of €14 million related to a request for a tax ruling referring to the tax recognition of income components arising from the management of postal current account balances;
- the substitute tax credit of a residual €18 million relating to the redemption carried out by the Company during 2018, pursuant to art. 15, paragraph 10 *ter* of Law Decree no. 185 of 29 November 2008, of the higher values resulting from the notes to the consolidated financial statements at 31 December 2017, of goodwill and other intangible assets relating to the acquisition of the investment in FSIA Investimenti Srl;
- the substitute tax credit of €8 million relating to the redemption carried out by Company during the year, pursuant to art. 15, paragraphs 10 *bis* and 10 *ter* of Law Decree no. 185 of 29 November 2008, of the goodwill arising from the acquisition of the Nexive Group and Sengi HK investments. The payment of the substitute tax will allow, as of the financial year following the payment for Nexive Group and as of the second financial year following the payment for Sengi HK, the amounts of the redeemed goodwill to be deducted for tax purposes;
- assets totalling €9 million recognised as a result of the responses received to two requests for a tax ruling filed with the Agenzia delle Entrate concerning the tax effects of application of IFRS 9 and 15. These assets will become offsettable after the submission of the relevant supplementary tax returns.

Lastly, the remaining IRES receivable of €4 million was collected on the failure to deduct IRAP resulting from the requests filed pursuant to art. 6 of Law Decree no. 185 of 29 November 2008 and art. 2 of Law Decree no. 201 of 6 December 2011, which provided for a partial deductibility of IRAP for IRES purposes (in this regard, see as reported on receivables for related interest in Note A9).

Deferred tax assets and liabilities

Details of this item at 31 December 2022 are shown in the following table:

tab. C11.4 – Deferred taxes

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021	Changes
Deferred tax assets	1,455	674	781
Deferred tax liabilities	(232)	(674)	442
Total	**1,223**	**-**	**1,223**
of which attributable to BancoPosta RFC			
Deferred tax assets	1,157	283	874
Deferred tax liabilities	(226)	(670)	444

Details of this item at 31 December 2022 are shown in the following table:

tab. C11.5 – Movements in deferred tax assets and liabilities

Description (€m)	Notes	FY 2022
Balance at 1 January		**-**
Net income/(expense) recognised in profit or loss		(78)
Net income/(expense) recognised in equity	[tab. C11.8]	1,304
Extraordinary transactions*		(3)
Balance at 31 December		**1,223**

* Extraordinary transactions relate to the balance of deferred tax assets transferred to Poste Italiane SpA following the merger by incorporation of the business unit of PSIA Srl on 1 November 2022.

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

tab. C11.6 – Movements in deferred tax assets

Description (€m)	Investment property	Financial assets and liabilities	Provisions to cover expected losses	Provisions for risks and charges	Discounting of provisions for employee termination benefits	Contract liabilities	Other	Total
Balance at 1 January 2022	**18**	**227**	**84**	**259**	**32**	**15**	**39**	**674**
Income/(expense) recognised in profit or loss	(1)	-	(6)	(61)	(1)	(1)	(8)	(78)
Income/(expense) recognised in equity	-	890	-	-	(31)	-	-	859
Balance at 31 December 2022	**17**	**1,117**	**78**	**198**	**-**	**14**	**31**	**1,455**

tab. C11.7 – Movements in deferred tax liabilities

Description (€m)	Financial assets and liabilities	Gains	Other	Total
Balance at 1 January 2022	**671**	**1**	**1**	**673**
Expense/(income) recognised in equity	(445)	-	-	(445)
Extraordinary transactions	3	-	-	3
Balance at 31 December 2022	**229**	**1**	**1**	**231**

At 31 December 2022, deferred tax assets and liabilities recognised directly in equity are as follows:

tab. C11.8 – Income/(expense) recognised in equity

Description (€m)	Increases/(decreases) in equity	
	FY 2022	FY 2021
Fair value reserve for financial assets at FVTOCI	1,298	407
Cash flow hedge reserve	37	53
Actuarial gains/(losses) on employee termination benefits	(31)	(4)
Total	**1,304**	**456**

5.5 Related party transactions

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

Impact of related party transactions on the statement of financial position at 31 December 2022

	Balance at 31.12.2022								
Name (€m)	BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	20	1	-	7	30	3	-
CLP ScpA	-	-	3	-	-	-	-	100	-
Consorzio PosteMotori	-	-	3	-	-	3	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	1	-	14	-
EGI SpA	-	-	1	-	-	1	56	-	-
Poste Welfare Servizi Srl	-	-	5	2	-	-	8	4	-
Poste Air Cargo Srl	-	5	1	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	4	-	-	3	13	-	-
Poste Vita SpA	-	253	333	-	-	197	190	2	121
Postel SpA	-	-	47	3	-	1	6	17	3
PostePay SpA	80	-	282	25	-	9,404	915	123	1
SDA Express Courier SpA	-	48	17	-	-	5	24	145	18
sennder Italia Sr.l.	-	-	-	-	-	20	9	-	-
Milkman Deliveries SpA	-	-	1	-	-	7	4	9	-
Nexive Network Srl	-	17	3	1	-	-	-	-	2
Nexive Scarl	-	-	11	-	-	-	6	-	1
Sengi Express Limited LIM	-	-	33	-	-	-	-	-	-
Sourcesense SpA	-	-	-	-	-	-	-	1	-
Indirect subsidiaries									
Address Software Srl	-	-	-	-	-	-	-	1	-
Kipoint SpA	-	-	1	-	-	1	1	2	-
Poste Assicura SpA	-	-	23	-	-	12	4	1	1
Plurima Bidco Srl	-	43	-	-	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	3	-	-	-
LIS Holding SpA	-	-	-	-	-	-	50	-	-
LIS Pay SpA	-	-	-	-	-	23	-	-	-
Associates									
Financit SpA	-	-	3	-	-	-	-	16	-
Related parties external to the Group									
MEF	11,907	-	379	3	1,991	4,168	4	4	1
Cassa Depositi e Prestiti Group	2,865	-	24	-	-	-	-	13	-
Enel Group	-	-	22	-	-	-	-	-	-
Eni Group	-	-	4	-	-	-	-	7	-
Leonardo Group	-	-	-	-	-	-	-	15	-
Monte dei Paschi di Siena Group	276	-	1	-	-	396	-	-	-
Invitalia Group	-	20	1	-	-	-	-	-	-
Other related parties external to the Group	-	-	18	-	-	-	3	2	67
Provisions for doubtful debts from related parties	(7)	(21)	(35)	-	-	-	-	-	-
Total	**15,121**	**365**	**1,207**	**35**	**1,991**	**14,252**	**1,323**	**479**	**215**

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

Name (€m)	Balance at 31.12.2021 BancoPosta's financial assets	Financial assets	Trade receivables	Other receivables and assets	Cash and cash equivalents	BancoPosta's financial liabilities	Financial liabilities	Trade payables	Other liabilities
Direct subsidiaries									
BancoPosta Fondi SpA SGR	-	-	23	2	-	6	33	4	-
CLP ScpA	-	-	3	1	-	-	-	98	-
Consorzio PosteMotori	-	-	13	-	-	18	-	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	-	-	47	-
EGI SpA	-	-	1	1	-	1	54	1	-
Poste Air Cargo Srl	-	7	1	-	-	-	-	-	-
PatentiViaPoste ScpA	-	-	2	-	-	12	-	-	-
Poste Vita SpA	-	251	237	44	-	549	377	2	10
Postel SpA	-	-	59	2	-	1	7	22	1
PostePay SpA	76	-	302	12	-	8,290	666	150	4
SDA Express Courier SpA	-	60	29	12	-	5	50	171	1
sennder Italia SpA	-	11	-	-	-	-	15	-	-
Milkman Deliveries SpA	-	-	-	-	-	-	-	6	-
Nexive Network Srl	-	25	1	1	-	-	-	4	14
Nexive Scarl	-	-	8	-	-	-	6	-	1
PSIA Srl	-	21	-	-	-	-	-	-	-
Indirect subsidiaries									
Address Software Srl	-	-	-	-	-	-	-	1	-
Kipoint SpA	-	-	-	-	-	1	1	2	-
Poste Assicura SpA	-	-	10	-	-	11	7	-	3
Poste Welfare Servizi Srl	-	-	2	1	-	-	19	2	-
Poste Insurance Broker	-	-	-	-	-	1	-	-	-
Sengi Express Limited LIM	-	-	23	-	-	-	-	-	-
Associates									
Anima Group	-	-	-	1	-	-	-	-	-
ItaliaCamp Srl	-	-	1	-	-	-	-	-	-
Financit SpA	-	-	20	-	-	-	-	-	-
Related parties external to the Group									
MEF	12,712	-	153	2	1,990	3,441	3	10	8
Cassa Depositi e Prestiti Group	3,216	-	387	-	-	-	-	4	-
Enel Group	-	-	23	-	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	8	-
Leonardo Group	-	-	1	-	-	-	-	15	-
Monte dei Paschi di Siena Group	167	-	1	-	1	347	-	-	-
Invitalia Group	-	20	1	-	-	-	-	-	-
Other related parties external to the Group	-	-	13	-	-	-	3	1	64
Provisions for doubtful debts from related parties	(6)	(21)	(36)	-	-	-	-	-	-
Total	**16,165**	**374**	**1,280**	**79**	**1,991**	**12,683**	**1,241**	**548**	**106**

At 31 December 2022, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and attributable primarily to trading relations amount to €67 million (€72 million at 31 December 2021).

Impact of related party transactions on profit or loss in FY 2022

	FY 2022										
	Revenue			Costs							
				Investments		Current expenditure					
Name (€m)	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Direct subsidiaries											
BancoPosta Fondi SpA SGR	75	27	-	-	-	13	-	(1)	-	-	-
CLP ScpA	1	-	-	2	-	270	-	-	1	-	-
Consorzio PosteMotori	4	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	18	-	-	-	-	-
EGI SpA	-	2	-	-	-	1	-	-	-	-	1
Poste Welfare Servizi Srl	4	-	-	-	-	1	-	-	-	-	-
Poste Air Cargo Srl	1	2	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	27	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	571	400	63	-	-	-	3	(1)	-	-	-
Postel SpA	44	7	-	-	-	29	-	-	-	-	-
PostePay SpA	460	123	-	-	-	219	26	(1)	-	-	2
SDA Express Courier SpA	21	96	2	-	-	756	-	(2)	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	34	-	-	-	-	-
Nexive Network Srl	2	1	-	-	-	1	-	(1)	-	-	-
Nexive Scarl	-	4	-	-	-	-	-	-	-	-	-
Sengi Express Limited LIM	92	2	-	-	-	-	-	-	-	-	-
Indirect subsidiaries											
Address Software Srl	-	-	-	-	-	1	-	-	-	-	-
Kipoint SpA	-	-	-	-	-	3	-	-	-	-	-
Poste Assicura SpA	63	-	-	-	-	-	-	-	-	-	-
Plurima Bidco Srl	-	-	1	-	-	-	-	-	-	-	-
Poste Insurance Broker	1	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	2	-	11	-	-	-	-	-	-	-	-
Financit SpA	40	-	-	-	-	-	-	-	-	-	-
Related parties external to the Group											
MEF	1,105	-	1	-	-	1	3	-	-	1	1
Cassa Depositi e Prestiti Group	1,679	-	-	9	3	10	-	-	-	-	1
Enel Group	40	-	-	-	-	-	-	-	-	-	-
Eni Group	11	-	-	-	-	29	-	-	-	-	-
Leonardo Group	-	-	-	-	3	25	-	-	-	-	-
Monte dei Paschi di Siena Group	12	1	-	-	-	-	1	-	-	-	-
Invitalia Group	3	-	-	-	-	-	-	-	-	-	-
Other related parties external to the Group	27	2	-	-	-	4	-	71	-	-	-
Total	**4,285**	**667**	**78**	**11**	**6**	**1,415**	**33**	**65**	**2**	**1**	**5**

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

	FY 2021										
	Revenue			Costs							
				Investments		Current expenditure					
Name (€m)	Revenue from sales and services	Other operating income	Finance income	Property, plant and equipment	Intangible assets	Cost of goods and services	Expenses from financial activities	Personnel expenses	Other operating costs	Impairment losses/ (Reversals of impairment losses) on debt instruments, receivables and other assets	Finance costs
Direct subsidiaries											
BancoPosta Fondi SpA SGR	78	21	-	-	-	14	-	-	-	-	-
CLP ScpA	1	-	-	2	-	202	-	-	-	-	-
Consorzio PosteMotori	43	-	-	-	-	-	-	-	1	-	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	23	-	-	-	-	-
EGI SpA	-	-	-	-	-	2	-	-	-	-	1
Poste Air Cargo Srl	1	-	-	-	-	-	-	-	-	-	-
PatentiViaPoste ScpA	25	-	-	-	-	-	-	-	-	-	-
Poste Vita SpA	527	429	46	-	-	-	-	-	-	-	-
Postel SpA	26	4	-	-	-	30	-	3	-	-	-
PostePay SpA	439	130	-	-	-	267	30	(1)	-	-	-
SDA Express Courier SpA	20	39	1	-	-	777	-	(1)	-	-	-
Milkman Deliveries SpA	-	-	-	-	-	18	-	-	-	-	-
Nexive Network Srl	4	-	-	-	-	3	-	-	-	-	-
Nexive Scarl	-	1	-	-	-	-	-	-	-	-	-
Indirect subsidiaries											
Kipoint SpA	-	-	-	-	-	3	-	-	-	-	-
Poste Assicura SpA	56	-	-	-	-	-	-	-	-	-	-
Poste Welfare Servizi Srl	3	-	-	-	-	-	-	-	-	-	-
Poste Insurance Broker	1	-	-	-	-	-	-	-	-	-	-
Sengi Express Limited LIM	61	-	-	-	-	-	-	-	-	-	-
Associates											
Anima Group	2	1	8	-	-	-	-	-	-	-	-
Financit SpA	16	-	-	-		-	-	-	-	-	-
Related parties external to the Group											
MEF	439	1	-	-	-	1	8	-	-	(4)	1
Cassa Depositi e Prestiti Group	1,818	-	-	3	-	3	-	-	-	-	1
Enel Group	44	-	-	-	-	-	-	-	-	-	-
Eni Group	15	-	-	-	-	29	-	-	-	-	-
Leonardo Group	-	-	-	1	5	24	-	-	-	-	-
Monte dei Paschi Group	13	-	-	-	-	-	-	-	-	-	-
Invitalia Group	2	-	1	-	-	-	-	-	-	-	-
Other related parties external to the Group	19	2	-	-	-	3	-	71	1	-	-
Total	**3,653**	**627**	**56**	**6**	**5**	**1,399**	**38**	**72**	**2**	**(4)**	**3**

At 31 December 2022, total provisions for risks and charges made to cover probable liabilities arising from transactions with related parties external to the Company and primarily attributable to trading relations amount to €0.7 million (€0.4 million at 31 December 2021).

The nature of the Company's principal transactions with related parties external to the Group is summarised below:

- The fees recognised by the MEF mainly relate to the remuneration for the performance of the Universal Service (USO), remuneration for delegated services, remuneration for postal current account management services, fees for the integrated notification service and for consignments without material postage.
- Amounts received from CDP SpA primarily relate to payment for the collection of postal savings deposits.
- Amounts received from the Enel Group primarily relate to payment for bulk mail shipments, unfranked mail, franking of mail on credit and postage paid mailing services.
- Amounts received from the ENI Group primarily regard payment for mail shipments. The costs incurred relate to the supply of gas and of fuel for motorcycles and vehicles.
- Purchases from the Leonardo Group primarily relate to the supply, by Leonardo SpA, of equipment, maintenance and technical assistance for mechanised mail sorting equipment, and systems and IT assistance regarding the creation of document storage facilities, the supply of software licences and of hardware and the associated maintenance and specialist consulting services.
- Amounts received from the Monte dei Paschi di Siena group primarily regard payment for mail shipments.

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

Impact of related party transactions or positions

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

Impact of related party transactions

Description (€m)	31.12.2022			31.12.2021		
	Total in financial statements	Total related parties	Impact (%)	Total in financial statements	Total related parties	Impact (%)
Financial position						
Financial assets	84,196	15,486	18.4	90,212	16,539	18.3
Trade receivables	2,657	1,207	45.4	2,925	1,280	43.8
Other receivables and assets	2,620	35	1.3	2,647	79	3.0
Cash and cash equivalents	2,258	1,991	88.2	3,870	1,991	51.4
Provisions for risks and charges	1,257	67	5.3	1,169	72	6.2
Financial liabilities	104,703	15,575	14.9	106,259	13,924	13.1
Trade payables	1,970	479	24.3	2,031	548	27.0
Other liabilities	3,362	215	6.4	3,009	106	3.5
Profit or loss						
Revenue from sales and services	8,904	4,285	48.1	8,488	3,653	43.0
Other operating income	721	667	92.5	680	627	92.2
Cost of goods and services	2,498	1,415	56.6	2,486	1,399	56.3
Expenses from financial activities	215	33	15.3	178	38	21.3
Personnel expenses	4,987	65	1.3	5,235	72	1.4
Other operating costs	473	8	1.7	209	4	1.9
Finance costs	71	5	7.0	64	3	4.7
Finance income	94	78	83.0	76	56	73.7
Cash flow						
Net cash flow from/(for) operating activities	2,064	2,766	134.0	358	(5,012)	n.a.
Net cash flow from/(for) investing activities	(2,255)	(1,096)	48.6	(689)	(394)	57.2
Net cash flow from/(for) financing activities and shareholder transactions	1,419	(417)	n.a.	172	106	61.6

Key management personnel

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

Remuneration of key management personnel

Description (€k)	31.12.2022	31.12.2021
Remuneration to be paid in short/medium term	13,164	13,189
Post-employment benefits	571	568
Other benefits to be paid in longer term	1,871	2,447
Share-based payments	2,469	4,488
Total	**18,075**	**20,692**

Remuneration of Statutory Auditors

Description (€k)	31.12.2022	31.12.2021	Changes
Remuneration	264	265	(1)
Expenses	1	-	1
Total	**265**	**265**	**-**

The remuneration paid to members of the Company's Supervisory Board for 2022 amounts to approximately €97 thousand. In determining the remuneration, the amounts paid to managers of Poste Italiane who are members of the Supervisory Board is not taken into account, as this remuneration is passed on to the employer.

No loans were granted to key management personnel during the year and, at 31 December 2022, the Company does not report receivables in respect of loans granted to key management personnel.

Transactions with personnel pensions funds

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

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6. Risk Management

Introduction

The note on "Risk management" is common to both the Poste Italiane Group and Poste Italiane SpA and deals with both financial risk (as defined by IFRS 7) and other types of risk that the Group deems it appropriate or necessary to disclose, and also the provisions of the Public Statement ESMA 32-63-1320 published on 28 October 2022.

Quantitative disclosures for Poste Italiane SpA alone are provided in the specific section of this note, unless otherwise indicated.

Financial Risks

Information on financial risk management at 31 December 2022 is provided below, in accordance with the requirements of the international financial reporting standard, IFRS 7 – *Financial Instruments: Disclosures*.

Responsibility for coordinating and managing investment and hedging strategies related to BancoPosta RFC and Poste Italiane has been assigned to BancoPosta Fondi SpA SGR.

Poste Italiane SpA financial activities, related to treasury management, medium-term funding transactions, including capital market transactions, and extraordinary and subsidised finance are the responsibility of the Parent Company's Administration, Finance and Control function.

Management of the Group's financial transactions and of the associated risks relates mainly to the operations of Poste Italiane SpA and the Poste Vita insurance group.

- **Poste Italiane SpA's** financial transactions primarily relate to BancoPosta's operations, asset financing and liquidity investment.

  BancoPosta RFC's operations consist in the active management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties. The funds raised by private customers on postal current accounts must be used in euro area government securities and, for a portion not exceeding 50% of the funds raised, in other securities backed by the Italian government guarantee[220], whilst deposits by Public Administration entities are deposited with the MEF. Moreover, within the 50% of deposits from private customers that can be invested in Italian government-guaranteed securities, BancoPosta RFC may use up to a maximum of 30% of that portion to purchase tax credits transferable pursuant to Law Decree no. 34/2020 (the so-called "Decreto Rilancio") and subsequent amendments and additions, or other tax credits transferable pursuant to current legislation[221].

  The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned model is thus the general reference for the investments, in order to limit exposure to interest rate risk and liquidity risks. The prudential requirements introduced by the third revision of the Bank of Italy Circular 285/2013 require BancoPosta to apply the same regulations applicable to banks in terms of its controls, establishing that its operations are to be conducted in accordance with the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF). BancoPosta RFC is, therefore, required to establish a system of internal controls in line with the provisions of Circular 285[222],

220. As provided for by Law no. 296 of 27 December 2006 and subsequent amendments provided for by the 2015 Stability Law, no. 190 of 23 December 2014.
221. As provided for in Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021.
222. See in particular the provisions laid down in Part I – Section IV – Chapter 3.

which, among other things, requires definition of a Risk Appetite Framework (RAF[223]), the containment of risks within the limits set by the RAF, protection of the value of assets and against losses, and identification of material transactions to be subject to prior examination by the risk control function.

BancoPosta's capital structure, which is subject to the prudential provisions introduced with the 3rd update of Bank of Italy Circular 285/2013, is particularly solid due to its CET1 ratio, which stood at 20.3% at 31 December 2022. With reference to the Leverage Ratio, the latter had a value, again at year-end, of 2.9%; the evolution of the indicator compared to 31 December 2021 was mainly affected by the loss of the benefits of the sterilisation of the items "Cash and deposits with the central bank", applied until the first quarter of 2022 due to the Covid emergency.

By contrast, operations not covered by BancoPosta RFC, primarily relating to management of the Parent Company's own liquidity, are carried out in accordance with investment guidelines, which require the Company to invest in instruments such as government securities, high-quality corporate or bank bonds, term bank deposits and tax credits. Liquidity is also deposited in postal current accounts, subject to the same requirements applied to the investment of deposits by private current account holders.

- Financial instruments held by the insurance company, **Poste Vita SpA**, primarily relate to investments designed to cover its contractual obligations to policyholders on traditional life policies and unit-linked policies. Other investments in financial instruments regard investment of the insurance company's free capital.

  Traditional Life policies, classified under Class I and V, primarily include products whose benefits are revaluated based on the return generated through the management of pools of financial assets, which are separately identifiable in accounting terms only, within the company's assets (so-called separately managed accounts). In the case of policies sold in previous years, the Company has guaranteed a minimum return payable at maturity on such products (at 31 December 2022, this minimum return at maturity on existing policies ranged between 0% and 2.1%). Gains and losses resulting from measurement are attributed in full to policyholders and accounted for in specific technical provisions under the shadow accounting method. The calculation technique used by the Group in applying this method is based on the prospective yield on each separately managed account, considering a hypothetical realisation of unrealised gains and losses over a period of time that matches the assets and liabilities held in the portfolio (see note 2.3 in relation to "Insurance contracts").

  The impact of financial risk on investment performance can be absorbed in full or in part by the insurance provisions. In particular, this absorption is generally based on the level and structure of guarantees of minimum returns and the profit-sharing mechanisms of Separately Managed Accounts for the policyholder. The company determines the sustainability of minimum returns through periodic analyses using an internal financial-actuarial (Asset-Liability Management) model which simulates, for each separate portfolio, the change in value of the financial assets and the expected returns under a "central scenario" (based on current financial and commercial assumptions) and under stress and other scenarios based on different sets of assumptions. This model makes it possible to manage the risks assumed by Poste Vita SpA on a quantitative basis, thereby fostering reduced earnings volatility and optimal allocation of financial resources.

  Unit-linked products, relating to Class III insurance products, regard policies where the premium is invested in mutual investment funds. The Company constantly monitors the evolution of the risk profile of individual products.

  Poste Assicura SpA's investment policies are designed to preserve the Company's financial strength, as outlined in the framework resolution approved by the Board of Directors of **Poste Vita SpA** on 5 December 2022. Regular analyses of the macroeconomic context and market trends for the different asset classes, with the relevant effects on asset-liability management, are conducted. For the P&C business, the focus is on the management of liquidity in order to meet claims.

Within the above context, balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including the progressive introduction of appropriate information systems.

In this regard, on 16 February 2021, Poste Italiane SpA's Board of Directors adopted a revised version of the Guidelines for Internal Control and Risk Management System (SCIGR), which contains integrated guidelines for Poste Italiane SpA's Internal Control and Risk Management System.

From an organisational viewpoint, the model consists of:

- the **Control and Risk Committee**, established in 2015 within the Board, has the task of supporting, through an appropriate investigative, proposal-making and advisory activity, the evaluations and decisions of the Board of Directors on the internal control and risk management system and on the approval of the relative periodic financial and non-financial reports;

223. The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits, and risk management policies, together with the processes needed to define and implement them.

- the **Financial and Insurance Services Committee**, established on 19 March 2018 has the objective of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;
- an **Investment Committee established at the Group's insurance company, Poste Vita SpA**, which, based on analyses by the relevant functions, provides advice to senior management on the development, implementation and oversight of investment strategy;
- appropriate functions established within the Parent Company and the subsidiaries providing financial and insurance services (BancoPosta Fondi SGR SpA and Poste Vita SpA) that perform Risk Measurement and Control activities, ensuring the organisational separation of risk assessment from risk management activities; the results of these activities are examined by the relevant advisory Committees, which are responsible for carrying out an integrated assessment of the main risk profiles.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

Poste Italiane Group

Fair value interest rate risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates.

This refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of variable-rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument's duration.

The following interest rate sensitivity analysis was based on changes in fair value with a parallel shift in the forward yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

The table below shows the sensitivity analysis for the fair value interest rate risk at 31 December 2022 for the Poste Italiane Group's positions.

Poste Italiane Group - Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects										
Financial assets										
Financial assets at FVTOCI	148,102	129,782	(7,118)	7,098	(6,214)	6,214	-	-	(904)	884
Fixed income instruments	147,602	129,280	(7,116)	7,096	(6,212)	6,212	-	-	(904)	884
Other investments	500	502	(2)	2	(2)	2	-	-	-	-
Financial assets at FVTPL	2,738	4,288	(315)	315	(312)	312	(3)	3	-	-
Fixed income instruments	2,697	2,285	(82)	82	(78)	78	(3)	3	-	-
Other investments*	41	2,003	(234)	234	(234)	234	-	-	-	-
Derivative financial instruments	1,614	350	78	(96)	-	-	-	-	78	(96)
Cash flow hedges	1,614	350	78	(96)	-	-	-	-	78	(96)
Tax credits Law no. 77/2020	-	-	-	-	-	-	-	-	-	-
Financial liabilities										
Derivative financial instruments	2,968	(96)	(148)	158	-	-	-	-	(148)	158
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	2,968	(96)	(148)	158	-	-	-	-	(148)	158
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 31 December 2022	**155,422**	**134,324**	**(7,503)**	**7,476**	**(6,526)**	**6,526**	**(3)**	**3**	**(974)**	**946**
2021 effects										
Financial assets										
Financial assets at FVTOCI	131,503	149,043	(8,701)	8,584	(7,879)	7,879	-	-	(822)	705
Fixed income instruments	131,003	148,518	(8,699)	8,582	(7,877)	7,877	-	-	(822)	705
Other investments	500	525	(2)	2	(2)	2	-	-	-	-
Financial assets at FVTPL	2,541	4,460	(365)	365	(360)	360	(5)	5	-	-
Fixed income instruments	2,501	2,579	(115)	115	(110)	110	(5)	5	-	-
Other investments*	40	1,881	(250)	250	(250)	250	-	-	-	-
Derivative financial instruments	1,714	76	220	(257)	-	-	-	-	220	(257)
Cash flow hedges	1,714	76	220	(257)	-	-	-	-	220	(257)
Tax credits Law no. 77/2020	3,538	3,301	(65)	67	-	-	-	-	(65)	67
Financial liabilities										
Derivative financial instruments	50	(3)	1	(1)	-	-	-	-	1	(1)
Fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	50	(3)	1	(1)	-	-	-	-	1	(1)
Fair value hedges	-	-	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**139,345**	**156,876**	**(8,910)**	**8,758**	**(8,239)**	**8,239**	**(5)**	**5**	**(667)**	**514**

* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

In terms of **financial assets recognised at fair value through other comprehensive income**, the risk in question primarily relates to:

- fixed income government bonds held by Poste Vita SpA, totalling €77,448 million; of this amount, €75,507 million is used to cover Class I and V policies linked to separately managed accounts, and €1,941 million relates to the Company's free capital;
- fixed income government bonds held by BancoPosta RFC for a total fair value of €33,161 million, which consist of: fixed rate bonds amounting to €17,126 million, variable rate bonds converted into fixed rate bonds via interest rate swaps designated as cash flow hedges, totalling €3,117 million, variable rate securities for €1,266 million (of which inflation-linked securities amounting to €775 million), and fixed or variable rate bonds converted to variable rate positions via fair value hedges amounting to €11,652 million (including €4,078 million in forward starts);
- €18,700 million total fair value in other non-government debt securities held by Poste Vita SpA, used mainly to meet obligations towards policyholders.

Financial assets at fair value through profit or loss, which are recognised at risk, are held entirely by the Poste Vita Group and are primarily used to cover commitments to policyholders. They relate to a portion of investments invested in fixed-income securities totalling €2,285 million, of which €3 million related to Poste Assicura, and to the position in *Other investments* consisting of alternative fund units for €1,982 million and the remaining €21 million from the bond issued by Cassa Depositi e Prestiti as a private placement.

Within the context of **derivative financial instruments**, the risk in question primarily concerns:

- forward sales of government bonds with a nominal value of €1,099 million, and forward purchase contracts for a nominal value of €3,433 million, classified as cash flow hedges, entered into by BancoPosta RFC;
- a derivative contract entered into by the Parent Company to protect cash flows relating to the variable-rate bond for a nominal value of €50 million.

At 31 December 2022, with reference to the interest rate risk exposure determined by the average duration[224], the duration of BancoPosta's overall investments went from 5.39 to 5.01. On the other hand, with respect to Class I and Class V policies sold by Poste Vita SpA, the duration of the matching assets went from 7.34 at 31 December 2021 to 6.95 at 31 December 2022, whilst the duration of the liabilities went from 9.42 to 7.50 (assessment of the duration was carried out using the new Coherent Duration method[225]). The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk

This is the risk of a potential fall in the value of bonds held, following deterioration in the creditworthiness of issuers. This is due to the importance that the impact of the spread of returns on government securities had on the fair value of euro zone government and corporate securities, reflecting the market's perception of the credit rating of issuers.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable-rate components. In this latter case, in fact, fair value derivatives, used to convert variable-rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The 2022 financial year was characterised by an increase in yields on Italian government bonds (the 10-year BTP fell from 1.17% to 4.72%), which brought the BTP-Bund spread to 214 basis points compared to 135 last year. These movements led to a reduction in the price of securities.

The performance of the Group's portfolio in the period under review is as follows:

i. the portfolio of *Financial assets at fair value through other comprehensive income* held by Poste Italiane SpA (notional amount of approximately €37 billion) has undergone an overall net decrease in fair value of approximately €10 billion: this change was partly recognised in profit or loss for an amount of approximately €6 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in consolidated equity for approximately €4 billion;

224. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.
225. The Coherent Duration of assets and liabilities is defined as changes in the value of assets and liabilities, in proportion to the total amount of assets exposed to interest rate risk, following parallel shocks raising and lowering interest rates by 10 basis points.

ii. an overall net decrease of approximately €23.4 billion in the Poste Vita group's portfolio of *Financial assets at fair value through other comprehensive income* (a nominal value of the fixed income instruments of approximately €110 billion), almost entirely transferred to policyholders and recognised in specific technical provisions under the shadow accounting mechanism.

The sensitivity to the spread has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

The table below shows the results of the analysis of sensitivity[226] to spread risk of the most significant positions in the portfolios of both the Parent Company and the Poste Vita group at 31 December 2022.

Poste Italiane SpA - Fair value spread risk

Description (€m)	Risk exposure		Change in value		Equity reserves before taxation	
	Nominal	Fair Value	+100bps	-100bps	+100bps	-100bps
2022 effects						
Financial assets						
Financial assets at FVTOCI	37,599	33,252	(2,835)	3,348	(2,835)	3,348
Fixed income instruments	37,599	33,252	(2,835)	3,348	(2,835)	3,348
Other investments	-	-	-	-	-	-
Derivative financial instruments	1,564	350	78	(94)	78	(94)
Cash flow hedges	1,564	350	78	(94)	78	(94)
Financial liabilities						
Derivative financial instruments	2,968	(96)	(156)	166	(156)	166
Fair value through profit or loss	-	-	-	-	-	-
Cash flow hedges	2,968	(96)	(156)	166	(156)	166
Variability at 31 December 2022	**42,131**	**33,506**	**(2,912)**	**3,420**	**(2,912)**	**3,420**
2021 effects						
Financial assets						
Financial assets at FVTOCI	31,416	37,626	(4,305)	5,198	(4,305)	5,198
Fixed income instruments	31,416	37,626	(4,305)	5,198	(4,305)	5,198
Other investments	-	-	-	-	-	-
Derivative financial instruments	1,714	76	227	(264)	227	(264)
Cash flow hedges	1,714	76	227	(264)	227	(264)
Variability at 31 December 2021	**33,130**	**37,702**	**(4,078)**	**4,934**	**(4,078)**	**4,934**

For the purposes of full disclosure, a movement in the spread would have no accounting effect on financial assets measured at amortised cost, but would only impact unrealised gains and losses. In other words, fixed income instruments measured at amortised cost attributable entirely to BancoPosta, which at 31 December 2022 amounted to €27,699 million (nominal value of €28,304 million) and have a fair value of €23,651 million, would be reduced in fair value by approximately €2.45 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

226. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 320 bps and the spread of the BTP compared to the 10-year swap rate of 151 bps).

Poste Vita Group - Fair value spread risk

Description (€m)	Risk exposure		Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
	Notional	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects										
Financial assets										
Financial assets at FVTOCI	110,471	96,501	(7,084)	7,084	(6,968)	6,968	-	-	(116)	116
Fixed income instruments	109,971	95,999	(7,079)	7,079	(6,963)	6,963	-	-	(116)	116
Other investments	500	502	(5)	5	(5)	5	-	-	-	-
Financial assets at FVTPL	2,738	4,288	(420)	420	(412)	412	(8)	8	-	-
Fixed income instruments	2,697	2,285	(186)	186	(177)	177	(8)	8	-	-
Other investments*	41	2,003	(235)	235	(235)	235	-	-	-	-
Variability at 31 December 2022	**113,209**	**100,789**	**(7,504)**	**7,504**	**(7,379)**	**7,379**	**(8)**	**8**	**(116)**	**116**
2021 effects										
Financial assets										
Financial assets at FVTOCI	100,056	111,385	(8,802)	8,802	(8,684)	8,684	-	-	(118)	118
Fixed income instruments	99,556	110,860	(8,792)	8,792	(8,674)	8,674	-	-	(118)	118
Other investments	500	525	(10)	10	(10)	10	-	-	-	-
Financial assets at FVTPL	2,541	4,460	(393)	393	(387)	387	(6)	6	-	-
Fixed income instruments	2,501	2,579	(142)	142	(136)	136	(6)	6	-	-
Other investments*	40	1,881	(251)	251	(251)	251	-	-	-	-
Variability at 31 December 2021	**102,597**	**115,845**	**(9,195)**	**9,195**	**(9,071)**	**9,071**	**(6)**	**6**	**(118)**	**118**

* For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

For the purposes of full disclosure, following an increase in the spread of 100 bps, the Poste Vita group's fixed income instruments measured at amortised cost, which at 31 December 2022 amounted to €2,159 million (notional value of €2,081 million) and have a fair value of €1,863 million, would be reduced in fair value by approximately €142 million, with the change not reflected in the accounts.

In addition to using the above sensitivity analysis, Poste Italiane SpA and the Poste Vita group monitor spread risk by calculating its maximum potential losses, through an estimate of Value at Risk (VAR) on statistical bases, over a 1-day time horizon and at a 99% confidence level. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

The following table shows the maximum potential loss computed at 31 December 2022, limited, in terms of materiality, to the financial assets held by the Parent Company and the Poste Vita group.

Poste Italiane SpA - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
2022 effects			
Financial assets			
Financial assets at FVTOCI*	37,599	33,252	374
Fixed income instruments	37,599	33,252	374
Derivative financial instruments*	3,433	(92)	31
Cash flow hedges	3,433	(92)	31
Variability at 31 December 2022	**41,032**	**33,160**	**384**
2021 effects			
Financial assets			
Financial assets at FVTOCI*	31,416	37,626	267
Fixed income instruments	31,416	37,626	267
Variability at 31 December 2021	**31,416**	**37,626**	**267**

* The VAR indicated for derivative financial instruments refers solely to forward purchases while the VAR related to fixed-income bonds takes into account also forward sales.

Poste Vita Group - VAR analysis

Description (€m)	Risk exposure		SpreadVaR
	Nominal	Fair value	
2022 effects			
Financial assets			
Financial assets at FVTOCI*	110,471	96,501	3,947
Fixed income instruments	109,971	95,999	3,947
Other investments	500	502	-
Financial assets at FVTPL	2,738	4,288	16
Fixed income instruments	2,697	2,285	12
Other investments**	41	2,003	5
Variability at 31 December 2022	**113,209**	**100,789**	**3,946**
2021 effects			
Financial assets			
Financial assets at FVTOCI*	100,056	111,385	839
Fixed income instruments	99,556	110,860	839
Other investments	500	525	-
Financial assets at FVTPL	2,541	4,460	7
Fixed income instruments	2,501	2,579	4
Other investments**	40	1,881	3
Variability at 31 December 2021	**102,597**	**115,845**	**840**

* The VAR indicated for derivative financial instruments refers solely to forward purchases while the VAR related to fixed-income bonds takes into account also forward sales.
** For Other investments relative to Mutual investment funds, the nominal value indicates the number of units held without taking into account the face value of the equity security.

Cash flow interest rate risk

This is defined as the uncertainty related to the generation of future cash flows, due to interest rate fluctuations. It may result from the misalignment – in terms of interest rates, indexation methods and maturities – of financial assets and liabilities that tend to remain in place until their contractual and/or expected maturity (so-called banking book) which, as such, generate economic effects in terms of net interest income, reflecting on the income results of future periods.

The following analysis refers to the uncertainty over future cash flows generated by variable-rate instruments and variable-rate instruments created through fair value hedges following fluctuations in market interest rates.

Sensitivity to cash flow interest rate risk relating to these instruments is calculated by assuming a parallel shift in the yield curve of +/- 100 bps.

Sensitivity to cash flow interest rate risk at 31 December 2022 on the Poste Italiane Group's positions is shown in the table below.

Poste Italiane Group - Cash flow interest rate risk

Description (€m)	Risk exposure	Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax	
	Nominal	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	11,907	119	(119)	-	-	119	(119)
Other financial receivables	2,457	25	(25)	-	-	25	(25)
Fixed income instruments	8,115	81	(81)	-	-	81	(81)
Financial assets at FVTOCI							
Fixed income instruments	14,382	144	(142)	36	(36)	108	(106)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	72	1	(1)	1	(1)	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	1,888	19	(19)	-	-	19	(19)
Cash and cash equivalents							
Bank deposits	2,650	26	(20)	18	(18)	8	(1)
Deposits with the MEF	1,991	20	(20)	-	-	20	(20)
Financial liabilities							
Loans							
Bonds	-	-	-	-	-	-	-
Due to financial institutions	(3,996)	(40)	40	-	-	(40)	40
Financial liabilities due to subsidiaries	-	-	-	-	-	-	-
Other financial liabilities	(4,824)	(48)	48	-	-	(48)	48
Variability at 31 December 2022	**35,162**	**351**	**(343)**	**60**	**(60)**	**291**	**(283)**

Description (€m)	Risk exposure	Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax	
	Nominal	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2021 effects							
Financial assets							
Financial assets at amortised cost							
Receivables							
Deposits with the MEF	12,712	127	(127)	-	-	127	(127)
Other financial receivables	4,861	49	(49)	-	-	49	(49)
Fixed income instruments	5,770	58	(58)	-	-	58	(58)
Financial assets at FVTOCI							
Fixed income instruments	16,688	167	(167)	65	(65)	102	(102)
Other investments	500	5	(5)	5	(5)	-	-
Financial assets at FVTPL							
Fixed income instruments	49	-	-	-	-	-	-
Other investments	22	-	-	-	-	-	-
Cash and deposits attributable to BancoPosta							
Bank deposits	4,773	48	(48)	-	-	48	(48)
Cash and cash equivalents							
Bank deposits	5,078	51	(51)	37	(37)	14	(14)
Deposits with the MEF	1,990	20	(20)	-	-	20	(20)
Financial liabilities							
Loans							
Bonds	-	-	-	-	-	-	-
Due to financial institutions	(2,956)	(30)	30	-	-	(30)	30
Financial liabilities due to subsidiaries	-	-	-	-	-	-	-
Other financial liabilities	(230)	(2)	2	-	-	(2)	2
Variability at 31 December 2021	**49,257**	**493**	**(493)**	**107**	**(107)**	**386**	**(386)**

Specifically, with respect to **financial assets**, the cash flow interest rate risk primarily relates to:

- a portion of the securities portfolio held by Poste Vita SpA, with a total nominal value of €4,372 million;
- receivables at amortised cost totalling €2,457 million, reflecting collateral posted to secure liabilities arising in relation to financial derivatives and repurchase agreements held by BancoPosta RFC;
- investment by the Parent Company of the funds deriving from the current account deposits of Public Administration entities in the following: deposits with the MEF, with a nominal value of €11,907 million;
- fixed rate government bonds held by the Parent Company at both variable rate for a nominal total of €500 million and fixed rate swapped into variable rate positions through fair value hedges, with a total nominal amount of €18,006 million (including €4,550 million in securities hedged against changes in fair value, where the hedges will begin to have an effect on profit or loss in the 12 months after the end of the period under review); in addition to an inflation-linked bond issued by the Italian Republic, with a nominal value of €150 million, both of which have been hedged against changes in its fair value.

In relation to **cash and cash equivalents**, cash flow interest rate risk primarily relates to the bank deposits of Poste Italiane SpA and Poste Vita SpA, in addition to amounts deposited by the Parent Company with the MEF and held in the so-called "buffer account".

Credit risk

This is the risk of default of one of the counterparties to which there is an exposure, with the exception of equities and units of mutual funds.

In order to comply with the provisions of IFRS 9, which requires the inclusion of a forward looking approach in the calculation of expected losses on financial instruments, also taking into account the evolution of the Italian economic scenario, the Group updated the forecast scenarios to take into account new elements based on the IMF's estimates for the year 2022, which led to a slight increase in the PD of Italy and the other Sovereign counterparties compared to what was used in the assessments of the Annual Financial Report at 31 December 2021.

Credit risk management practices: inputs, assumptions and estimation techniques

Il The impairment model applicable to financial instruments measured at amortised cost and at fair value through other comprehensive income is based on Expected Credit Losses (ECL). Below, the methods adopted to manage credit risk are described.

General description of the models utilised

The Group uses the general impairment model in accordance with risk ratings estimated on the basis of the type of counterparty:

- Securities/deposits with Sovereign, Banking and Corporate counterparties: internal models for estimating risk parameters;
- Public Administration and Central Counterparties: risk ratings deriving from agency ratings or average default rates for the sector.

The simplified approach is applied to trade receivables, as described in greater detail later.

Significant increase in credit risk

Based on the impairment model adopted by the Poste Italiane Group to meet the requirements of the accounting standard, any significant increase in credit risk associated with the financial instruments held, other than trade receivables, is determined on the basis of a change in the relevant credit rating between the time of the initial investment and the reporting date.

This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (vintage factor);
- an additive factor to mitigate the non-linearity of PD with respect to the rating classes[227];
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[228].

The ratings used in stage allocation derive from internal models in the case of banking, sovereign and corporate counterparties, and external info providers in the case of Public Administration and Central Counterparties. Based on the above information, the Poste Italiane Group rebuts the presumption that there have been significant increases in credit risk following initial recognition, when financial assets are more than 30 days past due.

227. The additive factor is built in view of the rating level at the reporting date, where the better the final rating the higher the threshold for the transition to Stage 2.
228. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
- an actual or expected significant change of the internal/external credit rating of the financial instrument;
- actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.

The Poste Italiane Group decided not to adopt the Low Credit Risk Exemption and to proceed instead with stage allocation of the financial instruments concerned.

Regarding trade receivables, given the adoption of the simplified approach under the new accounting standard, expected credit losses are determined throughout the lifetime of the instrument.

Definition of default

The Poste Italiane Group defines default on the basis of ad hoc assessments that take into account:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

Collective and individual provisions

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

Individual provisions are considered only following the review of trade receivables for amounts in excess of a given threshold and only in relation to single receivables.

Forward looking information

According to the standard, the ECL calculation must also factor in forward looking components based on broad consensus scenarios.

The Poste Italiane Group incorporates forward looking information directly in the PD estimation. In particular, for sovereign counterparties, for which authoritative forward-looking estimates are available, these values are used to calculate PD; for other counterparties, on the other hand, the internal model adopted allows the input dataset needed to calculate PD to be completed from scenario values referring to some of the model variables. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[229].

Estimation techniques used

Since events of default cannot be used, as they are not very frequent, to develop credit scoring models for Sovereign, Banking and Corporate counterparties, a shadow rating approach has been adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be directly the rating or, alternatively, the default rate linked to the rating level.

A key rating agency was selected to construct the target, taking into account both the large number of rated counterparties and the availability of historical data over what was deemed to be an adequate period of time.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

229. In particular, the use of such approach is limited to situations where, actually, the final data are deemed to be no longer representative of the counterparty's risk.

The internal model estimate used a definition of default based on the following approach:

- Government financial instruments – payment delays, including also for one day, or debt renegotiation;
- Corporate and Banking financial instruments – 90-day payment delays.

ECL measurement

Expected credit losses (ECL) are determined over a time horizon consistent with the stage level (12 months or lifetime) on the basis of the following factors:

- Probability di Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

The main assumptions/choices adopted in the determination of the factors are as follows:

- PD: as indicated from the start, a Point in Time (PIT) and forward-looking evaluation has been adopted;
- LGD: values have been used consistent with the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, variable-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

Trade receivables

The Group adopts the simplified approach to test for the impairment of trade receivables, on the basis of which provisions for credit losses are determined for an amount equal to expected losses throughout the lifetime of the receivable. Such approach is implemented through the following process:

- based on total revenue or the historical credit exposure, all receivables or credit exposures exceeding a certain pre-established credit threshold are assessed analytically. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, where they exist, or alternatively on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

Exposure to credit risk

With regard to the **financial assets** exposed to this risk and to which the accounting rules governing impairment apply, the following table shows the Poste Italiane Group's exposure at 31 December 2022, relating to financial assets measured at amortised cost and at fair value through other comprehensive income, for which a general deterioration model was used. The analysis shows the exposure by financial asset class by stages. The amounts refer to the gross carrying amount (amortised cost before ECL), unless otherwise indicated, and do not take into account guarantees or other credit enhancements.

Poste Italiane Group - Credit risk - Ratings

Description (€m)	from AAA to AA-			from A+ to BBB-		from BB+ to C		Not rated	Hedge Accounting effects	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2			
2022 effects										
Financial assets at amortised cost										
Loans	-	-	-	1,358	-	-	-			1,358
Receivables	195	-	-	14,274	-	7	-			14,476
Fixed income instruments	54	-	209	32,323	-	-	-			32,586
Other investments	-	-	-	-	-	-	-			-
Gross carrying amount - Total	**249**	**-**	**209**	**47,955**	**-**	**7**	**-**			**48,420**
Provision to cover expected losses	-	-	-	(40)	-	-	-			(40)
Total amortised cost at 31 December 2022	**249**	**-**	**209**	**47,915**	**-**	**7**	**-**	**629**	**(2,714)**	**46,295**
2021 effects										
Financial assets at amortised cost										
Loans	-	-	-	-	-	-	-			-
Receivables	233	-	-	17,409	-	-	-			17,642
Fixed income instruments	-	-	-	32,953	-	-	-			32,953
Other investments	-	-	-	-	-	-	-			-
Gross carrying amount - Total	**233**	**-**	**-**	**50,362**	**-**	**-**	**-**			**50,595**
Provision to cover expected losses	-	-	-	(36)	-	-	-			(36)
Total amortised cost at 31 December 2021	**233**	**-**	**-**	**50,326**	**-**	**-**	**-**	**567**	**2,188**	**53,313**

Description (€m)	from AAA to AA-		from A+ to BBB-		from BB+ to C		Not rated	Hedge Accounting effects	Total
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2			
2022 effects									
Financial assets at FVTOCI									
Fixed income instruments	8,709	-	136,163	13	2,058	58			147,001
Other investments	-	-	501	-	-	-			501
Gross carrying amount - Total	**8,709**	**-**	**136,696**	**13**	**2,058**	**58**			**147,533**
Carrying amount - Fair value at 31 December 2022	**7,650**	**-**	**120,254**	**12**	**1,815**	**51**	**-**		**129,782**
2021 effects									
Financial assets at FVTOCI									
Fixed income instruments	2,209	-	128,317	5	2,464	197			133,192
Other investments	-	-	500	-	-	-			500
Gross carrying amount - Total	**2,209**	**-**	**128,817**	**5**	**2,464**	**197**			**133,692**
Carrying amount - Fair value at 31 December 2021	**2,280**	**-**	**144,080**	**5**	**2,478**	**200**	**-**		**149,043**

The following table shows the counterparty concentration of credit risk by financial asset class. Amounts refer to the gross carrying amount. Of the provision to cover expected losses on financial instruments at fair value through other comprehensive income, an amount of approximately €47 million was transferred to policyholders.

Poste Italiane Group - Credit risk - Credit risk concentration

Description (€m)	31.12.2022 Gross carrying amount	31.12.2022 Provision to cover expected losses	31.12.2021 Gross carrying amount	31.12.2021 Provision to cover expected losses
Financial assets at amortised cost	48,420	(40)	50,595	(36)
Loans	1,358	-	-	-
Sovereign	-	-	-	-
Corporate	1,358	-	-	-
Banking	-	-	-	-
Receivables	14,475	(26)	17,642	(25)
Sovereign	11,907	(5)	12,711	(5)
Corporate	1,100	(20)	1,615	(20)
Banking	1,468	-	3,316	-
Fixed income instruments	32,586	(14)	32,953	(11)
Sovereign	29,563	(13)	29,922	(11)
Corporate	3,015	(1)	3,020	-
Banking	9	-	11	-
Financial assets at FVTOCI	147,533	(64)	133,692	(65)
Fixed income instruments	147,033	(64)	133,192	(65)
Sovereign	124,757	(48)	112,026	(40)
Corporate	14,933	(14)	12,602	(22)
Banking	7,344	(2)	8,564	(3)
Other investments	501	-	500	-
Sovereign	-	-	-	-
Corporate	-	-	-	-
Banking	501	-	500	-
Total	**195,953**	**(104)**	**184,287**	**(101)**

Collateral held and other credit enhancements

Principles and processes involved in measuring and managing guarantees and other credit risk mitigation instruments

The Poste Italiane Group uses instruments to mitigate credit risk and counterparty risk. Specifically:

- as regards Poste Italiane SpA, primarily in relation to BancoPosta RFC, the counterparty risk associated with hedging derivatives and repurchase agreements is mitigated by entering into a master netting agreement and requiring collateral in the form of cash or government bonds; with reference to credit risk, in addition, there are safeguards such as government guarantees on securities;
- the Poste Vita Group invests in, among other things, corporate bonds that are guaranteed in order to mitigate the overall exposure to credit risk;
- in terms of trade receivables, the Poste Italiane Group credit terms are extended for customers, requesting, in certain cases, guarantees or sureties issued by prime banks or insurance companies.

At 31 December 2022, the Group does not hold financial assets secured by guarantees or other risk mitigation instruments for which no loss provisions have been made (except for the temporary use of liquidity in repurchase agreements).

The main types of instrument used to mitigate credit risk are described below.

Fixed income instruments

Debt instruments held by the Group and secured by guarantees or other risk mitigation instruments are as follows:

- bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2022. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic;
- bonds held by the Poste Vita Group, amounting to a nominal value of €6,158 million at 31 December 2022. In these cases, the guarantee covers 100% of the nominal value of the securities. The guarantees securing these financial instruments are as follows:
  - corporate bonds backed by personal guarantees provided the Parent Company or another associate, amounting to a nominal value of €5,364 million;
  - covered bonds backed by mortgages, primarily property mortgages, amounting to a nominal value of €186 million;
  - bonds guaranteed by sovereign states, amounting to a nominal value of €608 million.

In the case of instruments backed by personal guarantees provided by a sovereign state or one or more companies, expected losses are calculated on the basis of the credit rating of the guarantor. With regard to covered bonds, the underlying guarantees were considered through the recognition of upgrades according to the type of guarantee.

Derivative financial instruments and repurchase agreements

In order to limit the counterparty risk exposure, Poste Italiane SpA has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralization of derivative transactions and repurchase agreements, respectively.

In addition, in order to mitigate counterparty risk and gain easier access to the market, from December 2017, BancoPosta RFC has entered into repurchase agreements with the Central Counterparty, the Cassa di Compensazione e Garanzia. As of 2021, certain derivatives entered into by BancoPosta RFC through bilateral contracts will be routed to a Qualified Central Counterparty for centralised clearing through the services provided by a clearing broker.

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in the paragraph "Offsetting financial assets and liabilities".

Trade receivables

To mitigate the risks arising from the extension of credit terms to its customers, the Poste Italiane Group has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

The Poste Italiane Group accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions or security deposits through the opening of a postal escrow account.

The Poste Italiane Group, as a rule, exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

For all the exposures evaluated individually, to calculate the provisions for doubtful debts, guarantees reduce the amount of the exposure at risk.

ECL measurement

The following tables show, for each class of financial instrument, the reconciliation between the opening and closing balances of the ECL provisions required by IFRS 9.

Financial assets

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost - Receivables - Stage 1	Amortised cost - Fixed income instruments - Stage 1	Total
Balance at 1 January 2022	**25**	**12**	**37**
Impairment of securities/receivables held at the beginning of the period	1	2	3
Reversal of securities/receivables held at the beginning of the period	-	-	-
Impairment of securities / receivables purchased/paid in the period	-	1	1
Reversal for write-off	-	-	-
Reversal due to sale/collection	-	(1)	(1)
Balance at 31 December 2022	**26**	**14**	**40**

At 31 December 2022, estimated expected losses on financial instruments at amortised cost amount to approximately €40 million; the provision increased by €3 million compared to 31 December 2021.

Poste Italiane Group - Credit risk - Details of the provision to cover expected losses on financial instruments at FVTOCI

Description (€m)	FVTOCI - Receivables - Stage 1	FVTOCI - Fixed income instruments - Stage 1	Total
Balance at 1 January 2022	**-**	**13**	**13**
Impairment of securities/receivables held at the beginning of the period	-	3	3
Reversal of securities/receivables held at the beginning of the period	-	(1)	(1)
Impairment of securities / receivables purchased/paid in the period	-	4	4
Reversal for write-off	-	-	-
Reversal due to sale/collection	-	(1)	(1)
Balance at 31 December 2022	**-**	**17**	**17**

At 31 December 2022, estimated expected losses on financial instruments measured at fair value through other comprehensive income amount to approximately €17 million; the provision increased by roughly €4 million compared to 31 December 2021.

Trade receivables

The Poste Italiane Group’s exposure to credit risk, in relation to each class of **trade receivable** at 31 December 2022, is shown separately depending on whether or not the model used to estimate ECL is based on an individual or a collective assessment.

Poste Italiane Group - Credit risk - Trade receivables impaired on the analytical basis

Description (€m)	31.12.2022 Gross carrying amount	31.12.2022 Provision to cover expected losses	31.12.2021 Gross carrying amount	31.12.2021 Provision to cover expected losses
Trade receivables				
Due from customers	1,065	231	1,711	270
Cassa Depositi e Prestiti	22	0	387	0
Ministries and Public Administration entities	411	53	297	97
Overseas counterparties	97	0	360	2
Private customers	535	178	667	171
Due from the Parent Company	288	33	78	31
Due from others	4	-	21	-
Total	**1,357**	**265**	**1,810**	**301**

Poste Italiane Group - Credit risk - Trade receivables impaired on the basis of the simplified matrix

Range of past due (€m))	31.12.2022 Gross carrying amount	31.12.2022 Provision to cover expected losses	31.12.2021 Gross carrying amount	31.12.2021 Provision to cover expected losses
Not past due trade receivables	770	14	659	7
Past due 0 - 1 year	216	12	250	22
Past due 1 - 2 years	71	13	77	16
Past due 2 - 3 years	48	8	53	19
Past due 3 - 4 years	27	16	23	14
Past due > 4 years	64	63	62	62
Positions subject to legal recovery and/or insolvency proceedings	177	159	139	121
Total	**1,374**	**285**	**1,263**	**261**

Movements in the expected credit loss provisions for trade receivables (due from customers and the MEF) are as follows:

Description (€m)	Balance at 31.12 2021	Net provisions	Deferred income	Uses	Change in scope of consolidation	Balance at 31.12. 2022
Private customers	301	51	-	(20)	1	333
Public administration entities	128	(34)	-	(11)	-	84
Overseas postal operators	14	(1)	-	-	-	12
	443	**15**	**-**	**(31)**	**1**	**429**
Interest on late payments	86	20	-	(20)	-	88
Due from the Parent Company	33	-	-	-	-	33
Total	**562**	**36**	**-**	**(51)**	**1**	**550**

At 31 December 2022, the provisions for doubtful debts due from customers included net releases of approximately €34 million mainly arising from agreements finalised during the year, as well as additions to appropriations in the 2023 State Budget for certain credit items subject over time to legislative measures restricting public spending, for further details see Note A8 - Trade Receivables. Net provisions of €51 million mainly refer to receivables subject to bankruptcy proceedings and receivables entrusted to the legal department for recovery. Utilisations for the year mainly refer to the write-off of receivables following the conclusion of bankruptcy proceedings and agreements, and to the write-off of receivables for current accounts with a debtor balance, for which it was ascertained that recovery actions were not cost effective, also taking into account the small amount of the individual credit positions.

The provisions for doubtful debts due from the MEF reflect the absence of funds in the state budget, meaning it is not possible to collect certain amounts receivable, recognised on the basis of legislation or contracts and agreements in effect at the time of recognition.

Other receivables and assets

Movements in the provisions for doubtful debts for other receivables and assets are shown below.

Poste Italiane Group - Movements in Provisions for doubtful debts due from others

Description (€m)	Balance at 31.12 2021	Net provisions	Uses	Balance at 31.12. 2022
Interest accrued on IRES refund	46	(1)	-	45
Public Administration entities for sundry services	-	-	-	-
Receivables relating to fixed-term contract settlements	24	-	-	24
Other receivables	118	(5)	(6)	107
Total	**188**	**(5)**	**(6)**	**177**

Offsetting financial assets and liabilities

In compliance with IFRS 7 – *Financial instruments: Disclosures*, this section provides details of financial assets and liabilities that are subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset in keeping with paragraph 42 of IAS 32[230].

In particular, the disclosures in question concern the following positions relating to Poste Italiane SpA at 31 December 2022:

- derivative assets and liabilities and related collateral, represented both by cash and government securities;
- repurchase agreements and reverse repurchase agreements and the related collateral, represented both by cash and government securities.

The positions in question are subject to standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions covered by ISDA contracts and repurchase agreements, for which GMRA agreements have been entered into.

Repurchase agreement positions managed through the Central Counterparty that meet the requirements of IAS 32 are shown net of offsetting.

In order to present the tables in compliance with the requirements of IFRS 7, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

230. Paragraph 42 of IAS 32 provides that "A financial asset and a financial liability can be offset and the net amount presented in the statement of financial position when, and only when, an entity:
(a) currently has a legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis or to realise the asset and settle the liability simultaneously".

Financial assets offset in the financial statements or subject to framework master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial assets* (a)	Amount of financial liabilities offset in financial statements (b)	Financial assets, net (c=a+b)	Related amounts not subject to offset in the financial statements – Collateral – Financial instruments (d)	Related amounts not subject to offset in the financial statements – Collateral – Cash deposits provided/(received) as collateral (e)	Financial assets/(liabilities), net (f=c-d-e)
FY 2022						
Financial assets attributable to BancoPosta RFC						
Derivatives	6,110	-	6,110	1,197	4,822	91
Repurchase agreements	4,575	3,217	1,358	1,358	-	-
Total at 31 December 2022	**10,685**	**3,217**	**7,468**	**2,555**	**4,822**	**91**
FY 2021						
Financial assets attributable to BancoPosta RFC						
Derivatives	873	-	873	866	7	-
Repurchase agreements	1,577	1,577	-	-	-	-
Financial assets outside ring-fence						
Derivatives	3	-	3	-	2	1
Total at 31 December 2021	**2,453**	**1,577**	**876**	**866**	**9**	**1**

* The gross amount of financial assets and liabilities includes the financial instruments subject to offsetting and those subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset.

Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial liabilities* (a)	Amount of financial assets offset in financial statements (b)	Financial liabilities, net (c=a+b)	Related amounts not subject to offset in the financial statements – Collateral – Financial instruments (d)	Related amounts not subject to offset in the financial statements – Collateral – Cash deposits provided/(received) as collateral (e)	Financial assets/(liabilities), net (f=c-d-e)
FY 2022						
Financial liabilities attributable to BancoPosta RFC						
Derivatives	971	-	971	947	24	-
Repurchase agreements	13,342	3,217	10,125	9,236	889	-
Total at 31 December 2022	**14,313**	**3,217**	**11,096**	**10,183**	**913**	**-**
FY 2021						
Financial liabilities attributable to BancoPosta RFC						
Derivatives	5,460	-	5,460	1,405	3,976	79
Repurchase agreements	14,837	1,577	13,260	13,235	24	1
Financial liabilities outside ring-fence						
Derivatives	3	-	3	-	3	-
Total at 31 December 2021	**20,300**	**1,577**	**18,723**	**14,640**	**4,003**	**80**

* The gross amount of financial assets and liabilities includes the financial instruments subject to offsetting and those subject to master netting agreements or similar arrangements, regardless of whether the financial instruments have been offset.

Liquidity risk

This is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments.

In order to minimise this risk, the Poste Italiane Group applies a financial policy based on diversification of the various forms of short-term and long-term borrowings and counterparties; availability of relevant credit lines in terms of amounts and the number of banks; gradual and consistent distribution of the maturities of medium/long-term borrowings; and use of dedicated analytical models to monitor the maturities of assets and liabilities.

At 31 December 2022, unrestricted cash and cash equivalents amounted to €1.2 billion. The committed and uncommitted credit lines available to the Group and the related uses are summarised in the table below.

Description (€m)	Balance at 31.12.2022	Balance at 31.12.2021
Committed credit lines	**2,450**	**1,750**
Short-term loans	2,450	1,750
Uncommitted credit lines	**2,159**	**2,357**
Short-term loans	1,005	1,309
Current account overdrafts	145	145
Unsecured loans	1,008	903
Total	**4,609**	**4,107**
Uncommitted uses	**652**	**975**
Short-term loans	1	550
Unsecured loans	652	425
Total	**652**	**975**

At 31 December 2022, the Parent Company's unsecured loans amounted to €886 million.

No collateral has been provided to secure the credit lines obtained.

On 31 March 2022, a new loan of €100 million was signed with the EIB "Green Mobility". The loan, disbursed on 2 May 2022, provides interest at a fixed rate of 1.467% and matures on 2 May 2028.

The uncommitted credit lines are also available for overnight transactions entered into by BancoPosta RFC.

In addition, from 26 June 2020, BancoPosta RFC may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2022.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €2,582 million, and the facility is unused at 31 December 2022.

At 31 December 2022, the Parent Company had an EMTN - Euro Medium Term Note program of €2.5 billion in place, thanks to which the Group can raise an additional €1.45 billion on the capital market. As part of this programme, in 2013, Poste Italiane placed a 10-year loan of €50 million on the Luxembourg Stock Exchange and in December 2020, it placed an additional senior unsecured loan with a total nominal value of €1 billion.

The existing credit lines and the loans are adequate to meet financing requirements expected to date.

The following tables compare the Poste Italiane Group's liabilities and assets at 31 December 2022.

Poste Italiane Group - Liquidity Risk - Liabilities

Description (€m)	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total	31.12.2021 Within 12 months	31.12.2021 Between 1 and 5 years	31.12.2021 Over 5 years	31.12.2021 Total
Flows from Poste Vita group's policies	14,494	35,351	171,345	221,191	9,188	35,209	146,899	191,296
Financial liabilities	55,126	22,965	28,048	106,139	52,185	22,847	25,869	100,901
Postal current accounts	27,486	13,887	26,963	68,336	28,548	15,285	24,766	68,599
Loans	6,518	8,288	753	15,559	9,538	6,997	712	17,247
Financial liabilities for leases	297	782	328	1,407	219	560	387	1,166
Other financial liabilities	20,825	8	3	20,837	13,880	5	4	13,889
Trade payables	2,234	-	-	2,234	2,029	-	-	2,029
Other liabilities	2,000	1,998	6	4,004	1,865	1,740	9	3,614
Total Liabilities	**73,855**	**60,314**	**199,398**	**333,567**	**65,267**	**59,796**	**172,777**	**297,840**

The above table shows expected cash outflows at the date of the financial statements, broken down by maturity, while the maturities of postal current account deposits are reported on the basis of the estimates made with a statistic/econometric model. Repayments of principal at nominal value are increased by interest payments calculated, where applicable, on the basis of the yield curve applicable at 31 December 2022. The liabilities of Poste Vita SpA and Poste Assicura SpA are reflected in "Flows from Poste Vita Group's policies".

Poste Italiane Group - Liquidity risk - Assets

Description (€m)	31.12.2022 Within 12 months	31.12.2022 Between 1 and 5 years	31.12.2022 Over 5 years	31.12.2022 Total	31.12.2021 Within 12 months	31.12.2021 Between 1 and 5 years	31.12.2021 Over 5 years	31.12.2021 Total
Financial assets	41,129	67,472	246,475	355,076	36,201	64,489	199,855	300,545
Trade receivables	2,178	4	-	2,182	2,518	6	-	2,524
Other receivables and assets	1,100	4,101	21	5,221	1,163	3,988	26	5,178
Tax credits Law no. 77/2020	1,569	5,514	3,134	10,217	928	3,793	2,669	7,388
Cash and deposits attributable to BancoPosta	5,848	-	-	5,848	7,659	-	-	7,659
Cash and cash equivalents	4,983	-	-	4,983	7,958	-	-	7,958
Total Assets	**56,807**	**77,091**	**249,630**	**383,528**	**56,427**	**72,276**	**202,550**	**331,252**

In the case of assets, cash inflows are broken down by maturity, shown at nominal value and increased, where applicable, by interest receivable. Held-to-maturity and available-for-sale financial assets include financial instruments held by BancoPosta RFC and the Group's insurance companies, shown on the basis of expected cash flows, consisting of principal and interest paid at the various payment dates.

The key point of note is the liquidity risk associated with the investment of customers' current account balances and with the Class I and V policies issued by Poste Vita SpA.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards current account deposits and prepaid cards[231], the related investment of the deposits in Eurozone government securities and/or securities guaranteed by the Italian government, and the margins on derivative transactions as well as tax credits acquired in relation to the "*Decreto Rilancio*" no. 34/2020 (later converted with Law no. 77 of 17 July 2020). The potential risk derives from a mismatch between the maturities of investments in securities and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored

231. Since 1 October 2018, prepaid cards are the responsibility of PostePay SpA. The liquidity raised through these cards is transferred to BancoPosta, which invests the funds raised in euro area government bonds or bonds guaranteed by the Italian State. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

via comparison of the maturity schedule for assets with the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of twenty years for retail customers, ten years for business customers and Postepay cards and five years for Public Administration customers.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of the liquidity risk attributable to BancoPosta RFC, it should be borne in mind that, unless they are restricted, investments in euro area government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

Price risk

This is the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market.

Price risk relates to financial assets classified as measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”), and certain derivative financial instruments where changes in value are recognised in profit or loss.

The sensitivity analysis at 31 December 2022 took into account positions potentially exposed to fluctuations in value. Financial statement balances have been subjected to a stress test, based on actual volatility during the year, considered to be representative of potential market movements. The results of the sensitivity analysis carried out at 31 December 2022 for the Poste Italiane Group are shown in the following table.

Poste Italiane Group - Price risk

Description (€m)	Risk exposure	Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2022 effects									
Financial assets									
Financial assets at FVTOCI	343	150	(150)	-	-	-	-	150	(150)
Equity instruments	343	150	(150)	-	-	-	-	150	(150)
Structured bonds	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	39,104	4,484	(4,483)	4,471	(4,471)	13	(12)	-	-
Equity instruments	304	136	(136)	124	(124)	12	(12)	-	-
Other investments	38,800	4,348	(4,347)	4,347	(4,347)	1	1	-	-
Derivative financial instruments	(4)	(12)	12	-	-	(12)	12	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(4)	(12)	12	-	-	(12)	12	-	-
Variability at 31 December 2022	**39,442**	**4,622**	**(4,621)**	**4,471**	**(4,471)**	**1**	**-**	**150**	**(150)**
2021 effects									
Financial assets									
Financial assets at FVTOCI	651	202	(202)	-	-	-	-	202	(202)
Equity instruments	651	202	(202)	-	-	-	-	202	(202)
Structured bonds	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	40,313	5,280	(5,280)	5,270	(5,270)	10	(10)	-	-
Equity instruments	256	66	(66)	56	(56)	10	(10)	-	-
Other investments	40,057	5,214	(5,214)	5,214	(5,214)	-	-	-	-
Derivative financial instruments	(3)	(9)	9	-	-	(9)	9	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	(3)	(9)	9	-	-	(9)	9	-	-
Variability at 31 December 2021	**40,961**	**5,473**	**(5,473)**	**5,270**	**(5,270)**	**1**	**(1)**	**202**	**(202)**

Financial assets at fair value through other comprehensive income refer to Nexi shares held by the Parent Company in the amount of €343 million.

In relation to **financial assets measured at fair value through profit or loss**, price risk concerns the following:

- investments in units of mutual investment funds held by Poste Vita SpA, with a fair value of €38,800 million[232], including approximately €29,635 million used to cover Class I policies, approximately €9,159 million used to cover Class III policies and a residual amount relating to the free capital;
- equity instruments held by Poste Vita SpA, totalling €264 million, used to cover Class I policies linked to separately managed accounts and to cover Class III policies;
- shares held by BancoPosta RFC, totalling €40 million consisting of the preferred shares of Visa Incorporated. For the purpose of the sensitivity analysis, the equities are matched with the corresponding amount of the Class A shares, considering the volatility of the shares listed on the NYSE.

232. Not included in the scope of this analysis are €1,982 million of mutual funds with a predominantly bond composition.

In the area of **Derivative Financial Instruments**, price risk mainly relates to the forward sale contract of 198,000 Visa Incorporated ordinary shares entered into by the Parent Company.

The shares in Moneyfarm, SennderTechnologies GmbH, Milkman, Scalapay Limited and Volante, which are classified as **Financial Assets at fair value through other comprehensive income**, are not subject to sensitivity in the above table.

Cash flow inflation risk

This is defined as the uncertainty related to future cash flows due to changes in the rate of inflation observed in the market.

The table below analyses the sensitivity of future cash flows for the Poste Italiane Group's financial assets at 31 December 2022.

Poste Italiane Group - Cash flow inflation risk

	Risk exposure		Change in value		Effect on deferred liabilities toward policyholders		Profit/(Loss) before tax	
Description (€m)	Nominal	Carrying amount	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects								
Financial assets								
Financial assets at amortised cost	364	423	-	-	-	-	-	-
Fixed income instruments	364	423	-	-	-	-	-	-
Financial assets at FVTOCI	9,900	11,175	41	(41)	40	(40)	2	(2)
Fixed income instruments	9,900	11,175	41	(41)	40	(40)	2	(2)
Variability at 31 December 2022	**10,264**	**11,598**	**41**	**(41)**	**40**	**(40)**	**2**	**(2)**
2021 effects								
Financial assets								
Financial assets at amortised cost	272	317	-	-	-	-	-	-
Fixed income instruments	272	317	-	-	-	-	-	-
Financial assets at FVTOCI	10,058	12,474	43	(43)	41	(41)	2	(2)
Fixed income instruments	10,058	12,474	43	(43)	41	(41)	2	(2)
Variability at 31 December 2021	**10,330**	**12,791**	**43**	**(43)**	**41**	**(41)**	**2**	**(2)**

At 31 December 2022, cash flow inflation risk relates to inflation-linked government securities not subject to cash flow hedges or fair value hedges. Of the total nominal value, securities totalling €9,193 million are held by Poste Vita SpA and securities totalling €1,022 million by BancoPosta RFC.

Foreign exchange risk

This is the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency.

Sensitivity analysis of the items subject to foreign exchange risk was based on the most significant positions, assuming a stress scenario determined by the levels of exchange rate volatility applicable to each foreign currency position. The test applies an exchange rate movement based on volatility during the year, which was considered to be representative of potential market movements.

The table below shows the sensitivity to foreign exchange risk of the Poste Italiane Group's most significant positions at 31 December 2022.

Poste Italiane Group - Foreign exchange risk

Description (€m)	Position in GBP	Position in USD	Position in Euro	Change in value + Vol 260 days	Change in value - Vol 260 days	Profit/(Loss) before tax + Vol 260 days	Profit/(Loss) before tax - Vol 260 days	Equity reserves before taxation + Vol 260 days	Equity reserves before taxation - Vol 260 days
2022 effects									
Financial assets									
Financial assets at FVTOCI	50	8	65	5	(5)	-	-	5	(5)
Equity instruments	50	8	65	5	(5)	-	-	5	(5)
Fixed income instruments	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	152	143	14	(14)	14	(14)	-	-
Equity instruments	-	42	40	4	(4)	4	(4)	-	-
Other investments	-	110	103	10	(10)	10	(10)	-	-
Derivative financial instruments	-	(4)	(4)	(4)	4	(4)	4	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	-	(4)	(4)	(4)	4	(4)	4	-	-
Variability at 31 December 2022	**50**	**156**	**204**	**16**	**(16)**	**11**	**(11)**	**5**	**(5)**
2021 effects									
Financial assets									
Financial assets at FVTOCI	44	8	60	3	(3)	-	-	3	(3)
Equity instruments	44	8	60	3	(3)	-	-	3	(3)
Fixed income instruments	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	-	-
Financial assets at FVTPL	-	148	131	7	(7)	7	(7)	-	-
Equity instruments	-	44	39	2	(2)	2	(2)	-	-
Other investments	-	104	92	5	(5)	5	(5)	-	-
Derivative financial instruments	-	(3)	(3)	(2)	2	(2)	2	-	-
Fair value through profit or loss	-	-	-	-	-	-	-	-	-
Fair value through profit or loss (liabilities)	-	(3)	(3)	(2)	2	(2)	2	-	-
Variability at 31 December 2021	**44**	**153**	**188**	**8**	**(8)**	**5**	**(5)**	**3**	**(3)**

At 31 December 2022, the risk in question was primarily due to:

- the Parent Company's equity investments in Visa (€40 million) and Moneyfarm (€57 million);
- the PostePay equity investment in Volanté (€8 million);
- shares in certain funds held by Poste Vita SpA (€99 million);
- derivative contract on Visa Incorporated ordinary shares entered into by the Parent Company (at 31 December 2022, negative fair value of €4 million).

Foreign exchange risk refers to the net receivable/(payable) position in SDRs, a synthetic currency resulting from the weighted average of the exchange rates of four major currencies (euro, US dollar, British pound and Japanese yen) held by Poste Italiane SpA and used worldwide to settle debts and credits among postal operators.

Poste Italiane Group - Foreign exchange risk/SDR

Description (€m)	Position in DSP	Position in Euro	Change in value		Profit/(Loss) before tax	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2022 effects						
Current assets in SDRs	166	208	10	(10)	10	(10)
Current liabilities in SDRs	(201)	(251)	(12)	12	(12)	12
Variability at 31 December 2022	**(34)**	**(43)**	**(2)**	**2**	**(2)**	**2**
2021 effects						
Current assets in SDRs	220	271	7	(7)	7	(7)
Current liabilities in SDRs	(239)	(295)	(8)	8	(8)	8
Variability at 31 December 2021	**(19)**	**(24)**	**(1)**	**1**	**(1)**	**1**

The Poste Italiane Group is also subject to translation currency risk, which is the exchange rate risk associated with the conversion into euro of items relating to investments in companies whose functional currency is not the euro. At 31 December 2022, however, a significant change in exchange rates would not have a material impact on the Group's consolidated financial statements.

Poste Italiane SpA

For the purposes of full disclosure, information on Poste Italiane SpA's exposure to financial risk is reported below if not already covered in the above information regarding the Poste Italiane Group.

Fair value interest rate risk

Fair value interest rate risk

Description (€m)	Risk exposure		Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
	Nominal	Fair value	+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTOCI	37,489	33,161	(804)	784	-	-	(804)	784
Fixed income securities	37,489	33,161	(804)	784	-	-	(804)	784
Derivative financial instruments	1,564	350	79	(95)	-	-	79	(95)
Cash flow hedge	1,564	350	79	(95)	-	-	79	(95)
Financial assets outside ring-fence					-	-		
Financial assets at FVTOCI	110	91	(5)	5	-	-	(5)	5
Fixed income securities	110	91	(5)	5	-	-	(5)	5
Derivative financial instruments	50	-	(1)	(1)	-	-	(1)	(1)
Cash flow hedge	50	-	(1)	(1)	-	-	(1)	(1)
Financial liabilities attributable to BancoPosta RFC								
Derivative financial instruments	2,968	(96)	(148)	158	-	-	(148)	158
Cash flow hedge	2,968	(96)	(148)	158	-	-	(148)	158
Variability at 31 December 2022	**42,181**	**33,506**	**(879)**	**851**	**-**	**-**	**(879)**	**851**
2021 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTOCI	31,416	37,626	(717)	600	-	-	(717)	600
Fixed income securities	31,416	37,626	(717)	600	-	-	(717)	600
Derivative financial instruments	1,714	76	219	(257)	-	-	219	(257)
Cash flow hedge	1,714	76	219	(257)	-	-	219	(257)
Tax credits Law no. 77/2020	3,538	3,301	(65)	67	-	-	(65)	67
Tax credits at FVTOCI	3,538	3,301	(65)	67	-	-	(65)	67
Financial liabilities outside the ring-fence								
Derivative financial instruments	50	(3)	1	(1)	-	-	1	(1)
Cash flow hedge	50	(3)	1	(1)	-	-	1	(1)
Variability at 31 December 2021	**36,718**	**4,000**	**(562)**	**409**	**-**	**-**	**(562)**	**409**

Cash flow interest rate risk

Cash flow interest rate risk

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps
2022 effects					
Financial assets attributable to BancoPosta RFC					
Financial assets at amortised cost					
Receivables					
Deposit with the MEF	11,907	119	(119)	119	(119)
Other financial receivables	2,457	25	(25)	25	(25)
Fixed income securities	8,115	81	(81)	81	(81)
Financial assets at FVTOCI					
Fixed income securities	10,540	105	(105)	105	(105)
Financial assets outside ring-fence					
Financial assets at amortised cost					
Loans	362	4	(4)	4	(4)
Cash and deposits attributable to BancoPosta					
Bank deposits	1,888	19	(19)	19	(19)
Cash and cash equivalents					
Bank deposits	113	1	(1)	1	(1)
Deposits with the MEF	1,991	20	(20)	20	(20)
Financial liabilities attributable to BancoPosta RFC					
Borrowings					
Due to financial institutions	(3,996)	(40)	40	(40)	40
Other financial liabilities	(4,824)	(48)	48	(48)	48
Financial liabilities outside the ring-fence					
Financial liabilities due to subsidiaries	(1,281)	(13)	13	(13)	13
Variability at 31 December 2022	**27,272**	**273**	**(273)**	**273**	**(273)**

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax	
	Nominal	+100 bps	-100 bps	+100 bps	-100 bps
2021 effects					
Financial assets attributable to BancoPosta RFC					
Financial assets at amortised cost					
Receivables					
Deposit with the MEF	12,712	127	(127)	127	(127)
Other financial receivables	4,858	49	(49)	49	(49)
Fixed income securities	5,770	58	(58)	58	(58)
Financial assets at FVTOCI					
Fixed income securities	9,800	98	(98)	98	(98)
Financial assets outside ring-fence					
Financial assets at amortised cost					
Loans	373	4	(4)	4	(4)
Receivables					
Other financial receivables	3	-	-	-	-
Cash and deposits attributable to BancoPosta					
Bank deposits	4,773	48	(48)	48	(48)
Cash and cash equivalents					
Bank deposits	1,051	10	(10)	10	(10)
Deposits with the MEF	1,990	20	(20)	20	(20)
Financial liabilities attributable to BancoPosta RFC					
Borrowings					
Due to financial institutions	(2,956)	(30)	30	(30)	30
Other financial liabilities	(228)	(2)	2	(2)	2
Financial liabilities outside the ring-fence					
Financial liabilities due to subsidiaries	(1,195)	(12)	12	(12)	12
Other financial liabilities	(2)	-	-	-	-
Variability at 31 December 2021	**36,949**	**370**	**(370)**	**370**	**(370)**

Credit risk

Credit risk - Ratings for BancoPosta RFC

Description (€m)	from AAA to AA-			from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2022 effects											
Financial assets at amortised cost											
Loans	-	-	-	1,358	-	-	-	-			1,358
Receivables	195	-	-	14,170	-		-	-			14,365
Fixed income securities	-	-	-	30,426	-	-	-	-			30,426
Gross carrying amount - Total	**195**	**-**	**-**	**45,954**	**-**	**-**	**-**	**-**			**46,149**
Provision to cover expected losses	-	-	-	(19)	-	-	-	-	-	-	(19)
Total amortised cost at 31 December 2022	**195**	**-**	**-**	**45,935**	**-**	**-**	**-**	**-**	**566**	**(2,714)**	**43,982**
2021 effects											
Financial assets at amortised cost											
Loans	-	-	-	-	-	-	-	-			-
Receivables	233	-	-	17,337	-		-	-			17,570
Fixed income securities	-	-	-	30,932	-	-	-	-			30,932
Gross carrying amount - Total	**233**	**-**	**-**	**48,269**	**-**	**-**	**-**	**-**			**48,502**
Provision to cover expected losses	-	-	-	(15)	-	-	-	-	-	-	(15)
Total amortised cost at 31 December 2021	**233**	**-**	**-**	**48,254**	**-**	**-**	**-**	**-**	**541**	**2,188**	**51,216**

Description (€m)	from AAA to AA-			from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2022 effects											
Financial assets at FVTOCI											
Fixed income securities	-	-	-	38,949	-	-	-	-			38,949
Gross carrying amount - Total	**-**	**-**	**-**	**38,949**	**-**	**-**	**-**	**-**			**38,949**
Provision to cover expected losses - OCI	**-**	**-**	**-**	**(16)**	**-**	**-**	**-**	**-**			**(16)**
Carrying amount - Fair value at 31 December 2022	**-**	**-**	**-**	**33,161**	**-**	**-**	**-**	**-**	**-**	**-**	**33,161**
2021 effects											
Financial assets at FVTOCI											
Fixed income securities	-	-	-	33,845	-	-	-	-			33,845
Gross carrying amount - Total	**-**	**-**	**-**	**33,845**	**-**	**-**	**-**	**-**			**33,845**
Provision to cover expected losses - OCI	**-**	**-**	**-**	**(12)**	**-**	**-**	**-**	**-**			**(12)**
Carrying amount - Fair value at 31 December 2021	**-**	**-**	**-**	**37,626**	**-**	**-**	**-**	**-**	**-**	**-**	**37,626**

Credit risk - Ratings for capital outside the ring-fence

Description (€m)	from AAA to AA-			from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2022 effects											
Financial assets at amortised cost											
Loans	-	-	-	366	-	-	-	-			366
Receivables	-	-	-	20	-		-	-			20
Gross carrying amount - Total	**-**	**-**	**-**	**386**	**-**	**-**	**-**	**-**			**386**
Provision to cover expected losses	-	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2022	**-**	**-**	**-**	**365**	**-**	**-**	**-**	**-**	**3**	**-**	**368**
2021 effects											
Financial assets at amortised cost											
Loans	-	-	-	375	-	-	-	-			375
Receivables	-	-	-	23	-		-	-			23
Gross carrying amount - Total	**-**	**-**	**-**	**398**	**-**	**-**	**-**	**-**			**398**
Provision to cover expected losses	-	-	-	(21)	-	-	-	-	-	-	(21)
Total amortised cost at 31 December 2021	**-**	**-**	**-**	**377**	**-**	**-**	**-**	**-**	**4**	**-**	**381**

Description (€m)	from AAA to AA-			from A+ to BBB-		from BB+ to C			Not Rated	Hedge accounting effects	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3			
2022 effects											
Financial assets at FVTOCI											
Fixed income securities	-	-	-	99	-	-	-	-			99
Gross carrying amount - Total	**-**	**-**	**-**	**99**	**-**	**-**	**-**	**-**			**99**
Provision to cover expected losses - OCI	-	-	-	-	-	-	-	-	-	-	-
Carrying amount - Fair value at 31 December 2022	**-**	**-**	**-**	**91**	**-**	**-**	**-**	**-**	**-**	**-**	**91**
2021 effects											
Financial assets at FVTOCI											
Fixed income securities	-	-	-	-	-	-	-	-			-
Gross carrying amount - Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
Provision to cover expected losses - OCI	-	-	-	-	-	-	-	-	-	-	-
Carrying amount - Fair value at 31 December 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

BancoPosta RFC - Credit risk - Concentration

Description (€m)	31.12.2022 Gross Carrying amount	31.12.2022 Provision to cover expected losses	31.12.2021 Gross Carrying amount	31.12.2021 Provision to cover expected losses
Financial assets at amortised cost	46,149	(18)	48,502	(15)
Loans	1,358	-		-
Sovereign	-	-	-	-
Corporate	1,358	-	-	-
Banking	-	-	-	-
Receivables	14,364	(5)	17,570	(5)
Sovereign	11,907	(5)	12,712	(5)
Corporate	989	-	1,545	-
Banking	1,468	-	3,313	-
Fixed income securities	30,427	(13)	30,932	(10)
Sovereign	27,420	(12)	27,920	(9)
Corporate	3,007	(1)	3,012	(1)
Banking	-	-	-	-
Financial assets at FVTOCI	38,949	(16)	33,845	(12)
Fixed income securities	38,949	(16)	33,845	(12)
Sovereign	38,949	(16)	33,845	(12)
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**85,098**	**(34)**	**82,347**	**(27)**

Capital outside the ring-fence - Credit risk - Concentration

Description (€m)	31.12.2022 Gross Carrying amount	31.12.2022 Provision to cover expected losses	31.12.2021 Gross Carrying amount	31.12.2021 Provision to cover expected losses
Financial assets at amortised cost	389	(21)	402	(21)
Loans	366	(1)	375	(1)
Sovereign	-	-	-	-
Corporate	366	(1)	375	(1)
Banking	-	-	-	-
Receivables	23	(20)	27	(20)
Sovereign	-	-	-	-
Corporate	23	(20)	24	(20)
Banking	-	-	3	-
Financial assets at FVTOCI	99	-	-	-
Fixed income securities	99	-	-	-
Sovereign	99	-	-	-
Corporate	-	-	-	-
Banking	-	-	-	-
Total	**488**	**(21)**	**402**	**(21)**

BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2022	**5**	**10**	**15**
Impairment of securities/receivables held at the beginning of the period	1	2	3
Reversal of securities/receivables held at the beginning of the period	-	-	-
Impairment of securities/receivables purchased/paid in the period	-	1	1
Reversal for write-off	-	-	-
Reversal due to sale/collection	-	-	-
Balance at 31 December 2022	**6**	**13**	**19**

BancoPosta RFC - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	FVTOCI		Total
	Receivables	Fixed income securities	
	Stage 1	Stage 1	
Balance at 1 January 2022	**-**	**12**	**12**
Impairment of securities/receivables held at the beginning of the period	-	2	2
Reversal of securities/receivables held at the beginning of the period	-	-	-
Impairment of securities/receivables purchased/paid in the period	-	3	3
Reversal for write-off	-	-	-
Reversal due to sale/collection	-	(1)	(1)
Balance at 31 December 2022	**-**	**16**	**16**

Capital outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	Amortised cost			Total
	Loans	Receivables	Fixed income securities	
	Stage 1	Stage 1	Stage 1	
Balance at 1 January 2022	**1**	**20**	**-**	**21**
Impairment of securities/receivables held at the beginning of the period	-	-	-	-
Reversal of securities/receivables held at the beginning of the period	-	-	-	-
Impairment of securities/receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale/collection	-	-	-	-
Balance at 31 December 2022	**1**	**20**	**-**	**21**

Capital outside the ring-fence - Credit risk - Details of the provision to cover expected losses on financial instruments at amortised cost

Description (€m)	FVTOCI			Total
	Loans	Receivables	Fixed income securities	
	Stage 1	*Stage* 1	*Stage* 1	
Balance at 1 January 2022	**-**	**-**	**-**	**-**
Impairment of securities/receivables held at the beginning of the period	-	-	-	-
Reversal of securities/receivables held at the beginning of the period	-	-	-	-
Impairment of securities/receivables purchased/paid in the period	-	-	-	-
Reversal for write-off	-	-	-	-
Reversal due to sale/collection	-	-	-	-
Balance at 31 December 2022	**-**	**-**	**-**	**-**

Credit risk - Trade receivables impaired on the analytical basis

Description (€m)	31.12.2022		31.12.2021	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Trade receivables				
Due from customers	822	182	1,466	220
Cassa Depositi e Prestiti	22	-	387	-
Ministries and public entities	376	35	274	77
Overseas counterparties	97	-	360	2
Private customers	327	147	445	141
Due from the Parent Company	288	31	78	31
Due from Group companies	792	1	735	1
Total	**1,902**	**214**	**2,279**	**252**

Credit risk - Trade receivables impaired on the basis of the simplified matrix

Range of past due (€m)	31.12.2022		31.12.2021	
	Gross Carrying amount	Provisions for doubtful debts	Gross Carrying amount	Provisions for doubtful debts
Not past due trade receivables	699	12	619	6
Past due 0 - 1 year	176	8	196	17
Past due 1 - 2 years	55	6	62	10
Past due 2 - 3 years	42	5	48	16
Past due 3 - 4 years	24	13	20	11
Past due > 4 years	49	49	50	50
Positions subject to legal recovery and/or insolvency proceedings	137	120	92	78
Total	**1,182**	**213**	**1,087**	**188**

Details of the provision to cover expected losses on trade receivables

(€m)	Balance at 01.01.2022	Net provisions	Uses	Balance at 31.12.2022
Trade receivables				
Due from customers	332	10	(24)	318
Private customers	192	46	(13)	225
Public administration entities	126	(35)	(11)	80
Overseas postal operators	14	(1)	-	13
Interest on late payments	74	20	(19)	75
Due from the Parent company	33	-	-	33
Due from Group companies	1	-	-	1
Total	**440**	**30**	**(43)**	**427**
of which attributable to BancoPosta RFC	41	6	(7)	40

Details of the provision to cover expected losses due from others

(€m)	Balance at 01.01.2022	Net provisions	Uses	Balance at 31.12.2022
Interest accrued on IRES refund	45	(1)	-	44
Receivables relating to fixed-term contract settlements	24	-	-	24
Other receivables	92	(7)	(1)	84
Total	**161**	**(8)**	**(1)**	**152**
of which attributable to BancoPosta RFC	28	(12)	-	16

Liquidity risk

Liquidity risk - Liabilities

Item (€m)	31.12.2022 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial liabilities attributable to BancoPosta RFC	49,200	23,062	30,815	103,077	46,752	23,121	27,978	97,851
Postal current accounts	31,409	15,869	30,812	78,090	32,246	17,264	27,974	77,484
Loans	6,457	7,189	-	13,646	8,977	5,852	-	14,829
Other financial liabilities	11,334	4	3	11,341	5,529	5	4	5,538
Financial liabilities outside the ring-fence	1,598	1,674	1,024	4,296	1,942	1,617	990	4,549
Financial liabilities for leases	257	573	271	1,101	187	467	335	989
Other financial liabilities	1,341	1,101	753	3,195	1,755	1,150	655	3,560
Trade payables	1,970	-	-	1,970	2,031	-	-	2,031
Other liabilities	1,456	1,903	5	3,364	1,333	1,669	9	3,011
Total Liabilities	**54,224**	**26,639**	**31,844**	**112,707**	**52,058**	**26,407**	**28,977**	**107,442**

Liquidity risk - Assets

Description (€m)	31.12.2022 Within 12 months	Between 1 and 5 years	Over 5 years	Total	31.12.2021 Within 12 months	Between 1 and 5 years	Over 5 years	Total
Financial assets attributable to BancoPosta RFC	24,401	19,303	80,653	124,357	25,343	12,368	67,213	104,924
Financial assets outside ring-fence	45	90	643	778	55	59	453	567
Trade receivables	2,656	1	-	2,657	2,924	2	-	2,926
Other receivables and assets	832	1,775	21	2,628	973	1,658	25	2,656
Tax credits Law no. 77/2020	1,569	5,514	3,134	10,217	927	3,793	2,669	7,389
Cash and deposits attributable to BancoPosta	5,848	-	-	5,848	7,659	-	-	7,659
Cash and cash equivalents	2,258	-	-	2,258	3,870	-	-	3,870
Total Assets	**37,609**	**26,683**	**84,451**	**148,743**	**41,751**	**17,880**	**70,360**	**129,991**

Price risk

Poste Italiane SpA - Price risk

Description (€m)	Risk exposure	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2022 effects							
Financial assets attributable to BancoPosta RFC							
Financial assets at FVTPL	40	12	(12)	12	(12)	-	-
Equity instruments	40	12	(12)	12	(12)	-	-
Financial assets outside ring-fence							
Financial assets at FVTOCI	343	150	(150)	-	-	150	(150)
Equity instruments	343	150	(150)	-	-	150	(150)
Financial liabilities attributable to BancoPosta RFC							
Derivative financial instruments	(4)	(12)	12	(12)	12	-	-
Fair value through profit or loss	(4)	(12)	12	(12)	12	-	-
Variability at 31 December 2022	**379**	**150**	**(150)**	**-**	**-**	**150**	**(150)**
2021 effects							
Financial assets attributable to BancoPosta RFC							
Financial assets at FVTPL	39	10	(10)	10	(10)	-	-
Equity instruments	39	10	(10)	10	(10)	-	-
Financial liabilities attributable to BancoPosta RFC							
Derivative financial instruments	(3)	(9)	9	(9)	9	-	-
Fair value through profit or loss	(3)	(9)	9	(9)	9	-	-
Variability at 31 December 2021	**36**	**1**	**(1)**	**1**	**(1)**	**-**	**-**

Foreign exchange risk

Poste Italiane SpA - Currency risk USD

Description (€m)	Position in USD	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2022 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTPL	42	40	4	(4)	4	(4)	-	-
Equity instruments	42	40	4	(4)	4	(4)	-	-
Financial liabilities attributable to BancoPosta RFC								
Derivative financial instruments	(4)	(4)	(4)	4	(4)	4	-	-
Fair value through profit or loss	(4)	(4)	(4)	4	(4)	4	-	-
Variability at 31 December 2022	**38**	**36**	**-**	**-**	**-**	**-**	**-**	**-**
2021 effects								
Financial assets attributable to BancoPosta RFC								
Financial assets at FVTPL	44	39	2	(2)	2	(2)	-	-
Equity instruments	44	39	2	(2)	2	(2)	-	-
Financial liabilities attributable to BancoPosta RFC								
Derivative financial instruments	(3)	(3)	(2)	2	(2)	2	-	-
Fair value through profit or loss	(3)	(3)	(2)	2	(2)	2		
Variability at 31 December 2021	**41**	**36**	**-**	**-**	**-**	**-**	**-**	**-**

Poste Italiane SpA - Currency risk GBP

Description (€m)	Position in GBP	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2022 effects								
Financial assets outside ring-fence								
Financial assets at FVTOCI	50	57	4	(4)	-	-	4	(4)
Equity instruments	50	57	4	(4)	-	-	4	(4)
Variability at 31 December 2022	**50**	**57**	**4**	**(4)**	**-**	**-**	**4**	**(4)**
2021 effects								
Financial assets outside ring-fence								
Financial assets at FVTOCI	44	53	3	(3)	-	-	3	(3)
Equity instruments	44	53	3	(3)	-	-	3	(3)
Variability at 31 December 2021	**44**	**53**	**3**	**(3)**	**-**	**-**	**3**	**(3)**

Poste Italiane SpA - Currency risk DSP

Description (€m)	Position in SDRs	Position in Euro	Change in value		Profit/(Loss) before tax		Equity reserves before taxation	
			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2022 effects								
Current assets in SDRs	167	208	10	(10)	10	(10)	-	-
Current liabilities in SDRs	(201)	(251)	(12)	12	(12)	12	-	-
Variability at 31 December 2022	**(34)**	**(43)**	**(2)**	**2**	**(2)**	**2**	**-**	**-**
2021 effects								
Current assets in SDRs	220	271	7	(7)	7	(7)	-	-
Current liabilities in SDRs	(239)	(295)	(8)	8	(8)	8	-	-
Variability at 31 December 2021	**(19)**	**(24)**	**(1)**	**1**	**(1)**	**1**	**-**	**-**

Other risks

The other principal risks to which the Poste Italiane Group is exposed at 31 December 2022 are described below.

Operational risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2022, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses, monitoring and reporting more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2021, and the monitoring of IT risk recovery plans was reinforced.

The activities carried out in 2022 also included assessments of the risk profile related to the assignment and outsourcing of BP RFC, the definition of the model for monitoring outsourcing risk, and ex-ante assessments of the risk profile related to the innovation of BP's offering and/or specific project initiatives.

At 31 December 2022, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Event type	Number of types
Internal fraud	29
External fraud	40
Employee practices and workplace safety	7
Customers, products and business practices	36
Damage caused by external events	4
Business disruption and system failure	8
Execution, delivery and process management	98
Total at 31 December 2022	**222**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model. Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Poste Vita SpA and Poste Assicura SpA have also drawn up and finalised their own framework for identifying, assessing and managing operational risks. The adopted approach reflects the specific nature of the processes and operational risk events typical of an insurance company. The process of assessing operational risk exposure is carried out in keeping with the related solvency requirements, and involves both qualitative and quantitative analysis, conducted through a structured process for identifying internal losses and assessing potential risks in terms of frequency, impact and mitigation. The exposure to risks is, on the whole, in line with the previous year, and the main types of operating losses are related to customer litigation expenses.

Other operational risks

In the exercise of its new energy business, PostePay is exposed to various risks, which are appropriately mitigated through physical purchases of commodities at a fixed price or through physical purchases at a spot price with the addition of derivative financial instruments (Commodity Swaps/Futures) and through forecasting activities of sales volumes and pricing of these risks.

Insurance risks

Insurance risks derive from the stipulation of insurance contracts and the terms and conditions contained therein (technical bases adopted, premium calculation, terms and conditions of cash surrender, etc.). Mortality, longevity and redemption risks are relevant here.

In technical terms, mortality is one of the main risk factors for Poste Vita SpA, i.e. any risk associated with the uncertainty of a policyholder's life expectancy. Particular attention is paid in selling pure life insurance policies, an area where procedures set underwriting limits to the capital and the age of the policyholder. In terms of "pure life" insured amounts the Group's insurance companies transfer their risks to reinsurers in keeping with the nature of the products sold and conservation levels adequate to the companies' capital structure.

For products with the capital sum subject to positive risk, such as term life insurance, this risk has negative consequences if the actual frequency of death exceeds the death probabilities realistically calculated (second order technical bases).

For products with the capital sum subject to negative risk, such as annuities, there are negative consequences when actual death frequencies are lower than the death probabilities realistically calculated (longevity risk).

Nevertheless, at 31 December 2022, the mortality risk is limited for the Group, considering the features of the products offered. The only area where this risk is somewhat significant is term life insurance. With reference to these products, a comparison is periodically made between actual deaths and those predicted by the demographic bases adopted for pricing. Moreover, mortality risk is mitigated through reinsurance and by setting limits on both the capital and the age of the policyholder when policies are sold.

Longevity risk is also low. In fact, for most life insurance products the probability of annuitisation is very close to zero, as historical experience shows that policyholders never use the option to annuitise. Pension products, in particular, still account for a limited share of insurance liabilities. In addition, for these products, the Group may, if certain conditions materialise, change the demographic base and the composition by sex used to calculate the annuity rates.

Pricing risk is the risk of incurring losses due to inadequate premiums charged for the insurance products sold. It may arise due to:

- inappropriate selection of the technical basis;
- incorrect assessment of the options embedded in the product;
- incorrect evaluation of the factors used to calculate the expense loads.

As Poste Vita's mixed and whole-life policies have mostly cash value build-up features, accumulating in accordance with a technical rate of zero, the technical basis adopted does not affect premium calculation (and/or the insured capital). In fact, there is nearly no pricing risk associated with the choice between technical bases in Poste Vita's portfolio, except for the term life insurance products discussed above.

The options embedded in the policies held in the portfolio include:

- Surrender option;
- Guaranteed minimum return option;
- Annuity conversion option.

For nearly all the products in the portfolio there are no surrender penalties: the surrender risk only becomes significant, however, in the event of mass surrenders which, on the basis of historical evidence, have a low probability of occurrence (a surrender rate of approximately 3.1% in 2022).

Poste Assicura SpA is exposed to the following insurance risks:

- Underwriting risk: the risk deriving from the conclusion of insurance contracts associated with the events insured, the processes followed when pricing and selecting risks and unfavourable claims trends compared with previous estimates. This risk can be divided into the following categories:
  - Pricing risk: the risk linked to the company's pricing of its policies which depends on the assumptions used in order to calculate premiums. If prices are based on inadequate assumptions, the insurer may be exposed to the risk of being unable to meet its contractual obligations to policyholders. These risks include those related to disability-morbidity, or the risk associated with the payment of benefits or claims for illness and/or injury. Also included in this category is the risk that the loadings applied to premiums are insufficient to support the actual expenses incurred in managing the contract.
  - Provisioning risk: referring to the risk that technical provisions are not sufficient to meet obligations to policyholders. This insufficiency may be due to incorrect estimates by the company and/or changes in the general environment.
- Catastrophe risk: represents the risk of loss resulting from extreme or exceptional events, including major epidemics covered by insurance.
- Early termination risks: risk linked to the possibility of the policyholder's early termination of the contract with the consequent request for reimbursement of the premium.

As regards Poste Assicura SpA's insurance business, the expected growth of the portfolio and the different degrees of risk associated with the products distributed has required the company to adopt a highly prudent approach to reinsurance.

The reinsurance strategy, based mainly on a non-proportional approach, makes it possible to:

- mitigate unfavourable technical trends and risks arising from peak exposures;
- optimise reinsurance structures with a view to risk transfer and, if possible, also improve overall costs in economic and capital allocation terms;
- make reinsurance structures more efficient from a management point of view;
- mitigate risks, stabilising the variability of insurance business results.

In particular, reinsurance treaties with market operators of primary standing were entered into with non-proportional coverage in the form of "excess loss" (per risk and per event), separately for the various classes, to cover all Poste Assicura's risks (Retail and Employee Benefits) such as: risks included in the accident, health, fire, general liability and other property damage classes, and "catastrophic risks" such as earthquake or pandemic. The treaties signed in the start-up phase of the company on a proportional basis, on a risk attaching basis, for certain risks such as income protection insurance and credit protection remain in place in run-off. In addition, legal expenses risks are managed under a quota share treaty. Lastly, for all risks that do not meet the qualitative and quantitative criteria provided for in existing reinsurance treaties, but which however fall within Poste Assicura underwriting philosophy, use is made of optional reinsurance.

Poste Assicura defines, on a case-by-case basis, the share of risk and the reinsurance structure deemed most appropriate in relation to the characteristics of the risk in question.

With reference to P&C risks, the Group performs specific analyses including, among other things, stress tests to determine the Company's solvency also under adverse market conditions.

Reputational risk

The main element of reputational risk to which the Group is, by its nature, exposed is linked to market performance and primarily associated with the placement of postal savings products and investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

7. Fair value of financial instruments

7.1 Fair value measurement techniques

The Poste Italiane Group has adopted a fair value policy, setting out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2021, except for appropriate additions to include models to support the fair value measurement of loans acquired with reference to Law no. 77/2020 described below. These general principles have been identified in compliance with the indications from the reference accounting standards and from the various Regulators (banking and insurance), ensuring uniformity in the valuation techniques adopted within the Group. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with **IFRS 13** - *Fair Value Measurement*, the following section provides information regarding the techniques used to measure the fair value of financial instruments within the Poste Italiane Group.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of 3 levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds quoted on active markets:

- **Bonds issued by EU government bodies or Italian or foreign corporate bonds**: measurement is based on bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third;
- **Financial liabilities**: measurement is based on the ask prices quoted by CBBT (Composite Bloomberg Bond Trader).

Equity securities and ETFs (Exchange Traded Funds) listed on active markets: the valuation is made considering the price resulting from the last contract traded on the day on the relevant stock exchange.

Quoted open-end investment funds: measurement is based on the daily closing market price as provided by Bloomberg or the fund manager. Level 1 bond price quotations incorporate a credit risk component. Exchange rates published by the European Central Bank are used in determining the value of financial instruments denominated in currencies other than the euro.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability[233]. For the Poste Italiane Group the following categories of financial instrument apply:

Bonds either quoted on inactive markets or not at all:

- **Straight Italian and international government and non-government bonds**: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating

233. Given the nature of Poste Italiane Group's operations, the observable data used as input to determine the fair value of the various instruments include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.

spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.

- **Structured bonds**: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component - which considering the features of the bonds included in the portfolio of the Poste Italiane Group relates to interest rate risk - is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.

Unquoted equities: this category may be included here provided it is possible to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.

Unquoted open-end investment funds: measurement is based on the latest available NAV (Net Asset Value) as provided by Bloomberg or as determined by the fund manager.

Derivative financial instruments:

- **Interest Rate Swaps:**

  Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.

  Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in Poste Italiane's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
- **Bond forwards**: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.
- **Warrants**: considering the features of the securities held, measurement is based on the equity local volatility model. In particular, considering that buyback agreements have been entered into with the counterparties that structured these warrants, and that such counterparties use valuation models consistent with those used by the Group, these instruments are measured on the basis of the bid price quoted by the counterparties.
- **Currency forwards**: valuation is based on the differential between the reciprocal currency registered at the measurement date and the reciprocal currency fixed at the trade date.

The derivatives held in Poste Italiane's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by the Poste Italiane Group.

In the rare instances where collateral agreements do not substantially reduce counterparty risk, measurement takes place by discounting to present value the cash flows generated by the securities held as collateral, using as the input a yield curve that reflects the spread applicable to the issuer's credit risk. Alternatively, use is made of fair value to calculate the CVA/DVA (Credit Valuation Adjustment/Debit Valuation Adjustment), in relation to the main technical and financial characteristics of the agreements and the counterparty's probability of default.

Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. These instruments may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Fixed-rate and variable-rate instruments: measurement is based on discounted cash flow. The counterparty's credit spread is considered through:

- use of the Italian government yield curve or the credit default swap (CDS) of the Italian Republic, in the case of Italian government agencies;
- use of quoted CDS yield curves or, if not available, the adoption of "synthetic" CDS yield curves represented by the counterparty's rating, as constructed starting from the input data observable on the market;

- use of yield curves based on the specific issuer's quoted bond prices.

Financial liabilities either quoted on inactive markets or not at all:

- **Straight bonds**: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the issuer's credit risk;
- **Structured bonds**: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the bond and option components. The bond component is measured by discounting cash flows to present value in line with the approach applicable to straight bonds, as defined above. The option component attributable to interest rate risk which, considering the features of the bonds issued by companies in the Poste Italiane Group, is measured in accordance with a standard closed form expression as with classical option valuation models with underlyings exposed to such risks.
- **Borrowings**: these are measured by discounting their future cash flows using as input a yield curve reflecting the spread applicable to the credit risk.
- **Repurchase agreements**: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. For the Poste Italiane Group the following categories of financial instrument apply:

Fixed-rate and variable-rate loans: the measurement is carried out using discounted cash flow techniques. The counterparty's credit spread is set according to best practices, by using the probability of default and transition matrices created by external information providers and loss given default parameters determined by prudential regulations for banks or in accordance with market standards.

Closed-end unquoted funds: these include funds that invest mainly in unquoted instruments. Their fair value is determined by considering the latest NAV (Net Asset Value), available at least every six months, reported by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers which occurred between the latest NAV date and the valuation date.

Investment property (excluding former service accommodation) and inventories of properties held for sale: The fair value of both investment property and inventories has been determined mainly by discounting to present value the cash flows expected to be generated by the rental agreements and/or proceeds from sales, net of related costs. The process uses a discount rate that considers analytically the risks typical of the property.

Investment property (former service accommodation): The value of this investment property is determined on the basis of the applicable law (Law 560 of 24 December 1993), which sets the selling price in case of sale to the tenant or the minimum selling price if the property is sold through a public auction.

- Unquoted equity instruments: this category includes shares for which no price is observable directly or indirectly in the market. For these types of instruments, fair value is determined by considering the implicit valuation at the time of acquisition, adjusted by value adjustments to take account of any changes in price resulting from significant transactions[234] observable on the market in the 12 months prior to the reporting date. Alternatively, and in the absence of significant transactions, the fair value of the share is determined using alternative methods (verification of financial data that can be inferred from the company's Business Plans if available and analysis of the company's performance, multiple market use, etc.).
- Tax credits Law no. 77/2020: this category includes credits acquired with reference to the "*Decreto Rilancio*" no. 34/2020 (later converted into Law no. 77 of 17 July 2020) for which no directly or indirectly observable market prices are available. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.

234. A significant transaction in this context is defined as a minimum investment of €10 million or at least 5% of the share capital of the investee entity over the last twelve months from the reporting date.

7.2 Fair value hierarchy

The following table shows an analysis of financial instruments measured at fair value at 31 December 2022, classified by level in the fair value hierarchy.

Fair value hierarchy

Description (€m)	31.12.2022				31.12.2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets at FVTOCI	122,170	7,913	152	130,235	137,407	12,192	254	149,853
Equity instruments	343	-	110	453	651	-	159	810
Fixed income instruments	121,827	7,411	42	129,280	136,756	11,667	95	148,518
Other investments	-	502	-	502	-	525	-	525
Financial assets at FVTPL	4,996	30,335	8,170	43,501	5,401	28,455	10,958	44,814
Receivables	-	-	110	110	-	-	41	41
Equity instruments	258	26	20	304	217	-	39	256
Fixed income instruments	2,139	146	-	2,285	2,466	89	24	2,579
Other investments	2,599	30,163	8,040	40,802	2,718	28,366	10,854	41,938
Derivative financial instruments	-	6,110	-	6,110	-	876	-	876
Total	**127,166**	**44,358**	**8,323**	**179,846**	**142,808**	**41,523**	**11,212**	**195,543**
Financial liabilities								
Financial liabilities at fair value	-	-	-	-	-	-	-	-
Derivative financial instruments	-	(971)	(4)	(975)	-	(5,463)	(3)	(5,466)
Total	**-**	**(971)**	**(4)**	**(975)**	**-**	**(5,463)**	**(3)**	**(5,466)**

Transfers between levels 1 and 2, relating entirely to the Poste Vita insurance Group, are shown below:

Transfers from Level 1 to Level 2

Description (€m)	From Level 1 to Level 2		From Level 1 to Level 2	
	Level 1	Level 2	Level 1	Level 2
Transfers of financial assets	**(1,270)**	**1,270**	**4,368**	**(4,368)**
Financial assets at FVTOCI				
Equity instruments	-	-	-	-
Fixed income instruments	(583)	583	4,362	(4,362)
Structured bonds				
Other investments	-	-	-	-
Financial assets at FVTPL				
Receivables	-	-	-	-
Equity instruments	(6)	6	-	-
Fixed income instruments	(66)	66	6	(6)
Structured bonds				
Other investments	(615)	615	-	-
Transfers of financial liabilities	**-**	**-**	**-**	**-**
Financial liabilities at fair value	-	-	-	-
Derivative financial instruments	-	-	-	-
Net transfers	**(1,270)**	**1,270**	**4,368**	**(4,368)**

Reclassifications from level 1 to level 2 relate to financial instruments whose value, at 31 December 2022, is not observable in a liquid and active market, as defined in the Group's Fair Value Policy. Reclassifications from level 2 to level 1, on the other hand, relate to financial instruments whose value, at 31 December 2022, is observable in a liquid and active market.

Movements in level 3 during the year are shown below:

Changes in financial instruments - level 3

Description (€m)	Financial assets			
	Financial assets at FVTOCI	Financial assets at FVTPL	Derivative financial instruments	Total
Balance at 1 January 2022	**254**	**10,958**	**-**	**11,212**
Purchases/Issues	34	1,612	-	1,646
Sales/Extinguishment of initial accruals	(106)	(820)	-	(927)
Redemptions	-	-	-	-
Changes in fair value through profit or loss	-	98	-	98
Changes in fair value through equity	(6)	-	-	(6)
Transfers to profit or loss	-	-	-	-
Gains/Losses in profit or loss due to sales	-	-	-	-
Transfers to level 3	42	-	-	42
Transfers to other levels	(66)	(3,678)	-	(3,743)
Changes in amortised cost	-	-	-	-
Write-off	-	-	-	-
Other changes (including accruals at end of period)	-	-	-	-
Balance at 31 December 2022	**152**	**8,170**	**-**	**8,323**

Financial instruments classified in level 3 are held primarily by Poste Vita SpA and, to a residual extent, by Poste Italiane SpA and PostePay SpA.

In the case of the Group's insurance company, instruments in level 3 regard funds that invest primarily in unlisted instruments, whose fair value measurement is based on the latest available NAV (Net Asset Value) as announced by the fund manager. This NAV is adjusted according to the capital calls and reimbursements announced by the managers and occurring between the latest NAV date and the measurement date.

These financial instruments primarily consist of investments in private equity, private debt and real estate funds fully hedging Class I products related to separately managed accounts and investments linked to Class III products.

Changes during the period mainly concern the purchase of new investments, redemptions of unquoted closed-end fund units and the transfer of Class III funds from Level 3 to Level 2.

In order to acknowledge the observations made by the inspection report delivered on 26 July 2021 and in accordance with the related Share Plan, including the related additions, the Group Company adopted Guidelines supplementing the aforementioned Fair Value policy in order to regulate even more precisely the determination of fair value and the related price controls on the financial instruments in the Company's portfolio, with particular regard to the funds category.

That being said, also in order to take into account the provisions of the letter to the Market published by IVASS on 14 July 2021, it should be noted that at 31 December 2022, the allocation of the fair value levels of financial instruments was carried out using a prudential approach, taking into account the implementations still in progress necessary to carry out the "Full look through approach" on all categories of funds held in the Company's portfolio. To this end, it should be noted that the Company reclassified from fair value Level 3 to Level 2 about €3.6 billion referring almost exclusively to class III funds.

Finally, with regard to the Parent Company, following the conversion on 29 July 2022 of part of the Visa Series C shares into Visa Series A Preferred Stock, about 18 million of the C shares were reclassified from Level 3 to Level 2.

Poste Italiane SpA

For the sake of completeness, the following table shows an analysis of financial instruments of Poste Italiane SpA measured at fair value at 31 December 2022, classified by level in the fair value hierarchy.

Fair value hierarchy

Description (€m)	31.12.2022				31.12.2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets attributable to BancoPosta RFC	33,017	6,274	20	39,311	37,290	1,209	39	38,538
Financial assets at FVTOCI	33,017	144	-	33,161	37,290	336	-	37,626
Fixed income securities	33,017	144	-	33,161	37,290	336	-	37,626
Financial assets at FVTPL	-	20	20	40	-	-	39	39
Equity instruments	-	20	20	40	-		39	39
Derivative financial instruments	-	6,110	-	6,110	-	873	-	873
Financial assets outside ring-fence	434	-	103	537	-	3	75	78
Financial assets at FVTOCI	434	-	103	537	-	-	75	75
Fixed income securities	91	-	-	91		-	-	-
Equity instruments	343	-	103	446	-	-	75	75
Derivative financial instruments	-	-	-	-	-	3	-	3
Total assets at fair value	**33,451**	**6,274**	**123**	**39,848**	**37,290**	**1,212**	**114**	**38,616**
Financial liabilities attributable to BancoPosta RFC	-	(971)	(4)	(975)	-	(5,460)	(3)	(5,463)
Derivative financial instruments	-	(971)	(4)	(975)		(5,460)	(3)	(5,463)
Financial liabilities outside the ring-fence	-	-	-	-	-	(3)	-	(3)
Derivative financial instruments	-	-	-	-	-	(3)	-	(3)
Total liabilities at fair value	**-**	**(971)**	**(4)**	**(975)**	**-**	**(5,463)**	**(3)**	**(5,466)**

There were no transfers of the related financial instruments measured at fair value on a recurring basis between Level 1 and Level 2 in the year under review.

The increase compared to 31 December 2021 in the item Shares classified in Level 1, refers to the fair value of the shares of Nexi SpA acquired by Poste Italiane following the merger by incorporation of the subsidiary PSIA Srl, effective as of 1 November 2022.

8. Hedging transactions

Below is a description of the hedging transactions entered into by the Poste Italiane Group, as distinguished between fair value hedges and cash flow hedges, which are accounted for as per IAS 39 – *Financial Instruments: Recognition and Measurement*. The fair value hedges and cash flow hedges described below refer mainly to fixed income securities or inflation-linked securities in relation to BancoPosta operations.

Hedging transactions – Fair value hedges

Hedging transactions on fixed-income and inflation-linked government bonds

The Poste Italiane Group has a government bond portfolio[235] – made up of fixed-rate BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into Over the Counter (OTC) interest rate swaps to hedge the fair value of the bonds held in the portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation. The credit risk of the Italian Republic is not hedged and is set for the duration of the swap.

Full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[236], using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative[237]". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual hedging instrument have a settlement date consistent with the hedge inception (spot or forward start) and differ solely in their spread which is considered, as already indicated, the main source of ineffectiveness[238]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

235. As of the last quarter of 2022, BancoPosta also holds German and French government bonds in its portfolio that are not currently hedged.
236. IAS 39 requires two effectiveness tests:
- prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
- retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.
237. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
- on a cumulative basis, by observing the performance of the hedge since inception;
- on a periodic basis, by comparing the hedge performance with that of the last test.

The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).
238. For the hypothetical derivative use is made of the mid-market spread, which makes the present value at the settlement date equal to 0, and for the actual derivative the interest rate agreed upon with the counterparty.

For the purposes of the prospective effectiveness test, different approaches have been adopted, depending on the characteristics of the hedging instrument. Specifically:

- the "Critical terms[239]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and forward sales of the subsidiary Poste Vita, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[240]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

With respect to the Poste Vita Group, forward sales expired in 2021 and were entered into in order to preserve, following unexpected changes in interest rates and/or credit risk, unrealised gains on government bonds of the Separately Managed Account Posta ValorePiù. The maturity of these positions was set to take into account the mismatch of cash flows between the portfolio of financial assets and liabilities.

Hedging on repurchase agreements

The Poste Italiane Group carries out transactions in repurchase agreements, on euro-government securities or with the guarantee of the Italian state for various purposes, including to invest in government bonds, to meet liquidity needs arising from the dynamics of funding on current accounts, to actively manage the treasury position and to manage deposits as collateral for collateralisation transactions. These transactions are mainly fixed-rate transactions and are therefore exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, the Group enters into Over the Counter (OTC) interest rate swaps (fair value hedges) designated as specific hedges of repurchase agreements in the portfolio.

The Group evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test, using the approaches illustrated in the following notes.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%. The hypothetical derivative and the actual derivative have a settlement date consistent with the hedge inception and differ solely in their fixed rate component which is considered the main source of ineffectiveness[241]. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, the Group adopts the "dollar offset approach through the hypothetical derivative", performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[242]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

239. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.
240. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.
241. Hedging is performed by defining the variable-rate component simply linked to the Euribor and the fixed-rate component incorporating market conditions. The hypothetical derivative uses the fixed rate at the market mid which makes the present value at the settlement date equal to 0, while the actual derivative uses the rate agreed upon with the counterparty.
242. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

Hedging transactions – Cash flow hedges

Hedging transactions on inflation-linked government bonds and forecast transactions

To limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in portfolio, BancoPosta RFC enters, if necessary, into forward purchases. In addition, to pursue the stabilisation of returns, forward sales are entered into. These derivatives qualify as cash flow hedges of forecast transactions.

In addition, the Group has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, the Group enters into OTC interest rate swaps or inflation swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

The Group evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated as of the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[243].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component[244]. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the “Critical terms” approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;
- the “Dollar offset through the hypothetical derivative” approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[245]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

243. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.
244. The hypothetical derivative uses the fixed rate, which makes the present value at the settlement date equal to 0, while the actual derivative uses the interest rate agreed upon with the counterparty.
245. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

Variable rate bond hedges

The Poste Italiane Group is exposed to the risk of cash flow volatility in relation to the €50 million bond issue of 25 October 2013, which calls for annual variable interest payments.

The exposure to this risk is hedged through an interest rate swap to hedge cash flows whereby the Parent Company took on the obligation to pay a fixed rate and sold the variable interest payable by the bond. The hedge covers the interest rate risk while the implicit credit risk is not hedged.

The effectiveness of the hedges is tested retrospectively and prospectively by using the "Dollar offset through the hypothetical derivative" approach.

Effects of hedging transactions on profit or loss and financial position

The table below shows the hedging instruments by expiration date. The average interest rate of the interest rate swaps shown represents the contractually expected average fixed rate of the hedging transaction by maturity band.

Time distribution based on remaining duration of cash flow hedge contracts

	Maturity			
(€m)	Up to 1 year	1 - 5 years	Over 5 years	Total
Cash flow hedges - Interest rate risk				
Forward purchases				
Nominal	3,433	-	-	3,433
Settlement price	3,209	-	-	3,209
Forward sales				
Nominal	1,099	-	-	1,099
Settlement price	1,390	-	-	1,390
Interest rate swaps				
Nominal	190	75	2,728	2,993
Average rate %	4.955%	5.843%	3.507%	3.665%

Time distribution based on remaining duration of fair value hedge contracts

(€m)	Maturity			
	Up to 1 year	1 - 5 years	Over 5 years	Total
Fair value hedges - Interest rate risk				
Interest rate swaps				
Nominal	-	4,021	27,915	31,936

The table below shows the effects of hedging transactions, broken down by type, on profit or loss and the financial position.

Fair value hedges - Interest rate risk

(€m)	Nominal	Carrying amount*		Accumulated amount of fair value hedge adjustments on the hedged item		Change in value used to recognise ineffective portion of hedge	Accumulated amount of fair value hedge adjustments on the hedged item in case of discontinuing
		Assets	Liabilities	Assets	Liabilities		
Hedged items							
Fixed income instruments, of which:		23,743	-	(2,714)	141	(11,120)	(1,308)
at amortised cost		12,091	-	(2,714)	-	(5,398)	(570)
at FVTOCI		11,652	-		-	(5,721)	(738)
Repurchase agreements		-	(3,863)		141	141	
Hedging instruments							
Interest rate swaps	31,936	5,760	(342)			10,995	
Profits/(losses) on hedging recognised in P&L						**17**	

* Not including provision to cover expected losses.

Cash flow hedges - Rate risk

(€m)	Nominal	Carrying amount		Change in value used to recognise ineffective portion of hedge	Cash flow hedge		
		Assets	Liabilities		Hedge reserve	Discontinued	
Hedged items							
Fixed income instruments, of which:			-	(49)			
at amortised cost		252	-	(92)			
at FVTOCI		3,936	-	43			
Bond		-	(50)	3			
Forward purchases instruments				92			
Hedging instruments							
Forward purchases	3,433	4	(96)	(92)	(37)	-	-
Forward sales	1,099	346	-	346	346	-	-
Interest rate swaps	2,993	-	(531)	(293)	(486)	-	-
Profits/(losses) on hedging recognised in P&L				**7**			

The table below shows the effects of cash flow hedges on other comprehensive income.

Impact on OCI of cash flow hedges - Rate risk

(€m)	Profits/(losses) on hedging recognised in OCI, period fair value (inc./dec.)	Transfers to profit or loss	
		Hedge accounting effects	Discontinued
Fixed income instruments	277	(410)	-
Bond	1	1	-
Total	**278**	**(409)**	**-**

Reform of reference indices for determining interest rates

The reform of key interest rate benchmarks, called the "InterBank Offered Rate (IBOR) Reform", involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and preparing guidelines to update contract models.

Currently, the main benchmarks for the euro area are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published as of 2 October 2019) which replaced the Euro OverNight Index Average (EONIA - no longer listed as of 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

The Group has financial instruments indexed to the EURIBOR, which continues to be quoted daily, and the related cash flows continue to be exchanged with counterparties as usual. In relation to this parameter, there is therefore no uncertainty resulting from the IBOR reform on 31 December 2022. These instruments are subject to daily collateralisation remunerated to EONIA (from 2022 defined as ESTR plus 8.5 bps).

In addition, the Group holds interest rate swaps designated as fair value hedges that have the variable "leg" indexed to the EURIBOR, with a nominal value of €31,936 million, almost entirely held by BancoPosta RFC. For almost all of these instruments, the cash flows at 31 December 2022 are discounted at the EONIA rate (ESTR + 8.5 bps) and not at the ESTR rate as defined in the contracts in place with the counterparties.

9. Proceedings pending and principal relations with the Authorities

The following information is provided in accordance with accounting standard IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Tax disputes

With reference to **Postel**, an audit regarding income tax and withholding tax came to an end on 8 October 2015, with delivery of a tax audit report, contesting the right to deduct VAT and the deductibility of IRAP, in relation to the alleged failure to pay social security contributions for employees and/or contractors used by a supplier between 2010 and 2014. In relation to the notices of assessment for the 2010 and 2011 periods, Postel has decided to avail itself of the facilitated definition pursuant to article 11 of the Law Decree no. 50 of 24 April 2017, while with regard to the other assessment periods, the tax authorities have notified:

- with regard to the 2012 tax year, on 25 November 2016, additional IRES, IRAP, VAT and withholding tax of €0.1 million, plus penalties and interest. The Lazio Regional Tax Tribunal rejected the appeal by the Agenzia delle Entrate, ordering it to pay costs in favour of the Company, which were settled in February 2022. The Company is awaiting the repayment of the sums provisionally advanced;
- with regard to the 2014 tax year, on 19 April 2019, the tax authorities requested the payment of additional VAT, IRES, IRAP and withholdings amounting to a total of approximately €0.25 million, plus penalties and interest. With a judgment dated 22 October 2020, the Regional Tax Tribunal of Rome fully accepted the appeal filed in the interest of the Company and annulled the notice of assessment issued in relation to the 2014 tax period. The Company is awaiting the repayment of the sums provisionally advanced.

On 19 April 2018, the Tax Authorities in Rome (Guardia di Finanza – Nucleo di Polizia economico-finanziaria) entered the offices of **SDA Express Courier**. The purpose of the inspection was to verify the company's compliance with the requirements regarding VAT, income tax, IRAP and withholding tax for the years 2014, 2015 and 2016, pursuant to and for the purposes of articles 52 and 63 of Presidential Decree no. 633/72, art. 33 of Presidential Decree no. 600/73, art. 2 of Legislative Decree no. 68/2001 and Law no. 4/1929. On 29 November 2018, the audit was formally declared at an end. The main finding in final notice of assessment for about €1 million regards the deduction of VAT relating to the adjustment entries issued by the company in connection with discounts granted to customers following an increase in the number of shipments. Subsequently, on 5 December 2019, a notice of assessment for the year 2014 alone was notified with a total claim of €0.4 million, which, referring to the Report on Findings (PVC), mainly contests the VAT deducted. On 3 February 2020, the Company appealed against this notice and provided for the provisional payment of the fine imposed. On 20 July, the hearing to discuss the 2014 VAT appeal was held and the PTC, accepting the company's requests, postponed the discussion 'to a new role' (i.e., without setting a precise date for the next hearing) in order to allow time to complete negotiations with the Lazio Regional Tax Office (DRE). The purview with adjournment has not yet been notified by the commission.

In addition, on 27 May 2021, the DRE served a further notice of assessment for the tax year 2015 similar to the one already filed for the year 2014 in which the VAT deducted was contested. This deed has not been challenged and a procedure has been initiated with the Lazio DRE for an overall re-examination of the dispute relating to the credit notes with reference to all the periods covered by the PVC (from 2014 to 2017) in an attempt to reach an out-of-court settlement. This procedure is currently in progress.

In the course of 2022, an out-of-court settlement was reached with the Lazio Regional Tax Office for Large Taxpayers, which in fact resulted in the partial cancellation of the VAT findings resulting from the Guardia di Finanza's Report on Findings of 29 November 2018 for all the years concerned, with the total amounts due being redetermined at approximately €0.185 million in total.

In November 2018, Consorzio Postemotori received notice of an order issued by the Criminal Court in Rome and of a precautionary seizure regarding the consortium, amounting to €4.6 million. On 13 May 2019, the G.U.P. (Preliminary judge) of the Ordinary Court of Rome downgraded the original charges, ordering the committal for trial only in relation to a portion of the charges relating to the passive invoicing transactions of a subcontractor and a tax consultant of one of the partners. The Consortium mandated an external criminal lawyer to file an application for release of the criminal seizure ordered against the Consortium. On 20 December 2021, a petition for release from seizure was filed and on 24 December 2021, the Court of Rome issued an order for the restitution of the sum of €0.3 million credited back to the Consortium's current account on 7 February 2022.

Social security disputes

Since 2012, and up until 31 December 2022, the Istituto Nazionale per la Previdenza Sociale (INPS, the National Institute of Social Security) office at Genoa Ponente and Roma Eur has issued **Postel** with some payment orders, for a total amount payable of €27.02 million. According to INPS, this amount represents social security contributions funding income support, extraordinary income support, unemployment benefit and family benefits not covered by the contributions paid to IPOST. Appeals against these requests were brought before the Court of Genoa. In support of the arguments of Postel in a memo issued on 20 October 2016, the Ministry of Labour stated that the social security contributions system applicable to Poste Italiane also applies to all the other Group companies, with the sole exception of those that provide air transport, banking and express delivery services.

Some of the judgements have already been decided by the Court of Genoa and, on their outcome, against debit notices totalling €13.2 million, the Company was ordered to pay only the CUAF contributions of 0.68%, less the family allowances paid by Postel to employees, amounting to €0.3 million, while nothing was deemed to be due under the CIG, CIGS and mobility being at the time Postel wholly owned by the State through Poste Italiane and therefore included among the industrial enterprises of the State for which the law excludes the obligation to pay redundancy and mobility. INPS filed an appeal for the first tranche of requests made (€9.16 million), contesting the merits of the judgement at first instance and the sum arrived at. In the view of INPS, the rate applicable for contributions for family benefits, in line with recent guidance issued by INPS, should have been 4.40% in place of the 0.68% applied in the payment notices involved in the court action. In two judgements dated 28 December 2018, the Court of Appeal in Genoa confirmed in full the judgements at the first instance, rejecting INPS' appeals, who filed appeals in Cassation notified on 28 June 2019 to Postel, which appeared before the court.

Below are the further judgments already decided:

- With the judgment of 19 September 2019, the Court of Genoa confirmed the position, ordering Postel to pay INPS, by way of CUAF contributions relating to the period from May 2011 to November 2012, the sum of €0.08 million, deeming the higher sums claimed in the debit notices (amounting in total to approximately €4 million) not due. By judgment of 21 May 2021, the Court of Appeal of Genoa dismissed the main appeal and the cross-appeal. INPS appealed in cassation and Postel joined the proceedings. On 26 January 2023, the Court of Cassation ordered the case to be remitted to the register for processing together with other appeals. The parties are awaiting the setting of a new hearing.
- In a judgment of 1 February 2021, the Court of Genoa cancelled the debit notice (totalling approximately €0.64 million) for the period from December 2012 to April 2015 (excluding July 2014) and ordered INPS to pay Postel the sum of €0.06 million, plus interest. By judgment of 2 February 2022, the Court of Appeal of Genoa dismissed the appeal brought by the Institute. INPS appealed in cassation and Postel joined the proceedings.
- By means of the judgments of 26 May 2021, the Court of Genoa cancelled the debit notices (for a total of approximately €3.1 million) for certain periods between February 2011 and January 2017 and ordered the payment of the lower amounts restated for a total of €0.17 million. In its judgments of 18 May 2022 and 6 June 2022, the Court of Appeal of Genoa rejected the Company's appeals, as well as the cross-appeals filed by the Institute. Postel and INPS brought an appeal in cassation against the judgment of 18 May 2022. As things stand, only Postel has lodged an appeal in cassation against the judgment of 6 June 2022.
- With a judgment published on 20 September 2022, the Court of Appeal of Genoa, partially reforming the first instance judgment of 29 December 2020, ordered the Company to pay the amount indicated in the Debit Notice in the amount of approximately €0.009 million. At present, the deadlines for filing a possible appeal to the Supreme Court are pending.

Additional administrative proceedings are still pending relating to the appeals against the notices of adjustment for the periods from May 2009 to November 2022.

In addition, on 8 October 2019, INPS requested to regularise contributions from September 2014 to September 2019 at the non-harmonised CUAF rate of 4.40% of taxable income for social security purposes. With regard to the latter request, the company acted differently depending on the period under consideration:

- for October, November and December 2019, Postel has adjusted to the payment of the CUAF contribution in the amount of 4.40%, subject to repetition reserve;
- for the previous period from September 2014 to the end of 2015, Postel appealed through administrative channels against the debit notices received from INPS with a request for payment of the CUAF at 4.40%;
- for the year 2018 and the first 7 months of 2019, two Debit Notices were served with the request for payment of the CUAF at 0.68% and minor CIG, CIGS contributions to Postel, which paid, subject to repayment pending the decision of the appeal pending in the Supreme Court;
- as of January 2020, Postel shall pay the CUAF rate to INPS at the rate of 0.68% instead of the rate of 4.40%, as a result of the provisions of Article 11, paragraph 5 bis of Law Decree no. 162 of 2019, converted by Law no. 8 of 28 February 2020.

Taking into account the judgments, the reasons given for the judgments and the latest appeals brought by INPS, the Company has adjusted its provisions for risks and charges based also on the opinion of its legal advisors.

Provisions recognised in the financial statements at 31 December 2022 amount to €12.56 million.

Main proceedings pending and relations with the Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - the Italian Antitrust Authority)

On 9 March 2015, the Authority notified **Poste Italiane** of an investigation for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the “Libretto Smart” product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Company’s conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this measure before the Lazio Regional Administrative Court, which was not upheld and the relevant judgment was challenged before the Council of State. The setting of the hearing is now pending.

On 3 October 2018, **Poste Italiane** proceeded to pay the fine of €23 million plus interest imposed by the Autorità Garante della Concorrenza e del Mercato (AGCM - the Antitrust Authority) following its ruling, in January 2018, that Poste Italiane had abused its dominant market position in the period from 2014 to 2017, as per art. 102 of the TFEU. This did not constitute acceptance or admission of liability in relation to the alleged misconduct and does not affect the Company’s right to defend its position through the appropriate channels. Poste Italiane challenged this measure before the Lazio Regional Administrative Court and the hearing on the merits has been set for 19 April 2023.

On 19 November 2019, the AGCM initiated proceedings **PS11563** against **Poste Italiane** in order to ascertain allegedly unfair commercial practice in the delivery of mail and, in particular, registered mail, in possible violation of articles 20, 21 and 22 of the Consumer Code. In particular, according to some customers: i) the advertised features of the “registered mail delivery” service are not reflected in the service actually provided; ii) the advertising for the “digital registered mail collection” service does not make it clear that the service may no longer be free of charge in the near future and that, in any case, there are restrictions on its use, since it can only be accessed if the sender has authorised it. In January 2020, a number of consumer associations were admitted to the proceedings. At the conclusion of the proceedings, by way of a measure notified on 15 September 2020, the Authority imposed an administrative fine of €5 million, payment of which was made on 5 January 2021. Poste Italiane has appealed this decision to the Lazio Regional Administrative Court, and the hearing was held on 26 May 2021. The Lazio Regional Administrative Court’s judgment, which did not uphold the Poste Italiane appeal, was appealed before the Council of State, and the company is waiting for a hearing to be set. In any event, in May, the AGCM acknowledged that Poste had correctly complied with its requirements.

On 6 April 2020, pursuant to art. 9, paragraph 3-*bis* of Law 192/98 and art. 14 of Law 287/90, the AGCM initiated proceedings **A539** against **Poste Italiane**, following a complaint by a third-party supplier that Poste Italiane had presumably imposed unjustifiably burdensome contractual clauses. In particular, following the termination of contractual relations in mid-2017, the supplier was not, in fact, able to otherwise offer the services it was providing on the market because of the obligation to comply with rules and organisational parameters considered such as to make the company structure excessively rigid, making it unsuitable to operate with parties other than Poste Italiane. A hearing was held on 8 June 2020 at which Poste Italiane stated its position and, subsequently, the Authority requested the delivery of documentation. The final hearing was held on 3 May 2021, during which Poste Italiane set out its position and presented its defence. At the conclusion of the proceedings, by way of a measure notified on 6 August 2021, the Authority imposed an administrative fine of more than €11 million for abuse of economic dependence, payment of which was made on 6 September 2021. Poste Italiane has appealed this measure to the Lazio Regional Administrative Court, and the hearing was set for 19 April 2023.

On 14 October 2021, the Italian Antitrust Authority (AGCM) initiated proceedings against **PostePay** pursuant to Article 27, paragraph 3, of Legislative Decree no. 206 of 6 September 2005, as amended (Consumer Code), as well as pursuant to Article 6 of the Regulation on investigative proceedings into misleading and comparative advertising, unfair commercial practices, infringement of consumers' rights in contracts, breach of the prohibition on discrimination and unfair terms (Regulation), adopted by the Authority with a resolution dated 1 April 2015 and a simultaneous request for information pursuant to Article 12, paragraph 1 of the Regulation.

In summary, the AGCM, on the basis of a number of reports received from users of PosteMobile services, contested the unsolicited activation of an alleged service of continuation of outgoing traffic (voice, SMS and data) in the event that the user's rechargeable SIM card ran out of credit or had insufficient credit at the time of renewal of the periodic offer. PostePay responded to the AGCM notice by clarifying that no continuity service is provided as part of PosteMobile offers.

At the end of the investigative phase of the proceedings, having obtained the opinion of the Italian Communications Authority (AGCOM, which did not find, let alone challenge, any regulatory complaints against the Company), on 9 August the AGCM notified PostePay of its final measure no. 30286, in which it found that PostePay had committed an infringement by claiming that, in the case of mobile telephone offers subscribed to with a flat fee, in the event credit is used up, the company charged a consumption-based fee – more expensive than the ordinary one – without adequate information. In the measure, the Company is therefore ordered to pay an administrative fine of €1.8 million, calculated on the basis of the turnover relating to the provision of electronic communication networks and services, and then reduced to €1.5 million, in consideration of the mitigating circumstance "relating to certain measures taken by the professional to remove the conduct".

The Company deemed it appropriate to lodge an appeal against the Measure before the Lazio Regional Administrative Court, filing the appeal on 28 October 2022. Therefore, the payment of the fine imposed was made by PostePay with express reservation of appeal and, in the event, of repayment of the amount paid in the event of annulment (total or partial) of the Measure by the Lazio Regional Administrative Court and/or the Council of State.

On 7 November 2022, PostePay sent the required compliance report to the AGCM, which illustrated the measures adopted by PostePay to overcome - albeit having refuted the grounds thereof - the objections of the AGCM, which, on 2 December 2022, informed PostePay that it had acknowledged compliance with the measure.

On 24 March 2022, the Italian Antitrust Authority (AGCM) initiated proceeding **PS/11287** against **Poste Italiane** for alleged unfair commercial practices in relation to the information on the expiry and prescription dates of paper Interest-bearing Postal Certificates, as (i) during the placement of the postal certificates, Poste allegedly omitted to indicate the maturity and/or prescription date, as well as to provide information regarding the legal consequences arising from the expiry of the aforementioned terms and/or provided such information with a confusing and deceptive wording; (ii) in the management of the postal certificates that had expired over the last five years, Poste allegedly omitted to inform the holders of postal certificates close to the expiry of the prescription period, of the expiry of that period and the legal consequences arising in the event of failure to request the redemption of the postal certificate within that period. On 13 April 2022, the Company sent the AGCM a statement of defence in which, in addition to replying to the request for information contained in the writ of initiation, it highlighted its role as mere placement agent, the nature of the postal certificates and the inapplicability of the consumer discipline to the case at hand. On 30 August 2022, the AGCM notified Poste of the Notice of Investigative Findings, substantially confirming the objections of the opening proceedings. On 19 September 2022, Poste filed its final statement of defence, accompanied by the steps it had taken, on a voluntary basis, to eliminate the Authority's concerns, without complying with the objections raised in the proceedings. On 4 November 2022, the Authority notified Poste of its final decision imposing an administrative penalty of €1.4 million. This amount was thus quantified taking into account the actions implemented by the Company on a voluntary basis, which were deemed appropriate to improve the information provided to consumers; in fact, the Authority granted Poste Italiane a 60% reduction in the amount of the fine. The Authority's Resolution was appealed before the Regional Administrative Court by the Company, which set a hearing on the merits for 7 June 2023. In line with the provisions of the final measure, on 3 February 2023, the Company sent its Report of Compliance with the AGCM's warning.

Autorità per le Garanzie nelle Comunicazioni (AGCOM - the Italian Communications Authority)

Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, transferred responsibility for regulation and supervision of the postal sector to the Italian Communications Authority (AGCom).

Following transposition into Italian law of the third European postal services directive (Directive 2008/6/EC), the so-called "net avoided cost" method has been applied in quantifying the cost of the universal service"[246]. In this regard:

i. On 24 February 2023, AGCom Resolution 28/23/CONS was published, initiating the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2020 and 2021.

ii. On 1 July 2021, AGCom Resolution 199/21/CONS was published, concluding the procedure to verify the net cost of the universal postal service incurred by Poste Italiane for the years 2017, 2018 and 2019. In particular, the burden of the universal postal service for these years has been quantified at €354.5, €334.5 and €175 million respectively. For the 2019 financial year, although the quantified charge (€175 million) is lower than the authorised offsets (€262 million), the charge for the provision of the universal postal service over the entire period (i.e., the previous 2016-2019 Service Contract) is in any case higher than the offsets authorised by the European Commission. The Authority also established that the universal service charge for the years 2017, 2018 and 2019 is inequitable and that, for the same years, in continuity with what was established in previous years, the Compensation Fund referred to in article 10 of Legislative Decree no. 261/1999 is not established. Poste Italiane has appealed this measure to the Lazio Regional Administrative Court (still pending).

iii. AGCom Resolution 214/19/CONS regarding "Assessment of the net cost of the universal postal service for 2015 and 2016" was published on 2 July 2019. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2015 and 2016, respectively, as €389 million and €356 million, compared with compensation of €329 million and €262 million provided for in the Contratto di Programma. AGCom did not establish a Compensation Fund for 2015 and 2016, so it has not been possible to recover the difference between compensation provided by the state and the costs quantified by AGCom. On 2 October 2019, Poste Italiane challenged this resolution by filing an appeal before the Lazio Regional Administrative Court (TAR), still pending.

iv. AGCom Resolution 298/17/CONS regarding "Assessment of the net cost of the universal postal service for 2013 and 2014" was published on 6 September 2017. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2013 and 2014, respectively, as €393 million and €409 million, compared with compensation of €343 million and €336 million provided for in the Contratto di Programma. Again, no Compensation Fund was established for 2013 and 2014 and, on 6 November 2017, Poste Italiane had filed a legal challenge before the Lazio Regional Administrative Court against the above resolution (the case is still pending).

v. AGCom Resolution 412/14/CONS regarding "Assessment of the net cost of the universal postal service for 2011 and 2012" was published on 31 July 2014. In addition to acknowledging that the cost is unfair, the Resolution quantified the cost of providing the Universal Postal Service in 2011 and 2012, respectively, as €381 million and €327 million for fees originally recognised by Poste Italiane for €357 and €350 million respectively. The Authority has also established that no compensation fund was established for 2012 and on 13 November 2014, Poste Italiane filed an appeal before the Lazio Regional Administrative Court against the above resolution. The Regional Administrative Court, with judgment no. 11416, published on 5 September 2022, partially upheld the appeal on the verification of the burden for the years 2011-2012, recognising the non-activation of the compensation fund for the year 2011. Poste and AGCom appealed the Regional Aministrative Court judgment to the Council of State and the hearing on the merits has been set for 18 May 2023.

With Resolution 313/21/CONS, notified on 21 October 2021, the AGCom closed the sanctioning proceedings, initiated with notice of objection **6/21/DSP**, by imposing a fine of €0.9 million for breach of universal service continuity obligations (art. 3, paragraph 1, 5 lett. b) and 8 lett. d) of Legislative Decree no. 261/1999) and of information obligations, in relation to the closures of 239 Post Offices over the Christmas period (on Saturday 28 December 2019 and Saturday 4 January 2020) even though they had been communicated of it in advance. The Authority accepted the request, on a subordinate basis, for the application of cumulation, imposing a penalty in a reduced amount compared to the one that had been indicated for the reduced payment (€3.28 million). Payment of the penalty was made on 10 November 2021. The Authority's Resolution was appealed by the Company to the Regional Administrative Court.

With Resolution no. 104/22/CONS of 7 April 2022, the AGCom dismissed the sanctioning proceedings, initiated with Notice of Objection no. **13/21/DSP**, for the failure to comply with five quality objectives on certain products included in the Universal Service for 2020, accepting the arguments expressed by Poste Italiane and recognising the qualification, in relation to the year 2020, of the SARS-Covid pandemic as a cause of force majeure. In the same Resolution, the Authority stated that, for the years

246. This method defines the cost incurred as the difference between the net operating cost incurred by a designated universal service provider when subject to universal service obligations and the net operating cost without such obligations.

2021 and 2022, since the character of the unforeseeability of the event no longer applies, it will be the Company's responsibility to demonstrate that it has introduced the organisational measures necessary to guarantee compliance with the universal service quality obligations.

On 2 August 2022, with Notice of Objection no. **2/22/DSP**, the AGCom initiated sanctioning proceedings against Poste Italiane for non-compliance with the quality objectives on products included in the Universal Postal Service for the year 2021, identifying five objections. With Determination no. 27/22/DSP, notified on 12 October 2022, the Authority dismissed the sanctioning proceeding as the Company availed itself of the benefit of Article 16 of Law no. 689 of 24 November 1981, with reduced payment of the sanctions for all the disputes.

Bank of Italy

The Bank of Italy, from 14 March 2022 to 15 July 2022, conducted an inspection at Poste Italiane SpA - BancoPosta RFC, on profitability and the business model, governance and control systems, interest rate risk management methods including related internal modelling, new tax credit business and associated risks. On 30 November 2022, the report containing a number of findings and a "partially unfavourable" assessment was delivered to Poste Italiane. Poste Italiane, by the established deadline and after discussion at the Board of Directors' meeting of 25 January 2023, notified the Bank of Italy of its considerations and planned improvements; for the only finding in respect of which a sanctioning procedure was initiated, the Company sent counter-claims in support of the correctness of its actions.

On 20 July 2022, the Authority sent a notice to Poste Italiane SpA - BancoPosta RFC and PostePay concerning the manner in which the funds received by PostePay in respect of the issuance of electronic money should be managed. It should be noted that the Supervisory Provisions for EMIs provide that such funding may be deposited with a bank authorised to operate in Italy, invested in qualified debt securities or particular units of harmonised mutual funds. Since the creation of PostePay, these sums are deposited in a postal current account (protection account) and contribute to the funds from private customers of BancoPosta RFC, which are invested in euro area government bonds. In this regard, the Authority initiated discussions with BancoPosta and PostePay in 2021, in view of the fact that BancoPosta was not deemed to be an entity that could be assimilated to the concept of "credit institution" under the relevant European legislation. In the face of a proposed alternative approach, aimed at equating the deposit with BancoPosta of the sums collected by PostePay with a direct investment in qualified debt securities, in the aforementioned communication the Authority asked BancoPosta and PostePay for further observations, aimed at identifying an operational solution that would allow full alignment with the relevant regulatory provisions. Upon completion of the further investigations requested, a transitional solution was identified, also on the basis of the discussions with the Authority. Feedback will be provided by BancoPosta by the second quarter of 2023.

During the last quarter of 2022, the Bank of Italy conducted two inspections of **PostePay SpA - EMI RFC**, one "of a general nature" initiated in September and one concerning "unauthorised payment transactions, frauds and disallowances" initiated in November. Both inspections were completed in December. On 27 March 2023, the Bank of Italy delivered the results of the inspections conducted from 29 September 2022 until 16 December 2022. Said inspection was concluded with a "partially favourable" judgment. At the date of approval of these financial statements, the Company was still waiting to receive the results of the inspection launched in November.

In February 2023, the Bank of Italy initiated an inspection at PostePay SpA - EMI RFC, pursuant to Article 146, Legislative Decree no. 385 of 1 September 1993, aimed at verifying the procedures provided for by the PSD2 Directive to allow access to on-line payment accounts from Third Parties. The inspection was completed in March 2023 and the receipt of the inspection report is pending at the date of approval of this Annual Report.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

With regard to the sanctioning proceedings arising from objections by the Supervisory Authority for the alleged breach of Article 183, paragraph 1, letter "a", of the Private Insurance Code and mainly relating to the lateness of the settlement of insurance benefits beyond the contractually established deadline - there are currently no pending proceedings

It should be noted that with reference to the dispute concerning the alleged delay in the settlement of life policies notified by IVASS to **Poste Vita** on 24 February 2021, the company opted, within the terms of the law, to pay the penalty of approximately €0.08 million, as per the injunction notified by IVASS on 29 September 2022.

With regard to the IVASS inspection - concerning profiles of **governance, management and control of investments and financial risks** concluded on 7 May 2021 - it should be noted that the related action plan, approved by the Company's Board of Directors on 22 October 2021, was fully completed in accordance with the time-frame envisaged in the plan.

With regard to the inspection aimed at verifying compliance with **anti-money laundering regulations**, jointly at **Poste Vita and Poste Italiane - BancoPosta RFC**, which was completed on 18 June 2021 and the results of which were notified to Poste Vita SpA at the Board of Directors' meeting of 30 September 2021, it is reported that at 31 December 2022, all the actions identified had been completed within the planned time-frame.

On 7 March this year, **Poste Vita** was notified by the Supervisory Authority of the start of an inspection to verify the management process of dormant policies.

Covip

With reference to the COVIP inspection on the "Postaprevidenza Valore" Individual Pension Plan ("PIP"), the results of which were notified to the Company with a communication dated 27 May 2022, the Company's Board of Directors approved, at its meeting held on 26 July 2022, a detailed action plan aimed at strengthening the processes, in addition to what was already indicated in the action plan approved by the Board of Directors on 8 June 2022. At 31 December 2022, all the actions envisaged in the plan had been completed and the planned timetable respected.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021, initiated a class action against Poste Italiane pursuant to article 140-*bis* of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the "Q" series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs' and potential members' claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an order dated 11 January 2022, held that the request submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy of Poste Italiane. Federconsumatori appealed the order of the Court of Rome, and the Court of Appeal set the hearing for closing arguments for 12 July 2023.

10. Material non-recurring events and/or transactions

A brief summary of the impact of material non-recurring events and transactions[247] involving the Poste Italiane Group in 2022, is provided below, as required by CONSOB ruling DEM/6064293 of 28 July 2006:

- establishment of a provision for risks for tax credits Law no. 77/2020 in the amount of €320 million to cover the probable liabilities analytically described in Note A10 - Tax Credits Law no. 77/2020.

11. Exceptional and/or unusual transactions

Under the definition provided by the CONSOB ruling of 28 July 2006, the Poste Italiane Group did not conduct any exceptional and/or unusual transactions[248] in 2022.

247. Events and transactions are defined as such when their occurrence is non-recurring, being transactions or events that do not recur frequently in the ordinary course of business.
248. Such transactions are defined as transactions that due to their significance/materiality, the nature of the counterparties, the purpose of the transaction, the manner of determining the transfer price and timing of the transaction may give rise to doubts over the correctness and/or completeness of the disclosures in the financial statements, over a conflict of interest, safeguards for the Company's financial position and protections for non-controlling shareholders.

12. Material events after the end of the reporting period

The events that occurred after the reporting date are described below. For a complete description of these events, please refer to paragraph 3.1 - *Principal corporate actions.*

Sourcesense SpA

On 24 January 2023, Sourcesense finalised the acquisition of **Eco-Mind Ingegneria Informatica Srl** and its subsidiary **HeadApp Srl**, IT companies operating as software factories specialising in the design and development of business, mobile and cloud-native solutions and augmented and virtual reality solutions, for a consideration of €1.1 million..

Net Insurance SpA

On 28 September 2022, the Board of Directors of Poste Vita approved the promotion of a voluntary total cash takeover bid for ordinary shares and warrants of **Net Insurance SpA** ("Net Insurance"), in consultation with certain shareholders. Following the authorisations received from CONSOB, IVASS and AGCM, the acceptance period for the offers promoted by a corporate vehicle directly controlled by Poste Vita ("Net Holding") began on 27 February. The acceptance period for the offers will end on 6 April 2023. The transaction is expected to be completed by the first half of 2023.

Plurima BidCo Srl

On 29 September 2022, the reverse merger of Plurima Bidco Srl into Plurima was approved by the shareholders' meetings of the two companies. The transaction, which provided for the application of the regulatory simplifications for mergers of wholly-owned companies, became effective as of 1 January 2023.

13. Additional information

This note provides information applicable to both the Poste Italiane Group's consolidated financial statements and Poste Italiane SpA's separate financial statements, including qualitative and quantitative disclosures on matters required, to a residual degree, by accounting standards, not specifically dealt with in the previous notes.

Transfers of financial assets that are not derecognised

In accordance with IFRS 7 - Financial Instruments: Disclosures, this section provides additional information on the transfer of financial assets that are not derecognised (continuing involvement).

At 31 December 2022, these assets concern reverse repurchase agreements entered into with primary financial intermediaries and entirely attributable to the Parent Company.

Transfers of financial assets that are not derecognised

		31 December 2022			31 December 2021		
Description (€m)	**Notes**	**Nominal value**	**Carrying amount**	**Fair value**	**Nominal value**	**Carrying amount**	**Fair value**
Financial assets attributable to BancoPosta RFC	**[A6]**						
Financial assets at amortised cost		6,442	6,766	11,832	7,972	8,763	9,261
Financial assets at FVTOCI		6,628	6,246	6,246	5,459	6,261	6,261
Financial liabilities attributable to BancoPosta RFC	**[B6]**						
Financial liabilities arising from repos		(13,486)	(13,342)	(12,993)	(14,847)	(14,837)	(14,826)
Total		**(416)**	**(330)**	**5,085**	**(1,416)**	**187**	**696**

Financial assets subject to encumbrances

This paragraph provides information on the nominal value and carrying amount of financial assets delivered to counterparties as collateral for repurchase agreements and interest rate swaps, and financial assets delivered to the Bank of Italy as collateral for intraday credit granted to the Parent Company and as collateral for SEPA Direct Debits.

Financial assets subject to encumbrances

Description (€m)	31 December 2022		31 December 2021	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Financial assets attributable to BancoPosta RFC				
Financial assets at amortised cost				
Loans and receivables	**2,457**	**2,457**	**4,858**	**4,858**
Receivables used as collateral provided by CSAs	31	31	4,173	4,173
Receivables used as collateral provided by GMRAs	1,447	1,447	72	72
Receivables in the form of guarantee deposits (Clearing House margin requirements)	978	978	612	612
Receivables in the form of guarantee deposits (OTC Clearing House)	1	1	1	1
Fixed income instruments	**7,034**	**7,478**	**8,652**	**9,751**
Securities involved in repurchase agreements	6,442	6,766	7,972	8,763
Securities used as collateral provided by CSAs and GMRAs	245	247	480	610
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	347	465	200	378
Financial assets at FVTOCI				
Fixed income instruments	**8,899**	**8,469**	**6,814**	**7,965**
Securities involved in repurchase agreements	6,628	6,246	5,459	6,261
Securities used as collateral provided by CSAs and GMRAs	-	-	30	30
Securities used as collateral for intraday credit from the Bank of Italy and for Sepa Direct Debits	2,271	2,223	1,325	1,674
Financial assets outside ring-fence				
Financial assets at amortised cost				
Loans and receivables	**-**	**-**	**3**	**3**
Receivables used as collateral provided by CSAs			3	3
Receivables used as collateral provided by GMRAs			-	-
Financial assets at FVTOCI				
Fixed income instruments	**-**	**-**	**-**	**-**
Securities involved in repurchase agreements	-	-	-	-
Total financial assets subject to encumbrances	**18,390**	**18,404**	**20,327**	**22,577**

At 31 December 2022, the Parent Company has received financial assets as collateral for reversal repos, having a notional value of €4,425 million and a fair value of €4,521 million.

In addition, securities with a nominal value of €1,200 million are committed for repurchase agreements entered into with Cassa Compensazione e Garanzia in December 2022 and settled in early January 2023.

Exposure to sovereign debt

With regard to financial assets, as required by Communication DEM/11070007 of 28 July 2011, implementing Document 2011/266 published by the European Securities and Markets Authority (ESMA) and later amendments, the Group's exposure to sovereign debt at 31 December 2022 is shown in the table below.

Poste Italiane Group - Exposure to sovereign debt securities

Description (€m)	31.12.2022			31.12.2021		
	Nominal value	Carrying amount	Market value	Nominal value	Carrying amount	Market value
Italy	**138,017**	**126,397**	**122,321**	**135,674**	**156,775**	**157,449**
Financial assets at amortised cost	27,306	26,921	22,845	26,944	31,893	32,567
Financial assets at FVTOCI	110,698	99,463	99,463	108,717	124,867	124,867
Financial assets at FVTPL	13	14	14	13	15	15
Belgium	**2,876**	**2,123**	**2,123**	**132**	**151**	**151**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	2,876	2,123	2,123	132	151	151
Financial assets at FVTPL	-	-	-	-	-	-
France	**5,050**	**3,411**	**3,411**	**151**	**201**	**201**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	5,050	3,411	3,411	151	201	201
Financial assets at FVTPL	-	-	-	-	-	-
Germany	**851**	**792**	**792**	**215**	**235**	**235**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	851	792	792	215	235	235
Financial assets at FVTPL	-	-	-	-	-	-
Ireland	**455**	**372**	**372**	**10**	**13**	**13**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	455	372	372	10	13	13
Financial assets at FVTPL	-	-	-	-	-	-
Spain	**3,860**	**2,261**	**2,261**	**1,280**	**1,870**	**1,870**
Financial assets at amortised cost	3	3	3	3	3	3
Financial assets at FVTOCI	3,857	2,258	2,258	1,277	1,867	1,867
Financial assets at FVTPL	-	-	-	-	-	-
USA	**50**	**38**	**38**	**25**	**23**	**23**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	50	38	38	25	23	23
Financial assets at FVTPL	-	-	-	-	-	-
Other countries	**203**	**169**	**169**	**149**	**147**	**147**
Financial assets at amortised cost	-	-	-	-	-	-
Financial assets at FVTOCI	203	169	169	149	147	147
Financial assets at FVTPL	-	-	-	-	-	-
Total	**152,426**	**136,444**	**132,367**	**137,636**	**159,415**	**160,089**

Below are details for Poste Italiane.

Credit risk - Exposure to sovereign debt

Description (€m)	31 December 2022			31 December 2021		
	Nominal value	Carrying amount	Market value	Nominal value	Carrying amount	Market value
Financial assets attributable to BancoPosta RFC						
Italy	**62,793**	**57,997**	**54,214**	**56,443**	**67,521**	**67,988**
Financial assets at amortised cost	25,304	24,836	21,053	25,027	29,895	30,362
Financial assets at FVTOCI	37,489	33,161	33,161	31,416	37,626	37,626
Financial assets outside ring-fence						
Italy	**110**	**91**	**91**	**-**	**-**	**-**
Financial assets at FVTOCI	110	91	91	-	-	-
Total	**62,903**	**58,088**	**54,305**	**56,443**	**67,521**	**67,988**

Unconsolidated structured entities

In order to make investments as consistent as possible with the risk-return profiles of the policies issued, ensuring management flexibility and efficiency, in certain cases Poste Vita SpA has purchased over 50% of the assets managed by certain investment funds. In these cases, tests have been performed in keeping with IFRS to determine the existence of control. The results of the tests on such funds suggest that the company does not exercise any control within the meaning of IFRS 10 – *Consolidated Financial Statements*. However, these Funds fall within the definition of unconsolidated structured entities: a structured entity is an entity designed in such a way as not to make voting rights the key factor in determining control over it, as in the case where voting rights refer solely to administrative activities and the relevant operations are managed on the basis of contractual arrangements.

Nature of the involvement in the unconsolidated structured entity

ISIN – Name (€m)	Nature of entity	Fund activity	% Investment	NAV Ref. date	NAV Amount
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	5,272
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	4,413
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	4,267
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	3,770
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	3,611
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	797
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	778
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	533
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	502
QU0006738052 - Prima EU Private Debt Opportunity Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2022	487
QU0006744795 - Prima European Direct Lending 1 Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2022	446
IT0004937691 - PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Fund of Hedge Funds falling within the scope of Directive 2011/61/EU	Pursuit of absolute returns, with low long-term volatility and correlation with the main financial markets	100	30/11/2022	429
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in "core" and "core plus" real estate assets for retail use, located in the Eurozone and euro-denominated	100	30/09/2022	420
LU2051218035 - OLYMPIUM SEVERUM FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	410
QU0006745081 - Prima Real Estate Europe Fund I	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2022	378
IT0005247819 - Diamond Core	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/2022	280
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Open-end harmonised UCITS	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/12/2022	273

ISIN – Name (€m)	Nature of entity	Fund activity	% Investment	NAV	
				Ref. date	Amount
IT0005386666 - Fund i3-Dante segment Convivio	Italian-registered, closed-end multi-segment alternative real estate investment fund	Investment in "core" and "core plus" income real estate located in the central areas of the main Italian cities, starting with Rome and Milan	100	30/06/2022	266
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2022	246
IT0005215113 - CBRE DIAMOND FUND	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real estate rights, including those deriving from real estate lease contracts, in any case carried out without particular geographical location constraints but in any case in Italy	100	30/09/2022	193
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease-translational arrangements, concessions and other similar rights in accordance with the legislation from time to time in effect	100	30/06/2022	163
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/09/2022	191
QU0006738854 - Prima Credit Opportunity Fund	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds and equities)	100	30/11/2022	140
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in real estate assets, real property rights, including those resulting from property lease arrangements, participating interests in property companies and the professional management and development of the fund's assets	100	30/06/2022	109
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Closed-end real estate alternative investment fund under Italian law falling within the scope of Directive 2011/61/EU	Investment in "core" and "core plus" real estate assets for office use, located in the Eurozone and euro-denominated	100	30/06/2022	95
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Open-ended fund falling within the scope of Directive 2011/61/EU	Investment in a mix of asset classes (corporate bonds, government bonds, loans and equities)	100	30/11/2022	80
LU1081427665 - SHOPPING PROPERTY FUND 2	Closed-end fund within the scope of Directive 2011/61/EU	Invests in the Shopping Property Fund 2: master fund which invests primarily in commercial properties and, marginally, in office buildings and alternative sectors. It does not invest in property debt	65	30/09/2022	67
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Closed-end Fund of Funds within the scope of Directive 2011/61/EU	Investments in energy companies to achieve capital appreciation and realise relevant gains, after exit	86	30/09/2022	18

Nature of the involvement in the unconsolidated structured entity

The purpose of Poste Vita's investment in the funds is to diversify its portfolio of financial instruments intended to cover Class I products (Separately Managed Accounts), with the objective of mitigating the concentration of investments in Italian government. The entities primarily regard open-end harmonised funds that invest in a mix of assets, such as corporate bonds, government bonds and equities, and closed-end real estate funds that invest in property and property rights. Certain details are provided below.

Risk nature

ISIN – Name (€m)	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum exposure	Method to determine maximum loss exposure
LU1379774190 - MULTIFLEX-DIVERSIFIED DIS-CM	Financial assets at FVTPL	5,272	629	4,643	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712014 - MULTIFLEX - Global Optimal Multi Asset Fund	Financial assets at FVTPL	4,413	436	3,977	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407712287 - MULTIFLEX - Strategic Insurance Distribution	Financial assets at FVTPL	4,267	392	3,874	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1407711800 - MULTIFLEX - Dynamic Multi Asset Fund	Financial assets at FVTPL	3,770	381	3,389	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1193254122 - MFX - GLOBAL FUND - ASSET GLOBAL FUND (PIMCO MULTI ASSET)	Financial assets at FVTPL	3,611	255	3,356	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808839242 - MULTIFLEX-OLYMP INSURN MA-CM	Financial assets at FVTPL	797	77	720	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341240 - MULTIFLEX-LT OPTIMAL M/A-CM	Financial assets at FVTPL	778	80	699	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1808838863 - MULTIFLEX-OLYMPIUM OPT MA-CM	Financial assets at FVTPL	533	54	479	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
LU1500341752 - MULTIFLEX-DYNAMIC LT M/A-CM	Financial assets at FVTPL	502	53	449	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
QU0006738052 - Prima EU Private Debt Opportunity Fund	Financial assets at FVTPL	487	55	432	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006744795 - Prima European Direct Lending 1 Fund	Financial assets at FVTPL	446	54	392	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004937691 - PRIMA HEDGE PLATINUM GROWTH ISIN IE00BK1KDS71	Financial assets at FVTPL	429	24	405	99% VaR provided by the operator
IT0005174450 - DIAMOND EUROZONE FUND OFFICE UBS	Financial assets at FVTPL	420	165	254	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU2051218035 - OLYMPIUM SEVERUM FUND	Financial assets at FVTPL	410	82	329	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006745081 - Prima Real Estate Europe Fund I	Financial assets at FVTPL	378	171	208	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005247819 - Diamond Core	Financial assets at FVTPL	280	99	181	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1500341166 - MULTIFLEX-OLYMPIUM DYNAMIC-MULTIASSET FUND	Financial assets at FVTPL	273	28	246	Annual VaR 99.5% over a 5-year time horizon and 1-year half life
IT0005386666 - Fund i3-Dante segment Convivio	Financial assets at FVTPL	266	66	199	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

ISIN – Name (€m)	Classification	Carrying amount	Maximum loss exposure	Difference between carrying amount and maximum exposure	Method to determine maximum loss exposure
QU0006746865 - ALC Prima European Private Credit Feeder Fund	Financial assets at FVTPL	246	28	218	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005215113 - CBRE DIAMOND FUND	Financial assets at FVTPL	193	60	133	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006742476 - PRIMA GLOBAL EQUITY PARTNERS FUND	Financial assets at FVTPL	191	96	95	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005212193 - DIAMOND ITALIAN PROPERTIES	Financial assets at FVTPL	163	59	103	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
QU0006738854 - Prima Credit Opportunity Fund	Financial assets at FVTPL	140	51	89	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210593 - DIAMOND OTHER SECTOR ITALY	Financial assets at FVTPL	109	39	70	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0005210387 - DIAMOND EUROZONE RETAIL PROPERTY FUND	Financial assets at FVTPL	95	35	60	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1581282842 - Indaco SICAV SIF - Indaco CIFC US Loan	Financial assets at FVTPL	80	17	63	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
LU1081427665 - SHOPPING PROPERTY FUND 2	Financial assets at FVTPL	44	33	11	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets
IT0004597396 - ADVANCE CAPITAL ENERGY FUND	Financial assets at FVTPL	16	8	7	VaR at 99.5% over a time horizon of 1 year calculated from SII sensitivity markets

Risk nature

The company's investments in the funds in question are reported at fair value (mainly level 2 of the fair value hierarchy), on the basis of the NAV reported from time to time by the fund manager. These investments were made in connection with Class I policies and, as such, any changes in fair value are passed on to the policyholder under the shadow accounting mechanism.

Asset class and reference markets relative to NAVs

Asset class (€m)	Fair Value
Financial instruments	
Corporate bonds	13,930
Government bonds	8,499
Other investments net of liabilities	2,411
Equity instruments	1,496
Cash	1,921
Derivative financial instruments	
Swaps	2
Futures	(13)
Forwards	361
Total	**28,607**

Market traded on and UCITS (€m)	Fair Value
Germany (Frankfurt, Berlin, Munich)	4,649
Dublin	7
New York	1,947
Trace	3,583
London	2,267
Paris	749
Euronext	3,449
Tokyo	821
Singapore	960
Euromtf	429
Luxembourg	115
Eurotlx	254
Hong Kong	274
Other	8,070
Funds	1,033
Total	**28,607**

Share-based payment arrangements

Long-term incentive scheme: performance share plan

Poste Italiane Group

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2019 approved the information circular for the "Equity-based incentive plans – Performance Share LTIP", prepared in accordance with art 84-bis of Regulations for Issuers with reference to the first Cycle 2019-2021 and the second cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA held on 28 May 2021 approved the information circular for the "Equity-based incentive plans – 2021-2023 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2021-2023.

The Shareholders' Meeting of Poste Italiane SpA held on 27 May 2022 approved the information circular for the "Equity-based incentive plans – 2022-2024 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2022-2024.

These incentive systems, constructed in line with market practices, aim to strengthen the link between the variable component of remuneration and the Group's medium to long-term strategy, in line with the budget and the goals in the Strategic Plan, over a multi-year period.

Description of the Plans

The "Performance Share LTIPs", as described in the relevant Information Circulars, provide for the assignment of Rights to the Poste Italiane's ordinary shares. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle and the Qualifying Conditions (the latter for BancoPosta Beneficiaries, hereinafter "BP Beneficiaries" including then General Manager). Plans are developed over a three-year time horizon and Actions are awarded if performance targets are achieved. The key characteristics of the Plans are described below.

Beneficiaries

The Beneficiaries are: Poste Italiane's Chief Executive Officer, in his role as General Manager, certain managers within the Poste Italiane Group, including key management personnel, and some resources of BancoPosta RFC.

Plans' terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[249].

249. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

For the 2021-2023 and 2022-2024 Performance Share LTIPs, the following KPIs are added to the two targets indicated above for the ESG component:

- 2021-2023 Performance Share LTIP: sustainable finance, target linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of products offered with ESG components to the total number of products offered;
- 2022-2024 Performance Share LTIP: equal gender representation in succession plans, an objective linked to strengthening the presence of women in managerial succession plans, to help increase the presence of women in positions of greater responsibility in the Poste Italiane Group. Specifically, the indicator is calculated by comparing the number of succession applications occupied by women to the total number of applications.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, in the case of the General Manager (and Chief Executive Officer) and BancoPosta RFC's Beneficiaries, vesting of the Phantom Stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- for BP Beneficiaries (including the General Manager) for 40% up-front and for the remaining 60% in two equal portions, deferred respectively for 2 and 4 years from the end of the Performance Period. A further Retention Period of one year will be applied to both the up-front and deferred portions;
- for the Other Beneficiaries, the granting of Poste Italiane's Shares is entirely up front at the end of a three-year Performance Period, with 60% of the Shares subject to a further two-year Lock-up Period.

For BP Beneficiaries (including the General Manager) in relation to the 2021-2023 and 2022-2024 Performance Share LTIPs, the following disbursement method is envisaged: 40% upfront and 60% in five deferred annual instalments over a five-year period (the first three equal to 10% of the total rights accrued and the next two equal to 15% of the total rights accrued). A further Retention Period of one year will be applied to both the up-front and deferred portions;

In addition, for BP Beneficiaries (including the General Manager), the deferred Shares will be awarded following the verification of the existence of capital adequacy, short-term liquidity levels and risk-adjusted profitability of BancoPosta RFC.

For more details on the operating mechanisms of the incentive plans, please refer to the Information Circular and/or the Report on the Remuneration Policy, in force from time to time, approved by the Shareholders' Meeting.

Determination of fair value and effects on profit or loss

The valuations were carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

Incentive plans	Number of beneficiaries	Units (No. of Phantom Stocks / Rights to receive shares) – Number of Units	Units – Of which under retention period	Fair value at grant date – General Manager – Grant date	General Manager – Fair Value (€)	BP Beneficiaries – Grant date	BP Beneficiaries – Fair Value (€)	Other Beneficiaries – Grant date	Other Beneficiaries – Fair Value (€)	Operating Cost (€m)	IFRS 2 Reserve / Liabilities (€m	Payments / Countervalue delivery of treasury shares (€m)
18-20 Phantom Stock LTIP										(0.3)	-	(1.8)
19-21 Performance Share LTIP	109	519,256	ca. 43,800	28/05/19	6.19	07/10/19	8.29	07/10/19	8.88	0.3	3.9	(2.4)
20-22 Performance Share LTIP	118	952,522	-	05/03/20	5.42	12/11/20	3.91	12/11/20	4.64	1.7	5.3	-
21-23 Performance Share LTIP	160	1,108,088	-	28/05/21	8.23	28/05/21	8.23	28/05/21	9.22	3.7	7.2	-
22-24 Performance Share LTIP	202	971,219	-	27/05/22	4.50	27/05/22	4.50	27/05/22	5.48	1.9	1.9	-
Total										**7.3**	**18.3**	**(4.2)**

Poste Italiane SpA

The effects on profit or loss of the above "Performance Share" and "Phantom Stock" Long-Term Incentive Schemes at 31 December 2022 for Poste Italiane SpA are shown below.

Incentive plans	Number of beneficiaries	Units (No. of Phantom Stocks / Rights to receive shares) – Number of Units	Units – Of which under retention period	Fair value at grant date – General Manager – Grant date	General Manager – Fair Value (€)	BP Beneficiaries – Grant date	BP Beneficiaries – Fair Value (€)	Other Beneficiaries – Grant date	Other Beneficiaries – Fair Value (€)	Operating Cost (€m)	IFRS 2 Reserve / Liabilities (€m	Payments / Countervalue delivery of treasury shares (€m)
18-20 Phantom Stock LTIP										(0.2)	-	(1.3)
19-21 Performance Share LTIP	103	501,714	ca. 43,800	28/05/19	6.19	07/10/19	8.29	07/10/19	8.88	0.3	3.8	(2.4)
20-22 Performance Share LTIP	109	906,626	-	05/03/20	5.42	12/11/20	3.91	12/11/20	4.64	1.6	5.1	-
21-23 Performance Share LTIP	148	1,054,827	-	28/05/21	8.23	28/05/21	8.23	28/05/21	9.22	3.5	6.8	-
22-24 Performance Share LTIP	185	904,378	-	27/05/22	4.50	27/05/22	4.50	27/05/22	5.48	1.8	1.8	-
Totale										**7.0**	**17.5**	**(3.7)**

Long-term incentive schemes: stock options

The MLK delivery long-term incentive scheme, which was approved by the subsidiary's Board of Directors on 10 December 2020, provides for the grant, free of charge, of a maximum number of stock options that entitle holders to subscribe for class Z shares of MLK delivery, i.e., shares issued to service the Plan without dividend and voting rights. The Plan has a total duration of five years and will end with the assignment of all stock options.

The cost recognised in the period 2022 was approximately €0.5 million, whilst the specific equity reserve was approximately €1.5 million.

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Provisions for BancoPosta (Part IV, Chapter I, "BancoPosta" including in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account BancoPosta's and Poste Italiane's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular 285). These standards, applicable only to the Parent Company Poste Italiane SpA, provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive was above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and long-term incentive scheme, "Phantom Stock LTIP";
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020, MBO 2021 and MBO 2022), provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of Poste Italiane SpA's Shares and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata, for the General Manager and the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[250] for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019, 2020, 2021 and 2022) is subject to the existence of a Hurdle Condition (Group Profitability: EBIT) and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).

The General Manager is also expected to apply an additional Qualifying Condition, in addition to those set out above, linked to the Solvency Ratio of the Poste Vita Insurance Group.

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

250. For the MBO 2021 and MBO 2022 only, the pro-rata years are 4, although for the fourth year only a cash payment is provided.

Determination of fair value and effects on profit or loss

(€m)	Units (No. of Phantom Stocks / Rights to receive shares)	Operating Cost	IFRS 2 Reserve / Liabilities	Payments / Countervalue delivery of treasury shares
Incentive plans				
Mbo bp 17-18	41,317	(0.2)	0.4	(0.5)
Mbo bp 19-20-21-22*	226,890	0.7	1.7	(0.2)
Total		**0.5**	**2.1**	**(0.7)**

* Mbo bp 22 estimated on the basis of the best available information, pending the actual finalisation of the system, in order to capture the cost of the service received.

Severance payments on termination of employment

Severance payments to BancoPosta RFC Risk Takers on early termination are paid in accordance with the same procedures applied to short-term variable remuneration (MBO 2017) as regards deferral, payment in financial instruments and verification of the minimum regulatory capital and liquidity requirements for BancoPosta RFC.

(€m)	Number of Phantom Stocks	Operating Cost	Liabilities	Payments
Severance payments on termination of employment				
Mbo bp 17-18	7,026	(0.2)	0.1	(0.5)
Total		**(0.2)**	**0.1**	**(0.5)**

Scope of consolidation and highlights of investments

Scope of consolidation

Name (€m)	Registered office	Currency	Share capital	Parent Company	% ownership	Total % Group
PARENT COMPANY:						
Poste Italiane SpA	Rome (Italy)	Euro	1,306,110			
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS:						
Agile Power Srl (*)	Milan (Italy)	Euro	65	Poste Italiane SpA	70.00%	70.00%
Agile LAB Srl (*)	Milan (Italy)	Euro	54	Agile Power Srl	100.00%	70.00%
Agile Skill Srl (*)	Catania (Italy)	Euro	10	Agile LAB Srl	100.00%	70.00%
Agile Next Srl (*)	Bari (Italy)	Euro	10	Agile LAB Srl	100.00%	70.00%
AIM2 Srl (*)	Milan (Italy)	Euro	10	Agile Power Srl	100.00%	70.00%
BancoPosta Fondi SpA SGR	Rome (Italy)	Euro	12,000	Poste Italiane SpA	100.00%	100.00%
Bridge Technologies Srl (*)	Milan (Italy)	Euro	20	Plurima	60.00%	42.00%

Consorzio Logistica Pacchi ScpA	Rome (Italy)	Euro	516	Poste Italiane SpA	51.00%	100.00%
				SDA Express Courier SpA	19.00%	
				Poste Air Cargo Srl	5.00%	
				Postel SpA	15.00%	
				Poste Assicura SpA	5.00%	
				Nexive Network Srl	5.00%	
Consorzio per i Servizi di Telefonia Mobile ScpA	Rome (Italy)	Euro	120	Poste Italiane SpA	51.00%	100.00%
				PostePay SpA	49.00%	
Consorzio PosteMotori	Rome (Italy)	Euro	120	Poste Italiane SpA	58.12%	80.75%
				Postel SpA	22.63%	
Europa Gestioni Immobiliari SpA	Roma (Italia)	Euro	103,200	Poste Italiane SpA	55.00%	100.00%
				Poste Vita SpA	45.00%	
LIS Holding SpA	Milan (Italy)	Euro	2,582	PostePay SpA	100.00%	100.00%
LIS Pay SpA	Milan (Italy)	Euro	56,600	LIS Holding SpA	100.00%	100.00%
Logos Srl (*)	Milan (Italy)	Euro	10	Plurima	100.00%	70.00%
MLK Deliveries SpA	Rome (Italy)	Euro	333	Poste Italiane SpA	70.00%	70.00%
Net Holding SpA	Rome (Italy)	Euro	100	Poste Vita SpA	100.00%	100.00%
Nexive Network Srl	Milan (Italy)	Euro	50	Poste Italiane SpA	100.00%	100.00%
Nexive Scarl	Milan (Italy)	Euro	28	Poste Italiane SpA	82.14%	82.14%
PatentiViaPoste ScpA	Rome (Italy)	Euro	120	Poste Italiane SpA	69.65%	86.86%
				Postel SpA	17.21%	
Poste Air Cargo Srl	Rome (Italy)	Euro	1,000	Poste Italiane SpA	100.00%	100.00%
Plurima Bidco Srl	Rome (Italy)	Euro	1,000	Poste Welfare Servizi Srl	70.00%	70.00%
Plurima SpA (*)	Milan (Italy)	Euro	8,544	Plurima Bidco Srl	100.00%	70.00%
Poste Assicura SpA (*)	Rome (Italy)	Euro	25,000	Poste Vita SpA	100.00%	100.00%
Poste Insurance Broker Srl	Rome (Italy)	Euro	600	Poste Assicura SpA	100.00%	100.00%
PostePay SpA	Rome (Italy)	Euro	7,561	Poste Italiane SpA	100.00%	100.00%
Poste Vita SpA (*)	Rome (Italy)	Euro	1,216,608	Poste Italiane SpA	100.00%	100.00%
Poste Welfare Servizi Srl	Rome (Italy)	Euro	16	Poste Vita SpA	100.00%	100.00%
Postel SpA	Rome (Italy)	Euro	20,400	Poste Italiane SpA	100.00%	100.00%
SDA Express Courier SpA	Rome (Italy)	Euro	5,000	Poste Italiane SpA	100.00%	100.00%
Sengi Express Limited (**)	Hong Kong (China)	Euro	541	Poste Italiane SpA	40.00% (***)	40.00% (***)
Sengi Express Guangzhou Limited (**)	Guangzhou (China)	CNY	2,000	Sengi Express Limited	100.00%	40.00%
sennder Italia Srl	Milan (Italy)	Euro	46	Poste Italiane SpA	65.00%	65.00%
Sourcesense SpA (*)	Rome (Italy)	Euro	880	Poste Italiane SpA	70.00%	70.00%
Sourcesense Digital Srl (*)	Rome (Italy)	Euro	32	Sourcesense SpA	100.00%	70.00%
Sourcesense Technology Srl (*)	Rome (Italy)	Euro	40	Sourcesense SpA	100.00%	70.00%
Sourcesense Limited (**)	London (UK)	GBP	-	Sourcesense SpA	100.00%	70.00%
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD						
Subsidiaries:						
Address Software Srl	Rome (Italy)	Euro	10	Postel SpA	51.00%	51.00%
Indabox Srl	Rome (Italy)	Euro	50	MLK Deliveries SpA	100.00%	70.00%
Kipoint SpA	Rome (Italy)	Euro	500	SDA Express Courier SpA	100.00%	100.00%
Associates:						
Anima Holding SpA	Milan (Italy)	Euro	7,292	Poste Italiane SpA	11.02%	11.02%

Conio Inc.	San Francisco (USA)	USD	13,356	Poste Italiane SpA	16.29%	16.29%
Conio Srl	Milan (Italy)	Euro	15	Conio Inc.	100.00%	16.29%
Eurizon Capital Real Asset SGR SpA	Milan (Italy)	Euro	4,167	Poste Vita SpA	20.00%	40%****
				Banco Posta Fondi SpA SGR	20.00%	
Financit SpA	Rome (Italy)	Euro	14,950	Poste Italiane SpA	40.00%	40.00%
ItaliaCamp Srl	Rome (Italy)	Euro	155	Poste Italiane SpA	19.40%	19.40%
Replica SIM SpA	Milan (Italy)	Euro	10,500	Poste Italiane SpA	45.00%	45.00%

* The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the respective financial reports, which were prepared in accordance with the Italian Civil Code and Italian GAAP.
** The figures shown for these companies were prepared in accordance with IFRS and, as such, may vary from those contained in the Annual Financial Report of the company drafted in compliance with Local GAAP.
*** Poste Italiane SpA holds 51% of the voting capital.
**** Posta Vita and BancoPosta Fondi jointly hold 24.5% of the voting capital.

List of investments accounted for using the equity method and statement of financial position and profit or loss data

Name (Registered office) (€k)	Nature of investment	Carrying amount	% share	Assets	Liabilities	Equity	Revenue from sales and services	Net profit / (loss) for the year
Address Software Srl (Rome)	Subsidiary	512	51.00%	1,639	635	1,004	1,116	108
Anima Holding SpA (Milan) (a)	Associate	212,928	11.02%	2,393,319	1,011,106	1,382,213	792,579*	86,579
Conio Inc. (San Francisco) (b)	Associate	593	16.29%	14,095	3,568	10,527	-	(752)
Eurizon Capital Real Asset SGR SpA	Associate	3,968	40.00%	13,544	6,571	6,973	7,569*	1,175
Financit SpA (Rome)	Associate	35,872	40.00%	1,579,077	1,515,311	63,766	48,454*	13,724
Indabox Srl (Rome)	Subsidiary	419	70.00%	533	197	336	579	21
ItaliaCamp Srl (Roma) (c)	Associate	500	19.40%	5,581	2,860	2,721	3,143	123
Kipoint SpA (Rome)	Subsidiary	2,406	100.00%	6,616	4,210	2,406	5,836	400
Replica SIM SpA (Milan)	Associate	9,421	45.00%	65,818	56,193	9,625	5,352*	(1,045)
Other SDA Express Courier associate	Associates	4						

a. Data derived from the latest consolidated interim accounts for the period ended 30 September 2022 approved by the company's board of directors.
b. The statement of financial position values also include the valuation of the company Conio srl wholly owned by Conio Inc.
c. Figures taken from the company's latest financial statements approved by the Board at 31.12.2021.
d. Refers to Speedy Express Courier S.r.l. in liquidation.
* The amount includes commissions, interest income and other similar income.

Disclosure pursuant to Law 124/2017

The information required by art. 1, paragraphs 125 and 129 of Law 124 of 4 August 2017 is provided below.

The information is provided in thousands of euros and on a cash basis, indicating the Group company that received and/or disbursed the grant. In addition, given the numerous interpretative doubts, the following information is provided on the basis of the best interpretation of the legislation available to date, in the light of the guidance provided by Assonime in Circular 5 of 22 February 2019.

Group companies (€k)	Grantor/beneficiary	Purpose	Amount disbursed/ received
Grants received			
Poste Italiane	MUR	Research and Development Projects	173
Poste Italiane	MIMIT	Polis Project - Houses of Digital Citizenship Services	125,000
Total			**125,173**
Grants disbursed			
Poste Italiane	Fondazione Intercultura Onlus	Donation	114
Poste Italiane	Fondazione nuovo millennio scuola politica	Donation	25
Poste Italiane	Comunità di Sant Egidio acap onlus	Donation	20
Poste Italiane	Comunità di San Patrignano	Donation	20
Poste Italiane	Associazione YOLK	Donation	20
Poste Italiane	Associazione Rondine Cittadella della Pace	Donation	20
Poste Italiane	Sanità di Frontiera Onlus	Donation	20
Poste Italiane	Associazione ISMEO	Donation	15
Poste Italiane	Associazione Parent Project aps	Donation	15
Poste Italiane	Associazione Piero Farulli	Donation	10
Poste Italiane	Fondazione Aila Onlus	Donation	10
Poste Italiane	Save the children Italia Onlus	Donation	10
Poste Italiane	Associazione Corri la Vita Onlus	Donation	10
Poste Italiane	Comitato Italiano per l'UNICEF Fondazione Onlus	Donation	10
Poste Italiane	Vicariato di Roma	Donation	10
Total			**329**

Postal saving

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by category. The amounts are inclusive of accrued, unpaid interest.

Postal saving

Description (€m)	31.12.2022	31.12.2021
Post office savings books	90,850	99,254
Interest-bearing Postal Certificates	237,888	235,625
Cassa Depositi e Prestiti	192,644	185,016
Ministry of the Economy and Finance - MEF	45,244	50,609
Total	**328,738**	**334,879**

Assets under management

Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the year, amount to €11,927 million at 31 December 2022 (€12,562 million at 31 December 2021).

Commitments

The Group's purchase commitments break down as follows.

Commitments

Description (€m)	31.12.2022	31.12.2021
Lease arrangements	26	28
Contracts to purchase property, plant and equipment	89	92
Contracts to purchase intangible assets	12	20
Total	**127**	**140**

Poste Italiane SpA's purchase commitments break down as follows.

Commitments

Description (€m)	31.12.2022	31.12.2021
Lease arrangements	17	27
Contracts to purchase property, plant and equipment	90	93
Contracts to purchase intangible assets	12	20
Total	**119**	**140**

At 31 December 2022, the item Lease contracts includes commitments that do not fall under IFRS 16 - Leases.

In addition, at 31 December 2022, PostePay takes over:

- purchases of electricity on forward markets for €32 million;
- purchases of natural gas on the futures markets for €152 million.

Guarantees

Unsecured guarantees issued by the Group and Poste Italiane SpA are as follows:

Guarantees

Description (€m)	31.12.2022	31.12.2021
Sureties and other guarantees issued:		
by banks/insurance companies in the interests of Group companies in favour of third parties	698	447
by the Group in its own interests in favour of third parties	55	55
Total	**753**	**502**

Guarantees

Description (€m)	31.12.2022	31.12.2021
Sureties and other guarantees issued:		
by banks in the interests of Poste Italiane SpA in favour of third parties	373	350
by Poste Italiane SpA in the interests of subsidiaries in favour of third parties	215	37
letters of patronage issued by Poste Italiane SpA in the interests of subsidiaries	61	55
Total	**649**	**442**

Third-party assets

In addition to what is detailed in the table below for the Parent Company, third-party assets of the Group include material for the Covid emergency within the scope of the order with the Civil Defence for about €1.3 billion, held in the warehouses of the subsidiary SDA Express Courier SpA.

Beni di terzi

Description (€m)	31.12.2022	31.12.2021
Bonds subscribed by customers held at third-party banks	3,431	1,799
Other assets	344	-
Total	**3,775**	**1,799**

In addition to the above, at 31 December 2022, Poste Italiane SpA holds a further €2 million in assets belonging to Group companies.

Assets in the process of allocation

At 31 December 2022, the Parent Company has paid a total of €97 million in claims on behalf of the Ministry of Justice, for which, under the agreement between Poste Italiane SpA and the MEF, it has already been reimbursed by the Treasury, whilst awaiting acknowledgement of the relevant account receivable from the Ministry of Justice.

Fees paid to independent auditors pursuant to art. 149 *duodecies* of the CONSOB's regulations for issuers

The following table shows fees[251] payable to the Parent Company's auditor, Deloitte & Touche, and companies within its network for 2022, presented in accordance with art. 149 *duodecies* of the CONSOB's Regulations for Issuers:

Disclosure of fees paid to Independent Auditors

Type of services (€k)	Entity providing the service	2022 fees
Poste Italiane SpA		
Audit	Deloitte & Touche SpA	1,394
Audit	Rete Deloitte & Touche	-
Attestation services	Deloitte & Touche SpA	599
Attestation services	Rete Deloitte & Touche	-
Other services	Deloitte & Touche SpA	17
Other services	Rete Deloitte & Touche	20
Subsidiaries of Poste Italiane SpA		
Audit*	Deloitte & Touche SpA	2,158
Audit	Rete Deloitte & Touche	52
Attestation services	Deloitte & Touche SpA	671
Attestation services	Rete Deloitte & Touche	-
Other services	Deloitte & Touche SpA	-
Other services	Rete Deloitte & Touche	10
Total		**4,921**

* Includes the costs of auditing the funds managed by BPF SGR charged to savers for a total fee of €203 thousand (100%).

251. Auditing services are expensed as incurred and reported in the audited financial statements. Any attestation services relating to accounts prior to the reporting date are recognised on an accruals basis, following engagement of the auditor, in the year in which the services are rendered, applying the percentage of completion method.

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BANCOPOSTA RFC SEPARATE REPORT FOR THE YEAR ENDED

31 DECEMBER **2022**

14 BANCOPOSTA RFC SEPARATE REPORT FOR THE YEAR ENDED

31 DECEMBER **2022**

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Financial Statements

Statement of financial position

Assets (figures in €)		31 December 2022	31 December 2021
10.	Cash and cash equivalents	5,874,003,873	7,680,326,129
20.	Financial assets measured at fair value through profit or loss	39,768,823	38,871,402
	a) financial assets held for trading	-	-
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	*39,768,823*	*38,871,402*
30.	Financial assets measured at fair value through other comprehensive income	33,161,038,504	37,626,169,600
40.	Financial assets measured at amortised cost	46,576,120,582	53,733,427,641
	a) due from banks	*1,499,841,103*	*3,378,615,492*
	b) due from customers	*45,076,279,479*	*50,354,812,149*
50.	Hedging derivatives	6,109,461,206	873,376,627
60.	Adjustments for changes in hedged financial assets portfolio (+/-)	-	-
70.	Investments	-	-
80.	Property, plant and equipment	-	-
90.	Intangible assets	-	-
	of which:		
	- goodwill	-	-
100.	Tax assets	1,157,311,589	282,549,035
	a) current	-	-
	b) deferred	*1,157,311,589*	*282,549,035*
110.	Non-current assets and disposal groups held for sale	-	-
120.	Other assets	11,520,235,265	8,837,599,833
	Total assets	**104,437,939,842**	**109,072,320,267**

Statement of financial position

Liabilities and equity (figures in €)		31 December 2022	31 December 2021
10.	Financial liabilities measured at amortised cost	98,944,279,492	95,798,713,409
	a) due to banks	*12,849,764,915*	*10,700,636,405*
	b) due to customers	*86,094,514,577*	*85,098,077,004*
	c) debt securities in issue	-	-
20.	Financial liabilities held for trading	4,002,715	2,633,070
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	970,662,525	5,460,693,418
50.	Adjustments for changes in hedged financial liabilities portfolio (+/-)	-	-
60.	Tax liabilities	225,575,165	670,198,017
	a) current	-	-
	b) deferred	*225,575,165*	*670,198,017*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
80.	Other liabilities	2,789,296,794	2,535,136,332
90.	Employee termination benefits	1,982,574	2,704,777
100.	Provisions for risks and charges:	188,060,241	229,066,582
	a) commitments and guarantees given	-	-
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	*188,060,241*	*229,066,582*
110.	Valuation reserves	(2,223,281,867)	1,117,995,952
120.	Redeemable shares	-	-
130.	Equity instruments	350,000,000	350,000,000
140.	Reserves	2,585,050,876	2,396,824,468
150.	Share premium reserve	-	-
160.	Share capital	-	-
170.	Treasury shares (-)	-	-
180.	Profit/(Loss) for the year (+/-)	602,311,327	508,354,242
	Total liabilities and equity	**104,437,939,842**	**109,072,320,267**

Statement of profit or loss

	Items (figures in €)	FY 2022	FY 2021
10.	Interest and similar income	2,094,920,984	1,532,606,306
	of which: interest income calculated using the effective interest method	*2,094,920,984*	*1,532,606,306*
20.	Interest expense and similar charges	(172,077,432)	(91,396,159)
30.	**Net interest income**	**1,922,843,552**	**1,441,210,147**
40.	Fee income	3,453,985,229	3,588,811,008
50.	Fee expenses	(216,167,715)	(267,375,205)
60.	**Net fee and commission income**	**3,237,817,514**	**3,321,435,803**
70.	Dividends and similar income	327,077	424,218
80.	Profits/(Losses) on trading	(67,898,766)	(2,020,324)
90.	Profits/(Losses) on hedging	17,696,651	5,102,964
100.	Profits/(Losses) on disposal or repurchase of:	334,675,035	406,995,968
	a) financial assets measured at amortised cost	*76,793,562*	*(94,826,393)*
	b) financial assets measured at fair value through other comprehensive income	*257,881,473*	*501,822,361*
	c) financial liabilities	-	-
110.	Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss	900,441	7,297,977
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	*900,441*	*7,297,977*
120.	**Net interest and other banking income**	**5,446,361,504**	**5,180,446,753**
130.	Net losses/recoveries due to credit risk on:	(662,841)	3,853,315
	a) financial assets measured at amortised cost	*3,446,818*	*(1,994,491)*
	b) financial assets measured at fair value through other comprehensive income	*(4,109,659)*	*5,847,806*
140.	Profits/(Losses) from contract amendments without termination	-	-
150.	**Net income from banking activities**	**5,445,698,663**	**5,184,300,068**
160.	Administrative expenses:	(4,626,709,711)	(4,446,377,277)
	a) personnel expenses	*(32,160,730)*	*(33,417,194)*
	b) other administrative expenses	*(4,594,548,981)*	*(4,412,960,083)*
170.	Net provisions for risks and charges	21,106,716	(48,261,096)
	a) commitments and guarantees given	-	-
	b) other net provisions	*21,106,716*	*(48,261,096)*
180.	Net losses/recoveries on property, plant and equipment	-	-
190.	Net losses/recoveries on intangible assets	-	-
200.	Other operating income/(expense)	(6,367,366)	7,855,729
210.	**Operating expenses**	**(4,611,970,361)**	**(4,486,782,644)**
220.	Profits/(Losses) on investments	-	-
230.	Profits/(Losses) on fair value measurement of property, plant and equipment and intangible assets	-	-
240.	Impairment of goodwill	-	-
250.	Profits/(Losses) on disposal of investments	-	-
260.	**Income/(Loss) before tax from continuing operations**	**833,728,302**	**697,517,424**
270.	Taxes on income from continuing operations	(231,416,975)	(189,163,182)
280.	**Income/(Loss) after tax from continuing operations**	**602,311,327**	**508,354,242**
290.	Income/(Loss) after tax from discontinued operations	-	-
300.	**Profit/(Loss) for the year**	**602,311,327**	**508,354,242**

Statement of comprehensive income

	Items (figures in €)	FY 2022	FY 2021
10.	**Profit/(Loss) for the year**	**602,311,327**	**508,354,242**
	Other components of comprehensive income after taxes not reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments measured at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	444,222	(105,828)
80.	Non-current assets and disposal groups held for sale	-	-
90.	Share of valuation reserve attributable to equity-accounted investments	-	-
	Other components of comprehensive income after taxes reclassified to profit or loss		
100.	Hedges of foreign investments	-	-
110.	Foreign exchange differences	-	-
120.	Cash flow hedges	(93,507,071)	(133,986,689)
130.	Hedges (elements not designated)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(3,248,214,970)	(1,026,193,773)
150.	Non-current assets and disposal groups held for sale	-	-
160.	Share of valuation reserve attributable to equity-accounted investments	-	-
170.	**Total other components of comprehensive income after taxes**	**(3,341,277,819)**	**(1,160,286,290)**
180.	**Comprehensive income (Items 10+170)**	**(2,738,966,492)**	**(651,932,048)**

Statement of changes in equity

	31 December 2022									
	Share capital		Share premium reserve	Reserves		Valutation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
(figures in €)	ordinary shares	other shares		retained earnings	other*					
Balance at 31.12.2021	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01.01.2022	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**
Attribution of retained earnings	**-**	**-**	**-**	**200,000,000**	**-**	**-**	**-**	**-**	**(508,354,242)**	**(308,354,242)**
Reserves	-	-	-	200,000,000	-	-	-	-	(200,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(308,354,242)	(308,354,242)
Changes during the year	**-**	**-**	**-**	**(12,477,595)**	**704,003**	**(3,341,277,819)**	**-**	**-**	**602,311,327**	**(2,750,740,084)**
Movements in reserves	-	-	-	(12,477,595)	704,003	-	-	-	-	(11,773,592)
Equity-related transactions	-	-	-	-	-	-	-	-	-	-
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	-	-	-	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2022	-	-	-	-	-	(3,341,277,819)	-	-	602,311,327	(2,738,966,492)
Equity at al 31.12.2022	**-**	**-**	**-**	**1,373,317,573**	**1,211,733,303**	**(2,223,281,867)**	**350,000,000**	**-**	**602,311,327**	**1,314,080,336**

* This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Reserve for Incentive Plans of €2 million.

	31 December 2021									
	Share capital		Share premium reserve	Reserves		Valutation reserves	Equity instruments	Treasury shares	Profit/(Loss) for the year	Equity
(figures in €)	ordinary shares	other shares		retained earnings	other*					
Balance at 31.12.2020	**-**	**-**	**-**	**1,142,026,750**	**1,210,555,351**	**2,278,282,242**	**-**	**-**	**628,795,707**	**5,259,660,050**
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Balance at 01.01.2021	**-**	**-**	**-**	**1,142,026,750**	**1,210,555,351**	**2,278,282,242**	**-**	**-**	**628,795,707**	**5,259,660,050**
Attribution of retained earnings	**-**	**-**	**-**	**50,000,000**	**-**	**-**	**-**	**-**	**(628,795,707)**	**(578,795,707)**
Reserves	-	-	-	50,000,000	-	-	-	-	(50,000,000)	-
Dividends and other attributions	-	-	-	-	-	-	-	-	(578,795,707)	(578,795,707)
Changes during the year	**-**	**-**	**-**	**(6,231,582)**	**473,949**	**(1,160,286,290)**	**350,000,000**	**-**	**508,354,242**	**(307,689,681)**
Movements in reserves	-	-	-	(6,231,582)	473,949	-	-	-	-	(5,757,633)
Equity-related transactions	-	-	-	-	-	-	350,000,000	-	-	350,000,000
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Payment of extraordinary dividends	-	-	-	-	-	-	-	-	-	-
Movements in equity instruments	-	-	-	-	-	-	350,000,000	-	-	350,000,000
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
Comprehensive income for 2021	-	-	-	-	-	(1,160,286,290)	-	-	508,354,242	(651,932,048)
Equity at 31.12.2021	**-**	**-**	**-**	**1,185,795,168**	**1,211,029,300**	**1,117,995,952**	**350,000,000**	**-**	**508,354,242**	**4,373,174,662**

* This item represents the Reserve for BancoPosta RFC of €1,210 million and also includes the Reserve for Incentive Plans of €1 million.

Statement of cash flows

Indirect method

(figures in €)		FY 2022	FY 2021
A.	**OPERATING ACTIVITIES**		
1.	**Cash flow from operations**	**154,644,935**	**465,820,695**
	- Profit/(Loss) for the year (+/-)	602,311,327	508,354,242
	- gains/(losses) on financial assets held for trading and on assets and liabilities measured at fair value through profit or loss (-/+)	(430,198)	(3,691,029)
	- gains/(losses) on hedging activities (-/+)	(17,696,651)	(5,102,964)
	- net losses/recoveries due to credit risk (+/-)	662,841	(3,853,315)
	- net losses/recoveries on property, plant and equipment and intangible assets (+/-)	-	-
	- net provisions and other expenses/income (+/-)	(21,283,747)	49,050,911
	- unpaid taxes and duties (+)	231,416,975	189,163,183
	- net losses/recoveries on discontinued operations after tax (+/-)	-	-
	- other adjustments (+/-)	(640,335,612)	(268,100,333)
2.	**Cash flow from/(used for) financial assets**	**(6,517,696,229)**	**(6,489,961,884)**
	- financial assets held for trading	-	-
	- financial assets designated at fair value	-	-
	- other financial assets mandatorily measured at fair value	3,021	40,778,935
	- financial assets measured at fair value through other comprehensive income	(5,732,455,821)	2,808,435,820
	- financial assets measured at amortised cost	1,668,352,514	(3,241,086,579)
	- other assets	(2,453,595,943)	(6,098,090,060)
3.	**Cash flow from/(used for) financial liabilities**	**4,880,661,871**	**7,532,044,970**
	- financial liabilities measured at amortised cost	3,278,813,669	9,692,424,923
	- financial liabilities held for trading	-	(22,274,052)
	- financial liabilities designated at fair value	-	-
	- other liabilities	1,601,848,202	(2,138,105,901)
Net cash flow from/(used for) operating activities		**(1,482,389,423)**	**1,507,903,781**
B.	**INVESTING ACTIVITIES**		
1.	**Cash flow from**	**-**	**-**
	- disposal of investments	-	-
	- dividends received on investments	-	-
	- disposal of property, plant and equipment	-	-
	- disposal of intangible assets	-	-
	- disposal of business divisions	-	-
2.	**Cash flow used for**	**-**	**-**
	- acquisition of investments	-	-
	- acquisition of property, plant and equipment	-	-
	- acquisition of intangible assets	-	-
	- acquisition of business divisions	-	-
Net cash flow from/(used for) investing activities		**-**	**-**
C.	**FINANCING ACTIVITIES**		
	- issuance/purchase of treasury shares	-	-
	- issuance/purchase of equity instruments	-	350,000,000
	- dividends and other payments	(324,777,317)	(586,993,882)
Net cash flow from/(used for) financing activities		**(324,777,317)**	**(236,993,882)**
NET CASH FLOW GENERATED/(USED) DURING THE YEAR		**(1,807,166,740)**	**1,270,909,899**

KEY:
(+) from
(-) used for

Reconciliation

Items (figures in €)	FY 2022	FY 2021
Cash and cash equivalents at beginning of the year	7,680,326,129	6,408,027,698
Net cash flow generated/(used) during the year	(1,807,166,740)	1,270,909,899
Cash and cash equivalents: effect of exchange rate fluctuations	844,484	1,388,532
Cash and cash equivalents at end of the year	**5,874,003,873**	**7,680,326,129**

Notes

Part A – Accounting policies

A.1 – General

Section 1 – Declaration of compliance with international financial reporting standards

The Separate Report has been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These were endorsed for application in the European Union by European Regulation (EC) 1606/2002 of 19 July 2002, as transposed into Italian law by Legislative Decree 38 of 28 February 2005 governing the introduction of IFRS into Italian legislation. The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), adopted by the European Union and contained in the EU Regulations in force at 31 December 2022, regarding which no derogations were made.

Accounting standards and interpretations applicable from 1 January 2022 and those soon to be effective

The relevant information is provided in note 2.5 – *New Accounting standards and interpretations and those soon to be effective* – in the section – *Financial statements of Poste Italiane* – of this Annual Report.

Section 2 – Basis of preparation

The Separate Report is prepared in accordance with the provisions of the seventh[252] update of the Bank of Italy Circular no. 262 of 22 December 2005 "Bank Financial Statements: presentation formats and rules for preparation", as well as the Bank of Italy Communication of 21 December 2021 "Update of the additions to the provisions of Circular no. 262 concerning the impact of COVID-19 and measures to support the economy", where applicable, and is prepared pursuant to the provisions of Article 2447-*septies*, paragraph 2, of the Italian Civil Code. On 27 May 2014, the Bank of Italy issued specific Supervisory Standards for BancoPosta RFC (Circular 285/2013, Part Four, Section 1) which, in taking into account the entity's specific organisational and operational aspects, has established prudential requirements that are substantially in line with those applicable to banks. The Standards also govern the requirements regarding capital adequacy and risk containment. The Separate Report relates to the year ended 31 December 2022, has been prepared in euros without decimal figures and consists of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes. The statement of financial position, statement of profit or loss and statement of comprehensive income consists of numbered line items and lettered line sub-items. Nil balances have also been presented in the statement of financial position, statement of profit or loss and statement of comprehensive income for the sake of completeness.

252. In November 2022, the Bank of Italy published the eighth update of Circular no. 262/2005 to take into account the new international accounting standard IFRS 17 (which, as of 1 January 2023, will replace the current accounting standard IFRS 4) and the consequent changes introduced in other international accounting standards, including IAS 1 and IFRS 7. The changes introduced, effective for financial statements closed or ongoing at 31 December 2023, are not applicable to BancoPosta RFC.

The statement of cash flows has been prepared under the indirect method[253]. All figures in the notes are stated in millions of euros; in addition, the tables with nil balances have not been included.

The accounting policies and the recognition, measurement and classification criteria adopted in this Report are consistent with those used to prepare the Separate Report at 31 December 2021.

The Separate Report forms an integral part of Poste Italiane SpA's financial statements and has been prepared on a going concern basis in that BancoPosta RFC's operations are certain to continue in the foreseeable future. As a going concern, Poste Italiane Group and, subsequently BancoPosta RFC, prepare their financial statements on a going concern basis, also taking account the Group's economic and financial outlook, as reflected in the "2023 Budget and the economic and financial prospects for the 2024-2025 two-year period approved by the Board of Directors at its meeting of 29 March 2023.

BancoPosta's accounting policies, which are the same as those adopted by Poste Italiane SpA are described in this Part A and are relevant to all of BancoPosta RFC's operations.

Section 3 – Events after the end of the reporting period

There were no material events after 31 December 2022.

253. Under the indirect method, net cash from operating activities is determined by adjusting profit/(loss) for the year to reflect the impact of non-cash items, any deferment or provisions for previous or future operating inflows or outflows, and revenue or cost items linked to cash flows from investing or financing activities.

Section 4 – Other information

4.1 Intersegment relations

Balances relating to transactions between BancoPosta RFC and Poste Italiane SpA ("Intersegment transactions") are recognised in the Statement of financial position at 31 December 2022 as shown below:

€m		31.12.2022	*of which intersegment*	31.12.2021	*of which intersegment*
	Assets				
10.	Cash and cash equivalents	5,874	-	7,680	-
20.	Financial assets measured at fair value through profit or loss	40	-	39	-
	a) financial assets held for trading	-	-	-	-
	b) financial assets measured at fair value	-	-	-	-
	c) other financial assets mandatorily measured at fair value	*40*	-	*39*	-
30.	Financial assets measured at fair value through other comprehensive income	33,161	-	37,626	-
40.	Financial assets measured at amortised cost	46,576	*349*	53,733	*179*
	a) due from banks	*1,500*	-	*3,379*	-
	b) due from customers	*45,076*	*349*	*50,354*	*179*
50.	Hedging derivatives	6,109	-	873	-
100.	Tax assets	1,157	-	283	-
120.	Other assets	11,521	*44*	8,838	*75*
	A Total assets	**104,438**	***393***	**109,072**	***254***
	Liabilities and equity				
10.	Financial liabilities measured at amortised cost	98,944	*227*	95,798	*172*
	a) due to banks	*12,850*	-	*10,700*	-
	b) due to customers	*86,094*	*227*	*85,098*	*172*
	c) debt securities in issue	-	-	-	-
20.	Financial liabilities held for trading	4	-	3	-
40.	Hedging derivatives	971	-	5,461	-
60.	Tax liabilities	226	-	670	-
80.	Other liabilities	2,789	*36*	2,535	*4*
90.	Employee termination benefits	2	-	3	-
100.	Provisions for risks and charges	188	-	229	-
110.	Valuation reserves	(2,223)	-	1,118	-
130.	Equity instruments	350	-	350	-
140.	Reserves	2,585	-	2,397	-
180.	Profit/(Loss) for the year (+/-)	602	-	508	-
	B Total liabilities and equity	**104,438**	***263***	**109,072**	***176***
	A-B Net intersegment balances		***130***		***78***

The provision of services to BancoPosta RFC by Poste Italiane SpA functions is governed by the specific *Regulation governing the process of awarding and outsourcing of BancoPosta RFC*, approved by the Board of Directors of Poste Italiane SpA[254].

254. At its meeting of 24 June 2022, the Board of Directors approved an update to the "Regulation governing BancoPosta RFC's contracting out and outsourcing process", regulating and formalising both the process of contracting BancoPosta's Corporate Functions to Poste Italiane and the process of outsourcing to third parties outside Poste Italiane's organisation.

This Regulation, in execution of the provisions set out in the *Regulations for ring-fenced capital*, govern and formalise the process of awarding BancoPosta's Corporate Functions to Poste Italiane in accordance with the relevant regulations, identifying the operational phases, roles and responsibilities of the Bodies and Corporate Functions involved in various ways. The general policies and instructions contained in the Regulation in relation to transfer pricing are detailed in specific Operating Guidelines, jointly developed by BancoPosta and other Poste Italiane SpA functions. The Operating Guidelines establish, among other things, the applicable levels of service and transfer prices and are effective following an authorisation process involving the relevant Functions, the Chief Executive Officer and, where required, the Company's Board of Directors. When BancoPosta intends to contract out a major process or a control procedure, whether in its entirety or in part, to Poste Italiane SpA in accordance with specific Operating Guidelines, it must give prior notice to the Bank of Italy. In accordance with Bank of Italy Circular 285 issued on 17 December 2013, Part Four, the Board of Statutory Auditors is required to verify, at least every six months, that the policies adopted are fit for purpose and are in compliance with the related statutory requirements and supervisory standards.

In line with 2021, the services are charged for in the form of transfer prices. The transfer prices paid, inclusive of commissions and any other form of remuneration due, are determined on the basis of market prices and tariffs for the same or similar services, identified, where possible, following a benchmarking process. When the specifics and/or the particular nature of a service provided by a Poste Italiane function do not allow the use of a comparable market price, a cost-based method is used, again with the support of benchmarking to ensure that the price charged is adequate for the service provided. In such a case, an adequate mark-up, defined on the basis of appropriate analyses of comparable subjects, shall be applied. The prices set in each Operating Guidelines can be reduced in the presence of operating losses of the activities outsourced or in case of penalties due to the failure to achieve pre-established service levels, as measured by specific performance indicators. The Guidelines, which expired on 31 December 2022 and are being renewed for the three-year period 2023-2025, were notified to the Bank of Italy pursuant to the Supervisory Provisions, 60 days before the actual start. The Supervisory Authority gave a positive opinion to proceed. The transfer prices, defined in the Guidelines, may be revised every year in connection with the planning and budget process.

For the purposes of oversight of the unbundled accounts, in 2022 the Board of Statutory Auditors conducted the relevant audit activities during 2 meetings, reporting its conclusions in its annual report to shareholders for the year ended 31 December 2022.

4.2 Proceedings pending and principal relations with the Authorities

Relations with the Authorities

Autorità Garante della Concorrenza e del Mercato (AGCM - The Italian Antitrust Authority)

On 9 March 2015, the Authority notified Poste Italiane of an investigation of BancoPosta RFC for alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. On 21 December 2015, the AGCM notified Poste Italiane of its final ruling in which it deemed the Poste Italiane's conduct unfair and imposed a fine of €0.54 million, limited to a tenth of the maximum applicable amount taking into account the mitigating circumstance that Poste Italiane had adopted initiatives aimed at allowing customers to benefit from the bonus rate. Poste Italiane lodged an appeal against this measure before the Lazio Regional Administrative Court, which was not upheld and the relevant judgment was challenged before the Council of State. The setting of the hearing is now pending.

On 24 March 2022, the Italian Antitrust Authority (AGCM) initiated proceeding PS/11287 against Poste Italiane, with reference to BancoPosta RFC, for alleged unfair commercial practices in relation to the information on the expiry and prescription dates of paper Interest-bearing Postal Certificates, as (i) during the placement of the postal certificates, Poste allegedly omitted to indicate the maturity and/or prescription date, as well as to provide information regarding the legal consequences arising from the expiry of the aforementioned terms and/or provided such information with a confusing and deceptive wording; (ii) in the management of the postal certificates that had expired over the last five years, Poste allegedly omitted to inform the holders of postal certificates close to the expiry of the prescription period, of the expiry of that period and the legal consequences arising in the event of failure to request the redemption of the postal certificate within that period. On 13 April 2022, Poste sent the AGCM a statement of defence in which, in addition to replying to the request for information contained in the writ of initiation, it highlighted its role as mere placement agent, the nature of the postal certificates and the inapplicability of the consumer discipline to the case at hand. On 30 August 2022, the AGCM notified Poste of the Notice of Investigative Findings, substantially confirming the objections of the opening proceedings. On 19 September 2022, Poste filed its final statement of defence, accompanied by the steps it had taken, on a voluntary basis, to eliminate the Authority's concerns, without complying with the objections raised in the proceedings. On 4 November 2022, the Authority notified Poste of its final decision imposing an administrative penalty of €1.4 million. This amount was thus quantified taking into account the actions implemented by Poste Italiane on a voluntary basis, which were deemed appropriate to improve the information provided to consumers; in fact, the Authority granted Poste Italiane a 60% reduction in the amount of the fine. The Authority's Resolution was appealed before the Regional Administrative Court by the Company, which set a hearing on the merits for 7 June 2023. In line with the provisions of the final measure, on 3 February 2023, the Company sent its Report of Compliance with the AGCM's warning.

Bank of Italy

The Bank of Italy, from 14 March 2022 to 15 July 2022, conducted an inspection at Poste Italiane, with reference to the BancoPosta RFC, on profitability and the business model, governance and control systems, interest rate risk management methods including related internal modelling, new tax credit business and associated risks. On 30 November 2022, the report containing a number of findings and a "partially unfavourable" assessment was delivered to Poste Italiane. Poste Italiane, by the established deadline and after discussion at the Board of Directors' meeting of 25 January 2023, notified the Bank of Italy of its considerations and planned improvements; for the only finding in respect of which a sanctioning procedure was initiated, Poste Italiane sent counter-claims in support of the correctness of its actions.

On 20 July 2022, the Authority sent a notice to Poste Italiane SpA, with reference to BancoPosta RFC, and to PostePay concerning the manner in which the funds received by PostePay in respect of the issuance of electronic money should be managed. It should be noted that the Supervisory Provisions for EMIs provide that such funding may be deposited with a bank authorised to operate in Italy, invested in qualified debt securities or particular units of harmonised mutual funds. Since the creation of PostePay, these sums are deposited in a postal current account ("conto di tutela") and contribute to the funds from private customers of BancoPosta RFC, which are invested in euro area government bonds. In this regard, the Authority initiated discussions with BancoPosta and PostePay in 2021, in view of the fact that BancoPosta was not deemed to be an entity that could be assimilated to the concept of "credit institution" under the relevant European legislation. In the face of a proposed alternative approach, aimed at equating the deposit with BancoPosta of the sums collected by PostePay with a direct investment in qualified debt securities, in the aforementioned communication the Authority asked BancoPosta and PostePay for further observations, aimed at identifying an operational solution that would allow full alignment with the relevant regulatory provisions. Upon completion of the further investigations requested, a transitional solution was identified, also on the basis of the discussions with the Authority. Feedback will be provided by BancoPosta by the second quarter of 2023.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

With regard to the audit aimed at verifying compliance with anti-money laundering regulations, jointly, at Poste Vita and Poste Italiane, with reference to the BancoPosta RFC, which was completed on 18 June 2021 and the results of which were notified to Poste Vita SpA at the Board of Directors' meeting of 30 September 2021, it is reported that at 31 December 2022, all the actions identified had been completed within the planned time-frame.

Other proceedings

Federconsumatori, with a writ of summons dated 14 May 2021, initiated a class action against Poste Italiane, with reference to BancoPosta RFC pursuant to article 140-*bis* of the Consumer Code, before the Court of Rome. The value of the dispute to date is approximately €8.5 thousand.

By the summons in question, Federconsumatori contests that the capitalisation of interest on 30-year interest-bearing postal certificates (marked with the "Q" series, issued by Cassa Depositi e Prestiti from 1986 to 1995, pursuant to Ministerial Decree 13 June 1986 by the Minister of Treasury, which were subsequently transferred to the Ministry of Economy and Finance, pursuant to the MEF Decree of 5 December 2003) is carried out annually net of withholding tax (now substitute tax), rather than gross, with the effect of recognising to savers a lower return than that allegedly due.

On 27 July 2021, Poste Italiane appeared before the court, objecting, on a preliminary basis, to the inadmissibility of the class action, on a number of preliminary grounds, as well as to the fact that the plaintiffs' and potential members' claims were time-barred, and contested the merits of the proposed claim.

The Court of Rome, in an order dated 11 January 2022, held that the request submitted by Federconsumatori was manifestly unfounded, recognising, inter alia, the lack of passive legitimacy of Poste Italiane. Federconsumatori appealed the order of the Court of Rome, and the Court of Appeal set the hearing for closing arguments for 12 July 2023.

4.3 Risks, uncertainties and impacts of the Covid-19 epidemic

At 31 December 2022, following the scenario improvement, the risks and uncertainties arising from Covid-19 are negligible and are not reflected in the assessment of expected losses.

4.4 Material events during the year

The year under review was characterised by the beginning of the crisis between the European countries Russia-Ukraine.

In order to assess the impact of the conflict on the Group, an assessment was made of the current and potential future impacts and of the sanctions imposed on Russia by state and supranational authorities, on the Group's activities, financial position and results of operations in view of the available evidence and the scenarios that could be envisaged at the date of preparation of the following separate report.

The potential impacts, although at present random and uncertain also in relation to the pressure on inflation driven by sharp increases in energy and raw material prices, appear limited in relation to the fact that the Group's operations are almost entirely located within the national territory and without branches in the value chain with the countries involved.

4.5 Reform of rate benchmark

For an analysis of the effects of the rate benchmark reform, please refer to the information provided in Part E..

A.2 – Part relating to principal financial statement items

The following notes have been numbered in accordance with instructions contained in Bank of Italy Circular 262/2005. Omitted numbers denote information not relevant to the Separate Report.

1 – Financial assets measured at fair value through profit or loss

a) recognition criteria

Financial assets measured at fair value through profit or loss are initially recognised on the settlement date for debt and equity instruments, whereas, for derivative contracts, on the subscription date. Financial assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes all financial assets other than those classified as "Financial assets measured at fair value through other comprehensive income" and as "Financial assets measured at amortised cost". In particular, this item includes: a) financial assets purchased and held mainly for trading; b) financial assets designated as such on initial recognition, thanks to the fair value option; c) financial assets mandatorily measured at fair value through profit or loss.

This item comprises:

- debt securities and loans that are classified in the "Other/Trading" business model (thus not in the "Hold to Collect" and "Hold to Collect and Sell" business models) or fail to meet the SPPI test[255];

255. The acronym SPPI - Solely Payments of Principal and Interest defines financial assets held solely to collect the relevant contractual cash flows, as represented by payments of principal and interest accrued on the principal outstanding at specified dates. The SPPI test is intended to check that the characteristics of the instruments are consistent with this objective.

- equity instruments held for trading or that were not initially recognised at fair value through other comprehensive income;
- derivative contracts, except those designated as hedges, that are classified as assets or liabilities held for trading, depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparties are offset during collateralisation, where allowed by contract.

c) measurement and recognition of gains and losses

These financial assets are recognised at fair value with any changes in fair value recognised in profit or loss in line “Item 80 - Profits/(Losses) on trading” and in line “Item 110 – Profits/(Losses) on other financial assets/liabilities measured at fair value through profit or loss”.

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

2 – Financial assets measured at fair value through other comprehensive income

a) recognition criteria

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date. These assets are initially recognised at fair value which is generally the price paid. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes financial assets held in connection with a business model where financial instruments are held to collect contractual cash flows and for sale (“Hold to Collect and Sell” business model), with the relevant contract calling for the payment, at specified dates, of principal and interest accrued on the principal outstanding (SPPI).

In addition to debt securities that meet the aforementioned characteristics, this item comprises also equity instruments that would otherwise be measured at fair value through profit or loss, for which the election was made to report any subsequent changes in fair value through other comprehensive income (FVTOCI option).

c) measurement and recognition of gains and losses

Financial assets other than equity instruments are measured at fair value and any subsequent change in fair value is recognised through Other comprehensive income (“OCI”) until the financial asset is either derecognised or reclassified, except for currency gains and losses recognised in the statement of profit or loss in “Item 80 – Profits/(Losses) on trading”. When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit or loss in “Item 100 – Profits/(Losses) on disposal or repurchase”.

The effects of the application of amortised cost are recognised in profit or loss in “Item 10 - Interest and similar income”.

Expected credit losses are calculated in relation to these financial assets, as illustrated in the specific section. These expected losses are recognised in profit or loss in "Item 130 – Net losses/recoveries due to credit risk" with a counter-entry made under the "Item 110 – Valuation reserves".

Equity instruments which the Company elected to classify in this item are measured at fair value and any changes in such fair value are recognised in line "Item 110 – Valuation reserves" without subsequent recycling to profit or loss, not even in case of sale. The only component that is reported in profit or loss is the related dividends.

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

3 – Financial assets measured at amortised cost

a) recognition criteria

Financial assets measured at amortised cost are initially recognised on (i) the settlement date for debt securities and investments and (ii) the date on which the service is rendered for trade receivables. They are initially recognised at fair value which is generally the price paid for debt securities or at the contractual value of the service rendered for all the other receivables. Changes in fair value between the trade date and the settlement date are recognised.

b) classification criteria

This item includes financial assets held in connection with a business model where the objective is the collection of the relevant cash flows ("Hold to Collect" - HTC business model), represented by payments, at specified dates, of principal and interest accrued on the principal outstanding (SPPI). The business model on which the classification of financial assets is based permits the sale of such assets; if the sales are not occasional, and are not immaterial in terms of value, consistency with the HTC business model should be assessed.

In addition to debt instruments that reflect the characteristics outlined above, this item comprises mainly the deposits with the MEF and the trade receivables.

c) measurement and recognition of gains and losses

These assets are measured at amortised cost, that is the value assigned to the financial asset on initial recognition, net of any principal reimbursement, plus or minus the cumulative amortisation by using the effective interest rate method on the difference between the initial value and the value at maturity, after deducting any impairment. Any gains or losses are recognised in profit or loss in line "Item 10 - Interest and similar income".

The carrying amount of financial assets measured at amortised cost is adjusted to take into account expected credit losses, as illustrated in the specific section. These expected credit losses are recognised in profit or loss in line "Item 130 – Net losses/recoveries due to credit risk".

d) derecognition criteria

These financial assets are derecognised when the contractual rights to the cash flows of those financial assets lapse or on the disposal of the financial asset and all risks and rewards relating to the financial asset or their control are substantially transferred. If the substantial transfer of risks and rewards cannot be ascertained, financial assets are derecognised if no control is retained over them. Finally, transferred assets are derecognised if the contractual right to receive the cash flows of the assets is retained, but at the same time a contractual obligation is assumed to pay these flows to a third party, without delay and only to the extent of those received.

4 – Hedges

For hedge accounting transactions, the Poste Italiane Group has elected to use the option made available by IFRS 9 and has retained the pre-existing accounting treatments provided for by IAS 39.

a) recognition and classification criteria

Derivative hedges are initially recognised on conclusion of the relevant contract. There are two types of hedge:

- fair value hedges: hedge of the exposure to a change in fair value of a recognised asset or liability or of an unrecognised firm commitment attributable to a particular risk, and that could have an impact on profit or loss;
- cash flow hedges: a hedge of the exposure to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or with a highly probable forecast transaction, and that could have an impact on profit or loss.

Derivative contracts that constitute effective hedging relationships are presented as assets or liabilities depending on whether the fair value is positive or negative.

b) measurement and recognition of gains and losses

Derivatives are initially recognised at fair value on the date the derivative contract is executed. If derivative financial instruments qualify for hedge accounting, gains and losses arising from changes in fair value after initial recognition are accounted for in accordance with the specific policies described below. The relationship between each hedging instrument and the hedged item is documented, as well as the risk management objective, the strategy for undertaking the hedge transaction and the methods used to assess effectiveness. Assessment of whether the hedging derivative is effective takes place both at designation of each derivative instrument as hedging instrument, and during its life.

Fair value hedges

When the hedge is related to recognised assets or liabilities, or an unrecognised firm commitment, the changes in fair value of both the hedging instrument and the hedged item are recognised in profit or loss. Any difference represents the ineffective portion of the hedge and is accounted for as a loss or gain, recognised separately in line “Item 90 - Profits/(Losses) on hedging”.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges after initial recognition is recognised in a specific equity reserve (the Cash flow hedge reserve, within line “Item 110 – Valuation reserve”). A hedging transaction is generally considered highly effective if, both at inception of the hedge and on an ongoing basis, changes in the expected future cash flows of the hedged item are substantially offset by changes in the fair value of the hedging instrument. If the hedging transaction is not fully effective, the gain or loss arising from a change in fair value relating to the ineffective portion is recognised in line “Item 90 - Profits/(Losses) on hedging”.

Amounts accumulated in equity are recycled to profit or loss in the period in which the hedged item affect profit or loss. In particular, in the case of hedges associated with a highly probable forecast transaction (such as the forward purchase of debt securities), the reserve is reclassified to profit or loss in the period or in the periods in which the asset or liability, subsequently accounted for and connected to the aforementioned transaction, will affect profit or loss (for example, an adjustment to the return on the security).

If, during the life of the derivative, the forecast hedged transaction is no longer expected to occur, the related gains and losses accumulated in the cash flow hedge reserve are immediately reclassified in line "Item 80 – Profits/(Losses) on trading" for the relevant year. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the related gains and losses accumulated in the cash flow hedge reserve at that time remain in equity and are recognised in profit or loss at the same time as the original underlying.

9 – Current and deferred taxation

Current income tax expense (IRES and IRAP) is based on the best estimate of taxable profit for the period and the related regulations, applying the rates in force. Deferred tax assets and liabilities are calculated on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes are recognised in profit or loss, with the exception of taxes charged or credited directly to equity, in which case the tax effect is recognised directly in equity.

BancoPosta RFC is not a separate legal person and is not either directly or indirectly assessable to taxes. BancoPosta's share of taxes on Poste Italiane SpA's overall income is charged to BancoPosta RFC based on the profit or loss presented in this Separate Report adjusted for deferred taxation. In the case of both IRES and IRAP, the computation takes all permanent and temporary changes in BancoPosta's operations into account. Any items not directly relating to BancoPosta are included in the Poste Italiane computation.

Current tax assets and liabilities form part of intersegment relations and are presented in the Separate Report in "Other assets" and "Other liabilities", as they are settled with the segment of Poste Italiane SpA outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, which continues to be the sole taxable entity.

10 – Provisions for risks and charges

Provisions for risks and charges are recorded to cover losses that are either probable or certain to be incurred, for which, however, there is an uncertainty as to the amount or as to the date on which they will occur. Provisions for risks and charges are made when the entity has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured on the basis of management's best estimate of the use of resources required to settle the obligation. The value of the liability is discounted, where the time effect of money is relevant, at a rate that reflects current market values and takes into account the risks specific to the liability. Provisions are reviewed at each reporting date and are adjusted to reflect the best estimate of the expected charge to meet existing obligations at the reporting date. Any effect of the passage of time and the effect of changes in interest rates are shown in the statement of profit or loss under net allocations in the year. With regard to the risks for which the occurrence of a liability is only possible, specific information is provided without making any provision. Under the option granted by the relevant accounting standards, limited disclosure is provided when, in rare cases, disclosure of some or all of the information regarding the risks in question could seriously prejudice BancoPosta RFC's position in a dispute or in ongoing negotiations with third parties.

11 – Financial liabilities measured at amortised cost

a) recognition and classification criteria

BancoPosta RFC has no outstanding debt securities and has not issued any such securities since its establishment. The sub-items Due to banks and Due to customers consist of funding provided by customers and obtained from the interbank market. These financial liabilities are recognised at fair value on the date of receipt of the funds. Fair value is normally the amount received.

b) measurement and recognition of gains and losses

Due to banks and customers are measured at amortised cost, employing the effective interest rate method. If there is a change in the expected cash flows and they can be reliably estimated, the value of loans is recalculated to reflect the change on the basis of the present value of estimated future cash flows and the internal rate of return initially applied.

c) derecognition criteria

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

12 – Financial liabilities held for trading

a) classification and recognition criteria

Financial liabilities held for trading consist of derivatives which do not qualify for classification as hedging instruments in accordance with accounting standards, or originally obtained as a hedge which was subsequently discontinued. Financial liabilities held for trading are recognised on the derivative contract date.

b) measurement and recognition of gains and losses

Financial liabilities held for trading are measured at fair value through profit or loss in “Item 80 - Profits/(Losses) on trading”.

c) derecognition criteria

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

14 – Foreign currency transactions

a) recognition criteria

Foreign currency transactions are initially recognised in the functional currency by translating the foreign currency amount at the transaction date spot rate.

b) classification, measurement, derecognition and recognition of gains and losses

Foreign currency items are translated at each reporting date as shown below:

- monetary items at closing exchange rates;
- non-monetary items are recognised at their historical cost translated at the transaction date spot rate;
- non-monetary items measured at fair value at closing exchange rates.

Foreign exchange differences realised on the settlement of monetary items or on the translation of monetary and non-monetary items, using exchange rates other than the rate used to translate the item on initial recognition, are recognised in profit or loss in line "Item 80 - Profits/(Losses) on trading".

15 – Other information

Revenue recognition

Revenue deriving from contracts with customers reflects the consideration to which the entity expects to be entitled in exchange for those goods and services (transaction price).

In accordance with IFRS 15, revenue is recognised on the basis of a 5-step framework, which consists of the following:

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

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

For revenue recognition purposes, so-called variable components of the consideration (discounts, rebates, price concessions, incentives, penalties and other similar) are included to supplement or adjust the transaction price. Among the variable components of the consideration, of particular importance are the penalties (other than those provided for compensation for damages), which IFRS 15 provides to be recorded as a direct decrease in revenue, instead of allocating them to a provision for risks and charges.

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

Revenue from activities carried out in favour of or on behalf of the state is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the provisions contained in legislation regarding the public finances. Returns on the portion of current account deposits deposited with the MEF are determined on an accruals basis, using the effective interest rate method, and classified in "Item 10 – Interest and similar income". The same classification is applied to income from Euro zone government bonds, in which deposits paid into accounts by private customers and tax credits Law no. 77/2020 are invested.

Moreover, dividends are recognised in profit or loss when the right to receive payment is established, which generally corresponds with approval of the distribution by the shareholders of the investee company.

Impairment

Loans and receivables classified under "Financial assets measured at amortised cost" and "Financial assets measured at fair value through other comprehensive income" are tested for impairment in accordance with the Expected Credit Losses (ECL) model. The method utilised is the "General deterioration model", whereby:

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

In determining whether credit risk has increased significantly, it is necessary to compare the risk of default of the financial instrument as at the reporting date with the risk of default of the financial instrument on initial recognition.

However, there is a rebuttable default presumption if the financial instrument is more than 90 days past due, unless there is reasonable and supportable information to demonstrate that a default criterion with greater lag is more appropriate.

On the other hand, a simplified approach to measure the loss provisions is applied to trade receivables that do not contain a significant financing component pursuant to IFRS 15. The simplified approach is based on a matrix of observed historical losses.

For a detailed description of the approaches, reference is made to Part E – Section 1 – Credit risk.

Tax credits Law no. 77/2020

The tax credits were acquired by Poste Italiane SpA and allocated to BancoPosta against free capital resources as well as resources subject[256] and not subject to the restriction of use in accordance with the provisions of the "Decreto Rilancio" (Law Decree no. 34/2020 converted with amendments by Law no. 77/2020) by which tax breaks were introduced to support Citizens and Businesses to encourage economic recovery following the Covid-19 health emergency. The main features of these tax credits are: (i) the possibility of use in offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax Authorities.

The tax credits are allocated to BancoPosta at acquisition cost and upon maturity of the individual units are transferred to Poste Italiane SpA at their nominal value for the relevant offsetting, as the BancoPosta RFC do not have legal personality and are not autonomously subject to direct or indirect taxation.

For said receivables, since it is not possible to identify an accounting framework directly applicable to this case, in compliance with the provisions of IAS 8, an accounting policy was defined, suitable for providing relevant and reliable information aimed at ensuring a faithful representation of the financial position, income and cash flows and which reflects the economic substance and not merely the form of the transaction. On the basis of the analyses performed and the documents published by the main Italian supervisory bodies[257], although the definition of financial assets in IAS 32 is not directly applicable to this case, it is considered that an accounting model based on IFRS 9 represents the most appropriate accounting policy since:

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

Consequently, these receivables are recorded at the date of purchase at their fair value (coinciding with the price paid) and subsequently measured:

256. With the conversion into Law no. 106 of 23 July 2021 of Law Decree no. 73 of 25 May 2021, BancoPosta RFC is allowed, as part of the 50% of its funding from private customers that can be invested in securities guaranteed by the Italian State, to use up to 30% of this portion to purchase tax credits.
257. On 5 January 2021, the Bank of Italy, Consob and IVASS published Document no. 9 of the Coordination Round-Table Group on the application of IAS/IFRS "Accounting treatment of tax credits associated with the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of disposal by direct beneficiaries or previous purchasers".

- at amortised cost, if acquired for use in offsetting tax or social security payables by Poste Italiane SpA, based on the provisions of the relevant regulations ("Hold to Collect" - HTC business model);
- at fair value through comprehensive income, if also purchased for eventual sale to third parties ("Hold to Collect and Sell" - HTCS business model). When the financial asset is derecognised, the related cumulative gains and losses recognised in OCI are reclassified to profit or loss in "Item 100 – Profits/(Losses) on disposal or repurchase".

As specified by the joint document of the Authorities, taking into account that purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets under international accounting standards, the most appropriate classification for the purposes of presentation in the financial statements is the residual classification in "Item 120 - Other Assets" in the Statement of financial position. The related remuneration is recognised to the Statement of profit or loss under "Item 10 - Interest and similar income".

Repurchase agreements

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

Related parties

Related parties within the Poste Italiane Group are Poste Italiane SpA's functions outside the ring-fence and Poste Italiane SpA's direct and indirect subsidiaries and associates.

Related parties external to the Group include the MEF and its direct and indirect subsidiaries and associates. Related parties also include Poste Italiane SpA's key management personnel and the funds representing post-employment benefit plans for the personnel of BancoPosta RFC and its related parties. The state and public sector entities other than the MEF are not classified as related parties. Related party transactions do not include those deriving from financial assets and liabilities represented by instruments traded on organised markets.

Employee benefits

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

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

Post-employment benefits consist of two types:

- Defined benefit plans

  Defined benefit plans include employee termination benefits payable to employees in accordance with art. 2120 of the Italian Civil Code for the part accrued until 31 December 2006. In fact, following the reform of the supplementary pension fund, from 1 January 2007 vesting employee termination benefits (TFR) must be paid into a supplementary pension fund or into a Treasury Fund set up by INPS. Accordingly, BancoPosta RFC's defined benefit liability is applicable only to the provisions made up to 31 December 2006[258].

  Under these plans, given that the amount of the benefit to be paid is only quantifiable following the termination of employment, the related effects on profit or loss or the financial position are recognised on the basis of actuarial calculations in compliance

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

with IAS 19. In particular, the liability to be paid on cessation of employment is calculated using the projected unit credit method and then discounted to recognise the time value of money prior to the liability being settled. The liability recognised in the Separate Report is based on calculations performed by independent actuaries. The calculation takes into account the employee termination benefits accrued for work already performed and is based on actuarial assumptions that mainly concern: demographic assumptions (e.g. employee turnover and mortality) and financial assumptions (such as rate of inflation and a discount rate consistent with that of the liability). As BancoPosta RFC is not liable for employee termination benefits accruing after 31 December 2006, the actuarial calculation of employee termination benefits no longer takes account of future salary increases. Actuarial gains and losses are recognised directly in equity at the end of each reporting period, based on the difference between the carrying amount of the liability and the present value of the BancoPosta RFC's obligations at the end of the period, due to changes in the actuarial assumptions.

- Defined contribution plans

  Employee termination benefits payable pursuant to art. 2120, Italian Civil Code fall within the scope of defined contribution plans provided they vested subsequent to 1 January 2007 and were paid into a Supplementary Pension Fund or a Treasury Fund at INPS. Contributions to defined contribution plans are recognised in profit or loss when incurred, based on their nominal value.

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

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

Share-based payments

Share-based payment transactions may be settled in cash, equity instruments, or other financial instruments. In the event of share-based payment transactions BancoPosta RFC is required to measure the goods or services acquired and the liability incurred at fair value.

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

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

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

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

In the event of benefits granted to employees, recognition should take place in "Item 160 a) – Personnel expenses" over the period in which the employees render service and the expense accounted for.

Perpetual subordinated loan

The perpetual subordinated loan is classified as an equity instrument, in view of the fact that BancoPosta RFC has the unconditional right to defer repayment of the principal and payment of the coupons until the date of its liquidation. Therefore, the amount received from Poste Italiane SpA is recognised as an increase in the shareholders' equity; conversely, repayments of principal and payments of coupons due (at the time the related contractual obligation arises) are recognised as a decrease in the shareholders' equity.

Classification of the costs for services provided by Poste Italiane SpA

Service costs charged by Poste Italiane SpA's functions outside the ring-fence are normally recognised in "Item 160 b) - Other administrative expenses".

Use of estimates

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

Below is a description of the accounting treatments that require greater subjectivity in the preparation of estimates, also taking into account the geopolitical uncertainty arising from the war between the European countries Russia-Ukraine and the particular nature of the macroeconomic environment of reference recorded during the year.

Impairment and stage allocation

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

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

With regard to trade receivables, on the other hand, stage allocation is not applied in accordance with the Simplified Approach. Impairment, for these items in the financial statements, is based on:

- analytical impairment: when a defined credit threshold is exceeded, the individual credit position is analytically monitored on the basis of internal or external evidence; or
- forfeit impairment: elaboration of a provision matrix for historical losses.

For further details see Part E - Credit risk.

Revenue from contracts with customers

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

Deferred tax assets

The recognition of deferred tax assets is based on the expectation of taxable income in future years. Assessments of expected taxable income depend on factors which may change over time, impacting on the valuation of the deferred tax assets in the Separate Report.

Provisions for risks and charges

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

Determination of the amounts to be provided involves the use of estimates based on current knowledge of factors that may change over time, potentially resulting in outcomes that may be significantly different from those taken into account when preparing this Separate Report.

Share-based payments

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

Employee termination benefits

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

A.3 – Information on transfers between financial asset portfolios

There have been no transfers between portfolios.

A.4 – Information on fair value

Qualitative information

BancoPosta RFC had adopted the Poste Italiane Group's fair value policy. This policy sets out the general principles and rules to be applied in determining fair value for the purposes of preparing the financial statements, conducting risk management assessments and supporting the market transactions carried out by the Finance departments of the various Group entities. The general principles for measuring financial instruments at fair value have not changed since 31 December 2021. These principles have been defined in compliance with indications from the various (banking and insurance) regulators and the relevant accounting standards, ensuring consistent application of the valuation techniques adopted at Group level. The methods used have been revised, where necessary, to take into account developments in operational procedures and in market practices during the year.

In compliance with IFRS 13 - Fair Value Measurement, the valuation techniques used are described below.

The assets and liabilities concerned (specifically assets and liabilities measured at fair value and measured at cost or amortised cost, for which fair value is required to be disclosed in the notes) are classified with reference to a hierarchy that reflects the materiality of the sources used for their valuation.

The hierarchy consists of three levels.

Level 1: this level is comprised of fair values determined with reference to unadjusted prices quoted in active markets for identical assets or liabilities to which the entity has access on the measurement date. For BancoPosta RFC, the financial instruments included in this category consist of bonds issued by the Italian government, the German and French governments, the valuation of which is based on the bid prices, according to a hierarchy of sources where the MTS (the wholesale electronic market for government securities) ranks first, MILA (Milan Stock Exchange) second, for bonds intended for retail customers, and the CBBT (Composite Bloomberg Bond Trader) third. Level 1 bond price quotations incorporate a credit risk component.

Level 2: this level is comprised of fair values based on inputs other than Level 1 quoted market prices that are either directly or indirectly observable for the asset or liability[259]. For BancoPosta RFC, these include the following types of financial instrument:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or unquoted;
- Unquoted equities;
- Derivative financial instruments;
- Reverse Repos;
- Financial liabilities either quoted on inactive markets or unquoted comprised of funding Repos.

Level 3: this category includes the fair value measurement of assets and liabilities using inputs which cannot be observed, in addition to Level 2 inputs. In BancoPosta RFC's case, this category includes the following equity instruments for which no price is observable directly or indirectly in the market:

- equities;
- tax credits Law no. 77/2020[260].

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Information on the valuation models used is summarised below by type of financial instrument.

Level 2: the following categories of financial instruments belong to this level:

- Straight Italian and international government and non-government bonds, quoted on inactive markets or unquoted: valuation is based on discounted cash flow techniques involving the computation of the present value of future cash flows, inputting rates from yield curves incorporating spreads reflecting credit risk that are based on spreads determined with reference to quoted and liquid benchmark securities issued by the issuer, or by other companies with similar characteristics to the issuer. Yield curves may be slightly adjusted to reflect liquidity risk relating to the absence of an active market.
- Unquoted equities, for which it is to use the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner is adjusted through the application of a discount, quoted by primary market counterparties, representing the cost implicit in the process to align the value of the unquoted shares to the quoted ones.
- Derivative financial instruments:
  - Plain vanilla interest rate swaps: valued using discounted cash flow techniques, involving the computation of the present value of future differentials between the receiver and payer legs of the swap. The construction of yield curves to estimate future cash flows indexed to market parameters (money market rates and/or inflation) and computation of the present value of future differentials are carried out using techniques commonly used in capital markets.
  - Interest rate swaps with an embedded option: valuation is based on a building block approach, entailing decomposition of a structured position into its basic components: the linear and option components. The linear component is measured using the discounted cash flow techniques described for plain vanilla interest rate swaps above. Using the derivatives held in BancoPosta RFC's portfolio as an example, the option component is derived from interest rate or inflation rate risks and is valued using a closed form expression, as with classical option valuation models with underlyings exposed to such risks.
  - Bond forwards: valuation is based on the present value of the differential between the forward price of the underlying instrument as of the measurement date and the settlement price.

259. Given the nature of BancoPosta RFC's operations, the observable data used as input to determine the fair value of the various instruments include, for example, quoted prices provided by third parties (pricing or brokerage services), yield and inflation curves, exchange rates provided by the European Central Bank, ranges of rate volatility, inflation option premiums, interest rate swap spreads or credit default spreads which represent the creditworthiness of specific counterparties and any liquidity adjustments quoted by primary market counterparties.
260. As of 1 October 2022 these credits are measured at amortised cost.

The derivatives held in BancoPosta RFC's portfolio may be pledged as collateral and the fair value, consequently, need not be adjusted for counterparty risk. The yield curve used to compute present value is selected to be consistent with the manner in which cash collateral is remunerated. This approach is also followed for security in the form of pledged debt securities, given the limited level of credit risk inherent in the securities held as collateral by BancoPosta RFC.

- Reverse Repos: are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Reverse Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.
- Financial liabilities either quoted on inactive markets or not at all, consisting of repurchase agreements used to raise finance are valued using discounted cash flow techniques involving the computation of future contractual cash flows. Repos may also be used for collateral and in such cases fair value need not be adjusted for the counterparty's credit risk.

Level 3: the following categories of financial instruments belong to this level:

- Unquoted equities for which no price is observable directly or indirectly in the market. Measurement of these instruments is based on the price of quoted equities of the same issuer as a benchmark. The price inferred in this manner would be adjusted through the application of the discount implicit in the process to align the value of the unquoted shares to the quoted ones.
- Tax credits Law no. 77/2020 for which no price is observable directly or indirectly in the market. For this type of instrument, the method of determining fair value involves the application of the discounted cash flow valuation technique, which consists of discounting cash flows to maturity using the yield curve constructed by adding to the risk-free rate curve the extra yield calculated starting from the price at the date of purchase of the receivables. The spread remains fixed for the life of the instrument.

A.4.2 Measurement processes and sensitivities

The processes used in recurring and non-recurring fair value measurements of instruments classified in Level 3 are described in paragraphs A.4.1 and A.4.5, respectively, of Part A.

Sensitivity analysis of recurring fair value measurements classified in Level 3 of the hierarchy is conducted for the Series C Visa Incorporated Convertible Participating Preferred Stock. Measurement of these financial instruments is in fact subject to change following alterations that may occur in the discount factor applied in determining fair value, in order to take into account the illiquid nature of the shares. This discount factor, estimated using an internal valuation technique, is above all influenced by the annual volatility of the underlying shares. Applying the maximum volatility according to the technique used, the potential reduction in fair value could reach approximately 31.14%.

A.4.3 Fair value hierarchy

The main factors contributing to transfers between fair value levels include changes in the observability of significant inputs and market conditions (including the liquidity parameter) and refinements in the valuation models used in measuring fair value.

For all classes of assets and liabilities, the transfer from one level to another occurs on the date of the event or change in circumstances that led to the transfer.

Information on transfers during the period is provided in Part A.4.5 - Fair Value Hierarchy.

A.4.4 Other information

There is no need to provide the additional disclosures required by IFRS 13, paragraphs 51, 93(h) and 96.

Quantitative information

A.4.5 Fair value hierarchy

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

Assets/Liabilities measured at fair value (€m)		31.12.2022			31.12.2021		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1.	Financial assets measured at fair value through profit or loss	-	20	20	-	-	39
	a) financial assets held for trading	-	-	-	-	-	-
	b) financial assets designated at fair value	-	-	-	-	-	-
	c) other financial assets mandatorily measured at fair value	-	20	20	-	-	39
2.	Financial assets measured at fair value through other comprehensive income	33,017	144	-	37,290	336	-
3.	Hedging derivatives	-	6,109	-	-	873	-
4.	Property, plant and equipment	-	-	-	-	-	-
5.	Intangible assets	-	-	-	-	-	-
Total		**33,017**	**6,273**	**20**	**37,290**	**1,209**	**39**
1.	Financial liabilities held for trading	-	-	4	-	3	-
2.	Financial liabilities designated at fair value	-	-	-	-	-	-
3.	Hedging derivatives	-	971	-	-	5,461	-
Total		**-**	**971**	**4**	**-**	**5,464**	**-**

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

(€m)	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**39**	**-**	**-**	**39**	**-**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profit recognition:	-	-	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-	-	-
- of which gains	-	-	-	-	-	-	-	-
2.2.2. Equity	-	x	x	x	-	-	-	-
2.3. Transfers from othe the levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(19)**	**-**	**-**	**(19)**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Impairment recognition:	(1)	-	-	(1)	-	-	-	-
3.3.1. Profit or loss	(1)	-	-	(1)	-	-	-	-
- of which losses	(1)	-	-	(1)	-	-	-	-
3.3.2. Equity	-	x	x	x	-	-	-	-
3.4. Transfers to other levels	(18)	-	-	(18)	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**20**	**-**	**-**	**20**	**-**	**-**	**-**	**-**

In the period under review, the changes relate for €1 million to the negative change in fair value of the Series C Visa Incorporated Convertible Participating Preferred Stock and for €18 million to the transfer from Level 3 to Level 2 of part of the Visa Incorporated Series C Preferred Stock converted into Series A Preferred Stock on 29 July 2022, as described in Part B, Section 2 of Assets.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	46,576	20,927	4,082	17,519	53,733	30,244	3,418	20,623
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**46,576**	**20,927**	**4,082**	**17,519**	**53,733**	**30,244**	**3,418**	**20,623**
1. Financial liabilities measured at amortised cost	98,944	-	9,776	88,819	95,799	-	13,249	82,539
2. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**98,944**	**-**	**9,776**	**88,819**	**95,799**	**-**	**13,249**	**82,539**

In determining the fair values shown in the table, the following criteria were used:

- debt securities measured at amortised cost were recognised applying the same rules as those used in the fair value measurement of financial assets measured at fair value through other comprehensive income; these instruments are shown in Level 1 of the fair value hierarchy;
- the fair value of repurchase agreements was measured using the discounted cash flow techniques described in paragraph A.4.1; these financial instruments are shown in Level 2 of the fair value hierarchy;
- the carrying amount of other financial assets and liabilities represents a reasonable approximation of fair value and is shown in the column corresponding to Level 3 in the fair value hierarchy.

The table does not include tax credits Law no. 77/2020 as they are all measured at amortised cost at 31 December 2022 with a carrying amount of €8,600 million (€2,708 million at 31 December 2021) and a fair value of €7,824 million (€2,674 million at 31 December 2021). This fair value is determined using discounted cash flow techniques, described in Section A.4.1, and corresponds to Level 3 of the fair value hierarchy.

A.5 – Information on day one profit/loss

This form of profit or loss is not applicable to BancoPosta RFC.

Part B – Information on the statement of financial position

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(€m)	Total at 31.12.2022	Total at 31.12.2021
a) Cash	3,984	2,906
b) Current accounts and demand deposits with central banks	1,885	4,771
c) Current accounts and demand deposits with banks	5	3
Total	**5,874**	**7,680**

"Cash" is comprised of cash at post office counters and companies that provide cash transportation services, consisting of cash deposits on postal current accounts, postal savings products (Interest-bearing Postal Certificates and Postal Savings Books) or advances obtained from the Treasury to fund post office operations. This cash may only be used in settlement of these obligations. Cash and cash equivalents in hand are held at post offices (€1,094 million) and service companies[261] (€2,890 million). Cash includes foreign banknotes equivalent to €23 million.

The decrease with respect to 31 December 2021 is due to the decrease in the sub-item "Current accounts and demand deposits with Central Banks" mainly as a result of the purchase of tax credits, pursuant to Law Decree no. 34/2020, through the surplus liquidity deriving from deposits from private individuals deposited on the account opened with the Bank of Italy, partially offset by the increase in the sub-item "Cash" due to higher amounts held with the Service Companies.

Section 2 – Financial assets measured at fair value through profit or loss – Item 20

BancoPosta RFC had no financial instruments in the trading book either at 31 December 2022 or 31 December 2021. BancoPosta RFC entered into transactions to acquire and immediately dispose of debt securities and equities on behalf of certain customers.

At 31 December 2022 and 31 December 2021, there were no financial assets in the portfolio designated at fair value under the fair value option.

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

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

Items/Amounts (€m)	Total at 31.12.2022			Total at 31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	**-**	**20**	**20**	**-**	**-**	**39**
3. UCIs	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**20**	**20**	**-**	**-**	**39**

Equity instruments comprise:

- for €20 million, the fair value of 32,059 Visa Incorporated preference shares (Series C Convertible Participating Preferred Stock) assigned following the completion of the sale of the Visa Europe Ltd. share to Visa Incorporated in 2016; these shares are convertible to ordinary shares at the rate of 3.634[262] ordinary shares for each C share and are discounted accordingly at a suitable rate to take account of their illiquidity. The process of determining the proportion of convertibility and related rate of Visa Incorporated Series C Convertible Participating Preferred Stock continued during the year, partially concluded on 29 July 2022 with the grant of 1,019 preference shares of Visa Incorporated Series A Preferred Stock;
- for €20 million, the fair value of 1,019 Visa Incorporated preference shares (Series A Preferred Stock); these shares are convertible into ordinary shares on the basis of a ratio of 100 ordinary shares for every share of Class A Preferred Stock.

The overall net change in fair value during the year is a positive €1 million and is recorded in profit or loss under "Item 110 - Profits (Losses) of other financial assets and liabilities mandatorily measured at fair value through profit or loss".

262. Until the assigned shares are fully converted into ordinary shares, the share exchange ratio may be reduced if Visa Europe Ltd. incurs liabilities that, as of the reporting date, were considered as merely contingent.

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

(€m)	Total at 31.12.2022	Total at 31.12.2021
1. Equity instruments	**40**	**39**
of which: banks	-	-
of which: other financial companies	40	39
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCIs	**-**	**-**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**40**	**39**

Section 3 – Financial assets measured at fair value through other comprehensive income –Item 30

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

Items/Amounts (€m)	Total at 31.12.2022			Total at 31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**33,017**	**144**	**-**	**37,290**	**336**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	33,017	144	-	37,290	336	-
2. Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**33,017**	**144**	**-**	**37,290**	**336**	**-**

Investments in debt securities are recognised at fair value, for €33,161 million (of which €265 million in accrued interest).

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

Items/Amount (€m)	Total at 31.12.2022	Total at 31.12.2021
1. Debt securities	**33,161**	**37,626**
a) Central banks	-	-
b) Public Administration entities	33,161	37,626
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issues:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Public Administration entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Household	-	-
Total	**33,161**	**37,626**

Debt securities issued by governments include Euro zone fixed income government bonds, mainly represented by Italian government bonds with a nominal value of €37,489 million. Total fair value fluctuation for the period was negative for €10,126 million, with losses of €4,405 million recognised in the relevant equity reserve in relation to the portion of the portfolio not hedged by fair value hedges, and a loss of €5,721 million recognised through profit or loss in relation to the hedged portion. The decrease in this item is mainly due to the negative fair value fluctuation mentioned above, partially offset by higher purchases than sales/reimbursements during the year.

Securities with a nominal value of €8,899 million are encumbered as follows:

- €6,628 million, carried at fair value for €6,246 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded prior to 31 December 2022;
- €2,271 million, carried at fair value for €2,223 million, and delivered to the Bank of Italy to secure an intraday credit line.

In addition, securities with a nominal value of €829 million are committed for repurchase agreements entered into with Cassa Compensazione e Garanzia in December 2022 and settled in early January 2023.

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

(€m)	Gross amount					Total impairment losses				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired financial assets	Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets	
Debt securities	33,177	-	-	-	-	16	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2022	**33,177**	**-**	**-**	**-**	**-**	**16**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**37,638**	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**-**

* Amount reported for disclosure purposes.

Fixed income instruments recognised at FVTOCI are adjusted for impairment through the relevant equity reserve, with a matching entry in profit or loss. Accumulated impairments at 31 December 2022 amount to €16 million (€12 million at 31 December 2021).

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

4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks by type

Type of transactions/Amounts (€m)	Total at 31.12.2022						Total at 31.12.2021					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3
Due from Central Banks	**-**	**-**	**-**				**-**	**-**	**-**			
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	**1,500**	**-**	**-**				**3,379**	**-**	**-**			
1. Loans	1,500	-	-				3,379	-	-			
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	1,500	-	-	X	X	X	3,379	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	1,500	-	-	X	X	X	3,379	-	-	X	X	X
2. Debt securities	-	-	-				-	-	-			
2.1 Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
Total	**1,500**	**-**	**-**	**-**	**-**	**1,500**	**3,379**	**-**	**-**	**-**	**-**	**3,379**

"Other loans, Other" includes cash collateral held by counterparties for interest rate swaps (€21 million as collateral pursuant to Credit Support Annexes), entered into for cash flow and fair value hedging purposes by BancoPosta RFC, and repurchase agreements (€1,447 million as collateral pursuant to specific Global Master Repurchase Agreements). The year-on-year decrease in amounts due for guarantee deposits is due to the upward shift in the interest rate curve, which mainly generated a decrease in amounts paid to counterparties with which interest rate swap transactions are in place as a result of the positive change in the fair value of hedging derivatives, partially offset by the increase in amounts paid to counterparties with which repo transactions are in place as a result of the negative change in the fair value of collateral securities.

In addition, "Other loans, Other" includes trade receivables for €32 million arising from contracts with customers, accounted for in accordance with IFRS 15 (€66 million at 31 December 2021) mainly relating to financial services and personal loan distribution..

4.2 Financial assets measured at amortised cost: breakdown of due from customers by type

Type of transactions/Amounts (€m)	Total at 31.12.2022						Total at 31.12.2021					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Level 1	Level 2	Level 3
1. Loans	**17,377**	**-**	**-**				**17,244**	**-**	**-**			
1.1 Current accounts	7	-	-	X	X	X	5	-	-	X	X	X
1.2 Reverse repurchase agreements	1,358	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	-	-	-	X	X	X	-	-	-	X	X	X
1.4 Credit cards, personal and salary loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5 Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	16,012	-	-	X	X	X	17,239	-	-	X	X	X
2. Debt securities	**27,699**	**-**	**-**				**33,110**	**-**	**-**			
2.1 Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
2.2 Other debt securities	27,699	-	-	X	X	X	33,110	-	-	X	X	X
Total	**45,076**	**-**	**-**	**20,927**	**4,082**	**16,019**	**50,354**	**-**	**-**	**30,244**	**3,418**	**17,244**

A description of "Loans" is provided below.

At 31 December 2022 there are reverse repurchase agreements of €4,575 million (€1,577 million as at 31 December 2021) entered into with Cassa di Compensazione e Garanzia SpA (hereinafter the CC&G) for the temporary use of liquidity from private funding. These transactions are guaranteed by securities for a total nominal amount of €4,425 million. The fair value of reverse repurchase agreements is shown in Level 2 of the fair value hierarchy.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021).

"Other loans" primarily consist of:

- €12,124 million, of which €222 million being accrued interest and collected in March 2023, public customers' current account deposits deposited with the MEF (€12,724 million at 31 December 2021), which earn a variable rate of return, calculated on a basket of government securities[263]. The deposit has been adjusted to reflect accumulated impairments of €5 million, to reflect the risk of counterparty default (unchanged compared to 31 December 2021). During the 2022 financial year, hedging (management) derivative contracts were concluded on the 10-year index-linked remuneration component. The hedging transaction

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

was carried out through forward purchases of the 10-year BTP with settlement of the differential between the pre-set price of the security and its market value. These transactions generated negative effects of €71 million recognised in the Statement of profit or loss in "Item 80 - Net trading income";

- €1,997 million, of which €6 million for interest accrued, deposits at the MEF (the "Buffer account"), remunerated at the Euro Short Term Rate (ESTR) from 1 January 2022[264];[265]
- €989 million from amounts due for guarantee deposits, of which: (i) €10 million for sums paid to counterparties with which interest rate swap transactions are outstanding (collateral provided for in specific Credit Support Annexes); (ii) €978 million for sums paid to CC&G for outstanding repo transactions (€613 million) and as a pre-financed contribution to the Default Fund[266] (€365 million); (iii) €1 million for sums paid as collateral within the framework of clearing systems with central counterparties for over-the-counter (OTC) transactions[267] in derivatives;
- €349 million in amounts receivable from Poste Italiane SpA's functions outside the ring-fence, €348 million of which relates to Poste Italiane SpA's Finance function's intersegment financial account, used for the processing of payments to and from third parties;
- €280 million in amounts due from Poste Vita for commissions on the placement of insurance policies;
- €141 million in amounts due from PostePay for product placement services related to the payments business;
- €21 million in fees receivable from Cassa Depositi e Prestiti during the year in connection with the postal savings service pertaining to the year. The decrease of €366 million compared to 31 December 2021 reflects the new billing and payment methods on a monthly basis and no longer on a quarterly basis, introduced by the Agreement of 23 December 2021, effective from 1 January 2022;
- €20 million in amounts due for the payment of pensions and vouchers on behalf of INPS (the National Institute of Social Security).

Receivables arisen from contracts with customers, which fall within the scope of IFRS 15, amount to €774 million (€823 million at 31 December 2021). These are mainly due to financial services, pension payments, interest on postal deposits, and personal loan distribution, net of any loss provisions for €41 million (€42 million at 31 December 2021). Information on the dynamics of total value adjustments is described in Part E, Section 1.

"Other debt securities" include Italian fixed income government bonds and securities guaranteed by the Italian State for €28,304 million. Their carrying amount of €27,699 million reflects the amortised cost of unhedged fixed income bonds, totalling €15,614 million, the amortised cost of fair-value hedged fixed income bonds, totalling €14,799 million, decreased by €2,714 million to take into account the effects of the hedge (€2,188 million related to 2021). The value of these securities was adjusted to take into account the related impairments. Accumulated impairments at 31 December 2022 amount to approximately €13 million (€11 million at 31 December 2021).

At 31 December 2022 the total fair value of these instruments, inclusive of €226 million in accrued interest, amounts to €23,651 million, of which €20,927 million classified in Level 1 of the fair value hierarchy and €2,724 million classified in Level 2.

Securities with a nominal value of €7,034 million are encumbered as follows:

- €6,442 million, carried at amortised cost for €6,766 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with repurchase agreements concluded at 31 December 2022;
- €245 million, carried at amortised cost for €247 million (Part B, Other Information, Table 3), and delivered to counterparties in connection with interest rate swaps and repurchase agreements concluded in the year under review;
- €36 million, carried at amortised cost for €36 million and delivered as collateral to the Bank of Italy in relation to the clearing service offered by the Bank of Italy for the execution of Sepa Direct Debits;
- €311 million, carried at amortised cost for €429 million, and delivered to the Bank of Italy to secure an intraday credit line.

In addition, securities with a nominal value of €371 million are committed for repurchase agreements entered into with Cassa Compensazione e Garanzia in December 2022 and settled in early January 2023.

264. Until 31 December 2021, these deposits are remunerated at a variable rate calculated on the basis of the Euro OverNight Index Average (EONIA), the rate applied in overnight lending and calculated as the weighted average of overnight rates for transactions on the interbank market reported to ECB by a panel of banks operating in the euro zone (the biggest banks in all the euro zone countries).
265. Rate calculated and published by the ECB using a new methodology consistent with ECB Regulation (EU) no. 1333/2014 of 26 November 2014 and based on uncollateralised fixed-rate overnight deposit facility transactions exceeding €1 million.
266. A guarantee fund established with payments from participants in the derivative, equity and bond markets, as a further guarantee for the transactions carried out. The fund can be used to meet the charges arising from any participant default.
267. Securities market not subject to any specific regulation on the organisation and operation of the market itself.

4.3 Financial assets measured at amortised cost: breakdown of amounts due from customers by debtor/issuer

Type of transactions/Amounts (€m)	Total at 31.12.2022			Total at 31.12.2021		
	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets	Stage 1 and 2	Stage 3	Acquired or originated impaired financial assets
1. Debt securities	**27,699**	**-**	**-**	**33,110**	**-**	**-**
a) Public Administration entities	24,708	-	-	29,895	-	-
b) Other financial companies	2,991	-	-	3,215	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**17,377**	**-**	**-**	**17,244**	**-**	**-**
a) Public Administration entities	14,176	-	-	14,768	-	-
b) Other financial companies	2,823	-	-	2,278	-	-
of which: insurance companies	288	-	-	230	-	-
c) Non-financial companies	372	-	-	194	-	-
d) Households	6	-	-	4	-	-
Total	**45,076**	**-**	**-**	**50,354**	**-**	**-**

Securities related to "Other financial companies" for €2,863 million refer to fixed-rate securities for a total nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

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

(€m)	Gross amount					Total impairment losses				Total partial write-offs*
	Stage 1		Stage 2	Stage 3	Acquired or originated impaired financial assets	Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets	
		of which: Instruments with low credit risk								
Debt securities	27,712	-	-	-	-	13	-	-	-	-
Loans	18,076	-	863	-	-	5	57	-	-	-
Total at 31.12.2022	**45,788**	**-**	**863**	**-**	**-**	**18**	**57**	**-**	**-**	**-**
Total at 31.12.2021	**52,861**	**-**	**946**	**12**	**-**	**16**	**58**	**12**	**-**	**-**

* Amount reported for disclosure purposes.

Section 5 – Hedging derivates – Item 50

5.1 Hedging derivatives by type of hedge and level

(€m)	Fair Value at 31.12.2022			Notional amount* at 31.12.2022	Fair Value at 31.12.2021			Notional amount* at 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivates	**-**	**6,109**	**-**	**27,646**	**-**	**873**	**-**	**14,008**
1) Fair value	-	5,759	-	25,840	-	797	-	11,879
2) Cash flow	-	350	-	1,806	-	76	-	2,129
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**6,109**	**-**	**27,646**	**-**	**873**	**-**	**14,008**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

The change from 31 December 2021 is commented on in Part B - Section 4 of Liabilities.

During the 2022 financial year, derivative assets (fair value hedges) with a total notional amount of €7,883 million (of which €970 million related to hedging transactions for which the underlying security was also sold) were extinguished early, with the aim of consolidating a fixed return in line with the market situation while improving the income profile of a portion of the portfolio for subsequent years as well.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge (€m)	Fair Value							Cash flow		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	2,946	-	-	-	x	x	x	-	x	x
2. Financial assets measured at amortised cost	2,813	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**5,759**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	350	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 6 – Adjustments for changes in hedged financial assets portfolio – Item 60

No macro-hedges have been arranged at the reporting date.

Section 7 – Investments – Item 70

There are no investments in subsidiaries, joint arrangements or companies subject to significant influence.

Section 8 – Property, plant and equipment – Item 80

BancoPosta does not own property, plant and equipment either for operating or investment purposes.

Section 9 – Intangible assets – Item 90

There are no intangible assets.

Section 10 – tax assets and liabilities – Assets Item 100 and liabilities Item 60

Current tax assets and liabilities form part of intersegment relations and are shown in "Other assets" (Item 120 in Assets) and "Other liabilities" (Item 80 in Liabilities), as they are settled with Poste Italiane SpA's functions outside the ring-fence, within the scope of internal relations with Poste Italiane SpA, as the sole taxable entity.

Deferred tax assets and liabilities are analysed below:

10.1 Deferred tax assets: breakdown

Description (€m)	Financial assets and liabilities		Hedging derivatives		Provisions for doubtful debts		Provisions for risks and charges		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP	IRES	IRAP	IRES	IRAP		
Deferred tax assets through profit or loss	-	1	-	-	7	-	29	5	36	6
Deferred tax assets through equity	786	147	153	29	-	-	-	-	939	176
Total 2022	**786**	**148**	**153**	**29**	**7**	**-**	**29**	**5**	**975**	**182**
Deferred tax assets through profit or loss	-	1	-	-	11	-	36	7	47	8
Deferred tax assets through equity	119	22	73	14	-	-	-	-	192	36
Total 2021	**119**	**23**	**73**	**14**	**11**	**-**	**36**	**7**	**239**	**44**

10.2 Deferred tax liabilities: breakdown

Descrizione (milioni di euro)	Financial assets and liabilities		Hedging derivatives		Total IRES	Total IRAP
	IRES	IRAP	IRES	IRAP		
Deferred tax liabilities through profit or loss	-	1	-	-	-	1
Deferred tax liabilities through equity	163	30	26	5	189	35
Total 2022	**163**	**31**	**26**	**5**	**189**	**36**
Deferred tax liabilities through profit or loss	-	1	-	-	-	1
Deferred tax liabilities through equity	521	98	42	8	563	106
Total 2021	**521**	**99**	**42**	**8**	**563**	**107**

10.3 Changes in deferred tax assets through profit or loss

(€m)	Total at 31.12.2022	Total at 31.12.2021
1. Opening balance	**55**	**55**
2. Increases	**1**	**2**
2.1 Deferred tax assets recognised in the year	1	2
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	1	2
d) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(14)**	**(2)**
3.1 Deferred tax assets derecognised in the year	(14)	(2)
a) reversals	(14)	-
b) write-downs of non-recoverable items	-	(2)
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credit pursuant to Law 214/2011	-	-
b) other	-	-
4. Closing balance	**42**	**55**

10.4 Changes in deferred tax liabilities through profit or loss

(€m)	Total at 31.12.2022	Total at 31.12.2021
1. Opening balance	**(1)**	**(3)**
2. Increases	**(1)**	**-**
2.1 Deferred tax liabilities recognised in the year	(1)	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(1)	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**1**	**2**
3.1 Deferred tax liabilities derecognised in the year	1	2
a) reversals	1	2
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**(1)**	**(1)**

10.5 Changes in deferred tax assets through equity

(€m)	Total at 31.12.2022	Total at 31.12.2021
1. Opening balance	**228**	**75**
2. Increases	**927**	**174**
2.1 Deferred tax assets recognised in the year	927	174
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	927	174
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**(40)**	**(21)**
3.1 Deferred tax assets derecognised in the year	(40)	(21)
a) reversals	(3)	(20)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(37)	(1)
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,115**	**228**

10.6 Changes in deferred tax liabilities through equity

(€m)	Total at 31.12.2022	Total at 31.12.2021
1. Opening balance	**(669)**	**(976)**
2. Increases	**(172)**	**(32)**
2.1 Deferred tax liabilities recognised in the year	(172)	(32)
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	(172)	(32)
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**617**	**339**
3.1 Deferred tax liabilities derecognised in the year	617	339
a) reversals	158	142
b) due to changes in accounting policies	-	-
c) other	459	197
3.2 Reductions of tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**(224)**	**(669)**

The net charge due to movements in deferred tax assets and liabilities through equity is the tax effect on reserves described in Part D.

The positive change in deferred tax assets and liabilities recognised in equity mainly reflects the decreasing trend in fair value reserves related to financial assets measured at fair value through other comprehensive income.

Section 11 – Non-current assets held for sale and discontinued operations and associated liabilities - Assets item 110 and liabilities item 70

There are no non-current assets held for sale or discontinued operations at the reporting date.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

Items/Amounts (€m)	Total at 31.12.2022	Total at 31.12.2021
Tax credits Law no. 77/2020	8,600	6,008
Tax credits at amortised cost	8,600	2,707
Tax credits measured at fair value through other comprehensive income	-	3,301
Items in process	583	564
Tax receivables from revenue agency	408	412
Current tax assets receivable from Poste Italiane SpA outside the ring-fence	43	75
Other items	1,886	1,779
Total	**11,520**	**8,838**

Tax credits Law no. 77/2020, amounting to €8,600 million, relate to purchases made by Poste Italiane SpA and allocated to BancoPosta against free capital resources as well as resources subject[268] and not subject to the obligation to use them in accordance with the provisions of the Relaunch Decree (Law Decree no. 34/2020, later converted into Law no. 77/2020), which introduced tax benefits to aid economic recovery following the Covid-19 health emergency.

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

During the year, tax credits previously measured at fair value through other comprehensive income were reclassified to Tax credits at amortised cost. The reclassification, effective as of 1 October 2022, became necessary as a result of the lack of development in the market for second sales between financial intermediaries, which therefore required BancoPosta RFC to revise its business model for these loans.

Changes in these receivables during 2022 are shown below:

(€m)	Tax credits at amortised cost	Financial assets measured at FV through other comprehensive income	Total at 31.12.2022
1. Opening balance	**2,707**	**3,301**	**6,008**
2. Increases	**6,001**	**84**	**6,085**
2.1 Purchases	3,174	-	3.174
2.2 Increases in fair value	-	-	-
2.3 Transfers from other portfolios	2,508	-	2,508
2.4 Other movements	319	84	403
3. Decreases	**(108)**	**(3,385)**	**(3,493)**
3.1 Sales	-	-	-
3.2 Redemptions	(107)	(754)	(861)
3.3 Negative changes in fair value	-	(122)	(122)
3.4 Transfers to other portfolios	-	(2,508)	(2,508)
3.5 Other movements	(1)	(1)	(2)
4. Closing balance	**8,600**	**-**	**8,600**

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

The main changes during the year relate to:

- purchases of €3,174 million, entirely related to receivables measured at amortised cost;
- Income accrued during the period amounting to €273 million, of which approximately €189 million relating to receivables at amortised cost and €84 million relating to tax credits measured at fair value through other comprehensive income;
- negative fair value changes of €122 million related to receivables measured at fair value through comprehensive income (from 1 January to 30 September 2022);
- reclassification of tax credits measured at fair value through other comprehensive income to the category of tax credits measured at amortised cost in the amount of €2,508 million;
- reimbursements for capital outside ring-fence in the amount of €861 million.

Other increases include income accrued during the period in the amount of €273 million and the positive effects, totalling €130 million, recognised on 1 October 2022 as an increase in Equity, following the reclassification of tax credits to the amortised cost category.

At 31 December 2022, the fair value[269] of tax credits at amortised cost is €7,824 million. At that date, the fair value of only the tax credits subject to reclassification was €2,425 million; the overall change in fair value recognised during the year, a negative €14 million, would have been recognised in Equity in the absence of the reclassification.

Tax assets primarily relate to payments on account to the tax authorities, of which €386 million to be recovered from customers for virtual stamp duty payable in 2023 and €8 million for withholding tax on interest paid to current account holders for 2022.

The sub-item “Items in process” includes:

- €65 million in withdrawals from BancoPosta ATMs yet to be debited to customer accounts or awaiting settlement;
- assignments in the course of settlement with the banking system in the amount of €34 million;
- amounts due from the commercial partners for providing PostePay top-ups for €15 million;
- account maintenance and custody fees of €14 million to be debited to customers;
- amounts to be charged to PostePay SpA for €80 million (mainly in the first few days of 2023).

“Other items” include mainly:

- €1,738 million in stamp duty accrued to 31 December 2022 payable by holders of outstanding Interest-bearing Postal Certificates[270]. An equal amount has been recognised in “Other liabilities” as tax payables (Part B, Liabilities, Table 8.1) until expiration or early extinguishment of Interest-bearing Postal Certificates, which is the date on which the tax must be paid to the authorities;
- €102 million relating to stamp duty charged to Postal Savings Books, which BancoPosta RFC pays in virtual form as required by law.

269. In terms of fair value hierarchy, which reflects the relevance of the sources used to measure assets, this amount qualifies for Level 3.
270. Introduced by article 19 of Law Decree 201/2011, converted as amended by Law 214/2011, in accordance with the MEF Decree dated 24 May 2012: Manner of implementation of paragraphs from 1 to 3 of article 19 of Law Decree 201 of 6 December 2011, on stamp duty on current accounts and financial products (Official Journal 127 of 1 June 2012).

Movements in current tax assets and liabilities receivable from and payable to Poste Italiane SpA outside the ring-fence are shown below:

Description (€m)	Current tax 2022			Current tax 2021		
	IRES	IRAP		IRES	IRAP	
	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Total	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Assets/(Liabilities) due from and to Poste Italiane outside the ring-fence	Total
Opening balance	**67**	**8**	**75**	**(22)**	**2**	**(20)**
Payments	107	32	139	218	39	257
on account for the current year	107	32	139	170	34	204
on balance payable for the previous year	-	-	-	48	5	53
Provisions to Profit or loss	(182)	(36)	(218)	(157)	(33)	(190)
current tax	(183)	(36)	(219)	(168)	(34)	(202)
changes in current taxation for previous years	1	-	1	11	1	12
Provisions in Equity	4	-	4	2	-	2
Other	8	-	8	26	-	26
Closing balance	**4**	**4**	**8**	**67**	**8**	**75**
of which:						
Current tax assets due from Poste Italiane outside the ring-fence (Item 120 Assets)	36	7	**43**	67	8	**75**
Current tax liabilities due to Poste Italiane outside the ring-fence (Item 80 Liabilities)	(32)	(3)	**(35)**	-	-	**-**

Current tax receivables, totalling €43 million, mainly refer to receivables recognised as a result: (i) the signing of the agreement on the Patent Box for the years 2016-2019 (€20 million); (ii) the responses received in respect of two petitions for rulings on the tax effects arising from the application of IFRS 9 and 15 (€9 million); (iii) the response received in respect of a request for a tax ruling filed mainly relating to the tax recognition of income components arising from the management of postal current accounts (€14 million). These assets will become offsettable after the submission of the relevant supplementary tax returns.

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks by type

Type of transactions/Amounts (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**-**	**x**	**x**	**x**	**-**	**x**	**x**	**x**
2. Due to banks	**12,849**	**x**	**x**	**x**	**10,701**	**x**	**x**	**x**
2.1 Current accounts and demand deposits	520	x	x	x	707	x	x	x
2.2 Time deposits	-	x	x	x	-	x	x	x
2.3 Loans	8,689	x	x	x	9,773	x	x	x
2.3.1 Repurchase agreements	8,689	x	x	x	9,773	x	x	x
2.3.2 Other	-	x	x	x	-	x	x	x
2.4 Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
2.5 Lease payables	-	x	x	x	-	x	x	x
2.6 Other payables	3,640	x	x	x	221	x	x	x
Total	**12,849**	**-**	**8,348**	**4,160**	**10,701**	**-**	**9,760**	**928**

At 31 December 2022, €8,689 million is due to banks under the terms of repurchase agreements entered into with primary financial institutions involving securities with a total nominal value of €8,475 million. These regard €6,972 million in Long Term Repos and €1,717 million in loans, with the resulting proceeds invested in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral. At 31 December 2022, repurchase agreements with a nominal value of €3,996 million were the subject of fair value hedge transactions executed to hedge interest rate risk.

Repurchase agreements are classified as fair value Level 2 transactions, whereas the fair value of other types of transaction included in this line item approximates to their carrying amounts and they are classified as Level 3.

The sub-item "Other payables" mainly consists of guarantee deposits of €3,636 million relating to sums received from counterparties with which interest rate swap transactions are in place (provided for in specific Credit Support Annexes) as part of the cash flow hedge and fair value hedge policies adopted by BancoPosta RFC (€219 million at 31 December 2021 for guarantee deposits relating to sums received from counterparties for repo transactions in place at that date). The increase in this sub-item compared to 31 December 2021 was due to the positive change in the fair value of derivatives following the rise in the interest rate curve.

BancoPosta RFC has uncommitted overnight lines of credit amounting to €1,005 million, overdraft facilities for €144 million and arrangements for the issue of personal guarantees for €298 million granted to Poste Italiane SpA, undrawn at 31 December 2022.

In addition, from 26 June 2020, it may access a 3-year committed facility granted by Cassa Depositi e Prestiti for repurchase agreements up to a maximum of €4.25 billion, unused at 31 December 2022.

Finally, the Bank of Italy has granted BancoPosta RFC access to intraday credit in order to fund intraday interbank transactions. Collateral for this credit facility is provided by securities with a nominal value of €2,582 million, and the facility is unused at 31 December 2022.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers by type

Type of transactions/Amounts (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	77,767	x	x	x	76,948	x	x	x
2. Time deposits	-	x	x	x	-	x	x	x
3. Loans	5,605	x	x	x	6,927	x	x	x
3.1 Repurchase agreements	1,436	x	x	x	3,487	x	x	x
3.2 Other	4,169	x	x	x	3,440	x	x	x
4. Obligations to repurchase equity instruments	-	x	x	x	-	x	x	x
5. Lease payables	-	x	x	x	-	x	x	x
6. Other payables	2,723	x	x	x	1,223	x	x	x
Totale	**86,095**	**-**	**1,428**	**84,659**	**85,098**	**-**	**3,489**	**81,611**

The sub-item "Current accounts and demand deposits" include €9,401 million in postal current accounts held by PostePay SpA relating mainly to the deposit of funding from prepaid cards, €179 million in postal current accounts held by PosteVita SpA and €227 million in current accounts held by Poste Italiane outside the ring-fence.

At 31 December 2022 "Loans, repurchase agreements" amount to €4,653 million, reflecting transactions entered into with CC&G in relation to securities with a nominal amount of €4,595 million. These payables refer to ordinary financing transactions, targeted at investment in Italian fixed income government securities and utilised as funding for incremental deposits used as collateral.

Financial assets and liabilities relating to repurchase agreements managed through the CC&G that meet the requirements of IAS 32 are offset. The effect of netting at 31 December 2022, already included in the exposure to net balances, amounted to €3,217 million (€1,577 million at 31 December 2021).

The sub-item "Loans, Other" consist of the net amount of €4,168 million deposited in the MEF account held at the Treasury, which breaks down as follows:

- the balance of cash flows for advances, amounting to €4,083 million, represents the net amount payable as a result of advances from the MEF to meet the cash requirements of BancoPosta;
- net cash flow receivable for postal savings management of €84 million, due to the excess repayments on deposits made in the last two days of the year in question and settled in the first few days of the following year; at 31 December 2022, the balance consisted of a payable of €16 million owed to Cassa Depositi e Prestiti and a receivable of €100 million owed to the MEF for issues of postal savings bonds attributable to Cassa Depositi e Prestiti;
- liabilities in connection with robberies suffered by Post Offices of €155 million, relating to obligations assumed towards the MEF on behalf of the Treasury as a result of theft and embezzlement; these obligations derive from withdrawals made from the Treasury, which are necessary to replenish the cash shortfall due to these criminal events so as to ensure the continuity of the Post Offices' operations;
- amounts due for operational risks for €14 million regard the portion of advances obtained to fund operations, in relation to which asset under recovery is certain or probable.

The sub-item "Other payables" mainly consists of national money orders for €1,028 million and endorsed cheques in circulation for €475 million and guarantee deposits for €1,188 million relating to sums received from counterparties with which interest rate swap transactions are in place (collateral provided for by specific Credit Support Annexes).

The Level 2 fair value refers to the repurchase agreements while the fair value of the remaining instruments of this line item approximates to its carrying amount and it is consequently classified as Level 3.

1.3 Financial liabilities measured at amortised cost: breakdown of outstanding securities by type

There are no securities in issue.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Amounts (€m)	Total at 31.12.2022					Total at 31.12.2021				
	Nominal or notional amount	Fair Value			Fair Value*	Nominal or notional amount	Fair Value			Fair Value*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-		-	-	-	-	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives		-	-	4			-	3	-	
1.1 Trading	X	-	-	-	X	X	-	-	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	4	X	X	-	3	-	X
2. Credit derivatives		-	-	-			-	-	-	
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**3**	**-**	**-**
Total (A+B)	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**3**	**-**	**-**

* Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue.

Financial liabilities held for trading relate to a forward sale agreement for 198,000 ordinary shares of Visa Incorporated (discussed in Section 2 of Assets).

Section 3 – Financial liabilities designated at fair value – Item 30

No financial liabilities are held in portfolio designated at fair value through profit or loss (the “fair value option”).

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives by type and level

(€m)	Fair Value at 31.12.2022			Notional amount* at 31.12.2022	Fair Value at 31.12.2021			Notional amount* at 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**971**	**-**	**11,832**	**-**	**5,461**	**-**	**27,711**
1) Fair value	-	344	-	6,096	-	5,197	-	25,991
2) Cash flow	-	627	-	5,736	-	264	-	1,720
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**971**	**-**	**11,832**	**-**	**5,461**	**-**	**27,711**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

The decrease compared to 31 December 2021 in liabilities for fair value hedging financial derivatives is due to the rise in the interest rate curve, which was also reflected in Assets, increasing the fair value hedging financial derivatives shown in “Item 50 - Hedging Derivatives”.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge (€m)	Fair Value							Cash flow		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and equity indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	95	-	-	-	x	x	x	531	x	x
2. Financial assets measured at amortised cost	93	x	-	-	x	x	x	-	x	x
3. Portfolio	x	x	x	x	x	x	-	x	-	x
4. Other transactions	-	-	-	-	-	-	x	-	x	-
Total assets	**188**	**-**	**-**	**-**	**-**	**-**	**-**	**531**	**-**	**-**
1. Financial liabilities	156	x	-	-	-	-	x	-	x	x
2. Portfolio	x	x	x	x	x	x	-	x	-	x
Total liabilities	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	x	96	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	-	x	-	-

Section 5 – Adjustments for changes in hedged financial liabilities portfolio – Item 50

No macro-hedges have been arranged at the reporting date.

Section 6 – Tax liabilities – Item 60

Please refer to Assets, Section 10.

Section 7 – Liabilities associated with non-current assets held for sale and discontinued operations – Item 70

There are no such liabilities at the reporting date.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Items/Amounts (€m)	Total at 31.12.2022	Total at 31.12.2021
Tax payables to revenue agency	1,806	1,638
Items in process	685	626
- amounts to be credited to Postal Savings Books	183	125
- other	502	501
Due to suppliers	114	132
Amounts due to customers	71	56
Contract liabilities	68	68
Due to Poste Italiane outside the ring-fence:	35	3
- current tax liabilities	35	-
- contribution of Debit Business	-	3
Amounts due to staff	8	9
Other items	2	3
Total	**2,789**	**2,535**

The sub-item "Tax payables to revenue agency" mainly includes:

- €1,738 million in stamp duty accrued to 31 December 2022 on outstanding Interest-bearing Postal Certificates in accordance with the requirements referenced in Part B, Assets, Table 12.1;
- €29 million in tax withholdings on current account interest earned by customers.

"Items in process, various" refer, among other things, to domestic and foreign transfers for €80 million, and to BancoPosta's operations for amounts to be credited to customers, mainly in the first few days of 2023, of which €183 million relating to cheques to be credited to savings books.

The sub-item "Due to suppliers" mainly includes €102 million for trade payables to PostePay for collection and payment services under the service contract.

"Contract liabilities" are mainly due to the placement of loan products, as shown in the following table:

Description (€m)	Balance at 31.12.2021	Increases / (Decreases)	Change due to recognition of revenue for period	Balance at 31.12.2022
Liabilities for fees to be refunded	68	(49)	49	68
Total	**68**	**(49)**	**49**	**68**

Liabilities for commissions to be retroceded refer to the estimate of the commissions to be retroceded to partners for the contractually agreed early repayment of loan products placed after 1 January 2018.

The changes in the sub-item "Current tax liabilities due to Poste Italiane outside the ring-fence" are commented on in Section 12 of Assets.

Section 9 – Employee termination benefits – Item 90

Movements in employee termination benefits during the year under review are shown below:

9.1 Employee termination benefits: annual changes

(€m)	Total at 31.12.2022	Total at 31.12.2021
A. Opening balance	**3**	**3**
B. Increases	**-**	**-**
B.1 Provisions for the year	-	-
B.2 Other changes	-	-
C. Decreases	**(1)**	**-**
C.1 Benefits paid	-	-
C.2 Other changes	(1)	-
D. Closing balance	**2**	**3**

The current service cost is not applicable to the employee termination benefits attributable to BancoPosta RFC, since this cost is recognised in personnel expenses, as the contributions are paid over to pension funds or other social security institutions.

The other decreases are due to transfers to the same or other Group companies and actuarial gains.

9.2 Other information

Measurement of the liability entails actuarial computations for which the following assumptions were used in 2022 and 2021:

Economic and financial assumptions

	31.12.2022
Discount rate	3.63%
Inflation rate	2.30%
Annual rate of increase of employee termination benefits	3.225%

Demographic assumptions

	31.12.2022
Mortality	ISTAT 2018
Disability	INPS tables broken down by age and gender
Rate of employee turnover	Specific table with rates differentiated by length of service. The average length of service for participants corresponds to an annual rate of 2.00%
Advance rate	0.40% for lengths of service of at least 8 years
Pensionable age	Achievement of general mandatory insurance requirements

Actuarial gains/(losses)

(€m)	31.12.2022	31.12.2021
Change in demographic assumptions	-	-
Change in financial assumptions	-	-
Other experience-related adjustments	0.6	0.1
Total	**0.6**	**0.1**

Sensitivity analysis

	Employee termination benefits at 31.12.2022
Inflation rate +0.25%	2
Inflation rate -0.25%	2
Discount rate +0.25%	2
Discount rate -0.25%	2
Turnover rate +0.25%	2
Turnover rate -0.25%	2

Other information

	31.12.2022
Service Cost	-
Average duration of defined benefit plan	11.3
Average employee turnover	2.00%

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total at 31.12.2022	Total at 31.12.2021
1. Provisions for credit risk relating to financial commitments and guarantees given	-	-
2. Provisions for other commitments and guarantees given	-	-
3. Provisions for retirement benefits	-	-
4. Other provisions for risks and charges	188	229
4.1 litigation	78	94
4.2 personnel expenses	1	1
4.3 other	109	134
Total	**188**	**229**

The composition of "Other provisions" is provided in Table 10.6, below.

10.2 Provisions for risks and charges: annual changes

(€m)	Provisions for other commitments and guarantees given	Provisions for retirement benefits	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**229**	**229**
B. Increases	**-**	**-**	**12**	**12**
B.1 Provisions for the year	-	-	12	12
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changed discount rates	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**-**	**-**	**(53)**	**(53)**
C.1 Uses during the year	-	-	(20)	(20)
C.2 Changes due to changed discount rates	-	-	-	-
C.3 Other changes	-	-	(33)	(33)
D. Closing balance	**-**	**-**	**188**	**188**

The main changes are commented in the remainder of this section.

10.6 Provisions for risks and charges - other provisions

Description	Total at 31.12.2022	Total at 31.12.2021
Litigation	**78**	**94**
Provisions for disputes with third parties	78	94
Provisions for disputes with staff	-	-
Provisions for personnel expenses	**1**	**1**
Other provisions	**109**	**134**
Provisions for operational risk	109	134
Total	**188**	**229**

Provisions for disputes with third parties regard the present value of expected liabilities deriving from different types of legal and out-of-court disputes with suppliers and third parties, the related legal expenses, and penalties and indemnities payable to customers. Net transfers of the year, totalling €10 million, refer to the updated estimates of liabilities and uses to cover liabilities settled.

Provisions for disputes with staff regard liabilities that may arise following labour litigation and disputes of various types.

Provisions for personnel expenses are made to cover expected liabilities arising in relation to the cost of labour, which are certain or likely to occur but whose estimated amount is subject to change.

Provisions for operational risks mainly reflects liabilities for risks related to the distribution of postal savings products issued in past years, estimated risks for charges and expenses to be incurred as a result of foreclosures suffered by BancoPosta mainly in its capacity as a third-party foreclosing party, adjustments and adjustments of income from prior years and fraud. The net transfers for the year, totalling €11 million, mainly reflect the prescription of certain stocks related to the funds transfer business and the adjustment of estimates of risks related to the distribution of postal savings products as well as fraud.

Section 11 – Redeemable shares – Item 120

Nothing to report.

Section 12 – Equity – Items 110, 130, 140, 150, 160, 170 and 180

12.4 Profit reserves: other information

At 31 December 2022, the retained earnings reserve amounted to €1,373 million, increased by the allocation of €200 million as resolved by the Shareholders' Meeting of 27 May 2022 and decreased by €12 million for interest expenses accrued on equity instruments.

Other reserves are composed of equity reserves for €1,212 million, including the initial reserve of €1,000 million at the time of incorporation of BancoPosta RFC, €210 million in additional capital contributions by the same in 2018 and €2 million for incentive plan reserves, described in Part I.

With regard to the availability and distributability of the reserves of BancoPosta RFC, please refer to the information provided in paragraph 5, table B.3 - *Availability and distributability of reserves* - of this section - *Poste Italiane's financial statements* - of the Annual Report.

12.5 Equity instruments: breakdown and annual changes

The equity instruments for BancoPosta RFC refer to a perpetual subordinated loan with a non-call period of 8 years, with a nominal value of €350 million granted on 30 June 2021 with the aim of strengthening BancoPosta's Leverage Ratio (Basel III) and Tier 1 ratio[271].

Here are the main features of the loan:

- the loan has no fixed maturity and must be repaid only in the event of the dissolution or liquidation, as specified in the relevant terms and conditions, subject to the right of early redemption (call) in the cases provided for. Specifically, the call is scheduled to be made at any time from the First Call Date of 30 June 2029 and at each interest payment date thereafter; a loss-absorption mechanism is envisaged if the CET 1 ratio falls below 5.125%;
- The fixed annual coupon is 4.697% until the first Reset Date set for 30 June 2029. From that date, annual interest is determined as a function of the 5-year Euro Mid Swap rate plus a spread of 472.7 basis points. Interest is payable at the option of the issuer and on a non-cumulative basis, commencing 30 December 2021. The issue price was set at 100%.

271. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.

Other information

1. Commitments and guarantees given (other than those measured at fair value)

(€m)	Nominal value on commitments and financial guarantees given				Total at 31.12.2022	Total at 31.12.2021
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
1. Commitments to disburse funds	**2,260**	**-**	**-**	**-**	**2,260**	**-**
a) Central banks	-	-	-	-	-	-
b) Public Administration entities	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	2,260	-	-	-	2,260	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-
2. Financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**
a) Central banks	-	-	-	-	-	-
b) Public Administration entities	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	-	-	-	-	-	-
Total	**2,260**	**-**	**-**	**-**	**2,260**	**-**

Commitments to disburse funds refer to the settlement value of reverse repo transactions traded in December 2022 and settled in early January 2023.

3. Assets pledged as collateral for liabilities and commitments

Portfolios (€m)	Total at 31.12.2022	Total at 31.12.2021
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	6,246	6,291
3. Financial assets measured at amortised cost	7,013	9,372
4. Property, plant and equipment	-	-
of which: property, plant and equipment qualifying as inventories	-	-

"Financial assets measured at fair value through other comprehensive income" relate to securities used as collateral in repurchase agreements delivered as collateral to counterparties in interest rate swaps with negative fair value; "Financial assets measured at amortised cost" relate to securities used as collateral in repurchase agreements and securities provided as collateral to counterparties in interest rate swaps with negative fair value and in loan repurchase agreements.

4. Brokerage and management on behalf of third parties

Type of services (€m)	Amount
1. Execution of orders on behalf of customers	**-**
a) purchases	-
1. settled	-
2. not settled	-
b) sale	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**-**
3. Custody and administration of securities	**73,927**
a) third-party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) other third-party securities in custody (excluding portfolio management): other	8,135
1. securities issued by the reporting bank	-
2. other securities	8,135
c) third-party securities deposited with third parties	8,135
d) own securities deposited with third parties	65,792
4. Other transactions	**252,528**
a) Postal Savings Books	90,840
b) Interest-bearing Postal Certificates	161,689

The "Custody and administration of third-party securities deposited with third parties" relates to customers' securities held at primary market operators and, to a marginal degree, securities received as collateral. With the exception of securities received as collateral, orders received from customers are executed by qualified, designated credit institutions.

"Other transactions" include the principal of postal savings deposits accepted for and on behalf of Cassa Depositi e Prestiti and the MEF.

5. Financial assets offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Amount of net financial assets reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2022 (f=c-d-e)	Net amount at 31 December 2021
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	6,109	-	6,109	1,197	4,821	91	-
2. Repurchase agreements	4,575	3,217	1,358	1,358	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**10,684**	**3,217**	**7,467**	**2,555**	**4,821**	**91**	**x**
Total at 31.12.2021	**2,450**	**1,577**	**873**	**866**	**7**	**x**	**-**

6. Financial liabilities offset in the financial statements or subject to master netting agreements or similar arrangements

Technical forms (€m)	Gross amount of financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Amount of net financial liabilities reported in financial statements (c=a-b)	Related amounts not subject to offset in the financial statements		Net amount at 31 December 2022 (f=c-d-e)	Net amount at 31 December 2021
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	971	-	971	947	24	-	-
2. Repurchase agreements	13,342	3,217	10,125	9,236	889	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**14,313**	**3,217**	**11,096**	**10,183**	**913**	**-**	**x**
Total at 31.12.2021	**20,298**	**1,577**	**18,721**	**14,640**	**4,000**	**x**	**81**

The above tables have been compiled in accordance with IFRS 7, which requires a specific disclosure regardless of whether or not the financial instruments have been offset in the financial statements.

In particular, the tables show:

- the carrying amounts, before and after the effects of accounting netting, of repo transactions that meet the conditions necessary for the recognition of such effects;
- the carrying amounts relating to derivative transactions and repurchase agreements that do not meet these conditions but are governed by standardised bilateral netting agreements that allow, in the event of counterparty default, the netting of credit and debit positions (ISDA and GMRA contracts);
- the value of the collateral attached to them.

In order to present the tables in compliance with the requirements of IFRS 7 and Bank of Italy Circular no. 262, repurchase agreements are shown at amortised cost, whilst derivative transactions are shown at fair value; the relevant financial guarantees are measured at fair value.

Part C – Information on profit or loss

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms (€m)	Debt securities	Loans	Other transactions	FY 2022	FY 2021
1. Financial assets measured at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets measured at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**822**	**-**	**x**	**822**	**821**
3. Financial assets measured at amortised cost	**1,023**	**-**	**-**	**1,023**	**699**
3.1 Due from banks	8	-	-	8	1
3.2 Due from customers	1,015	-	-	1,015	698
4. Hedging derivatives	**x**	**x**	**(58)**	**(58)**	**(88)**
5. Other assets	**x**	**x**	**273**	**273**	**58**
6. Financial liabilities	**x**	**x**	**x**	**35**	**43**
Total	**1,845**	**-**	**215**	**2,095**	**1,533**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on finance leases	-	-	-	-	-

The sub-item "Other assets" includes interest income accrued during the year relating to tax credits Law no. 77/2020, as described in "Section 12 - Other assets - Item 120" of Part B.

The sub-item "Financial liabilities" reflects mainly interest income accruing during the year on repurchase agreement.

The increase in this item with respect to the previous year is primarily due to the upturn in the interest rate curve, which resulted in higher income on deposits from public customers remunerated at a variable rate as described in Part B - Section 4 of Assets, and higher interest income on tax credits, which were allocated to BancoPosta RFC mainly from the second half of 2021.

1.3 Interest expense and similar charges: breakdown

Items/Technical forms (€m)	Payables	Securities	Other transactions	FY 2022	FY 2021
1. Financial liabilities measured at amortised cost	**(148)**	**-**	**-**	**(148)**	**(71)**
1.1 Due to Central Banks	-	x	x	-	-
1.2 Due to banks	(22)	x	x	(22)	(34)
1.3 Due to customers	(126)	x	x	(126)	(37)
1.4 Debt securities in issue	x	-	x	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**x**	**x**	**-**	**-**	**-**
5. Hedging derivatives	**x**	**x**	**-**	**-**	**-**
6. Financial assets	**x**	**x**	**x**	**(24)**	**(20)**
Total	**(148)**	**-**	**-**	**(172)**	**(91)**
of which: interest expense on lease payables	-	-	-	-	-

The sub-item "Financial Assets" mainly includes interest expense accrued on the deposits on the so-called "conto di gestione" with the Bank of Italy for €12 million and on the deposit with the MEF (so-called Buffer account) for €4 million, and interest expense accrued on repurchase agreements for €5 million.

The increase in the item interest expense and similar charges compared to the previous year is mainly due to the interest paid to public customers for deposits in postal current accounts, following the rise in the interest rate curve.

1.5 Differentials related to hedge transactions

Items (€m)	FY 2022	FY 2021
A. Positive hedge differentials	93	43
B. Negative hedge differentials	(151)	(131)
C. Balance (A-B)	**(58)**	**(88)**

The increase in this item compared to the year 2021 is mainly due to the effects of the upward shift in the interest rate curve and the decrease in the fair value hedges in place for early settlements described in Part B - Section 5 of Assets.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts (€m)		FY 2022	FY 2021
a)	**Financial instruments**	**6**	**2**
	1. Securities placements	5	1
	1.1 On a firm and/or irrevocable commitment basis	-	-
	1.2 Without irrevocable commitment	5	1
	2. Receipt and transmission of orders and execution of orders on behalf of customers	1	1
	2.1 Receipt or transmission of orders for one or more financial instruments	1	1
	2.2 Execution of orders on behalf of customers	-	-
	3. Other commissions related to financial instrument activities	-	-
	of which: proprietary trading	-	-
	of which: individual portfolio management	-	-
b)	**Corporate Finance**	**-**	**-**
	1. Advice on mergers and acquisitions	-	-
	2. Treasury services	-	-
	3. Other fee and commission income related to corporate finance	-	-
c)	**Investment advisory activities**	**-**	**-**
d)	**Clearing and settlement**	**-**	**-**
e)	**Custody and administration**	**2**	**2**
	1. Depository banking	-	-
	2. Other commissions related to custody and administration activities	2	2
f)	**Central administrative services for collective portfolio management**	**-**	**-**
g)	**Trust activity**	**-**	**-**
h)	**Payment services**	**728**	**796**
	1. Curreny accounts	290	233
	2. Credit cards	-	-
	3. Other debit and payment cards	-	26
	4. Bank transfers and other payment orders	63	61
	5. Other fees related to payment services	375	476
i)	**Distribution of third-party services**	**2,697**	**2,776**
	1. Collective portfolio management	-	-
	2. Insurance products	538	489
	3. Other products	2,159	2,287
	of which: individual portfolio management	1	-
j)	**Structured finance**	**-**	**-**
k)	**Securitisation servicing**	**-**	**-**
l)	**Commitments to disburse funds**	**-**	**-**
m)	**Financial guarantees given**	**-**	**-**
	of which: credit derivatives	-	-
n)	**Financing transactions**	**-**	**-**
	of which: for factoring transactions	-	-
o)	**FX trading**	**1**	**-**
p)	**Commodities**	**-**	**-**
q)	**Other fee and commission income**	**20**	**13**
	of which: for management of multilateral trading facilities	-	-
	of which: for management of organised trading facilities	-	-
Totale		**3,454**	**3,589**

Commisions for "distribution of third-party services" include, in relation to other products, interest on postal deposits relating for €1,600 million to the provision and redemption of Interest-bearing Postal Certificates and payments into and withdrawals from Postal Savings Books, carried out on behalf of Cassa Depositi e Prestiti under the Agreement renewed on 23 December 2021, for the three-year period 2021-2024, effective from 1 January 2021.

The decrease in this item with respect to the previous year was substantially due to the reduction in commissions on postal savings collection activities as a result of the contraction in inflows conditioned by the macroeconomic context of the year and the reduction in commissions on payment services mainly related to pay slips, partially offset by the positive effects of the placement of insurance products and products issued by PostePay SpA.

Revenue from contracts with customers

Description (€m)	FY 2022	FY 2021
Financial instruments	**6**	**2**
Recognised at a point in time	-	-
Recognised over time	6	2
Custody and administration	**2**	**2**
Recognised at a point in time	-	-
Recognised over time	2	2
Payment services	**728**	**796**
Recognised at a point in time	229	278
Recognised over time	499	517
Distribution of third-party services	**2,697**	**2,776**
Recognised at a point in time	-	-
Recognised over time	2,697	2,776
FX trading	**1**	**-**
Recognised at a point in time	1	-
Recognised over time	-	-
Other fee and commission income	**20**	**13**
Recognised at a point in time	-	-
Recognised over time	20	13
Total	**3,454**	**3,589**

Revenue from contracts with customers relate mainly to: (i) revenue from distribution of third-party services: these are recognised over time and measured on the basis of the volumes placed, quantified on the basis of commercial agreements with financial institutions. With regard to the remuneration for postal savings deposits, the agreement entered into with Cassa Depositi e Prestiti provides for the payment of a variable fee when certain levels of funding are reached, the quantification of which is determined annually on the basis of volumes of deposits and early redemptions; certain commercial agreements, entered into with leading financial partners for the placement of loan products, provide for the relegation of placement fees in the event of early redemption or subrogation by customers; (ii) revenue for payment services: recognised at point in time on the basis of the number of transactions accepted at the counter (e.g. commissions on postal current account slips) and valued on the basis of the contractual terms of sale and recognised over time based on the customer's use of the service, mainly with reference to commissions on delegated services and current account maintenance and management services.

2.2 Fee and commission income by product and service distribution channel

Channels/Amounts (€m)	FY 2022	FY 2021
A. own branches:	**2,702**	**2,777**
1. portfolio management	-	-
2. securities placements	5	1
3. third-party products and services	2,697	2,776
B. door-to-door:	**-**	**-**
1. portfolio management	-	-
2. securities placements	-	-
3. third-party products and services	-	-
C. other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. securities placements	-	-
3. third-party products and services	-	-

"Own counters" means Poste Italiane SpA's post office network.

2.3 Fee and commission expense: breakdown

Services/Amounts (€m)	FY 2022	FY 2021
a) Financial instruments	**-**	**-**
of which: financial instrument trading	-	-
of which: financial instrument placements	-	-
of which: individual portfolio management	-	-
- Own	-	-
- For third parties	-	-
b) Clearing and settlement	**-**	**-**
c) Custody and administration	**-**	**1**
d) Collection and payment services	**214**	**265**
of which: credit cards, debit cards and other payment cards	-	-
e) Securitisation servicing	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**-**	**-**
of which: credit derivatives	-	-
h) Door-to-door marketing of financial instruments, products and services	**-**	**-**
i) FX trading	**-**	**-**
j) Other fee and commission expense	**2**	**1**
Total	**216**	**267**

Fee and commission expense for collection and payment services mainly relate to costs accrued for services under the contract with PostePay.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

During the year, BancoPosta RFC received dividends of €0.3 million on its shares in Visa Incorporated, accounted for in "Financial assets measured at fair value through profit or loss".

Section 4 – Profits/(losses) on trading – Item 80

4.1 Profits/(losses) on trading: breakdown

Transactions/Profit components (€m)	Unrealised Gains (A)	Trading profits (B)	Unrealised Losses (C)	Trading losses (D)	Net result [(A+B) – (C+D)]
1. Financial assets held for trading	**-**	**4**	**-**	**-**	**4**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	4	-	-	4
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**1**
4. Derivative instruments	**-**	**-**	**(1)**	**(72)**	**(73)**
4.1 Financial derivatives:	-	-	(1)	(72)	(73)
- on debt securities and interest rates	-	-	-	(71)	(71)
- on equity instruments and share indices	-	-	(1)	(1)	(2)
- on foreign exchange and gold	x	x	x	x	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with the fair value option	x	x	x	x	-
Total	**-**	**4**	**(1)**	**(72)**	**(68)**

Section 5 – Profits/(losses) on hedging – Item 90

5.1 Profits/(losses) on hedging: breakdown

Profit components/Amounts (€m)	FY 2022	FY 2021
A. Income on:		
A.1 Fair value hedge derivatives	11,137	3,144
A.2 Hedged financial assets (fair value)	1	625
A.3 Hedged financial liabilities (fair value)	141	1
A.4 Cash flow hedge derivatives	1	-
A.5 Foreign currency assets and liabilities	-	-
Gross hedging income (A)	**11,280**	**3,770**
B. Cost of:		
B.1 Fair value hedge derivatives	(141)	(625)
B.2 Hedged financial assets (fair value)	(11,121)	(3,139)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	(1)
B.5 Foreign currency assets and liabilities	-	-
Gross hedging cost (B)	**(11,262)**	**(3,765)**
C. Profits/(Losses) on hedging (A – B)	**18**	**5**
of which: result of hedges of net positions	-	-

Section 6 – Profits/(losses) on disposal or repurchase – Item 100

6.1 Profits/(Losses) on disposal or repurchase: breakdown

Items/Profit components (€m)	FY 2022			FY 2021		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	130	(53)	77	1	(96)	(95)
1.1 Due from banks	-	-	-	-	-	-
1.2 Due from customers	130	(53)	77	1	(96)	(95)
2. Financial assets measured at fair value through other comprehensive income	262	(4)	258	504	(2)	502
2.1 Debt securities	262	(4)	258	504	(2)	502
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**392**	**(57)**	**335**	**505**	**(98)**	**407**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Profits/(losses) on other financial assets and liabilities measured at fair value through profit or loss – Item 110

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

Transactions/Profit components (€m)	Unrealised Gains (A)	Realised gains (B)	Unrealised Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**2**	**-**	**1**	**-**	**1**
1.1 Debt securities	-	-	-	-	-
1.2 Equity instruments	2	-	1	-	1
1.3 UCIs	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange differences	**x**	**x**	**x**	**x**	**-**
Total	**2**	**-**	**1**	**-**	**1**

Section 8 – Net losses/recoveries due to credit risk – Item 130

8.1 Net losses/recoveries due to credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Profit components (€m)	Impairment losses (1)						Recoveries (2)				FY 2022	FY 2021
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
			Write-off	Other	Write-off	Other						
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-		-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Due from customers	**(4)**	**(9)**	**-**	**-**	**-**	**-**	**1**	**3**	**12**	**-**	**3**	**(2)**
- Loans	(1)	(9)	-	-	-	-	-	3	12	-	5	(6)
- Debt securities	(3)	-	-	-	-	-	1	-	-	-	(2)	4
Total	**(4)**	**(9)**	**-**	**-**	**-**	**-**	**1**	**3**	**12**	**-**	**3**	**(2)**

8.2 Net losses/recoveries due to credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Profit components (€m)	Impairment losses (1)						Recoveries (2)				FY 2022	FY 2021
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
			Write-off	Other	Write-off	Other						
A. Debt securities	**(5)**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**(4)**	**6**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to bank	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(5)**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**(4)**	**6**

Total net losses relate to the combined effect of: (i) net losses on debt securities of €6 million, mainly due to the adjustment of creditworthiness; (ii) net recoveries on loans of €5 million, due to recoveries of €12 million, following the signing of a settlement agreement for an impaired loan, the allowance for which allocated at the time was released to Profit or loss as it was collected in January 2023, partly offset by operating losses on postal current accounts.

Section 9 – Profits/(losses) from contract amendments without termination – Item 140

Not applicable.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts (€m)	FY 2022	FY 2021
1) Employees	(32)	(33)
a) wages and salaries	(23)	(23)
b) social security	(5)	(6)
c) employee termination benefits	(1)	(1)
d) social security costs	-	-
e) provision for employee termination benefits	-	-
f) provisions for post-employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	(1)	(1)
- defined contribution plans	(1)	(1)
- defined benefit plans	-	-
h) cost of share-based payments	(1)	(1)
i) other employee benefits	(1)	(1)
2) Other active personnel	-	-
3) Directors and Statutory Auditors	-	-
4) Retirees	-	-
5) Recovery of employment costs of staff seconded to other companies	-	-
6) Refund of costs of third-party employees seconded to the company	-	-
Total	**(32)**	**(33)**

10.2 Average number of employees by category*

	FY 2022	FY 2021
Employees	**397**	**390**
a) executives	28	27
b) middle managers	298	291
c) other employees	71	72
Other employees	**-**	**-**
Total	**397**	**390**

* Figures expressed in full time equivalent terms.

10.4 Other employee benefits

This primarily relates to redundancy payments.

10.5 Other administrative expenses: breakdown

Type of expenses/Amounts (€m)	FY 2022	FY 2021
1) Cost of services provided by Poste Italiane SpA	(4,551)	(4,379)
2) Advisory and other professional services	(14)	(17)
3) Taxes, penalties and duties	(30)	(17)
4) Other expenses	-	-
Total	**(4,595)**	**(4,413)**

The cost of services provided by Poste Italiane functions outside the ring-fence relates to those services described in Part A - *Accounting policies*, A.1, Section 4 - *Other information*.

Section 11 – Net provisions for risks and charges – Item 170

11.3 Net provisions for other risks and charges: breakdown

Items/Profit components (€m)	Provisions	Reversals	Net profit/(loss) for 2022	Net profit/(loss) for 2021
Provisions for litigation	(2)	12	10	(31)
Provisions for other risks and charges	(9)	20	11	(17)
Total	**(11)**	**32**	**21**	**(48)**

The main provisions and releases are discussed in Part B – Section 10 of Liabilities.

The increase of €69 million compared with the previous year mainly reflects the reversal through Profit or loss recognised during the year as a result of the lapse of certain stocks relating to the funds transfer business and the adjustment of the estimate of certain risks associated with the distribution of postal savings products and litigation with third parties.

Section 12 – Net losses/recoveries on property, plant and equipment – Item 180

Nothing to report.

Section 13 – Net losses/recoveries on intangible assets – Item 190

Nothing to report.

Section 14 – Other operating income/(expenses) – Item 200

14.1 Other operating expenses: breakdown

Profit components/Amounts (€m)	FY 2022	FY 2021
1. Burglaries and theft	(2)	(2)
2. Other expenses	(25)	(15)
Total	**(27)**	**(17)**

14.2 Other operating income: breakdown

Profit components/Amounts (€m)	FY 2022	FY 2021
1. Other revenue from contracts with customers	5	8
2. Other operating income	16	17
Total	**21**	**25**

The sub-item "Other revenue from contracts with customers" includes income recognised at a point in time for copying documents and prescription of certified cheques and income recognised over time for postal cheque protests.

Section 15 – Profits/(losses) on investments – Item 220

Nothing to report.

Section 16 – Profits/(losses) on fair value measurement of property, plant and equipment and intangible assets – Item 230

Nothing to report.

Section 17 – Impairment of goodwill – Item 240

Nothing to report.

Section 18 – Profits/(losses) on disposal of investments – Item 250

Nothing to report.

Section 19 – Income tax expense on continuing operations – Item 270

19.1 Income tax expense on continuing operations: breakdown

Profit components/Amounts (€m)		FY 2022	FY 2021
1.	Current taxes (-)	(219)	(202)
2.	Increase/(decrease) in current taxes of prior period taxation (+/-)	1	12
3.	Reduction in current taxes (+)	-	-
3. *bis*	Reduction in current taxes due to tax credit pursuant to Law 214/2011 (+)	-	-
4.	Increase/(decrease) in deferred tax assets (+/-)	(13)	-
5.	Increase/(decrease) in deferred tax liabilities (+/-)	-	1
6.	**Tax expense for the year (-) (-1+/-2+3+3 bis+/-4+/-5)**	**(231)**	**(189)**

19.2 Reconciliation between theoretical tax charge at statutory rate and effective tax charge

Description (€m)	FY 2022		FY 2021	
	IRES	Tax Rate	IRES	Tax Rate
Profit before tax	*834*		*698*	
Theoretical tax charge	200	24.0%	167	24.0%
Effect of increases/(decreases) on theoretical tax charge				
Net provisions for risks and charges and impairments of receivables	(1)	-0.1%	6	0.9%
Taxation for previous years	(1)	-0.1%	(10)	-1.4%
Other	(4)	-0.5%	(5)	-0.7%
Effective tax (before recognition of the Patent Box tax effect)	**194**	**23.3%**	**158**	**22.7%**
Patent Box tax effect	-	0.0%	(1)	-0.1%
Effective tax charge	**194**	**23.3%**	**157**	**22.6%**

Description (€m)	FY 2022		FY 2021	
	IRAP	Tax Rate	IRAP	Tax Rate
Profit before tax	*834*		*698*	
Theoretical tax charge	37	4.5%	31	4.5%
Effect of increases/(decreases) on theoretical tax charge				
Provisions for risks and charges	(1)	-0.1%	1	0.1%
Other	1	0.1%	-	0.0%
Effective tax (before recognition of the Patent Box tax effect)	**37**	**4.5%**	**32**	**4.6%**
Patent Box tax effect	-	0.0%	-	0.0%
Effective tax charge	**37**	**4.5%**	**32**	**4.6%**

Section 20 – Profit/(loss) after tax from discontinued operations – Item 290

Nothing to report.

Section 21 – Other information

All information has been presented above.

Section 22 – Earnings per share

Nothing to report.

Part D – Comprehensive Income

Analysis of comprehensive income

Items (€m)		FY 2022	FY 2021
10.	**Profit/(Loss) for the year**	**602**	**508**
	Other components of comprehensive income not reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value	-	-
	b) transfers to other equity	-	-
30.	Financial liabilities measured at fair value through profit or loss (changes in own credit rating):	-	-
	a) changes in fair value	-	-
	b) transfers to other equity	-	-
40.	Hedges of equity instruments measured at fair value through other comprehensive income:	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	1	-
80.	Non-current assets and disposal groups held for sale	-	-
90.	Share of valuation reserve attributable to equity-accounted investments	-	-
100.	Tax expense on other comprehensive income not reclassified to profit or loss	-	-
	Other components of comprehensive income reclassified to profit or loss		
110.	Hedges of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(130)	(187)
	a) changes in fair value	280	(178)
	b) reclassified to profit or loss	(410)	(9)
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedges (elements not designated):	-	-
	a) changes in value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	(4,544)	(1,433)
	a) changes in fair value	(4,527)	(1,007)
	b) reclassified to profit or loss	(147)	(426)
	- impairment losses due to credit risk	4	(6)
	- realised gains/(losses)	(151)	(420)
	c) other changes	130	-
160.	Non-current assets and disposal groups held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves attributable to equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reclassified to profit or loss	-	-
	- impairment losses	-	-
	- realised gains/(losses)	-	-
	c) other changes	-	-
180.	Tax expense on other comprehensive income reclassified to profit or loss	1,332	460
190.	**Total other comprehensive income**	**(3,341)**	**(1,160)**
200.	**Comprehensive income (Items 10+190)**	**(2,739)**	**(652)**

Part E – Information on risks and related hedging policies

Introduction

BancoPosta RFC's operations, conducted in accordance with Presidential Decree 144/2001, consist in the management of liquidity generated by postal current account deposits, carried out in the name of BancoPosta but subject to statutory restrictions, and collections and payments on behalf of third parties.

The funds deposited by private account holders in postal current accounts are invested in euro zone government securities[272], whilst deposits by Public Administration entities are deposited with the MEF.

In 2022, BancoPosta RFC's operations focused on investment of the significantly increased volume of current account deposits, the reinvestment of funds deriving from maturing government securities and in the active management of financial instruments.

The 2022 financial year was characterised by an increase in yields on Italian government bonds (the 10-year BTP went from 1.17% to 4.72%), which brought the BTP-Bund spread to 214 basis points compared to 135 last year. These movements led to a reduction in the price of securities.

BancoPosta's capital structure, which is subject to the prudential provisions introduced with the third update of Bank of Italy Circular 285/2013, is particularly solid due to its CET1 ratio, which stood at 20.3% at 31 December 2022. With reference to the Leverage Ratio, the latter had a value, again at year-end, of 2.9%; the evolution of the indicator compared to 31 December 2021 was affected by the loss of the benefits of the sterilisation of deposits in "Cash and deposits with the central bank", applied until the first quarter of 2022 due to the Covid emergency.

The investment profile is based on the constant monitoring of habits of current account holders and the use of a statistical/econometric model that forecasts the interest rates and maturities typical of postal current accounts. Accordingly, the portfolio composition aims to replicate the financial structure of current accounts by private customers. Management of the relationship between the structure of deposits and investments is handled through an appropriate Asset & Liability Management system. The above-mentioned system is thus the general reference for the investments (the limits of which are determined by specific guidelines approved by the Board of Directors) in order to limit exposure to interest rate and liquidity risks.

Financial risk management

Balanced financial management and monitoring of the main risk/return profiles are carried out and ensured by dedicated organisational structures, both within and without the BancoPosta ring-fence, that operate separately and independently. In addition, specific processes are in place governing the assumption and management of and control over financial risks, including through the progressive implementation of adequate IT tools. In this context, the Internal Control and Risk Management System Guideline (SCIGR), approved by the Board of Directors on 16 February 2021, represents the regulatory tool for the integrated regulation of the Internal Control and Risk Management System of BancoPosta RFC. From an organisational viewpoint, the model consists of:

- the **Control and Risk Committee**, established in 2015 within the Board, has the task of supporting, through an appropriate investigative, proposal-making and advisory activity, the evaluations and decisions of the Board of Directors on the internal control and risk management system and on the approval of the relative periodic financial and non-financial reports;
- the **Financial and Insurance Services Committee**, established on 19 March 2018 to replace the previous Finance, Savings and Investment Committee, with the aim of overseeing the process of developing the products and services distributed by BancoPosta, in order to take a uniform, integrated view of the entire offering and to monitor the performance of the financial investments in which private customer deposits are invested;

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

- the **BancoPosta's Risk Management and Governance Outsourcing** function, responsible for measuring and controlling risk and duly observing the independence of control functions from management.

The management of investments and risk hedging related to BancoPosta RFC have been assigned by means of a specific mandate to the specialist functions of BancoPosta Fondi SpA SGR, a Poste Italiane Group company.

In constructing the Risk Model used by BancoPosta RFC, account was also taken of the existing prudential supervisory standards for banks and the specific instructions for BancoPosta, published by the Bank of Italy on 27 May 2014 with the third revision of Circular 285 of 17 December 2013.

The above prudential standards have imposed the same obligations on BancoPosta as those applicable to banks in terms of corporate governance, internal controls and risk management, requiring, among other things, achievement of the following objectives:

- definition of a Risk Appetite Framework (RAF);
- oversight of implementation of the Company's strategies and policies;
- the containment of risks within the limits set by the RAF;
- protection of the value of assets and against losses;
- identification of material transactions to be subject to prior examination by the risk control function;
- application of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

The RAF consists of a framework that defines, in keeping with the maximum acceptable risk, the business model and strategic plan, the risk appetite, risk tolerance thresholds, risk limits and risk management policies, together with the processes needed to define and implement them.

Section 1 – Credit risk

Credit risk regards the types of risk described below.

Credit risk is defined as the possibility that a change in the creditworthiness of a counterparty, to which the entity is exposed, could result in a matching change in the value of the amount due. It thus represents the risk that the debtor is partially or entirely unable to repay the principal and interest due.

Counterparty risk is the risk that a counterparty could default on obligations of a financial instrument during its term. This risk is inherent in certain types of transaction which, for BancoPosta RFC, would be derivatives and repurchase agreements.

Concentration risk is related to the overexposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographic region.

Qualitative information

1. Generalities

Presidential Decree 144/2001 prohibits BancoPosta RFC from making loans to members of the public. As a result, there are no credit policies.

The nature of BancoPosta RFC's operations, however, results in a considerable concentration of exposure to Republic of Italy risk, as a result of its investments in Government securities and its deposits at the MEF. Credit risk models, explained below, show, however, that for capital requirements this type of investment does not determine capital absorption.

2. Credit risk management policies

2.1 Organisational aspects

The role of BancoPosta RFC's Risk Management function is the management and control of credit, counterparty and concentration risks.

Monitoring credit risk is particularly focused on the following exposures:

- euro area government securities or other securities backed by the Italian State for the use of liquidity collected through current accounts from private customers;
- deposits at the MEF in which Public Administration and private account deposits are invested;
- any eventual amounts due from the Treasury as a result of depositing funds gathered less payables for advances disbursed;
- items in progress: cheque clearing, use of electronic cards, collections;
- temporarily overdrawn postal current accounts caused by debiting fees: limited to those which were not classified as impaired since the accounts were in funds in early 2023;
- cash collateral for outstanding transactions with banks and customers, in accordance with agreements intended to mitigate counterparty risk (GMRA – Global Master Repurchase Agreements);
- cash collateral provided to the guarantee fund of the Central Counterparty "Cassa di Compensazione e Garanzia" for repurchase agreement transactions;
- cash deposits from collateralisation for centrally margined derivatives transactions through clearing brokers;
- trade receivables payable by partners in relation to financial/insurance product placement.

Monitoring counterparty risk particularly regards hedging derivatives and repurchase agreements.

BancoPosta RFC's concentration risk is monitored to limit the instability that could be caused by the default of one customer or a group of related customers to which BancoPosta has a significant credit and counterparty risk exposure.

2.2 Management, measurement and control systems

Credit risk is controlled through the following:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- monitoring of changes in the ratings of counterparties.

The limits for BancoPosta RFC's financial transactions contain rating limits that only permit dealings with investment grade counterparties. The limits referred to above have been established by the "Guidelines on Poste Italiane SpA's financial management" for BancoPosta RFC. Specifically, as regards rating limits, transactions are allowed solely with investment grade counterparties and euro area government issuers with a rating at least equal to that of the Italian Republic.

With reference to the monitoring thresholds of concentration risk, the limits set by prudential regulations are applied[273].

The standardised approach[274] as defined by EU Regulation 575/2013, is used by BancoPosta to measure credit and counterparty risks. Application of this method entails the use of Standard & Poor's, Moody's, Fitch and DBRS for the computation of counterparty credit rating classes.

In terms of prudential oversight, the following methods are used to estimate the exposure to counterparty risk inherent in each of the following types of transaction:

273. According to prudential regulations, with reference to the rules on Large Exposures, risk-weighted assets must remain below 25% of own funds. As a rule, exposures are recognised at nominal value, taking into consideration any credit risk mitigation techniques. To take into account the lower risk related to the nature of the borrower, more favourable weighting factors are applied.
274. The standardised approach entails risk weightings in accordance with the nature of the exposure and the identity of the counterparty and the counterparty's external credit rating.

- the "standardised" approach[275], is used for interest rate swaps and forward purchases of government securities;
- Credit Risk Mitigation (CRM) techniques, the Full Method[276], are used for repurchase transactions.

Concentration risk is measured using the method described in EU Regulation 575/2013 with regard to large exposures.

2.3 Measurement of expected credit losses

The Expected Credit Loss (ECL) method introduced by IFRS 9 applies to financial assets measured at amortised cost and to financial assets measured at fair value through other comprehensive income.

For financial assets other than trade receivables, BancoPosta RFC applies the General deterioration approach, with models to estimate risk parameters depending on the type of counterparty:

- internal risk parameter estimation models for debt securities and deposits with Sovereign, Banking and Corporate counterparties;
- risk parameters deriving from agency ratings or average default rates for the sector for Public Administration and Central Counterparties.

Expected credit losses are determined either over a 12-month horizon or a lifetime horizon, depending on the stage of the exposure, on the basis of the following metrics:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time Factor (TF).

Below, the main assumptions adopted in determining the single factors are illustrated:

- PD: as indicated from the start, a Point in Time (PIT) and forward-looking evaluation has been adopted;
- LGD: values have been used consistent with the Internal Ratings-Based (IRB) Base Approach under the Basel guidelines (45% for senior risk assets, 75% for subordinated risk assets);
- EAD: exposure calculated prospectively until maturity of the instrument, starting from the development of projected cash flows. In the development account was taken of specific indexation assumptions for every asset class (fixed income securities, variable-rate securities, inflation-indexed securities, etc.);
- TF: the effective interest rate of each exposure was used as discount factor.

The collective impairment of a homogenous group of financial assets defines the expected credit loss (ECL) of the instrument, even though it cannot be associated with a specific exposure. Grouping takes place in relation to the type of counterparty on the basis of the estimated PD.

BancoPosta RFC elected not to adopt the low risk credit exemption and to proceed instead with the staging of the financial instruments concerned.

Based on the impairment models described above, to allocate properly performing exposures in stage 1 or stage 2, the significant increase in exposures other than trade receivables is determined on the basis of the change in notches between the rating at the time of investment and the rating at the reporting date.

This change in notches is compared with a threshold that takes into account the following factors:

- the rating of the financial instrument at the time of investment;
- the rating of the financial instrument at the reporting date;
- the seniority of the position within the portfolio (vintage factor);

275. According to this methodology, the risk exposure of derivatives is calculated through the sum, increased by 40%, of the following two components: the replacement cost, represented by the fair value of derivatives considering the effect of collateral provided and received, and the add-on, calculated on the basis of the contractual characteristics of the derivatives, including the notional amount, maturity and reference risk driver.
276. The full CRM method entails reducing risk exposure by the value of the guarantee. Specific rules are applied to take into account market price volatility of the guaranteed asset as well as the collateral received.

- an additive factor to mitigate the non-linearity of the PD vis-à-vis the rating classes[277];
- a judgemental factor to be used only in the presence of sudden changes in the creditworthiness not yet reflected by the rating[278].

Based on the above information, BancoPosta RFC does not apply the presumption that an exposure past due for over 30 days indicates automatically significant increases in credit risk after initial recognition.

BancoPosta RFC defines a default on the basis of ad hoc assessments that take into consideration:

- any payment delays;
- market information such as a default rating by the rating agencies;
- internal analyses of specific exposures.

With respect to payment delays, the definition of default is based on the following approach:

- late payments, even by one day, or debt renegotiation for financial instruments with sovereign counterparties;
- payments 90 days past due, for financial instruments with banking and corporate counterparties.

In keeping with the accounting standard, in determining ECL consideration was given also to forward looking elements based on broad-consensus scenarios.

The approach followed involves inclusion of forward-looking information in the estimation of the PD. In particular, prospective estimates made available by the International Monetary Fund are used to calculate the PD of sovereign counterparties; with regard to other counterparties, on the other hand, the internal model adopted allows the input dataset needed to calculate PD to be completed from scenario values referring to some of the model variables. The objective of the approach is to estimate the unknown variables by using the historical correlation of the available information[279].

As to the estimation techniques used, it is noted that since the approaches to calculate the PD for Sovereign, Banking and Corporate counterparties cannot use default events, as they are not frequent, a shadow rating approach was adopted.

This method entails the use of target variables related to the level of external rating produced by the agencies. The target could be directly the rating or, alternatively, the default rate linked to the rating level. A key rating agency was selected to construct the target, taking into account both the large number of rated counterparties and the availability of historical data over what was deemed to be an adequate period of time.

The models have been constructed by extracting and utilising the following types of data for each country in the sample:

- macroeconomic data;
- market data: domestic equity indices, global energy/non-energy indices, Eurostoxx and S&P 500;
- financial statement data.

For trade receivables BancoPosta applies the simplified approach, where no significant increase in credit risk is expected. However, the loss provisions are calculated for an amount equal to lifetime expected credit loss.

Such approach is implemented through the following process:

- based on total revenue or the historical credit exposure, a credit threshold is identified beyond which the single receivables or the single exposure is evaluated. The analytical evaluation of the exposures entails an analysis of the borrower's credit quality and solvency, as determined on the basis of internal and external supporting evidence;
- for receivables falling below the threshold set, through the preparation of a matrix with the different impairment percentages estimated on the basis of historical losses, where they exist, or alternatively on the historical pattern of collections. In constructing the impairment matrix, receivables are grouped by homogeneous categories, based on their characteristics, to take into account the historical loss experience.

277. The additive factor is built in view of the rating level at the reporting date, where the better the rating the higher the threshold for the transition to Stage 2.
278. The judgemental factor can summarise significant aspects in determining the significant increase of credit risk, considering such elements as:
  - an actual or expected significant change of the internal/external credit rating of the financial instrument;
  - actual or expected negative changes in economic, financial or business conditions that might cause a significant change in the borrower's ability to honour its obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in the unemployment rate.
279. In particular, the use of such approach is limited to situations where, actually, the final data are deemed to be no longer representative of the counterparty's risk.

Finally, the potential effects on the economic scenario arising from the conflict between Russia and Ukraine are currently difficult to foresee, and any changes in the estimates for determining PD will be reflected in the financial statements prepared in subsequent periods (see also in this regard the section "Material events during the year" in Part A, Section 4 - *Other information*).

2.4 Credit risk mitigation techniques

BancoPosta RFC adopts credit and counterparty risk mitigation techniques. Specifically:

- **Fixed income instruments**

Debt instruments secured by guarantees or other credit risk mitigation instruments are bonds issued by CDP SpA guaranteed by the Italian State and subscribed by BancoPosta RFC, amounting to a nominal value of €3,000 million at 31 December 2022. These are recognised as financial assets measured at amortised cost and, in determining the associated expected credit losses, account was taken of the PD of the Italian Republic.

- **Derivative financial instruments and repurchase agreements**

In order to limit the counterparty risk exposure, BancoPosta RFC has concluded standard ISDA master agreements (with attached CSA) and GMRAs which govern the collateralisation, in cash or government securities, of derivative transactions and repurchase agreements, respectively. In addition, as of 2021, BancoPosta RFC have started trading in OTC derivatives with Qualified Central Counterparty clearing for which specific margins are provided for through clearing brokers. With reference to repo transactions, in order to mitigate counterparty risk and gain readier access to the market, from December 2017, BancoPosta RFC has begun to enter into repurchase agreements with the Central Counterparty, the "Cassa di Compensazione e Garanzia".

The calculation of positions in derivatives and repurchase agreements and the related risk mitigation instruments are illustrated in Part B – Other Information, tables 5 and 6, to which reference is made.

- **Trade receivables**

To mitigate the risks arising from the extension of credit terms to its customers, BancoPosta RFC has implemented a policy and suitable guidelines that govern the management of trade receivables, the terms and conditions of payment applicable to customers and defines the corporate process aimed at checking the customer's creditworthiness, as well as the sustainability of the business risk inherent in the contract involving extended payment terms.

Depending on the evaluations, the contracts entered into with customers may require a suitable guarantee. Guarantees are also requested if they are required by rules and regulations and/or implementing rules of specific services.

BancoPosta RFC accepts mainly guarantees issued by primary banks or insurance companies. Alternatively, upon request of the customer and after a risk analysis, it accepts sureties issued by other institutions, security deposits or the opening of postal escrow account.

Considering the limited risk of insolvency of government customers, BancoPosta RFC as a rule exempts the Public Administration from the provision of guarantees to secure trade receivables arising from transactions with it, save for the cases when such guarantees are mandatory by law or due to implementing rules of specific services.

Accordingly, the guarantees held are related mainly to private customers.

For all the exposures evaluated individually, to calculate the provisions for doubtful debts, guarantees reduce the amount of the exposure at risk.

At 31 December 2022, unsecured trade receivables minus the relevant loss provisions amount to €806 million.

At 31 December 2022, BancoPosta RFC does not hold financial assets secured by guarantees or other credit risk mitigating instruments for which no loss provisions have been made (except for the temporary use of liquidity in reverse repurchase agreements).

There was no impact from the Covid-19 pandemic on guarantees and other credit risk mitigation instruments.

3. Credit-impaired financial assets

In January 2023, BancoPosta RFC collected €12 million in respect of unduly deducted items classified in 2021 as impaired loans that were fully impaired; this asset was reclassified at 31 December 2022 to non-impaired loans, recognising the recovery of the impairment provision of €12 million in item 130 of the Statement of profit or loss.

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balance, impairment, trends and business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolios/quality (€m)	Bad loans	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	-	-	25	46,551	46,576
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	33,161	33,161
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total at 31.12.2022	**-**	**-**	**-**	**25**	**79,712**	**79,737**
Total at 31.12.2021	**-**	**-**	**-**	**56**	**91,303**	**91,359**

A.1.2 DistriDistribution of credit exposure by portfolio and credit quality (gross and net amounts)

Portfolios/quality (€m)	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	Total partial write-offs*	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	-	-	-	-	46,651	75	46,576	46,576
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	33,177	16	33,161	33,161
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total at 31.12.2022	**-**	**-**	**-**	**-**	**79,828**	**91**	**79,737**	**79,737**
Total at 31.12.2021	**12**	**12**	**-**	**-**	**91,445**	**86**	**91,359**	**91,359**

* Amount reported for disclosure purposes.

Portfolios/quality (€m)	Assets of evidently low credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	6,109
Total at 31.12.2022	**-**	**-**	**6,109**
Total at 31.12.2021	**-**	**-**	**873**

A.1.3 Distribution of financial assets by past due categories (carrying amounts)

Portfolios/stages of risk (€m)	Stage 1			Stage 2			Stage 3			Acquired or originated impaired financial assets		
	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days	Between 1 and 30 days	30 - 90 days	Over 90 days
1. Financial assets measured at amortised cost	-	-	12	5	2	6	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale												
Total at 31.12.2022	**-**	**-**	**12**	**5**	**2**	**6**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**-**	**-**	**-**	**38**	**2**	**16**	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: overall impairment losses/ recoveries and overall provisions

Causes/stages of risk (€m)	Total impairment losses																	
	Assets in stage 1						Assets in stage 1						Assets in stage 3					
	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Due from banks or central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment
Total opening impairment losses	**-**	**16**	**12**	**-**	**-**	**28**	**-**	**58**	**-**	**-**	**33**	**25**	**-**	**12**	**-**	**-**	**12**	**-**
Increases in acquired or originated financial assets	-	1	3	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	(1)	(1)	-	-	(2)	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses/ recoveries due to credit risk (+/-)	-	2	2	-	-	4	-	6	-	-	8	(2)	-	(12)	-	-	(12)	-
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	(7)	-	-	(7)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**18**	**16**	**-**	**-**	**34**	**-**	**57**	**-**	**-**	**34**	**23**	**-**	**-**	**-**	**-**	**-**	**-**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Causali/stadi di rischio (milioni di euro)	Total impairment losses					Total provisions for commitments to disburse funds and financial guarantees given				Total
	Acquired or originated impaired financial assets									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees issued acquired or originated impaired	
Total opening impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**98**
Increases in acquired or originated financial assets	-	-	-	-	-	-	-	-	-	4
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	(2)
Net impairment losses/ recoveries due to credit risk (+/-)	-	-	-	-	-	-	-	-	-	(2)
Contract amendments without termination	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	(7)
Other changes	-	-	-	-	-	-	-	-	-	-
Total closing impairment losses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91**
Recovery of amounts on written-off financial assets	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-

The decrease in the provision to cover expected losses is mainly due to the release to Profit or loss, following the signing of a settlement agreement, of a €12 million impairment provision previously allocated on an impaired loan and collected in January 2023. This decrease was partly offset by higher provisions to cover expected losses mainly on the securities portfolio and deposits with the MEF following the adjustment of creditworthiness.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal amounts)

Portfolios/stages of risk (€m)	Gross values/nominal value					
	Transfers between stage one and stage two		Transfers between stage two and stage three		Transfers between stage one and stage three	
	From stage one to stage two	From stage two to stage one	From stage two to stage three	From stage three to stage two	From stage one to stage three	From stage three to stage one
1. Financial assets measured at amortised cost	-	-	-	-	-	12
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	-	-	-	-	-	-
Total at 31.12.2022	**-**	**-**	**-**	**-**	**-**	**12**
Total at 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**

A.1.6 On- and off-balance-sheet credit exposures to banks: gross and net amounts

Types of exposures/Amounts (€m)	Gross exposure					Total impairments and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
A. On-balance sheet credit exposures												
A.1 Demand												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,890	1,890	-	X	-	-	-	-	X	-	1,890	-
A.2 Other												
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past-due exposures	2	-	2	X	-	-	-	-	X	-	2	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	1,498	1,468	30	X	-	-	-	-	X	-	1,498	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL A	**3,390**	**3,358**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,390**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	4,613	-	-	X	-	-	-	-	X	-	4,613	-
TOTAL B	**4,613**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,613**	**-**
TOTAL A+B	**8,003**	**3,358**	**32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,003**	**-**

* Amount reported for disclosure purposes.

"Off-balance sheet exposures, Performing" relates to the counterparty risk associated with derivatives registering fair value gains, gross of any netting agreements[280], and Repo financing with Securities Financing Transactions (SFT)[281] margins.

A.1.7 On- and off-balance-sheet credit exposures to customers: gross and net amounts

Types of exposures/Amounts (€m)	Gross exposure					Total impairments and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		Stage 1	Stage 2	Stage 3	Acquired or originated impaired financial assets		
A. On-balance sheet credit exposures												
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past-due exposures	78	12	66	X	-	55	-	55	X	-	23	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	78,250	77,485	765	X	-	36	35	1	X	-	78,214	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL A	**78,328**	**77,497**	**831**	**-**	**-**	**91**	**35**	**56**	**-**	**-**	**78,237**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	6,982	2,260	-	X	-	-	-	-	X	-	6,982	-
TOTAL B	**6,982**	**2,260**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,982**	**-**
TOTAL A+B	**85,310**	**79,757**	**831**	**-**	**-**	**91**	**35**	**56**	**-**	**-**	**85,219**	**-**

* Amount reported for disclosure purposes.

"Off-balance sheet exposures, Performing" relate to the counterparty risk associated with derivative transactions with a positive fair value gross of any outstanding netting agreements and the credit risk associated with commitments to disburse funds as a result of repo transactions entered into at year-end 2022 and settled in early 2023.

280. BancoPosta RFC is not a party to enforceable master netting agreements or similar arrangements meeting the requirements of IAS 32, paragraph 42 for offsetting in the financial statements but used standard bilateral netting agreements that allow, in the event of the counterparty's default, the offsetting of debit and credit positions in relation to derivative financial instruments.
281. As defined in the prudential requirements.

A.1.9 On-balance sheet credit exposures to customers: trends in gross non-performing exposures

Causes/Categories (€m)		Bad loans	Unlikely to pay	Non-performing past-due
A.	**Opening gross exposure**	**-**	**-**	**12**
	- of which: transferred and not derecognised	-	-	-
B.	**Increases**	**-**	**-**	**-**
B.1	Transfers from performing exposures	-	-	-
B.2	Transfers from acquired or originated impaired financial assets	-	-	-
B.3	Transfers from other categories of non-performing exposures	-	-	-
B.4	Contract amendments without termination	-	-	-
B.5	Other increases	-	-	-
C.	**Decreases**	**-**	**-**	**(12)**
C.1	Transfers to performing exposures	-	-	(12)
C.2	*Write-off*	-	-	-
C.3	Collections	-	-	-
C.4	Proceeds on disposal	-	-	-
C.5	Losses on disposal	-	-	-
C.6	Transfers to other categories of non-performing exposures	-	-	-
C.7	Contract amendments without termination	-	-	-
C.8	Other decreases	-	-	-
D.	**Closing gross exposure**	**-**	**-**	**-**
	- of which: transferred and not derecognised	-	-	-

A.1.11 On-balance-sheet non-performing credit exposures to customers: trends in overall impairment losses/ recoveries

		Bad loans		Unlikely to pay		Non-performing past-due	
Causes/Categories (€m)		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	**Total opening impairment losses**	**-**	**-**	**-**	**-**	**12**	**-**
	- of which: transferred and not derecognised	-	-	-	-	-	-
B.	**Increases**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Impairment losses to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2	Other impairment losses	-	-	-	-	-	-
B.3	Losses on disposal	-	-	-	-	-	-
B.4	Transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5	Contract amendments without termination	-	-	-	-	-	-
B.6	Other increases	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**-**	**(12)**	**-**
C.1	Reversal of impairment losses on valuation	-	-	-	-	(12)	-
C.2	Reversal of impairment losses on collection	-	-	-	-	-	-
C.3	Proceeds on disposal	-	-	-	-	-	-
C.4	*Write-off*	-	-	-	-	-	-
C.5	Transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6	Contract amendments without termination	-	-	-	-	-	-
C.7	Other decreases	-	-	-	-	-	-
D.	**Total closing impairment losses**	**-**	**-**	**-**	**-**	**-**	**-**
	- of which: transferred and not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

BancoPosta RFC has no lending policies as it does not grant loans to the public. It also uses internal models only for the measurement of expected losses as required by IFRS 9, but not for the quantification of capital requirements for credit risk.

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

Esposizioni (milioni di euro)	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**448**	**563**	**42,647**	**-**	**-**	**-**	**2,993**	**46,651**
- Stage 1	448	557	42,362	-	-	-	2,421	45,788
- Stage 2	-	6	285	-	-	-	572	863
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**33,177**	**-**	**-**	**-**	**-**	**33,177**
- Stage 1	-	-	33,177	-	-	-	-	33,177
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
Total (A + B + C)	**448**	**563**	**75,824**	**-**	**-**	**-**	**2,993**	**79,828**
D. Commitments to disburse funds and financial guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**2,260**	**2,260**
- Stage 1	-	-	-	-	-	-	2,260	2,260
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Acquired or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**2,260**	**2,260**
Total (A + B + C + D)	**448**	**563**	**75,824**	**-**	**-**	**-**	**5,253**	**82,088**

Stage 2 reflects mainly financial assets represented by trade receivables for which loss provisions are measured with the simplified approach.

The unrated exposures shown in the first stage refer mainly to outstanding transactions with Cassa Compensazione e Garanzia.

The rating agency equivalents of credit rating classes are shown below:

Credit rating class	Fitch	Moody's	S&P	DBRS
1	from AAA to AA-	from Aaa to Aa3	from AAA to AA-	from AAA to AAL
2	from A+ to A-	from A1 to A3	from A+ to A-	from AH to AL
3	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-	from BBBH to BBBL
4	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-	from BBH to BBL
5	from B+ to B-	from B1 to B3	from B+ to B-	from BH to BL
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC

The nature of BancoPosta's operations exposes it to a substantial degree of concentration in respect of the Italian state. The concentration can be seen in Table A.2.1 under External Rating Class 3, which includes the Italian state.

A.3 Distribution of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed on- and off-balance-sheet credit exposures to banks

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
							CLNs	Other derivatives								
(€m)			Mortgages	Real estate - leasing finance	Securities	Other collateral		Central counterparties	Banks	Other financial companies	Other entities	Public Administration entities	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet credit exposures:																
1.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	-	-	-	-	-		-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance sheet credit exposures:																
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	3,939	3,939	-	-	262	3,636	-	-	-	-	-	-	-		-	**3,898**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Guaranteed on- and off-balance-sheet credit exposures to customers

(€m)	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
							CLNs	Other derivatives								
			Mortgages	Real estate - leasing finance	Securities	Other collateral		Central counterparties	Banks	Other financial companies	Other entities	Public Administration entities	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet credit exposures:																
1.1 guaranteed in full	1,359	1,358	-	-	-	-	-	-	-	-	-	1,358	-	-	-	**1,358**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	6,081	6,080	-	-	4,521	-	-	-	-	-	-	1,500	-	-	-	**6,021**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Guaranteed off-balance sheet credit exposures:																
2.1 guaranteed in full	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially guaranteed	4,539	4,539	-	-	3,115	1,188	-	-	-	-	-	-	-	-	-	**4,303**
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

Cash credit exposures refer to:

- repo transactions managed through the Central Counterparty that meet the requirements of IAS 32 and are therefore offset in the financial statements in the amount of €3,217 million;
- fixed-rate securities with a nominal amount of €3,000 million issued by Cassa Depositi e Prestiti and guaranteed by the Italian State.

Off-balance sheet credit exposures refer to derivative transactions with a positive net fair value and to commitments to disburse funds related to repurchase agreements with Cassa Compensazione e Garanzia that have been entered into and not yet settled.

B. Distribution and concentration of credit exposures

B.1 Distribution of on and off-balance sheet credit exposures to customers by economic sector

Exposures/Counterparties (€m)		Public Administration entities		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
		Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A.	**On-balance sheet credit exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	72,173	37	5,686	2	288	-	372	29	6	23
	- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
Total A		**72,173**	**37**	**5,686**	**2**	**288**	**-**	**372**	**29**	**6**	**23**
B.	**Off-balance sheet credit exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	3,209	-	3,773	-	-	-	-	-	-	-
Total B		**3,209**	**-**	**3,773**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31.12.2022		**75,382**	**37**	**9,459**	**2**	**288**	**-**	**372**	**29**	**6**	**23**
Total (A+B) at 31.12.2021		**82,289**	**31**	**5,741**	**2**	**230**	**-**	**195**	**41**	**4**	**24**

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/geographic areas (€m)		Italy		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
		Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A.	**On-balance sheet credit exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	77,134	91	1,103	-	-	-	-	-	-	-
Total A		**77,134**	**91**	**1,103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.	**Off-balance sheet credit exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	5,469	-	1,513	-	-	-	-	-	-	-
Total B		**5,469**	**-**	**1,513**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31.12.2022		**82,603**	**91**	**2,616**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31.12.2021		**87,047**	**98**	**1,182**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/geographic areas (€m)		ITALY, NORTHWEST Net exposure	ITALY, NORTHWEST Total impairment losses	ITALY, NORTHEAST Net exposure	ITALY, NORTHEAST Total impairment losses	ITALY, CENTRE Net exposure	ITALY, CENTRE Total impairment losses	ITALY, SOUTH AND ISLANDS Net exposure	ITALY, SOUTH AND ISLANDS Total impairment losses
A.	**On-balance sheet credit exposures**								
A.1	Bad loans	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4	Performing exposures	3	9	13	4	77,113	50	5	28
TOTAL A		**3**	**9**	**13**	**4**	**77,113**	**50**	**5**	**28**
B.	**Off-balance sheet credit exposures**								
B.1	Non-performing exposures	-	-	-	-	-	-	-	-
B.2	Performing exposures	-	-	-	-	5,469	-	-	-
TOTAL B		**-**	**-**	**-**	**-**	**5,469**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022		**3**	**9**	**13**	**4**	**82,582**	**50**	**5**	**28**
TOTAL (A+B) at 31.12.2021		**2**	**9**	**1**	**16**	**87,040**	**45**	**4**	**28**

The concentration in central Italy is due to the fact that nearly all exposures consist of Italian Government securities and deposits at the MEF.

B.3 Geographical distribution of on and off-balance sheet credit exposures to banks

Exposures/geographic areas (€m)		Italy Net exposure	Italy Total impairment losses	OTHER EUROPEAN COUNTRIES Net exposure	OTHER EUROPEAN COUNTRIES Total impairment losses	AMERICAS Net exposure	AMERICAS Total impairment losses	ASIA Net exposure	ASIA Total impairment losses	REST OF THE WORLD Net exposure	REST OF THE WORLD Total impairment losses
A.	**On-balance sheet credit exposures**										
A.1	Bad loans	-	-	-	-	-	-	-	-	-	-
A.2	Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3	Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4	Performing exposures	2,395	-	995	-	-	-	-	-	-	-
TOTAL A		**2,395**	**-**	**995**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.	**Off-balance sheet credit exposures**										
B.1	Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2	Performing exposures	737	-	3,859	-	-	-	-	-	-	-
TOTAL B		**737**	**-**	**3,859**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022		**3,132**	**-**	**4,854**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021		**5,398**	**-**	**3,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on and off-balance sheet credit exposures to banks

Exposures/geographic areas (€m)	ITALY, NORTHWEST		ITALY, NORTHEAST		ITALY, CENTRE		ITALY, SOUTH AND ISLANDS	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	204	-	-	-	2,191	-	-	-
TOTAL A	**204**	**-**	**-**	**-**	**2,191**	**-**	**-**	**-**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	534	-	-	-	203	-	-	-
TOTAL B	**534**	**-**	**-**	**-**	**203**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2022	**738**	**-**	**-**	**-**	**2,394**	**-**	**-**	**-**
TOTAL (A+B) at 31.12.2021	**438**	**-**	**1**	**-**	**4,959**	**-**	**-**	**-**

B.4 Large exposures

In compliance with the supervisory standards in force, the table for "Large exposures" shows information on exposures to customers or groups of connected customers that exceed 10% of total own funds. The exposures are determined with reference to total on-balance sheet risk assets and off-balance sheet transactions, without applying any risk weightings. Based on these criteria, the table includes entities that, despite having a risk weighting of 0%, represent an unweighted exposure in excess of 10% of own funds. Exposures to the Italian state shown in the table represent approximately 77% of the total carrying amount. The remaining exposures regard primary counterparties represented by European banks and other central counterparties in Italy. However, in view of the fact that it cannot lend to the public, the Bank of Italy has exempted BancoPosta RFC from application of the requirements regarding limits on large exposures. No further exemptions from the remaining obligations have been granted.

Large exposure	
a) Carrying amount (€m)	87,576
b) Weighted amount (€m)	1,322
c) Number	7

E. Disposal of assets

A. Financial assets sold but not fully derecognised

Qualitative information

In the case of BancoPosta RFC, this category only regards Italian government securities provided as collateral for repurchase agreements. BancoPosta uses these transactions to access the interbank market to raise funds, with the aim of funding the purchase of government securities and the deposits necessary for margin lending.

Quantitative information

E.1 Financial assets sold recognised in full and related financial liabilities: carrying amounts

(€m)	Financial assets sold recognised in full				Related financial liabilities		
	Carrying amount	of which: securitised	of which: subject to repurchase agreements	of which non-performing	Carrying amount	of which: securitised	of which: subject to repurchase agreements
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**6,246**	**-**	**6,246**	**-**	**6,668**	**-**	**6,668**
1. Debt securities	6,246	-	6,246	-	6,668	-	6,668
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**6,766**	**-**	**6,766**	**-**	**6,674**	**-**	**6,674**
1. Debt securities	6,766	-	6,766	-	6,674	-	6,674
2. Loans	-	-	-	-	-	-	-
TOTAL at 31.12.2022	**13,012**	**-**	**13,012**		**13,342**	**-**	**13,342**
TOTAL at 31.12.2021	**15,024**	**-**	**15,024**		**14,837**	**-**	**14,837**

Section 2 – Market risk

Market risk relates to:

- price risk: the risk that the value of a financial instrument fluctuates as a result of market price movements, deriving from factors specific to the individual instrument or the issuer, and factors that influence all instruments traded on the market;
- foreign exchange risk: the risk that the value of a financial instrument fluctuates as a result of movements in exchange rates for currencies other than the functional currency;
- fair value interest rate risk: the risk that the value of a financial instrument fluctuates as a result of movements in market interest rates;
- spread risk: the risk relates to the potential fall in the value of bonds held, following a deterioration in the creditworthiness of issuers;
- cash flow interest rate risk: the risk that the cash flows will fluctuate because of movements in market interest rates;
- interest rate risk of future cash flows: the risk that the cash flows will fluctuate because of movements in inflation rates in the market.

2.1 Interest rate and price risks - supervisory trading book

At 31 December 2022, there were financial liabilities for trading deriving exclusively from the stipulation of a forward contract for the sale of 198 thousand ordinary shares of *Visa Incorporated* for the purpose of stabilising their yield. This transaction does not meet the “trading intent” requirement, as defined by art. 104 of Regulation (EU) no. 575/2013, for classification in the “Regulatory trading book”; this intent is, however, excluded from the “Guidelines on Poste Italiane SpA’s financial management” for BancoPosta RFC.

Information on the market risks associated with this transaction is provided in the “Banking Book” section”.

2.2 Interest rate and price risks - banking book

Qualitative information

A. Generalities, management policies and interest rate and price risk measurement methods

Interest rate risk

Interest rate risk is inherent in the operations of a financial institution and can affect income (cash flow interest rate risk) and the value of the firm (fair value interest rate risk). Movements in interest rate can affect the cash flows associated with variable rate assets and liabilities and the fair value of fixed rate instruments.

Cash flow interest rate risk arises from the mismatch – in terms of interest rate, interest rate resets and maturities – of financial assets and liabilities until their contractual maturity and/or expected maturity (banking book), with effects in terms of interest spreads and an impact on future results. This risk is of particular relevance to variable-rate assets and liabilities or assets and liabilities which have been transformed into variable rate by fair value hedges.

Fair value interest rate risk primarily refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the fixed components of variable-rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the financial instrument’s duration[282].

282. Duration is the indicator used to estimate the percentage change in price in response to a shift in market returns.

Interest rate risk on the banking book is measured internally using the economic value method. This results in a need to develop an amortisation schedule for the sight deposits consistent with its nature and to select a time horizon and confidence levels for the estimates. A maximum time horizon (cut-off point) of 20 years is used for retail customer deposits, 10 years for business customer deposits and Postepay cards[283], and 5 years for Public Administration deposits, based on a 99% confidence level. This approach entails the computation of an ALM rate risk through the determination of asset/liability.

The exposure to interest rate risk, as measured internally, is subject to stress tests of the principal risk factors – such as the duration of deposits, the value of assets and liabilities in the statement of financial position – that contribute to determining the measurement of exposure. In particular, the stress tests assumed include a reduction in the maximum maturity horizon (cut-off) for on-demand funding and the revaluation of assets and liabilities under adverse market scenarios.

Interest rate risk management and mitigation is based on the conclusions of the measurement of risk exposure and compliance - in line with the risk appetite and thresholds and limits established in the RAF - with financial operations guidelines as approved from time to time by the Board of Directors of Poste Italiane SpA.

Details on the risk management model are contained in the note on financial risks in Part E.

BancoPosta RFC monitors market risk, including fair value interest rate and spread risks, inherent in financial assets measured at fair value through other comprehensive income and derivative financial instruments through the computation of Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

Spread risk

Spread risk regards commitments in euro area government securities or guaranteed by the Italian government and classified as financial assets measured at fair value through other comprehensive income. 2022 witnessed an average increase in the yields on Italian government bonds compared with the previous year and, at 31 December 2022, the spread between ten-year Italian government bonds and German bunds is approximately 214 bps, up on the figure for the previous year (135 bps at 31 December 2021).

In the reporting period, the transactions described above resulted in the portfolio of financial assets measured at fair value through other comprehensive income (notional of around €37 billion), held by BancoPosta RFC, in an overall net decrease in fair value of approximately €10.1 billion: this change was partly recognised in profit or loss for a negative amount of approximately €5.7 billion relating to the change in the fair value of securities hedged against interest rate risk, whilst the negative change in the fair value of unhedged securities and the spread risk component (not hedged) was reflected in equity for approximately €4.4 billion.

Price risk

Price risk relates to financial assets measured at fair value through profit or loss.

This sensitivity analysis takes into account the main positions potentially exposed to the greatest risk of price movements.

BancoPosta RFC monitors the price risk to which its shareholdings are exposed by computing Value at Risk (VaR) over a time horizon of 1 day at a 99% confidence level.

283. Since 1 October 2018, prepaid cards are the responsibility of PostePay SpA. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment constraints imposed on other deposits from private customers. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

Quantitative information

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Euro

Type/Time-to-maturity (€m)		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**19,039**	**9,659**	**4,028**	**2,774**	**9,586**	**7,371**	**32,382**	**-**
1.1	Debt securities	-	4,719	4,028	2,774	9,586	7,371	32,382	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	4,719	4,028	2,774	9,586	7,371	32,382	-
1.2	Due from banks	3,385	-	-	-	-	-	-	-
1.3	Due from customers	15,654	4,940	-	-	-	-	-	-
	- current accounts	6	-	-	-	-	-	-	-
	- other loans	15,648	4,940	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	15,648	4,940	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**87,315**	**5,488**	**883**	**-**	**6,972**	**-**	**-**	**-**
2.1	Due to customers	83,159	4,220	433	-	-	-	-	-
	- current accounts	77,768	-	-	-	-	-	-	-
	- other deposits	5,391	4,220	433	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	5,391	4,220	433	-	-	-	-	-
2.2	Due to banks	4,156	1,268	450	-	6,972	-	-	-
	- current accounts	520	-	-	-	-	-	-	-
	- other deposits	3,636	1,268	450	-	6,972	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	1,390	-	-	868	2,233	-	-
	+ Short positions	-	1,928	565	716	-	375	648	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	15,251	-	3,045	13,855	1,075	1,653	-
	+ Short positions	-	5,516	-	3,848	-	500	25,015	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	2,260	-	-	-	-	-	-
	+ Short positions	-	2,260	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: US dollar

Type/Time-to-maturity (€m)		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Swiss franc

Type/Time-to-maturity (€m)		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	2	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

1. Banking Book: Time-to-maturity (repricing date) of financial assets and financial liabilities

Currency: Other currencies

Type/Time-to-maturity (€m)		Demand	3 months or less	3 - 6 months	6 months - 1 year	1 - 5 years	5 - 10 years	Over 10 years	Unspecified maturity
1.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
1.2	Due from banks	1	-	-	-	-	-	-	-
1.3	Due from customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other loans	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Due to customers	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.2	Due to banks	-	-	-	-	-	-	-	-
	- current accounts	-	-	-	-	-	-	-	-
	- other deposits	-	-	-	-	-	-	-	-
2.3	Debt securities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
2.4	Other liabilities	-	-	-	-	-	-	-	-
	- with prepayment option	-	-	-	-	-	-	-	-
	- other	-	-	-	-	-	-	-	-
3.	**Financial derivatives**								
3.1	With underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
3.2	Without underlying securities								
	- Options								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
	- Other derivatives								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-
4.	**Other off-balance sheet transactions**								
	+ Long positions	-	-	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-	-	-

2. Banking portfolio: internal models and other methods of sensitivity analysis

Fair value interest rate risk

The sensitivity of exposures to fair value interest rate risk was tested by assuming a parallel shift of the market yield curve of +/- 100 bps. The sensitivities data shown by the analysis provide a base scenario that can be used to measure potential changes in fair value, in the presence of changes in interest rates.

BancoPosta RFC's financial assets measured at fair value through other comprehensive income at 31 December 2022 had a duration of 5.01 for the portfolio of securities and derivatives (31 December 2021: 5.15)[284]. The sensitivity analysis is shown in the table.

Fair value interest rate risk

Analysis date (€m)	Notional value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	37,489	33,161	(805)	784	-	-	(805)	784
Tax credits Law no. 77/2020	-	-	-	-	-	-	-	-
Assets - Hedging derivatives	1,806	350	79	(95)	-	-	79	(95)
Liabilities - Hedging derivatives	2,793	(96)	(148)	158	-	-	(148)	158
Variability at 31 December 2022	**42,088**	**33,415**	**(874)**	**847**	**-**	**-**	**(874)**	**847**
2021 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	31,415	37,626	(717)	600	-	-	(717)	600
Tax credits Law no. 77/2020	3,538	3,301	(65)	67	-	-	(65)	67
Assets - Hedging derivatives	2,129	77	220	(257)	-	-	220	(257)
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**37,082**	**41,004**	**(562)**	**410**	**-**	**-**	**(562)**	**410**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

All of BancoPosta RFC's investments are classified as either "Financial assets measured at amortised cost" or "Financial assets measured at fair value through other comprehensive income". The sensitivity analysis shown above is for the last of these categories.

In particular, the risk in question concerns:

- in relation to financial assets measured at fair value through other comprehensive income, fixed income Government bonds for €33,161 million, consisting of fixed income bonds for €17,126 million, variable rate securities for €491 million, variable rate bonds swapped into fixed income bonds through interest rate swaps of cash flow hedges for €3,117 million, inflation-linked bonds for €775 million and fixed income bonds swapped into variable rate instruments through fair value hedge derivatives for €11,652 million (of which €4,078 million with forward starts);
- in relation to hedge derivatives, forward sales of government bond for a notional amount of €1,390 million and forward purchases of government bonds for a notional amount of €3,209 million, classified as cash flow hedges.

284. At 31 December 2021, the duration of tax credits measured at fair value through other comprehensive income was 2; these credits are measured at amortised cost as of 1 October 2022.

Spread risk

Spread risk reflects the impact of the difference between yields on sovereign debt and the fair value of euro area government bonds, where such difference, or spread, reflects the perception of markets regarding issuers' creditworthiness.

The value of the portfolio of bonds issued or guaranteed by the Italian government is much more sensitive to the credit risk associated with the Italian Republic than to changes in so-called risk-free interest rates. This is due to the fact that changes in credit spreads are not hedged and regard the entire securities portfolio, meaning both the fixed and variable-rate components. In this latter case, in fact, fair value derivatives, used to convert variable rate instruments, hedge only the risk-free interest rate risk and not credit risk. This means that a change in the credit spread has an equal impact on both fixed and variable instruments.

The sensitivity to the spread[285] has been calculated by applying a shift of +/- 100 bps to the yield curve for Italian government bonds.

Fair value spread risk

Analysis date (€m)	Notional value*	Fair value	Change in value		Net interest and other banking income		Equity reserves before taxation	
			+100bps	-100bps	+100bps	-100bps	+100bps	-100bps
2022 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	37,489	33,161	(2,830)	3,343	-	-	(2,830)	3,343
Assets - Hedging derivatives	1,806	350	78	(94)	-	-	78	(94)
Liabilities - Hedging derivatives	2,793	(96)	(156)	166	-	-	(156)	166
Variability at 31 December 2022	**42,088**	**33,415**	**(2,908)**	**3,415**	**-**	**-**	**(2,908)**	**3,415**
2021 effects								
Financial assets measured at fair value through other comprehensive income								
Fixed income securities	31,415	37,626	(4,305)	5,198	-	-	(4,305)	5,198
Assets - Hedging derivatives	2,129	77	227	(264)	-	-	227	(264)
Liabilities - Hedging derivatives	-	-	-	-	-	-	-	-
Variability at 31 December 2021	**33,544**	**37,703**	**(4,078)**	**4,934**	**-**	**-**	**(4,078)**	**4,934**

* The settlement price of derivatives involving the exchange of principal (securities or other assets) has been indicated, as required by Bank of Italy Circular 262/2005.

It is worthy of note that any change in the spread would not entail any accounting effect on financial assets measured at amortised cost but would affect solely unrealised gains/losses. In other words, fixed income instruments measured at amortised cost, which at 31 December 2022 amounted to €27,699 million (nominal value of €28,304 million) and have a fair value of €23,651 million, would be reduced in fair value by approximately €2.45 billion following an increase in the spread of 100 bps, with the change not reflected in the accounts.

Movements in the spread have no impact on BancoPosta RFC's ability to meet its capital requirements, as the fair value reserves are not included in the computation of own funds for supervisory purposes.

In addition to sensitivity analyses, BancoPosta RFC monitors fair value interest rate risk by computing maximum potential loss or VaR - Value at Risk. The results of the VaR analysis regarding the variability of spread risk are shown below.

285. For sensitivity purposes, the swap rate curve and the BTP curve were used (10-year swap rate of 320 bps and the spread of the BTP compared to the 10-year swap rate of 151 bps).

Spread risk - VaR analyses

Analysis date (€m)	Risk exposure		SpreadVaR
	Notional	Fair value	
2022 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	37,489	33,161	373
Derivative financial instruments			
Cash flow hedges **	3,209	(92)	31
Variability at 31 December 2022	**40,698**	**33,069**	**384**
2021 effects			
Financial assets measured at fair value through other comprehensive income			
Fixed income instruments*	31,415	37,626	267
Derivative financial instruments			
Cash flow hedges **	-	-	-
Variability at 31 December 2021	**31,415**	**37,626**	**267**

* The VAR for fixed-income securities also takes into account forward sales transactions.
** The VAR for hedging derivatives refers to total forward purchase transactions.

Maximum potential loss (VaR - Value at Risk), a statistical estimation with a time horizon of 1 day and a confidence level of 99%, is also computed by BancoPosta RFC to monitor market risk. Risk analysis performed through VAR takes into account the historical variability of the risk (spread) in question, in addition to modelling parallel shifts of the yield curve.

In order to jointly monitor spread and fair value interest rate risks, the following table shows the results of the VaR analysis conducted with reference to financial assets measured at fair value through other comprehensive income and the relevant derivative financial instruments, taking into account the variability of both risk factors:

(€m)	2022	2021
Average VaR	(454)	(586)
Minimum VaR	(285)	(287)
Maximum VaR	(641)	(1,626)

Taking into account both financial assets measured at fair value through other comprehensive income (including the related hedges outstanding) and forward sales, the combined analysis of spread risk and fair value interest rate risk at 31 December 2022 results in a potential loss of €513 million (VaR at the end of the period). The increase in VaR at the end of the period, compared with the €337 million at 31 December 2021, reflects the increase in market volatility during the year.

Cash flow interest rate risk

The sensitivity to cash flow interest rate risk at 31 December 2021 and 31 December 2022 is summarised in the table below and was computed assuming a +/- 100 bps parallel shift in the market forward interest rate curve.

Cash flow interest rate risk

(€m)	2022			2021		
	Risk exposure	Net interest and other banking income		Risk exposure	Net interest and other banking income	
		+100 bps	-100 bps		+100 bps	-100 bps
Cash						
- Deposits with Bank of Italy	1,885	19	(19)	4,771	48	(48)
- Deposits with banks	5	-	-	4	-	-
Financial assets measured at amortised cost						
Due from banks						
- Collateral guarantees	1,468	15	(15)	3,313	33	(33)
Due from customers						
- Deposits at MEF (PA deposits)	11,907	119	(119)	12,712	127	(127)
- Deposits at MEF (private customer deposits)	1,991	20	(20)	1,990	20	(20)
- Collateral guarantees	989	10	(10)	1,545	15	(15)
- Due from Poste Italiane SpA outside the ring-fence	349	3	(3)	175	2	(2)
- Fixed income instruments	8,115	81	(81)	5,770	58	(58)
Financial assets measured at fair value through other comprehensive income						
- Fixed income instruments	10,540	105	(105)	9,800	98	(98)
Financial liabilities measured at amortised cost						
Due to banks						
- Collateral guarantees	(3,636)	(36)	36	(219)	(2)	2
- Repurchase agreements	(3,996)	(40)	40	(2,956)	(30)	30
Due to customers						
- Collateral guarantees	(1,188)	(12)	12	(9)	-	-
Total variability	**28,429**	**284**	**(284)**	**36,896**	**369**	**(369)**

Cash flow interest rate risk at 31 December 2022 was primarily due to:

- the placement of Public Administration and private deposits with the MEF;
- deposits with the Bank of Italy of account temporary excess of liquidity deriving from private customer deposits;
- fixed-rate bonds issued by the Italian State swapped in variable rate bonds through fair value hedge derivatives for a total nominal amount of €18,655 million mainly including: (i) Italian government bonds for €3,850 million, whose fair value hedge will start to take effect in the 12 months following the period under review; (ii) inflation-linked bonds issued by the Italian Republic with a nominal amount of €150 million;
- variable-rate bonds issued by the Italian State with a total nominal value of €500 million;
- receivables for a total amount of €2,457 million for security deposits provided as collateral for derivative liabilities and repurchase agreements;
- payables for a total amount of €4,824 million for guarantee deposits provided as collateral for derivative liabilities;
- repos swapped in variable-rate bonds through fair value hedge derivatives for a total nominal amount of €3,996 million.

Cash flow inflation risk

Cash flow inflation rate risk at 31 December 2022 relates to government inflation indexed bonds which were not hedged through the arrangement of cash flow hedges or fair value hedges entered into by BancoPosta RFC, having a nominal value of €1,022 million and a carrying amount of €1,110 million. The effects of sensitivity analysis are immaterial.

Price risk

The sensitivity of financial instruments to price risk is analysed using a variability stress calculated with reference to one-year historical volatility, considered to be representative of potential market movements.

Price risk

Analysis date (€m)	Exposure	Change in value		Net interest and other banking income		Equity reserves before taxation	
		+ Vol	- Vol	+ Vol	- Vol	+ Vol	- Vol
2022 effects							
Financial assets measured at fair value through profit or loss							
Equity instruments	40	12	(12)	12	(12)	-	-
Financial liabilities held for trading	(4)	(12)	12	(12)	12	-	-
Variability at 31 December 2022	**36**	**-**	**-**	**-**	**-**	**-**	**-**
2021 effects							
Financial assets measured at fair value through profit or loss							
Equity instruments	39	10	(10)	10	(10)	-	-
Financial liabilities held for trading	(3)	(9)	9	(9)	9	-	-
Variability at 31 December 2021	**36**	**1**	**(1)**	**1**	**(1)**	**-**	**-**

Notes on the related equity instruments (shares) are contained in Part B, Assets, Table 2.5.

The preference Visa Incorporated shares (Series C Convertible Participating Preferred Stock and Series A Preferred Stock) held in portfolio were sensitivity tested using similar Class A shares, after adjusting for the volatility of the shares traded on the NYSE. This volatility was mitigated by the partial forward sale of Visa Incorporated Series C ordinary shares in 2021. The shares' price risk is also monitored through the computation of VaR.

The VaR sensitivity analyses are shown below:

(€m)	2022	2021
Closing VaR	-	-
Average VaR	-	-
Minimum VaR	-	-
Maximum VaR	-	(1)

2.3 Foreign exchange risk

Qualitative information

A. Generalities, management policies and foreign exchange risk measurement methods

Foreign exchange risk relates to losses that could be incurred on foreign currency positions, regardless of portfolio, through fluctuations in foreign exchange rates. In BancoPosta RFC's case, this risk primarily derives from foreign currency bank accounts, foreign currency cash and VISA shares[286].

Foreign exchange risk is controlled by the Risk Management unit using the measurement of exposure to the risk in accordance with financial operations guidelines which restrict currency trading to the foreign exchange service and international bank transfers.

Foreign exchange risk is measured using the Bank of Italy prudential methodology currently recommended for banks (see EU Regulation 575/2013). Furthermore, sensitivity stress tests are regularly conducted for the most important exposures with reference to hypothetical levels of exchange rate volatility for each currency position. Movements in exchange rates equal to the historical volatility are assumed to emulate market fluctuations.

286. The exchange rate risk relating to VISA shares was mitigated through a forward sale transaction carried out during 2021.

B. Foreign exchange hedges

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items (€m)		Currency					
		US Dollar	Swiss Franc	GB Sterling	Japanese Yen	Tunisian Dinar	Other currencies
A.	**Financial assets**	**41**	**2**	**1**	**-**	**-**	**-**
	A.1 Debt securities	-	-	-	-	-	-
	A.2 Equity instruments	40	-	-	-	-	-
	A.3 Due from banks	1	2	1	-	-	-
	A.4 Due from customers	-	-	-	-	-	-
	A.5 Other financial assets	-	-	-	-	-	-
B.	**Other assets**	**17**	**4**	**2**	**-**	**-**	**-**
C.	**Financial liabilities**	**-**	**-**	**-**	**-**	**-**	**-**
	C.1 Due to banks	-	-	-	-	-	-
	C.2 Due to customers	-	-	-	-	-	-
	C.3 Debt securities	-	-	-	-	-	-
	C.4 Other financial liabilities	-	-	-	-	-	-
D.	**Other liabilities**	**-**	**1**	**-**	**-**	**-**	**-**
E.	**Financial derivatives**						
	- Options						
	+ Long positions	-	-	-	-	-	-
	+ Short positions	-	-	-	-	-	-
	- Other derivatives						
	+ Long positions	35	-	-	-	-	-
	+ Short positions	39	-	-	-	-	-
Total assets		**93**	**6**	**3**	**-**	**-**	**-**
Total liabilities		**39**	**1**	**-**	**-**	**-**	**-**
Net position (+/-)		**54**	**5**	**3**	**-**	**-**	**-**

"Other assets" relate to foreign currencies held in post offices for the foreign exchange service.

2. Internal models and other methods of sensitivity analysis

Application of the foreign exchange rate volatility during the period to the most important equity instruments held by BancoPosta are shown in the following table.

Foreign exchange risk - US dollar

	USD position ($000)	EUR position ($000)	Change in value		Net interest and other banking income		Equity reserves before taxation	
Analysis date (€m)			+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days	+ Vol 260 days	- Vol 260 days
2022 effects								
Financial assets measured at fair value through profit or loss								
Equity instruments	42	40	4	(4)	4	(4)	-	-
Liabilities held for trading	(4)	(4)	(4)	4	(4)	4	-	-
Variability at 31 December 2022	**38**	**36**	**-**	**-**	**-**	**-**	**-**	**-**
2021 effects								
Financial assets measured at fair value through profit or loss								
Equity instruments	44	39	2	(2)	2	(2)	-	-
Liabilities held for trading	(3)	(3)	(2)	2	(2)	2	-	-
Variability at 31 December 2021	**41**	**36**	**-**	**-**	**-**	**-**	**-**	**-**

Section 3 – Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: year-end notional amounts

Underlying assets/Types of derivative (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**35**	**-**	**-**	**-**	**35**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	35	-	-	-	35	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**35**	**-**	**-**	**-**	**35**	**-**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Types of derivative (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	(4)	-	-	-	(3)	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**(4)**	**-**	**-**	**-**	**(3)**	**-**	**-**

A.3 OTC trading financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets (€m)	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
2) Equity instruments and equity indexes				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
3) Currencies and gold				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
4) Commodities				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
5) Other				
- notional amount	x	-	-	-
- positive fair value	x	-	-	-
- negative fair value	x	-	-	-
Contracts falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and equity indexes				
- notional amount	-	35	-	-
- positive fair value	-	-	-	-
- negative fair value	-	(4)	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

Underlying assets/Residual life (€m)	1 year or less	1 - 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and equity indexes	35	-	-	35
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**35**	**-**	**-**	**35**
Total at 31.12.2021	**-**	**35**	**-**	**35**

3.2 Hedge accounting

BancoPosta RFC has fair value and cash flow hedge policies for which it elected, under IFRS 9, to maintain the accounting treatment provided for by IAS 39.

The reform of key interest rate benchmarks, called the "InterBank Offered Rate (IBOR) Reform", involved regulators in various jurisdictions around the world with the aim of replacing some interbank rates with risk-free alternative rates and preparing guidelines to update contract models.

Currently, the main benchmarks for the euro area are:

- the Euro Short Term Rate - ESTR (administered by the European Central Bank and published as of 2 October 2019) which replaced the Euro OverNight Index Average (EONIA - no longer listed as of 1 January 2022) redefining it as ESTR plus 8.5 bps;
- the EURIBOR (administered by the European Money Market Institute), whose reform process ended in November 2019.

BancoPosta RFC holds financial instruments indexed to the EURIBOR, which continues to be quoted daily, and the related cash flows continue to be exchanged with counterparties as usual. In relation to this parameter, there is therefore no uncertainty resulting from the IBOR reform on 31 December 2022. These instruments are subject to daily collateralisation remunerated to EONIA (from 2022 ESTR + 8.5 bps).

In particular, BancoPosta RFC hold interest rate swaps designated as fair value hedge that have the "EURIBOR-indexed variable "leg" with a notional amount of €31,936 million. With particular reference to almost all of these instruments, the cash flows at 31 December 2022 are discounted at the EONIA rate defined as ESTR plus 8.5 bps and not at the ESTR rate as defined in the contracts in place with the counterparties.

Qualitative information

A. Fair value hedges

BancoPosta RFC has a government bond portfolio – made up of fixed income BTPs and inflation-linked BTPs – subject to movements in fair value due to changes in interest rates and in the inflation rate.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into interest rate swaps Over the Counter (OTC) to hedge the fair value of the bonds held in portfolio. The objective of these transactions is to have instruments that can offset changes in fair value of the portfolio due to interest rate fluctuations and the rate of inflation.

In addition, BancoPosta RFC carry out transactions in repurchase agreements, on euro-government securities or with the guarantee of the Italian state for various purposes, including to invest in government bonds, to meet liquidity needs arising from the dynamics of funding on current accounts, and to actively manage the treasury position and guarantee deposits for collateralisation transactions. These transactions are mainly fixed-rate transactions and, therefore, are exposed to changes in fair value due to fluctuations in interest rates.

To limit the effects of interest rates on fair value, BancoPosta RFC enters into interest rate swaps Over the Counter (OTC) to hedge the fair value of the repos held in portfolio.

B. Cash flow hedges

BancoPosta RFC enters into:

- **forward purchases** of government bonds, to limit the exposure to interest rate risk deriving from the need to reinvest the cash generated by maturing bonds held in portfolio;
- **forward sales** of government bonds to pursue the stabilisation of returns.

These derivatives qualify as cash flow hedges of forecast transactions.

In addition, BancoPosta RFC has a portfolio of inflation-linked BTPs subject to cash flow variability in relation to inflation.

To limit the effects of interest rates on cash flows, BancoPosta RFC enters into OTC interest rate swaps to hedge the cash flows of the bonds held in portfolio. The objective of these transactions is to stabilise until maturity the return of the instrument, regardless of movements of the variable parameter.

C. Hedges of foreign operations

BancoPosta RFC does not have a policy for hedges of foreign operations.

D. Hedging instruments

Regarding fair value hedge instruments, the main source of ineffectiveness is the use of different spreads/fixed rates[287] in determining the fair value of the hypothetical derivative and the derivative actually entered into. In particular, to evaluate the effectiveness of the hedge relationship, for the hypothetical derivative use is made of the mid-market spread/fixed rate, which makes the present value at the settlement date equal to zero, and for the actual derivative the interest rate agreed upon with the counterparty.

As to cash flow hedge instruments, the main source of ineffectiveness is the use of the fixed income component used in determining the fair value of the hypothetical derivative and the actual derivative. In particular, to evaluate the effectiveness of the hedge relationship use is made, for the hypothetical derivative, the fixed rate that makes the present value at the settlement date equal to zero while for the actual derivative the calculation is performed with the interest rate agreed upon with the counterparty.

With respect to the hedges of forecast transactions, no source of ineffectiveness was identified, as the forward prices of the counterparties were assumed to be perfectly equal to the theoretical forward prices.

E. Hedged items

BancoPosta RFC designates as hedged items:

- fixed-rate and index-linked bonds and repos at fixed rate, in connection to the fair value hedge policy;
- inflation-linked bonds and forecast transactions, in connection with cash flow hedge policies.

In particular, in fair value hedges of Italian government bonds, the credit risk of the Italian Republic is not hedged and is set for the duration of the swap. In addition, full hedges and partial hedges are implemented, with the start date equal to the date of purchase of the instrument (swap spot start) and after the purchase of the instrument (swap forward start), respectively.

As regards fair value hedges of repos, total hedges are implemented, with an immediate start date.

Regarding fair value hedges, BancoPosta RFC evaluates the effectiveness of every hedging relationship in offsetting movements in fair value through a retrospective effectiveness test and a prospective effectiveness test[288], using the approaches illustrated in the following notes.

287. For Repos, hedging is performed by defining the variable-rate component simply indexed to EURIBOR and the fixed-rate component incorporating market conditions.
288. IAS 39 requires two effectiveness tests:
  - prospective effectiveness test: attests that the hedging relationship is expected to be highly effective in future periods;
  - retrospective effectiveness test: attests that the hedging relationship has been effective from inception to the reporting date.

  For a hedge to be effective, the prospective effectiveness test must show that the hedge is highly effective in offsetting fair value or cash flow movements attributable to the hedged instrument during the designation period, while the result of the retrospective test must show offset ratios ranging from 80% to 125%.
  A hedge can be ineffective when the hedging instrument and the hedged item: are in different currencies; have different maturities; use different underlying interest rates; are exposed to different counterparty risks; and when the derivative is not equal to zero at inception.

The retrospective effectiveness test is run by utilising the "dollar offset approach through the hypothetical derivative[289]". With this approach, consideration is given to the hedge ratio of the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have a settlement date consistent with the hedge inception (spot or forward start - solely for government bonds) and differ solely in their spread/fixed rate which is considered, as already indicated, the main source of ineffectiveness. The partial ineffectiveness of the hedge, equal to the difference between the changes in value of the two derivatives (hypothetical and actual) represents the net effect of the hedge recognised separately in profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the "Critical terms[290]" approach for swap spot start, for which it has been determined at inception that the characteristics of the fixed leg make it possible to replicate exactly the fixed cash flows generated by the hedged item;
- the "Dollar offset through the hypothetical derivative" approach for forward start swaps and swaps hedging repurchase agreements, for which the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[291]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Regarding cash flow hedges, BancoPosta RFC evaluates the effectiveness of the designated derivative in every hedging relationship through a retrospective effectiveness test and a prospective effectiveness test.

With regards to the hedges of forecast transactions, the retrospective effectiveness test involves the calculation of a hedge ratio defined as the ratio of the difference between the fair value of the forward transaction entered into with the counterparty on the test and inception date and the present value of the difference between the theoretical forward price of the BTP calculated as of the test and inception date. Assuming a perfect match between the forward prices of the counterparties and the theoretical forward prices, the hedge ratio is always equal to 100%. As such, there are no sources of ineffectiveness.

For the purposes of the prospective effectiveness test, the critical terms approach is applied, considering at inception the consistency between the hedging instrument and the hedged item on the basis of the qualitative characteristics of the contracts[292].

With respect to inflation-linked bonds, the retrospective effectiveness test considers the hedge ratio between the change in fair value of the actual derivative to the change in fair value of the hypothetical derivative occurred between the date of inception and the valuation date. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

The hypothetical derivative and the actual derivative have the settlement date that matches the inception of the hedge and differ in terms of their fixed income component. Moreover, for the derivatives used to hedge inflation-linked BTP, the fair value at the settlement date reflects also the interest accrued of the instrument accrued from the latest interest payment date to the date of settlement of the derivative. As such, both are considered the main sources of ineffectiveness.

The change in fair value of the actual derivative is recognised through equity, for the effective portion of the hedge, while the change in fair value of the ineffective portion is recognised through profit or loss.

For the purposes of the prospective effectiveness test, different approaches have been applied, depending on the characteristics of the hedging swap. Specifically:

- the "Critical terms" approach for derivatives for which it has been determined at inception that the characteristics of the indexed leg of the swap make it possible to replicate exactly the variable cash flows generated by the hedged item;

289. The dollar offset approach is a quantitative method that involves a comparison between movements in the fair value or cash flow of the hedging instrument and the movements in the fair value or cash flow of the hedged instrument attributable to the risk hedged. Depending on the policy selected, this approach can be used:
   - on a cumulative basis, by observing the performance of the hedge since inception;
   - on a periodic basis, by comparing the hedge performance with that of the last test.

   The dollar offset approach can be implemented through a hypothetical derivative, that is by constructing a theoretical derivative to compare the relevant theoretical movements in far value or cash flow with those of the hedged instrument (actual derivative).
290. The critical terms approach involves a comparison between the critical terms of the hedging instrument with those of the hedged item. The hedging relationship is highly effective when all the critical terms of the two instruments match perfectly and there are no features or options that might invalidate the hedge. Critical terms include, for example: notional amount of the derivative and principal of the underlying, credit risk, timing, currency of the cash flows.
291. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.
292. The notional amount of the forward contract must be set, at the settlement date, as equal to the nominal amount of the instrument in case of purchase, and equal or lower than the nominal amount of the instrument in case of sale. The underlying of the forward contract must coincide with the instrument that must be purchased or sold (in this case it must be an instrument in the portfolio) at the settlement date. The settlement date must be the same as the date on which the cash flow to be hedged is expected, in case of forward purchase, or must be related to the year in which the total return must be stabilised, in case of forward sale.

- the "Dollar offset through the hypothetical derivative" approach for derivative contracts with a fixed rate applicable to a nominal amount growing constantly at six-month intervals until the derivative expires. For these contracts the prospective effectiveness test is performed by calculating the hedge ratio between the change in fair value of the hypothetical derivative and the change in fair value of the actual derivative[293]. The hedge is considered effective if the hedge ratio falls in the interval between 80% and 125%.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: year-end notional amounts

Underlying assets/Types of derivative (€m)	Total at 31.12.2022				Total at 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**39,478**	**-**	**-**	**-**	**41,719**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	34,879	-	-	-	39,590	-	-
c) Forwards	-	4,599	-	-	-	2,129	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and equity indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**39,478**	**-**	**-**	**-**	**41,719**	**-**	**-**

293. Calculated by assuming a parallel shift of +/- 100 bps of the yield curves.

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

Types of derivatives (€m)	Positive and negative fair value								Change in value used to recognise ineffective portion of hedge	
	Total at 31.12.2022				Total at 31.12.2021				Total at 31.12.2022	Total at 31.12.2021
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	5,759	-	-	-	796	-	-	9,738	925
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	350	-	-	-	77	-	-	350	77
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**6,109**	**-**	**-**	**-**	**873**	**-**	**-**	**10,088**	**1,002**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	(875)	-	-	-	(5,461)	-	-	962	1,299
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	(96)	-	-	-	-	-	-	(96)	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**(971)**	**-**	**-**	**-**	**(5,461)**	**-**	**-**	**866**	**1,299**

A.3 OTC hedging financial derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying assets (€m)	Central counterparties	Banks	Other financial companies	Other entities
Contracts not falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and equity indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts falling within the scope of netting agreements				
1) Debt securities and interest rates				
- notional amount	-	30,132	9,346	-
- positive fair value	-	4,596	1,513	-
- negative fair value	-	(675)	(296)	-
2) Equity instruments and equity indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional amounts

Underlying assets/Residual life (€m)	1 year or less	1 -5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,739	4,096	30,643	39,478
A.2 Financial derivatives on equity instruments and equity indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**4,739**	**4,096**	**30,643**	**39,478**
Total at 31.12.2021	**5,185**	**215**	**36,319**	**41,719**

D. Hedged instruments

D.1 Fair value hedges

(€m)	Micro-hedges: carrying amount	Micro-hedges - net positions: balance sheet value of assets or liabilities (before netting)	Micro-hedges: Cumulative changes in fair value of hedged instrument	Micro-hedges: Termination of the hedge: residual cumulative changes in fair value	Micro-hedges: Change in value use to recognise ineffective portion of hedge	Micro-hedges: carrying amount
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging:						
1.1 Debt securities and interest rates	11,652	-	(2,840)	(738)	(5,721)	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	12,085	-	(2,714)	(570)	(5,398)	X
1.2 Equity instruments and equity indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total at 31.12.2022	**23,737**	**-**	**(5,554)**	**(1,308)**	**(11,119)**	**-**
Total at 31.12.2021	**43,711**	**-**	**4,362**	**-**	**(2,514)**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging:						
1.1 Debt securities and interest rates	(3,863)	-	141	-	141	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total at 31.12.2022	**(3,863)**	**-**	**141**	**-**	**141**	**-**
Total at 31.12.2021	**(2,960)**	**-**	**1**	**-**	**1**	**-**

D.2 Cash flow hedges and hedges of foreign investments

(€m)	Change in value use to recognise ineffective portion of hedge	Hedge reserve	Termination of hedge: residual value of hedge reserve
A. Cash flow hedges			
1. Assets			
1.1 Debt securities and interest rates	43	(181)	-
1.2 Equity instruments and equity indexes	-	-	-
1.3 Currencies and gold	-	-	-
1.4 Receivables	-	-	-
1.5 Other	-	-	-
2. Liabilities			
2.1 Debt securities and interest rates	-	-	-
2.2 Currencies and gold	-	-	-
2.3 Other	-	-	-
Total (A) at 31.12.2022	**43**	**(181)**	**-**
Total (A) at 31.12.2021	**217**	**(50)**	**-**
B. Hedges of foreign investments	**X**	**-**	**-**
Total (A+B) at 31.12.2022	**43**	**(181)**	**-**
Total (A+B) at 31.12.2021	**217**	**(50)**	**-**

E. Effects of hedging transactions through Equity

E.1 Reconciliation of equity components

(€m)	Cash flow hedge reserve					Hedge reserve of foreign investments				
	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other	Debt securities and interest rates	Equity instruments and equity indexes	Currencies and gold	Receivables	Other
Opening balance	**(50)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value (effective portion)	280	-	-	-	-	-	-	-	-	-
Reclassifications to profit or loss	(411)	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfers to initial carrying amount of hedged instruments	-	-	-	-	-	X	X	X	X	X
Closing balance	**(181)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3.3 Other information on trading and hedging derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

At 31 December 2022 Banco Posta RFC had no master netting or similar agreements in place that meet the requirements of IAS 32, paragraph 42, regarding offsetting financial assets and liabilities. At 31 December 2022, BancoPosta RFC had outstanding OTC derivatives transactions with Qualified Central Counterparty clearing through clearing brokers for a notional amount of €1 million.

Section 4 – Liquidity risk

Qualitative information

A. Generalities, management policies and liquidity risk measurement methods

Liquidity risk is the risk that an entity may have difficulties in raising sufficient funds, at market conditions, to meet its obligations deriving from financial instruments. Liquidity risk may derive from the inability to sell financial assets quickly at an amount close to fair value or the need to raise funds at off-market rates.

It is policy to minimise liquidity risk through:

- diversification of the various forms of short-term and long-term loans and counterparties;
- gradual and consistent distribution of the maturities of medium/long-term loans;
- use of dedicated analytical models to monitor the maturities of assets and liabilities;
- the availability of the interbank markets as a source of repurchase agreement finance, with collateral in the form of securities held in portfolio, due to the fact that such assets consist of financial instruments deemed to be highly liquid assets by current standards.

In order to mitigate liquidity and market risk in the event of extreme market scenarios, from 26 June 2020 BancoPosta RFC may access a three-year committed line of funding from Cassa Depositi e Prestiti for repurchase agreements of up to €4.25 billion.

In terms of BancoPosta RFC's operations, liquidity risk regards the deposits in current accounts and prepaid cards[294], in euro zone government bonds or guarantees by the Italian state or tax credits as well as the margins on derivative transactions. The potential risk derives from a mismatch between the maturities of investments in securities and in tax credits and those of liabilities, represented by current accounts where the funds are available on demand, thus compromising the ability to meet its obligations to current account holders. This potential mismatch between assets and liabilities is monitored via comparison of loan and deposit maturities, using the statistical model of the performance of current account deposits, in accordance with the various likely maturity schedules and assuming the progressive total withdrawal of deposits over a period of 20 years for retail customers, 10 years for business customers and Postepay cards and 5 years for Public Administration customers. BancoPosta RFC closely monitors the behaviour of deposits taken in order to assure the model's validity.

In addition to postal deposits, BancoPosta also funds itself through:

- long-term repos, amounting to an outstanding €7 billion;
- short-term deposits created through repurchase agreements as funding for incremental deposits used as collateral for interest rate swaps and Repos (collateral provided, respectively, under CSAs and GMRAs).

BancoPosta RFC's maturity mismatch approach entails an analysis of the mismatch between cash in and outflows for each time

294. Since 1 October 2018, prepaid cards are the responsibility of PostePay SpA. The liquidity collected through these cards is transferred to BancoPosta, which invests it in accordance with the investment constraints imposed on other deposits from private customers. As such, for the purposes of specific risk analyses, the rationales related to each model underlying the different types of deposit inflow continue to apply.

band of the maturity ladder.

BancoPosta RFC's cash is dynamically managed by treasury for the timely and continual monitoring of private customer postal current account cash flows and the efficient management of short-term cash shortfalls and excesses. In order to assure flexible investments in securities consistent with the dynamic nature of current accounts, BancoPosta RFC can also use the MEF buffer account within certain limits and subject to payment of a fee.

Details on the risk management model are contained in the note on financial risk at the beginning of this Part E.

The liquidity risk resulting from contract terms requiring the provision of additional collateral in the event of a downgrade of Poste Italiane SpA is negligible. Such contracts include those for margin lending of derivatives, which require the threshold amount[295] to be reduced to zero in the event that Poste Italiane SpA's rating is downgraded to below "BBB-". The threshold amounts relating to margin lending contracts included in repurchase agreements are equal to zero, meaning that these transactions are not subject to liquidity risk.

BancoPosta RFC's liquidity is assessed, in the form of stress tests, through risk indicators (the Liquidity Coverage Ratio and Net Stable Funding Ratio) defined by the Basel 3 prudential regulations. These indicators aim to assess whether or not the entity has sufficient high-quality liquid assets to overcome situations of acute stress lasting a month, and to verify that assets and liabilities have sustainable maturity profiles assuming a stress scenario lasting one year. Taking into account the capital structure of BancoPosta RFC characterised by the presence of a high amount of EU government securities and deposits mainly made up of retail deposits, these indicators are well above the limits imposed by prudential regulations.

Moreover, liquidity risk is monitored through the development of early warning indicators that, in addition to taking into account the level of deposit withdrawals under conditions of stress, aim to monitor funding outflows in line with the estimated performance of deposits at a 99% confidence level.

Quantitative information

1. Distribution of contractual time-to-maturity of financial assets and liabilities

The time distribution of assets and liabilities is shown below, as established for banks' financial statements (Bank of Italy Circular 262/2005 and subsequent updates), using accounting data reported for the residual contractual term to maturity.

Management data, such as the modelling of demand deposits and the reporting of cash and cash equivalents taking account of their degree of liquidity, has, consequently, not been used.

295. The threshold amount is the amount of collateral that is not required to be provided under the contract; it therefore represents the residual counterparty risk to be borne by a counterparty.

Currency: Euro

Items/Time-to-maturity (€m)		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 years	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**17,009**	**6,738**	**87**	**90**	**1,757**	**2,229**	**3,625**	**15,143**	**54,633**	**-**
A.1	Government bonds	-	-	-	90	1,527	712	3,593	9,376	49,160	-
A.2	Other debt securities	-	-	-	-	22	11	32	500	2,500	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	17,009	6,738	87	-	208	1,506	-	5,267	2,973	-
	- Banks	1,917	1,468	-	-	-	-	-	-	-	-
	- Customers	15,092	5,270	87	-	208	1,506	-	5,267	2,973	-
B.	**On-balance sheet liabilities**	**83,995**	**7,731**	**129**	**844**	**1,607**	**882**	**-**	**7,153**	**-**	**-**
B.1	Deposits and current accounts	78,287	-	-	-	-	-	-	-	-	-
	- Banks	520	-	-	-	-	-	-	-	-	-
	- Customers	77,767	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	5,708	7,731	129	844	1,607	882	-	7,153	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	954	436	-	-	920	2,513	-
	- Short positions	-	-	-	882	1,046	565	716	-	1,099	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	3	218	65	504	-	-	-
	- Short positions	-	-	-	-	230	26	415	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	2,210	50	-	-	-	-	-	-	-
	- Short positions	-	2,260	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

Currency: US dollar

Items/Time-to-maturity (€m)		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 years	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

Currency: Swiss franc

Items/Time-to-maturity (€m)		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 years	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	2	-	-	-	-	-	-	-	-	-
	- Banks	2	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of contractual time-to-maturity of financial assets and liabilities

Currency: Other currencies

Items/Time-to-maturity (€m)		Demand	1 - 7 days	7 - 15 days	15 days - 1 month	1 - 3 months	3 - 6 months	6 months - 1 years	1 - 5 years	Over 5 years	Unspecified maturity
A.	**On-balance sheet assets**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	Government bonds	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIs	-	-	-	-	-	-	-	-	-	-
A.4	Due from	1	-	-	-	-	-	-	-	-	-
	- Banks	1	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.	**On-balance sheet liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
	- Banks	-	-	-	-	-	-	-	-	-	-
	- Customers	-	-	-	-	-	-	-	-	-	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
C.	**Off-balance sheet transactions**										
C.1	Financial derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of principal										
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

Section 5 – Operational risks

Qualitative information

A. Generalities, management policies and operational risk measurement methods

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This category of risk includes losses resulting from fraud, human error, business disruption, systems failures, breach of contracts and natural disasters. Operational risk includes legal risk, but not strategic and reputational risks.

To protect against this form of risk, BancoPosta RFC has formalised a methodological and organisational framework to identify, measure and manage the operational risk related to its products/processes.

The framework, which is based on an integrated (qualitative and quantitative) measurement model, makes it possible to monitor and manage risk on an increasingly informed basis.

In 2022, activities continued to refine the operational risk management framework, with the aim of making the process of recording operational losses, monitoring and reporting more efficient and mitigating such risks by cross-functional working groups. Support has also been provided to the specialist units and the owner of the process of analysing and assessing IT risk, in keeping with the approach adopted in 2021, and the monitoring of IT risk recovery plans continued.

The activities carried out in 2022 also included assessments of the risk profile related to the assignment and outsourcing of BancoPosta RFC, the definition of the model for monitoring outsourcing risk, and *ex-ante* assessments of the risk profile related to the innovation of BancoPosta's offering and/or specific project initiatives.

Quantitative information

At 31 December 2022, the risk map prepared in accordance with the aforementioned framework shows the type of operational risks BancoPosta RFC's products are exposed to. In particular:

Operational risk

Event type	Number of types
Internal fraud	29
External fraud	40
Employee practices and workplace safety	7
Customers, products and business practices	36
Damage to material property	4
Business disruption and system failure	8
Execution, delivery and process management	98
Total at 31 December 2022	**222**

For each type of mapped risk, the related sources of risk (internal losses, external losses, scenario analysis and risk indicators) have been recorded and classified in order to construct complete inputs for the integrated measurement model.

Systematic measurement of the mapped risks has enabled the prioritization of mitigation initiatives and the attribution of responsibilities in order to contain any future impact.

Part F – Information on Equity

Section 1 – BancoPosta RFC's Equity

A. Qualitative information

The prudential regulations applicable to banks and investment firms from 1 January 2014 are contained in Bank of Italy Circular 285/2013 and subsequent updates, the purpose of which was to implement EU Regulation 575/2013 (the so-called Capital Requirements Regulation, or "CRR") and Directive 2013/36/EU (the so-called Capital Requirements Directive, or "CRD IV"), containing the reforms required in order to introduce the "Basel 3" regulations. In the third revision of the above Circular, the Bank of Italy has extended the prudential requirements applicable to banks to BancoPosta, taking into account the specific nature of the entity. As a result, BancoPosta RFC is required to comply with Pillar 1 capital requirements (credit, counterparty, market and operational risks) and those regarding Pillar 2 internal capital adequacy (Pillar 1 and interest rate risks), for the purposes of the ICAAP process. The relevant definition of capital in both cases is provided by the above supervisory standards[296].

In view of the extension of prudential standards to BancoPosta, BancoPosta RFC is now required to establish a system of internal controls in line with the provisions of Bank of Italy Circular 285/2013, which, among other things, requires the definition of a Risk Appetite Framework (RAF) and the containment of risks within the limits set by the RAF[297]. Compliance with the objective, threshold and limit system established by the RAF influences decisions regarding profit distributions as part of capital management.

296. Capital for regulatory purposes takes into account the provisions of the:
- "Regulation (EU) no. 2017/2395 amending Regulation (EU) no. 575/2013 as regards transitional arrangements to mitigate the impact of the introduction of IFRS 9 on own funds". BancoPosta RFC elected, under the applicable Regulation, to adopt a phase-in approach for the recognition of the effects of adjustments for expected losses over a transitory five-year period, mitigating the impact on CET1 with the application of decreasing percentages over time;
- "Regulation (EU) no. 2020/873 of the European Parliament and of the Council of 24/06/2020 amending Regulations (EU) no. 575/2013 and (EU) no. 2019/876 as regards certain adjustments in response to the Covid-19 pandemic" (so-called "Quick Fix"). BancoPosta RFC made use of the possibility, recognised by this legislation, to adopt the new percentages for the transitional period from 31 December 2020 to 31 December 2024.

297. A definition of the RAF is provided in the "Introduction" to Part E.

B. Quantitative information

B.1 Company equity: breakdown

Items/Amounts (€m)	Amount at 31.12.2022	Amount at 31.12.2021
1. Share capital	-	-
2. Share premium reserve	-	-
3. Reserves	2,585	2,397
- profit	1,373	1,186
a) legal	-	-
b) required by articles of association	-	-
c) treasury shares	-	-
d) other	1,373	1,186
- other	1,212	1,211
4. Equity instruments	350	350
5. (Treasury shares)	-	-
6. Valuation reserves	(2,223)	1,118
- Equity instruments measured at fair value through other comprehensive income	-	-
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(2,092)	1,156
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flows edges	(129)	(36)
- Hedges (elements not designated)	-	-
- Translation differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains/(losses) on defined benefit plans	(2)	(2)
- Share of valuation reserves relating to equity accounted investments	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	602	508
Total	**1,314**	**4,373**

"Reserves, other" consists of: i) the specific equity reserve of €1 billion, of which the initial reserve provided to BancoPosta RFC on its creation, through the attribution of BancoPosta RFC's retained earnings and increased by the €210 million contribution, resolved by the Extraordinary Shareholders' Meeting of 29 May 2018, through the allocation of BancoPosta RFC's available reserves; ii) profit reserve of €2 million for incentive plans, described in Part I.

"Equity instruments" include the capital contribution completed on 30 June 2021, through the granting of a perpetual subordinated loan, under terms and conditions that allow it to be counted as Additional Tier 1 capital ("AT 1").

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts (€m)	Total at 31.12.2022		Total at 31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	236	(2,328)	1,506	(344)
2. Equity instruments	-	-	-	-
3. Loans	-	-	-	-
Total	**236**	**(2,328)**	**1,506**	**(344)**

B.3 Valuations reserves for financial assets measured at fair value through other comprehensive income: annual changes

(€m)	Debt securities	Equity instruments	Borrowings
1. Opening balance	**1,162**	**-**	**-**
2. Increases	**17**	**-**	**-**
2.1 Increases in fair value	7	-	-
2.2 Impairment losses due to credit risk	5	x	-
2.3 Reclassification to profit or loss of negative reserve for realised losses	5	x	-
2.4 Transfers to other equity (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**(3,271)**	**-**	**-**
3.1 Decreases in fair value	(3,157)	-	-
3.2 Recoveries due to credit risk	(1)	-	-
3.3 Reclassification to profit or loss of positive reserve for realised gains	(113)	x	-
3.4 Transfers to other equity (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**(2,092)**	**-**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

(€m)	Total at 31.12.2022	Total at 31.12.2021
Opening actuarial gains/(losses)	**(2)**	**(2)**
Actuarial gains/(losses)	-	-
Taxation of actuarial gains/(losses)	-	-
Closing actuarial gains/(losses)	**(2)**	**(2)**

Section 2 – Own funds and capital ratios

BancoPosta RFC's own funds are all Common Equity Tier 1 (CET 1 and AT1) and consist of:

Common Equity Tier 1 ("CET 1") is composed of:

- other reserves, being revenue reserves, amounting to €1 billion originating from the creation of the ring-fence, and any further amounts attributed by Poste Italiane SpA that meet the requirements for inclusion in own funds[298];
- undistributed earnings, being BancoPosta RFC's profits appropriated on approval of Poste Italiane SpA's financial statements.

Additional Tier 1 ("AT 1") includes the capital injection of €350 million finalised on 30 June 2021.

At 31 December 2022, own funds amounted to €2,968 million and €24 million derived from the application of the transitional mitigation provisions of IFRS 9 on Financial Assets measured at amortised cost[299].

Based on prudential standards, BancoPosta is required to comply with the following minimum capital ratios:

- Common Equity Tier 1 ratio (the ratio of CET1 to total risk weighted assets - RWAs): equal to 7.0% (4.5% being the minimum requirement and 2.5% being the capital conservation buffer);
- Tier 1 ratio (the ratio of Tier 1 to total risk weighted assets - RWAs): equal to 8.5% (6.0% being the minimum requirement and 2.5% being the capital conservation buffer);
- Total capital ratio (the ratio of total own funds to total risk weighted assets - RWA[300]), equal to 10.5% (8% being the minimum requirement and 2.5% being the capital conservation buffer).

Following the Supervisory Review and Evaluation Process (SREP), on 20 May 2022 the Bank of Italy communicated to BancoPosta RFC the decision on the amount of capital BancoPosta must hold, in addition to the regulatory minimum, to cover its overall risk exposure. The new limits (Overall Capital Requirement (OCR) ratios) required by the Supervisory Authority are as follows:

- CET 1 ratio: 7.80%, comprising a binding measure of 5.30% (of which 4.50% against the minimum regulatory requirements and 0.80% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component;
- Tier 1 ratio: 9.55%, comprising a binding measure of 7.05% (of which 6.00% against the minimum regulatory requirements and 1.05% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component;
- Total Capital ratio: 11.95%, comprising a binding measure of 9.45% (of which 8% against the minimum regulatory requirements and 1.45% against the additional requirements determined on the basis of the SREP results) and, for the remainder, the capital conservation buffer component.

Moreover, in order to ensure compliance with the binding measures outlined above and to ensure that BancoPosta's own funds can absorb any losses arising from stress scenarios, taking into account the results of stress tests performed by BancoPosta RFC under ICAAP, the Bank of Italy has identified the following capital levels that BancoPosta is required to maintain:

- CET 1 ratio: 8.55%, consisting of an OCR CET1 ratio of 7.80% and a Target Component (Pillar 2 Guidance, P2G), against a higher risk exposure under stress conditions, of 0.75%;
- Tier 1 ratio: 10.30%, consisting of an OCR T1 ratio of 9.55% and a Target Component of 0.75%, against a higher risk exposure under stress conditions;
- Total Capital ratio: 12.70%, consisting of an OCR TC ratio of 11.95% and a Target Component of 0.75%, against a higher risk exposure under stress conditions.

At 31 December 2022 BancoPosta RFC complies with the requirements of the prudential regulations in force, with a Tier 1 ratio and a Total Capital ratio of 23.1% and a CET1 ratio of 20.3%, which are also in line with the additional requirements provided for by the aforementioned procedure.

For more details, reference is made, as provided for by Circular no 262 of the Bank of Italy, to the information on own funds and capital adequacy contained in the public disclosure ("Pillar 3").

298. Contributions from non-controlling shareholders to BancoPosta RFC are excluded, as they are not provided for in the special regulations governing the ring-fence.
299. Of which €15 million related to the period from 2020 to 2022 and calculated in accordance with Regulation (EU) no. 2020/873 (so-called "Quick fix" CRR).
300. Risk weighted assets, or RWAs, are calculated by applying a risk weighting to the assets exposed to credit, counterparty, market and operational risks.

Part G – Business combinations

No business combinations took place either during or subsequent to the period under review.

Part H – Related party transactions

1. Payments to key management personnel

Key management personnel consist of Directors and first-line managers of Poste Italiane SpA, whose compensation before social security and welfare charges and contributions are disclosed in section 6.5 - Related parties - of this section - Poste Italiane SpA's financial statements - of the Annual Financial Report and are reflected in BancoPosta RFC as part of the expenses for services provided by functions outside the ring-fence (see Part C, Table 10.5), and defined by the specific operating guidelines (Part A, paragraph A.1, Section 4).

2. Related party transactions

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

Impact of related party transactions on the financial position at 31 December 2022

Name (€m)	Total at 31.12.2022						
	Financial assets	Due from banks and customers	Hedging derivative assets and liabilities	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	349	-	44	-	227	36
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	19	-	-	-	7	3
Consorzio PosteMotori	-	3	-	-	-	3	-
Consorzio Servizi Telef. Mobile ScpA	-	-	-	-	-	1	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	3	-
Poste Vita SpA	-	280	-	-	-	179	17
Postel SpA	-	-	-	-	-	-	-
PostePay SpA	-	141	-	83	-	9,404	102
SDA Express Courier SpA	-	-	-	-	-	5	-
sennder Italia Srl	-	-	-	-	-	20	-
Milkman Deliveries SpA	-	-	-	-	-	7	-
Indirect subsidiaries							
Kipoint SpA	-	-	-	-	-	1	-
LIS Pay S.p.A.	-	-	-	-	-	23	-
Poste Assicura SpA	-	7	-	-	-	12	-
Poste Insurance Broker	-	-	-	-	-	3	-
Associates							
Financit SpA	-	3	-	-	-	-	-
Related parties external to the Group							
MEF	-	14,158	-	-	-	4,169	-
Cassa Depositi e Prestiti Group	2,865	21	-	-	-	-	-
Monte dei Paschi Group	-	73	203	-	-	396	-
Other related parties external to the Group	-	-	-	-	-	-	1
Provision for doubtful debts due from external related parties	(1)	(5)	-	-	-	-	-
Total	**2,864**	**15,049**	**203**	**127**	**-**	**14,461**	**159**

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

Name (€m)	Total at 31.12.2021						
	Financial assets	Due from banks and customers	Hedging derivative assets and liabilities	Other assets	Financial liabilities	Due to banks and customers	Other liabilities
Poste Italiane SpA	-	179	-	75	-	172	4
Direct subsidiaries							
BancoPosta Fondi SpA SGR	-	21	-	-	-	6	3
Consorzio PosteMotori	-	11	-	-	-	18	-
EGI SpA	-	-	-	-	-	1	-
PatentiViaPoste ScpA	-	-	-	-	-	12	-
Poste Vita SpA	-	224	-	-	-	544	5
Postel SpA	-	-	-	-	-	1	-
PostePay SpA	-	72	-	78	-	8,284	122
SDA Express Courier SpA	-	-	-	-	-	4	-
Indirect subsidiaries							
Kipoint SpA	-	-	-	-	-	1	-
Poste Assicura SpA	-	7	-	-	-	11	-
Poste Insurance Broker	-	-	-	-	-	1	-
Associates							
Financit SpA	-	20	-	-	-	-	-
Related parties external to the Group							
MEF	-	14,755	-	-	-	3,441	-
Cassa Depositi e Prestiti Group	3,216	387	-	-	-	-	-
Monte dei Paschi Group	-	137	(117)	-	-	199	-
Other related parties external to the Group	-	-	-	-	-	-	-
Provision for doubtful debts due from external related parties	(1)	(5)	-	-	-	-	-
Total	**3,215**	**15,808**	**(117)**	**153**	**-**	**12,695**	**134**

Impact of related party transactions on profit or loss for the year ended at 31 December 2022

Name (€m)	FY 2022							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net impairment (losses)/ recoveries on impairment	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	1	(1)	-	-	-	-	(4,551)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	71	(13)	-	-	-	-
Consorzio PosteMotori	-	-	4	-	-	-	-	-
Poste Vita SpA	-	(3)	521	-	-	-	-	-
PostePay SpA	-	(26)	252	(200)	-	-	-	1
Indirect subsidiaries								
Poste Assicura SpA	-	-	50	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	-	-	-
Associates								
Financit SpA	-	-	40	-	-	-	-	-
Related parties external to the Group								
MEF	323	(4)	61	-	-	(1)	-	-
Cassa Depositi e Prestiti Group	65	-	1,600	(1)	-	-	-	-
Enel Group	-	-	1	-	-	-	-	-
Eni Group	-	-	1	-	-	-	-	-
Monte dei Paschi Group	(1)	(1)	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(3)	-
Total	**388**	**(35)**	**2,602**	**(214)**	**-**	**(1)**	**(4,554)**	**1**

Impact of related party transactions on profit or loss for the year ended at 31 December 2021

Name (€m)	FY 2021							
	Interest and similar income	Interest expense and similar charges	Fee income	Fee expenses	Dividends and similar income	Net impairment (losses)/ recoveries on impairment	Administrative expenses	Other operating income/ (expense)
Poste Italiane SpA	1	-	-	-	-	-	(4,379)	-
Direct subsidiaries								
BancoPosta Fondi SpA SGR	-	-	74	(14)	-	-	-	-
Consorzio PosteMotori	-	-	38	-	-	-	-	-
Poste Vita SpA	1	-	477	-	-	-	-	-
PostePay SpA	1	(30)	214	(250)	-	-	-	2
Indirect subsidiaries								
Poste Assicura SpA	-	-	43	-	-	-	-	-
Poste Insurance Broker	-	-	1	-	-	-	-	-
Associates								
Financit SpA	-	-	16	-	-	-	-	-
Related parties external to the Group								
MEF	28	(9)	62	-	-	1	-	-
Cassa Depositi e Prestiti Group	65	-	1,753	(1)	-	-	-	-
Enel Group	-	-	5	-	-	-	-	-
Eni Group	-	-	2	-	-	-	-	-
Monte dei Paschi Group	2	-	-	-	-	-	-	-
Other related parties external to the Group	-	-	-	-	-	-	(2)	-
Total	**98**	**(39)**	**2,685**	**(265)**	**-**	**1**	**(4,381)**	**2**

Part I – Share-based payment arrangements

A. Qualitative information

1. Description of share-based payment arrangements

Long-term incentive scheme: performance share plan

The Shareholders' Meeting of Poste Italiane SpA, held on 28 May 2019 approved the information circular for the "Equity-based incentive plans – Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the first Cycle 2019-2021 and the second cycle 2020-2022.

The Shareholders' Meeting of Poste Italiane SpA, held on 28 May 2021 approved the information circular for the "Equity-based incentive plans – 2021-2023 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2021-2023.

The Shareholders' Meeting of Poste Italiane SpA held on 27 May 2022 approved the information circular for the "Equity-based incentive plans – 2022-2024 Performance Share LTIP", prepared in accordance with art 84-*bis* of Regulations for Issuers with reference to the performance period 2022-2024.

These incentive systems, constructed in line with market practices, aim to strengthen the link between the variable component of remuneration and the Group's medium to long-term strategy, in line with the budget and the goals in the Strategic Plan, over a multi-year period.

Description of the Plans

The "Performance Share LTIPs", as described in the relevant Information Circulars, provide for the assignment of Rights to the Poste Italiane's ordinary Shares. The number of Rights to be granted to Beneficiaries is subject to the achievement of Performance Targets over a three-year period, following confirmation of achievement of the Hurdle and Qualifying Conditions. Plans are developed over a three-year time horizon and shares are awarded if performance targets are achieved or after a retention period. The key characteristics of the Plans are described below.

Beneficiaries

The beneficiaries of the Plan are some BancoPosta RFC resources.

Plans' terms and conditions

The Performance Targets, common to all Beneficiaries, to which the vesting of the Rights and, therefore, the allocation of the Shares is conditioned, for the first award cycle are highlighted below:

- a profitability indicator identified in the Group's three-year cumulative EBIT used to recognise the continuity and sustainability of profitability results over the long term;
- an indicator of shareholder value creation, based on the relative Total Shareholder Return, used to measure performance based on the value created for Poste Italiane's shareholders compared with the FTSE MIB index[301].

For the 2021-2023 and 2022-2024 Performance Share LTIPs, the following KPIs are added to the two targets indicated above for the ESG component:

- 2021-2023 Performance Share LTIP: sustainable finance, target linked to the inclusion of an ESG component in Poste Vita investment products by 2023. In particular, the indicator is calculated by comparing the number of products offered with ESG components to the total number of products offered;
- 2022-2024 Performance Share LTIP: equal gender representation in succession plans, an objective linked to strengthening the presence of women in managerial succession plans, to help increase the presence of women in positions of greater responsibility in the Poste Italiane Group. Specifically, the indicator is calculated by comparing the number of succession applications occupied by women to the total number of applications.

Vesting of the Rights and the therefore the awarding of the Shares is subject to achievement of the Performance Hurdle, designed to ensure sustainability of the Plan at Group level. The Performance Hurdle corresponds with achievement of a certain target for the Group's cumulative EBIT over a three-year period at the end of each Performance Period. In addition, vesting of the phantom stocks is also subject to achievement of Qualifying Conditions, designed to ensure the stability of BancoPosta RFC's capital and liquidity position, as follows:

- Indicator of capital adequacy, (CET 1) at the end of the period;
- Indicator of short-term liquidity, (LCR) at the end of the period;
- RORAC risk-adjusted earnings at the end of the period.

The Shares will be awarded by the end of the year following the end of the Performance Period as follows:

- 40% up-front;
- the remaining 60% in two portions, with deferral periods of 2 and 4 years, respectively.

A further Retention Period of one year will be applied to both the up-front and deferred portions.

For BP Beneficiaries (including the General Manager) in relation to the 2021-2023 and 2022-2024 Performance Share LTIPs, the following disbursement method is envisaged: 40% upfront and 60% in five deferred annual instalments over a five-year period (the first three equal to 10% of the total rights accrued and the next two equal to 15% of the total rights accrued). A further Retention Period of one year will be applied to both the up-front and deferred portions.

The allocation of deferred Shares will take place following the verification of the continued existence of BancoPosta RFC's levels of capital adequacy, short-term liquidity and risk-adjusted profitability.

For more details on the operating mechanisms of the incentive plans, please refer to the Information Circular and/or the Report on the Remuneration Policy, in force from time to time, approved by the Shareholders' Meeting.

Determination of fair value and effects on profit or loss

The valuations were carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan. The unit fair value of each Right at the valuation date is equal to its nominal value at the grant date (determined on the basis of stock market prices), discounted by the expected dividend rate and the risk-free interest rate and updated taking into account the best estimate of service conditions and performance (non-market based performance conditions).

301. The objective linked to the "relative Total Shareholder Return" (rTSR) includes a "negative threshold" provision: if Poste Italiane's TSR is negative, despite being higher than the TSR registered by the index, the number of vested Rights (linked to rTSR) is reduced to the minimum threshold of 50%.

LTIP Plans	Number of beneficiaries	Units (No. of phantom shares / Rights to receive shares)		Fair value at grant date		Exercise Cost	IFRS 2 Reserve / Liabilities	Payments / Delivery value of treasury shares
		Number of units	Of which under retention period	BP beneficiaries				
				Grant date	Fair Value			
Phantom Stock 18-20 LTIP						(0.1)	-	(0.6)
Performance Share 19-21 LTIP	8	56,120	ca. 22,450	07/10/2019	8.29€	-	0.4	-
Performance Share 20-22 LTIP	10	61,663	-	12/11/2020	3.91€	0.1	0.3	-
Performance Share 21-23 LTIP	10	78,001	-	28/05/2021	8.23€	0.2	0.4	-
Performance Share 22-24 LTIP	12	62,436	-	27/05/2022	4.50€	0.1	0.1	-
Total						**0.4**	**1.2**	**(0.6)**

Short-term incentive schemes: MBO

On 27 May 2014, the Bank of Italy issued specific Supervisory Provisions for BancoPosta (Part IV, Chapter I, "BancoPosta" including in Circular 285 of 17 December 2013 "Prudential supervisory standards for banks") which, in taking into account BancoPosta's specific organisational and operational aspects, has extended application of the prudential standards for banks to include BancoPosta. This includes the standards relating to remuneration and incentive policies (Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices" in the above Circular 285). These standards provide that a part of the bonuses paid to BancoPosta RFC's Risk Takers may be awarded in the form of financial instruments over a multi-year timeframe.

With regard to the management incentive schemes adopted for BancoPosta RFC MBO for 2017 and 2018, where the incentive is above a certain materiality threshold, the MBO management incentive scheme envisages the award of 50% of the incentive in the form of phantom stocks, representing the value of Poste Italiane's shares, and application of the following deferral mechanisms:

- 60% of the award to be deferred for a 5-year period on a pro-rata basis, in the case of Material Risk Takers who are beneficiaries of both the short-term incentive scheme and long-term incentive scheme, "Phantom Stock LTIP";
- 40% of the award to be deferred for a 3-year period on a pro-rata basis for the remaining Material Risk Takers.

The most recent short-term management incentive schemes (MBO 2019, MBO 2020, MBO 2021 and MBO 2022), provide, where the incentive exceeds a materiality threshold, for the payment of a portion of the bonus accrued in the form of Poste Italiane SpA's Shares and the application of deferral mechanisms:

- 60% of the incentive over 5 years pro-rata for the head of the BancoPosta function;
- 40% over 5 years pro-rata for the Senior Management Beneficiaries;
- 40% over 3 years pro-rata[302] for the Other Beneficiaries.

The allocation of Phantom Stocks (MBO 2017 and 2018) and Rights to receive Shares (MBO 2019, MBO 2020, MBO 2021 and MBO 2022) is subject to the existence of a Performance Hurdle (Group Profitability EBIT) and Qualifying Conditions as follows:

- Capital adequacy: CET 1, risk tolerance level approved in the Risk Appetite Framework (RAF);
- Short-term liquidity: LCR, risk tolerance level approved in the Risk Appetite Framework (RAF).

Shares allocated in the form of Phantom Stock or Shares are subject to a Retention Period for both up-front and deferred shares.

Payment of the deferred portion will take place each year, provided that BancoPosta RFC's minimum regulatory capital and liquidity requirements have been met. The effects on profit or loss and on equity are recognised in the period in which the instruments vest.

302. For the MBO 2021 and MBO 2022 only, the pro-rata years are 4, although for the fourth year only a cash payment is provided.

Determination of fair value and effects on profit or loss

The valuation was carried out using an internal pricing tool that adopts simulation models consistent with the requirements of the reference accounting standards and takes into account the specific characteristics of the Plan.

Incentive plans	Units (No. of phantom shares / Rights to receive shares)	Exercise Cost	IFRS 2 Reserve / Liabilities	Payments / Delivery value of treasury shares
MBO BP 17-18	20,967	(0.1)	0.2	(0.2)
MBO BP 19-20-21-22*	112,850	0.4	0.8	(0.1)
Total		**0.3**	**1.0**	**(0.3)**

* Mbo bp 22 estimated on the basis of the best available information, pending the actual finalisation of the system, in order to capture the cost of the service received.

Part L – Operating segments

The economic flows and performance of the operations are reported internally on a regular basis to executives without identifying segments. BancoPosta RFC's results are consequently evaluated by senior management as one business division.

Furthermore, in accordance with IFRS 8.4, when separate and consolidated financial statements are combined segment information is only required for the consolidated statements.

Part M – Information on leases

During the reporting period, BancoPosta RFC did not carry out any transactions in accordance with IFRS 16 relating to Leases.

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SIONE
APERTURA
Cortesia
ASCOLTO