Press Release

GENERALFINANCE: FINANCIAL RESULTS AS AT 30 SETPEMBER 2019

POSITIVE ECONOMIC PERFORMANCE

- Total income at 9.7 milioni di Euro, + 20.3 % compared to the prior year
- Net income for the period at 3.2 million, + 45% y/y
- *Cost / income ratio* at 47.4%, compared to 51.7%% for the prior year
- Annualized ROE about 22%, which attests the high profitability of the *business model*

GROWTH OF THE CORE BUSINESS IN THE MARKET OF THE "DISTRESSED FINANCING"

- Turnover at 406.4 million Euro, + 22.5% compared to the prior year
- More than 80% of the factoring loans covered by insurance guarantees, through the historic strategic partnership with Euler Hermes, leader in the credit insurance market
- Granted loans at 302.8 million, +25.8% y/y
- Number of debtor clients at around 7,200, +22% y/y, with positive effects on the risk profile and on the diversification of the loan book

LOW RISK PROFILE AND HIGH-LEVEL ASSET QUALITY

- Net Non Performing Exposure at 0.6%[1], one of the lowest among the italian financial sector
- Texas Ratio at 8.4%[2], as a result of the high-level asset quality of the loan book and the strong capitalization of the company
- Low risk profile: *cost of risk*[3] in the nine months around 5 *basis points*, which attests a prudent approach and a robust credit process, aimed at a rigorous selection of the opportunities and at a strong control of the credit risk

ROBUST CAPITAL POSITION

- CET1 Ratio "proforma"[4] at 14.1%, against a regulatory minimum level at 4.5%
- "Capital Buffer" at 9.6 percentage points, supporting a further growth of the business in the next years, in line with the Industrial Plan, with a 2021 target of 1.2 billion of turnover and a net profit for the year of more than 13 million

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[1] *Taking into account the insurance guarantee.*
[2] *Net NPE divided by tangible book value.*
[3] *Loan loss provisions divided by turnover.*
[4] *CET1 Ratio proforma: taking into account the net profit for the year, net of the estimated dividends on the basis of a payout ratio of 50%, according to the dividend policy of the company.*

Milan, 18 october 2019. The Board of Directors of Generalfinance approved yesterday the results at 30 September 2019 – prepared according to the international accounting standards IAS/IFRS – with a net profit for the year at 3.2 million Euro, with a significant growth (+45%) compared to the prior year.
"The results achieved in the first nine months of 2019 show a strong ability of Generalfinance to grow in its core business, represented by the financing, through the factoring, of the small and medium-sized distressed companies" – commented **Massimo Gianolli,** CEO of Generalfinance. *"We grow by about 22% in terms of turnover and generate a net profit over three million, in line with the Industrial Plan, with a return on capital (ROE) at 22%. These positive results allow us to look with optimism at the coming years; our execution capacity highlighted in 2019 is a good way to reach the target of 1.2 billion turnover set for 2021, with more than 13 million earnings. We also confirm a capital strength profile, with more than 14% of CET1 Ratio pro forma, confirming the financial sustainability of our business model."*

Operating results

Interest income was 2.5 million Euro, with an increase of 13.2% compared to 2018, including the impact of the first time adoption of the IFRS 16 accounting principle from 1/1/2019.
Net commissions amounted to 7.2 million, up from 5.9 million euros in 2018. The dynamics of these two items are affected by the particularly positive development of the turnover (+22.5% y/y), reflecting the commercial and operational performance during the year.
Total income was 9.7 million, +20.3% y/y, while operating costs of 4.6 million increased by 10.2%, which is less than proportional to the revenue trend, highlighting Generalfinance's ability to control the administrative costs in a “double digit” groth trend.
Taking into account the very low cost of risk (net impairments of 0.2 million and a cost of risk – calculated as the ratio of loan loss receivables to turnover for the period – equal to 5 basis points) and taxes estimated at 1,7 million,the net result for the period stands at 3.2 million Euro compared to 2.2 million Euro in 2018.

Key balance sheet items and asset quality

Net loans to customers stood at 95.7 million, up 6.3% compared to 31/12/18, as a result of the customer-focused business, which resulted in an increase in the disbursements, compared to 2018, of 25.8%. The advance rate (from 73% in 2018 to about 75% in 2019) and the credit average days (up from 72 in 2018 to 79 in 2019) is also increasing.

Within the item, the net non-performing loans totaled 1.5 million, with a net NPE ratio of approximately[5] 0.6%. Non-performing loans were covered at 61.0%.[6]
In detail, the coverage of the individual categories of non-performing loans came in as follows:

- Bad loans at 74.8%;
- Unlikey to pay at 19.3%;
- Past due at 0.4%.

The gross NPE ratio is 2.4%, significantly below the industry average and in line with 2.2% at the end of 2018. Texas Ratio stands at 8.4%, which attests the very high quality of Generalfinance's assets.

Loans and receivables with banks amount to around 25 million Euro – in line with the prudent liquidity management profile, in the context of the pool financing closed with some italian banks in January 2019 - Banco BPM S.p.A., Creval S.p.A. and UBI Banca S.p.A. (Mandated Lead Arranger and Bookrunner), Banca Centropadana Credito Cooperativo – Società Cooperativa, BPER Banca S.p.A., Banca Monte dei Paschi Di

[5] *Taking into account the insurance guarantee.*
[6] *Taking into account the insurance guarantee.*

Siena S.p.A. and Banca Sella S.p.A. (Financing Banks) -- while the total assets amount to 128.6 million, compared to about 100 million at the end of 2018.

Shareholders' equity and capital ratios

At 30 September 2019 the net equity stands at 18.4 million compared to 16.7 million at 31 December 2018. The CET1 capital – on a pro forma basis – at 30 September 2019, calculated on a fully-loaded basis, is 16.6 million with risk weighted assets (RWA) estimated at 117 million Euro. Total own funds amounted to 16.6 million.

Generalfinance's pro forma capital ratios came in as follows:

- CET1 ratio at 14.1%
- Total Capital ratio at 14.1%

The ratios were well above the minimum regulatory levels, equal to 4.5% and 6%respectively, with a capital *buffer* compared to the minimum CET1 ratio of approximately 10 percentage points.

2019 outlook

The positive dynamics of the business activity in the first nine months of 2019 – turnover, disbursements and customer base trends – confirms the feasibility, of business plan's target with reference to 2019, with a turnover of more than 600 million Euro and a net profit about 4 million Euro.

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Ffounded in 1982 and led by Massimo Gianolli, Generalfinance is a supervised financial intermediary specialized in the factoring business, able to ensure rapid and personalized services according to the different customers needs. Based in the two locations in Milan and Biella with a team of about 50 professionals, Generalfinance is a leader in the SMEs distressed financing market.

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STATEMENT OF FINANCIAL POSITION

(EURO)

	Assets		30/09/2019		31/12/2018
10.	Cash and cash equivalents		1,527		1,562
20.	Financial assets at fair value through profit or loss		46,501		46,790
	c) other financial assets mandatorily measured at fair value	*46,501*		*46,790*	
40.	Financial assets at amortised cost		120,678,210		93,544,646
	a) loans and receivables with banks	*24,992,856*		*3,510,243*	
	c) loans and receivables with customers	*95,685,354*		*90,034,403*	
80.	Property, equipment and investment property		5,027,994		2,058,648
90.	Intangible assets		293,212		385,414
	- Of which goodwill	*0*		*0*	
100.	Tax assets		618,676		1,739,951
	a) current	*183,234*		*1,304,509*	
	b) deferred	*435,442*		*435,442*	
120.	Other assets		1,957,445		1,891,553
Total assets			**128,623,565**		**99,668,564**

	Liabilities and equity		30/09/2019		31/12/2018
10.	Financial liabilities at amortised cost		101,129,939		75,639,371
	a) due	*101,129,939*		*75,639,371*	
60.	Tax liabilities		521,078		458,086
	a) current	*521,078*		*458,086*	
80.	Other liabilities		6,963,237		5,275,521
90.	Post-employment benefits		1,071,371		981,382
100.	Provisions for risks and charges		553,153		633,155
	b) pension and similar obligations	*53,153*		*48,155*	
	c) other provisions for risks and charges	*500,000*		*585,000*	
110.	Share capital		3,275,758		3,275,758
140.	Share premium reserve		5,837,550		5,837,550
150.	Reserves		6,154,672		4,692,987
160.	Valuation reserves		(48,617)		(48,617)
170.	Profit (loss) for the year		3,165,424		2,923,371
Total liabilities and equity			**128,623,565**		**99,668,564**

INCOME STATEMENT

(EURO)

	Voci	30/09/2019	31/12/2018
10.	Interest and similar income	3,304,117	3,544,265
20.	Interest and similar expense	(837,988)	(529,148)
30.	**Net interest income**	**2,466,129**	**3,015,117**
40.	Fee and commission income	8,256,550	9,351,315
50.	Fee and commission expense	(1,060,231)	(1,230,024)
60.	**Net fee and commission income**	**7,196,319**	**8,121,291**
80.	Profits (Losses) on trading	(39)	(20)
110.	Profits (losses) on other assets and liabilities at fair value through profit or loss	(289)	(2,004)
	b) other financial assets mandatorily measured at fair value	(289)	*(2,004)*
120.	**Total income**	**9,662,120**	**11,134,384**
130.	Net impairment losses for credit risk on:	(213,079)	(947,872)
	a) financial assets at amortised cost	*(213,079)*	*(947,872)*
150.	**Net financial income**	**9,449,041**	**10,186,512**
160.	Administrative expenses:	(4,576,789)	(5,782,093)
	a) personnel expenses	*(2,615,236)*	*(3,146,676)*
	b) other administrative expenses	*(1,961,553)*	*(2,635,417)*
170.	Net accruals to provisions for risks and charges	(4,998)	(6,118)
	b) other net accruals	*(4,998)*	*(6,118)*
180.	Depreciation and net impairment losses on property, equipment and investment property	(450,415)	(290,890)
190.	Amortisation and net impairment losses on intangible assets	(166,397)	(330,311)
200.	Other operating net income	619,441	619,636
210.	**Operating costs**	**(4,579,158)**	**(5,789,776)**
260.	**Pre-tax profit from continuing operations**	**4,869,883**	**4,396,736**
270.	Income taxes on continuing operations	(1,704,459)	(1,473,365)
280.	**Profit (Loss) from continuing operations**	**3.165.424**	**2.923.371**
300.	**Profit (Loss) for the period**	**3,165,424**	**2,923,371**