GENERAL
FINANCE

2019 FINANCIAL STATEMENTS

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GENERALFINANCE S.p.a.
Registered Office: 20157 Milan - Via Giorgio Stephenson, 43A
Share capital EUR 3,275,758
Tax Code Milan Register of Companies and VAT no. 01363520022
enrolled at number 201 in the register of financial intermediaries pursuant to Art. 106 of TUB (Consolidated Law on Banking)
Member of the Banking and Financial Arbitrator
Associate of the Banking Conciliator
Associate of ASSIFACT (Italian Factoring Association)

BOARD OF DIRECTORS
Massimo Gianolli (Chairman and Chief Executive Officer)
Leonardo Luca Etro
Alessio Poi
Alberto Angelo Landoni
Bruno Messina

BOARD OF STATUTORY AUDITORS
Paolo Francesco Maria Lazzati (Chairman)
Stefano Mazzocchi (Standing Auditor)
Federica Casalvolone (Standing Auditor)
Vittorio Barazzotto (Alternate Auditor)
Antonio Bartolomeo Della Mano (Alternate Auditor)

INDEPENDENT AUDITORS
Deloitte & Touche S.p.A.

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GENERAL
FINANCE

REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

Financial year 2019

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Report of the Board of Directors on operations for the year ended 31 December 2019 (art. 2428 of the Italian Civil Code)

Dear Shareholders,

the financial statements as at 31 December 2019, submitted for your approval, were prepared by the Directors in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date. They comply with the layouts and instructions issued by the Bank of Italy on 30 November 2018 on the financial statements of IFRS intermediaries other than banking intermediaries, in execution of the provisions of art. 9 of Legislative Decree no. 38/2005 and subsequent amendments to the law, as well as in consideration of the additional specific provisions regarding the determination of non-performing items, contained in Circular no. 217 of 5 August 1996 and subsequent updates and are composed of the following documents: Balance Sheet and Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes. These are augmented by this report on operations.

The evaluations and judgments of the Directors were formulated in the assumption of the company as a going concern, in light of the historical and current income and financial data recorded by the Company and in respect of the general principles of correct representation of events and prudent evaluation of data, in the context of the current economic-financial scenario.

The year 2019, which was the thirty-seventh year for your Company, closed with a net profit of EUR 4,187,404.11, taking into account the depreciation of property, plant and equipment and the amortisation of intangible assets amounting to EUR 838,680.43, as well as net of a tax charge of EUR 2,092,727.00. The main reference indicators, as with the other indicators of generic and specific criticality evaluated, make it possible to reasonably exclude the current and future risk of an interruption to business continuity and confirm the Company's capacity to generate positive results and cash flows over time

The macroeconomic context and the factoring market in 2019(1)

Macroeconomic context and the credit market

The economic scenario shows widespread slowdowns. The global economy is growing less than expected and also the growth of the Eurozone and the Italian economy is slowing down. The regulatory environment is constantly evolving, sometimes accompanied by elements of uncertainty and discontinuity that do not favour economic development and hinder the possibility of intervention by banks and financial intermediaries.

After a 2018 in which the global economy (and, consequently, that of the Eurozone) grew less than expected, as a result of the progressive deterioration of the economic situation in emerging countries and advanced economies, the trend recorded in the Eurozone during the first quarter of 2019 - in which GDP growth strengthened again, with 0.4% compared to the previous period, thanks above all to the improvement in activity in Germany and Italy, the two countries in which the activities decreased more markedly in the previous half-year - seems to have been confirmed throughout the year.

In fact, in 2019, the growth of the economy in the Eurozone continued, albeit modestly. In particular, in the third quarter of 2019, real GDP in the Eurozone increased by 0.3% compared to the previous period, after 0.2% in the second quarter. This trend, characterised by modest growth, reflects the continuing weakness of international trade, in a context of persistent uncertainties at global level, which affected the manufacturing sector in the Eurozone in particular and slowed the growth of investments. At the same time, the service sector and the construction sector continue to show greater resilience, despite a certain moderation in the second half of 2019.

The most recent economic data provided by the ECB indicate a stabilisation of the growth trend in the Eurozone, whose trend in the short term should be characterised by rates similar to those observed in previous quarters. Looking ahead, growth in this area will continue to be supported by favourable financing conditions, a further increase in employment, accompanied by an increase in wages, a slightly expansionary approach to budget policies in the area, as well as the ongoing expansion in global activity, albeit at a somewhat slower pace.

The growth of loans to businesses and households remained solid and benefited from the continuous support provided by the accommodating monetary policy adopted by the ECB, which translates into very low rates of bank loans. While the annual growth rate of loans to households, equal to 3.5% in November, remained unchanged compared to October, that of loans to non-financial companies fell to 3.4%, from 3.8%, in October, probably reflecting a delayed reaction compared to the previous weakening of the economy. However, the criteria for granting loans to businesses or households for the purchase of homes remained substantially unchanged, with credit supply conditions still favourable.

In this regard, in light of the persisting low inflation prospects, the Governing Council of the ECB reiterated the need to maintain a highly accommodating monetary policy stance for a prolonged period of time, in order to sustain the underlying inflationary pressures and the trend in overall inflation in the medium term.

1 The chapter cites and / or reports extensive passages from the "Economic Bulletin no. 1/2020" of the European Central Bank, the "Economic Bulletin no. 1/2020" of the Bank of Italy, the Assifact Board Report on activities carried out in the 2018-2019 financial year, prepared for the Shareholders' Meeting of 25 June 2019, of the press release of 17 February 2020 of ASSIFACT on sector data in 2019; "Fact & News", Year 21, Issue 6, Jan-Feb 2020; Statistical Circular 10/20, of 21 February 2020.

Italian context

With reference to the Italian context, the latest information provided by the Bank of Italy shows that economic activity, which grew slightly in the third quarter of last year, remained almost stationary in the fourth, continuing to be affected in particular by the weakness of the manufacturing sector. In the surveys of Istat and the Bank of Italy, companies expressed slightly more favourable assessments on orders and foreign demand, but they continue to consider uncertainty and commercial tensions as factors that hinder their activities. For 2020, companies plan an expansion of investments, albeit more contained than the previous year.

In the third quarter of 2019, the number of employees increased slightly, especially in the services sector. Inflation showed signs of recovery, but remains very low (0.5% in December). The trend in prices is mainly due to services, while the rise in prices of industrial goods is still modest. In the most recent surveys, corporate inflation expectations have slightly decreased.

The cost of credit fell significantly for households. For the latter, the growth in loans remains solid, while it is negative for businesses, reflecting - on the basis of surveys - especially the weakness in demand for loans. According to the Italian banking system, the measures adopted by the Governing Council of the ECB will help to improve credit conditions.

The most recent macroeconomic projections prepared by the Bank of Italy, prepared in the light of the most recent economic trends, estimate that GDP, adjusted for the effects of the number of working days, would expand by 0.5% in 2020, by 0.90% in 2021 and 1.1% in 2022. During the three-year projection period, economic activity would be supported by domestic demand and a gradual recovery in international trade. The unused margins of production capacity, still high, would be reabsorbed only in part in the next two years.

In the forecast scenario, household consumption accelerated slightly (to around 0.8% per year in the 2020-22 period), also benefiting from income support measures; according to the assessments of the Bank of Italy, basic income would increase household spending by a cumulative amount of about 0.3% between the second half of 2019 and 2020. The propensity to save would increase slightly, following a trend in line with what is usually observed in a phase of progressive cyclical strengthening. Employment is expected to grow at moderate rates, just over half a percentage point per year in the 2020-22 period. The unemployment rate would gradually decrease, reaching 9.4% at the end of the forecast three-year period. Although less sustained than in the previous three-year period, growth in investments is expected to continue, driven by favourable financing conditions. However, the persistence of high uncertainty over commercial policies and demand prospects would continue to have a negative impact on companies' propensity to invest. It is estimated that investments will slow down to 0.4% in 2020 and then strengthen modestly in the following two years, thanks to the improvement in demand prospects and low interest rates. In particular, the decline in sovereign spreads observed since the beginning of last June would contribute to supporting investments by approximately 3.5% in the three-year period 2020-22. Capital accumulation would also benefit from the acceleration of public investment spending planned for the next two years. The ratio between investments in capital goods and GDP, which at the end of 2017 was close to the values before the double recession, would remain stable; for the "investments in construction" component, this ratio would still be around 3.5% lower than the pre-crisis levels. Exports of goods and services would grow on average by about 2.3% per year in the three-year period 2020-22, almost in line with the demand from the target markets; the market share of Italian goods would remain substantially unchanged. Imports would increase at a slightly lower rate, affected by the slowdown in production investments, a component with a high content of foreign goods. The contribution of net foreign demand to GDP growth would be slightly negative this year and positive in 2021-22. The current account surplus of the balance of payments would remain close to 3% of GDP. Inflation, calculated as a change in the harmonised consumer price index, is expected to rise slowly over the next three years; It would stand at 0.7% this year, 1.1% in 2021 and 1.3% in 2022, reflecting in particular the performance of the core component.

*

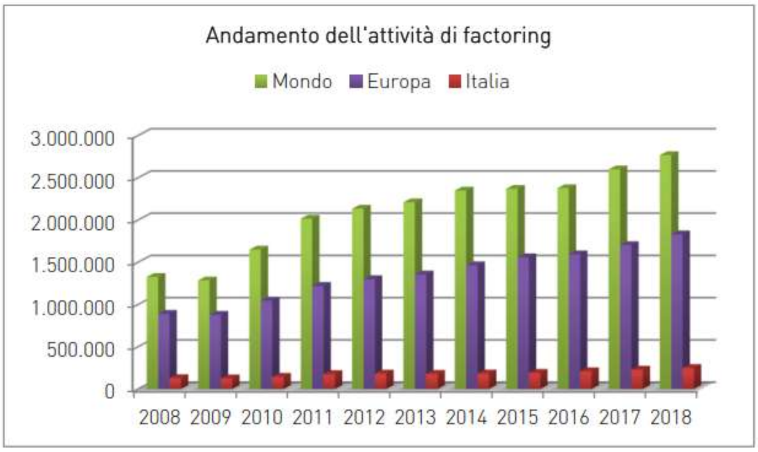
Scenario macroeconomico
(variazioni percentuali sull'anno precedente, salvo diversa indicazione)

VOCI	2019	2020	2021	2022
PIL (1)	0,2	0,5	0,9	1,1
Consumi delle famiglie	0,6	0,8	0,8	0,9
Consumi collettivi	0,1	0,3	0,3	0,2
Investimenti fissi lordi	2,5	0,4	1,7	2,1
di cui: investimenti in beni strumentali	1,8	0,4	1,6	2,3
Esportazioni totali	1,8	1,7	2,5	2,7
Importazioni totali	1,1	2,3	2,4	2,6
Variazione delle scorte (2)	-0,9	0,0	0,0	0,0
per memoria: PIL, dati grezzi (3)	0,2	0,6	0,9	1,0
Prezzi (IPCA)	0,6	0,7	1,1	1,3
IPCA al netto dei beni alimentari ed energetici	0,5	0,7	1,1	1,4
Deflatore del PIL	0,8	1,0	1,1	1,3
Occupazione (unità standard) (4)	0,6	0,4	0,6	0,7
Tasso di disoccupazione (5)	9,9	9,7	9,6	9,4
Competitività all'export (6)	2,0	0,6	0,1	0,1
Saldo del conto corrente della bilancia dei pagamenti (7)	2,8	2,7	2,8	2,9

Source: Banca d'Italia

Factoring market

With more specific reference to the factoring sector, the performance of the global, European and domestic factoring market in the period from 2008 to 2018, whose reference variable is represented by turnover, is shown in the following table "*Performance of factoring activities*". (source: Factors Chain International):

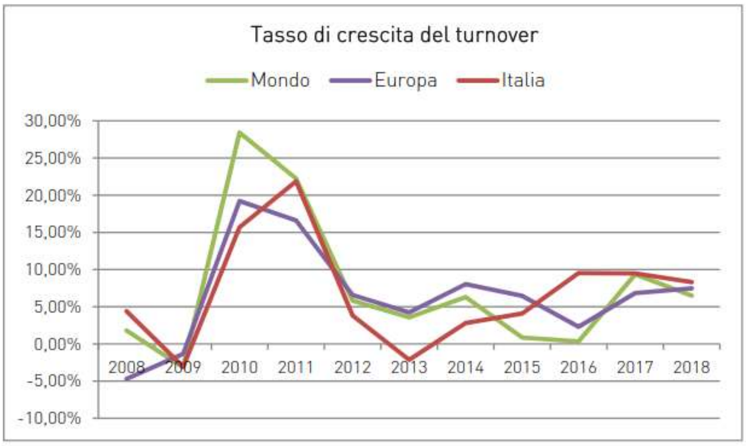


TURNOVER (MILIONI DI EURO)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MONDO	1.325.111	1.283.517	1.648.330	2.014.978	2.132.186	2.208.372	2.347.513	2.367.790	2.375.967	2.598.298	2.767.067
EUROPA	888.528	876.614	1.045.038	1.218.554	1.298.680	1.353.804	1.462.580	1.557.052	1.592.974	1.701.939	1.829.142
ITALIA	128.200	124.250	143.745	175.182	181.878	178.002	183.004	190.488	208.642	228.421	247.430

Source: Assifact

In absolute terms, flows continued to grow at global level, exceeding EUR 2,750 billion, up by 6.5%. The main share of the world market is represented by the European market with 66% of the total; the Chinese market, which in 2017 had returned to high growth rates, settled at the levels of last year with a 1% growth in turnover.

The Italian market shows significant growth, equal to 8.3%, above the global and European average, reaching over EUR 247 billion. This level corresponds to 9% of the world market and 13.5% of the European market.
In terms of turnover growth rate, therefore, the factoring activity at global level continues to show signs of strength, albeit with a slightly slower growth compared to 2017.
The Italian market also confirmed its growth path, as evident from the following table "*Turnover growth rate*" (source: Factors Chain International):



VAR. % DEL TURNOVER SU ANNO PRECEDENTE	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MONDO	1,81%	-3,14%	28,42%	22,24%	5,82%	3,57%	6,30%	0,86%	0,35%	9,36%	6,50%
EUROPA	-4,69%	-1,34%	19,21%	16,60%	6,58%	4,24%	8,03%	6,46%	2,31%	6,84%	7,47%
ITALIA	4,40%	-3,08%	15,69%	21,87%	3,82%	-2,13%	2,81%	4,09%	9,53%	9,48%	8,32%

Source: Assifact

The data processed by ASSIFACT[2] show that the total turnover of the factoring sector in Italy recorded a 6.4% growth compared to 2018, substantially in line with the expectations estimated in November, which stood at around 7%, reaching a volume of more than EUR 255 billion.
By virtue of its unique characteristics as an asset-based lending instrument, factoring continues to represent an interesting and effective opportunity for the use of resources, to the advantage of the absorption of capital by banking groups, banks and specialised intermediaries.
Factoring is therefore a unique, highly specialised profession, which proves to be able to promptly respond to the diversified needs of companies for which the optimisation of the management of trade receivables and payables and the financing of working capital are key elements, especially in a context where the economy or individual production sectors are going through phases of slowdown.
Technological innovation with the development of dedicated fintech solutions also contributed to an increasingly effective interaction between companies and factoring companies for the release of trade receivables. In fact, in a scenario characterised by robust technological trends and by new emerging operators, the spread of electronic invoicing, the development of digital platforms and the digitalisation of business processes are allowing factoring operators to seize new opportunities and develop new solutions for management of working capital, in a careful and competitive context,

2 Assifact (Italian Association for Factoring), established in 1988, currently has 47 members and represents the majority of the factoring market. At international level, Assifact represents Italy within the EU Federation for the Factoring and Commercial Finance Industry (EUF), which groups together the trade associations of the factoring sector of the main European countries and represents the European factoring industry in the European Union and other international bodies, such as the European Banking Federation (www.assifact.it).

taking advantage of the increased efficiency of the system, the reduction of operating costs, the enhancement of economies of scale and tapping into new customer segments currently not reached.

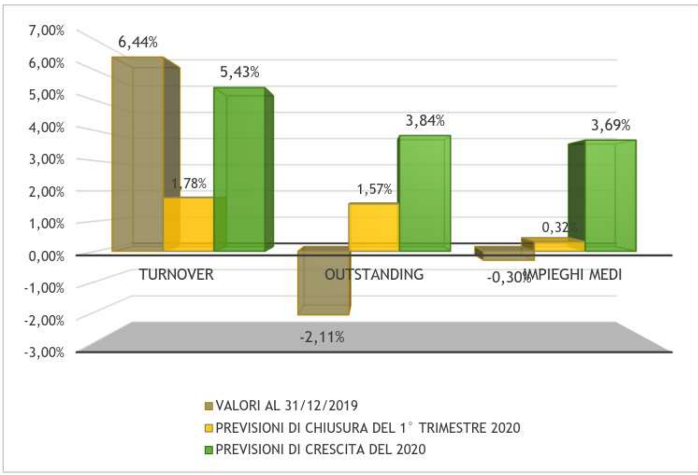
The factoring market: an overview (figures in thousands of EUR).

Dati in migliaia di euro		Quota % sul totale	Var. % rispetto al corrispondente periodo dell'anno precedente
Turnover Cumulativo	255.506.338		6,44%
Pro solvendo	56.335.141	22%	
Pro soluto	199.171.197	78%	
Outstanding	66.261.108		-2,11%
Pro solvendo	17.849.321	27%	
Pro soluto	48.411.787	73%	
Anticipi e corrispettivi pagati	54.534.058		-0,30%
Quota anticipata del montecrediti in essere	82,30%		

Source: Assifact, "*CrediFact - Factoring in figures - figures as at 31 December 2019*"

The factoring sector closed 2019 with an increase of more than 6%. The forecasts seem optimistic also for 2020: both for the first quarter and for the end of 2020 there are positive growth expectations for the factoring market.

Actual and forecast values compared.



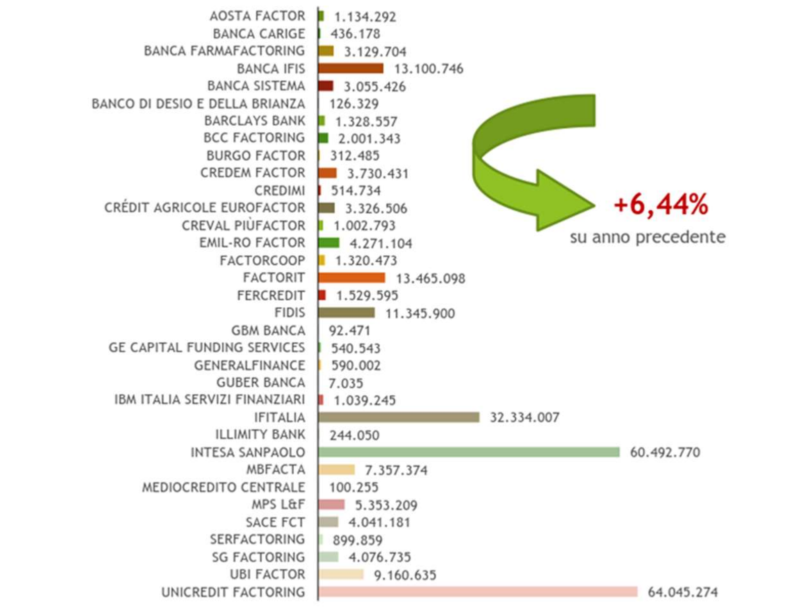
Source: Assifact, "ForeFact 02-200"

*

Some calculations produced by Assifact on the main statistical, economic and credit quality data relating to the factoring activities as at 31 December 2019 are shown below[3].

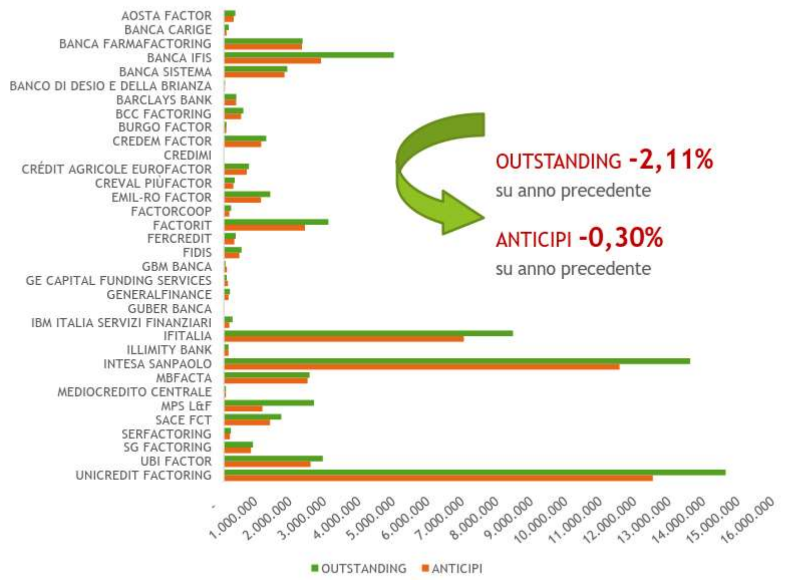
3 The analysis sample, up compared to the previous surveys, consists of 251 factoring companies representing a total of EUR 58,689 million at the end of 2019. The representativeness of the sample, in terms of turnover as at 31 December 2019, was 93.44%. The total receivables analysed showed a without recourse portion of EUR 36,238 million.

Turnover by company - Market shares as at 31 December 2019 (figures in thousands of EUR)



Source: Assifact. Data provided monthly by Assifact associates

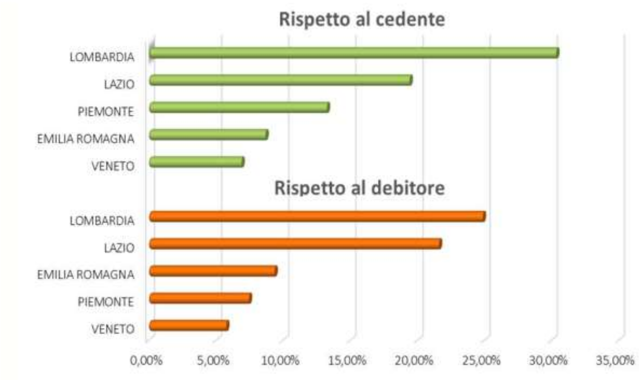
Outstanding amounts and advances by company - Market shares as at 31 December 2019 (figures in thousands of EUR)



Source: Assifact. Data provided monthly by Assifact associates

At national level, the Lombardy and Lazio regions, in which the highest volume of factoring receivables is concentrated, together account for 49.8% of the transferor and 46.5% of the transferred debtor (Figure 1).

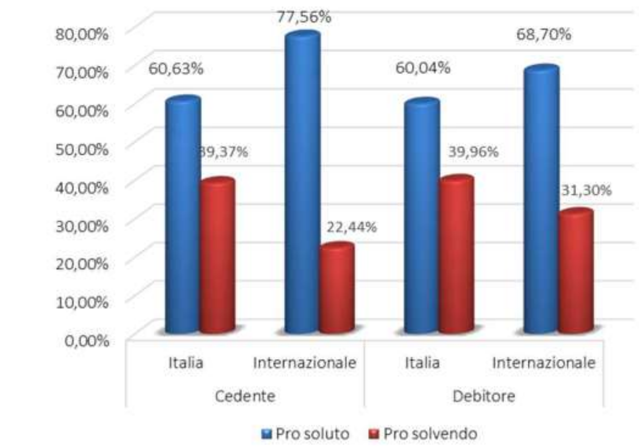
Figura 1. Crediti per factoring: ripartizione territoriale nazionale rispetto al cedente e al debitore ceduto – Prime 5 regioni italiane (%) - *dati al 31 dicembre 2019*



Source: Assifact

With reference to the transferor and the transferred debtor, the domestic and international component of the receivables confirm the predominance of the without recourse component over the with recourse component, especially in the case of the international counterparty (Figure 2).

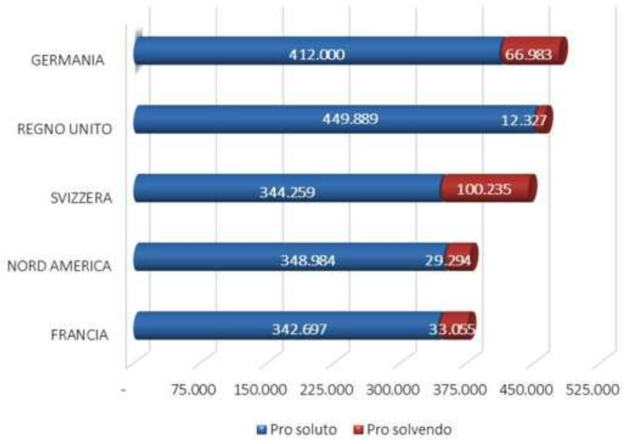
Figura 2. Crediti per factoring pro soluto e pro solvendo: ripartizione territoriale rispetto al cedente e al debitore ceduto (%) - *dati al 31 dicembre 2019*



Source: Assifact

The table below shows the ranking, at international level and with respect to the transferor, of the top five countries with the highest volume of receivables, with the breakdown between with recourse and without recourse amounts (Figure 3).

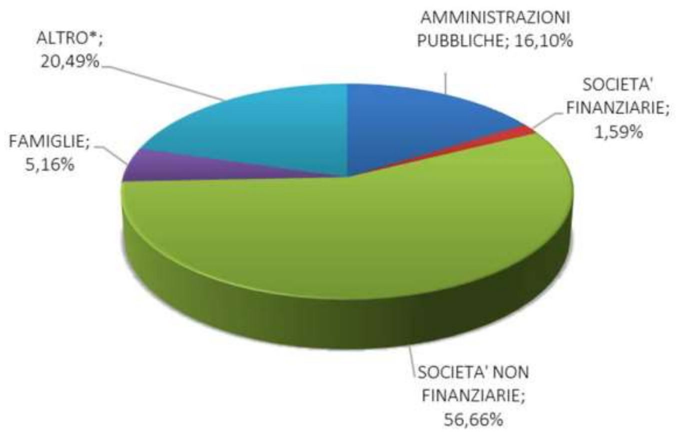
Figura 3. Crediti per factoring: ripartizione territoriale rispetto al cedente – Primi 5 paesi esteri (migliaia €) - *dati al 31 dicembre 2019*



Source: Assifact

With regard to the breakdown by sector of economic activity from the point of view of the transferor, it is noted that 78% of receivables for factoring are transferred by companies, followed by financial companies with 12% and the Rest of the world with 7.23% of the total.
With reference to the transferred debtor, the breakdown by sector of economic activity shows that more than half of the receivables for factoring belong to companies (57%), followed by public administrations and the Rest of the world with shares of 16.10% and 19.71% respectively[4].

Figura 4. Ripartizione per settore di attività economica rispetto al debitore ceduto – *dati al 31 dicembre 2019*



** ALTRO comprende: Istituzioni senza scopo di lucro al servizio delle famiglie; Resto del mondo; Unità non classificabili e non classificate*

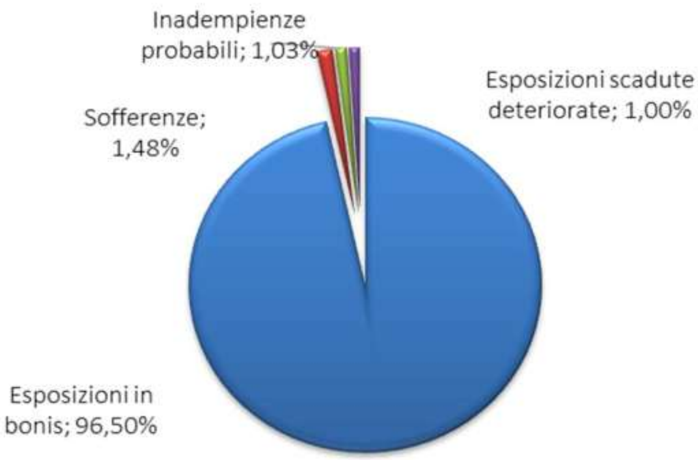
Source: Assifact

4 The portion of receivables relating to the "Rest of the world" (forming part of the "Other" component of Figure 4 and representing an amount of receivables of EUR 11.6 billion) is almost entirely due from companies (94.69%).

Credit quality [5]

Gross non-performing exposures in general decreased compared to previous figures, from 4.6% in September 2019 to 3.5% in December 2019; specifically, bad loans decreased to 1.5% compared to 1.9% in September 2019.

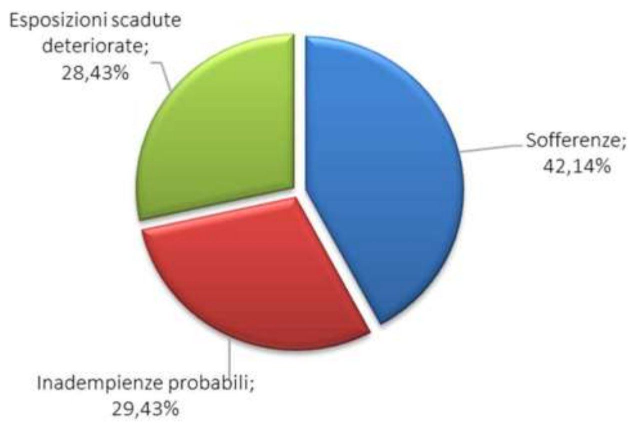
Figura 9. Qualità delle esposizioni per factoring - *dati al 31 dicembre 2019*



Source: Assifact

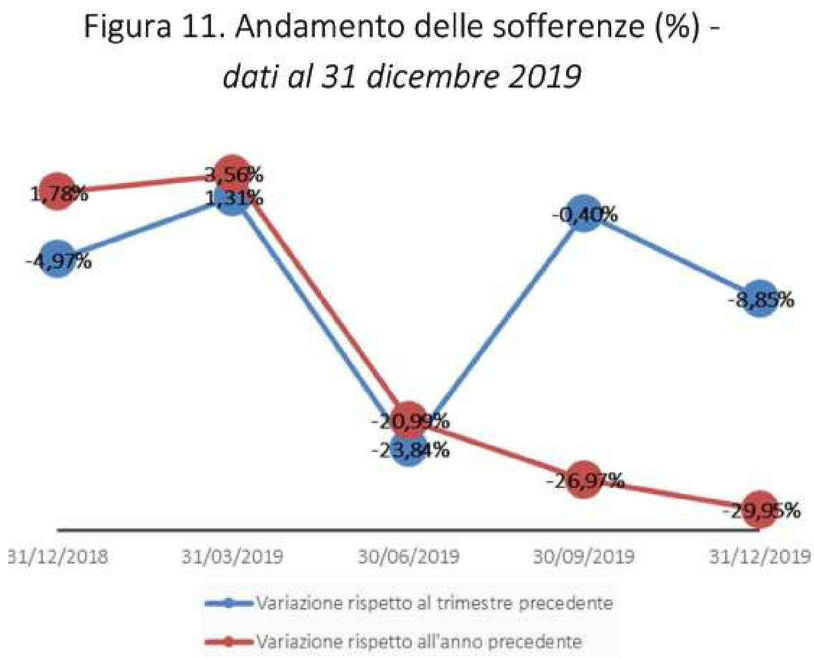
Over the last year until the first half of 2019, the trend of year-on-year and economic changes was fairly aligned; starting from September 2019, bad loans, although recording a continuous decline compared to previous periods, show a clear divergence in the changes considered: the decline in bad loans appears to be very marked compared to the previous year and smaller compared to the previous quarter.

Figura 10. Esposizioni deteriorate: composizione percentuale - *dati al 31 dicembre 2019*



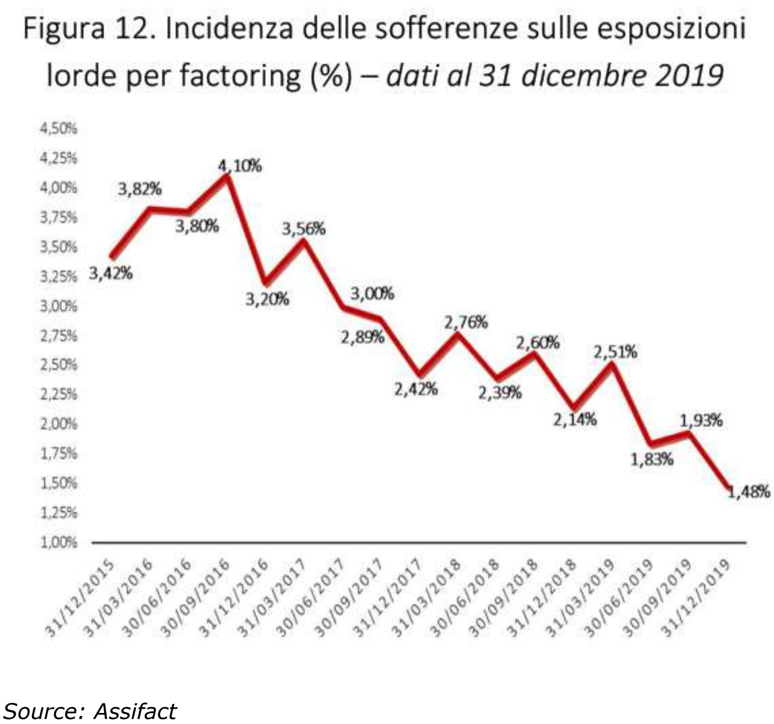
Source: Assifact

[5] This section shows the credit quality of gross exposures for factoring, considering the breakdown of non-performing exposures envisaged by the Bank of Italy regulations. The reference sample in this section is composed of financial intermediaries (18 companies).



Source: Assifact

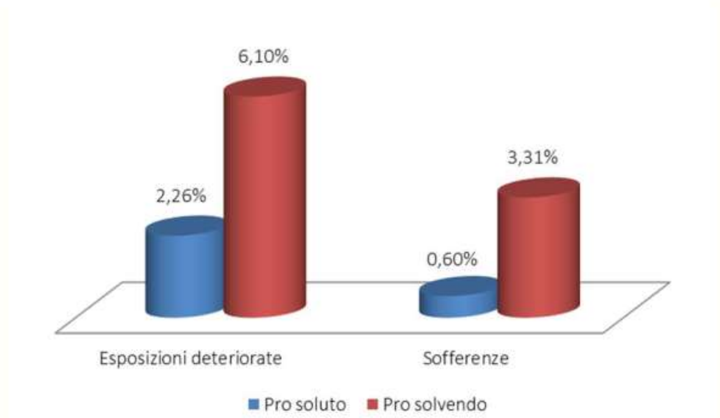
The trend of the incidence of bad loans on gross exposures, although presenting continuous fluctuations, appears to be clearly and continuously decreasing, reaching the lowest level of the last four years at the end of 2019 (1.48%).



Source: Assifact

Lastly, a look at the percentage share of non-performing loans and bad loans on total gross exposures for factoring, shows that they are down compared to the previous figures, with a predominance of the with recourse component over the without recourse component.

Figura 13. Factoring pro soluto e pro solvendo: incidenza esposizioni deteriorate e sofferenze (%) - *dati al 31 dicembre 2019*



Source: Assifact

The legislative framework and the regulation of factoring activities[6]

In general, the legislative and regulatory framework in which the factoring activity is carried out and the sector operators continues to present elements of uncertainty and discontinuity, with a process of reforms that was never fully completed, a time-scale for enacting legislation that is based more on emergencies than rational planning, a regulatory homogenisation that often does not take into account the differences in the context in which it is applied and a regulatory quality that is not always adequate.

Legislative activity at national level has been marked by some developments of significant interest, but also elements of criticality and variability that have not created the most favourable environment for production development, lacking the thrust to boost the financing of the investments needed to counteract the slowdown in the recovery. The uncertainty of the scenario and the timing of the issuance of the various measures did not favour the discussion and acceptance of the requests made by the sector that would have facilitated access to credit for companies, also leading to the alignment of Italian legislation with European practices.

With reference to the areas of specific interest for the factoring sector, note the completion of the legislative process of organic reform of bankruptcy regulations and insolvency procedures prepared by the Rordorf Commission established by the Ministry of Justice at the beginning of 2015. The new Code of business crisis and insolvency (Legislative Decree no. 14 of 12 January 2019) was published in the Official Gazette of 14 February 2019 and will enter into force gradually during 2020 and 2021[7]

6 The chapter cites and / or contains extensive passages: from the *Report of the Board of Assifact on the activities carried out in the 2017-2018 financial year*, prepared for the Shareholders' Meeting of 20 June 2018; of the publication of Assifact "Fact & News", Year 20, Issue 6, January-February 2019, ISSN 1972 - 3970, par. "A look at the current regulatory evolution".

7 For all Italian companies of any size, the effects of the new alert systems were postponed by six months because the reports to the Corporate Crisis Settlement Bodies (Ocri), which had to be established by 15 August 2020 at each chamber of trade, will have to be made from 15 February 2021.The change is envisaged by art. 11 of Law Decree no. 9 of 2 March 2020 containing urgent support measures for families, workers, businesses and tourism due to the epidemiological emergency, which introduces an additional sentence to the second paragraph of art. 389 of the Italian Civil Code, according to which "the provisions set forth in articles 14 and 15, relating to the reporting obligation, shall apply as from 15 February 2021".

(with a series of advances relating to certain specific measures including the establishment of the register of parties who, on behalf of the judge, carry out management, supervision or control functions in the context of crisis or insolvency regulation procedures). The Code represents a first valid and structured proposal for the evolution of the legislation, allowing alignment with the regulatory context present in other European countries and responding to the need to overcome an outdated and incoherent bankruptcy regulation and to allow an early diagnosis of the state of difficulty of the companies, safeguarding entrepreneurial capacity, business continuity and value. It should be noted that the legislator has missed the opportunity to accept the proposal of the Italian factoring industry, aimed at facilitating access to credit for companies, to eliminate the risk of revocation, taking into account the neutrality of the assignment of the credit from an economic point of view and the absence of real prejudices for creditors, in the sale of trade receivables against consideration to banks and financial intermediaries, despite the expected benefits for companies, assessable in terms of accessibility, timing, quantity and costs of credit.

Several interventions were also made with reference to the payables of the Public Administration. As part of the "Quantitative measures for the achievement of programmatic objectives" contained in the 2019 Budget Law, regulatory provisions were introduced aimed, on the one hand, at reducing payment delays and lowering the stock of payables, through forms of loan to public debtor entities intended to pay overdue trade payables, and, on the other hand, to verify and "incentivise" observance of payment times. With reference to the first objective, unlike previous initiatives aimed at reducing the previous stock, no provision is made for the disposal of receivables and the use of the transfer instrument, but involves cash advances directed to the debtor public body, to guarantee the respect for payment times, against recognition of the debt and assisted by a payment delegation or guarantee on the related budget revenue. Due to the advance granted to the debtor public body, the lending intermediaries must verify that the public debtor has in fact paid the debts for which it requested "financing".

At European level, with regard to the completion of the Banking Union, the process of revision and harmonisation of the reference regulatory framework for the banking and financial sector continued during the year, especially with regard to prudential regulations (Capital Requirement Regulations). The ongoing regulatory activity at European level produces significant effects at national level and entails, in the specific sector, significant involvement of the Bank of Italy. In fact, numerous changes to the secondary legislation continue to be recorded, aimed at pursuing the necessary alignments with European legislation.

The Bank of Italy continues to be responsible for issues relating to consumer protection, fairness and transparency of conduct towards customers, combating money laundering and financing of terrorism. The Supervisory Authority continued to pledge significant commitment in these areas, as a prerequisite for safeguarding the solidity of the financial system. The Bank of Italy highlighted the importance of recent regulatory changes which, in taking the step from the guidance stemming from the European directives and the Recommendations of the Financial Action Task Force (FATF) as well as from control action, have redesigned the preventive anti-money laundering system. Following the implementation of the fourth anti-money laundering directive (with Legislative Decree no. 90 of 25 May 2017), the provision on organisation, procedures and internal controls aimed at preventing the use of intermediaries for money laundering and terrorism financing purposes was issued in March this year. Changes were also introduced to the provisions on penalties and administrative sanctions.

By means of its communication of 15 March 2019, the Bank of Italy provided guidelines on the provisions to be followed for the preparation of the financial statements of banks and other supervised financial intermediaries that do not apply international accounting standards. This right to apply national accounting provisions was introduced by art. 1, paragraph 1070 of Law no. 145 of 30 December 2018 (Budget Law) which amended Legislative Decree no. 38/2005 from the financial statements for the year ended or in progress as at 31 December 2018.

Through its communication of 19 April 2019, the Supervisory Authority provided guidelines for the reports of banks and supervised financial intermediaries that do not apply IAS/IFRS: this is a technical note connecting the definitions and recognition rules established in the national accounting provisions and those envisaged by the disclosure circulars.

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Code of business crisis and insolvency

With the issue of Law no. 20 of 8 March 2019 ("Delegation to the Government for the adoption of supplementary and corrective provisions of the legislative decrees adopted in implementation of the mandate for the reform of business crisis and insolvency regulations, pursuant to Law no. 155 of 19 October 2017", Official Gazette no. 67 of 20 March 2019), a new mandate was assigned to the Government for the promulgation of supplementary and corrective provisions for the reform of the business crisis and insolvency regulations.

The reform contained in Legislative Decree no. 14 of 12 January 2019, (Official Gazette no. 38 of 14 February 2019, Ord. Sect.), issued in implementation of Delegated Law no. 155 of 19 October 2017 (Official Gazette no. 254 of 30 October 2017) could therefore be amended or supplemented in the near future[8].

From a time point of view, the amendments and additions to the Code of business crisis and insolvency must be made within two years from the date of entry into force of the last of the legislative decrees adopted in implementation of the delegation pursuant to Law no. 155 of 2017.

Art. 389, paragraph 1, of Legislative Decree no. 14 of 12 January 2019 envisages that the Code of business crisis and insolvency will enter into force 18 months after its publication in the Official Gazette. Therefore, if the deadlines set are respected, the reform will enter into force on 14 August 2020 and the supplementary and corrective legislative decrees must therefore be issued by 14 August 2022.

However, it should be noted that one year after the publication of Legislative Decree no. 14/2019, the Council of Ministers no. 29 of 13 February 2020 approved, in a preliminary examination, a legislative decree that introduces supplementary and corrective provisions to the Code of business crisis and insolvency. The text, in addition to correcting formal errors, clarifies the content of some provisions and makes changes aimed at better coordinating the regulations of the various institutions envisaged by the Code.

Given the timing outlined above, it will only be possible to have a definitive framework of the crisis and insolvency Code in 2022.

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Administrative liability of entities (pursuant to Legislative Decree no. 231/2001)

Anti-corruption Law

Law no. 3 of 9 January 2019 (so-called "Anti-corruption Law") introduced, among other things, some significant changes to the regulation of the administrative liability of companies and entities envisaged by Legislative Decree no. 231 of 8 June 2001. The most significant changes include, in particular:

- extension of the catalogue of offences that may give rise to the entity's liability for the crime of Illicit traffic of influence (art. 346-bis of the Criminal Code);
- the intensification of the disqualification sanctions envisaged by article 9, paragraph 2 of the decree if a crime of extortion, undue inducement to give or promise benefits or corruption has been committed. As a result of the amendment, in these cases, the duration of the disqualification sanctions (originally set as a term of not less than one year) may not be less than four years and more than seven when the offence is committed by a senior manager, and not less than two years. years and no more than four years if the offence is committed by a subordinate.
- the introduction of the benefit of the reduction of the disqualification sanctions for the offences of extortion, undue inducement to give or promise benefits or corruption (for a term between 3 months and 2 years) if the entity has taken steps to avoid the criminal activity leading to

8 In this regard, see note 7 above.

further consequences, to ensure the evidence of the offences and to identify those responsible or for the seizure of sums or other benefits transferred and has eliminated the organisational deficiencies that determined the offence through the adoption and implementation of organisational models suitable for preventing offences of the type that occurred.

- the provision of official prosecution for the offences of corruption between private parties and incitement to corruption between private parties.

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<u>Whistleblowing</u>

On 16 April 2019, the European Parliament approved the Legislative Resolution of the European Parliament on the proposal for a directive of the European Parliament and the Council on the protection of persons who report violations of EU law, whose rules ensure minimum standards of protection for those that publicly denounce violations of European Union law. The member states will have two years to adapt to the new regulations and implement the new EU rules on whistleblowing. With this measure, the European Parliament pursues the aim of EU harmonisation of the protection of whistleblowers. With the new protection measures, in addition to becoming easier and safer, the reporting of irregularities by workers may concern a wider range of areas (tax fraud, money laundering, public tenders, product safety and transport, environmental protection, public health, consumer protection and data protection). Public and private organisations with more than fifty employees will have to set up internal channels in order to allow workers to report illegal activities within the organisation itself.

Subsequently, on 23 October 2019, the European Parliament approved Directive (EU) no. 2019/1937 "concerning the protection of persons who report violations of Union law" (published in the Official Journal on 26 November 2019), the purpose of which is to establish common minimum standards to ensure a high level of protection for individuals who report violations of EU law in specific areas.

The directive responds to the need to provide whistleblowers with uniform protection in all Member States and harmonised among the various sectors, introducing common rules that require the adoption of effective, confidential and safe reporting channels and, at the same time, that are able to guarantee effective protection of whistleblowers from possible retaliation.

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<u>Law Decree no. 124 of 26 October 2019 on "Urgent provisions on tax matters and for non-deferrable needs": new assumptions of predicate offences</u>

In the context of a constant extension of the entity's administrative liability for offences, on 24 December 2019 the text of Law Decree no. 124 of 26 October 2019 was published in the Official Gazette, coordinated with the conversion law no. 157 of 19 December 2019, which inserted art. 25 quinquiesdecies in Legislative Decree no. 231/2001.

The cases of liability of the entity - if committed in the interest or to the advantage of the entity - are extended to the following tax offences:

a) crime of fraudulent declaration through the use of invoices or other documents for non-existent transactions envisaged by art. 2, paragraph 1, of Legislative Decree no. 74/2000 (a fine of up to five hundred shares);
b) crime of fraudulent declaration through the use of invoices or other documents for non-existent transactions envisaged by art. 2, paragraph 2-*bis*of Legislative Decree no. 74/2000 (a fine of up to four hundred units);
c) crime of fraudulent declaration through other devices envisaged by art. 3, Legislative Decree no. 74/2000 (a fine of up to five hundred units);
d) offence of issuing invoices or other documents for non-existent transactions pursuant to art. 8, paragraph 1, Legislative Decree no. 74/2000 (a fine of up to five hundred units);
e) offence of issuing invoices or other documents for non-existent transactions pursuant to art. 8, paragraph 2-*bis*, of Legislative Decree no. 74/2000 (a fine of up to four hundred units);
f) crime of concealment or destruction of accounting documents envisaged by art. 10, Legislative Decree no. 74/2000 (a fine of up to four hundred units);

g) the crime of fraudulent removal of the payment of taxes envisaged by art. 11, Legislative Decree no. 74/2000 (a fine of up to four hundred units).

In the event of a significant profit, the pecuniary penalty is increased by one third.

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The regulatory activities of the Bank of Italy also continued with wide-ranging initiatives.

Circular 288 of 3 April 2015 (“Supervisory provisions for financial intermediaries”)

During 2019, the Supervisory Provisions for financial intermediaries did not undergo any changes: the last recorded intervention was the 2nd update of 27 September 2016, published on 28 September 2016. As of today, amendments are still pending on the treatment of investment schemes with regard to large exposures, with respect to which a consultation was launched in September 2018, which ended on 23 November 2018. The amendment is aimed at aligning the prudential treatment of investment schemes with regard to large exposures to the regulations set forth in Delegated Regulation (EU) no. 1187/2014 of the Commission of 2 October 2014, containing the “regulatory technical standards intended to determine the overall exposure to a customer or a group of related customers with regard to transactions on underlying assets”.

Circular no. 139 of 11 February 1991 ("Centrale dei Rischi - Central Credit Register - Instructions for credit intermediaries")

In January 2019, the 18th update was published, which allowed the banks and financial intermediaries that manage public funds pursuant to art. 47 and 110 of the Consolidated Law on Banking and participating in the centralised risk service, to access the “first information service” also for the assessment of the creditworthiness of the potential beneficiaries of the guarantees granted by these funds.

On 10 February 2020, the 19th update to the Circular was published, which modifies the original provisions regarding access to the data contained in the Central Credit Register by legal entities. In particular, it provides that requests for access to Central Credit Register data relating to legal entities are processed by the Bank of Italy within 30 days, with the exception of those submitted through a voluntary delegated party-representative, for which the Bank of Italy sends the requested information directly to the delegating legal entity within 90 days.

Circular no. 302 (“Master data supporting the Bank of Italy data: instructions for intermediaries”) of 8 June 2018

Circular no. 302 has not undergone changes after its issue, dating back to 8 June 2018.

Circular no. 154 of 22 November 1991 (“Supervisory reports of credit and financial institutions. Reporting formats and instructions for the transmission of information flows")

The regulations concerning the “Supervisory reporting of credit and financial institutions. Reporting formats and instructions for the transmission of information flows" pursuant to Circular no. 154 of 22 November 1991 was the subject of three updates during 2019: the 69th, on 3 June, the 70th of 23 July and the 71st of 17 September.

It should be noted that, on the occasion of the June update, the Bank of Italy published a new full version of Circular 154 in order to boost the communicative effectiveness of the text and make it easier to use.

On the other hand, with reference to the July update, the Supervisory Authority provided indications on the code system adopted and the changes made to the reporting formats. A correction was also made regarding the frequency of sending of the reporting item “Information base T”.

Circular no. 284 of 18 June 2013 (“Instructions for the completion of reports of losses historically recorded on positions in default”)

Circular no. 284/2013, which envisages the construction of an archive aimed at collecting data on credit recovery activities carried out by supervised intermediaries (banking and financial) and calculating the loss rates historically recorded on non-performing positions (default), did not undergo changes: the last recorded intervention was the 1st update of 20 December 2016.

Circular no. 286 of 17 December 2013 ("Instructions for the compilation of prudential reports for supervised entities")
With the reporting innovations introduced with the 12th update of 19 February 2019, the reporting schemes of financial intermediaries pursuant to art. 106 of the Consolidated Banking Act were aligned to those of banks, enriching the information framework available to the Supervisory Authority. In particular, financial intermediaries are required to provide the information required by EU Regulation no. 680/2014 relating to: i) exposures to public administrations broken down by counterparty country, and ii) the recognition of all risk-weighted exposures by counterparty geographical area. The regulations envisaged by the update will be applicable starting from the reports referring to the accounting date of 31 March 2019.
Circular no. 286 was also subject to a 13th update on 23 July 2019, on the occasion of which the reporting regulations of payment and electronic money institutions were amended to bring them into line with the changes introduced to the Supervisory Provisions for payment and electronic money institutions, in implementation of Directive no. 2015/2366 / EU (PSD II), relating to payment services in the domestic market.

The Circular no. 217 of 5 August 1996 ("Manual for the compilation of Supervisory Reports for Financial Intermediaries, Payment and Electronic Money Institutions").
Circular no. 217 containing the reporting formats and the rules for the compilation of reports, on 17 September 2019, was subject to an 18th update, which: (i) made changes to the timing of transmission of reports regarding certain items relating to securitisations and used for monetary policy purposes; (ii) introduced details of some items of the balance sheet and income statement; (iii) introduced new items relating to "Regulatory investments"; (iv) inserted the recognition of withdrawal transactions carried out in the context of a POS payment (so-called cash back). The procedures for the representation of "virtual cards" already introduced with the communication of 22 February 2019, which are consequently repealed for the relevant part, are also incorporated in the Circular. Lastly, Section IV T "Regulatory capital and capital requirements - transitional reporting" is repealed as there are no longer any reporting entities.

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Prevention of the use of the financial system for the purpose of money laundering and financing of terrorism[9]
The anti-money laundering legislation, governed in Italy by Legislative Decree no. 231 of 21 November 2007, was most recently amended following the issue by the European Parliament and Council of Directive no. 2018/843 of 30 May 2018 (so-called 5th anti-money laundering directive).
At the meeting of 3 October 2019, the Council of Ministers approved Legislative Decree no. 125 which implements the above-mentioned 5th directive in Italy.
The decree, which is dated 4 October, was published in the Official Gazette on 26 October and entered into force on 11 November 2019.
The text introduces amendments and additions to the previous Legislative Decree no. 231/2007 as amended by Legislative Decree no. 90/2017 which, only two years earlier, had transposed the fourth directive.
The first four directives on anti-money laundering and counteracting the financing of terrorism were followed by a more extensive frequency (1991, 2001, 2005, 2015) and had always come on the back

9 This paragraph contains extracts from the article: "*Fifth European Anti-Money Laundering Directive: the transposition decree no. 125/2019 comes into force*", by Nicola Mainieri, published on CreditoBancario.it at the link: http://www.dirittobancario.it/approfondimenti/antiriciclaggio/quinta-direttiva-EURpea-antiriciclaggio-il-decreto-di-recepimento-1252019-entra-vigore

of as many editions or revisions of the "Recommendations" of the FATF or Financial Action Task Force - FATF; the fifth directive, published only three years after the previous one, makes changes to the latter on some specific aspects and was not preceded by a new version of the FATF Recommendations.

The main points of the 5th Directive are: providers of exchange services between virtual currencies and fiat currencies (exchange) and digital wallet (e-wallet); register of beneficial owners - interconnection at European level of information on companies and trusts; expansion of cooperation between authorities at national and international level; limits to anonymous electronic money.

With reference to the matter in question, note the provisions issued by the Bank of Italy:

- *Provisions on organisation, procedures and internal controls on anti-money laundering* (of 26 March 2019), which bring about alignment with European legislation in various respects: a) implementing the provisions on organisation, procedures and internal controls contained in the Legislative Decree no. 231 of 21 November 2007, as amended by Legislative Decree no. 90 of 25 May 2017, transposing the fourth anti-money laundering directive; b) providing indications on the requirements, procedures, control systems and functions of the central contact point, in accordance with the Delegated Regulation of the European Commission no. 1108/2018, of 7 May 2018; c) implementing the Joint Guidelines of the European Supervisory Authorities adopted on 22 September 2017 which define, inter alia, the measures that payment service providers adopt to identify missing or incomplete information relating to the payer or beneficiary;
- *Provisions on customer due diligence to combat money laundering and terrorism financing* (issued on 30 July 2019), which implement, in line with European regulations: a) the provisions on customer due diligence (in particular, see articles 17-30) of Legislative Decree no. 231 of 21 November 2007, as amended by Legislative Decree no. 90 of 25 May 2017, transposing Directive (EU) no. 2015/849; b) the Joint Guidelines of the European Supervisory Authorities issued on 26 June 2017 pursuant to articles 17 and 18, paragraph 4, of Directive (EU) no. 2015/849, on simplified and enhanced customer due diligence measures and on the factors that Credit institutions and financial institutions should take into account the risks of money laundering and financing of terrorism associated with individual ongoing relationships and occasional transactions.

With regard to the legislation under consultation, note the publication by the Ministry of Economy and Finance, in agreement with the Ministry of Economic Development, of the draft ministerial decree on the register of beneficial ownership of companies with legal personality, of private legal entities, trusts and similar institutions and legal entities, also prepared to implement the 5th Anti-Money Laundering Directive.

It should also be noted that the publication by the Bank of Italy of the "*Specific provisions for the storage and use of data and information for anti-money laundering purposes*" is still pending, the consultation of which was closed on the 1 October 2018, in their final version. Therefore, with specific reference to data storage, given the repeal of the legal provisions that imposed the obligation to record the data in the Single Computer Archive(10), pending the publication of the aforementioned provision for consultation, the use, on a voluntary basis, of the Single Computer Archive is a suitable method for fulfilling these obligations(11).

10 As a result of the repeal of the law that imposed the obligation to record the data in the Single Computer Archive, the Measure of 3 April 2013 containing "implementing provisions for the maintenance of the Single Computer Archive and for the simplified registration procedures referred to in Article 37, paragraphs 7 and 8, of Legislative Decree no. 231 of 21 November 2007" is no longer in force).

11 Communication of the Bank of Italy on anti-money laundering obligations for banking and financial intermediaries of 9 February 2018.

Transparency of banking and financial transactions and services. Fairness of relations between intermediaries and customers

On 19 March 2019, the Bank of Italy published a provision containing: "Provisions for the transposition of Directive no. 2015/2366 / EU (PSD2) and other measures" to adapt the national regulations to the European regulatory framework on the transparency of payment services (Directive no. 2015/2366 / EU - PSD2), pre-contractual information on the reference indices (Regulation no. 2016/1011 / EU - so-called Benchmark Regulation), remuneration policies and practices for personnel in charge of offering banking products and for third parties involved in the sales network (Guidelines of the European Banking Authority - EBA), management of complaints (Guidelines of the Joint Committee of the European Supervisory Authorities).

Subsequently, on 18 June 2019, the Supervisory Authority published the "Provisions transposing Directive no. 2014/92/EU (PAD)" with which amendments were again made to the national legislation on transparency, implementing Directive no. 2014/92/EU (Payment Account Directive, so-called PAD) and Chapter II-ter, Title VI, of the Consolidated Banking Act on payment accounts offered to or subscribed by consumers.

Lastly, it should be noted that on 1 January 2020 the Measure containing "*Implementing provisions of the EBA Guidelines on governance and control mechanisms for retail banking products*" came into force, with which additions and amendments were made to the provision of the Bank of Italy "*Transparency of banking and financial transactions and services. Fairness of relations between intermediaries and customers*". The additions and amendments concern section VIII and section XI of the aforementioned provision.

Out-of-court settlement systems for banking and financial transactions and services.

On 26 February 2019, the public consultation was closed regarding the "*Provisions on out-of-court settlement systems for banking and financial transactions and services - proposal to amend ICRC Resolution no. 275 of 29 July 2008 and revision of the provisions of the Bank of Italy on the functioning of the Banking and Financial Arbitrator (ABF)*". The update is aimed at ensuring the alignment of the regulations currently in force with the provisions of Directive no. 2013/11 / EU ("ADR" Directive) as well as introducing tools aimed at a more efficient management of disputes before the Arbitrator. To date, however, the amended legislation has not yet been issued.

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Operating performance and result (art. 2428, paragraph 1)

Share capital

The share capital amounts to EUR 3,275,758 divided into no. 9,827,274 ordinary shares with unexpressed nominal value pursuant to art. 2346 par. 3 of the Italian Civil Code and art. 5 of the current Articles of Association. It is divided between two shareholders: "***GGH - GRUPPO GENERAL HOLDING S.R.L.***" ("**GGH**"), which holds no. 5,227,273 ordinary shares, equal to 53.19% of the share capital and "***CREDITO VALTELLINESE S.P.A.***" ("**CREVAL**"), which holds 4,600,001 ordinary shares, equal to 46.81% of the share capital.

The above-mentioned shares are registered and are transferable according to the rules set out in the Articles of Association. Pursuant to art. 2346, paragraph 1 of the Italian Civil Code, they are not represented by share certificates and the issuing of equity instruments is excluded. The status of shareholder is proven exclusively by the registration in the register of shareholders and the real restrictions on the shares are established by annotation in the register itself.

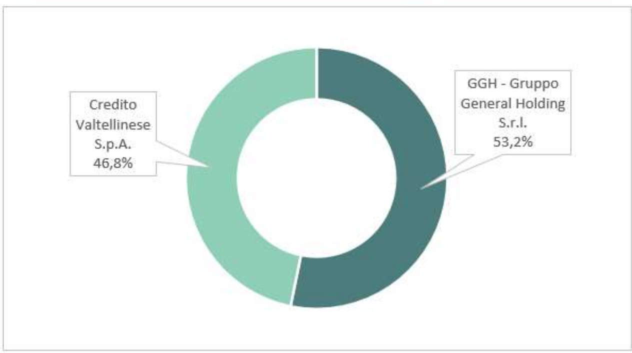
It should be noted that on 29 June 2017, on the occasion of the execution of the agreement of 10 November 2016 between GGH, CREVAL and the Company (the "Framework Agreement"), the shareholder GGH established a pledge of first degree in favour of the CREVAL shareholder on no. 1,271,766 ordinary shares, owned by GGH, with no nominal value, representing 12.94% of the Company's share capital (the "Pledged Shares"), as a guarantee of timely, full and exact fulfilment by GGH in favour of CREVAL of each and all of the Covered Bonds as defined in Article 4 of the Deed of Pledge ("Covered Bonds"). However, the restriction does not entail any limitation on the voting rights of the shareholder GGH as it was explicitly provided that, in derogation of art. 2352 of the Italian Civil Code, the voting right relating to the Pledged Shares will be duly exercised in the company's ordinary and / or extraordinary shareholders' meetings by the pledgor. Similarly, the right to receive any amount due by Generalfinance in relation to the Pledged Shares, by way of dividends, must be paid to the constituent company.

Transactions that affected the corporate structure

During 2019, there were no transactions that affected the corporate structure, therefore the shareholding structure did not undergo any changes and, to date, is composed as follows:

Shareholder	Number of Shares	% share capital
GGH - Gruppo General Holding S.r.l.	5,227,273	53.19%
Credito Valtellinese S.p.A.	4,600,001	46.81%
Total	9,827,274	100.00%

Shares in Generalfinance S.p.A



The activities of the corporate bodies

With reference to the activities of the corporate bodies, it should be noted that in 2019 the Shareholders' Meeting of the Company met once while the Board of Directors met seventeen times. The main items on the agenda were:

a) with regard to the Shareholders 'Meeting:
- approval of the financial statements and resolution on the allocation of the profit for the year;

b) with regard to the Board of Directors:
- examination of the draft Financial Statements and approval of the 2019 Budget;
- hiring of the head of the "System & Information Technology" department;
- confirmation of the Head of the Sole Control Department of Generalfinance;
- disclosure regarding the stipulation with Generali Italia S.p.A. of a “General civil liability” - D&O (Directors & Officers) insurance policy to cover the risks inherent in the activities of director;
- replacement of a director following resignation, pursuant to art. 2386, first paragraph, of the Italian Civil Code;
- examination of the draft update of the Report on the Organisational Structure pursuant to Title V, Chapter 1, Section II, Paragraph 3 of Bank of Italy Circular no. 288 of 3 April 2015;
- examination of the document entitled: "ICAAP Report as at 31 December 2018";
- hiring of the Processes & Control Manager;
- hiring of the Chief Financial Officer (CFO);
- proposal for the adoption of the system for the electronic storage of the register of meetings of the Board of Directors and the register of meetings of the Board of Statutory Auditors;
- report of the delegated bodies on the general performance of operations and on its outlook, as well as on the most significant transactions, pursuant to art. 2381, paragraph 5, of the Italian Civil Code.

Performance indicators (art. 2428, paragraph 2)

In 2019, the company’s operations developed positive results in economic and financial terms.
In order to provide a clear and immediate view of the Company’s economic performance, the following tables show some indicators for the year, compared with the figures for the previous year.

Main reclassified income statement data (in thousands of Euro)

Income for:	**Year 2019**	**Year 2018**	**Change**
- Interest margin	3,436	3,015	14%
- Net fee and commission income	10,097	8,121	24%
- Net interest and other banking income	13,533	11,134	22%
- Operating costs	-6,901	-5,790	19%
- Operating result	6,280	4,397	43%
- Profit for the year	4,187	2,923	43%

	Year 2019	Year 2018
Cost / Income ratio (%)	51%	52%
ROE	28%	21%
Net interest income / Net interest and other banking income	25%	27%
Net fee and commission income / Net interest and other banking income	75%	73%

Economic data

The interest margin stood at EUR 3.4 million, up by 14% compared to 2018, including the impact deriving from the first-time adoption of IFRS 16 starting from 1/1/2019.

Net fee and commission income amounted to EUR 10.1 million, up compared to EUR 8.1 million in 2018 (+ 24%). The trend of these two aggregates was affected by the particularly positive trend in turnover (+ 23% year on year), reflecting the excellent commercial and operating performance of the Company during the year.

Net interest and other banking income amounted to EUR 13.5 million (+ 22%) while operating costs, equal to EUR 6.9 million, increased by 18.5%, therefore less than proportionally to the revenue trend, highlighting the ability of Generalfinance to control administrative costs in a business context of “double digit” growth.

Taking into account the particularly low cost of risk (net value adjustments of EUR 0.4 million and a cost of risk of 8 basis points) and of taxes preliminarily determined at EUR 2.1 million, the net result for the period was EUR 4.2 million, compared to EUR 2.9 million recorded in 2018.

Balance sheet and asset quality data

Net loans to customers amounted to EUR 132 million, up by 47% compared to 31 December 2018, due to an activity highly focused on corporate customers, which led to 27% growth in loans granted compared to 2018. The percentage of disbursements increased (from 73% in 2018 to around 75% in 2019) and the average credit days (up from 73 in 2018 to 78 in 2019), albeit at historically low values, in line with Generalfinance's credit policies.

Within the aggregate, net non-performing loans totalled EUR 0.8 million, with a net NPE ratio of approximately 0.6%. The coverage of non-performing loans stood at around 50%.

The gross NPE ratio was 1.2%, significantly lower than the sector average and well below the 2.2% at the end of 2018.

Lastly, the Texas Ratio stands at 4.2%, a value that attests to the high quality of Generalfinance’s assets.

Receivables from banks amounted to approximately EUR 17 million - reflecting the prudent profile of liquidity management, in the context of the pool loan stipulated in January 2019 - while total assets amounted to 158.4 million, compared to around 100 million at the end of 2018.

Property, plant and equipment amounted to EUR 5.3 million, compared to approximately EUR 2 million in 2018; the increase is mainly attributable to the effects of the new accounting standard IFRS 16 and to the related rights of use relating to leased property and furniture recorded under balance sheet assets.

Financial liabilities measured at amortised cost, amounting to approximately EUR 129 million, are mainly represented by the pool loan stipulated in January 2019 with some Italian banks - Banco BPM S.p.A., Creval S.p.A. and UBI Banca S.p.A. (as Mandated Lead Arranger and Bookrunner and Lending Banks), as well as Banca Centropadana Credito Cooperativo - Società Cooperativa, BPER Banca S.p.A., Banca Monte dei Paschi Di Siena S.p.A. and Banca Sella S.p.A. (as Lending Banks).

Shareholders' equity and capital ratios

Shareholders' equity as at 31 December 2019 amounted to EUR 19.4 million, compared to EUR 16.7 million as at 31 December 2018.

The capital ratios of Generalfinance show the following values:

- 10.4% CET1 ratio;
- 10.4% Total Capital ratio.

The ratios are well above the minimum regulatory values set forth in Bank of Italy Circular 288.

Update of the Business Plan

On 3 March, the Board of Directors of Generalfinance approved the update of the 2019-2021 Business Plan, in order to factor - after more than one year from the approval of the business plan - the final figures for 2019, as well as the outlook and the latest market prospects.

The implementation of the Business Plan will favour a significant improvement in the size and financial profile of the company. Moreover, a positive execution of the planned actions may allow the enhancement of Generalfinance also through a possible IPO on the market - or with a trade sale - also in line with the provisions of the shareholders 'agreements in place between GGH (parent company of the General Financial Group) - which it holds an equity investment of approximately 53% of the share capital - and Credito Valtellinese - shareholder of Generalfinance with a stake of approximately 47%.

In summary, the growth rates in the core business of factoring for distressed companies were confirmed:

- Turnover of EUR 1.2 billion in 2021, compared to around EUR 590 million in 2019 (CAGR 2019-2021[12] of 44%);
- Expected payment of EUR 923 million in 2021, compared to approximately EUR 445 million in 2019 (CAGR 2019-2021 of 44%);
- Loans to customers expected to be around EUR 205 million at the end of 2021, compared to EUR 132 million at the end of 2019 (CAGR 2019-2021 of 25%);
- More than EUR 2 million in investments mainly planned for the updating and development of the proprietary IT platform.

The financial objectives envisage significant growth in profitability in a context of close control of risk:

- Net profit of EUR 8 million in 2020 and over EUR 12 million in 2021 (2019-2021 CAGR of 70%);
- Net interest and other banking income of EUR 29 million in 2021 (2019-2021 CAGR of 45%);
- *Cost / income ratio*[13] down from around 50% in 2019 to 33% in 2021;
- ROE[14] of more than 50% in 2021, compared to approximately 28% in 2019, confirming the high profitability of the *business model*;
- *Cost of risk*15 *expected to remain stable at 8 basis points with NPE Ratio*16 *of less than 2% over the course of the plan*;
- Shareholders' equity up from EUR 19 million at the end of 2019 to over EUR 33 million at the end of 2021;
- CET1 Ratio pro forma[17] higher than 10% at the end of the plan, against a minimum regulatory requirement of 4.5%, with a significant capital buffer to support further growth in RWAs;

[12] Compound Annual Growth Rate.
[13] Operating costs divided by net interest and other banking income.
[14] Net profit divided by equity minus net profit.
[15] Net value adjustments on financial assets divided by annual disbursement.
[16] Gross non-performing loans divided by gross loans to customers.
[17] Including the profit for the period, net of a payout of 50%, in line with the Company's dividend policy.

- Leverage ratio[18] down from around 8x at the end of 2019 to roughly 7x at the end of 2021, in line with the prudence criteria adopted in the growth process;
- Maintenance of adequate liquidity buffers, in line with funding management policies.

In terms of operational actions for the implementation of the Business Plan, the following is envisaged.

Commercial area

The following priority actions were identified:
- definition of an analytical Business Plan for the acquisition of new relationships (turnover / transferor / transferred);
- development of a CRM system to support the development of new customers and reporting entities, through the definition of "prospect" lists;
- strengthening of the area with the addition of new sales figures.

For 2020 and 2021, a gradual entry of Generalfinance into factoring with the Public Administration is expected; a feasibility study will also be launched for the possible entry into the segment of the purchase of tax credits.

As part of the investment plan, new products / services will be gradually released alongside the traditional factoring with and without recourse, in order to increase cross-selling and revenues (maturity factoring and reverse factoring).

Loans and operations area

In consideration of the significant growth expected and the increasing attention of the regulator on the supervision of credit processes, a “credit programme” will be launched to further strengthen the processes. The objectives of the programme are essentially the following:
- strengthening of loan granting processes;
- specialisation of valuation processes by customer *target* ;
- introduction / innovation of tools (IT, PEF, reporting, KRI, etc.) for the granting / management / monitoring of performing and anomalous loans.

IT area

During the Plan, an important IT investment plan is envisaged, with a view to a significant implementation of the proprietary IT platform for the management of factoring, in addition to other initiatives in the hybrid cloud area, for the renovation of the institutional website and the planning system and management control.

The Plan - for a total of EUR 2 million - envisages modular developments between 2020 and 2021, the year in which the IT platform will be fully released, with the aim of evolving Generalfinance into a “Digital - factoring company”.

Funding policies

In order to support the asset development plan, funding policies will focus on the following areas:
- provision is made for full use of the pool loan stipulated in January 2019 with some Italian banks - Banco BPM S.p.A., Creval S.p.A. and UBI Banca S.p.A. (as Mandated Lead Arranger, Bookrunner and Lending Banks), as well as Banca Centropadana Credito Cooperativo Società Cooperativa, BPER Banca S.p.A., Banca Monte dei Paschi Di Siena S.p.A. and Banca Sella S.p.A. (as Lending Banks) - for an amount of EUR 104 million (plus an additional back-up line of EUR 10 million);
- new bilateral credit lines will be defined - within the limits of financial debt from time to time allowed by the pool agreement - with leading banks and financial operators;

[18] Total assets divided by shareholders' equity.

- in the medium term, a feasibility study will be launched for a possible securitisation transaction, as an additional funding channel, with the aim of maintaining adequate structural liquidity buffers, also considering any "seasonal" disbursement peaks and also assessing contingency scenarios, in line with applicable regulations and market best practices.

Human Resources

An increase in the workforce (+10 FTE) is expected in the next two years with the aim of consolidating the business structures (primarily), the central and control functions. Innovative MBO and compensation / welfare policy systems will then be gradually introduced, as well as smart / agile working tools.

Internal controls

In this context, the following areas will be further implemented, also by strengthening the workforce

- Compliance
- Risk Management
- Internal Audit / Anti-money laundering

In this context, the risk control processes will be strengthened, with particular reference to the evolution of the rating and scoring system and the improvement of the ICAAP / ILAAP processes.

Research and development activities (art. 2428, 3rd paragraph, no. 1 of the Italian Civil Code)

The Company does not carry out "research and development" pursuant to paragraph 3, no. 1, article 2428 of the Italian Civil Code. However, the company information systems are constantly being implemented, both to constantly improve internal processes and to guarantee customers an adequate service, both in terms of content and in terms of access and use methods. The activity carried out in 2019 was mainly aimed at: (i) supporting the Business Owners in the development of market demands, evolving the core pillars of the platform (assignment process, credit and operations), (ii) developing the regulatory architecture in order to prepare the financial statements using the reporting system, (iii) implementing an ICT governance process in order to prepare for the 2020-2021 development plan, (iv) digitising the internal and external communication process with a collaborative architecture by fully replacing the analogue telephony component. This last step saw the organisation of the structure become independent from the physical workstation (virtualisation of business processes) thus allowing both the active implementation of a Business Continuity Plan, and the possibility of introducing smart working as a working tool, (v) studying and planning the 2020-2021 digital transformation plan for a Digital - factoring company.

Treasury shares / shares or holdings of parent companies (art. 2428, paragraph 3, no. 3 and 4 of the Italian Civil Code)

As at today's date, the Company does not hold - directly or indirectly - treasury shares. Similarly, during 2019, the Company did not hold - directly or indirectly - or purchase or sell treasury shares.

*

Other aspects of particular interest

Change in the composition of the corporate bodies

On 17 June 2019, Mr. Ugo Colombo resigned from the position of Director of Generalfinance for personal reasons. The resignation did not result in the termination of the Company's Board of Directors, as the majority of directors appointed by the Shareholders' Meeting remained in office. The Board, acting in accordance with article 2386, first paragraph, of the Italian Civil Code, replaced the outgoing Director, appointing Mr. Bruno Messina.

Independent Auditors pursuant to Legislative Decree no. 39 of 7 January 2010

The performance of the functions and activities of the statutory audit of the accounts envisaged by art. 14, paragraph 1 of Decree no. 39/10 continues to be carried out by the company "DELOITTE & TOUCHE SPA", with registered office in Milan, Via Tortona no. 25, in execution of the mandate granted by the Shareholders' Meeting on 15 February 2018.

Internal Control System

The Single Control Function

Taking advantage of the option envisaged by Circular no. 288/2015, the Company has delegated the performance of the typical activities of the risk control, compliance and internal audit functions to a single function, called the Single Control Function, whose responsibility lies with the Independent Director, Mr. Leonardo Luca Etro. The Single Control Function was entrusted with the performance of the tasks specifically envisaged by Circular no. 288/2015.
In addition, the Head of the Single Control Function is responsible for verifying the ICAAP process given responsible for assessing the capital adequacy of the Company.
With regard to risk management activities, aimed at verifying compliance with the prudential supervisory rules and the management of company risks, the Single Control Function oversees the correct measurement of risks and their specific mapping, also with reference to compliance with the requirements for the consolidated regulatory capital of "GFG - Gruppo Finanziario General" ("Gruppo Finanziario"), consisting of the parent company GGH and Generalfinance.
In terms of compliance control, the Single Control Function continued to stimulate and support the updating of the main company procedures, regulations and policies and, at the same time, to verify their compliance with the provisions of law and their compliance with company requirements, with a view to protecting the Company from legal, administrative sanctions, significant financial losses or damage to its reputation as a result of the violation of mandatory rules or self-regulation provisions.
Lastly, with regard to the internal audit activity aimed, on the one hand, at checking, also with ex post checks at the individual organisational units, the regularity of operations and the trend of risks, on the other hand, at assessing the functionality of the overall internal control system and to bring to the attention of the Board of Directors the possible improvements to the risk management policies, the control mechanisms and the procedures, the Single Control Function carried out the activities specified in the annual integrated control plan.

The Anti-Money Laundering Function

The Anti-Money Laundering Function, whose responsibility lies with the Director Mr. Alessio Poi, in collaboration with the Single Control Function and the other company functions, is constantly active in monitoring the business activities and, in particular, the internal process in place to monitor risks relating to money laundering and financing of terrorism, with the specific purpose of verifying their

adequacy and effectiveness. In carrying out this supervisory activity, it pays special attention to the suitability of the procedures and internal processes regarding customer due diligence and the registration of relationships and transactions, as well as the systems for verifying, assessing and reporting suspicious transactions. To this end, the Company’s operating offices promptly report any risk factors encountered in the performance of the activity carried out to the Anti-Money Laundering Function which, in any case, has access to all the Company’s activities as well as to any relevant information for the performance of their duties.
In order to effectively fulfil the obligations envisaged by the relevant regulations, the Company has equipped itself with tools for querying and analysing the relationships established with customers, which make use of the general information present in the company information system, of the specific information taken from the appropriate forms prepared for anti-money laundering purposes and additional information acquired from independent external sources. In addition, the Company has adopted and implemented specific procedures and appropriate risk assessment and management control systems aimed, on the one hand, at ensuring compliance with the requirements for the fulfilment of the obligations of customer due diligence, of registration, of storage, reporting of suspicious transactions and, on the other hand, preventing and combatting money laundering or terrorism financing. These measures are effectively integrated into the ordinary credit process, during which - both in the establishment phase and in subsequent monitoring activities throughout the duration of the relationship - in addition to the economic / financial analysis and of the customer's creditworthiness, the other parties involved, the relationships between them and the purpose, objectives and characteristics of the transaction are carefully evaluated.
During the year, five reports of suspicious transactions were made.

Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001.

The Supervisory Body envisaged by no. 1 of letter "b" of art. 6 of Legislative Decree no. 231/2001 (“*Regulation of the administrative liability of legal persons, companies and associations, including those without legal status, pursuant to Article 11 of Law no. 300 of 29 September 2000*”) (“**SB**”) whose functions they are mainly those of supervising the functioning and observance of the Organisation, management and control model and of ensuring its updating. During 2019, the activities of the Supervisory Body were also aimed at promoting, also through direct actions, generic and specific training opportunities for the operating company functions. Following the adoption of a company procedure aimed at regulating any reporting of unlawful conduct (Whistleblowing), the Supervisory Body, as an independent body, has been entrusted with the management of any reports from employees who intend to report offences of general interest (and not of individual interest), of which they have become aware due to the employment relationship.

The Processes & Control function.

During 2019, a new function called Processes & Control was established as part of the company organisation and within the CEO’s staff, aimed at strengthening the control structure with regard to the correct definition, maintenance and compliance with the core business operating process. In addition, it provides support to the Single Control Function in internal auditing activities.

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Other topics

Out-of-court settlement of disputes relating to banking and financial transactions and services [19]

The Company punctually fulfils the disclosure obligations envisaged by the provisions on Transparency of banking and financial services (Sect. II, Par. 2 of the "Provisions on transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers") by making the required documentation available in electronic form on its website and on the Generalweb company portal and, in paper form, at the registered office in Milan and at the Head Office in Biella. These also include (as required by the Measure of the Governor of the Bank of Italy of 9 February 2011 - Section XI, paragraph 3) - the report on complaints management for the period 1 January - 31 December 2019.
During 2019, the Company received a communication classifiable as a "complaint", concerning the operating procedures relating to the disbursement of the payment of a loan. The complaint was not followed up. Moreover, during the year, the only proceedings pending with the Banking and Financial Arbitrator ("ABF") were concluded, with the declaration of inadmissibility of the appeal by the court.

Protection of health and safety at work

Also for the 2019 financial year, the Company's monitoring activities to guarantee and protect health and safety were assisted by an external consultant, who was assigned the role of Head of the Company Prevention and Protection Service ("RSPP"). In addition to the obligations required for the RSPP function, he also provides specific technical support and consultancy to ensure compliance with the reference regulations and the fulfilment of the obligations envisaged therein.
With regard to health surveillance (protection of workers' health), the Company complies with the provisions set forth in the Guidelines on the Training of Managers, Supervisors and Employers / RSPP (articles 34 and 37 of Legislative Decree no. 81/2008), approved on 25/07/2012 by the State-Regions Conference. All employees are regularly subjected to regular medical check-ups and, in the event of new hires, to pre-employment check-ups. In addition, mandatory training is carried out in a timely manner for new hires, as well as the usual refresher courses for first aid and fire-fighting personnel.
On 27 August 2019, the annual meeting set forth in Article 35 of Legislative Decree no. 81/2008 was held (for companies with more than 15 employees), which was attended by the Head of the Prevention and Protection Service, the Employer and the competent doctor, who was replaced during the year. In consideration of the fact that the workers have not yet appointed their own Workers' Safety Representative (RLS) to replace the previous one, the Company has repeated its request to do so.
No other events worthy of note took place during 2019.

Training activities

The Company periodically provides its employees and associates with training and refresher courses, not only to fulfil the duties envisaged by the sector regulations, but also and above all to satisfy the requests coming from the various company functions, in relation to the activities of each company. Training is provided both with the help of internal teachers, and through external structures, and by sending staff on courses, to conferences, study days organised by trade associations or other public

19 As previously mentioned in the chapter dedicated to the "Legislative framework and regulation of factoring activities", in 2018 the reference legislation on the out-of-court settlement of disputes relating to banking and financial transactions and services was not subject to any amendments. However, last December, the Bank of Italy issued a consultation measure concerning "Provisions on out-of-court settlement systems for banking and financial transactions and services - proposal to amend ICRC Resolution no. 275 of 29 July 2008 and revision of the provisions of the Bank of Italy on the functioning of the Banking and Financial Arbitrator (ABF)", whose deadline for consultation expired on 26 February of the current year. At the time of drafting this report, the definitive regulations were not issued.

or private bodies. Among the most important training initiatives held in 2019 were refresher courses on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing pursuant to Legislative Decree no. 231 of 1 November 2007, analysis of financial statements, administrative liability of companies and entities, pursuant to Legislative Decree no. 231 of 08/06/2001.
With reference to the issue of out-of-court settlement of disputes relating to banking and financial transactions and services, in addition to participating in specific sessions held by the Head of the function on particular issues concerning the Company's current activities, the staff of the Complaints Office is updated regularly through the provision and illustration of the regular communications sent by the Banking and Financial Conciliator (association to which the Company belongs) containing regulatory and organisational information, as well as the review of the case law of the territorial Boards and the Board of Coordination of the Banking and Financial Arbitrator.

Promotional and advertising activities

During 2019 , promotional activities continued, both through direct activities and through the help of third parties - including the company "La Collina dei Ciliegi s.r.l." -, which provided support in strategic communication initiatives and events, public relations and marketing.

Protection of personal data

With reference to the obligations regarding data protection, the Company has launched, under the guidance of the Head of the *Systems & Information Technology Department*, an anonymisation program for all information managed by the Company that must (for regulatory, contractual or expediency reasons) be made anonymous before being processed internally or communicated to suppliers and technical consultants of the Company. In this context, the development of the project is aimed at the progressive improvement of the security logic with respect to the users of the IT system (TORF and Generalweb on-line portal), both internal and external.

Related party transactions (art. 2428, paragraph 3, no. 2)

The terms of the transactions carried out with related parties are reported in the explanatory notes, to which reference is made for any information in this regard.

Concentration of risk and regulatory capital

During 2019, activities continued aimed at monitoring compliance with the parameters established by the regulations in force. Further details are specified in the explanatory notes, to which reference should be made for any information in this regard.

Significant events after the end of the year (art. 2428, paragraph 3, no. 5)

From February 2020, the entire Italian territory was gradually impacted by the emergency stemming from the spread of SARS-CoV-2 ("Severe acute respiratory syndrome - coronavirus 2") and the subsequent disease called COVID-19, which determined the need to adopt increasingly more stringent prevention and containment measures throughout the country, most recently the provision of the Presidency of the Council of Ministers of 11 March 2020, which involved the closure of a large section of retail enterprises.
The Company reacted quickly by preparing provisions targeted at protecting the health of its employees, in light of the emergency situation and the measures adopted by the Government

authorities, both through specific disclosures - including the integration of the Risk Assessment Document - and by activating alternative work methods, such as smart working(given expressly recommended as a containment measure).

Company use of financial instruments (art. 2428, paragraph 3, no. 6-bis)

During 2019, the Company did not use - nor does it currently use - financial instruments. In addition, during 2019 the Company did not carry out any transactions in currencies other than the Euro.

Registered office and list of the Company's secondary offices (art. 2428, last paragraph)

The Company has its registered office in Milan, in Via Giorgio Stephenson 43A. In addition to institutional and promotional activities, it mainly focuses on commercial activities. The headquarters and administrative offices are located in the Biella properties, in Via Carso no. 36 and Via Piave no. 22.

Business outlook (art. 2428, paragraph 3, no. 6)

The positive trend of commercial activity recorded in 2019 - trend in turnover, of loans disbursed and of the customer base - and in the first part of 2020 makes it possible to confirm the feasibility of the objectives of the business plan with reference to 2020, with a turnover in the vicinity of EUR 900 million and a net profit in line with the Business Plan.
Moreover, in the current context, it is necessary to carefully consider the impacts related to the spread, in Italy and globally, of the so-called "Coronavirus", which began in the first part of the year. In this regard, on the basis of some initial analyses carried out by Prometeia[20], it is very likely that, despite assuming that policies are implemented to support companies in difficulty and that the situation tends to normalise within a reasonable period of time, in the first quarter of 2020, the GDP contracted by 0.3% (first quarter of 2020 compared to last quarter of 2019), and therefore a condition of technical recession can be defined (two consecutive quarters of fall in gross domestic product), the fourth recession since 2009. In the event of a recovery in subsequent quarters, and therefore where the loss in the first quarter is not recovered in subsequent quarters, there would be a fall in GDP of the same amount for the year.
Based on the most recent Interim Economic Outlook, the OECD estimates that the coronavirus epidemic, in the worst case scenario, could halve global growth, bringing it to 1.5% in 2020 compared to 2.9% forecast up to this point, bringing the change in Italian GDP to zero. The OECD underlines that COVID-19 "presents the greatest danger for the global economy since the financial crisis" of 2008.
According to the international organisation based in Paris, Italy's GDP will fall from 0.2% in 2019 to 0% in 2020, an estimate cut by 0.4 points compared to the previous estimate of November. The OECD instead expects a growth rate of 0.5% for 2021, unchanged compared to November. According to the body, not only Italy, but the entire world economy is currently "at risk".
In this context, we cannot rule out a situation where, if the current limitations on activity at national level were to be prolonged over time, this could impact the volumes of Company operations and the credit risk profile.

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[20] See: https://www.prometeia.it/atlante/coronavirus-in-italia-pil-2020-rivisto-al-ribasso.

CONCLUSIONS

Dear Shareholders,

the Financial Statements as at 31 December 2019, which are now submitted for your review and approval, show a net profit of EUR 4,187,404.11, taking into account the depreciation of property, plant and equipment and the amortisation of intangible assets amounting to EUR 838,680.43, as well as after a tax charge of EUR 2,092,727.00.

In light of this result, the Board of Directors invites the Shareholders' Meeting to approve the 2019 Financial Statements and proposes to allocate the net profit for the year as follows:

- EUR	183,737.52	equal to the portion of net profit for the year necessary to meet the limit envisaged by art. 2430 of the Italian Civil Code to the Legal Reserve;
- EUR	1,909,964.53	to the Extraordinary Reserve;
- EUR	2,093,702.06	in favour of the shareholders, to each of them in exact proportion to the extent of their stake held in the share capital,

If the proposal was approved, the Company's shareholders' equity would be increased, as follows:

- Share capital	EUR	3,275,758.00;
- Legal Reserve	EUR	655,151.60;
- Share premium reserve................................	EUR	5,837,550.30;
- Extraordinary reserve	EUR	8,024,373.25;
- Revaluation reserve pursuant to Law Decree no. 185/2008	EUR	339,518.20;
- FTA reserve	EUR	(770,668.69);
- Valuation reserve	EUR	(95,728.00);
- for a total of	EUR	17,265,954.06.

At the end of this report, before leaving room for the assessments and the resolution of the Shareholders' Meeting, the Board of Directors feels the duty to express its deep appreciation and heartfelt thanks to all the staff and associates who contributed, with dedication and professionalism, to the positive development of business activities and the achievement of the results shown in the 2019 financial statements, as well as the Board of Statutory Auditors and the Independent Auditors for their valuable audit activities.

Milan, 19 March 2020.

on behalf of the Board of Directors
the Chairman, Massimo Gianolli

GENERAL FINANCE

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CONTENTS OF THE FINANCIAL STATEMENTS

BALANCE SHEET - FINANCIAL INTERMEDIARIES
(values in Euro)

	Asset items	31/12/2019		31/12/2018	
10.	Cash and cash equivalents		1,460		1,562
20.	Financial assets measured at fair value through profit or loss		46,974		46,790
	c) other financial assets mandatorily measured at fair value	*46,974*		*46,790*	
40.	Financial assets measured at amortised cost		148,705,529		93,544,646
	a) loans to banks	*16,757,215*		*3,510,243*	
	c) loans to customers	*131,948,314*		*90,034,403*	
80.	Property, plant and equipment		5,342,512		2,058,648
90.	Intangible assets		352,086		385,414
	- of which goodwill	*0*		*0*	
100.	Tax assets		883,778		1,739,951
	a) current	*458,086*		*1,304,509*	
	b) deferred	*425,692*		*435,442*	
120.	Other assets		3,077,065		1,891,553
Total assets			**158,409,404**		**99,668,564**

	Liabilities and shareholders' equity items	31/12/2019		31/12/2018	
10.	Financial liabilities measured at amortised cost		129,006,333		75,639,371
	a) payables	*129,006,333*		*75,639,371*	
60.	Tax liabilities		636,513		458,086
	a) current	*636,513*		*458,086*	
80.	Other liabilities		7,641,890		5,275,521
90.	Severance pay		1,210,182		981,382
100.	Provisions for risks and charges		554,830		633,155
	b) pension and similar obligations	*54,830*		*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.	Profit		6,154,672		4,692,987
160.	Valuation reserves		(95,728)		(48,617)
170.	Profit (loss) for the year		4,187,404		2,923,371
Total liabilities and shareholders' equity			**158,409,404**		**99,668,564**

INCOME STATEMENT - FINANCIAL INTERMEDIARIES
(values in Euro)

	Items	31/12/2019	31/12/2018
10.	Interest income and similar income	4,638,228	3,544,265
20.	Interest expense and similar charges	(1,202,101)	(529,148)
30.	**Interest margin**	**3,436,127**	**3,015,117**
40.	Fee and commission income	11,541,473	9,351,315
50.	Fee and commission expense	(1,444,662)	(1,230,024)
60.	**Net fee and commission income**	**10,096,811**	**8,121,291**
80.	Net profit (loss) from trading	(40)	(20)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	184	(2,004)
	b) other financial assets mandatorily measured at fair value	*184*	*(2,004)*
120.	**Net interest and other banking income**	**13,533,082**	**11,134,384**
130.	Net value adjustments / write-backs for credit risk of:	(352,337)	(947,872)
	a) financial assets measured at amortised cost	*(352,337)*	*(947,872)*
150.	**Net profit (loss) from financial management**	**13,180,745**	**10,186,512**
160.	Administrative expenses	(6,805,600)	(5,782,093)
	a) personnel expenses	*(3,760,925)*	*(3,146,676)*
	b) other administrative expenses	*(3,044,675)*	*(2,635,417)*
170.	Net provisions for risks and charges	(6,676)	(6,118)
	b) other net provisions	*(6,676)*	*(6,118)*
180.	Net value adjustments / write-backs on property, plant and equipment	(606,221)	(290,890)
190.	Net value adjustments / write-backs on intangible assets	(232,661)	(330,311)
200.	Other operating income and expenses	750,544	619,636
210.	**Operating costs**	**(6,900,614)**	**(5,789,776)**
260.	**Pre-tax profit (loss) from current operations**	**6,280,131**	**4,396,736**
270.	Income taxes for the year on current operations	(2,092,727)	(1,473,365)
280.	**Profit (loss) from current operations after tax**	**4,187,404**	**2,923,371**
300.	**Profit (loss) for the year**	**4,187,404**	**2,923,371**

STATEMENT OF COMPREHENSIVE INCOME - FINANCIAL INTERMEDIARIES

(values in Euro)

	Asset items	31/12/2019	31/12/2018
10.	**Profit (loss) for the year**	**4,187,404**	**2,923,371**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(47,111)	3,682
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
	Other income components net of taxes without reversal to the income statement		
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	-	-
150.	Non-current assets and disposal groups	-	-
160.	Portion of valuation reserves of equity-accounted investments	-	-
170.	**Total other income components net of taxes**	**(47,111)**	**3,682**
180.	**Comprehensive income (Item 10 + 170)**	**4,140,293**	**2,927,053**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2019 - FINANCIAL INTERMEDIARIES

(values in Euro)

	Balance as at 31/12/2018	Change in opening balances	Balance as at 01/01/2019	Allocation of previous year's result		Changes in the year							Comprehensive income for 2019	Shareholders' equity as at 31/12/2019
							Shareholders' equity transactions							
				Profit	Dividends and other allocations	Changes in reserves	New shares issued	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Other changes			
Share capital	3,275,758	-	3,275,758	-	-	-	-	-	-	-	-		-	3,275,758
Share premium reserve	5,837,550	-	5,837,550	-	-	-	-	-	-	-	-		-	5,837,550
Profit														
a) reserves	4,353,469	-	4,353,469	1,461,685	-	-	-	-	-	-	-		-	5,815,154
b) others	339,518	-	339,518	-	-	-	-	-	-	-	-		-	339,518
Valuation reserves	(48,617)	-	(48,617)	-	-	-	-	-	-	-	-		(47,111)	(95,728)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (loss) for the year	2,923,371	-	2,923,371	(1,461,685)	(1,461,686)	-	-	-	-	-	-		4,187,404	4,187,404
Shareholders' equity	16,681,049	-	16,681,049	-	(1,461,686)	-	-	-	-	-	-		4,140,293	19,359,656

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2018 - FINANCIAL INTERMEDIARIES

(values in Euro)

	Balance as at 31/12/2017	Change in opening balances	Balance as at 01/01/2018	Allocation of previous year's result		Changes in the year							Comprehensive income for 2018	Equity as at 31/12/2018
							Shareholders' equity transactions							
				Profit	Dividends and other allocations	Changes in reserves	New shares issued	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Other changes			
Share capital	3,275,758	-	3,275,758	-	-	-	-	-	-	-	-		-	3,275,758
Share premium reserve	5,837,550	-	5,837,550	-	-	-	-	-	-	-	-		-	5,837,550
Profit														
a) reserves	3,026,895	-	3,026,895	1,326,574	-	-	-	-	-	-	-		-	4,353,469
b) others	339,518	-	339,518	-	-	-	-	-	-	-	-		-	339,518
Valuation reserves	(52,299)	-	(52,299)	-	-	-	-	-	-	-	-		3,682	(48,617)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (loss) for the year	2,653,147	-	2,653,147	(1,326,574)	(1,326,573)	-	-	-	-	-	-		2,923,371	2,923,371
Shareholders' equity	15,080,569	-	15,080,569	-	(1,326,573)	-	-	-	-	-	-		2,927,053	16,681,049

CASH FLOW STATEMENT - FINANCIAL INTERMEDIARIES (indirect method)

(values in Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2019	31/12/2018
1. Management	**7,766,212**	**6,251,887**
- profit (loss) for the year (+/-)	4,187,404	2,923,371
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at *fair value* through profit or loss (- / +)	(184)	2,004
- gains / losses on hedging activities (- / +)	-	-
- net value adjustments for credit risk (+/-)	406,571	947,872
- net value adjustments to property, plant and equipment and intangible assets (+/-)	838,882	621,201
- net provisions for risks and charges and other costs / revenues (+/-)	240,812	284,074
- unpaid taxes, duties and tax credits (+/-)	2,092,727	1,473,365
- net value adjustments to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	-	-
2. Liquidity generated / absorbed by financial assets	**(43,981,286)**	**(14,566,114)**
- financial assets held for trading	-	-
- financial assets designated at *fair value*	-	-
- other financial assets mandatorily measured at fair value	-	134,313
- financial assets measured at *fair value* through other comprehensive income	-	-
- financial assets measured at amortised cost	(42,313,778)	(13,902,927)
- other assets	(1,667,508)	(797,500)
3. Cash flow generated / absorbed by financial liabilities	**51,591,454**	**10,648,341**
- financial liabilities measured at amortised cost	51,105,799	11,536,838
- financial liabilities held for trading	-	-
- financial liabilities designated at *fair value*	-	-
- other liabilities	485,655	(888,497)
Net cash flow generated / absorbed by operating activities	**15,376,380**	**2,334,114**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**6,733**	**8,783**
- sales of equity investments	-	-
- dividends collected on equity investments	-	-
- sales of property, plant and equipment	6,733	8,783
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(667,852)**	**(447,351)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(514,971)	(267,305)
- purchases of intangible assets	(152,881)	(180,046)
- purchases of business units	-	-
Net cash flow generated / absorbed by investment activities	**(661,119)**	**(438,568)**
C. FUNDING ACTIVITIES		
- issues / purchases of treasury shares	-	-
- issues / purchases of equity instruments	-	-
- distribution of dividends and other purposes	(1,461,685)	(1,326,573)
Net cash flow generated / absorbed by funding activities	**(1,461,685)**	**(1,326,573)**
NET CASH FLOW GENERATED / ABSORBED DURING THE YEAR	**13,253,576**	**568,973**

RECONCILIATION	Amount	
	31/12/2019	31/12/2018
Cash and cash equivalents at the beginning of the year	3,511,805	2,942,832
Total net cash flow generated / absorbed during the year	13,253,576	568,973
Cash and cash equivalents: effect of changes in exchange rates	0	0
Cash and cash equivalents at the end of the year	**16,765,381**	**3,511,805**

GENERAL FINANCE

EXPLANATORY NOTES

2019 FINANCIAL STATEMENTS

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PART A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 - Statement of compliance with International Accounting Standards

The financial statements of Generalfinance S.p.A. as at 31 December 2019 were prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date.

The financial statements were prepared according to the formats and instructions issued by the Bank of Italy on 30 November 2018, and issued in compliance with the provisions of art. 9 of Legislative Decree no. 38/2005 and subsequent amendments to the law.

The legislation also refers to specific provisions on the determination of non-performing items contained in Circular no. 217 of 5 August 1996 and subsequent updates.

The financial statements, accompanied by the related Report on Operations, consist of the following documents:

• Balance Sheet and Income Statement;
• Statement of comprehensive income;
• Statement of changes in shareholders' equity;
• Cash flow statement;
• Explanatory notes.

The financial statements are also completed by the relative comparative information as required by IAS 1 and are prepared on a going concern basis, measured by taking into account present and future income and financial prospects.

The amounts shown in the financial statements and in the tables of the explanatory notes are expressed in Euro.

Section 2 - General drafting principles

These financial statements, drawn up in units of Euro, are based on the application of the following general drafting principles set forth in IAS 1.

1) Going concern. The financial statements have been prepared on a going concern basis: therefore, assets, liabilities and "off-balance sheet" transactions are measured according to operating values.

2) Accrual principle. Costs and revenues are recognised, regardless of the time of their monetary payment/collection, by period of economic accrual and according to the correlation criterion.

3) Consistency of presentation. Presentation and classification of items are kept constant over time in order to ensure comparability of information, unless their change is required by an International Accounting Standard or an interpretation or it makes the representation of values more appropriate, in terms of significance and reliability. If a presentation or classification criterion is changed, the new one is applied - where possible - retroactively; in this case, the nature and reason for the change are also indicated, as well as the items concerned. In the presentation and classification of the items, the formats represented by the Bank of Italy in the instructions for "Financial statements of IFRS intermediaries other than banking intermediaries" are adopted as represented in the regulations issued on 30 November 2018.

4) Aggregation and relevance. All significant groupings of items with a similar nature or function are reported separately. The elements of a different nature or function, if relevant, are presented separately.

5) Prohibition of offsetting. Assets and liabilities, costs and revenues are not offset against each other, unless this is required or permitted by an International Accounting Standard or an interpretation or by the schedules prepared by the Bank of Italy and represented in the instructions for "The financial statements of IFRS intermediaries other than banking intermediaries".

6) Comparative information. The comparative information of the previous year is reported for all the data contained in the financial statements, unless an International Accounting Standard, an interpretation or the instructions prepared by the Bank of Italy for Financial Intermediaries prescribe or allow otherwise. Information of a descriptive nature or comments is also included, when useful for understanding the data.

As mentioned above, these financial statements were prepared on the basis of international accounting standards approved by the European Commission; in addition, to support the application, the ESMA (European Securities and Markets Authority) documents were used and in particular the document published on 22 October 2019, the public statement "European common enforcement priorities for 2019 annual financial reports" which refers to the application of specific provisions in the IFRS, also requiring the provision of specific information in the event of certain transactions.

IFRS accounting standards, amendments and interpretations applied from 1 January 2019

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2019:

- on 13 January 2016, the IASB published **IFRS 16 - *Leases,*** which replaces IAS 17 - *Leases*, as well as the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new accounting standard introduces significant changes to the accounting of lease transactions in the financial statements of the lessee / user, while it does not envisage significant changes for lessors.
  The illustration of the impacts deriving from the first-time adoption of IFRS 16 is provided in the specific section "Effects of first-time adoption of IFRS 16".
- On 12 December 2017, the IASB published the document **"*Annual Improvements to IFRSs 2015-2017 Cycle*"** which incorporates the amendments to some standards as part of the annual improvement process. The main changes concern:
  - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a *business* that represents a *joint operation*, it must remeasure the interest previously held in that *business*. However, this process is not envisaged in the case of obtaining joint control.
  - IAS 12 *Income Taxes*: the amendment clarifies that all tax effects linked to dividends (including payments on financial instruments classified under shareholders' equity) should be accounted for in a manner consistent with the transaction that generated these profits (income statement, OCI or equity).
  - IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans that remain outstanding even after the *qualifying asset* of reference is already ready for use or for sale, they become part of the set of loans used to calculate the financing costs.

  The adoption of this amendment had no effect on the Company's financial statements.
- On 7 February 2018, the IASB published the document "***Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)***". The document clarifies how an entity should recognise a change (i.e. a *curtailment* or a *settlement*) of a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated assumptions to measure the *current service cost* and interest for the remainder of the reporting period following the event.
  The adoption of this amendment had no effect on the Company's financial statements.
- On 12 October 2017, the IASB published the document "***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***". This document clarifies the need to apply IFRS 9, including the requirements linked to *impairment*, to other long-term interests in associates and joint ventures for which the equity method is not applied.
  The adoption of this amendment had no effect on the Company's financial statements.
- On 7 June 2017, the IASB published the interpretation "***Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***". The interpretation deals with the issue of uncertainties over the tax treatment to be adopted with regard to income taxes. In particular, the Interpretation requires an entity to analyse the *uncertain tax treatments* (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that the entity deems it unlikely that the tax authority will accept the tax treatment followed, the entity must reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. In addition, the document does not contain any new disclosure obligation but emphasizes that the entity must establish whether it will be necessary to provide information on the considerations made by management and relating to the uncertainty inherent in the accounting of taxes, in accordance with IAS 1. The new interpretation has been applied since 1 January 2019.
  The adoption of this amendment had no effect on the Company's financial statements.
- On 12 October 2017, the IASB published an amendment to **IFRS 9** "***Prepayment Features with Negative Compensation***". This document specifies that the instruments that provide for early repayment could comply with the *Solely Payments of Principal and Interest* ("SPPI") test even if the "*reasonable additional compensation"* to be paid in the event of early repayment is a *"negative compensation"*. for the lender.
  The adoption of this amendment had no effect on the Company's financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the company as at 31 December 2019.

- On 31 October 2018, the IASB published the document ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change in the definition of "material" contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "relevant" more specific and to introduce the concept of "*obscured information*" alongside the concepts of omitted or erroneous information already present in the two standards being amended. The amendment clarifies that information is "*obscured*" if it has been described in such a way as to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or incorrect.
  The amendments introduced were approved on 29 November 2019 and apply to all transactions subsequent to 1 January 2020.
- On 29 March 2018, the IASB published an amendment to the "***References to the Conceptual Framework in IFRS Standards***". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.
  The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing IFRS standards. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors.
  The *Conceptual Framework* supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment entitled "***Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform***". The same amends IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements for the application of *hedge accounting*, providing for temporary exceptions to the same, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which they apply the above-mentioned exceptions.
  The amendments enter into force on 1 January 2020, but companies can opt for early application.
  The adoption of this amendment has no effect on the financial statements, as the Company has no hedging contracts in place.

In general, based on the analyses carried out so far, it is believed that the adoption of these standards, amendments and interpretations will not have significant effects on the Company's financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

At the reference date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On 22 October 2018, the IASB published the document ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides some clarifications regarding the definition of *business* for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities / processes and assets. However, to meet the definition of business, an integrated set of activities / processes and assets must include, at a minimum, an input and a substantive process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
  The amendment also introduced an optional *"concentration test"*, which makes it possible to exclude the presence of a business if the price paid is substantially referable to a single asset or group of assets. The amendments apply to all *business combinations* and acquisitions of assets after 1 January 2020, but early application is permitted.
- On 18 May 2017, the IASB published **IFRS 17 - *Insurance Contracts***, which is intended to replace IFRS 4 - *Insurance Contracts*.

The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single *principle-based* framework to take into account all types of insurance contracts, including the reinsurance contracts that an insurer holds.

The new standard also provides for presentation and disclosure requirements to improve comparability between entities belonging to this sector.

The new standard measures an insurance contract on the basis of a *General Model* or a simplified version of this, called the *Premium Allocation Approach* ("PAA").

The main characteristics of the *General Model* are:

- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates envisage an extensive use of information observable on the market;
- there is a current and explicit measurement of risk;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognised in the contractual hedging period, taking into account the adjustments deriving from changes in the assumptions concerning the cash flows relating to each group of contracts.

The PAA approach envisages the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the measurement of liabilities for existing *claims*, which are measured with the *General Model*. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or collected will occur within one year from the date on which the claim is made.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a *discretionary participation feature* (DPF).

The standard applies from 1 January 2021 but early application is permitted, only for entities that apply IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers*.

- On 30 January 2014, the IASB published ***IFRS 14 - Regulatory Deferral Accounts***, which allows only those who adopt IFRS for the first time to continue to recognise the amounts relating to assets subject to regulated tariffs ("*Rate Regulation Activities*") according to the previous accounting standards adopted.
  As the Company is not a first-time adopter, this standard is not applicable.

Based on the analyses carried out to date, the directors believe that the adoption of these standards, amendments and interpretations will not have any significant effects on the Company's financial statements.

Effects of first-time adoption of IFRS 16

Starting from 1 January 2019, the Company adopted the new accounting standard "IFRS 16 Leases" (hereinafter the "Standard") following the methodological choices made by the parent company GGH - Gruppo General Holding S.r.l..

The Standard provides a new definition of *lease* and introduces a criterion based on the notion of control (*right of use*) of an asset to distinguish between *lease* contracts and service supply contracts, identifying the following as discriminating *factors*: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and, lastly, the right to use the asset underlying the contract.

IFRS 16 requires the lessee to have a single model for the recognition and measurement of these contracts. According to the new standard, a lease contract is a contract, or a part of it, that confers the right of use of an asset for a period of time in exchange for a consideration; specifically, the accounting method envisages the recognition in the balance sheet assets of the right of use of the leased asset with a balancing entry under financial payables, which represents the commitments deriving from the lease.

At the time of initial recognition, this asset is valued on the basis of the cash flows associated with the lease contract. Subsequent to initial recognition, this asset is measured on the basis of the provisions for property, plant and equipment and intangible assets by IAS 38, IAS 16 or IAS 40 and, therefore, at cost net of depreciation and amortisation and any impairment, at the "restated value" or at the fair value as applied by the Company and described in the preparation of the financial statements.

It should also be noted that based on the requirements of IFRS 16 and the clarifications of IFRIC ("Cloud Computing Arrangements" document of September 2018), *software* is excluded from the scope of application of IFRS 16; these comply with IAS 38 and the related requirements.

First Time Adoption (FTA)

The Company has chosen to carry out the FTA using the modified retrospective approach (paragraph C7 IFRS 16), which allows the option to recognise the cumulative effect of the application of the Standard at the date of first-time application and not to restate the comparative data of the financial statements of first-time adoption of IFRS 16.

In particular, the so-called "*cumulative catch-up approach*" was applied (option envisaged by par. C8 b) ii)) which envisages the possibility of recognising the asset consisting of the right of use at the date of initial application for an amount equal to the lease liability; according to this approach, on the date of first-time application, there are no differences in the amount and composition of the Company's shareholders' equity and regulatory capital.

The first-time application of IFRS 16 on the Company's financial statements therefore entailed:

- in the balance sheet, an increase in property, plant and equipment recorded in the financial statements (rights of use deriving from leased assets) and an increase in financial liabilities (the financial payable relating to the lease payments);
- in the income statement an increase in amortisation (in relation to the new rights of use recorded under assets), an increase in financial costs (for the remuneration of the recognised payable) and, compared to previous financial statements, a reduction in administrative expenses (fees) lease / rental).

The analysis of the contracts falling within the scope of application of this Standard regarded in particular those relating to the following cases: (i) property, (ii) motor vehicles and (iii) electronic equipment (printers and electronic devices).

To carry out the FTA, *assessment* activities were carried out on contracts in place as at 31 December 2018 to verify whether a contract is or contains a lease and the following items were recognised:

- the lease liability valued at the present value of the residual future payments at the transition date, discounted by using the incremental borrowing loan rate identified at the transition date for each contract;
- the asset consisting of the right of use valued at the amount equal to the lease liability at the transition date; this amount was then adjusted for any deferred income or accrued income relating to the lease recognised in the balance sheet at the reporting date as at 31 December 2018.
  Moreover, by applying a practical expedient envisaged by the Standard, during the FTA, the Company adjusted the right of use for the amount of provisions for onerous leases recognised in the statement of financial position as at 31 December 2018 deriving from the application of IAS 37 to approximate the *impairment*.

In this context, the future lease payments to be discounted were determined in light of the provisions of the lease contract and calculated net of the VAT component.

In addition, with reference to the transition rules, the Company made use of the following practical expedients available in case of choice of the modified retrospective transition method:

- use of the experience acquired and the information present at the transition date to determine the duration of the lease, with particular reference to the exercise of extension and early termination options;
- classification of contracts expiring within 12 months of the transition date (including any extension periods) as *short-term leases*; for these contracts, *lease* payments continue to be recognised in the income statement under administrative expenses.

In particular, with reference to the duration of the *lease* at the time of transition and fully operational for new contracts, the Company decided to consider the following guidelines on renewal and early termination:

- for multi-year real estate leases, only the first renewal is reasonably certain, unless there are contractual clauses that prohibit it, or facts or circumstances that lead an entity to consider additional renewals or determine the end of the lease agreement;
- for leases relating to cars and hardware, even where there are renewal options, not to consider the exercise of the renewal option reasonably certain;
- for all types of leases, to consider it reasonably certain to exercise the option of early termination of the contract only in the presence of specific evidence.

Moreover, in application of the practical expedient envisaged by the Standard, only for leases relating to motor vehicles, the Company has decided not to separate the service components from those of leases and consequently account for the entire contract as a lease, as the components of service are not significant.

The Company has chosen to apply the following exemptions granted by paragraph 5 of IFRS 16:

- in relation to short-term leases for all asset classes (duration of less than 12 months, including any extension periods);

- with regard to *lease* contracts for which the underlying asset is a *low value asset* (i.e., when new, the assets underlying the *lease* contract do not exceed the unit value of EUR 5,000).

For these contracts, although they fall within the scope of application of IFRS 16, the application of the accounting standard does not therefore entail the recognition of the financial liability of the *lease* and the related right of use, but the lease payments continue to be recognised in the income statement. under administrative expenses for the duration of the respective contracts.
With respect to the minimum payments due for leases pursuant to IAS 17, the initial liabilities that were recognised in these financial statements (the first annual financial statements in application of IFRS 16) include the higher liabilities deriving from the lease payments relating to the contractual periods of the lease in which the Company, as lessee, has the reasonable certainty of exercising the renewal option in addition to the discounting effect deriving from the application of a weighted average rate of 2.16%.

Using the modified retrospective approach, the initial application of IFRS 16 resulted in an increase in property, plant and equipment of around EUR 2.2 million following the recognition of the right of use, and financial liabilities (payable to the lessor) of the same amount; therefore, there are no impacts on the initial shareholders' equity since, following the decision to adopt the simplified approach, the values of the assets and liabilities coincide upon first-time application.

With regard to the income statement figures for 2019, based on the provisions of IFRS 16, note that:
▪ The interest margin includes, under interest expense, the interest accrued on financial liabilities for the lease;
▪ Net value adjustments / write-backs on property, plant and equipment include the amortisation of the rights of use of assets deriving from lease contracts;
▪ "Other administrative expenses" no longer include lease / hire payments relating to contracts falling within the scope of application of IFRS 16 for which the calculation of rights of use is envisaged; the VAT component relating to the aforementioned fees continues to be recognised under "Other administrative expenses".
Based on the above with regard to the balance sheet and income statement items impacted by IFRS 16, the figures for 2019 are not comparable with the previous period.
It should also be noted that the opening balances included in the tables of the explanatory notes that show the annual changes are inclusive of the effects of first-time adoption of IFRS 16.

Section 3 - Events after the reporting date

After the close of the year, no events occurred that would lead to an adjustment of the results shown in the financial statements as at 31 December 2019; for a description of significant events occurring after the close of the year, please refer to the information below.
From February 2020, the entire Italian territory was gradually impacted by the emergency stemming from the spread of SARS-CoV-2 ("Severe acute respiratory syndrome - coronavirus 2") and the subsequent disease called COVID-19, which determined the need to adopt increasingly more stringent prevention and containment measures throughout the country, most recently the provision of the Presidency of the Council of Ministers of 11 March 2020, which involved the closure of a large section of retail enterprises.
The Company reacted quickly by preparing provisions targeted at protecting the health of its employees, in light of the emergency situation and the measures adopted by the Government authorities, both through specific disclosures - including the integration of the Risk Assessment Document - and by activating alternative work methods, such as smart working (given expressly recommended as a containment measure).
At the moment, the impacts that the emergency situation may cause on the Company's activities are not foreseeable; however, it is not possible to exclude the possibility that the current limitations of the activity at national level, if they were to be prolonged over time, could determine effects on the operations of the Company.
Pursuant to IAS 10, the date on which the financial statements were authorized for publication by the Company's Directors is 19 March 2020.

Section 4 - Other aspects

The financial statements of Generalfinance S.p.A. are audited by the company Deloitte & Touche S.p.A., which was appointed for the period 2017 - 2025 by the Shareholders' Meeting of 15 February 2018.

Risks and uncertainties associated with the use of estimates

The preparation of the financial statements requires the use of estimates and assumptions that may have significant effects on the values recorded in the balance sheet and in the income statement, as well as on the disclosure relating to contingent assets and liabilities reported in the financial statements.
The preparation of these estimates involves the use of available information and the adoption of subjective judgments, also based on historical experience, used in order to formulate reasonable assumptions for the recognition of operating events.
Due to their very nature, the estimates and assumptions used may vary from year to year, therefore it cannot be excluded that the current values recorded in the financial statements may differ significantly as a result of the change in the subjective judgments used.
The cases for which the use of subjective judgments was required in the preparation of these financial statements concern:

- estimates and assumptions on deferred tax assets whose recoverability is connected with the Company's ability to generate profits;
- the estimate of the recoverable value of financial assets measured at amortised cost;
- the quantification of provisions for personnel and provisions for risks and charges.

With reference to the cases indicated above and in consideration of the current financial and economic situation, it was deemed appropriate to provide adequate information on the reasons underlying the decisions made, the assessments carried out and the estimation criteria adopted in the application of the international accounting standards.

A. 2 - PART RELATING TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

1 - Financial assets measured at fair value through profit or loss ("FVTPL")

1.1 Classification criteria

Financial assets other than those classified under Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:
a) financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading;
b) financial assets designated at fair value, i.e. non-derivative financial assets thus defined at the time of initial recognition and if the conditions are met. An entity may irrevocably designate a financial asset measured at fair value through profit or loss only if, by doing so, it eliminates or significantly reduces a measurement inconsistency;
c) financial assets mandatorily measured at fair value, represented by financial assets that do not meet the conditions, in terms of business model or characteristics of cash flows, for measurement at amortised cost or at fair value through other comprehensive income. In particular, this category includes:
▪ Debt instruments, securities and loans that do not present cash flows consisting only of the repayment of principal and interest consistent with a "basic lending arrangement", (so-called "SPPI test" not passed);
▪ Debt instruments, securities and loans whose business model is neither "Held to collect" (whose objective is to own assets aimed at collecting contractual cash flows or "Held to collect and sell" (whose objective is to achieved through the collection of contractual cash flows and through the sale of financial assets);
▪ the units of UCITS;
▪ equity instruments for which the Company does not apply the option granted by the standard to measure these instruments at fair value through other comprehensive income.
Derivative contracts also include those embedded in complex financial instruments, in which the host contract is not a financial asset that falls within the scope of application of IFRS 9, which are subject to separate recognition in the event that:
• the economic characteristics and risks of the embedded derivative are not strictly related to the economic characteristics and risks of the host contract;
• a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative;
• the hybrid instrument to which they belong is not measured at fair value with the related changes in the income statement.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for the management of financial assets. In these cases, financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value at the reclassification date and this date is considered as the initial recognition date for the allocation in the various stages of credit risk (stage allocation) for impairment purposes.

1.2 Recognition criteria

The initial recognition of financial assets takes place on the settlement date for debt and equity securities and on the date of subscription for derivative contracts. At the time of initial recognition, financial assets held for trading are recognised at a value equal to the price paid, i.e. the fair value of the instrument, without considering the transaction costs or income directly attributable to the instrument itself, which are allocated to the income statement.

1.3 Measurement criteria

Even after initial recognition, financial assets are measured at fair value and the effects of the application of this criterion are recognised in the income statement. The determination of the fair value of financial instruments classified in this portfolio is based on prices recorded in active markets, on prices provided by market operators or on internal valuation models, generally used in financial practice, which take into account all risk factors related to the instruments and which are based on data available on the market. For financial assets not listed on an active market, the cost criterion is used as an estimate of the fair value only on a residual basis and limited to a few circumstances, i.e. in the event of non-applicability of all the valuation methods mentioned above.

1.4 Criteria for recognising income components

The income components relating to “Financial assets held for trading” are allocated to the income statement item “Net profit (loss) from trading”.

The income components relating to “Financial assets designated at fair value” and “Other financial assets mandatorily measured at fair value” are allocated to the income statement item “Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss”.

1.5 Derecognition criteria

Financial assets are derecognised only if the sale entails the substantial transfer of all the risks and benefits associated with the assets. If part of the risks and rewards relating to the financial assets sold have been retained, they continue to be recognised in the financial statements, even if legal ownership of the assets has actually been transferred.

If it is not possible to ascertain the substantial transfer of risks and benefits, the financial assets are derecognised if no type of control has been maintained over them. Otherwise, the maintenance, even in part, of this control entails the maintenance in the financial statements of the assets to an extent equal to the residual involvement, measured by the exposure to changes in value of the assets sold and to changes in their cash flows. Lastly, as regards the transfer of collection rights, the financial assets sold are derecognised from the financial statements even when the contractual rights to receive the cash flows of the asset are maintained, but an obligation is assumed to pay those flows to one or more entities.

2 - Financial assets measured at amortised cost

2.1 Classification criteria

This category includes financial assets (in particular loans and debt securities) that meet both of the following conditions:

• the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows (“Held to Collect” Business model), and

• the contractual terms of the financial asset envisage, on certain dates, cash flows consisting only of the repayment of principal and interest consistent with a “basic lending arrangement”, in which the remuneration of the time value of money and credit risk represent the most significant elements (so-called “SPPI test” passed).

In particular, if they meet the technical requirements described above, this item includes:

• loans to banks,

• loans to customers, mainly consisting of advances on demand disbursed to customers as part of factoring activities against the portfolio of loans and receivables received with recourse that remains recorded in the financial statements of the assigning counterparty, or loans and receivables acquired without recourse, for the which the non-existence of contractual clauses that eliminate the conditions for their registration has been ascertained.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. The gains or losses resulting from the difference between the amortised cost of the financial asset and the related fair value are recognised in the income statement in the event of reclassification under Financial assets measured at fair value through profit or loss and in equity, in the appropriate valuation reserve, in the case of reclassification under Financial assets measured at fair value through other comprehensive income.

2.2 Recognition criteria

The first recognition of these financial assets takes place on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, the assets are recognised at fair value, including transaction costs or income directly attributable to said asset. Costs that, despite having the aforementioned characteristics, are subject to reimbursement by the debtor counterparty or are included among the normal internal administrative costs are excluded. Repurchase agreements with forward repurchase or resale obligation are recorded in the financial statements as funding or lending transactions. In particular, spot sales and forward repurchases are recognised in the financial statements as payables for the spot amount received, while spot purchases and forward sales are recognised as receivables for the spot amount paid.

2.3 Measurement criteria

After initial recognition, the receivables are measured at amortised cost, equal to the initial recognition value decreased / increased by principal repayments, value adjustments / write-backs and amortisation calculated using the effective interest rate method. The effective interest rate is identified by calculating the rate that equals the present value of future flows of the receivable, for principal and interest, to the amount disbursed, including the costs / income related to the financial asset. This accounting method, using a financial method, makes it possible to distribute the economic effect of the costs / income over the expected residual life of the receivable. The amortised cost method is not normally used for receivables whose short duration makes the effect of discounting negligible. These receivables - including almost all factoring advances disbursed by Generalfinance - are valued at purchase cost. A similar measurement criterion is adopted for receivables without a defined maturity or subject to revocation. At the end of each reporting or interim reporting period, the estimated impairment losses on these assets are calculated in accordance with the impairment rules of IFRS 9. Impairment losses are recognised in the Income Statement under the item “Net value adjustments / write-backs for credit risk" as well as the recoveries of part or all the amounts subject to previous write-downs. Write-backs are recorded against an improved quality of the exposure such as to lead to a decrease in the overall write-down previously recognised. In the explanatory notes, value adjustments on non-performing exposures are classified as analytical in the aforementioned income statement item. In some cases, during the life of the financial assets in question and, in particular, of the receivables, the original contractual conditions are subject to subsequent modification by the parties to the contract. When, during the life of an instrument, the contractual clauses are subject to change, it is necessary to verify whether the original asset must continue to be recognised in the financial statements or if, on the contrary, the original instrument must be derecognised from the financial statements and a new financial instrument recognised. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are “substantial”. The assessment of the “substantiality” of the change must be carried out considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially modify the characteristics and / or contractual flows of a given activity while, in other cases, further analyses will have to be carried out (including quantitative) to consider the effects of the same and verify the need to proceed with the derecognition of the asset and the recognition of a new financial instrument.

The (quali-quantitative) analyses aimed at defining the “substantiality” of the contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty:

▪ The first, aimed at “retaining” the customer, involves a debtor who is not in a situation of financial difficulty. This case includes all the renegotiation transactions that are aimed at adjusting the cost of the debt to market conditions. These transactions involve a change in the original conditions of the contract, usually requested by the debtor, which concerns aspects related to the cost of the debt, with a consequent economic benefit for the debtor. In general, it is believed that, whenever the Company carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered as substantial since, if it were not carried out, the customer could obtain financing from another intermediary and the Company would suffer a decrease in expected future revenues;

▪ The latter, carried out for “credit risk reasons” (forbearance measures), are attributable to the Company's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and benefits, subsequent to the amendments, are not substantially transferred and, consequently, the accounting representation that offers the most relevant information for the reader of the financial statements (except for what will be discussed later on objective elements), is that carried out through “modification accounting” - which involves the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;

- the presence of specific objective elements that affect the substantial changes in the characteristics and / or the contractual flows of the financial instrument (such as, solely by way of example, the change in the type of counterparty risk to which one is exposed), which are believed to involve the derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

2.4 Criteria for recognising income components

The allocation of income components to the relevant income statement items is based on the following:

a) interest income is allocated to the item "Interest income and similar income";
b) fee and commission income relating to current operations is allocated to the item "Commission income";
c) impairment losses and write-backs for credit risk are allocated to the item "Net value adjustments / write-backs for credit risk relating to a) financial assets measured at amortised cost".

2.5 Derecognition criteria

The full elimination of a receivable is carried out when it is considered irrecoverable with waiver of the legal right to recover the receivable by the Company. By way of a non-exhaustive example, this occurs in the presence of the closure of a bankruptcy procedure, death of the debtor without heirs, final judgment of non-existence of the credit, etc. As regards total or partial write-offs without waiver of the receivable, in order to avoid the maintenance in the financial statements of receivables that, although continuing to be managed by the collection structures, present marginal recovery possibilities, at least every six months, entities identify the positions to be subject to derecognition that simultaneously present the following characteristics: - full write-down of the receivable; - period of more than 2 years in the non-performing status - declaration of bankruptcy, or admission to compulsory administrative liquidation or other ongoing insolvency proceedings.
Derecognitions are charged directly to the item net value adjustments for impairment of loans for the residual portion not yet adjusted and are recognised as a reduction of the principal portion of the loan. Recoveries of part or entire amounts previously written down are recognised as a reduction of the same item, net value adjustments for impairment of receivables.
Financial assets sold or securitised are derecognised only when the sale has resulted in the substantial transfer of all related risks and benefits. Moreover, if the risks and benefits have been maintained, these financial assets continue to be recognised, even if their ownership has been legally transferred. Against the maintenance of the recognition of the financial asset sold, a financial liability is recognised for an amount equal to the consideration collected at the time of the sale of the financial instrument. If not all risks and benefits have been transferred, the financial assets are eliminated only if no type of control has been maintained over them. If, on the other hand, control has been maintained, the financial assets are shown in proportion to the residual involvement. Lastly, as regards the transfer of collection rights, the transferred receivables are derecognised from the financial statements even when the contractual rights to receive the cash flows of the asset are maintained, but an obligation is assumed to pay those flows to one or more entities.

3 - Property, plant and equipment

3.1 Classification criteria

The item includes both owned assets and rights of use relating to lease contracts.
Property, plant and equipment for business use include:

• land;
• real estate;
• furniture and furnishings;
• electronic office machines;
• plants;
• various equipment;
• cars;
• leasehold improvements.

These are physical assets held to be used in the production or supply of goods and services or for administrative purposes and which are deemed to be used for more than one period. This item also includes rights of use acquired through leasing and relating to the use of property, plant and equipment.
Pursuant to IFRS 16, a lease is a contract, or part of a contract, which, in exchange for a consideration, confers the right to control the use of a specified asset for a period of time; therefore, if long-term, the period of use of the asset will enjoy both of the following rights:
a) the right to obtain substantially all the economic benefits deriving from the use of the asset; and
b) the right to decide on the use of the asset.

In the event of a change in the terms and conditions of the contract, a new assessment is made to determine whether the contract is or contains a lease.
Leasehold improvements are improvements and incremental expenses relating to identifiable and separable property, plant and equipment. These investments are generally incurred to make the properties rented from third parties suitable for use.
It should also be noted that the Company does not hold property, plant and equipment for investment purposes.

3.2 Recognition criteria
Property, plant and equipment are initially recognised at acquisition cost, including accessory charges incurred and directly attributable to the start-up of the asset or the improvement of its production capacity.
Expenses incurred subsequently are added to the carrying amount of the asset or recognised as separate assets if it is probable that they will enjoy future economic benefits in excess of those initially estimated and the cost can be reliably recognised; otherwise they are recognised in the income statement. According to IFRS 16, leases are accounted for on the basis of the right of use model, therefore, at the start date of the contract, the asset consisting of the right of use and the lease liability are recognised.
The initial measurement of the right-of-use asset is at cost, which includes:

a) the amount of the initial measurement of the lease liability;
b) payments due for the lease made on or before the start date net of lease incentives received;
c) the initial direct costs incurred by the lessee; and
d) the estimate of the costs that will be incurred for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset under the conditions envisaged by the terms and conditions of the lease.

For real estate leases, recognition as a lease takes place for each lease component, separating it from non-lease components; for vehicles, in application of the practical expedient envisaged by the standard, the non-leasing components are not separated from the leasing components.
Ordinary maintenance costs are recognised in the Income Statement on an accrual basis.

3.3 Measurement criteria
Recognition in the financial statements subsequent to the initial one is carried out at cost less any depreciation and any impairment losses. The depreciable amount is allocated systematically and on a straight-line basis over the entire useful life of property, plant and equipment. If there is evidence of impairment, property, plant and equipment are tested for impairment and any impairment losses are recorded. The subsequent write-backs may not, in any case, exceed the amount of the losses from impairment tests recorded previously.
With reference to the asset consisting of the right of use, accounted for on the basis of IFRS 16, after the initial recognition date, the asset is measured by applying the cost model.
Assets consisting of the right of use are amortised on a straight-line basis from the start date of the lease until the end of the lease term and are subject to an impairment test if impairment indicators emerge.

3.4 Criteria for recognising income components
The allocation of income components to the relevant income statement items is based on the following:
a) periodic depreciation, impairment losses and write-backs are allocated to the item “Net value adjustments / write-backs on property, plant and equipment”;
b) profits and losses deriving from disposal transactions are allocated to the item “Other operating income and expenses”.

3.5 Derecognition criteria
Property, plant and equipment are derecognised from the financial statements at the time of their disposal or when their economic function has been fulfilled completely and no future economic benefits are expected.
The right of use deriving from lease contracts is eliminated from the balance sheet at the end of the lease term.

4 - Intangible assets

4.1 Classification criteria
The item includes intangible assets, identifiable even if they are not physical, which have the characteristics of multi-year use and an ability to produce future benefits.
The Company has no intangible assets with an indefinite useful life; they are represented solely by software, also produced internally, and user licenses.

4.2 Recognition criteria
Intangible assets are initially recognised at purchase/production cost, including accessory charges incurred and directly attributable to the commissioning or improvement of their production capacity.
Ordinary maintenance costs are recognised in the Income Statement on an accrual basis.

4.3 Measurement criteria
The posting in the financial statements subsequent to the initial one is carried out at cost less any amortisation and any impairment losses.
Amortisation is calculated on the basis of the best estimate of the useful life by using the straight-line distribution method.
Periodically, it is verified whether substantial changes have occurred in the original conditions that require changes to the initial amortisation plans.
If it is found that an individual asset may have suffered an impairment loss, it is subject to an impairment test with the recognition and recording of the related losses.

4.4 Criteria for recognising income components
The allocation of the income components in the relevant items of the Income Statement is based on the following:
a) periodic amortisation, impairment losses and write-backs are allocated to the item "Net value adjustments / write-backs on intangible assets".

4.5 Derecognition criteria
Intangible assets are derecognised from the financial statements at the time of their disposal or when their capacity to produce future benefits is fully expended.

5 - Tax assets and tax liabilities

5.1 Classification criteria
The items include current and deferred tax assets and current and deferred tax liabilities.
Current tax assets include surpluses and payments on account, while current tax liabilities include payables to be paid for income taxes for the period.
Deferred tax items, on the other hand, represent income taxes recoverable in future periods in connection with deductible temporary differences (deferred assets) and income taxes payable in future periods as a result of taxable temporary differences (deferred liabilities).

5.2 Recognition, derecognition and measurement criteria
Income taxes are calculated on the basis of current tax rates.
Deferred tax assets are recognised, in accordance with the "balance sheet liability method", only on condition that there is full capacity to absorb the deductible temporary differences from future taxable income, while deferred tax liabilities are usually accounted for if of a significant amount.

5.3 Measurement criteria for income components
Tax assets and liabilities are recognised in the Income Statement under the item "Income taxes for the year on current operations", except in the case in which they derive from transactions whose effects are attributed directly to shareholders' equity; in this case, they are attributed directly to shareholders' equity.

6 - Financial liabilities measured at amortised cost

6.1 Classification criteria
Financial liabilities other than liabilities held for trading and liabilities designated at fair value are classified in this category.
The item includes payables to banks, payables to financial institutions, in relation to existing contracts, any amounts due to customers and payables recorded by the lessee as part of leasing transactions.

6.2 Recognition criteria
The aforementioned financial liabilities are initially recognised at their fair value which, as a rule, corresponds, for payables to banks and payables to financial institutions, to the value collected by the Company and, for those to customers, to the amount of the payable, given the short duration of the related transactions.

The initial measurement of the lease liability takes place at the present value of the payments due for the lease not paid at that date. The lease payments are discounted using the Company's marginal borrowing rate.

6.3 Measurement criteria

After initial recognition, these instruments are measured at amortised cost, using the effective interest method. The amortised cost method is not used for liabilities whose short duration makes the effect of discounting negligible.

After the effective date, the lease liability is measured:

a) increasing the book value to take into account the interest on the lease liability;
b) decreasing the book value to take into account the payments made for the lease;
c) restating the book value to take into account any new valuations or changes to the lease or the revision of payments due for the lease.

Interest on the lease liability and the variable payments due for the lease, not included in the measurement of the lease liability, are recognised in the income statement in the year in which the event or circumstance that triggers the payments occurs.

6.4 Criteria for recognising income components

The allocation of the income components in the relevant items of the Income Statement is based on the following:

a) interest expense is allocated to the item "Interest expense and similar charges";
b) fee and commission expense, if not included in the amortized cost, is allocated to the item "Fee and commission expense".

6.5 Derecognition criteria

Financial liabilities are derecognised from the financial statements when the related contractual rights have expired or are extinguished.

7 - Severance pay

7.1 Classification criteria

It reflects the liability to all employees relating to the indemnity to be paid at the time of termination of the employment relationship.

7.2 Measurement criteria

Based on the provisions of Law no. 296 of 27 December 2006 (2007 Finance Act), since 1 January 2007 each employee has been asked to allocate his / her severance pay accruing to forms of supplementary pension or to maintain the severance pay with the employer. In the latter case, for workers of companies with more than 50 employees (therefore the company Generalfinance is excluded), the severance pay will be deposited by the employer to a fund managed by INPS (Italian national social security institute) on behalf of the State. Employees were asked to express their choice by 30 June 2007 (for those who were already in service on 1 January 2007), or within six months of being hired (if this took place after 1 January 2007).

In light of these new provisions, the bodies responsible for the technical and legal analysis of the matter established that the severance pay accrued from 1 January 2007 allocated to the INPS Treasury Fund and that for the Supplementary Pension Fund are to be considered as a defined contribution plan and, therefore, no longer subject to actuarial valuation. This approach concerns companies with an average number of employees for the year 2006 of more than 50 since the others (such as the company Generalfinance), if the employee chooses to keep the severance pay accruing in the company, effectively continue to maintain the severance pay in their own company fund.

The severance pay accrued as at 31 December 2006 instead remains a defined benefit plan or a defined benefit obligation and therefore, in compliance with the criteria laid down by IAS 19, the value of the obligation was determined by projecting to the future, based on actuarial assumptions, the amount already accrued to estimate the amount to be paid at the time of termination of the employment relationship and subsequently discounting it.

The determination was carried out by developing the portion of obligations accrued at the valuation date as well as the additional amounts accruing, in the event of the employee choosing to keep the severance pay accruing in the company, due to future provisions due for the continuation of the employment relationship.

The development plan was carried out by projecting the accrued value of the positions of the individual employees at the date of presumed termination of the relationship, taking into account demographic, economic and financial parameters regarding their employment.

The future value thus obtained was discounted according to a rate structure able to reconcile a logic of correspondence between the expiry of the outflows and the discount factors to be applied to them.

Lastly, the discounted benefits were re-proportioned on the basis of the seniority accrued at the valuation date with respect to the total seniority estimated at the time of payment.
The actuarial analysis was carried out through an assignment assigned to a trusted actuary.

7.3 Criteria for recognising income components

The allocation of the income components to the relevant items of the Income Statement is based on the following:
a) provisions accrued against the severance pay provision were charged to the income statement under administrative expenses;
b) actuarial gains and losses deriving from adjustments of actuarial estimates were recorded as a contra-entry to shareholders' equity in compliance with the provisions of the new version of IAS 19 issued by the IASB in June 2011.

8 - Provisions for risks and charges

8.1 Classification and recognition criteria

Provisions for risks and charges express certain and probable liabilities as a result of a past event, the amount or time of payment of which is uncertain, although a reliable estimate of the amount of the disbursement can be made. On the other hand, the company does not make any provision for potential or unlikely risks.

8.2 Measurement criteria

The allocation to the provision for risks and charges represents the best estimate of the charges that are expected to be incurred by the Company to discharge the obligation.

8.3 Criteria for the recognition of income components

The allocation of the income components to the relevant items of the Income Statement is based on the following:
a) Provisions for risks and charges are allocated to the item "Net provisions for risks and charges".

8.4 Derecognition criteria

The provisions are reviewed at each reporting date in order to reflect the best estimate of the liability. If the provision is used and the conditions for its maintenance are no longer met, it is derecognised from the financial statements.

Foreign currency transactions

No foreign currency transactions were carried out during the year.

Accounting for income and expenses

Costs are recognised in the income statement when there is a decrease in economic benefits that involves a decrease in assets or an increase in liabilities.
Revenues are recognised when they are received or when it is likely that they will be received and when they can be reliably quantified.

Treasury shares

The Company does not hold any treasury shares in its portfolio.

Share-based payments

The Company has no outstanding stock option plans in favour of its employees or Directors.

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

This section is not applicable as the Company, during the year, was not involved in transactions that led to a reclassification of financial instruments.

A.4 INFORMATION ON FAIR VALUE

Qualitative information

This section includes the information on fair value as required by IFRS 13.
In accordance with the provisions of international accounting standards, the Company determines the fair value to the extent of the consideration with which two independent and knowledgeable market counterparties would be willing, at the

reporting date, to conclude a transaction targeted at the sale of an asset or the transfer of a liability.

The international accounting standards reclassify the fair value of financial instruments on three levels based on the inputs recorded by the markets and more precisely:

level 1: listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

level 2: inputs other than the listed prices included in Level 1, directly or indirectly observable for the asset or liability. The prices of the assets or liabilities are derived from the market prices of similar assets or through valuation techniques for which all significant factors are derived from observable market data;

level 3: unobservable inputs for the asset or liability. The prices of the assets or liabilities are inferred using valuation techniques that are based on data processed using the best information available on assumptions that market participants would use to determine the price of the asset or liability (therefore, it involves estimates and assumptions by management).

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The Company's assets consist mainly of trade receivables sold without recourse and advances paid for trade receivables sold as part of the regulations set forth in Law no. 52 of 21 February 1991.

The fair value measurement method most appropriate for transferred loans and advances granted is to recognise the present value on the basis of discounted future cash flows, using a rate, normally corresponding to the effective rate of the relationship agreed with the assigning counterparty. This rate also takes into account the other components of the transaction cost.

It should also be noted that the loans transferred and the advances granted normally have a short-term maturity and the rate of the relations tends to be variable.

For these reasons, it is possible to state that the fair value of the receivables is similar to the value of the transaction represented by the nominal amount of the receivables sold in the case of a transaction without recourse or by the amount of the advances granted and therefore it is reclassified in the absence of external inputs only at level 3.

Liabilities in the financial statements consist mainly of financial payables due to the banking system, which have the characteristic of short-term liabilities, whose fair value corresponds to the value of the amounts or provisions collected by the Company.

These items are placed hierarchically at the third level as they are governed by private contractual agreements agreed from time to time with the respective counterparties and, therefore, are not reflected in prices or parameters observable on the market.

A.4.2 Evaluation processes and sensitivity

The fair value of the loans sold and the advances granted may undergo changes due to any losses that may arise due to factors that determine their partial or total non-collectability.

A.4.3 Fair value hierarchy

The financial statements present financial assets measured at fair value on a recurring basis. These are financial assets measured at fair value through profit or loss - mandatorily measured at fair value, represented by minority interests in banks and financial institutions.

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 levels

Assets / Liabilities measured at fair value	Total 31/12/2019			Total 31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	6,234	-	40,740	6,050	-	40,740
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	6,234	-	40,740	6,050	-	40,740
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**6,234**	**-**	**40,740**	**6,050**	**-**	**40,740**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	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	**40,740**	**-**	**-**	**40,740**	**-**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits allocated to:	-	-	-	-	-	-	-	-
2.2.1. Income statement	-	-	-	-	-	-	-	-
of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses allocated to:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
of which capital losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**40,740**	**-**	**-**	**40,740**	**-**	**-**	**-**	**-**

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

Assets / liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/2019				Total 31/12/2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	148,705,529	-	-	148,705,529	93,544,646	-	-	93,544,646
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**148,705,529**	**-**	**-**	**148,705,529**	**93,544,646**	**-**	**-**	**93,544,646**
1. Financial liabilities measured at amortised cost	129,006,333	-	-	129,006,333	75,639,371	-	-	75,639,371
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**129,006,333**	**-**	**-**	**129,006,333**	**75,639,371**	**-**	**-**	**75,639,371**

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

A.5 INFORMATION ON THE SO-CALLED "DAY ONE PROFIT / LOSS"

The Company does not carry out transactions involving losses / profits as established by IFRS 7 par. 28.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

Breakdown of item 10 "Cash and cash equivalents"

Items / Values	Total 31/12/2019	Total 31/12/2018
Cash	1,460	1,562
Total	**1,460**	**1,562**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.6 Other financial assets mandatorily measured at fair value: breakdown by type

Items / Values	Total 31/12/2019			Total 31/12/2018		
	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 securities	**6,234**	**-**	**40,740**	**6,050**	**-**	**40,740**
3. UCITS units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**6,234**	**-**	**40,740**	**6,050**	**-**	**40,740**

The amount classified in Level 1 refers to the shares of Banco BPM whose value was adjusted on the basis of the market value as at 31 December 2019.
The amount classified in Level 3 refers to the shares of the Liguria Credit Line, the shares of Banca Centropadana Credito Cooperativo and the shares of Confidi Sardegna, whose valuation is subject to periodic verification on the basis of internal methods.

2.7 Other financial assets mandatorily measured at fair value: breakdown by debtor / issuer

Items / Values	Total 31/12/2019	Total 31/12/2018
1. Equity securities	**46,974**	**46,790**
of which: banks	26,674	26,490
of which: other financial companies	20,300	20,300
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
e) Households	-	-
Total	**46,974**	**46,790**

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

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

Composition	Total 31/12/2019						Total 31/12/2018					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3
1. Deposits and current accounts	**16,757,215**	**-**	**-**	**-**	**-**	**16,757,215**	**3,510,243**	**-**	**-**	**-**	**-**	**3,510,243**
2. Loans	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	**16,757,215**	**-**	**-**	**-**	**-**	**16,757,215**	**3,510,243**	**-**	**-**	**-**	**-**	**3,510,243**

L1 = level 1; L2 = level 2; L3 = level 3

The amount of EUR 16,757,215 consists of temporary liquidity deposits with credit institutions.
It should be noted that, on 29 January 2019, at the same time as the signing of a medium / long-term loan agreement with a pool of banks, the company signed a specific pledge agreement based on which the credit balance of the current accounts indicated therein was pledged to guarantee the debt relating to the loan disbursed by the pool of banks.
As at 31 December 2019, the credit balance of the current accounts subject to the pledge amounted to EUR 13,778,999, while the payable relating to the loan was EUR 114,187,832.

4.3 "Financial assets measured at amortised cost: breakdown by type of loans to customers

Composition	Total 31/12/2019						Total 31/12/2018					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3
1. Loans	**131,141,379**	**806,935**	**284**	**-**	**-**	**131,948,314**	**88,982,669**	**1,051,734**	**114,668**	**-**	**-**	**90,034,403**
1.1 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	131,141,379	806,935	284	-	-	131,948,314	88,982,669	1,051,734	114,668	-	-	90,034,403
- with recourse	121,323,982	806,651	-	-	-	122,130,633	85.315.207	937,066	-	-	-	86,252,273
- without recourse	9,817,397	284	284	-	-	9,817,681	3,667,462	114,668	114,668	-	-	3,782,130
1.3 Consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pledged loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Loans granted in relation to payment services provided	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	**131,141,379**	**806,935**	**284**	**-**	**-**	**131,948,314**	**88,982,669**	**1,051,734**	**114,668**	**-**	**-**	**90,034,403**

L1 = level 1; L2 = level 2; L3 = level 3

The increase in "Loans to customers" compared to the previous year is due to both the increase in loans for with recourse factoring and the increase in loans for without recourse factoring.

4.4 Financial assets measured at amortised cost: breakdown by debtor / issuer of loans to customers

Type of transactions / Values	Total 31/12/2019			Total 31/12/2018		
	First and second stage	Third stage	of which: purchased or originated impaired	First and second stage	Third stage	of which: purchased or originated impaired
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**131,141,379**	**806,935**	**284**	**88,982,669**	**1,051,734**	**114,668**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	129,990,500	806,840	189	88,633,278	937,581	515
c) Households	1,150,879	95	95	349,391	114,153	114,153
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**131,141,379**	**806,935**	**284**	**88,982,669**	**1,051,734**	**114,668**

4.5 Financial assets measured at amortised cost: gross value and total value adjustments

	Gross value				Total value adjustments			Total partial write-offs
	First stage	of which: instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	-	-	-	-	-	-	-	-
Loans	141,537,376	-	6,414,544	1,601,358	51,653	1,673	794,423	-
Other assets	-	-	-	-	-	-	-	-
Total 31/12/2019	**141,537,376**	**-**	**6,414,544**	**1,601,358**	**51,653**	**1,673**	**794,423**	**-**
Total 31/12/2018	**92,507,104**	**-**	**-**	**1,988,468**	**14,192**	**-**	**936,734**	**-**
of which: purchased or originated impaired financial assets	X	X	-	569	X	-	285	-

As regards the purchased or originated impaired financial assets, the gross value corresponds to the price paid for the purchase of receivables whose nominal value is equal to EUR 94,871, while the total value adjustments represent the related expected losses.

4.6 Financial assets measured at amortised cost: guaranteed assets

	Total 31/12/2019						Total 31/12/2018					
	Loans to banks		Receivables from financial companies		Loans to customers		Loans to banks		Receivables from financial companies		Loans to customers	
	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)
1. Performing assets guaranteed by:	-	-	-	-	121,323,982	121,323,982	-	-	-	-	85,315,207	85,315,207
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	121,323,982	121,323,982	-	-	-	-	85,315,207	85,315,207
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	-	-	-	-	806,651	806,651	-	-	-	-	937,066	937,066
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	806,651	806,651	-	-	-	-	937,066	937,066
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**122,130,633**	**122,130,633**	**-**	**-**	**-**	**-**	**86,252,273**	**86,252,273**

VE = book value of exposures

VG = fair value of guarantees

The table shows the value of financial assets measured at amortised cost (non-performing and performing) that are guaranteed and the amount of the related guarantee. The guarantees consist of factoring receivables transferred.

In addition, the Company acquires i) insurance guarantees to protect against the risk of default of the transferred debtors and ii) in some cases personal guarantees (sureties) from directors or shareholders of its transferors.

In the case of guarantees that have a value that exceeds the amount of the guaranteed asset, the value of the guaranteed asset is indicated in the column “Value of guarantees”.

Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment for business use: breakdown of assets measured at cost

Assets / Values	Total 31/12/2019	Total 31/12/2018
1. Owned assets	**2,280,731**	**2,017,540**
a) land	178.952	178.952
b) buildings	1,071,865	1,056,164
c) furniture	256,224	303,230
d) electronic systems	-	-
e) others	773,690	479,194
2. Rights of use acquired through leasing	**3,061,781**	**41,108**
a) land	-	-
b) buildings	2,879,038	-
c) furniture	-	-
d) electronic systems	-	-
e) others	182,743	41,108
Total	**5,342,512**	**2,058,648**
of which: obtained through the enforcement of guarantees received	-	-

As from 1 January 2019, this item also includes rights of use acquired through leasing and relating to property, plant and equipment that the entity uses for business purposes, including the accounting effects relating to lease and operating lease agreements in which the entity is the lessee.

8.6 Property, plant and equipment for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Others	Total
A. Opening gross balances	**178,952**	**4,499,647**	**531,172**	**-**	**1,398,043**	**6,607,814**
A.1 Total net impairment losses	-	341,460	227,942	-	767,033	1,336,435
A.2 Net opening balance	**178,952**	**4,158,187**	**303,230**	**-**	**631,010**	**5,271,379**
B. Increases:	**-**	**161,811**	**7,239**	**-**	**513,472**	**682,522**
B.1 Purchases	-	56,987	7,239	-	422,804	487,030
B.2 Expenses for capitalised improvements	-	72,209	-	-	-	72,209
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	32,615	-	-	90,668	123,283
C. Decreases:	**-**	**369,095**	**54,245**	**-**	**188,049**	**611,389**
C.1 Sales	-	-	866	-	4,302	5,168
C.2 Depreciation	-	369,095	53,379	-	183,747	606,221
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing balance	**178,952**	**3,950,903**	**256,224**	**-**	**956,433**	**5,342,512**
D.1 Total net impairment losses	-	710,555	258,679	-	907,548	1,876,782
D.2 Gross closing balance	**178,952**	**4,661,458**	**514,903**	**-**	**1,863,981**	**7,219,294**
E. Valuation at cost	**178,952**	**3,950,903**	**256,224**	**-**	**956,433**	**5,342,512**

The opening balances of the table include the value of the rights of use recognised as at 1 January 2019 following the adoption of the new accounting standard "IFRS 16 Leases" and the value at the beginning of the year of the expenses for capitalised improvements on third-party assets that in the 2018 financial statements were included under "Other assets".
The item "Other changes" is represented by the increase during the year in rights of use on properties and cars.
The item "Other" includes the value, among other things, of owned and leased vehicles.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown

Items / Valuation	Total 31/12/2019		Total 31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
2.1 owned	352,086	-	385,414	-
- generated internally	43,785	-	-	-
- others	308,301	-	385,414	-
2.2 rights of use acquired through leasing	-	-	-	-
Total 2	**352,086**	**-**	**385,414**	**-**
3. Assets relating to finance leases				
3.1 unopted assets	-	-	-	-
3.2 assets withdrawn following termination	-	-	-	-
3.3 other assets	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
Total (1 + 2 + 3)	**352,086**	**-**	**385,414**	**-**
Total	**352,086**		**385,414**	

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**385,414**
B. Increases:	**199,333**
B.1 Purchases	152,881
B.2 Write-backs	-
B.3 Positive changes in fair value	-
- to shareholders 'equity	-
- to the income statement	-
B.4 Other changes	46,452
C. Decreases:	**232,661**
C.1 Sales	-
C.2 Amortisation	232,661
C.3 Value adjustments	-
- to shareholders 'equity	-
- to the income statement	-
C.4 Negative changes in fair value	-
- to shareholders 'equity	-
- to the income statement	-
C.5 Other changes	-
D. Closing balance	**352,086**

The item "Other increases" is represented by internally generated software.

9.3 Intangible assets: other information

Intangible assets include the cost incurred for application software used for the management of company assets and for application software for which the amortisation period has not yet begun, given the assets are not used and available at the reporting date.

Section 10 - Tax assets and tax liabilities - Item 100 of assets and Item 60 of liabilities

Denominations	Total 31/12/2019	Total 31/12/2018
Current tax assets	458,086	1,304,509
Deferred tax assets	425,692	435,442
Total	**883,778**	**1,739,951**

10.1 "Tax assets: current and deferred": breakdown

The item "Current tax assets" consists of receivables due from tax authorities for IRES (corporate income tax) advances for EUR 144,293 and for IRAP (regional business tax) advances for EUR 313,793.

It should be noted that following the adhesion of the Company, together with GGH - Gruppo General Holding S.r.l. and Generalbroker S.r.l. as Consolidated companies, the national tax consolidation envisaged by art. 117 of the TUIR (Consolidated Law on Income Tax) for MGH - Massimo Gianolli Holding S.r.l. - Consolidating company, a receivable from the company MGH - Massimo Gianolli Holding S.r.l. of EUR 908,928 was recorded under "Other assets", corresponding to the amount paid to the Consolidating company by way of advance on the amount due in application of the ordinary IRES rate of 24% to the taxable income of Generalfinance S.p.A.

The period of validity of application of the national tax consolidation, signed on 1 October 2018, is the three-year period 2018-2020.

The item "Deferred tax assets" includes deferred tax assets arising mainly from temporary differences for allocations to the bad debt provision and for provisions for risks and charges incurred and deductible in accordance with current tax regulations.

10.2 "Tax liabilities: current and deferred": breakdown

Denominations	Total 31/12/2019	Total 31/12/2018
Current tax liabilities	636,513	458,086
Deferred tax liabilities	-	-
Total	**636,513**	**458,086**

The item "*Current tax liabilities*" consists of the payable to the tax authorities for IRES of EUR 208,566 and for IRAP of EUR 427,947.

It should be noted that following the adhesion of the Company, together with GGH - Gruppo General Holding S.r.l. and Generalbroker S.r.l. as Consolidated companies, to the national tax consolidation envisaged by art. 117 of the TUIR for MGH - Massimo Gianolli Holding S.r.l. - Consolidating company, a payable to the company MGH - Massimo Gianolli Holding S.r.l. of EUR 1,428,595 was recorded under "Other liabilities", corresponding to the application of the ordinary IRES rate of 24% on the taxable income of Generalfinance S.p.A..

10.3 Changes in deferred tax assets (with balancing entry in the income statement)

Denominations	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**417,001**	**395,747**
2. Increases	**9,522**	**47,097**
2.1 Deferred tax assets recognised during the year	9,522	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	9,522	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	47,097
3. Decreases	**37,141**	**25,843**
3.1 Deferred tax assets cancelled during the year	37,141	25,843
a) reversals	37,141	25,843
b) write-downs due to non-recoverability	-	-
c) change in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credits pursuant to Law no. 214/2011	-	-
b) others	-	-
4. Final amount	**389,382**	**417,001**

The item increased by EUR 9,522 due to new deferred tax assets recognised during the year.
The item decreased by EUR 37,141 due to the recovery of costs not deducted previously.

10.3.1 Changes in deferred tax assets pursuant to Law no. 214/2011 (with offsetting entry in the income statement)

	Total 31/12/2019	Total 31/12/2018
1. Opening amount	**156,908**	**156,908**
2. Increases	**-**	**-**
3. Decreases	**-**	**-**
3.1 Reversals	-	-
3.2 Transformation into tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Final amount	**156,908**	**156,908**

The table shows the amount of deferred tax assets, originating entirely from write-downs on receivables, convertible into tax credits according to the methods identified by Law no. 214/2011.

10.5 Changes in deferred tax assets (with offsetting entry to shareholders' equity)

Denominations	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**18,441**	**66,934**
2. Increases	**17,869**	**-**
2.1 Deferred tax assets recognised during the year	17,869	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	17,869	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**48,493**
3.1 Deferred tax assets cancelled during the year	-	1,396
a) reversals	-	1,396
b) write-downs due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	47,097
4. Final amount	**36,310**	**18,441**

The increase and the residual amount relate to deferred tax assets due to the higher severance pay provision recognised in shareholders' equity.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

Items / Values	Total 31/12/2019	Total 31/12/2018
Security deposits	34,615	79
Suppliers on advances	64,028	42,111
Tax authorities with VAT and withholding taxes	458	1,344
Work on third-party properties	0	1,204,118
Prepayments	1,352,712	558,710
Sundry receivables	716,324	85,191
Receivables from MGH - Massimo Gianolli Holding S.r.l. for tax consolidation	908,928	0
Total	**3,077,065**	**1,891,553**

As already mentioned in the comment at the bottom of the table "*8.6 Property, plant and equipment for business use: annual changes*", the balance relating to "works on third-party properties" was attributed to property, plant and equipment and the right of use, following adoption of the new accounting standard "IFRS 16 Leases".

The item "Prepaid expenses" is determined by the following costs for the year 2020:

Description	Amount
Insurance prepayments	36,913
Deferred sponsorships and advertising	146,029
Prepaid services rendered by third parties	355,675
Prepayments for software fees	28,790
Prepayments of syndicated loan costs	748,149
Sundry deferrals	37,156
Total	**1,352,712**

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables

Items	Total 31/12/2019			Total 31/12/2018		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans	**125,277,393**	**-**	**-**	**66,016,497**	**7,922,387**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other loans	125,277,393	-	-	66,016,497	7,922,387	-
2. Lease payables	**-**	**21,863**	**2,189,742**	**-**	**41,931**	**-**
3. Other payables	**-**	**-**	**1,517,335**	**-**	**-**	**1,658,556**
Total	**125,277,393**	**21,863**	**3,707,077**	**66,016,497**	**7,964,318**	**1,658,556**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	**125,277,393**	**21,863**	**3,707,077**	**66,016,497**	**7,964,318**	**1,658,556**
Total Fair Value	**125,277,393**	**21,863**	**3,707,077**	**66,016,497**	**7,964,318**	**1,658,556**

The total for this item therefore amounts to EUR 129,006,333.

Payables to banks refer to:

Technical form	Amount
Exposures in sight current accounts	2,448,925
Advance payments for Italian / foreign invoices	8,466,669
Pool loan	114,187,832
Unsecured loan	173,967
Total	**125,277,393**

Payables to financial companies refer to lease payables.

Payables to customers refer to amounts to be paid to transferors deriving from collections of transferred receivables, to payables for leases, recognised following the adoption of the new accounting standard “IFRS 16 Leases” and to other payables.

Section 6 - Tax liabilities - Item 60

For the content of the item “Tax liabilities”, please refer to Section 10 of assets “Tax assets and Tax liabilities”.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

Items / Values	Total 31/12/2019	Total 31/12/2018
Accrued expenses and deferred income	1,996,990	1,348,196
Payables to tax authorities	170,794	142,345
Social security and welfare institutions	110,446	80,202
Employees payroll account	135,031	107,780
Payables to suppliers and lenders	1,443,049	1,011,881
Payables to MGH - Massimo Gianolli Holding S.r.l. for tax consolidation	1,428,595	989,436
Sundry payables	2,356,985	1,595,681
Total	**7,641,890**	**5,275,521**

The item “Accrued expenses and deferred income” is composed as follows:

Description	Amount
Accrued expenses for 14 months' pay, holidays, leave, bonus and related contributions	358,022
Accrued expenses for rents	44,294
Deferred fee and commission income	1,594,674
Total	**1,996,990**

Section 9 - Severance pay - Item 90

9.1 Severance pay: annual changes

	Total 31/12/2019	Total 31/12/2018
A. Opening balance	**981,382**	**852,553**
B. Increases	**240,702**	**159,075**
B.1 Provision for the year	175,722	159,075
B.2 Other increases	64,980	-
C. Decreases	**11,902**	**30,246**
C.1 Payments made	9,737	22,959
C.2 Other decreases	2,165	7,287
D. Closing balance	**1,210,182**	**981,382**

The increase is due to the adjustment of the component of the average value of services (*Current service cost*) and for EUR 64,980 to the adjustment of the actuarial valuation.
The decrease is due to the payments made in the reference period and the substitute tax on the revaluation of severance pay.

9.2 Other information

The main actuarial assumptions are reported below:
Salary increase and inflation: based on analyses conducted on company data updated as at 31 December 2019, the decision was taken to adopt an annual salary increase rate of 2% for all job categories. In addition to this salary increase, an annual increase was assumed due to inflation, the ratios of which are indicated below;
Average probabilities and percentages of use of the severance pay provision: given the modest size of the community under investigation, the probabilities and percentages of use were estimated, based on seniority and on the basis of experience derived from similar companies;
Probability of elimination from the community due to death: the census tables of the Italian general population (Tables ISTAT SIM / F 2018 of the Italian Institute of Statistics) differentiated according to gender were used;
Probability of elimination from the community due to retirement: given the small number of the community, probabilities already adopted for similar companies were used. These probabilities, differentiated by gender and by work category, take into account the latest provisions on retirement age;
Probability of elimination from the community for reasons other than death and retirement (resignation, permanent disability, etc.): on the basis of the historical series recorded by the Company, these probabilities were set at 3% per year;
Rates of revaluation of severance pay: inflation is set equal to the indices indicated below: 2020 1.2%; 2021 1.5%; 2021 1.7% and from 2022 1.7%, in line with the inflation trend assumptions presented in the last Update of the Document of Economy and Finance (NADEF) produced by the Italian Ministry of Economy and Finance;
Interest rates: the Europe Corporate AA rating curve produced by Bloomberg Finance as at 31 December 2019 was used.

The table below summarises the results of the sensitivity analysis (in thousands of Euro).

	Value of the DBO	Increase (or decrease) in the DBO
Basic assessment	**1,210**	
Sensitivity with respect to interest rates		
I) 0.5% decrease in rates	1,291	6.78%
II) 0.5% increase in interest rates	1,134	-6.20%
Sensitivity with respect to the salary scale		
III) a 0.5% decrease in the salary scale	1,181	-2.28%
IV) 0.5% increase in the salary scale	1,238	2.43%

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	Total 31/12/2019	Total 31/12/2018
1. Provisions for credit risk relating to commitments and financial guarantees issued	**-**	**-**
2. Provisions on other commitments and other guarantees issued	**-**	**-**
3. Company pension funds	**54,830**	**48,155**
4. Other provisions for risks and charges	**500,000**	**585,000**
4.1 legal and tax disputes	500,000	500,000
4.2 personnel expenses	-	-
4.3 others	-	85,000
Total	**554,830**	**633,155**

10.2 Provisions for risks and charges for annual changes

	Provisions on other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	**-**	**48,155**	**585,000**	**633,155**
B. Increases	**-**	**6,675**	**-**	**6,675**
B.1 Provision for the year	-	6,675	-	6,675
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**85,000**	**85,000**
C.1 Use in the year	-	-	-	-
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other decreases	-	-	85,000	85,000
D. Closing balance	**-**	**54,830**	**500,000**	**554,830**

10.5 Defined benefit company pension funds

The “Pension funds” refer to the “Provision for supplementary customer indemnity” consisting of the amounts set aside in favour of the sole agent that will be paid at the time of termination of the relationship. The increase compared to the previous year is due to the provision accrued during the year.

10.6 Provisions for risks and charges - other provisions

The amount indicated in “Other provisions for risks and charges - legal disputes”, equal to EUR 500,000, was set aside to provide coverage for an ongoing dispute.

The provision, amounting to EUR 85,000, which as at 31 December 2018 had been set aside for costs relating to a contract for the concession of premises for non-exclusive use, was deducted from the right of use of the same property, following the adoption of the new accounting standard “IFRS 16 Leases”.

Section 11 - Equity - Items 110, 140, 150, 160 and 170

11.1 Share capital: breakdown

Types	Amount
1. Share capital	**3,275,758**
1.1 Ordinary shares	3,275,758
1.2 Other shares	-

The share capital amounts to EUR 3,275,758 divided into no. 9,827,274 ordinary shares with unexpressed nominal value pursuant to art. 2346 par. 3 of the Italian Civil Code and art. 5 of the current Articles of Association.

It remained unchanged compared to the previous year and is divided between two shareholders: "GGH - GRUPPO GENERAL HOLDING S.R.L." ("GGH"), which holds no. 5,227,273 ordinary shares, equal to 53.19% of the share capital and "CREDITO VALTELLINESE S.P.A." ("CREVAL"), which holds no. 4,600,001 ordinary shares, equal to 46.81% of the share capital.

11.4 Share premium reserve: breakdown

Types	Amount
1. Share premium reserve	**5,837,550**
1.1 Ordinary shares	5,837,550
1.2 Other shares	-

The balance is unchanged compared to the previous year.

11.5 Other information

Change in Reserves

	Legal	Extraordinary	FTA reserve	Revaluation reserve Law Decree no. 185/08	Valuation reserves	Total
A. Opening balance	**325,246**	**4,798,892**	**(770,669)**	**339,518**	**(48,617)**	**4,644,370**
B. Increases	146,168	1,315,517	-	-	-	1,461,685
B.1 Allocation of profits	146,168	1,315,517	-	-	-	1,461,685
B.2 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	-	47,111	47,111
C.1 Uses	-	-	-	-	-	-
- coverage of losses	-	-	-	-	-	-
- distribution	-	-	-	-	-	-
- transfer to capital	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	47,111	47,111
D. Closing balance	**471,414**	**6,114,409**	**(770,669)**	**339,518**	**(95,728)**	**6,058,944**

The allocation of profits refers to what was resolved at the ordinary shareholders' meeting of 11 April 2019, in which the 2018 profit of a total of EUR 2,923 thousand was allocated, also providing for the distribution of dividends for the 50% share.
The change in valuation reserves reflects the actuarial effect relating to severance pay.

Based on the provisions of art. 2427, paragraph 7-bis, the possibilities of use and distribution of the individual balance sheet items are shown below.

Description	Amount	Possibility of use	Amount available	Summary of uses made in the three previous years	
				to cover losses	for other reasons
Share capital	**3,275,758**	---	-	-	-
Legal reserve	471,414	B	471,414	-	-
Share premium reserve	5,837,550	A, B	5,837,550	-	186,692
Extraordinary reserve	6,114,409	A, B, C	6,114,409	-	-
FTA reserve	(770,669)	---	-	-	-
Revaluation reserve Law Decree no. 185/08	339,518	A, B	339,518	-	-
Valuation reserves	(95,728)	---	-	-	-
Total	**15,172,252**		**12,762,891**	-	**186,692**

Key:
A = possibility of use for share capital increase
B = possibility of use to cover losses
C = possibility of use for distribution to shareholders

It should be noted that for the revaluation reserves, both the coverage of losses and the distribution are subject to the provisions on the matter provided for by Law no. 342/2000.

Analysis of the distribution of profit for the year pursuant to art. 2427, paragraph 22 septies of the Italian Civil Code
As regards the distribution of profit for the year, amounting to EUR 4,187,404.11, please refer to the conclusions of the Report on Operations.

Other information
In these financial statements, there are no commitments and financial guarantees issued, other commitments and other guarantees issued, assets and liabilities offset or subject to master offsetting agreements or similar and securities lending transactions.

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

Items / Technical forms	Debt securities	Loans	Other transactions	31/12/2019	31/12/2018
1. Financial assets measured at fair value through profit or loss:	-	-	-	-	-
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value					
2. Financial assets measured at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets measured at amortised cost	-	**4,638,228**	-	**4,638,228**	**3,544,170**
3.1 Loans to banks	-	213	X	213	1,178
3.2 Receivables from financial companies	-	-	X	-	-
3.3 Loans to customers	-	4,638,015	X	4,638,015	3,542,992
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	**95**
6. Financial liabilities	X	X	X	-	-
Total	-	**4,638,228**	-	**4,638,228**	**3,544,265**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on leases	-	-	-	-	-

1.3 Interest expense and similar charges: breakdown

Items / Technical forms	Payables	Securities	Other transactions	31/12/2019	31/12/2018
1. Financial liabilities measured at amortised cost	1,202,056	-	-	1,202,056	528,889
1.1 Due to banks	1,134,042	X	X	1,134,042	398,353
1.2 Payables to financial companies	20,657	X	X	20,657	130,536
1.3 Due to customers	47,357	X	X	47,357	-
1.4 Securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	45	45	259
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**1,202,056**	**-**	**45**	**1,202,101**	**529,148**
of which: interest expense on lease payables	**47,357**	**-**	**-**	**47,357**	**2,684**

The increase in the balances compared to the previous year derives from the subscription of the pool loan, which took place at the beginning of 2019, and the effect of the application of IFRS 16, starting from 1 January 2019, therefore entailing an increase in interest expense calculated on finance lease liabilities.

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Detail	Total 31/12/2019	Total 31/12/2018
a) leasing transactions	-	-
b) factoring transactions	11,540,828	9,347,512
c) consumer credit	-	-
d) guarantees issued	-	-
e) services of:		
- management of funds on behalf of third parties	-	-
- foreign exchange brokerage	-	-
- product distribution	-	-
- others	-	3,803
f) collection and payment services	-	-
g) servicing in securitisation transactions	-	-
h) other commissions	645	-
Total	**11,541,473**	**9,351,315**

2.2 Fee and commission expense: breakdown

Retail / Sectors	Total 31/12/2019	Total 31/12/2018
a) guarantees received	375	-
b) distribution of services by third parties	-	-
c) collection and payment services	-	-
d) other commissions	1,444,287	1,230,024
d.1 advances on business loans (Law no. 52/91)	237,788	219,741
d.2 others	1,206,499	1,010,283
Total	**1,444,662**	**1,230,024**

Fee and commission expense for advances on business receivables are represented by commissions and fees paid to third parties.
The sub-item "*Other*" consists of bank charges and commissions for EUR 626,336 and costs incurred for credit insurance for EUR 580,163.

Section 4 - Net profit (loss) from trading - Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions / Income components	Capital gains (A)	Profit from trading (B)	Capital losses (C)	Trading losses (D)	Net result [(A + B) - (C + D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**(40)**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**(40)**

Section 7 - Net profit (loss) from 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 / Income components	Capital gains (A)	Net gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A + B) - (C + D)]
1. Financial assets	**184**	**-**	**-**	**-**	**184**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	184	-	-	-	184
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**184**	**-**	**-**	**-**	**184**

Section 8 - Net value adjustments / write-backs for credit risk - Item 130

8.1 Net value adjustments / write-backs for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions / Income components	Value adjustments (1)			Write-backs (2)		Total 31/12/2019	Total 31/12/2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
1. Loans to banks	**(6,706)**	**-**	**-**	**-**	**-**	**(6,706)**	**-**
purchased or originated credit impaired							
- for leasing	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables	(6,706)	-	-	-	-	(6,706)	-
- for leasing	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	(6,706)	-	-	-	-	(6,706)	-
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**
purchased or originated credit impaired	-	-	-	-	-	-	-
- for leasing	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables							
- for leasing	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
3. Loans to customers	**(32,428)**	**(314,690)**	**(99,574)**	**-**	**101,061**	**(345,631)**	**(947,872)**
purchased or originated credit impaired	-	(114,326)	(57)	-	-	(114,383)	(1,020)
- for leasing	-	-	-	-	-	-	-
- for factoring	-	(114,326)	(57)	-	-	(114,383)	(1,020)
- for consumer credit	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables	(32,428)	(200,364)	(99,517)	-	101,061	(231,248)	(946,852)
- for leasing	-	-	-	-	-	-	-
- for factoring	(32,428)	(200,364)	(99,517)	-	101,061	(231,248)	(946,869)
- for consumer credit	-	-	-	-	-	-	-
- loans on pledge	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	17
Total	**(39,134)**	**(314,690)**	**(99,574)**	**-**	**101,061**	**(352,337)**	**(947,872)**

Value adjustments include both allocations to the provision to cover expected credit losses and credit losses. The value of the write-offs recognised directly in the income statement is equal to EUR 314,690.

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Types of expenses / Values	Total 31/12/2019	Total 31/12/2018
1. Employees	**3,256,517**	**2,681,159**
a) wages and salaries	2,322,645	1,983,872
b) social security contributions	634,529	468,058
c) severance pay	4,690	7,395
d) social security expenses	-	-
e) severance pay provision	175,722	159,075
f) allocation to the provision for pensions and similar obligations:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:		
- defined contribution	25,807	10,750
- defined benefit	-	-
h) other employee benefits	93,124	52,009
2. Other active personnel	**-**	**-**
3. Directors and Statutory Auditors	**504,408**	**465,517**
4. Retired personnel	**-**	**-**
5. Expense recoveries for employees seconded to other companies	**-**	**-**
6. Reimbursement of expenses for employees seconded to the company	**-**	**-**
Total	**3,760,925**	**3,146,676**

10.2 Average number of employees broken down by category

	2019	2018
Employees	46	44
a) executives	1	1
b) middle managers	6	5
c) remaining employees	39	38
Other personnel	-	-
Total	**46**	**44**

10.3 Other administrative expenses: breakdown

Type of expense / Values	Total 31/12/2019	Total 31/12/2018
Professional fees and consultancy	1,051,548	734,993
Charges for indirect taxes and duties	110,525	53,662
Maintenance costs	58,399	55,025
Utility costs	104,701	74,689
Rent payable and condominium expenses	71,351	335,693
Insurance	43,233	43,522
Other administrative expenses	1,604,918	1,337,833
Total	**3,044,675**	**2,635,417**

The reduction in the amount of rents payable compared to 31 December 2018 derives from the application of the new accounting standard IFRS 16, in force since 1 January 2019.

Section 11 - Net provisions for risks and charges - Item 170

11.3 Net allocations to other provisions for risks and charges: breakdown

	Provisions	Uses	Write-backs	Reallocations of surpluses	31/12/2019	31/12/2018
1. Allocations to the pension fund	**(6,676)**	**-**	**-**	**-**	**(6,676)**	**(6,118)**
2. Allocations to other provisions for risks and charges:	**-**	**-**	**-**	**-**	**-**	**-**
a) legal and tax disputes	-	-	-	-	-	-
b) personnel expenses	-	-	-	-	-	-
c) others	-	-	-	-	-	-
Total	**(6,676)**	**-**	**-**	**-**	**(6,676)**	**(6,118)**

Section 12 - Net value adjustments / write-backs on property, plant and equipment - Item 180

12.1 Net value adjustments / write-backs on property, plant and equipment: breakdown

Assets / Income component	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment	**(606,221)**	**-**	**-**	**(606,221)**
A.1 For functional use	(606,221)	-	-	(606,221)
- owned	(218,672)	-	-	(218,672)
- rights of use acquired through leasing	(387,549)	-	-	(387,549)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leasing	-	-	-	-
A.3 Inventories	X	-	-	-
Total	**(606,221)**	**-**	**-**	**(606,221)**

Section 13 - Net value adjustments / write-backs on intangible assets - Item 190

13.1 Net value adjustments / write-backs on intangible assets: breakdown

Assets / Income component	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill	**(232,661)**	**-**	**-**	**(232,661)**
1.1 owned	(232,661)	-	-	(232,661)
1.2 rights of use acquired through leasing	-	-	-	-
2. Assets relating to finance leases	-	-	-	-
3. Assets granted under operating leases	-	-	-	-
Total	**(232,661)**	**-**	**-**	**(232,661)**

Section 14 - Other operating income and expenses - Item 200

14.1 Other operating expenses: breakdown

	Total 31/12/2019	Total 31/12/2018
Contingent liabilities	(45,110)	(15,589)
Donations	(46,100)	(26,052)
Others	(136,089)	(176,917)
Total	**(227,299)**	**(218,558)**

14.2 Other operating income: breakdown

	Total 31/12/2019	Total 31/12/2018
Reimbursement of expenses	523,009	413,044
Rental income	10,267	10,140
Insurance reimbursements	269,917	64,562
Contingent assets	71,230	278,695
Others	103,420	71,753
Total	**977,843**	**838,194**

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

19.1 Income taxes for the year on current operations: breakdown

	Total 31/12/2019	Total 31/12/2018
1. Current taxes (-)	(2,065,108)	(1,447,522)
2. Changes in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	-
3 bis. Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(27,619)	(25,843)
5. Change in deferred tax liabilities (+/-)	-	-
6. Taxes for the year (-) (-1 + / - 2 + 3 + 3 bis +/- 4 +/- 5)	**(2,092,727)**	**(1,473,365)**

Current taxes are due for EUR 1,637,161 from IRES and EUR 427,947 from IRAP.
For the calculation of the income tax (IRES), the rate of 27.5% was applied. For the regional tax on productive activities (IRAP), the rate of 5.57% was adopted.
The change in deferred tax assets is determined by the algebraic sum obtained from increases of EUR 9,522 for new deferred tax assets arising during the year and from decreases of EUR 37,141 for the recovery of taxable income taxed in previous years.

19.2 Reconciliation between theoretical tax charge and actual tax charge in the financial statements

	IRES	Rates	IRAP	Rates
TAXES ON GROSS PROFIT FOR THE YEAR	1,727,035	27.50%	349,803	5.57%
Non-deductible interest expense	0	0.00%	2,678	0.04%
Non-deductible transport costs	8,393	0.13%	0	0.00%
Non-deductible amortisation	7,972	0.13%	30	0.00%
Hotel / meal expenses and entertainment	6,043	0.10%	0	0.00%
Donations	4,428	0.07%	2,568	0.04%
Telephone expenses	3,677	0.06%	0	0.00%
Severance pay - actuarial portion of the income statement	9,522	0.15%	0	0.00%
Other IRES adjustments (increases)	10,776	0.17%	0	0.00%
Other IRAP adjustments (increases)	0	0.00%	79,598	1.27%
Use of provisions for risks	(23,375)	(0.37%)	(4,735)	(0.08%)
Revaluation of securities	(51)	(0.00%)	(10)	0.00%
10% deduction - IRAP and IRAP on personnel	(20,272)	(0.32%)	0	0.00%
Portions of costs that cannot be capitalised - IAS	(6,079)	(0.10%)	(1,231)	(0.02%)
Other IRES adjustments (decreases)	(19,768)	(0.31%)	0	0.00%
Other IRAP adjustments (decreases)	0	0.00%	(754)	(0.01%)
ACE (aid for economic growth)	(69,570)	(1.12%)	0	0.00%
Energy savings deduction	(1,570)	(0.02%)	0	0.00%
TOTAL TAX CHANGES	(89,874)	(1.43%)	78,144	1.24%
INCOME TAXES AND ACTUAL TAX RATE	1,637,161	26.07%	427,947	6.81%
Change in deferred tax assets	21,465	0.34%	6,154	0.10%
Change in deferred tax liabilities	0	0.00%	0	0.00%
TOTAL TAXES	1,658,626	26.41%	434,101	6.91%
Overall total taxes	**2,092,727**	**33.32%**		

Section 21 - Income statement: other information

21.1 Breakdown of interest income and fee and commission income

Items / Counterparty	Interest income			Fee and commission income			Total 31/12/2019	Total 31/12/2018
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**-**	**4,638,015**	**-**	**-**	**11,540,828**	**16,178,843**	**12,890,499**
- on current receivables	-	-	4,559,431	-	-	11,344,728	15,904,159	12,754,680
- on future receivables	-	-		-	-	-	-	-
- on receivables purchased outright	-	-	78,584	-	-	196,100	274,684	135,819
- on receivables purchased below the original value	-	-	-	-	-	-	-	-
- for other loans	-	-	-	-	-	-	-	-
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loan	-	-	-	-	-	-	-	-
4. Pledged loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- of a commercial nature	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4,638,015**	**-**	**-**	**11,540,828**	**16,178,843**	**12,890,499**

21.2 Other information

Analytical breakdown of interest expense and similar charges

Technical form	Amount
Current accounts payable	20,570
Pool loan	1,036,687
Advance invoices in Italy and abroad	90,925
Mortgages	6,517
Lease payables	47,357
Other interest expense	45
Total	**1,202,101**

PART D - OTHER INFORMATION

Section 1 - Specific references on operations carried out

B. Factoring and assignment of receivables

B.1 - Gross value and book value

B.1.1 - Factoring transactions

Items / Values	Total 31/12/2019			Total 31/12/2018		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing	**131,188,000**	**46,621**	**131,141,379**	**88,996,861**	**14,192**	**88,982,669**
• exposures to transferors (with recourse)	121,370,240	46,258	121,323,982	85,329,204	13,997	85,315,207
- assignment of future receivables	-	-	-	-	-	-
- others	121,370,240	46,258	121,323,982	85,329,204	13,997	85,315,207
• exposures to transferred debtors (without recourse)	9,817,760	363	9,817,397	3,667,657	195	3,667,462
2. Non-performing	**1,601,357**	**794,422**	**806,935**	**1,988,468**	**936,734**	**1,051,734**
2.1 Bad loans	1,094,997	784,176	310,821	1,417,220	928,134	489,086
• exposures to transferors (with recourse)	1,094,428	783,891	310,537	1,295,999	921,581	374,418
- assignment of future receivables	-	-	-	-	-	-
- others	1,094,428	783,891	310,537	1,295,999	921,581	374,418
• exposures to transferred debtors (without recourse)	569	285	284	121,221	6,553	114,668
- purchases below the nominal value	569	285	284	121,221	6,553	114,668
- others	-	-	-	-	-	-
2.2 Unlikely to pay	147,094	3,302	143,792	344,270	8,091	336,179
• exposures to transferors (with recourse)	147,094	3,302	143,792	344,270	8,091	336,179
- assignment of future receivables	-	-	-	-	-	-
- others	147,094	3,302	143,792	344,270	8,091	336,179
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.3 Non-performing past due exposures	359,266	6,944	352,322	226,978	509	226,469
• exposures to transferors (with recourse)	359,266	6,944	352,322	226,978	509	226,469
- assignment of future receivables	-	-	-	-	-	-
- others	359,266	6,944	352,322	226,978	509	226,469
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
Total	**132,789,357**	**841,043**	**131,948,314**	**90,985,329**	**950,926**	**90,034,403**

The table provides details of the value of the receivables recorded in item 40 of the Assets, with exclusive reference to the exposures relating to the specific activity of advancing business receivables (factoring).

Receivables are distinguished between performing and non-performing assets and classified by type of counterparty: transferor and transferred debtor.

The recognition of a receivable in the category "Exposures to transferred debtors" assumes that the assignment of the receivables determined the actual transfer to the transferee of all risks and benefits.

B.2 - Breakdown by residual life

B.2.1 - With recourse factoring transactions: advances and "total receivables"

Time bands	ADVANCES		MONTECREDITI	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
- on demand	19,912,081	12,713,672	29,166,485	22,204,966
- up to 3 months	92,347,172	66,687,715	124,227,127	88,916,773
- over 3 months to 6 months	8,915,176	6,115,639	11,382,735	8,111,017
- from 6 months to 1 year	942,037	735,247	947,086	377,992
- over 1 year	14,167	-	152,228	-
- indefinite duration	-	-	-	-
Total	**122,130,633**	**86,252,273**	**165,875,661**	**119,610,748**

The table provides a breakdown of the exposures of assets to transferors for factoring transactions and the related total receivables, broken down by maturity.

B.2.2 - Non-recourse factoring transactions: exposures

Time bands	EXPOSURES	
	31/12/2019	31/12/2018
- on demand	117,278	287,812
- up to 3 months	6,914,099	3,002,191
- over 3 months to 6 months	2,786,020	377,460
- from 6 months to 1 year	-	-
- over 1 year	284	114,667
- indefinite duration	-	-
Total	**9,817,681**	**3,782,130**

B.3 - Other information

B.3.1 - Turnover of receivables subject to factoring transactions

Items	31/12/2019	31/12/2018
1. Transactions without recourse	16,259,648	7,196,805
- of which: purchases below nominal value		-
2. Transactions with recourse	573,742,101	470,724,977
Total	**590,001,749**	**477,921,782**

The table details the turnover of receivables transferred (amount of the gross flow of receivables transferred by customers to the Company during the year), distinguishing the transactions in relation to the assumption or not by the transferor of the guarantee of solvency of the transferred debtor.

B.3.2 - Collection services

The Company did not carry out collection-only services in 2019.

B.3.3 - Nominal value of contracts for the acquisition of future receivables

The Company did not acquire any future receivables in 2019.

D. Guarantees issued and Commitments

D.1 - Value of guarantees (collateral or personal) issued and commitments

Transactions	Amount 31/12/2019	Amount 31/12/2018
1. Financial guarantees issued on first demand	**13,778,999**	**-**
a) Banks	13,778,999	-
b) Financial institutions	-	-
c) Customers	-	-
2. Other financial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
3. Commercial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
4. Irrevocable commitments to disburse funds	**-**	**-**
a) Banks	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
b) Financial institutions	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
c) Customers	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
5. Commitments underlying credit derivatives: protection sales	**-**	**-**
6. Assets pledged as collateral for third party obligations	**-**	**-**
7. Other irrevocable commitments	**-**	**-**
a) to issue guarantees	-	-
b) others	-	-
Total	**13,778,999**	**-**

It should be noted that, on 29 January 2019, at the same time as the signing of a medium / long-term loan agreement with a pool of banks, the company signed a specific pledge agreement based on which the credit balance of the current accounts indicated therein was pledged to guarantee the debt relating to the loan disbursed by the pool of banks.

As at 31 December 2019, the credit balance of the current accounts subject to the pledge amounted to EUR 13,778,999, while the payable relating to the loan was EUR 114,187,832.

D.3 - Guarantees (secured or personal) issued: risk level assumed and quality

Type of risk assumed	Performing guarantees issued				Non-performing guarantees issued: bad loans				Other non-performing guarantees			
	Counter-guaranteed		Others		Counter-guaranteed		Others		Counter-guaranteed		Others	
	Gross value	Total provisions	Gross value	Total provisions	Gross value	Total provisions	Gross value	Total provisions	Gross value	Total provisions	Gross value	Total provisions
Guarantees issued with assumption of first loss risk	**-**	**-**	**13,778,999**	**5,511**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	13,778,999	5,511	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees issued with mezzanine risk-taking	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees issued pro rata	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**13,778,999**	**5,511**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

D.11 - Change in performing guarantees issued (secured or personal)

Amount of changes	Financial guarantees on first demand		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Others	Counter-guaranteed	Others	Counter-guaranteed	Others
(A) Initial gross value	**-**	**-**	**-**	**-**	**-**	**-**
(B) Increases	**-**	**13,778,999**	**-**	**-**	**-**	**-**
- (b1) guarantees issued	-	13,778,999	-	-	-	-
- (b2) other increases	-	-	-	-	-	-
(C) Decreases	**-**	**-**	**-**	**-**	**-**	**-**
- (c1) guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to non-performing guarantees	-	-	-	-	-	-
- (c3) other decreases	-	-	-	-	-	-
(D) Final gross value	**-**	**13,778,999**	**-**	**-**	**-**	**-**

D.12 - Changes in total value adjustments / provisions

Reasons / Categories	Amount
A. Initial total value adjustments / provisions	**-**
B. Increases	**5,511**
B.1 value adjustments from purchased or originated impaired financial assets	-
B.2 other value adjustments / provisions	5,511
B.3 losses on disposal	-
B.4 contractual changes without cancellations	-
B.5 other increases	-
C. Decreases	**-**
C.1 write-backs from valuation	-
C.2 write-backs from collection	-
C.3 Gains on disposal	-
C.4 write-offs	-
C.5 contractual changes without cancellations	-
C.6 other decreases	-
D. Total closing value adjustments / provisions	**5,511**

D.13 - Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2019	Amount 31/12/2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-
3. Financial assets measured at amortised cost	13,773,488	-
4. Property, plant and equipment	-	-
of which: property, plant and equipment constituting inventories	-	-

Section 2 - Securitisation transactions, disclosure on structured entities not consolidated for accounting purposes (other than special purpose vehicles for securitisation) and asset disposal transactions

In 2019, the Company did not carry out multi-originator sales of credit portfolios with non-performing exposures classified as “unlikely to pay” and the assignment of loans with the intervention of a mutual investment fund.

Section 3 - Information on risks and related hedging policies

FOREWORD

Corporate risk governance

Generalfinance is exposed to the typical risks of a financial intermediary. In particular, also on the basis of the defined ICAAP process, the Company is exposed to the following significant “first pillar” risks:

- **Credit risk**: risk that the debtor is not able to meet its obligations to pay interest and repay the principal. It includes counterparty risk, i.e. the risk that the counterparty to a transaction is in default before the final settlement of the cash flows of a transaction.
- **Operational risk**: risk of losses deriving from failure or inadequacy of internal processes, human resources and technological systems or deriving from external events.

Generalfinance is also exposed to the following other risks:

- **Concentration risk**: risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading in the same commodity, as well as the application of credit risk mitigation techniques, including, in particular, risks deriving from indirect exposures, such as, for example, with respect to individual providers of guarantees (for concentration risk with respect to individual counterparties or groups of related counterparties).
- **Country risk**: risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, whether natural persons, companies, banks or public administrations.
- **Interest rate risk**: risk deriving from potential changes in interest rates.
- **Liquidity risk**: the risk of not being able to meet its payment commitments due to the inability both to raise funds on the market (*funding liquidity risk*) and to sell its assets (*market liquidity risk*).
- **Strategic risk**: the current or future risk of a decline in profits or capital deriving from changes in the operating environment or from incorrect company decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.
- **Reputational risk**: the current or future risk of a decline in profits or capital deriving from a negative perception of the image of the intermediary by customers, counterparties, shareholders of the intermediary, investors or supervisory authorities.
- **Risk of non-compliance**: risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory provisions (of law or regulations) or of self-regulation rules (e.g. statutes, codes of conduct, etc.), including legislation governing international money laundering / terrorism financing and legislation governing the transparency of banking and financial transactions and services.

In this context, the resulting risks are monitored by specific organisational structures (which operate in agreement with the Single Control Function), policies and procedures aimed at their identification, monitoring and management. In particular:

- the Operations Department and the Risk Analysis Department oversee the management of credit risk, country risk and concentration risk, being organisationally responsible for the various phases of the credit process (preliminary application/ granting / monitoring / recovery)
- The Finance and Administration Department (CFO) manages and monitors liquidity, interest rate and strategic risks (the latter, in particular, in close collaboration with the Chief Executive Officer).
- The Legal and Corporate Affairs Department manages and monitors reputational risks (in collaboration with the CFO, as regards relations with the media) and non-compliance risks.

On an operational level, the Finance and Administration Department provides periodic reporting (through the management planning and control system) to the corporate bodies on the performance of the activities and on the deviations from the budget and the business plan; this disclosure is structured on a daily basis (commercial data, asset figures, profitability of factoring transactions) and monthly (tableau de bord, which summarises financial, portfolio risk and liquidity information).

The Company therefore has a management control system aimed at allowing the operating areas to periodically acquire detailed and updated information on the economic-equity and financial situation. The management control system, which is part of the wider internal control system, was developed by Generalfinance from a strategic point of view as it systematically

and, in advance, draws the attention of management to the consequences of the decisions taken on a daily basis (management). It is therefore intended as the integrated set of technical-accounting tools, information and process solutions used by management to support planning and control activities.
This model provides for the assignment of responsibilities to clearly identified individuals within the Company to ensure the constant monitoring of critical success factors (FCS) and risk factors (FCR) through the identification of performance and risk indicators (KPI and KRI) and, where necessary, the activation of other types of control.

The Single Control Function.
With regard to the organisation of the Internal Control System, availing itself of an option provided for the so-called minor intermediaries by Circular no. 288 of 3 April 2015, the Company has a single function, to which it has delegated the performance of the activities that the Supervisory Provisions assign to the risk control, compliance and internal audit functions, as well as the responsibility for auditing the process of assessing the capital adequacy of the Company (ICAAP) (the “Single Control Function”). The responsibility of the Sole Control Function has been attributed to the Independent Director.
The purpose of compliance control activities is to monitor the compliance of procedures, regulations and company policies with respect to regulatory provisions. In particular, the Single Control Function, with the help of the Legal and Corporate Affairs Department, identifies the rules applicable to the Company and assesses and measures their impact on the business, proposing appropriate organizational changes in order to ensure effective and effective efficient monitoring of the identified non-compliance and reputational risks.
Risk management activities aim to verify compliance with prudential supervisory rules and the management of company risks. In particular, risk management contributes to the definition of risk measurement methods, verifying ongoing compliance with the overall prudential supervisory limits imposed by the Supervisory Authority.
The internal audit activity is aimed, on the one hand, at checking the regularity of operations and risk trends, including through ex-post checks at the individual organisational units, and on the other hand at assessing the functionality of the overall internal control system and to bring to the attention of the Board of Directors possible improvements to risk management policies, control mechanisms and procedures.

The Anti-Money Laundering Function.
Generalfinance has defined its internal control system, keeping the anti-money laundering function separate from the other control functions (risk management, compliance and internal audit), to monitor the specific risk. This choice was made in compliance with the prohibition to assign the functions of the anti-money laundering function to the internal audit function (and, consequently, in Generalfinance, to the Single Control Function).
The AML Function deals with:

- monitoring the risk of money laundering, overseeing the proper functioning of business processes;
- preparing activities related to combatting money laundering and the financing of international terrorism;
- overseeing compliance with anti-money laundering regulations within the Company and monitoring its development, verifying the consistency of anti-money laundering and anti-terrorism processes with respect to regulatory requirements;
- carrying out checks and controls on customer due diligence and proper data storage.

In addition, it is involved in the preliminary investigation process prior to reporting suspicious transactions to the relevant bodies. In compliance with the general principle of proportionality, the Head of the AML Function is also granted the mandate for the Reporting of Suspicious Transactions (“SOS”), pursuant to art. 35 of Legislative Decree no. 231 of 21 November 2007.
The AML Function sends to the Board of Directors, to the Board of Statutory Auditors, at least once a year, a report on the activities carried out during the previous year.

3.1 CREDIT RISK
Qualitative information
1. General aspects
Credit risk is a typical risk of financial intermediation and can be considered the main risk to which the Company is exposed. Factoring, which is the exclusive operating area of Generalfinance, is the main determining factor of credit risk. The factoring activity also has some specific characteristics that affect the relative risk factors: the presence of several parties (transferor and transferred debtor), the insurance guarantee that covers approximately 80% of business volumes, additional personal guarantees acquired and the transfer to the factor of the supply credit between the transferor and the transferred debtor. These factors, on the one hand, make it possible to contain credit risk compared to that of ordinary banking activities and, on the other hand, characterise the entire credit process that is regulated by specific *policies* in Generalfinance.

2. Credit risk management policies

1.1 Organisational aspects

The assumption of credit risk is governed by the policies approved by the Board of Directors and is governed by internal procedures that define the management, measurement and control activities and identify the organisational units responsible for them.

Credit risk management is based on the following corporate structures:

- The Risks Analysis Department, within which, in relation to lending activities, the competent offices ensure the compliance of loan applications with the Company's credit policy and express opinions for decision-making purposes. The Management is also responsible for the activities that characterise the preliminary phase and the secretarial activities of the Credit Committee.
- The Operations Department, in charge of the continuous monitoring of the solvency of the customers and the management of the timely collection of receivables, assuming all useful information or necessary for a correct representation of the commercial relationship. The Operations Department also coordinates the out-of-court debt collection actions necessary to monitor, contain and reduce the credit exposure of the Company, it is responsible for agreeing any repayment plans with the transferred debtors and collaborates with the Legal and Corporate Affairs Department to assess the disputed cases.

Credit disbursement is the responsibility of the Company's Credit Committee on the basis of the powers granted to it by the Board of Directors.

The Credit Committee is composed of five members, of which three with voting rights and two without voting rights.

Members with voting rights are:

- the Chief Executive Officer;
- the Head of the Risks Analysis Department;
- the Head of Operations.

Non-voting members are:

- the Head of Sales & Marketing;
- - the Chief Financial Officer.

Depending on the topics discussed or the subject matter of the resolution, employees and managers of the operating areas may be invited to participate in the meetings of the Credit Committee. For meetings to be valid, the presence of at least three members is required, of which at least two have voting rights.

As part of its functions, the Committee performs an in-depth analysis of the documentation and the level of risk of the loan transaction and resolves, if the assessment is positive, the disbursement of the loan.

In the analysis phase, the Credit Committee is supported by the proprietary management information system (Generalweb / TOR) that allows a detailed analysis of each individual credit facility requested, both with reference to the assessment of the Transferor and the transferred debtors. The process of approving the granting / disbursement of credit is managed electronically through a special function of the company management system, through which it is possible to acquire immediate evidence of all the data relating to the various positions subject to assessment and the outcome of the resolutions. Once the analysis is completed and the resolution adopted by the Credit Committee, the process concludes with the generation of specific disclosures for the various company departments concerned.

Subsequently, a document containing the outcome of the resolution is generated. The outcome of the resolution is then uploaded to the system to input data into or update the management records that report the specific economic conditions that govern the relationship with the Transferor, in such a way that all criteria and operating limits are set in a definitive and complete manner for the subsequent disbursement phase.

The Credit Committee - on the basis of the provisions of the "Credit Exposure Assessment Classification" Policy - also resolves i) the transfers between administrative statuses (past due, UTP, non-performing) and the related analytical provisions and ii) the transfers from Stage 1 to Stage 2 (in accordance with IFRS 9).

The results of the resolutions of the Committee are always sent to the CFO and to the head of the Accounting and Financial Statements department, for the purpose of the correct implementation of the results in the context of financial and *reporting*.

Within the credit process, the Single Control Function (the "FUC") plays an important role, which is responsible for second-level controls on the credit process: compliance and risk management. With regard to compliance, the FUC, as part of the lending activities carried out by the Company, is responsible for carrying out checks aimed at ascertaining the adequacy of the various phases of the credit process and assessing their compliance with the credit policy.

As part of the credit risk management process, the FUC is responsible for the ex post control of the risk level of the Company's loan portfolio (risk management), on the basis of the reporting prepared by the Company. This activity is aimed at ensuring the continuous analysis and monitoring of the composition of the portfolio and the related risk. In particular, the Risk Management Function is responsible for the following activities:

• the measurement of the credit risk underlying the performing portfolio and the problem portfolio;

• monitoring of “problem loans” (non-performing, watchlist and supervised entities);
• monitoring of limits and exceptions to company policies;
• verification of consistency over time between the rules for assessing creditworthiness and the related pricing;
• monitoring the concentration limits of credit exposures to a single Counterparty (Groups of companies), as per the regulations of the Supervisory Authority.

1.2 Management, measurement and control systems

General considerations

The main types of customers are represented by the following two segments:

- companies “in crisis”, to which the Company, through operations to support the sales and distribution cycle, offers specific skills geared towards financial assistance in the event of the crisis, during and after the restructuring procedure;
- “performing” companies, which are offered flexible services, aimed at solving their credit problems, also with regard to customers and suppliers.

The area of reference in which the company operates is represented by the so-called “Euro Area”. At geographical level, operations are concentrated (analysis by Transferor) mainly in Northern Italy - with a particular focus on Lombardy - and in the manufacturing and commercial sectors. A component - historically around 20% - of turnover is achieved with foreign transferred debtors, mainly in the EU and USA, with a limited assumption of “country risk”.

The *core business* of the Company is represented by the granting of loans to the parties indicated above (typically identified with the term “Transferring Customers” or simply “Transferors”) by advancing trade receivables claimed by them in the technical form of factoring.

In particular, the main transactions carried out by the Company consist of the following:

• <u>With recourse factoring</u>: the Company operates through the granting of a loan to customers, which at the same time transfers to the Company business receivables, the payment of which is attributed to the repayment of the financed sum. The collection of the receivable transferred gradually extinguishes the loan and covers its costs and the residual amount (any difference between the amount disbursed as an advance and the nominal amount of the receivable collected) is transferred to the Transferor.

The average percentage of advance payments on the entire portfolio does not normally exceed 75% of the nominal value of the loan transferred; the percentage of disbursement per individual assignment varies according to the specific characteristics of the transaction, the Transferor and the transferred debtors (e.g. according to the method of payment of the receivables, the nature and solvency of the transferred debtor and other elements that are assessed from time to time). In this type of transaction, the risk of insolvency of the transferred debtor remains with the Transferor.

• <u>Without recourse factoring</u>: this type of transaction follows the same operating methods described in the previous point but requires the Company to assume the risk of non-payment of the receivable assigned.

A further type of loan with respect to what is listed in the previous points consists of cash loans to businesses. These transactions are carried out on a residual basis and are aimed exclusively at specific customers and / or businesses, on the basis of specific negotiations.

The assumption of risks involves the acquisition of suitable documentation to allow a quantitative and qualitative assessment of the individual customer, codified in an investigation process, which also provides for customer profiling. Through this activity, an analysis report is prepared in favour of the Credit Committee aimed at highlighting the level of economic-financial risk, deriving from any failure to repay the loan early at the agreed deadlines, as well as the compatibility between the individual loan applications and the credit policy adopted by the Company. The preliminary investigation process is completed when all the additional checks required by internal and supervisory regulations (e.g. anti-money laundering) are completed, at the end of which the case may be submitted to the Credit Committee.

As the transferee of trade receivables, Generalfinance is exposed to trade credit risk and, subsequently, to financial credit risk. In particular, the risk is appropriately managed through:

- the analysis of the customer (Transferor) and the Transferred debtor, both through internal processing of information taken from company databases, and with the help of data from third parties and specialised public and private bodies;
- the continuous verification of the entire position of the Transferor, both statically, i.e. with reference to the individual characteristics of the same, and dynamically, i.e. with reference to the performance of its relationship with each individual Transferred debtor;
- the verification and analysis of any intragroup relations, understood as relations between a Transferor and other Transferors, and as relations between a Transferor and its or other Transferred debtors or between different Transferred debtors;
- continuous verification of the regularity of payments;
- portfolio diversification;

- the number of commercial relations;
- the analysis of the consistency and size of the Transferor in order to obtain the balance of the assumed risk.

In addition to the above-mentioned elements of a purely valuation nature, the prudential policy of the Company is also expressed in the adoption of underwriting and contractual measures:

- insurance coverage of most of the turnover;
- explicit acceptance of the assignment (recognition) by the Transferred debtor, on positions deemed worthy of special attention;
- notification to debtors of the Letter of Commencement of the Relationship - LIR in order to obtain the enforceability of the assignment, an adequate channelling of the collections and a consequent proportional reduction of the risk of the overall exposure;
- setting a limit on the amount that can be disbursed to customers (as determined by the Credit Committee) with particular attention to any situations of risk concentration;
- diversification of customers by product type and geographical location.

The phases of the Company's credit process were identified as follows:

• Investigation: describing the methods for collecting and assessing credit applications submitted by customers in order to provide the decision-making bodies, with the utmost possible objectivity, with a complete and exhaustive representation of the position of the credit applicant with regard to its capital assets and all other elements necessary for the assessment of creditworthiness and its reliability. In this phase, the information collected with reference to the potential transferred debtors for the purposes of their assessment is also analysed.

• Pre-approval: the Credit Committee, on the basis of the checks carried out in the preliminary investigation phase, ascertains the existence of the regulatory, operational and economic conditions - also with reference to the funding necessary with respect to that available, at the contractual limits that may have already been defined in the pre-contractual phase, or the operating methods that govern the relationship with the customer or with its transferred debtors - which must exist in order for the advance relationship with the customer to be activated.

• Activation of the relationship: phase in which the contractual documentation is formalised;

• Approval: which describes the decision-making process to which loan applications are submitted in order to grant / refuse the loan requested;

• Acquisition and disbursement: this indicates the loading phase in the database and in the management systems of the loans disbursed by the Company and describes the methods for transferring funds to customers;

• Monitoring and review: these describe the methods for monitoring the loans disbursed in order to ensure proper credit management, as well as a correct representation of the Company's exposure to each Transferor or group of connected customers. The monitoring is also carried out in order to promptly review the conditions of the loan if the circumstances relating to both the economic performance of the situation of the Transferor and the value of the guarantees should change.

• Renewal: represents the systematic activity - on an annual basis - of complete revision of the position.

• Reporting: the reporting activity is divided into multiple activities aimed at supporting the information flows to the Corporate Bodies and the competent functions.

The possibility for the Transferor to receive the advance payment of the purchase price of the receivables is subject to an in-depth assessment of the transferred debtors, as well as the Transferor itself and the prior granting of an adequate credit line, referring to each debtor.

Maximum Payable

A limit is also defined ("Maximum Payable") which represents the maximum amount within which Generalfinance is available to disburse amounts by way of advance payment of the purchase price of the receivables. It refers to the entire position of the Transferor, considered as a whole, and constitutes an operating ceiling, resolved internally by the Company, predetermined and defined to meet operational needs of a management nature. Having these characteristics and not representing any contractual commitment to the customer to grant advances on the assigned receivables up to the defined amount, the above-mentioned limit may be reviewed and modified at its discretion by the Company at any time. In any case, the Maximum Payable may not exceed EUR 10 million, without prejudice to a justified resolution of the Board of Directors and without prejudice to the limits envisaged by the applicable Supervisory provisions. This amount may be updated according to the evolution of the Company's own funds.

Cross Credit line

In addition to the previous one, an additional operating limit is defined ("Cross Credit Line") which represents a sub-limit of the Maximum Payable, and refers to the specific relationship between the Transferor and a particular Debtor ("Cross"). It represents the maximum amount within which Generalfinance is available to disburse amounts by way of advance payment

of the purchase price of the receivables due from the Transferor to that particular Debtor.
Since it is a sub-limit, the Cross Credit Line can never exceed the Maximum Payable. Like the latter, it constitutes an operating ceiling (relating to the Transferor-Debtor relationship), resolved internally by the Company, predetermined and defined to meet operational needs of a management nature. Having these characteristics and not representing any contractual commitment to the customer to grant advances on the assigned receivables up to the defined amount, the above-mentioned limit may be reviewed and modified at its discretion by the Company at any time. In any case, the Crossing Facility may not exceed EUR 10 million, unless there is a justified resolution of the Board of Directors and without prejudice to the limits envisaged by the applicable Supervisory provisions. This amount may be updated according to the evolution of the Company's own funds.
In consideration of the fact that the assignment of receivables proposed by the customer is subject to the condition of acceptance by the Company, it reserves the right not to accept assignments of receivables that do not have the required characteristics. In particular, in application of a specific provision of the factoring agreement, the Company also reserves the right not to grant a loan in the cases of:
- newly established companies, based on the Business Plan analysis;
- single risk positions or positions with particularly concentrated risk;
- transactions with a duration of receivables (collection terms) exceeding 150 days;
- absence of sureties issued by shareholders / directors.

Internal rating

The Company assigns each Transferor its own internal rating to classify the factoring relationship according to a numerical progression corresponding to a certain level of creditworthiness. The rating is assigned to the Transferor when the relationship is activated and is continuously updated until its termination.
The "rating" is calculated using, among others, the following elements:

- risk of the receivables transferred, measured on the basis of the assessment of the debtors, the concentration of the risk as well as in relation to any insolvency found;
- objective and subjective assessment of the Transferor (through qualitative / quantitative analysis of the economic and financial results of the customer together with an assessment of the main business elements such as, for example: the goods / services offered, the market to which it belongs, the production and management organisation, as well as on the status and corporate relations);
- ancillary guarantees given (sureties, pledges, mortgages, etc.).

In the event that the analysis of the Debtor's creditworthiness reveals the existence of risk factors, the Risks Analysis area reports this in the analysis report intended for the Credit Committee. For these positions, at the time of its resolution, the Credit Committee defines specific operating methods, aimed at mitigating the credit risk such as, for example, the reduction of the percentage of advances relating to receivables due from the Debtor concerned, or the containment of the credit risk exposure, again with regard to the Debtor concerned, within a maximum limit of 20% of the total credit line granted to the Transferor.
If, on the other hand, the analysis of the creditworthiness of the Debtor should reveal the existence of significant risk factors, the Credit Committee excludes the assigned receivables due from the Debtor concerned from those subject to advances.

Heading of the risk on the Transferred Debtor

In order to mitigate the concentration risk relating to the portfolio, the credit line to the individual Transferred Debtor may not, as a rule, exceed 30% of the total credit lines assigned to the transferred debtors, unless justified by a resolution of the Credit Committee.
In consideration of the fact that sector regulations (i.e. Circular no. 288 of 3 April 2015) allows the exposure to be assigned to the transferred debtor - rather than the transferor - if certain operational requirements are met aimed at ensuring that the recovery of the credit exposures depends on the payments made by the same debtor, rather than on the solvency of the transferor, the Credit Committee assesses the advisability of adopting this approach in the case of transactions that, as a whole: (i) concern advances to the Transferor for an amount exceeding EUR 2 million or (i) in the event in which it is considered necessary to strengthen the controls for monitoring of the loan assignment relationship, by virtue of the characteristics of the portfolio of "transferred customers".
In order to verify the fulfilment of the aforementioned requirements of the supervisory regulations, Generalfinance has provided that, in the case of the choice of the "transferred customer" approach, a specific "check list" is compiled, subject to evaluation and approval by the Credit Committee and stored electronically to accompany the investigation of the Transferor position.
In addition, both with reference to the "Transferred Debtor" approach and that relating to the "Debtor-Transferor", Generalfinance has adopted internal procedures that make it possible to ascertain ex ante the deterioration of the financial

situation of the individual debtor and the quality of the business loans acquired, as well as adequate procedures that make it possible to manage any anomalies that may arise during the relationship (e.g. management of anomalous loans, recovery actions, etc.).

Staging criteria - Stage 1 and Stage 2

The Company - in compliance with the approach defined by IFRS 9 for the classification of financial assets (the "Standard"), as well as in relation to the methods for determining the relative provision to cover losses - provides for the allocation of financial assets in three clusters called Stage, in relation to the level of credit risk inherent in the instrument.
Value adjustments are therefore defined as follows:

- *Stage 1:* the write-down is equal to the expected loss within the next 12 months (12-month ECL);
- *Stage 2:* the write-down is equal to the expected loss over the entire residual life of the financial instrument (lifetime ECL)*;*
- *Stage 3*: for non-performing financial assets, the write-down is equal to the lifetime expected loss and is measured in relation to management and debt collection activities.

For the purposes of classification in the three stages, the following rules apply:

- *Stage 1*: performing financial *assets* that have not undergone a significant increase in credit risk since *origination*;
- *Stage 2*: performing financial *assets* for which there has been a significant increase in credit risk (SICR) between the *origination* date and the *reporting* date or are characterised by unique characteristics defined in the "*backstops*" possibly adopted by the Company;
- *Stage 3*: includes all positions classified in default at the *reporting* date according to the regulatory definition of non-performing loans (Bank of Italy Circular no. 217/1996).

The Company carries out the process of allocation to internships with simultaneous verification of the conditions inherent to the significant increase in credit risk. In line with the requirements of the Standard, the quantification of the SICR must be based on the change in the risk of default expected for the expected life of the financial asset and not on the change in the amount of expected loss (ECL). The Company has chosen to measure the significant increase in the credit risk of the counterparty (Transferor) with consequent classification of the exposure in Stage 2 in relation to certain automatic events (triggers) (relating to the past due condition, on the basis of the amount of receivables past due and days past due) and discretionary (based on the assessment of the status of the counterparty, in particular in cases of access to an insolvency procedure by the Transferor after the disbursement of the loan).
If, in relation to an exposure classified in Stage 2, the conditions for this classification no longer apply at a subsequent reporting date, it will be reclassified to Stage 1.
The Standard requires that the same transfer criteria be used to transfer an exposure from the different stages. This also refers to the so-called symmetrical approach, which allows an entity to recognise an expected loss over a time horizon of 12 months for all exposures classified in Stage 1, unless the recognition of the expected loss throughout the life of the receivable is changed once the credit risk of these exposures has increased significantly after initial recognition. Therefore, IFRS 9 provides for the possibility of allocating financial assets in Stage 2 or Stage 3 and to report these exposures in the initial categories if subsequent assessments show that the credit risk has decreased significantly.
In this regard, the Standard states that "if in the previous year an entity measured the loss provision of the financial instrument at an amount equal to the expected losses over the entire life of the instrument, but at the current reporting date it determines that the paragraph 5.5.3 is no longer satisfied, it must measure the loss provision at an amount equal to the expected credit losses in the 12 months following the current reporting date".

Calculation of expected credit loss - Stage 1 and Stage 2

The Standard provides that the calculation of Expected Credit Loss (ECL) must reflect:

a) a target, probability-weighted amount determined by assessing a range of possible outcomes;
b) the time value of money, discounting the expected cash flows at the reporting date;
c) reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and forecasts of future economic conditions.

The period to be taken into consideration in the measurement of expected credit losses is the maximum contractual period (Lifetime) during which the entity is exposed to credit risk.
In particular, the value adjustments must be commensurate with the expected losses over the following time horizons:

- <u>12 months</u> (12-month ECL) (or a period equal to the residual life of the instrument if the latter is less than one year), if the credit risk inherent in the financial instrument has not increased significantly at the reporting date. with respect to the date of origination;
- <u>maximum contractual period</u> (ECL Lifetime), if at the balance sheet date the credit risk inherent in the financial instrument has increased significantly from the date of origination.

The 12-month ECL is defined as the portion of the Lifetime ECL that includes credit losses resulting from the eventuality that the default of a financial instrument occurs in the 12 months following the reporting date (or a period equal to the residual life of the instrument if the latter is less than one year).
The Lifetime ECL is defined as the expected loss on receivables that results in consideration of the possibility that a default may occur during the entire expected life of a financial instrument.
For the measurement of expected losses, the Company has a set of rules defined in accordance with the requirements set out by the accounting standard. For exposures in Stage 1 and 2, the expected losses at 12 months and lifetime are calculated respectively, based on the stage assigned to the exposure. The calculation of expected losses is updated periodically.
In particular, the expected loss recognised in the provision to cover losses is measured by calculating the ECL at exposure level (Transferor), in relation to the "most likely" macroeconomic scenario, represented by the "base" economic scenario. In particular, the expected loss at 12 months is calculated as the historical average of the last five years of the losses on receivables (item 130 of the income statement) in relation to the receivable disbursed per year.
The historical average of the previous 5 years is then applied, as 12-month ECL to loans in Stage 1. As regards loans in Stage 2, in order to reflect the greater risk of these exposures, the 12-month ECL is increased by 10%.
With regard to credit exposures to financial intermediaries, a 12-month ECL is considered (since the company does not have exposures other than on demand to financial institutions) equal to the average EL of a peer group of Italian banks, based on solicited public ratings, taking into account an estimated LGD of 10%

Exposure at Default (EAD)
Exposure at Default (EAD) (at the reporting date) consists of the book value at amortised cost net of the insurance guarantee supporting the loan, except for the commitment component to disburse the loan, for which the exposure is the off-balance sheet value weighted by the credit conversion factor (CCF) estimated by the Company. In this regard, it should be noted that the Company has no commitments to disburse funds, therefore the EAD is equal to the exposure (disbursed not yet collected net of any unpaid portions already collected and not yet retroceded to the Transferor) net of the insurance guarantee at the reporting date.

Forward-looking elements and macroeconomic scenarios
The Standard requires the inclusion of forward-looking elements in the expected loss estimates, so that they are suitable to represent the macroeconomic conditions forecast for the future. The inclusion of forward-looking information in the estimate of lifetime expected loss is therefore fundamental for a correct implementation of IFRS 9.
For the purposes of defining the reference macroeconomic scenario (most likely), the economic bulletin published by the Bank of Italy (latest publication available) is used as a reference.
Where the GDP forecasts for the Italian economy are positive with reference to the following year (GDP delta > 0), no specific corrective measures are applied to the ECL estimates deriving from internal methods. Conversely, if the GDP projections are negative (GDP delta <0), then the ECL (12-month and lifetime) is increased by 5%, in order to reflect the expected economic deterioration. If the expected change in GDP is greater than -1%, the ECL increase is set at 10%.

Write-off
The write-off is an event that gives rise to a full or partial derecognition, when there are no longer reasonable expectations of recovering all or part of the financial asset.
The standard defines the write-down of the gross carrying amount of a financial asset as a result of the reasonable expectation of non-recovery as a case of derecognition. The write-off may concern the entire amount of a financial asset or a part of it and corresponds to the reversal of total value adjustments, as an offsetting entry to the gross value of the financial asset and, for the part exceeding the amount of the total value adjustments, to the impairment of the financial asset recognised directly in the income statement.
If the Company has reasonable expectations of recovering the receivable, the latter can be maintained in the financial statements (current receivable) without effecting a write-off and, in all cases in which there is an expected loss, an appropriate provision must be made to cover the possible lack of full recovery.
Otherwise, if the Company does not have reasonable expectations of recovering it, in whole or in part, the write-off must be carried out, with the effect of shifting the receivable itself or part of it from the financial statements assets to dedicated escrow accounts.
The amount of the write-offs carried out in the reference year that exceeds the amount of the total adjustments made in previous years (and which is therefore recorded as a loss directly in the income statement) is included in the value adjustments.

Any recoveries from collections subsequent to the write-off, on the other hand, are recognised in the income statement under write-backs as a result of the improvement in the creditworthiness of the debtor and the recoveries of the assets previously written down.
Operationally, write-off resolutions are adopted by the Credit Committee on the proposal of the Operations department, once the reasonable expectations of recovery, including legal, of the exposure have ceased. In any case, the maximum term for maintaining the exposure in the financial statements is 2 years. After this deadline, the exposure must be fully written off.

1.3 Credit risk mitigation techniques

Generalfinance SpA does not currently use credit risk mitigation techniques pursuant to prudential regulations and, therefore, does not benefit from reductions in terms of different weightings in the allocation of exposures to the various asset classes (regulatory portfolios).
Although not currently used for prudential supervision, Generalfinance protects its trade receivables portfolio through an insurance policy with the insurance company Euler Hermes that covers the insolvency and default events relating to the Transferred debtor.
In addition, the Company acquires endorsement guarantees in relation to exposures to transferors.

3. Non-performing credit exposures

The Company has internal procedures that make it possible to ascertain ex ante the deterioration of the financial situation of the individual debtor and the quality of the trade receivables purchased, as well as adequate procedures that allow it to manage any anomalies that may arise during the relationship (e.g. management of outstanding debts, recovery actions, etc.).
The entire business process is homogeneous for the types of customers and is implemented by all company functions. It is developed - as mentioned above - along the following main phases: (i) customer acquisition; (ii) pre-investigation (customer / transferor assessment, debtor assessment, guarantor assessment); (iii) pre-resolution of the Credit Committee; formalisation and activation of the advance relationship; (iv) resolution of the Credit Committee; (v) monitoring and management of existing relationships, credit lines and guarantees.
The Company carries out periodic checks - typically on a daily basis - to verify the emergence, both among transferors and debtors, of unpaid positions that may generate particular critical issues and in order to promptly adopt the appropriate decisions, if there are any reasons for alarm or criticality. Moreover, on the basis of the flow acquired by the Home Banking system and any information obtained from other company or external sources, all non-payments are duly and promptly recorded and credit risk is continuously monitored.
With reference to the specific risk deriving from delay or non-collection of receivables, the operating methodology developed allows Generalfinance to obtain a series of important safeguards for its exposure. In fact, by virtue of the credit assignment agreement, the Company has the possibility of recovering from the Transferred debtor and in the case of with-recourse assignment, also against the Transferor.

Classification - Stage 3

Stage 3 includes all exposures with objective evidence of impairment, therefore all non-performing exposures: past due loans, unlikely to pay and bad loans.
As regards the classification in the three stages highlighted, note that:

- classification as non-performing past due takes place automatically, on the basis of the provisions of Bank of Italy Circular 217, with specific reference to the technical form of factoring;
- with regard to unlikely to pay, the classification in this stage 3 takes place against automatic triggers (based on the days past due) and discretionary triggers (based on the consideration of any legal action taken against the transferred debtors);
- with regard to bad loans, a classification in this status is envisaged, in the event of initiation of legal actions on a significant portion of the transferred portfolio, as well as on the transferor (with recourse). In the case of factoring without recourse, at the start of legal actions, the position is classified as non-performing.

The classification as unlikely to pay/ non-performing is always resolved by the Credit Committee on the proposal of the Operations department.
As the conditions no longer apply, the Committee resolves on the possible reclassification of the exposure from unlikely to pay or bad loans.

Expected Credit Loss - Stage 3

The Standard requires the entity to recognise a provision to cover losses for expected credit losses on financial assets measured at amortised cost or at fair value through other income components (FVOCI), receivables implicit in lease contracts,

assets deriving from contract or commitments to disburse loans and financial guarantee agreements to which the provisions on impairment apply.
Exposure at Default (EAD) (at the reporting date) consists of the book value at amortised cost net of the insurance guarantee supporting the loan, except for the commitment component to disburse the loan, for which the exposure is the off-balance sheet value weighted by the credit conversion factor (CCF) estimated by the Company. In this regard, it should be noted that the Company has no commitments to disburse funds, therefore the EAD is equal to the exposure (disbursed not yet collected net of any unpaid portions already collected and not yet retroceded to the Transferor) net of the insurance guarantee at the reporting date.
The Standard also requires an entity to measure the expected credit losses of the financial instrument in a way that reflects:

a) a target, probability-weighted amount, determined by assessing a range of possible outcomes;
b) the time value of money; and
c) reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and forecasts of future economic conditions.

For a non-performing financial asset at the reporting date, which is not a purchased or originated impaired financial asset, the entity must measure the expected credit losses as the difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. Adjustments are recognised as a profit or loss due to impairment in the income statement.
Operationally, the Company proceeds as follows with regard to the levels of provisions for exposures in Stage 3:

- Past due non-performing loans: also taking into account historical experience, the level of provisions is equal to 5% of the exposure;
- Unlikely to pay: provisions are defined on an analytical basis, based on the expected recovery of the exposure, taking into account the expected flows from the transferred loan portfolio, also considering the insurance and personal guarantees that may support the position, with reference in particular to transferred debtors for which it is presumed legal actions will initiated for the recovery of the loan disbursed; in any case, also on the basis of the historical experience of the Company, the minimum level of provision is 10%;
- Non-performing loans: the provisions are defined on an analytical basis, based on the expected recovery of the exposure taking into account the flows expected from the transferred loan portfolio, as well as the insurance and personal guarantees that may support the position; on the basis of historical experience, the minimum level of provision is 40%; the analytical calculation assumes the recovery of the exposure within a time horizon of less than 12 months. Where the return is assumed beyond 12 months, the level of provision is increased by 5% in order to reflect a greater discounting component. In any case, after 2 years the provision is increased to 100%.

With regard to unlikely to pay and doubtful loans, the value of the provisions is always established by resolution of the Credit Committee on the proposal of the Operations function, at the time of classification in said administrative statuses.

Quantitative information

1. Distribution of financial assets by portfolio and credit quality (book values)

Portfolios / Quality	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	310,821	143,792	352,322	1,753,692	146,144,902	148,705,529
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	46,974	46,974
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2019	**310,821**	**143,792**	**352,322**	**1,753,692**	**146,191,876**	**148,752,503**
Total 31/12/2018	**489,086**	**336,179**	**226,469**	**548,050**	**91,991,652**	**93,591,436**

2. Distribution of financial assets by portfolio and by credit quality (gross and net values)

Portfolios / Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	1,601,357	794,422	806,935	-	147,951,921	53,327	147,898,594	148,705,529
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	46,974	46,974
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2019	**1,601,357**	**794,422**	**806,935**	**-**	**147,951,921**	**53,327**	**147,945,568**	**148,752,503**
Total 31/12/2018	**1,988,468**	**936,734**	**1,051,734**	**60,316**	**92,507,104**	**14,192**	**92,539,702**	**93,591,436**

3. Distribution of financial assets by past due brackets (book values)

Portfolios / risk stages	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	563,657	-	-	338,094	851,941	-	-	155,185	651,750
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31/12/2019	**563,657**	**-**	**-**	**338,094**	**851,941**	**-**	**-**	**155,185**	**651,750**
Total 31/12/2018	**236,746**	**311,304**	**-**	**-**	**-**	**-**	**-**	**46,611**	**1,005,022**

4. Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

Causes / risk stages	Total value adjustments													Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Assets included in the first stage				Assets included in the second stage				Assets included in the third stage				of which: purchased or originated impaired financial assets				
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs		First stage	Second stage	Third stage	
Initial total adjustments	**14,192**	-	-	**14,192**	-	-	-	-	**936,734**	-	**936,734**	-	**6,553**	-	-	-	**950,926**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments / write-backs for credit risk (+/-)	37,462	-	-	37,462	1,673	-	-	1,673	52,747	-	52,747	-	57	-	-	-	91,882
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	(195,059)	-	(195,059)	-	(6,325)	-	-	-	(195,059)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total final adjustments	**51,654**	-	-	**51,654**	**1,673**	-	-	**1,673**	**794,422**	-	**794,422**	-	**285**	-	-	-	**847,749**
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	314,690	-	314,690	-	114,326	-	-	-	314,690

5. Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the different stages of credit risk (gross and nominal values)

Portfolios / risk stages	Gross values / nominal value					
	Transfers between first and second stage		Transfers between second and third stage		Transfers between first and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	6,442,864	-	-	-	517,879	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets under development	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-
Total 31/12/2019	**6,442,864**	**-**	**-**	**-**	**517,879**	**-**
Total 31/12/2018	**-**	**-**	**-**	**-**	**1,733,458**	**-**

6. Credit exposures to customers, banks and financial companies

6.1 Credit and off-balance sheet exposures to banks and financial companies: gross and net values

Types of exposures / Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Non-performing	Performing			
A. Cash credit exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	16,763,921	6,706	16,757,215	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**16,763,921**	**6,706**	**16,757,215**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**-**	**16,763,921**	**6,706**	**16,757,215**	**-**

6.4 Credit and off-balance sheet exposures to customers: gross and net values

Types of exposures / Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Non-performing	Performing			
A. Cash credit exposures	1,601,357	131,188,000	841,043	131,948,314	-
a) Bad loans	1,094,997	X	784,176	310,821	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	147,094	X	3,302	143,792	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	359,266	X	6,944	352,322	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	1,754,205	513	1,753,692	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	129,433,795	46,108	129,387,687	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**1,601,357**	**131,188,000**	**841,043**	**131,948,314**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**1,601,357**	**131,188,000**	**841,043**	**131,948,314**	**-**

6.5 Credit exposures to customers: trend in gross non-performing exposures

Reasons / Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**1,417,220**	**344,270**	**226,978**
- of which: exposures sold but not derecognised	-	-	-
B. Increases	**272,822**	**351,542**	**359,266**
B.1 inflows from performing exposures	11,519	351,542	359,266
B.2 inflows from purchased or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	261,303	-	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	-	-	-
C. Decreases	**595,045**	**548,718**	**226,978**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	501,770	7,981	-
C.3 collections	93,275	324,132	180,763
C.4 gains on disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	216,605	44,699
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	-	-	1,516
D. Closing gross exposure	**1,094,997**	**147,094**	**359,266**
- of which: exposures sold but not derecognised	-	-	-

6.6 Non-performing cash credit exposures to customers: trend in total value adjustments

Reasons / Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Initial total adjustments	**928,134**	**-**	**8,091**	**-**	**509**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-
B. Increases	**94,257**	**-**	**3,302**	**-**	**6,944**	**-**
B.1 Value adjustments from purchased or originated impaired financial assets	57	X	-	X	-	X
B.2 other value adjustments	89,271	-	3,302	-	6,944	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	4,929	-	-	-	-	-
B.5 contractual changes without cancellations	-	X	-	X	-	X
B.6 other increases	-	-	-	-	-	-
C. Decreases	**238,215**	**-**	**8,091**	**-**	**509**	**-**
C.1 write-backs from valuation	-	-	-	-	-	-
C.2 write-backs from collection	43,306	-	3,199	-	322	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 write-offs	194,909	-	150	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	4,742	-	187	-
C.6 contractual changes without cancellations	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total final adjustments	**784,176**	**-**	**3,302**	**-**	**6,944**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-

7. Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

7.1 Distribution *of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross values)*

Exposures	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**149,553,278**	**149,553,278**
- First stage	-	-	-	-	-	-	141,537,377	141,537,377
- Second stage	-	-	-	-	-	-	6,414,544	6,414,544
- Third stage	-	-	-	-	-	-	1,601,357	1,601,357
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A + B)	**-**	**-**	**-**	**-**	**-**	**-**	**149,553,278**	**149,553,278**
of which: purchased or originated impaired financial assets	-	-	-	-	-	-	569	569
C. Commitments to disburse funds and financial guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**13,778,999**	**13,778,999**
- First stage	-	-	-	-	-	-	13,778,999	13,778,999
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**-**	**-**	**-**	**-**	**-**	**-**	**13,778,999**	**13,778,999**
Total (A + B + C)	**-**	**-**	**-**	**-**	**-**	**-**	**163,332,277**	**163,332,277**

9. Credit concentration

9.1 Distribution of cash and off-balance sheet credit exposures by sector of economic activity of the counterparty

	Amount
Other operators	-
Public bodies and central administrations	-
Banks and financial companies	16,757,215
Non-financial companies and producer households	131,948,314
Other	-
Total 31/12/2019	**148,705,529**

9.2 Distribution of cash and off-balance sheet credit exposures by counterparty geographical area

	Amount of cash assets	Amount of off-balance sheet assets
Italy	147,364,668	-
Other European countries	630,041	-
America	170,617	-
Asia	540,203	-
Total 31/12/2019	**148,705,529**	**-**

9.3 Large Exposures

(values in Euro)	31/12/2019
a) book value	27,647,474
b) weighted value	9,502,486
c) number	7

The table shows the amount and number of counterparties with weighted exposure, as per supervisory provisions, greater than 10% of own funds.
The risks with respect to individual customers of the same intermediary are considered as a whole if there are legal or economic connections between the customers.
The amount is the sum of cash risk assets and off-balance sheet transactions with a customer.

10. Models and other methods for measuring and managing credit risk
For the purposes of measuring the capital requirement for credit risk, Generalfinance adopts the standardised approach envisaged by prudential regulations. The Company does not use external ratings.

11. Other quantitative information
There are no other quantitative aspects worthy of mention in this section.

3.2 MARKET RISKS
3.2.1 Interest rate risk
Qualitative information
1. General aspects
Interest rate risk is caused by differences in maturities and in the repricing times of the interest rate of assets and liabilities. In the presence of these differences, fluctuations in interest rates can determine both a change in the expected interest margin and a change in the value of assets and liabilities and therefore in the value of shareholders' equity.
The operations of Generalfinance are concentrated in the short-term; the loans granted are self-liquidating and have a short residual life directly related to the collection times of the transferred trade receivables.
These characteristics determine a significant mitigation of the exposure to interest rate risk.

Quantitative information
1. Distribution by residual duration (repricing date) of financial assets and liabilities

Items residual duration	On sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Indefinite duration
1. Assets	**36,786,574**	**91,172,153**	**19,273,338**	**1,395,600**	**77,580**	**284**	**-**	**-**
1.1 Debt securities							-	-
1.2 Receivables	36,786,574	91,172,153	19,273,338	1,395,600	77,580	284	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**4,149,922**	**122,721,626**	**67,692**	**136,262**	**1,000,558**	**912,873**	**17,400**	**-**
2.1 Payables	4,149,922	122,721,626	67,692	136,262	1,000,558	912,873	17,400	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3.2.2 Price risk

Qualitative information

1. General aspects

The financial institution does not normally assume price fluctuations.

3.2.3 Currency risk

Qualitative information

1. General aspects

The financial institution does not normally assume exchange rate risks.

3.3 OPERATIONAL RISKS

Qualitative information

1. General aspects, management processes and measurement methods for operational risk

In relation to operational risk, understood as the risk of losses deriving from malfunctions in procedures, personnel and internal systems, or from external events, the Company engages in continuous and progressive action to organise the structure at all levels, pursuing the aim of simplifying and rationalising internal dynamics, in order to improve the efficiency and effectiveness of horizontal and vertical information flows between the various company entities and to implement and strengthen the controls and control structures in general. This, of course, takes on special relevance also with reference to the monitoring of operational risks.

Generalfinance is exposed to risks typically associated with operations that include, inter alia, risks associated with the interruption and / or malfunctioning of services (including IT services that the Company uses to a significant extent), errors, omissions and delays in the services offered, as well as failure to comply with the procedures relating to risk management.

The Company is therefore exposed to multiple types of operational risk: (i) risk of fraud by employees and external parties, (ii) risk of unauthorised transactions and / or operational errors; (iii) risks related to the failure to keep the documentation relating to the transactions; (iv) risks related to the inadequacy or incorrect functioning of company procedures relating to the identification, monitoring and management of company risks; (v) errors and / or delays in providing the services offered; (vi) risk of sanctions deriving from violation of the regulations applicable to the Company; (vii) risks associated with the failure and / or incorrect functioning of IT systems; (viii) risks related to damages caused to property, plant and equipment deriving from atmospheric events or natural disasters.

To monitor operational risk, the Company has the following controls in place:

- definition of a clear organisational structure, with well-defined, transparent and consistent lines of responsibility;
- mapping and formalisation of business processes (“core” processes and “support” processes) that describe operating practices and identify first-level controls;
- adoption of a “Code of Ethics”, which describes the ethical principles, i.e. the rules of conduct that inspire the style of the Company in the conduct of relations with its stakeholders to which each Recipient must refer.
- adoption of the “Organization, management and control model”, pursuant to Legislative Decree no. 231 of 8 June 2001, which sets out the set of preventive and disciplinary measures and procedures suitable for reducing the risk of commission of offences envisaged by the aforementioned decree, within the company organization;
- provision of specific SLAs (Service Level Agreements) in outsourcing contracts.

In relation to the operations of the Company, a significant type of operational risk is represented by legal risk. In this regard, to mitigate potential economic losses resulting from pending legal proceedings against the Company, a provision has been made in the financial statements to an extent consistent with international accounting standards. The amount of the provision is estimated on the basis of multiple elements of opinion mainly concerning the forecast on the outcome of the case and, in particular, the probability of losing the case with the conviction of the Company, and the elements of quantification of the amount that, in the event of losing the case, the Company may be required to pay the counterparty. The forecast on the outcome of the case (risk of losing) takes into account, for each individual position, the aspects of law raised in the court, assessed in light of the case law stance, the evidence actually dismissed during the proceedings and the progress of the proceedings, as well as, for subsequent encumbrances, the outcome of the first instance judgment, as well as past experience and any other useful element, including the opinions of experts, which allow adequate account to be taken of the expected development of the dispute. The amount due in the event of losing is expressed in absolute terms and shows the value estimated on the basis of the results of the proceedings, taking into account the amount requested by the counterparty, the technical estimate carried out internally on the basis of accounting findings and / or those that emerged in the course of the proceedings and, in particular, of the amount ascertained by the court-appointed expert witness - if ordered - as well as the legal interest, calculated on the principal from the notification of the preliminary statement, in addition to any expenses due in the event the case is lost. In cases where it is not possible to determine a reliable estimate (failure to quantify the claims for compensation by the plaintiff, presence of legal and factual uncertainties that render any estimate unreliable), no provisions are made as long as it is impossible to predict the results of the judgment and reliably estimate the amount of any loss.

In view of the requests received, the Company (with particular reference to a dispute) made appropriate provisions in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and / or "possibility", as defined by accounting standard IAS 37 and taking into account the most consolidated relevant case law. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Company.

Quantitative information

For the purpose of measuring operational risk, Generalfinance adopts the basic method proposed by the Supervisory Authority. The capital requirement for operational risk as at 31 December 2018 amounted to EUR 1,505,535, equal to 15% of the average of the relevant indicators for 2016-2018 pursuant to art. 316 of Regulation (EU) no. 575/2013, of EUR 10,036,902.

3.4 LIQUIDITY RISK

Qualitative information

1. General aspects, management processes and methods for measuring liquidity risk

Liquidity risk measures the risk that the Company may not be able to meet its obligations when they mature. Non-payment may be caused by the inability to obtain the necessary funds (funding liquidity risk) or by limits on the disposal of certain assets (market liquidity risk). The liquidity risk calculation also includes the risk of meeting its payment deadlines at out-of-market costs, i.e. incurring a high cost of funding or even incurring capital losses. With specific reference to the operations of Generalfinance, the funding liquidity risk is significant.

The risk assessment takes place through the preparation of a maturity ladder (prepared both daily and monthly) that compares the receipts (which, for the Company, are essentially identified with the collection of receivables transferred from customers, plus the opening of new loans and cash flows generated by the profitability of the core business) and cash outflows (mainly: disbursements of loans, payment of suppliers and repayments of loans), determining the imbalances relating to certain time horizons and comparing the imbalances themselves with the amount of liquidity reserves (available on bank current accounts and unused credit lines).

Liquidity risk is adequately controlled based on the dynamics of future cash flows, generated by the expected disbursements (up in recent years) and by the financial needs covered with new credit lines and with the cash flow generated by ordinary operations. The funding structure guarantees an adequate structural balance, benefiting in particular from a loan granted by a pool of banks and "committed" until January 2022, for the amount of EUR 104 million, plus a back-upline of EUR 10 million. In addition to this loan, there are bilateral bank lines (subject to collection) and lines with factoring companies that help diversify the financial structure by counterparty and technical form.

The Company adopts a careful loan acquisition policy, which has historically guaranteed a limited duration (less than 80 days) of assets (loans to customers) and a related reduced need for funding, in the same way the constant monitoring of the maturities of the loans transferred (in conjunction with the timely and effective management of any anomalies) has made it possible to contain the default level, with benefits on the structural liquidity profile.

Quantitative information

1. Time distribution of financial assets and liabilities by residual contractual duration

Items / Time brackets	On sight	From over 1 day to 7 days	From 7 days to 15 days	From more than 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 3 years	From over 3 years to 5 years	Over 5 years	Indefinite duration
Cash assets	**36,798,631**	**1,701,286**	**17,010,930**	**4,612,707**	**67,879,274**	**19,281,572**	**1,396,521**	**77,099**	**552**	**284**	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	36,798,631	1,701,286	17,010,930	4,612,707	67,879,274	19,281,572	1,396,521	77,099	552	284	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**3,978,037**	**175,627**	**50,286**	**286**	**122,667,312**	**67,692**	**136,262**	**572,818**	**427,740**	**930,273**	-
B.1 Due to	3,978,037	175,627	50,286	286	122,667,312	67,692	136,262	572,818	427,740	930,273	-
- Banks	2,451,007	171,885	-	-	122,654,502	-	-		-	-	-
- Financial companies	-	-	-	286	-	-	-	21,577	-	-	-
- Customers	1,527,030	3,742	50,286	-	12,810	67,692	136,262	551,241	427,740	930,273	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
“Off-balance sheet” transactions	**13,778,999**	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Positive spreads	-	-	-	-	-	-	-	-	-	-	-
- Negative spreads	-	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	13,778,999	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

It should be noted that the amount relating to “financial guarantees issued” refers to the positive balance of current accounts subject to the pledge already mentioned in “Part D - OTHER INFORMATION”. The amount is gross of total provisions.

Section 4 - Information on equity

4.1 - Company Equity

4.1.1 Qualitative information

The notion of capital used

As at 31 December 2019, the shareholders'' equity of Generalfinance SpA differs from Own Funds by a total of EUR 4,539,490, of which EUR 352,086 refers to intangible assets and EUR 4,187,404 to the profit generated in 2019. Total shareholders' equity amounts to EUR 19,359,656, including the profit generated in 2019.

The nature of the mandatory minimum external capital requirements and the related monitoring methods

Generalfinance is required to comply with the mandatory minimum capital requirements, pursuant to prudential regulations, with reference to credit risk and operational risk. Market risk, according to the definition provided by the prudential regulations, is not present in the activities of Generalfinance, since the Company does not hold a regulatory trading portfolio. Therefore, the risk is not relevant for the purpose of determining the mandatory minimum requirements.

Currency risk, according to the definition provided by prudential regulations, is also not significant in the activities of Generalfinance.

The company carries out a constant analysis of capital absorption against credit risk and operational risk.

The credit risk control methods and the related supporting reporting are described in the company operating procedures on:

- Resolution and renewal of factoring transactions;
- Debtor assessment;
- Management of the ordinary relationship with customers;
- Management of problem loans.

The presence of the operational requirements instrumental to the transfer of the risk to the debtor in the context of with-recourse or without recourse exposures not recorded is guaranteed by the procedures.

The management of operational risk is mainly entrusted to the organisational units, line controls and the Single Control Function.

4.1.2 Quantitative information

4.1.2.1 Shareholders' equity: breakdown

Items / Values	Total 31/12/2019	Total 31/12/2018
1. Share capital	3,275,758	3,275,758
2. Share premium reserve	5,837,550	5,837,550
3. Reserves	-	-
- of profits	-	-
a) legal	471,414	325,246
b) statutory	-	-
c) treasury shares	-	-
d) others	5,683,258	4,367,741
- others	-	-
4. (Treasury shares)	-	-
5. Valuation reserves	-	-
- Equity securities designated at fair value through other comprehensive income	-	-
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments (non-designated elements)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains / losses relating to defined benefit plans	(95,728)	(48,617)
- Portion of valuation reserves relating to equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	4,187,404	2,923,371
Total	**19,359,656**	**16,681,049**

4.2 - Own funds and regulatory ratios

4.2.1 - Own funds

4.2.1.1 Qualitative information

1. Tier 1 capital

The amount of this aggregate differs from the value of Shareholders' equity due to the deduction of the amount referring to intangible assets and to the profit generated in 2019.

2. Tier 2 capital

Generalfinance does not include, in the definition of own funds, other items other than those representing shareholders 'equity or Tier 1 capital. Consequently, Generalfinance has no items to be included in Tier 2 capital.

4.2.1.2 Quantitative information

	Total 31/12/2019	Total 31/12/2018
A. Tier 1 capital before the application of prudential filters	**15,172,252**	**13,757,678**
B. Prudential filters of Tier 1 capital	-	-
B.1 Positive IAS / IFRS prudential filters (+)	-	-
B.2 Negative IAS / IFRS prudential filters (-)	-	-
C. Tier 1 capital gross of elements to be deducted (A + B)	**15,172,252**	**13,757,678**
D. Elements to be deducted from Tier 1 capital	352,086	820,856
E. Total Tier 1 capital (C - D)	**14,867,277**	**12,936,822**
F. Tier 2 capital before the application of prudential filters	-	-
G. Prudential filters of Tier 2 capital	-	-
G.1 Positive IAS / IFRS prudential filters (+)	-	-
G.2 Negative IAS / IFRS prudential filters (-)	-	-
H. Tier 2 capital gross of elements to be deducted (F + G)	-	-
I. Elements to be deducted from Tier 2 capital	-	-
L. Total Tier 2 capital (H - I)	-	-
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E + L - M)	**14,820,166**	**12,936,822**

4.2.2 - Capital adequacy

4.2.2.1 Qualitative information

Generalfinance assesses the adequacy of own funds to support current and future assets, in line with its own risk containment policy.

In the context of the ICAAP process, Generalfinance defines the components of total capital (capital components to cover internal capital, i.e. the capital requirement relating to a given risk) on the basis of the prudential methodology. The components of total capital therefore coincide with the items of shareholders' equity and with those of own funds.

The Company measures the following types of risk: credit, operational, concentration, interest rate on the banking book, liquidity. With regard to the first four types, the Company determines the internal capital necessary to hedge the risks generated by current and future assets. Pillar I risks are measured with similar criteria to those used to determine the minimum prudential requirements and, in particular, the standardised method for credit risk and the basic method for operational risk. With reference to the second pillar risks, Generalfinance uses the following quantitative measurement tools proposed in Bank of Italy Circular no. 288/15:

- for concentration risk (by parties and by groups of connected customers), the simplified method proposed in Bank of Italy Circular no. 288/15 under Title IV, Chapter 14, Annex B;
- for interest rate risk on the banking book, the simplified method envisaged by Bank of Italy Circular no. 288/15 in Title IV, Chapter 14, Annex C;
- for liquidity risk, the funding risk measurement maturity ladder model, envisaged by Bank of Italy Circular no. 288/15.

The other Pillar 2 risks are subject to qualitative assessment.

4.2.2.2 Quantitative information

Categories / Values	Non-weighted amounts		Weighted amounts / requirements	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. RISK ASSETS	-	-	-	-
A.1 Credit and counterparty risk	158,241,909	97,987,526	113,094,093	75,241,606
B. REGULATORY CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	6,785,646	4,514,496
B.2 Risk for the provision of payment services	-	-	-	-
B.3 Requirement for the issue of electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	1,795,130	1,505,535
B.5 Total prudential requirements	-	-	8,580,776	6,020,031
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-		
C.1 Risk-weighted assets	-	-	143,018,917	100,338,879
C.2 Tier 1 capital / Risk-weighted assets (TIER 1 capital ratio)	-	-	10.4%	12.9%
C.3 Regulatory capital / Risk-weighted assets (Total capital ratio)	-	-	10.4%	12.9%

The risk-weighted assets, shown in item C.1, also used in the calculation of the ratios reported in items C.2 and C.3, are calculated as the product of the total prudential requirement (item B.5) and 16.67 (inverse of the mandatory minimum coefficient of 6%).

Section 5 - Analytical statement of comprehensive income

	Asset items	31/12/2019	31/12/2018
10.	**Profit (loss) for the year**	**4,187,404**	**2,923,371**
	Other income components without reversal to the income statement		
20.	Equity securities designated at fair value through other comprehensive income:	-	-
	a) change in fair value	-	-
	b) transfers to other shareholders' equity components	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other shareholders' equity components	-	-
40.	Hedging of equity securities designated at fair value through other income components:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(47,111)	3,682
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
100.	Income taxes relating to other income components without reversal to the income statement	-	-
	Other income components without reversal to the income statement		
110.	Foreign investment hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	- adjustments for impairment	-	-
	- gains / losses on sale	-	-
	c) other changes	-	-
160.	Non-current assets and disposal groups	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
170.	Portion of valuation reserves of equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	- adjustments for impairment	-	-
	- gains / losses on sale	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to the income statement	-	-
190.	**Total other income components**	**(47,111)**	**3,682**
200.	**Comprehensive income (Item 10 + 190)**	**4,140,293**	**2,927,053**

Section 6 - Transactions with related parties

At present, national legislation does not provide any definition of “related parties”; art. 2427, par. 2, therefore, refers to the provisions of international accounting practice. The accounting standard of reference is IAS 24, the new version of which, approved by the IASB on 4 November 2009, was endorsed with Regulation no. 632 of 19 July 2010. This version defines a related party as a person or entity related to the one preparing the financial statements. Two entities cannot be included among related parties simply because they share a director or another manager with strategic responsibilities.

6.1 Information on remuneration of key management personnel

Apart from the directors, there are no managers with strategic responsibilities.

6.2 Loans and guarantees issued in favour of directors and statutory auditors

It should be noted that the company has no receivables due from directors and statutory auditors and that no guarantees have been issued in favour of directors and statutory auditors.

6.3 Information on transactions with related parties

The following table shows the amounts relating to the equity and economic transactions with the parent company GGH - Gruppo General Holding S.r.l., with the company MGH - Massimo Gianolli Holding S.r.l. (which, in turn, controls GGH - General Holding Group S.r.l.) as well as those held in 2019 with the companies Credito Valtellinese S.p.A., minority shareholder of Generalfinance, SMT Holding S.r.l., La Collina dei Ciliegi S.r.l., Generalbroker S.r.l., Gianolli & Bellotti Immobiliare S.p.A. and Hospitality Milano S.r.l. and with Massimo Gianolli (net of the remuneration paid as Chief Executive Officer and included in the amount indicated below), Chief Executive Officer of Generalfinance, Armando Gianolli, Chairman of GGH - Gruppo General Holding S.r.l., and Elisabetta Barbirato, wife of Massimo Gianolli:

Amounts in Euro	Assets	Liabilities	Costs	Revenues
to GGH - General Holding S.r.l. Group	0	0	0	5,602
to MGH - Massimo Gianolli Holding S.r.l.	908,928	1,428,595	0	600
from Credito Valtellinese S.p.A.	4,252,754	40,244,031	582,321	0
to SMT Holding S.r.l.	0	0	0	600
to La Collina dei Ciliegi S.r.l.	1,754,540	83,682	286,809	123,482
to Generalbroker S.r.l.	0	0	0	15,573
to Gianolli & Bellotti Immobiliare S.p.A.	249,592	0	0	21,895
to Hospitality Milano S.r.l.	4,093	0	169,654	6,766
to Armando Gianolli	0	21,204	6,854	43
to Massimo Gianolli	0	25,051	8,091	49
to Elisabetta Barbirato	0	5,816	1,885	34
Total	**7,169,907**	**41,808,379**	**1,055,614**	**174,644**

NB. It should be noted that the costs include non-deductible VAT.

Receivables due from La Collina dei Ciliegi Srl and Gianolli & Bellotti Immobiliare S.p.A. refer almost exclusively to advances on trade receivables sold with the recourse clause.

Receivables from MGH - Massimo Gianolli Holding S.r.l., as part of the national tax consolidation scheme envisaged by art. 117 of the TUIR for the Consolidating Company, refer to the amount paid as an advance on the amount due in application of the ordinary IRES rate of 24% to the taxable income of the Company.

Receivables due from Credito Valtellinese S.p.A. refer to positive current account balances.

Liabilities to Credito Valtellinese S.p.A. refer to loans received in the form of a pool loan and an unsecured loan.

Liabilities to La Collina dei Ciliegi S.r.l. refer to services received and to the purchase of gifts for customers.

The payable to MGH - Massimo Gianolli Holding S.r.l., as part of the national tax consolidation scheme envisaged by art. 117 of the TUIR for the consolidating company, corresponds to the application of the ordinary IRES rate of 24% to the taxable income of Generalfinance SpA

The liabilities due to Armando Gianolli, Massimo Gianolli and Elisabetta Barbirato refer to the payable recorded in the financial statements following the adoption of IFRS 16.

The costs to Credito Valtellinese S.p.A. derive from the above-mentioned onerous loans.

The costs to La Collina dei Ciliegi S.r.l. refer to services received pertaining to the management of public relations, communication and the organisation of institutional events and the purchase of gifts for customers.

Costs to Hospitality Milano S.r.l. refer to the sponsorship of the “Food & Wine Experience” area at the San Siro - Milan stadium, for the entire duration of the football season.

The costs due to Armando Gianolli, Massimo Gianolli and Elisabetta Barbirato refer to the amortisation of the rights of use on the leased properties and to the interest expense recognised in the financial statements in application of IFRS 16.

Revenues from La Collina dei Ciliegi S.r.l. and Gianolli & Bellotti Immobiliare S.p.A. derive mainly from the advance of trade receivables.

Revenues from Generalbroker S.r.l. refer to the lease payments of the office in Biella, via Carso and to the consideration for the use of a series of common services, charged back on the basis of appropriate and codified usage criteria, to benefit from the economies of scale permitted by the centralisation of services.

Revenues from GGH - Gruppo General Holding S.r.l. refer to the fee for the provision of corporate administration and secretarial services.

Revenues from Hospitality Milano S.r.l. refer to the fee for the use of workstations at the registered office.

All transactions with related parties were carried out under market conditions.

Parent company

As a result of the registration in the register of financial intermediaries pursuant to article 106 of the Consolidated Law on Banking and the simultaneous establishment of the financial group with the parent company GGH - Gruppo General Holding S.r.l., Generalfinance is now subject to the management and coordination of the latter which, to this end, has adjusted its articles of association accordingly, conforming them to the provisions of the reference regulatory provisions, on financial groups (Bank of Italy Circular no. 288 of 3 April 2015).
Pursuant to art. 2497 bis of the Italian Civil Code, the essential data of the last approved financial statements (31/12/2018) of the parent company GGH - Gruppo General Holding S.r.l. are shown at the bottom of these financial statements, expressed in Euro.

Section 7 - Leases (lessee)

With reference to the disclosure required by IFRS 16, for quantitative information please refer to the tables in the notes to the financial statements, for qualitative information please refer to the section “Effects of first-time adoption of IFRS 16”.

Section 8 - Other disclosures

Information on the remuneration of directors and statutory auditors

Directors' fees: EUR 447,769. The amount mainly refers to the Chief Executive Officer’s compensation and includes the cost of the professional TPL policy of Assicurazioni Generali for EUR 12,695.
Statutory auditors' fee: EUR 26,000 plus VAT, including the social security contribution (EUR 1,000).

Fees due for the statutory audit of the accounts and for services other than auditing (Art. 2427, no. 16-bis of the Italian Civil Code)

The fees pertaining to 2019 due to the independent auditors for the annual audit of the accounts and for carrying out periodic audits amount to EUR 33,000.
The fees for other services other than auditing paid to the independent auditors amount to EUR 5,000.
The above value does not include expenses and VAT.
Except for the above, no further fees were paid to the companies of the Deloitte network.

Milan, 19 March 2020

In the name and on behalf of the Board of Directors
The Chairman
Massimo Gianolli

FINANCIAL STATEMENTS OF GGH - GRUPPO GENERAL HOLDING S.r.l.

BALANCE SHEET
(values in Euro)

	Asset items		31/12/2018		31/12/2017
10.	Cash and cash equivalents		184		316
20.	Financial assets measured at fair value through profit or loss		4,932		4,932
	c) other financial assets mandatorily measured at fair value	*4,932*		*4,932*	
40.	Financial assets measured at amortised cost		619,166		2,267,759
	a) loans to banks	*614,756*		*2,265,619*	
	c) loans to customers	*4,410*		*2,140*	
70.	Equity investments		15,889,058		15,889,058
80.	Property, plant and equipment		83,130		53,327
100.	Tax assets		14,155		22,464
	a) current	*0*		*726*	
	b) deferred	*14,155*		*21,738*	
120.	Other assets		92,653		6,368
Total assets			**16,703,278**		**18,244,224**

	Liabilities and shareholders' equity items		31/12/2018		31/12/2017
10.	Financial liabilities measured at amortised cost		26,088		753,067
	a) payables	*26,088*		*753,067*	
60.	Tax liabilities		11,395		0
	a) current	*11,395*		*0*	
80.	Other liabilities		357,933		605,861
110.	Share capital		100,000		100,000
140.	Share premium reserve		12,863,400		12,863,400
150.	Reserves		2,921,896		1,230,095
170.	Profit (loss) for the year		422,566		2,691,801
Total liabilities and shareholders' equity			**16,703,278**		**18,244,224**

INCOME STATEMENT
(values in Euro)

	Items	31/12/2018	31/12/2017
10.	Interest income and similar income	573	1,504
20.	Interest expense and similar charges	(12,905)	(33,089)
30.	**Interest margin**	**(12,332)**	**(31,585)**
50.	Fee and commission expense	(3,943)	(3,876)
60.	**Net fee and commission income**	**(3,943)**	**(3,876)**
70.	Dividends and similar income	705,604	0
120.	**Net interest and other banking income**	**689,329**	**(35,461)**
150.	**Net profit (loss) from financial management**	**689,329**	**(35,461)**
160.	Administrative expenses	(307,256)	(442,151)
	a) personnel expenses	*(211,620)*	*(54,430)*
	b) other administrative expenses	*(95,636)*	*(387,721)*
180.	Net value adjustments / write-backs on property, plant and equipment	(11,986)	(2,625)
200.	Other operating income and expenses	715	3,858
210.	**Operating costs**	**(318,527)**	**(440,918)**
220.	Gains (losses) on equity investments	0	3,175,818
260.	**Pre-tax profit (loss) from current operations**	**370,802**	**2,699,439**
270.	Income taxes for the year on current operations	51,764	(7,638)
280.	**Profit (loss) from current operations after tax**	**422,566**	**2,691,801**
300.	**Profit (loss) for the year**	**422,566**	**2,691,801**

REPORT OF THE BOARD OF STATUTORY AUDITORS

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Report of the Board of Statutory Auditors
to the Shareholders' Meeting of GeneralFinance S.p.A.
on the results for the company year ended as at 31 December 2019
and on the business performed in accordance with art. 2429, paragraph 2,
of the Italian Civil Code

Summary and results of monitoring activities

Dear shareholders,

during the year ended as at 31 December 2019, the Board of Statutory Auditors carried out the monitoring activities required by law, in observance of the provisions of art. 2403, paragraph 1, of the Italian Civil Code, in compliance with the regulations set forth in Decree Law no. 87/1992, the Bank of Italy measure of 31 July 1992 and subsequent amendments and according to the principles recommended by *Consiglio Nazionale dei Commercialisti e degli Esperti Contabili* (National Institute of Chartered Accountants).

In particular, the Board of Statutory Auditors:

- monitored observance of law and of the Articles of Association;
- took part in Shareholders' meetings and meetings of the Boards of Directors, which were held in respect of the statutory and legislative provisions which govern their functioning;
- periodically obtained information from the directors and, during participation in the meetings of the Board of Directors, information on the activities carried out and the transactions of greatest economic, financial and equity importance performed by the company;
- held meetings with the representatives of the independent auditors Deloitte & Touche S.p.A., responsible for conducting the audit of the financial statements;
- verified the independence of the independent auditors Deloitte & Touche S.p.A.

The intercompany transactions and extraordinary transactions carried out during the year are adequately detailed in the Directors' report and are reasonably in keeping with the Company's interest.

The Board acquired knowledge of and monitored, for matters within its competence, the adequacy of the Company's organisational structure, by collecting information from Operating Department managers and, in this regard, has no information to present regarding any defects or anomalies verified during the year.

The Board assessed and monitored the adequacy of the administrative and accounting system and its reliability in correctly representing operating events, by gathering the necessary information from managers, and conducting a sample-based examination of corporate documents.

The Board acknowledges that the financial statements for the year ended as at 31 December 2019, like those of the previous year, were drafted by the directors according to the international accounting standards issued by the International Accounting Standard Board (IASB) and are prepared according to the formats and the instructions issued in Bank of Italy Measure of 9 December 2016, considering the additional specific provisions governing the determination of impaired items, contained in Bank of Italy Circular no. 217 of 5 August 1996 and subsequent updates.

The organisational-accounting and information systems continue to be subject to a constant process of verification of consistency by the company departments responsible as well as by the directors themselves, assisted in this task by the independent auditors Deloitte & Touche S.p.A..

With regards to the activities carried out in 2019 by the Single Control Function, the Board has acknowledged the activities carried out, the periodic reports produced and the reports prepared by Leonardo Etro, Responsible for these (as well as the non-operating director of the Company). The Board and the Single Control Function met on 26 June 2019 and 26 September 2019.

The Board also monitored the observance of anti-money laundering legislation, whose responsibility is entrusted to the non-operating Director, Alessio Poi.

It was not necessary to make use of the mandatory exception pursuant to art. 2423, paragraph 5 of the Italian Civil Code and the Board did not receive any remarks or observations of any kind from the independent auditors, nor any notifications pursuant to art. 2408 of the Italian Civil Code or any complaints.

The Board also acknowledges that the financial statements, prepared by the Directors, are composed, in compliance with the legal provisions, of (i) the balance sheet, (ii) the income statement, (iii) the statement of comprehensive income; (iv) the statement of changes in shareholders' equity; (v) the cash flow statement and (vi) the explanatory notes. Finally, the financial statements are accompanied by the Directors' Report on Operations, which – as far as the Board is aware – provides an exhaustive description of the activities carried out during the year and appears to be consistent with the data disclosed in the financial statements, tables and annexes. Said report provides a detailed indication of the most relevant and significant elements of the activities conducted during the year and the going concern plans.

The independent auditors Deloitte & Touche S.p.A. issued its report today. The judgment expressed on the financial statements is one of compliance with the accounting standards as they give a true and fair view of the financial position, the economic results and the cash flows.

The judgment on the Report on Operations is also one of compliance with the legal provisions.

Considering the above, the Board does not note any reasons that would prevent approval of the financial statements for the year ended as at 31 December 2019 as well as acceptance of the proposal formulated by the Directors regarding the allocation of profit for the year.

Milan, 23 March 2020

The Chairman of the Board of Statutory Auditors
Paolo Lazzati
[signature]

GENERAL
FINANCE

INDEPENDENT AUDITORS’ REPORT

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 AND 19-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Generalfinance S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Generalfinance S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

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

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of Generalfinance S.p.A. are responsible for the preparation of the report on operations of Generalfinance S.p.A. as at 31 December 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Generalfinance S.p.A. as at 31 December 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Generalfinance S.p.A. as at 31 December 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giuseppe Avolio
Partner

Milan, Italy
23 March 2020