GENERAL FINANCE

2021 FINANCIAL STATEMENTS

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
Maurizio Dallocchio (Chaiman)
Massimo Gianolli (Chief Executive Officer)
Leonardo Luca Etro
Bruno Messina
Alberto Angelo Landoni

BOARD OF STATUTORY AUDITORS
Paolo Francesco Maria Lazzati (Chairman)
Federica Casalvolone (Standing Auditor)
Andrea Di Giuseppe Cafà (Standing Auditor)
Luca Zambanini (Alternate Auditor)
Antonio Bartolomeo Della Mano (Alternate Auditor)

INDEPENDENT AUDITORS
Deloitte & Touche S.p.A.

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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

Financial year 2021

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Report of the Board of Directors on operations for the year ended 31 December 2021 (art. 2428 of the Italian Civil Code)

Dear Shareholders,

the financial statements as at 31 December 2021, 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 have been drafted in compliance with the formats and instructions issued by the Bank of Italy on 29 October 2021 regarding the "*financial statements of IFRS intermediaries other than banking intermediaries*", taking into account the indications contained in Bank of Italy communication of 21 December 2021 containing the "*Update of the additions to the provisions of the Measure "The financial statements of IFRS intermediaries other than banking intermediaries on the impact of COVID-19 and measures to support the economy*", which repealed and replaced the previous one of 27 January 2021, in execution of the provisions of art. 9 of Legislative Decree no. 38/2005 and subsequent amendments to the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.

The financial statements as at 31 December 2021 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.

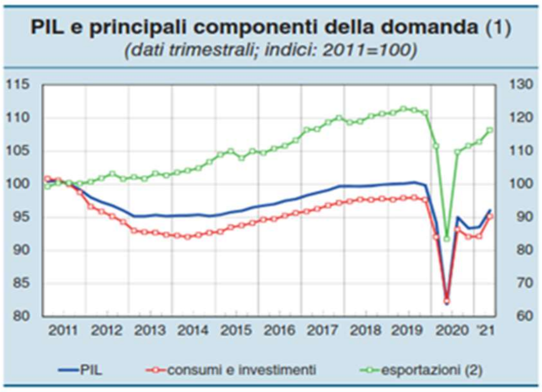
The year 2021, which was the thirty-eighth year for your Company, closed with a net profit of EUR 9,453,364. The main reference indicators, as with the other indicators of generic and specific criticality evaluated, make it possible to reasonably exclude the current and future risk of an interruption to business continuity and confirm the Company's capacity to generate positive results and cash flows over time This conclusion was reached also considering the analysis of the current and potential future impacts of COVID-19 on the Company’s economic activity, financial situation and economic results on the basis of the evidence currently available and of the scenarios that can be predicted at present, albeit fully aware that it is not possible to determine such impacts with reasonable certainty.

The macroeconomic context and the factoring market in 2021[1]

Macroeconomic context

Growth strengthened significantly in the second quarter of 2021, mainly driven by domestic demand. The extension of the immunisation coverage affected the trust and behaviour of businesses and consumers.

The valuations, based on high-frequency indicators, indicate that in the third quarter the GDP expansion would have continued, at a rate of more than 2%.



Fonte: Banca d'Italia, bollettino economico n.4/2021

In the spring, GDP increased beyond the expectations formulated by all observers (2.7% compared to the first quarter) supported by the strong recovery in household spending, especially in services. The expansion of business investments continued and foreign trade started to provide a positive contribution to growth again.

The significant recovery of value added in services, especially in the sectors most affected by the containment measures (trade, transport and accommodation), was associated with the new increase in industry in the strict sense and, to a greater extent, in construction.

PIL e principali componenti (1)

(variazioni percentuali sul periodo precedente e punti percentuali)

VOCI	2020		2021		2020
	3° trim.	4° trim.	1° trim.	2° trim.	
PIL	15,9	-1,7	0,2	2,7	-8,9
Importazioni di beni e servizi	15,7	6,2	3,5	2,4	-12,9
Domanda nazionale (2)	11,7	-0,7	0,8	2,5	-8,4
Consumi nazionali	9,9	-1,4	-0,9	3,4	-7,8
spesa delle famiglie (3)	13,3	-2,7	-1,0	5,0	-10,7
spesa delle Amministrazioni pubbliche	1,0	2,3	-0,5	-0,8	1,9
Investimenti fissi lordi	29,2	-0,1	4,1	2,6	-9,2
costruzioni	43,2	-1,1	6,1	3,5	-6,7
beni strumentali (4)	18,8	0,8	2,3	1,8	-11,3
Variazione delle scorte (5)	-1,4	0,5	0,7	-0,8	-0,4
Esportazioni di beni e servizi	31,5	1,6	1,1	3,2	-14,0
Esportazioni nette (6)	4,3	-1,1	-0,6	0,3	-0,8

Fonte: Istat.
(1) Valori concatenati; i dati trimestrali sono destagionalizzati e corretti per i giorni lavorativi. – (2) Include la voce "variazione delle scorte e oggetti di valore". – (3) Include le istituzioni senza scopo di lucro al servizio delle famiglie. – (4) Includono, oltre alla componente degli investimenti in impianti, macchinari e armamenti (di cui fanno parte anche i mezzi di trasporto), le risorse biologiche coltivate e i prodotti di proprietà intellettuale. – (5) Include gli oggetti di valore; contributi alla crescita del PIL sul periodo precedente; punti percentuali. – (6) Differenza tra esportazioni e importazioni; contributi alla crescita del PIL sul periodo precedente; punti percentuali.

Fonte: Banca d'Italia, bollettino economico n.4/2021

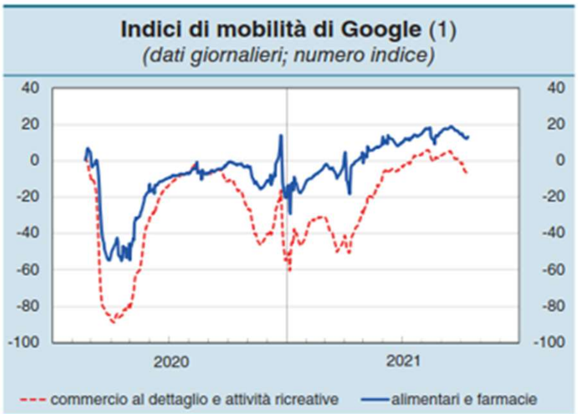
On the basis of the indicators available so far, it is estimated that in the third quarter GDP growth exceeded 2%: the further sustained recovery in services would be accompanied by continued growth in industry. The PMI indices and business and household confidence indicators, although slightly

1 The chapter cites and / or reports extensive excerpts from "Economic Bulletin no. 4/2021" of the Bank of Italy and Assifact, statistical circular 63-21 "Factoring in figures - Summary of data for September 2021"

weakened, remain generally favourable, standing at historically extremely high values. In September, the Ita-coin indicator fell, although it remains largely positive; this trend was affected in part by the supply problems of manufacturing companies, while demand provided a positive contribution.

The return of mobility towards pre-pandemic values, made possible by the spread of vaccinations, contributed to the continuation of the recovery. According to the Google mobility index, the third quarter saw a continuation in the recovery of shifts towards both food stores and pharmacies, and towards other retail and recreational activities, which had been hit hardest by the administrative restrictions imposed previously.

The estimates of GDP growth in the current year formulated by the main international institutions and by private forecasters were gradually revised upwards. Based on the most recent information, the update of our forecasts also suggests that growth could be around 6%.



Fonte: elaborazioni su dati Google Covid-19 Community Mobility Reports.
(1) Variazioni degli spostamenti verso negozi al dettaglio, attività ricreative, alimentari e farmacie rispetto al valore mediano del corrispondente giorno della settimana nel periodo 3 gennaio-6 febbraio 2020. Dati al 12 ottobre 2021. Media mobile a 7 giorni.

Crescita del PIL: aggiornamento delle stime
(variazioni percentuali sull'anno precedente)

	Stima più recente			Stima precedente		
		2021	2022		2021	2022
FMI	ottobre	5,8	4,2	luglio	4,9	4,2
OCSE	settembre	5,9	4,1	maggio	4,5	4,4
Consensus Economics	ottobre	5,9	4,3	luglio	4,9	4,2

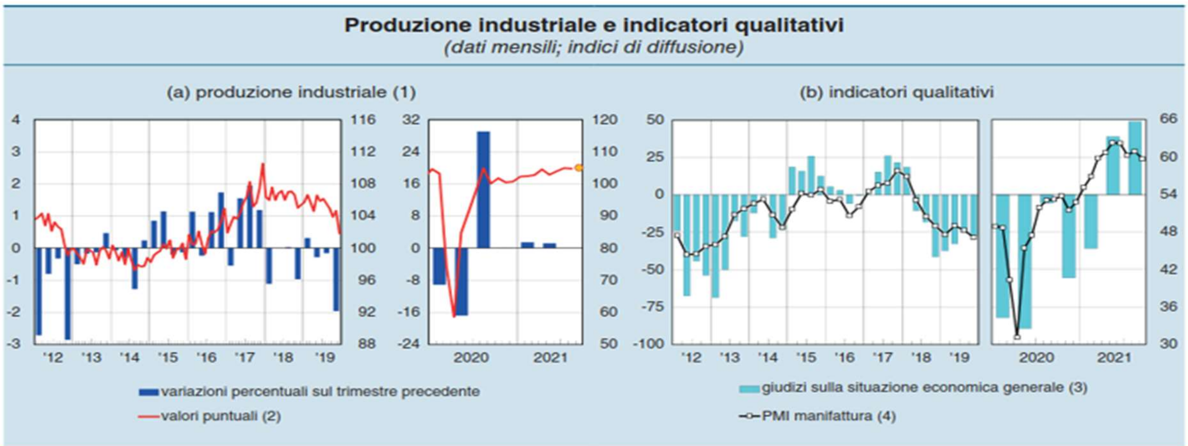
Fonte: FMI, *World Economic Outlook Update*, luglio 2021 e *World Economic Outlook*, ottobre 2021; OCSE, *OECD Economic Outlook*, maggio 2021 e *OECD Interim Economic Outlook*, settembre 2021; Consensus Economics, *Consensus Forecasts*, luglio e ottobre 2021.

Fonte: Banca d'Italia, bollettino economico n.4/2021

<u>*Businesses*</u>

According to the most recent high-frequency information, industrial production continued to grow in the third quarter, steadily recovering pre-pandemic levels. In the valuations of companies, recorded between August and September, the investment forecasts for 2021 remain generally favourable.

In industry, activity grew in July before declining slightly in August. Based on estimates, in the third quarter as a whole, it continued to expand by around 1%, in line with the trend of the previous three months. The most recent qualitative indicators are also consistent with a further increase in manufacturing production.



Fonte: Banca d'Italia, bollettino economico n.4/2021

In the second quarter, corporate spending on capital goods rose again (1.8% compared to the previous period), reducing the gap compared to the levels at the end of 2019 to 1.3%. The reduction in the value of lease contracts recorded by the Italian Leasing Association (Assilea) is compatible with a slight deceleration in investments in the third quarter compared to the spring months. Based on surveys conducted between August and September, companies envisage a still positive trend in investments for the current half-year, but marginally less marked than that envisaged in the previous survey. The conditions for investing are confirmed as highly favourable.

Banks and the credit market

In the summer months, growth in loans to non-financial companies lost momentum, reflecting lower requests for loans in the face of the abundant liquidity accumulated in the last year and a half and the improvement in cash flows induced by positive economic developments. Credit supply conditions remain relaxed.

In August, the expansion of credit to the non-financial private sector fell to zero over the three months (net of seasonal factors and year-on-year), from 2.1% in May.

The growth rate of loans to non-financial companies entered negative territory (-2.9%), reflecting the lower demand for loans backed by government guarantees; this trend is likely to be influenced by the considerable cash and cash equivalents set aside during the pandemic crisis and the recovery of cash flows in line with the improvement in economic activity.

Over the twelve months, credit recorded a widespread slowdown in all sectors, more intense for manufacturing companies.

Loans to households increased at a robust pace (3.4% over the three months), supported above all by the expansion of mortgages for the purchase of homes; the growth in consumer credit decreased slightly, with net flows essentially zero in the three months ending in August.

Between May and August, the increase in bank deposits continued, mainly due to the increase in deposits of residents and in particular of households (7.0% over the twelve months, from 6.4% in May). Liabilities to the Eurosystem also rose as a result of the participation in the eighth auction of the TLTRO3, settled on 24 June.

The cost of funding remained at particularly low levels: in mid-October, yields on bank bonds on the secondary market stood at 1.1% and the differential with the Eurozone average at around 60 basis points. The level of both indicators is almost in line with that preceding the health emergency.

In August, the average interest rate on new bank loans to businesses remained unchanged (1.1%). In the same month, the interest rate on new mortgages to households for the purchase of homes rose by one tenth of a percentage point, to 1.5%.

According to the Italian banks interviewed as part of the survey on bank lending in the Euro area, in the second quarter of 2021 the offer policies on loans to households and businesses remained favourable; they would also have remained unchanged in the third quarter, with a slight easing for the consumer credit segment.

Tassi di interesse bancari (1)
(valori percentuali)

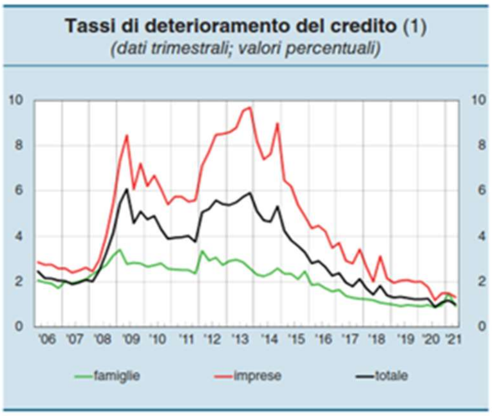
SETTORI	Maggio 2021	Agosto 2021
Prestiti alle imprese	**1,1**	**1,1**
di cui: fino a 1 milione di euro	1,8	1,8
oltre 1 milione di euro	0,7	0,6
Prestiti alle famiglie per l'acquisto di abitazioni	**1,4**	**1,5**
di cui: a tasso fisso (2)	1,4	1,5
a tasso variabile (3)	1,4	1,4

(1) Valori medi. Tassi sui nuovi prestiti, riferiti a operazioni in euro. I dati sono raccolti ed elaborati secondo la metodologia armonizzata dell'Eurosistema. – (2) Con periodo di determinazione iniziale del tasso superiore a un anno. – (3) Con periodo di determinazione iniziale del tasso inferiore a un anno.

Fonte: Banca d'Italia, bollettino economico n.4/2021

The flow of non-performing loans in relation to total loans decreased to 1.0% in the second quarter, net of seasonal factors and year-on-year. For loans to non-financial companies, the indicator decreased by 2 tenths of a point (to 1.3%), benefiting from the reduction that regarded companies

operating in the construction and manufacturing sectors. The drop in the flow of impaired loans to consumer households was more marked (to 0.9%).
The second quarter of 2021 saw a decrease in the impact of non-performing loans on total loans disbursed by major banking groups, both gross and net of value adjustments, thanks to the disposal of doubtful loans and unlikely to pay. The coverage ratio (the ratio between adjustments and the amount of non-performing loans) rose slightly.



Fonte: Centrale dei rischi.
(1) Flussi trimestrali di prestiti deteriorati rettificati in rapporto alle consistenze dei prestiti, al netto dei prestiti deteriorati rettificati, alla fine del trimestre precedente e in ragione d'anno. Dati depurati dalla componente stagionale, ove presente.
Fonte: Banca d'Italia, bollettino economico n.4/2021

In the first six months of 2021, the profitability of the major groups rose significantly compared to the same period of the previous year. The growth in the annualised return on capital and reserves (return on equity, ROE), measured net of extraordinary components, benefited mainly from the decrease in impairment losses on loans. The increase in revenues also contributed to this: net interest and other banking income increased thanks to the considerable contribution of commissions and revenues deriving from trading activities; the latter more than offset the drop in the net interest income, which however recovered partially in the second quarter. Costs fell; the operating result grew by more than one third.
In the second quarter of the current year, the level of capitalisation of the major groups decreased slightly, due to the growth in risk-weighted assets.

Factoring market
At the end of the third quarter of 2021, the factoring market recorded a turnover of approximately EUR 176.68 billion, up 10.58% compared to the same period of the previous year.
The turnover from Supply chain finance transactions amounted to EUR 18.91 billion, up 25.39% compared to the previous year. Payment mandates for Confirming (EUR 2.3 billion) grew by 105%.
For the end of 2021, operators expect a consolidation of growth (+ 9.66%), in line with the actual end of the third quarter.
Purchases of trade receivables from the public administration increased by 8.08% compared to the same period of the previous year. Receivables outstanding at September 2021 amounted to EUR 8.3 billion, essentially stable compared to the previous quarter.
Impaired exposures remain stable, even if the percentage share increases due to the reduction in total gross exposures.

Dati in migliaia di euro		Quota % sul totale	Var. % rispetto all'anno precedente
Turnover Cumulativo[1]	**176.675.014**		**10,58%**
Pro solvendo	36.989.750	21%	
Pro soluto	139.685.264	79%	
Outstanding	**53.842.875**		**0,49%**
Pro solvendo	14.271.695	27%	
Pro soluto	39.571.180	73%	
Anticipi e corrispettivi pagati	**41.497.632**		**-1,61%**
[1] di cui Turnover riveniente da operazioni di Supply Chain Finance	**18.908.716**	**11%**	

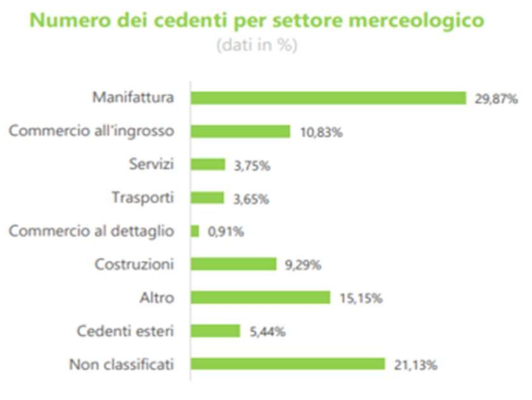
Fonte: Assifact, circolare statistica 63-21 "Il factoring in cifre – Sintesi dei dati di settembre 2021"

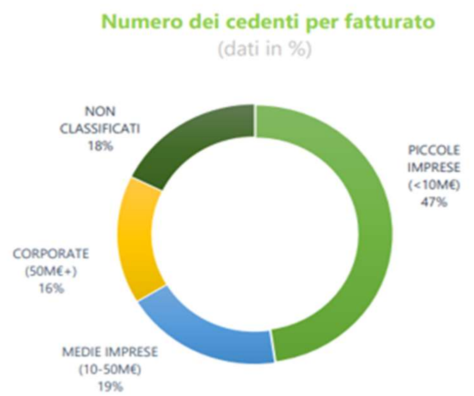
In the third quarter of 2021 there was a consolidation of the growth in turnover of + 10.58%. The operators expect a continuation of the positive trend also for the fourth quarter (+ 9.66%), in line with the actual end of the third quarter.

At the overall market level, for 2022, the average expectation of operators in terms of turnover is + 8.27%. The average forecast provided by the Associates is aligned with projections based on expected GDP trends.

Fonte: Assifact, circolare statistica 63-21 "Il factoring in cifre - Sintesi dei dati di settembre 2021"

About 32,500 companies use factoring, up compared to the figures in June (32,110) and March (32,038), 66% of which are SMEs. It is used predominantly in the manufacturing sector.



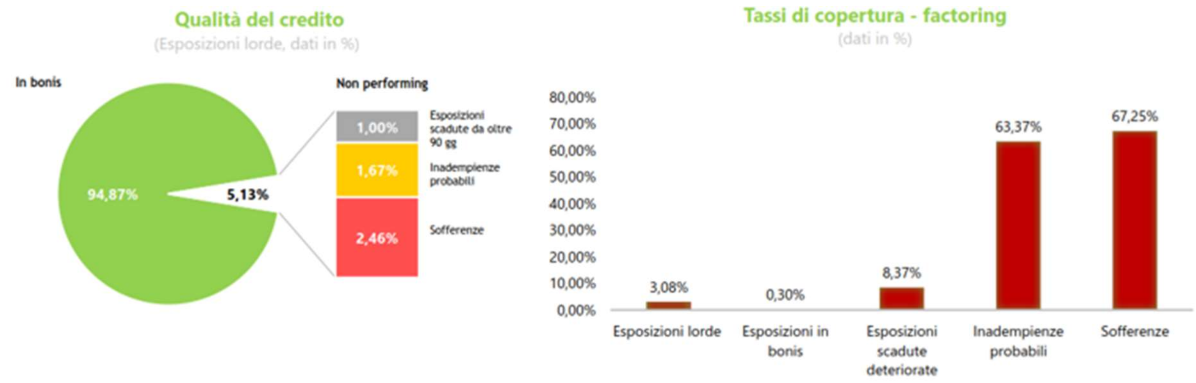


Fonte: Assifact, circolare statistica 63-21 "Il factoring in cifre - Sintesi dei dati di settembre 2021"

Advances and fees paid, amounting to EUR 41.5 billion, decreased compared to the previous quarter.

The share of impaired loans at the end of the third quarter of 2021 (5.13%) was up slightly compared to the second quarter of 2021, mainly due to the reduction in total gross exposures.

The share of bad loans rose to 2.46%, remaining however at low levels.



Fonte: Assifact, circolare statistica 63-21 "Il factoring in cifre - Sintesi dei dati di settembre 2021"

The legislative framework and the regulation of factoring activities

The emergency situation resulting from the COVID-19 pandemic was also reflected, in the 2021 financial year, in the issuing of legislation and regulations, in particular with the subsequent extension of the measures to contain the spread of the COVID-19 epidemic as well as general scope and extraordinary measures, such as, for example, the definition of the **National Recovery and Resilience Plan (NRRP)** prepared by the Government to access Next Generation EU (NGEU) funds, according to which numerous implementing measures are being produced to regulate the individual areas.
The following measures issued by the **Bank of Italy** were of particular interest for the Company's sector, including:

- **Circular 288 of 3 April 2015** ("Supervisory provisions for financial intermediaries"):
  - on 7 January 2021, the update of the clarification note concerning, in particular, the regulations on credit risk and the application of the new definition of default, own funds, limit on the holding of properties and equity investments and public disclosure;
  - in July 2021, the *4th update* that amended Chapter 1 "*Administrative and accounting organisation and internal controls*" of Title III, to ensure the connection with the provisions of the EBA Guidelines on the granting and monitoring of loans (*Guidelines* on loan origination and monitoring, EBA / GL / 2020 / 06);
- on **IAS / IFRS**:
  - the Communication supplementing the provisions of the *Bank of Italy* provision "*The financial statements of IFRS intermediaries other than banking intermediaries*", to provide the market with information on the effects that Covid-19 and the measures to support the economy have produced on strategies, the risk management objectives and policies, as well as the financial position of intermediaries. The additions, attributable to the current emergency situation, concerned the information in the notes to the financial statements (i) on accounting policies, (ii) on the balance sheet and income statement, (iii) on risks and related hedging policies. Lastly, changes were made to take into account the effects of the reform of the benchmarks for determining interest rates;
  - the *Communication of 21 December 2021,* which updated its content, taking into account the evolution of EU legislation on the treatment of moratoriums, recent updates to reporting and financial statements circulars and amendments to IFRS 16 "Leases" related to Covid-19 and repealed and replaced the Communication of 27 January 2021;
- With regard to **anti-money laundering**, the pandemic and the economic crisis that ensued made it necessary to raise the level of attention on the risk of using the financial system for money laundering or terrorist financing purposes. In this sense, the Financial Information Unit of the

Bank of Italy has repeatedly expressed its opinion on the prevention of financial crimes connected with the COVID-19 emergency. The main measures include:

- on 11 February 2021, the communication concerning the *prevention of financial crimes connected with the COVID-19 emergency,* in order to alert the obliged parties to new elements useful for facilitating the reporting of suspicious transactions in the context of the COVID-19 crisis;
- Note no. 15 of 4 October 2021 concerning the implementation of the Guidelines of the European Banking Authority on *risk factors for customer due diligence* (EBA / GL / 2021 / 02). The Guidelines were revised, inter alia, to: i) take into account the changes in the European regulatory framework as a result of the approval of the Fifth Anti-Money Laundering Directive (EU Directive no. 2018/843), in particular with reference to the regulation of relations and transactions with high-risk third countries; ii) provide more guidance to intermediaries on how to conduct customer profiling and self-assessment of risks; iii) address new risks deriving from innovative operating methods or from the evolution of the reference context (for example, management of crowdfunding platforms, use of innovative technologies for due diligence, relations with Virtual Asset Service Providers).

It should also be noted that

- in March 2021, the EBA published the revision of its guidelines on risk factors on money laundering and terrorist financing (Guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions) and has also published the document "Opinion of the European Banking Authority on the risks of money laundering and terrorist financing affecting the European Union's financial sector".

- With regard to the assessment of the **suitability of corporate** officers, the Bank of Italy published the Measure of 4 May 2021 containing provisions on the Procedure for assessing the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and deposit guarantee systems, following the adoption of the Minister of Economy and Finance Decree no. 169/2020 on the eligibility requirements (the "Ministerial Decree") of representatives of banks and other intermediaries regulated by the Consolidated Banking Act, by means of which art. 26 of the Consolidated Banking Act (Legislative Decree no. 385 of 1993).
- With reference to the regulations concerning **Supervisory reports and the Central Credit Register**, the following were published:
  - the 20th and 21st updates of Circular no. 217 of 5 August 1996 (*"Manual for the compilation of Supervisory Reports for Financial Intermediaries, Payment Institutions and Electronic Money Institutions"*);
  - the communication of 28 June 2021 concerning the *prudential supervisory reports (CoRep)* of the financial intermediaries registered in the register pursuant to art. 106 of the Consolidated Banking Act;
  - the 20th update of *Circular no. 139 of 11 February 1991 ("Centrale dei Rischi - Central Credit Register - Instructions for credit intermediaries",* which provides that those who have made a false declaration when requesting data from the Central Credit Register through the online services platform (available on the Bank of Italy website), cannot submit further information requests for access through this method for two years (the other methods remain active);
  - the 5th update of *Circular no. 140 of 11 February 1991 "Instructions relating to the classification of customers"*, which amended the instructions for the classification of customers to be adopted for the production of reports to be sent to the Bank of Italy, in order to acknowledge the changes introduced by the new Regulation of the statistics on the financial statements of monetary financial institutions (ECB / 2021 / 2) as well as some regulatory provisions implemented after the previous update that ensure alignment with the classification envisaged by the European System of Accounts 2010 (ESA 2010).

In addition, during the year, the regulations in question were the subject of numerous communications and clarifications aimed at clarifying the application and effects on reports to the CR of the provisions of the "Cura Italia" (Heal Italy) Law Decree and of the other support measures envisaged for COVID-19 (e.g. moratoriums, suspensions, COVID-19 guarantees, settlement agreements based on "full and final settlement") as well as the new definition of default envisaged by the supervisory regulations.

- With regard to **transparency**, the Bank of Italy published:
  - the measure of 30 June 2021 which made some changes to the "Provisions on the transparency of banking and financial transactions and services - Fairness of relations between intermediaries and customers" of 29 July 2009 on Payment services;
  - the *Guidelines for intermediaries relating to governance and control arrangements for retail banking products* (POG), published on 2 April 2021, through which the Bank of Italy intended to raise awareness among the banking and financial system on potential risks of financial exclusion of customers from certain products and services, in particular digital, linked, for example, to the level of financial or digital skills, therefore inviting operators to take into account the needs of the most vulnerable customers right from the product design phase, according to the objectives envisaged in European legislation (EU Directive no. 2019/882), and to ensure the accessibility of websites and apps also to customers with disabilities, in line with national legislation.
- with regard to **qualified equity investments**, the "*Measure of 26 October 2021. Provisions on the information and documents to be transmitted for the submission of the application for authorisation to acquire qualified equity investments in Banks, Intermediaries pursuant to art. 106 of the Consolidated Law on Banking, IMEL, IP, SGR, SICAV and SICAF*" through which the information and documents to be transmitted for the submission of the application for authorization to acquire qualified equity investments in banks, intermediaries registered in the register were identified pursuant to art. 106 of the Consolidated Law on Banking, electronic money institutions, payment institutions, asset management companies, SICAVs and SICAFs.
- Lastly, note the rapid evolution of regulations on **sustainability** and, in particular, on **ESG** *(Environmental, social and governance) factors.* The most important initiatives include the adoption by the European Parliament of the regulation on taxonomy, a system of classification of sustainable economic activities that aims to promote private sector investments in green and sustainable projects, *the EU Sustainable Finance Package*, a package of measures aimed at encouraging, by redirecting the interest of investors towards more sustainable technologies and businesses, capital flows towards sustainable activities throughout the European Union, the Action Plan defined by EBA for progressive integration of ESG factors by credit and financial intermediaries in business strategies and in the management, assessment and monitoring of risks by 2025.

*

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

Share capital

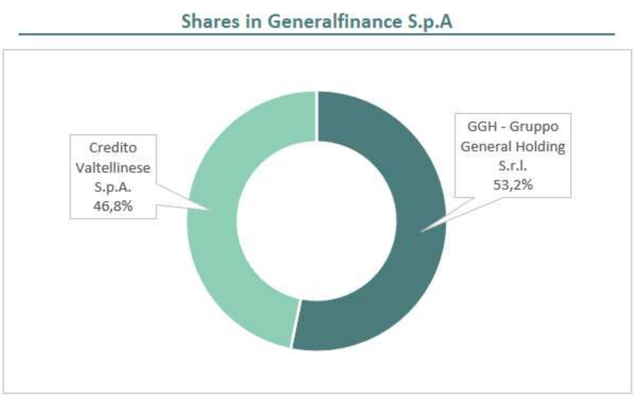
The share capital amounts to EUR 3,275,758 and is divided into no. 9,827,274 ordinary shares with unexpressed nominal value, pursuant to art. 2346 of the Italian Civil Code and art. 5 of the current Articles of Association. It is divided between two shareholders: "***GGH - GRUPPO GENERAL HOLDING S.R.L.***"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

The 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. In this regard, it should be noted that, on 29 June 2017, in execution of agreements between shareholders, GGH established a first degree pledge on 1,271,766 ordinary shares of Generalfinance owned by it (representing 12.94% of the share capital) in favour of the shareholder CREVAL, and that, on 20 January 2021 and in compliance with the provisions of the deed of incorporation of the pledge - CREVAL agreed to the release from restriction on 423,992 Generalfinance shares. As at today's date, therefore, the restriction continues to be in place on the additional 847,844 shares owned by GGH. However, it does not entail any limitation on the rights of GGH as, in derogation from art. 2352 of the Italian Civil Code, the right to vote on the shares encumbered by the pledge is regularly exercised by GGH, both in ordinary and extraordinary shareholders' meetings. Similarly, the Parent Company maintained the right to receive any amount due from Generalfinance in relation to the shares encumbered by the pledge.

Transactions that affected the corporate structure

During the 2021 financial year, there were no transactions that affected the corporate structure; therefore, the shareholding structure has not undergone any changes and, to date, is composed as follows:

Shareholder	Number of Shares	% of 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%



The activities of the corporate bodies

With reference to the activities of the corporate bodies, it should be noted that in 2021, two Shareholders' Meeting were held, while the Board of Directors met on twenty-five occasions. The main topics covered by the corporate bodies were:

a) with regard to the <u>Shareholders' Meeting</u>:
- approval of the financial statements as at 31 December 2020, resolution on the allocation of the profit for the year and distribution of part of net profits to shareholders, appointment of the Chairman of the Board of Directors;

b) with regard to the <u>Board of Directors</u>:
- examination and approval of the 2021-2023 Business Plan;
- suspension of the pending listing process of the takeover bid promoted by Crédit Agricole Italia SpA on the shares of Credito Valtellinese S.p.A.;

- approval of the Guidelines of the MBO (Management by Objectives) system for the year 2021;
- examination of the Generalfinance public disclosure (Third pillar) as at 31 December 2020;
- examination of the document entitled: "ICAAP Report as at 31 December 2020";
- establishment of a program for the issue of commercial paper to be placed with professional investors for a maximum amount of EUR 100,000,000.00 (one hundred million point zero zero);
- redefinition of the structure of the internal control system: revocation of the single control function and new assignment of the second and third level control functions;
- issue of two bond loans subject to the satisfaction of company creditors, classifiable as "Tier 2 capital" of the Company, whose subscription is intended for professional investors;
- approval of a securitisation transaction concerning a revolving portfolio of receivables deriving from with and without recourse factoring contracts owned by the Company;
- update of the Organisation, Control and Management Model adopted by the Company pursuant to Legislative Decree no. 231/2001;
- listing process, resumption of activities.

Performance indicators (art. 2428, paragraph 2)

Generalfinance closed the year 2021 with a net profit of EUR 9.5 million (+ 77% over 2020) and further growth in the area of distressed financing. Turnover reached EUR 1,403 million (+ 84%) with EUR 1,118 million disbursed (+ 99%).

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 2021**	**Year 2020**	**Change**
- Interest margin	6,231	4,094	+52%
- Net fee and commission income	17,691	13,120	+35%
- Net interest and other banking income	23,925	17,213	+39%
- Operating costs	-9,781	-8,389	+17%
- Pre-tax profit from current operations	13,926	8,110	+72%
- Profit for the year	9,453	5,328	+77%

	Year 2021	**Year 2020**
Cost / Income ratio	41%	49%
ROE	42%	31%
Net interest income / Net interest and other banking income	26%	24%
Net fee and commission income / Net interest and other banking income	74%	76%

These results are particularly significant as they were achieved in a challenging financial year characterised - still in part - by the COVID-19 health emergency. In this regard, the Company

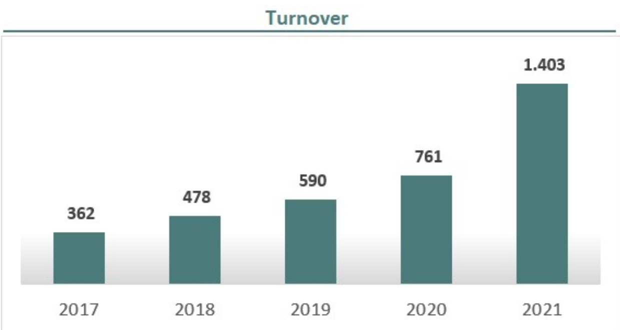
carefully monitored the initiatives at government and financial system level, as well as the changes to the regulatory legislation.
In this context, the Bank of Italy published a document entitled "*Provisions on the financial statements of banks and other supervised financial intermediaries concerning: 1) the impacts of COVID-19 and the support measures adopted to deal with the pandemic; 2) amendments to IAS / IFRS*", with which the Bank of Italy aimed to make provisions governing the formats and rules for drawing up the financial statements of banks and other supervised financial intermediaries (Circular no. 262 "Bank financial statements"): formats and rules for compilation "and Bank of Italy Measure "The financial statements of IFRS intermediaries other than banking intermediaries"), with the aim of providing a disclosure of the effects of COVID-19 and of the support measures put in place for dealing with the pandemic. The proposed actions also take into account the contents of the documents published by the European regulatory and supervisory bodies and the standard setters aimed at clarifying the methods of application of IAS / IFRS, with particular reference to IFRS 9.
As regards, in particular, quantitative information, this is limited to:

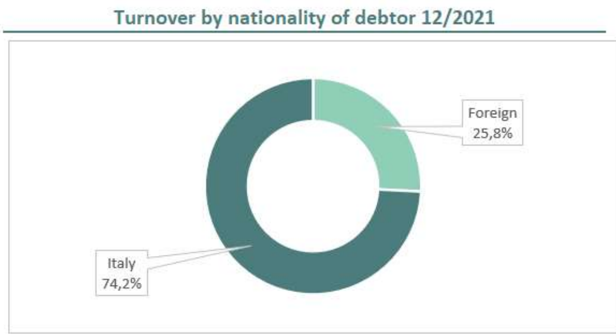
- loans subject to "moratoria" that fall within the scope of application of the EBA Guidelines on legislative and non-legislative moratoria on loan payments applied in light of the COVID-19 crisis (EBA / GL / 2020 / 02);
- loans subject to forbearance measures applied following the COVID-19 crisis;
- new loans guaranteed by the State or another public body.

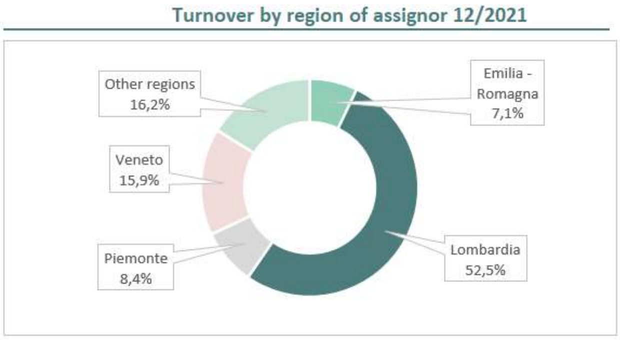
In this regard, it should be noted that the activities of Generalfinance were not impacted by the three cases indicated above, given the particular nature of the technical form in which the Company disbursed loans; factoring, as it is a revolving relationship without an amortisation plan, has a short-term duration and, therefore, can hardly be subject to measures that, vice versa, are mainly aimed at medium / long-term loans.
In 2021, the Company did not approve moratoriums on existing loans, did not grant changes, following the Covid-19 pandemic, to the loan agreements and did not disburse loans backed by the State guarantee. It therefore showed itself to be willing to reschedule certain maturities in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, as part of normal operating activities.

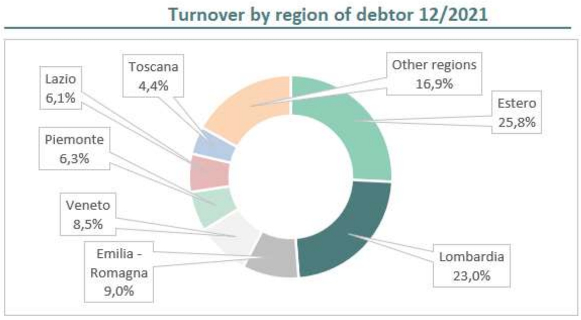
Turnover

Turnover has grown constantly in recent years, rising from approximately EUR 362 million in 2017 to approximately EUR 1,403 million in 2021, recording a significant increase in particular in the last year. Looking at the disaggregation by nationality of the transferred debtors, there is an increasing relative weight of International Factoring, which accounts for roughly 26% of business volumes, with significant diversification by country, reflecting the high level of service that the Company is able to provide export-oriented customers.
A look at the Transferors' registered offices show that the Company has a deeply rooted presence in the North of the country, with a strong focus on Lombardy (52.5% of turnover), Piedmont (8.4%), Veneto (15.9%) and Emilia-Romagna (7.1%). Overall, these four regions account for approximately 84% of turnover, highlighting the strong presence of Generalfinance in the most productive areas of the country.

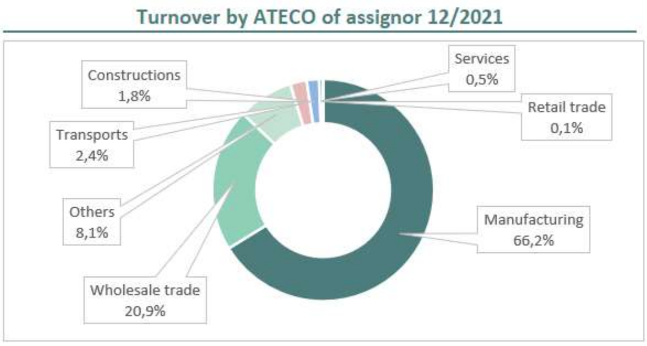


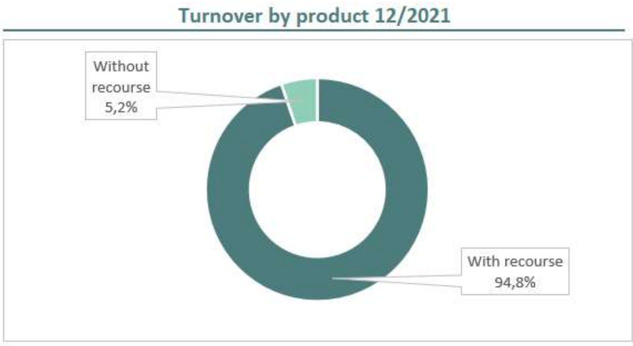






From a sector point of view, manufacturing represents the most important portion of turnover, with approximately 66%; this positioning is consistent with the "DNA" of Generalfinance as a reference factor for manufacturing SMEs affected by turnaround processes.
The activity is mainly represented by factoring with recourse, which accounts for 95% of volumes, with a residual portion of factoring without recourse.





Lastly, approximately 77% of the turnover is generated with regard to "distressed" transferors, i.e. those engaged in restructuring projects (arrangement with creditors, recovery plan, restructuring agreement, extraordinary administration and new.co within the context of turnaround plans).

Economic data
The interest margin stood at EUR 6.2 million, up significantly (+ 52%) compared to 2020 and thanks to the growth in loans disbursed.
Net fee and commission income amounted to EUR 17.7 million, up compared to EUR 13.1 million in 2020 (+ 35%). The trend in these two aggregates was affected by the particularly positive trend in turnover (+ 84% 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 23.9 million (+ 39%) while operating costs, equal to EUR 9.8 million, increased by 17%, less than proportionally to revenues, highlighting the ability of Generalfinance to control administrative costs in a company context of strong growth of the core business.
Taking into account the particularly low cost of risk (net value adjustments of EUR 0.2 million) and taxes of EUR 4.5 million, the net result for the period was EUR 9.5 million. compared to EUR 5.3 million recorded in 2020.

Balance sheet and asset quality data

Net loans to customers stood at EUR 321 million, up by 82% compared to 31 December 2020, due to the increase in the flow of loans disbursed, which rose from EUR 562 million in 2020 to EUR 1,118 million in 2021 (+99%). The disbursement percentage increased from 74% in 2020 to 80% in 2021; the average credit days decreased from 85 in 2020 to 79 in 2021, reflecting the extremely low asset duration profile.

Within the aggregate, gross non-performing loans totalled EUR 0.8 million, with a gross NPE ratio of approximately 0.2%, further improvement over the previous year. The coverage of non-performing loans stood at around 50%.

Cash and cash equivalents - largely represented by loans to banks - amounted to approximately EUR 33.5 million - reflecting the prudent profile of liquidity management - while total assets amounted to EUR 365.3 million in the financial statements, compared to EUR 210.2 million at the end of 2020.

Property, plant and equipment amounted to EUR 4.9 million, compared to approximately EUR 5.1 million in 2020.

Financial liabilities measured at amortised cost, equal to EUR 324.6 million, are made up of payables of EUR 283.6 million and securities issued of EUR 31 million.

Payables are mainly represented by the pool loan stipulated in January 2019, and subject to renewal during the year of reference of these financial statements, with some Italian banks, in addition to the other bilateral lines with banks and factoring companies. In addition, the item includes the payable to the BNP Paribas group relating to the securitisation transaction concluded in December 2021 and represented in detail in Part D - Other Information of the Notes to the Financial Statements.

The securities consist of two subordinated bonds issued in the second half of the year, in addition to the outstanding commercial paper at the reporting date.

Shareholders' equity and capital ratios

Shareholders ’equity as at 31 December 2021 amounted to EUR 32 million, compared to EUR 22.6 million as at 31 December 2020.

The capital ratios of Generalfinance show the following values:

- 9.4% CET1 ratio;
- 9.4% TIER1 ratio;
- 13.7% Total Capital ratio.

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

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

The Company does not carry out “research and development” pursuant to paragraph 3, no. 1, of article 2428 of the Italian Civil Code. However, it is worth noting that for 2022-2024, in line with the investment policies, a continuous evolution of both the information / IT system is expected with a view to the continuous transformation to Digital Innovation, that will see Generalfinance have a Digital Business Information System, as part of the development of business lines.

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 treasury shares - directly or indirectly - nor did it, over the course of 2020, - directly or indirectly - purchase or dispose of treasury shares.

*

Other aspects of particular interest

Change in the composition of the corporate bodies

During the year, the Shareholders' Meeting held on 21 June 2021 appointed Maurizio Dallocchio as Chairman of the Board of Directors, replacing Massimo Gianolli, who retained the position of Chief Executive Officer. No other changes to the composition of the corporate bodies took place during the year. Therefore, their current composition is as follows:

- Board of Directors:
  - Maurizio Dallocchio (Chairman);
  - Massimo Gianolli (Chief Executive Officer);
  - Leonardo Luca Etro;
  - Alberto Angelo Landoni;
  - Bruno Messina.
- Board of Statutory Auditors:
  - Paolo Francesco Maria Lazzati (Chairman);
  - Federica Casalvolone (Standing Auditor);
  - Andrea Di Giuseppe Cafà (Standing Auditor);
  - Luca Zambanini (Alternate Auditor);
  - Antonio Bartolomeo Della Mano (Alternate Auditor).

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

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 S.P.A.", 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

During the year, by means of resolution of 7 June 2021, the Board of Directors approved a significant redefinition of the Company's Internal Control System ("**ICS**"), abandoning the simplified structure that envisaged the "Single Control Function"[2] and by re-assigning second and third level control functions to different parties. The redefinition of the ICS was necessary as a result of the loss, for Generalfinance, of the qualification of a smaller intermediary, as defined for ICAAP purposes by Title IV, Chapter 14, Section III, par. 2 (so-called minor intermediaries), determined in correlation with various factors, including:

a. the gradual implementation of the 2021-2023 Business Plan, which assumes a business development such as to determine, during the year 2022, an increase in assets that will exceed the limit of EUR 250 million defined by Circular no. 288/2015 as the maximum amount allowed to maintain the status of a smaller intermediary;
b. the execution of a programme for issuing commercial paper (approved by the Board of Directors on 18 May 2021) and the planning of a loan securitisation transaction pursuant to Law no. 130/1999 (approved by the Board on 8 November 2021).

In light of the events illustrated above, pursuant to the provisions of Title IV, Chapter 14, Section III, par. 2, Class 3 financial intermediaries can no longer be considered as minor intermediaries, which, despite having assets equal to or less than EUR 250 million, among other things: (i) carry out funding transactions through financial instruments distributed between the public; (ii) originate securitisation transactions or, as part of these, (iii) assume the role of servicer.

2 Taking advantage of the option envisaged by Circular no. 288/2015, the Company has delegated the performance of the 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 occurrence of the above-mentioned circumstances (also considered individually) led to the loss of the requirements for the qualification of minor intermediary in favour of the different qualification of Class 3 intermediary which led, among other things, to the impossibility for the Company to maintain the concentration of all control functions in a single function. For this reason, the compliance, risk management and internal audit functions were segregated, with the first two assigned, respectively, to the newly established Risk Management and Compliance Office (whose responsibility was assigned to an internal staff member) reporting directly to the Chief Executive Officer, and the third to Leonardo Luca Etro (formerly in charge of the Single Control Function), non-operating director, reporting directly to the Board of Directors. The Anti-Money Laundering function maintained its previous autonomy with respect to the other second-level functions, but was assigned to the Legal and Corporate Affairs department, with responsibility assigned to the head of the department, who also assumed the mandate for the reporting of suspicious transactions pursuant to art. 35 of Legislative Decree no. 231 of 21 November 2007.

Therefore, in the current organisation of Generalfinance, the **risk control function** is located at the "*Risk Management and Compliance Office*", which is also responsible for the activities relating to the **compliance function**. This consolidation was considered consistent with the proportionality principle which allows the performance of the compliance and risk management functions to be assigned to the same department (see Circular no. 288/2015, Title III - Chapter 1 - Section III - 15). The office reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.

The **anti-money laundering function**, on the other hand, is placed with the Legal and Corporate Affairs department, under the responsibility of the head of said department. The latter is an organisational unit not involved in operating activities (except for the management of disputes brought against the company)and reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.

Lastly, the **internal audit** function is allocated to the Board of Directors, headed by a non-executive Director with adequate professionalism and independence requirements. Therefore, the head of the internal audit function functionally reports to the Board of Directors.

To ensure effectiveness of their action, the control functions are guaranteed with direct access to all useful information for the performance of their duties.

The control functions produce periodic reports in relation to the activities carried out and, at least annually, a report on the activities carried out during the previous year to be submitted to the Board of Directors.

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. As an independent body, it has been entrusted with the management of any reports from employees who intend to report offences of general interest of which they have become aware based on the employment relationship (whistleblowing).

Taking into account the dimensional characteristics of Generalfinance and its operations, the related corporate governance rules, the need to achieve a fair balance between costs and benefits as well as the academic literature, case law and practice on the matter, the Company has established a Supervisory Body of a collective nature. It consists of two members, one external and independent from the Company, with the functions of Chairman, and the other internal, belonging to the Legal and Corporate Affairs Department.

During the year, following the resolution of the Board of Directors of 07/06/2021, Margherita De Pieri (in charge of the Legal and Corporate Affairs Department) joined the Supervisory Board, replacing Stefano Saviolo.
The current composition of the SB is as follows:

- Maria Enrica Spinardi (Chairman);
- Margherita De Pieri

Other topics

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

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 periodically updated report on complaints management.
In consideration of the health emergency resulting from the COVID-19 epidemic, in 2020 the Company created - and also kept it in place throughout 2021 - a section on its institutional website aimed at providing information on the measures in support of SMEs set forth in Law Decree no. 18 of 17 March 2020, in compliance with the requirements of the Bank of Italy in communication Prot. no. 0486381/20 of 14 April 2020 containing: "*Recommendation on issues relating to the economic support measures prepared by the Government for the emergency COVID-19. Communication transmission*".
Generalfinance adheres to the out-of-court dispute resolution system established at the Banking and Financial Arbitrator. In this regard, it should be noted that, during the year 2021, the Company received two communications classified as "complaints" which were handled by the Complaints Office in compliance with the reference regulations. None of them was followed by an appeal to the Banking and Financial Arbitrator, or to another alternative dispute resolution body or to the ordinary judicial authority.
As at the date of this report, are no ongoing proceedings originating from appeals submitted by the customers to the Banking and Financial Arbitrator.

Protection of health and safety at work

The Company constantly monitors and protects the health of employees and their safety in the workplace, assisted by an external consultant, who has been appointed as 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 particular reference to the management of the health emergency deriving from the spread of the COVID-19 pandemic, which determined the need to adopt prevention and containment measures, the Company promptly adopted measures to preserve the health of its employees with respect to the health emergency situation and according to the prescriptions disclosed by the public authorities, both through constant specific information activities, and through the preparation and adoption of a specific company safety protocol (adopted on 3 May 2020 and later updated on 7 May 2021, following the issuing of the *Shared protocol of updating of the measures for counteracting and containing the spread of the SARS-CoV-2/COVID-19 in work environments* defined by the trade unions and

companies in agreement with the Government) and by activating alternative work methods, such as smart working, currently still used by a large number of employees.
Moreover, starting from the second half of October, in compliance with the regulatory provisions of Law Decree no. 127 of 21 September 2021, Generalfinance adopted a specific internal policy aimed at regulating the operational and documentary measures put in place to verify possession of the so-called Green Pass for all workers and anyone accessing the Company’s offices.
With regard to health surveillance, the Company complies with the provisions set forth in the Guidelines on the Training of Managers, Supervisors and Employers / RSPP - Prevention and Protection Service Manager - (articles 34 and 37 of Legislative Decree no. 81/2008), approved on 25 July 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 5 July 2021, 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 Prevention and Protection Service Manager, the Employer's representative and the competent doctor. 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 2021.

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 allowing staff to take part in courses, to conferences, study days organised by trade associations or other public or private bodies. The most important training initiatives held in 2021 include courses: (i) on the prevention of the use of the financial system for the purpose of laundering of the proceeds from criminal activities and terrorism financing (pursuant to Legislative Decree no. 231 of 1 November 2007); (ii) on the administrative liability of companies and entities (pursuant to Legislative Decree no. 231 of 08 June 2001); (iii) Regulation 2016/679 - GDPR and privacy legislation; (iv) cybersecurity.
The Company also participated in the training proposals of the trade association (Assifact), allowing its employees to attend the following courses: basic course on factoring; creditworthiness analysis for Factoring; factoring: a financial antidote for companies; factoring in light of IFRS 9: accounting and financial statements in factoring companies; factoring in the Central Credit Register of the Bank of Italy; business crisis and alert indicators: the role of factoring; anti-money laundering legislation between consolidation and evolution; credit risk in factoring: from regulation to practical applications and conduct; digitalisation and fintech in factoring.
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 2021, promotional activities continued, both through direct action and through the help of third parties, which provided support in strategic communication initiatives, events, public relations and marketing.
In this regard, however, it should be noted that due to the persistence of the COVID-19 pandemic and, for a large part of the year, the restrictions imposed by the Government and the Regions to reduce infections, with respect to what was originally planned, limited scope promotional activities were carried out.

Protection of personal data

With reference to the obligations regarding data protection, the Company continues, under the guidance of the Head of the ICT and Organisation Department, with the anonymisation program of all information managed by the Company, which (for regulatory, contractual or expediency reasons) must 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 information system (TOR F and Generalweb on-line portal), both internal and external.
In addition to the usual monitoring activities, the necessary documents were implemented to provide the information required for the processing of data resulting from the obligation - introduced by the emergency legislation adopted to combat the spread of the SARS-Cov2 virus - to measure the temperature for all parties who, for various reasons, access the Company's offices.

Information activity on the economic support measures prepared by the Government for the COVID-19 emergency

Following the Bank of Italy's request in communication Prot. no. 0486381/20 of 14 April 2020 containing: "Recommendation on issues relating to the economic support measures prepared by the Government for the COVID-19 emergency. Communication transmission", the Company has created a section on its institutional website aimed at providing information on the measures in support of SMEs set forth by Law Decree no. 18 of 17 March 2020. It offers a summary of the economic support measures prepared by the Government in favour of SMEs (with particular reference to those that, for various reasons, are consistent with a factoring relationship), describes the requirements for accessing them and provides the forms prepared to request support measures.

Update of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 on the administrative liability of companies and entities.

During the year, the Company continued to update the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 on the administrative liability of companies and entities (the "Model"). The review concerned, in general, the entire Model, both the General Part and the Special Part, and the Operating Protocols. In particular, as part of this review, the Company prepared the following three protocols from scratch: (i) *Protocol on anti-corruption and behaviour in relations with the public administration*, which aims to prevent the phenomenon of corruption and to define rules of conduct for the relations with public officials and public service officers; (ii) *Protocol of contractual clauses pursuant to Legislative Decree no. 231/01*, containing examples of clauses to be included in the Company's contracts and (iii) *Tax offences protocol*, aimed at outlining principles and conduct to be followed to prevent tax offences from being committed.

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

To optimise economies of scale and to better exploit the existing structures, a service agreement is in place with GGH through which, according to a criterion of proportionality, Generalfinance makes certain functions and services available to the Parent Company. In particular, it makes available to the parent company the operating functions of administration and accounting, corporate secretariat and technical supervision relating to the management of activities relating to the production and transmission of consolidated prudential and supervisory reports.
For more information on the terms of transactions carried out with related parties, please refer to the appropriate section of the notes to the financial statements, Part D - Other Information.

Concentration of risk and regulatory capital

During the 2021 financial year, the Company and its control functions continued to monitor compliance with the parameters established by current regulations on risk concentration and regulatory capital. Further details are specified in the notes to the financial statements, Part D - Other Information, 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)

As at the date of this report, no significant events occurred after the end of the year.

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

In execution of an issue programme approved by the Board of Directors on 21 September 2021, in September and October 2021, the Company issued and placed two bonds, classifiable as "Tier II capital" pursuant to and for the purposes of the provisions contained in articles 62, 63 and 71 of Regulation (EU) no. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and Bank of Italy Circular no. 288 of 3 April 2015 "Supervisory provisions for financial intermediaries".
The first, with a maturity of six years, for an amount of EUR 5 million with an annual coupon at a fixed rate of 10%. The second, with a maturity of five years, for an amount of EUR 7.5 million and with an annual floating rate coupon equal to the 3-month *Euribor* plus a spread of 800 basis points. The bonds - subscribed by institutional investors - were entered into the centralised management system at Monte Titoli SpA and subject to the dematerialisation regulations pursuant to articles 82 et seq. of Legislative Decree no. 58/1998 ("**TUF**") and the Joint Consob / Bank of Italy Measure of 13 August 2018, as subsequently amended and supplemented, and made it possible to strengthen the capital structure of the Company and further diversify the investor base with a positive impact on the Total Capital Ratio.

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

The Company has its registered office in Via Giorgio Stephenson 43 / A, Milan. 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 in commercial activity recorded in 2021 - trend in turnover, loans disbursed and the customer base - instils us with optimism regarding the Company's economic and financial performance in 2022, which should post even better results than those achieved in 2021, also taking into account the budget defined for the current year.
Moreover, in the current context, the impacts relating to the spread, in Italy and globally, of the epidemic that began in the first part of 2020, still ongoing, must be taken into consideration. In this context, the feasibility of even better results in 2022 could be - in part - jeopardised if the epidemic determines further and significant closures of economic activity with respect to the restrictions in place at the date of this report.

CONCLUSIONS

Dear Shareholders,

The Financial Statements as at 31 December 2021, which are being reviewed and approved today, show a net profit of EUR 9,453,363.88, taking into account depreciation of property, plant and equipment for EUR 713,411.42 and amortisation of intangible assets for EUR 231,268.25, as well as net of a tax charge of EUR 4,472,739.00.
Without prejudice to the positive result for the year and although the Company - also thanks to the specific characteristics of its core business - was able to deal with the economic crisis caused by the COVID-19 epidemic in such a way as to minimise its negative impacts, with a view to sound and prudent management, in formulating the proposal to allocate the profit for the year, the Board of Directors believes that it cannot ignore the economic context in which Generalfinance operates, which is still potentially subject to negative repercussions due to the pandemic that is still ongoing. Therefore, in inviting the Shareholders' Meeting to approve the 2021 Financial Statements, the Board of Directors proposes to allocate the net profit for the year as follows:

- EUR .... 4,726,681.94, to the Extraordinary Reserve;
- EUR .... 4,726,681.94, equal to 50% of the net profit for the year, in favour of shareholders, to each of them in exact proportion to the extent of the equity investment held.

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	7,828,951.85;
- Extraordinary reserve	EUR	15,947,809.94;
- Revaluation reserve pursuant to Law Decree no. 185/2008...	EUR	339,518.20;
- FTA reserve	EUR	(770,668.69);
- Valuation reserves...	EUR	-37,061.00;
and a total of	EUR	27,239,459.90.

At the end of this report, before leaving room for the assessments and resolutions of the Shareholders' Meeting, the Board of Directors expresses its heartfelt appreciation and thanks to all the staff and associates who have contributed, with dedication and professionalism, to the positive development of company activities and the achievement of the results highlighted in the 2021 financial statements, as well as the Board of Statutory Auditors and the Independent Auditors for their valuable control activities.

Milan, 31 January 2022.

on behalf of the Board of Directors
the Chairman, Mr. Maurizio Dallocchio

GENERAL FINANCE

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CONTENTS OF THE FINANCIAL STATEMENTS

BALANCE SHEET - FINANCIAL INTERMEDIARIES
(values in Euro)

	Asset items		31/12/2021		31/12/2020
10.	Cash and cash equivalents		33,458,171		24,193,373
20.	Financial assets measured at fair value through profit or loss		28,415		46,298
	c) other financial assets mandatorily measured at fair value	*28,415*		*46,298*	
40.	Financial assets measured at amortised cost		321,043,769		176,504,762
	c) loans to customers	*321,043,769*		*176,504,762*	
80.	Property, plant and equipment		4,922,460		5,075,660
90.	Intangible assets		1,670,567		763,812
	- of which goodwill	*0*		*0*	
100.	Tax assets		1,191,075		1,419,320
	a) current	*927,209*		*650,424*	
	b) deferred	*263,866*		*768,896*	
120.	Other assets		2,954,436		2,206,393
Total assets			**365,268,893**		**210,209,618**

	Liabilities and shareholders' equity items		31/12/2021		31/12/2020
10.	Financial liabilities measured at amortised cost		314,640,957		175,396,270
	a) payables	*283,616,382*		*175,396,270*	
	b) securities issued	*31,024,575*		*0*	
60.	Tax liabilities		1,234,511		904,002
	a) current	*1,234,511*		*904,002*	
80.	Other liabilities		15,797,060		8,335,985
90.	Severance pay		1,353,695		1,390,799
100.	Provisions for risks and charges		276,528		1,618,341
	b) pension and similar obligations	*118,452*		*62,297*	
	c) other provisions for risks and charges	*158,076*		*1,556,044*	
110.	Share capital		3,275,758		3,275,758
140.	Share premium reserve		7,828,952		5,837,550
150.	Reserves		11,445,129		8,248,374
160.	Valuation reserves		(37,061)		(125,386)
170.	Profit (loss) for the year		9,453,364		5,327,925
Total liabilities and shareholders' equity			**365,268,893**		**210,209,618**

INCOME STATEMENT - FINANCIAL INTERMEDIARIES
(values in Euro)

	Items	31/12/2021	31/12/2020
10.	Interest income and similar income	9,203,533	5,720,563
	of which: interest income calculated using the effective interest method	9,203,533	5,720,563
20.	Interest expense and similar charges	(2,972,440)	(1,626,944)
30.	**Interest margin**	**6,231,093**	**4,093,619**
40.	Fee and commission income	20,800,830	14,748,279
50.	Fee and commission expense	(3,109,826)	(1,628,538)
60.	**Net fee and commission income**	**17,691,004**	**13,119,741**
70.	Dividends and similar income	184	0
80.	Net profit (loss) from trading	(185)	(29)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	2,555	(676)
	b) other financial assets mandatorily measured at fair value	*2,555*	*(676)*
120.	**Net interest and other banking income**	**23,924,651**	**17,212,655**
130.	Net value adjustments / write-backs for credit risk of:	(217,254)	(713,448)
	a) financial assets measured at amortised cost	*(217,254)*	*(713,448)*
150.	**Net profit (loss) from financial management**	**23,707,397**	**16,499,207**
160.	Administrative expenses	(8,672,511)	(7,246,916)
	a) personnel expenses	*(5,235,531)*	*(4,272,217)*
	b) other administrative expenses	*(3,436,980)*	*(2,974,699)*
170.	Net provisions for risks and charges	(214,231)	(1,063,511)
	b) other net provisions	*(214,231)*	*(1,063,511)*
180.	Net value adjustments / write-backs on property, plant and equipment	(713,412)	(656,518)
190.	Net value adjustments / write-backs on intangible assets	(231,268)	(199,004)
200.	Other operating income and expenses	50,128	776,570
210.	**Operating costs**	**(9,781,294)**	**(8,389,379)**
260.	**Pre-tax profit (loss) from current operations**	**13,926,103**	**8,109,828**
270.	Income taxes for the year on current operations	(4,472,739)	(2,781,903)
280.	**Profit (loss) from current operations after tax**	**9,453,364**	**5,327,925**
300.	**Profit (loss) for the year**	**9,453,364**	**5,327,925**

STATEMENT OF COMPREHENSIVE INCOME - FINANCIAL INTERMEDIARIES
(values in Euro)

	Asset items	31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**9,453,364**	**5,327,925**
	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	88,325	(29,658)
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
	Other income components net of taxes with 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**	**88,325**	**(29,658)**
180.	**Comprehensive income (Item 10 + 170)**	**9,541,689**	**5,298,267**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2021 - FINANCIAL INTERMEDIARIES

(values in Euro)

	Balance as at 31/12/2020	Change in opening balances	Balance as at 01/01/2021	Allocation of previous year's result		Changes in the year						Comprehensive income for 2021	Shareholders' equity as at 31/12/2021
							Shareholders' equity transactions						
				Reserves	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	-	-	1,991,402	-	-	-	-	-	-	7,828,952
Reserves													
a) of profits	7,908,856	-	7,908,856	3,196,755	-	-	-	-	-	-	-	-	11,105,611
b) others	339,518	-	339,518	-	-	-	-	-	-	-	-	-	339,518
Valuation reserves	(125,386)	-	(125,386)	-	-	-	-	-	-	-	-	88,325	(37,061)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	5,327,925	-	5,327,925	(3,196,755)	(2,131,170)	-	-	-	-	-	-	9,453,364	9,453,364
Shareholders' equity	22,564,221	-	22,564,221	-	(2,131,170)	1,991,402	-	-	-	-	-	9,541,689	31,966,142

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2020 - INTERMEDIARIES

(values in Euro)

	Balance as at 31/12/2019	Change in opening balances	Balance as at 01/01/2020	Allocation of previous year's result		Changes in the year							Comprehensive income for 2020	Shareholders' equity as at 31/12/2020
							Shareholders' equity transactions							
				Reserves	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
Reserves														
c) of profits	5,815,154	-	5,815,154	2,093,702	-	-	-	-	-	-	-		-	7,908,856
d) others	339,518	-	339,518	-	-	-	-	-	-	-	-		-	339,518
Valuation reserves	(95,728)	-	(95,728)	-	-	-	-	-	-	-	-		(29,658)	(125,386)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (loss) for the year	4,187,404	-	4,187,404	(2,093,702)	(2,093,702)	-	-	-	-	-	-		5,327,925	5,327,925
Shareholders' equity	19,359,656	-	19,359,656	-	(2,093,702)	-	-	-	-	-	-		5,298,267	22,564,221

CASH FLOW STATEMENT - FINANCIAL INTERMEDIARIES (indirect method)

(values in Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2021	31/12/2020
1. Management	**15,580,298**	**10,740,057**
- profit (loss) for the year (+/-)	9,453,364	5,327,925
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at fair value through profit or loss (- / +)	(2,555)	676
- gains / losses on hedging activities (- / +)	-	-
- net value adjustments for credit risk (+/-)	217,254	713,448
- net value adjustments to property, plant and equipment and intangible assets (+/-)	944,680	855,522
- net provisions for risks and charges and other costs / revenues (+/-)	150,443	1,154,502
- unpaid taxes, duties and tax credits (+/-)	4,472,739	2,687,984
- net value adjustments to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	344,373	-
2. Liquidity generated / absorbed by financial assets	**(145,668,961)**	**(44,587,752)**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
- financial assets measured at fair value through other comprehensive income	-	-
- financial assets measured at amortised cost	(144,767,694)	(45,264,500)
- other assets	(901,267)	676,748
3. Cash flow generated / absorbed by financial liabilities	**141,019,742**	**44,324,030**
- financial liabilities measured at amortised cost	138,879,986	46,407,613
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	2,139,756	(2,083,583)
Net cash flow generated / absorbed by operating activities	**10,931,079**	**10,476,335**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**694**	**9,075**
- sales of equity investments	-	-
- dividends collected on equity investments	-	-
- sales of property, plant and equipment	694	9,075
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(1,538,641)**	**(951,614)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(546,776)	(489,961)
- purchases of intangible assets	(991,865)	(461,653)
- purchases of business units	-	-
Net cash flow generated / absorbed by investment activities	**(1,537,947)**	**(942,539)**
C. FUNDING ACTIVITIES		
- issues / purchases of treasury shares	1,991,402	-
- issues / purchases of equity instruments	-	-
- distribution of dividends and other purposes	(2,131,170)	(2,093,702)
Net cash flow generated / absorbed by funding activities	**(139,768)**	**(2,093,702)**
NET CASH FLOW GENERATED / ABSORBED DURING THE YEAR	**9,253,364**	**7,440,094**

RECONCILIATION	Amount	
	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	24,205,475	16,765,381
Total net cash flow generated / absorbed during the year	9,253,364	7,440,094
Cash and cash equivalents: effect of changes in exchange rates	0	0
Cash and cash equivalents at the end of the year	**33,458,839**	**24,205,475**

EXPLANATORY NOTES

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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 2021 were prepared in accordance with the international accounting standards (IAS/IFRS) 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 29 October 2021, 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.

In compliance with the provisions contained in the instructions issued by the Bank of Italy on 29 October 2021 for the preparation of the financial statements, from these financial statements “on demand” loans to banks are allocated to item 10 of the Balance Sheet called “Cash and cash equivalents”, unlike the financial statements relating to previous years, which included the above amounts in item 40 “Financial assets measured at amortised cost”. In order to ensure direct comparability of the balance sheet asset items, the corresponding figures relating to the previous year were subject to the appropriate restatement of the same nature.

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.

<u>1) Going concern</u>. 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.

<u>2) Accrual principle</u>. 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.

<u>3) Consistency of presentation</u>. 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 29 October 2021.

<u>4) Aggregation and relevance</u>. 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.

<u>5) Prohibition of offsetting</u>. 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”.

<u>6) Comparative information</u>. 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.

In preparing the financial statements, the following was also taken into account:
- the communication of the Bank of Italy of 21 December 2021 entitled - Update of the additions to the provisions of the Measure "The financial statements of IFRS intermediaries other than banking intermediaries" concerning the impacts of COVID-19 and measures to support the economy - with which the Bank of Italy intended to supplement the provisions governing the formats and rules for drawing up the financial statements of IFRS intermediaries other than banking intermediaries to provide the market with information on the effects that COVID-19 and the economic support measures had on risk management strategies, objectives and policies, as well as on the financial position of intermediaries;
documents of an interpretative nature and supporting the application of accounting standards in relation to the impacts of COVID-19, issued by European regulatory and supervisory bodies and by standard setters. These include:

- the EBA communication of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures";
- the communication of the ESMA of 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- the document of the IFRS Foundation of 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- the letter of the ECB of 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant institutions;
- the EBA guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- the communication of the ESMA of 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- the EBA guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis";
- the communication of the ESMA of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidelines of 2 December 2020 "Guidelines amending Guidelines EBA / GL / 2020 / 02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- the letter of the ECB of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic" addressed to all significant institutions;
- the communication of the ESMA of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

As regards, in particular, the quantitative disclosure, this is limited to loans, subject to "moratoria" or other forbearance measures in place at the reporting date, or which constitute new liquidity granted with the support of public guarantees.

In this regard, it should be noted that the activities of Generalfinance were not affected by the cases indicated above, given the particular nature of the technical form in which it disbursed loans; factoring, since it is a revolving relationship without an amortisation plan, can hardly be the subject of measures designed primarily with reference to medium / long-term loans. In 2021, the Company, therefore, did not approve moratoria on existing loans, did not grant changes to the loan agreements as a result of COVID-19 and did not disburse loans backed by the State guarantee. However, it was willing to reschedule certain deadlines in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected at the reporting date.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2021

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company starting from 1 January 2021:

- On 31 March 2021, the IASB published an amendment called "*Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", extending the period of application of the amendment issued in 2020 by one year, which* provided lessees with the right to account for reductions in fees related to Covid-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 was respected.

Therefore, the lessees who applied this option in the 2020 financial year recognised the effects of the reductions in the rents directly in the income statement at the effective date of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, applies from 1 April 2021 and early adoption is permitted.

The adoption of this amendment had no effect on the Company's financial statements.

- On 25 June 2020, the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments make it possible to extend the temporary exemption from the application of IFRS 9 until 1 January 2023 for insurance companies.
  The adoption of this amendment had no effect on the Company's financial statements.
- On 27 August 2020, the IASB published, in light of the reform on interbank interest rates such as the IBOR, the document "Interest Rate Benchmark Reform — Phase 2" which contains amendments to the following standards:
- - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.
  All amendments entered into force on 1 January 2021.
  The adoption of this amendment had no effect on the Company's financial statements.

<u>IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE COMPANY AS AT 31 DECEMBER 2021</u>

On 14 May 2020, the IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: the amendments aim to update the reference in IFRS 3 to the revised Conceptual Framework, without this entailing changes to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the amount received from the sale of assets produced in the test phase of the asset to be deducted from the cost of the assets. These sales revenues and the related costs will therefore be recognized in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be considered in the estimate of the possible cost of a contract. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid since it has stipulated the contract (such as, for example, the portion of depreciation of the machinery used to fulfil the contract).
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.
  All amendments entered into force on 1 January 2022.
  The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.
- 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 2023 but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

The directors do not expect the adoption of this standard to have a significant effect on the Company's financial statements.

<u>IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION</u>

As 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 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments enter into force on 1 January 2023; early application is however permitted.

  At present, the directors are assessing the possible effects of the introduction of this amendment on the Company's financial statements.
- On 12 February 2021, the IASB published two amendments entitled "*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". T*he amendments aim to improve disclosure on accounting policies in order to provide more useful information to investors and other primary users of financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments enter into force on 1 January 2023; early application is permitted.

  At present, the directors are assessing the possible effects of the introduction of these amendments on the Company's financial statements.
- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The amendments enter into force on 1 January 2023; early application is permitted.

  At present, the directors are assessing the possible effects of the introduction of these amendments on the Company's financial statements.
- On 9 December 2021, the IASB published an amendment called *"Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information"*. The amendment is a transition option relating to the comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment seeks to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. The directors do not expect the adoption of this amendment to have a significant effect on the Company's financial statements.
- 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.

Section 3 - Events after the reporting date

In the first part of the 2022 financial year, no events or circumstances occurred such as to appreciably change what was represented in the financial statements, in the notes to the financial statements and in the report on operations.
Pursuant to IAS 10, the date on which the financial statements were authorised for publication by the Company’s Directors is 31 January 2022.

Section 4 - Other aspects

The financial statements of Generalfinance SpA 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 quantification of impairment losses on financial assets measured at amortised cost;
- the quantification of provisions for personnel and provisions for risks and charges.

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

Risks, uncertainties and impacts of the COVID-19 epidemic

In preparing the financial statements, the changes in accounting estimates related to COVID-19 did not have a significant effect in the year and are not expected to have an effect in future years.
It should be noted that, in terms of business continuity, despite the period of uncertainty linked to the COVID-19 pandemic, there are no reasons to believe the opposite is plausible in the foreseeable future.
The equity and financial structure, as well as the growth trend recorded during the current year, are unmitigated confirmations in this regard.

Contractual changes resulting from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

During the year, no contractual changes were applied to Generalfinance customers related to the measures put in place by the government, trade associations and individual intermediaries in the face of the COVID-19 pandemic.

2) Amendment to IFRS 16

With reference to lease contracts, the practical expedient envisaged by Regulation (EU) no. 1434/2020 and Regulation (EU) no. 2021/1421 was not applied.

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

For some items of the balance sheet, the following points are illustrated:

- classification criteria;
- recognition criteria;
- measurement criteria;
- criteria for the recognition of income components;
- derecognition criteria.

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 as 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 financial year or interim period, the estimate of the impairment of these assets is calculated, determined in compliance with the impairment rules of IFRS 9, applied at the level of each individual transferred debtor, based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). For further details, please refer to "Part D - Other information - *Section 3 - Information on risks and related hedging policies*".

Impairment losses are recognized in the income statement under the item "Net value adjustments / write-backs for credit risk", as are the recoveries of part or all 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 former, aimed at "retaining" the customer, involve 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 "Fee and commission income";
c) impairment losses and write-backs for credit risk are allocated to the item "Net value adjustments / write-backs for

credit risk of 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 the income components in the relevant items of the income statement 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 to 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, payables recorded by the lessee as part of leasing transactions and securities issued, represented by bonds and commercial paper.

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 and securities issued, to the value collected by the Company, net of transaction costs directly attributable to the financial liability 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

During the year, the Company did not carry out any transfers between portfolios of financial assets.

A.4 INFORMATION ON FAIR VALUE

Qualitative information

This section includes the disclosure 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 companies.

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 31/12/2021			Total 31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	8,115	-	20,300	5,558	-	40,740
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	8,115	-	20,300	5,558	-	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	**8,115**	**-**	**20,300**	**5,558**	**-**	**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	**20,440**	**-**	**-**	**20,440**	**-**	**-**	**-**	**-**
3.1. Sales	20,440	-	-	20,440	-	-	-	-
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	**20,300**	**-**	**-**	**20,300**	**-**	**-**	**-**	**-**

The decrease refers to the withdrawal from the shareholding structure of Banca Centropadana in 2021.

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 31/12/2021				Total 31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	321,043,769	-	-	321,043,769	176,504,762	-	-	176,504,762
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**321,043,769**	**-**	**-**	**321,043,769**	**176,504,762**	**-**	**-**	**176,504,762**
1. Financial liabilities measured at amortised cost	314,640,957	-	-	314,640,957	175,396,270	-	-	175,396,270
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**314,640,957**	**-**	**-**	**314,640,957**	**175,396,270**	**-**	**-**	**175,396,270**

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 31/12/2021	Total 31/12/2020
Cash	1,710	2,268
Current accounts and demand deposits with Banks	33,456,461	24,191,105
Total	**33,458,171**	**24,193,373**

The amount of EUR 33,456,461 is made up 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 2021, the credit balance of the current accounts subject to the pledge amounted to EUR 23,458,842, while the payable relating to the loan, including interest payable, amounted to EUR 133,228,665.

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 31/12/2021			Total 31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**8,115**	**-**	**20,300**	**5,558**	**-**	**40,740**
3. UCITS units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**8,115**	**-**	**20,300**	**5,558**	**-**	**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 2021.
The amount classified in Level 3 refers to the shares of Rete Fidi Liguria, the shares of Confidi Sardegna, whose valuation is subject to periodic verification on the basis of internal methods.
As already mentioned, in 2021, the company withdrew from the shareholding structure of Banca Centropadana Credito Cooperativo.

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

Items / Values	Total 31/12/2021	Total 31/12/2020
1. Equity securities	**28,415**	**46,298**
of which: banks	8,115	25,998
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	**28,415**	**46,298**

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

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

Composition	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	purchased or originated impaired	L1	L2	L3
1. Loans	**320,648,251**	**395,423**	**95**	**-**	**-**	**321,043,769**	**175,837,757**	**666,773**	**232**	**-**	**-**	**176,504,762**
1.1 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	320,648,251	395,423	95	-	-	321,043,769	175,837,757 €	666,773	232	-	-	176,504,762
- with recourse	307,303,491	395,423	-	-	-	307,698,914	159,726,751	666,773	-	-	-	160,393,524
- without recourse	13,344,760	-	95	-	-	13,344,855	16,111,006	-	232	-	-	16,111,238
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	**320,648,251**	**395,423**	**95**	**-**	**-**	**321,043,769**	**175,837,757**	**666,773**	**232**	**-**	**-**	**176,504,762**

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

The increase in "Loans to customers" compared to the previous year is due to the increase in loans for with recourse factoring.

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

Type of transactions / Values	Total 31/12/2021			Total 31/12/2020		
	First and second stage	Third stage	purchased or originated impaired	First and second stage	Third stage	purchased or originated impaired
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**320,648,251**	**395,423**	**95**	**175,837,757**	**666,773**	**232**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	319,461,678	395,423	-	174,731,072	649,053	137
c) Households	1,186,573	-	95	1,106,685	17,720	95
3. Other assets	-	-	-	-	-	-
Total	**320,648,251**	**395,423**	**95**	**175,837,757**	**666,773**	**232**

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	purchased or originated impaired	First stage	Second stage	Third stage	purchased or originated impaired	
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans	320,385,909	-	648,738	787,983	190	382,958	3,437	392,561	95	38,000
Other assets	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**320,385,909**	**-**	**648,738**	**787,983**	**190**	**382,958**	**3,437**	**392,561**	**95**	**38,000**
Total 31/12/2020	**166,439,154**	**-**	**9,690,333**	**1,021,665**	**464**	**182,841**	**108,889**	**354,892**	**232**	**-**

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 19,018, while the total value adjustments represent the related expected losses.

4.5a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

As at the date of these financial statements, there are no loans subject to “moratoria” pursuant to law or other forbearance measures or that constitute new liquidity granted through public guarantee mechanisms.

4.6 Financial assets measured at amortised cost: guaranteed assets

	Total 31/12/2021						Total 31/12/2020					
	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:	-	-	-	-	300,721,512	300,721,512	-	-	-	-	159,726,751	159,726,751
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	298,779,462	298,779,462	-	-	-	-	159,726,751	159,726,751
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	1,942,050	1,942,050	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	-	-	-	-	395,422	395,422	-	-	-	-	666,773	666,773
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	395,422	395,422	-	-	-	-	666,773	666,773
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**301,116,934**	**301,116,934**	**-**	**-**	**-**	**-**	**160,393,524**	**160,393,524**

VE = book value of exposures

VG = fair value of guarantees

The table shows the value of financial assets measured at amortised cost (with recourse non-performing and performing loans) 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, ii) letters of patronage, iii) letters of compensation between transferors and iv) 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 31/12/2021	Total 31/12/2020
1. Owned assets	**2,634,617**	**2,403,119**
a) land	178,952	178,952
b) buildings	1,249,454	952,168
c) furniture	232,628	214,074
d) electronic systems	-	-
e) others	973,583	1,057,925
2. Rights of use acquired through leasing	**2,287,843**	**2,672,541**
a) land	-	-
b) buildings	2,221,578	2,528,766
c) furniture	-	-
d) electronic systems	-	-
e) others	66,265	143,775
Total	**4,922,460**	**5,075,660**
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 Company uses for business purposes, including the accounting effects relating to lease and operating lease agreements in which the Company 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**	**4,572,801**	**502,452**	**-**	**2,203,829**	**7,458,034**
A.1 Total net impairment losses	-	1,091,867	288,378	-	1,002,129	2,382,374
A.2 Net opening balance	**178,952**	**3,480,934**	**214,074**	**-**	**1,201,700**	**5,075,660**
B. Increases:	**-**	**379,112**	**67,132**	**-**	**470,953**	**917,197**
B.1 Purchases	-	57,719	18,104	-	470,953	546,776
B.2 Expenses for capitalised improvements	-	-	-	-	-	-
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	-	321,393	49,028	-	-	370,421
C. Decreases:	**-**	**389,014**	**48,578**	**-**	**632,805**	**1,070,397**
C.1 Sales	-	-	-	-	1,125	1,125
C.2 Amortisation	-	389,014	48,578	-	275,820	713,412
C.3 Value adjustments for impairment 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	-	-	-	-	355,860	355,860
D. Net closing balance	**178,952**	**3,471,032**	**232,628**	**-**	**1,039,848**	**4,922,460**
D.1 Total net impairment losses	-	1,655,566	336,581	-	1,241,619	3,233,766
D.2 Gross closing balance	**178,952**	**5,126,598**	**569,209**	**-**	**2,281,467**	**8,156,226**
E. Valuation at cost	**178,952**	**3,471,032**	**232,628**	**-**	**1,039,848**	**4,922,460**

The increase in the item "Other changes" is represented by the increase during the year in rights of use on properties and transfers for a more accurate representation.
The decrease in the item "Other changes" is represented by the decrease during the year of rights of use on cars and transfers for a more accurate representation.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown

Items / Valuation	Total 31/12/2021		Total 31/12/2020	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
of which: software	-	-	-	-
2.1 owned	1,670,567	-	763,812	-
- generated internally	262,071	-	176,621	-
- others	1,408,496	-	587,191	-
2.2 rights of use acquired through leasing	-	-	-	-
Total 2	**1,670,567**	**-**	**763,812**	**-**
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)	**1,670,567**	**-**	**763,812**	**-**
Total	**1,670,567**		**763,812**	

The item “Other internally generated intangible assets” includes the amount invested for the development of software applications whose use extends beyond a single year, also generating economic benefits in the future.

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**763,812**
B. Increases:	**1,138,023**
B.1 Purchases	991,866
B.2 Write-backs	-
B.3 Positive changes in fair value	-
- to shareholders 'equity	-
- to the income statement	-
B.4 Other changes	146,157
C. Decreases:	**231,268**
C.1 Sales	-
C.2 Amortisation	231,268
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	**1,670,567**

The item “Other changes” is represented for EUR 104,067 by software generated internally and for EUR 42,090 by a transfer for a more accurate representation.

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 31/12/2021	Total 31/12/2020
Current tax assets	927,209	650,424
Deferred tax assets	263,866	768,896
Total	**1,191,075**	**1,419,320**

10.1 "Tax assets: current and deferred": breakdown

The item "Current tax assets" is composed almost entirely by receivables due from tax authorities for IRES (corporate income tax) advances for EUR 302,862 and for IRAP (regional business tax) advances for EUR 583,597.

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 31/12/2021	Total 31/12/2020
Current tax liabilities	1,234,511	904,002
Deferred tax liabilities	-	-
Total	**1,234,511**	**904,002**

The item "*Current tax liabilities*" consists of the payable to the tax authorities for IRES of EUR 403,706 and for IRAP of EUR 830,805.

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 for MGH - Massimo Gianolli Holding S.r.l. - Consolidating company, a payable to the company MGH - Massimo Gianolli Holding S.r.l. of EUR 761,787 was recorded under "Other liabilities", corresponding to the application of the ordinary IRES rate of the 24% of the taxable income of Generalfinance S.p.A. net of advances paid to the consolidating company during the year.

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

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**721,337**	**389,382**
2. Increases	**66,758**	**355,659**
2.1 Deferred tax assets recognised during the year	66,758	355,659
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	66,758	355,659
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**538,286**	**23,704**
3.1 Deferred tax assets cancelled during the year	538,286	23,704
a) reversals	538,286	23,704
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	**249,809**	**721,337**

The item increased by EUR 66,758 due to new deferred tax assets recognised during the year.
The increase is mainly due to deferred tax assets recognised following the allocations made during the year to provisions for risks and charges.
The item decreased by EUR 538,286 mainly due to the use, during the year, of the provision set aside for a legal dispute.

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

	Total 31/12/2021	Total 31/12/2020
1. Opening amount	**135,265**	**156,908**
2. Increases	**-**	**-**
3. Decreases	**21,643**	**21,643**
3.1 Reversals	21,643	21,643
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	**113,622**	**135,265**

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)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**47,559**	**36,310**
2. Increases	**-**	**11,249**
2.1 Deferred tax assets recognised during the year	-	11,249
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	11,249
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**33,502**	**-**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	33,502	-
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	-	-
4. Final amount	**14,057**	**47,559**

The decrease relates to the actuarial effect (Actuarial Gain) resulting from the actuarial valuation of the severance pay provision according to IAS 19.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

Items / Values	Total 31/12/2021	Total 31/12/2020
Security deposits	32,785	32,785
Suppliers on advances	18,883	130,621
Tax authorities with VAT and withholding taxes	1,225	236
Prepayments	1,977,732	1,101,293
Sundry receivables	923,811	941,458
Total	**2,954,436**	**2,206,393**

The item “Prepaid expenses” is determined by the following costs for the year 2022:

Description	Amount
Insurance prepayments	45,299
Prepaid services rendered by third parties	326,603
Prepayments for software fees	24,805
Prepayments of syndicated loan costs	756,639
Deferred bond loan costs	102,756
Deferral of securitisation costs	474,911
Deferred commercial paper costs	78,492
Sundry deferrals	168,227
Total	**1,977,732**

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 31/12/2021			Total 31/12/2020		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans	**167,761,028**	**77,936,011**	**-**	**144,561,006**	**25,377,886**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other loans	167,761,028	77,936,011	-	144,561,006	25,377,886	-
2. Lease payables	**-**	**-**	**1,667,121**	**-**	**10,198**	**1,930,756**
3. Other payables	**-**	**35,799,682**	**452,540**	**-**	**-**	**3,516,424**
Total	**167,761,028**	**113,735,693**	**2,119,661**	**144,561,006**	**25,388,084**	**5,447,180**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	**167,761,028**	**113,735,693**	**2,119,661**	**144,561,006**	**25,388,084**	**5,447,180**
Total Fair Value	**167,761,028**	**113,735,693**	**2,119,661**	**144,561,006**	**25,388,084**	**5,447,180**

The total for this item therefore amounts to Euro 283,616,382.

Payables to banks refer to:

Technical form	Amount
Current account exposures for SBF advances	34,532,363
Pool loan	133,228,665
Total	**167,761,028**

Payables for loans to financial companies mainly refer to payables for advances on Italian and foreign invoices (refactoring transactions).

Other payables to financial companies refer to payables to the special purpose vehicle relating to the securitisation transaction concluded in December 2021 and relating to a revolving portfolio of receivables deriving from with and without recourse factoring contracts owned by the Company.

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”.

1.2 Financial liabilities measured at amortised cost: breakdown by type of securities issued

Type of securities / Values	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	**12,734,246**	**-**	**-**	**12,734,246**	**-**	**-**	**-**	**-**
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	12,734,246	-	-	12,734,246	-	-	-	-
2. other securities	**18,290,329**	**18,290,329**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	18,290,329	18,290,329	-	-	-	-	-	-
Total	**31,024,575**	**18,290,329**	**-**	**12,734,246**	**-**	**-**	**-**	**-**

With regard to bonds, during the months of September and October 2021, the Company issued and placed two Tier 2 subordinated bonds.
The first, with a duration of six years and maturity on 30 September 2027, was issued for an amount of EUR 5 million with an annual coupon at a fixed rate of 10%.
The second, with a duration of five years and maturity on 28 October 2026, was issued for an amount of EUR 7.5 million and with an annual coupon at a floating rate equal to the 3-month Euribor plus a spread of 800 basis points.
The bonds - subscribed by institutional investors - were entered into the centralised management system at Monte Titoli S.p.A. and subject to the dematerialisation regulations.

The other securities are commercial paper admitted in dematerialised form in Monte Titoli and traded on the ExtraMOT PRO, Professional Segment of the ExtraMOT Market, multilateral trading system managed by Borsa Italiana S.p.A. In particular, at the reporting date, two bonds with similar characteristics were issued: "zero coupon bond" type, original duration three months and a fixed rate of 0.5%.

1.3 Payables and subordinated securities
The item "Debt securities issued" includes subordinated securities of EUR 12.7 million, relating to the issue of Tier 2 bonds for a nominal amount of EUR 12.5 million.

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 31/12/2021	Total 31/12/2020
Accrued expenses and deferred income	4,062,479	2,807,773
Payables to tax authorities	249,848	205,264
Social security and welfare institutions	167,542	92,688
Employees payroll account	352,394	144,802
Payables to suppliers and lenders	1,866,745	1,609,037
Payables to MGH - Massimo Gianolli Holding S.r.l. for tax consolidation	761,787	726,370
Sundry payables	8,336,265	2,750,051
Total	**15,797,060**	**8,335,985**

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	829,452
Accrued expenses for credit insurance premiums	305,683
Miscellaneous accrued expenses	10,714
Deferred fee and commission income	2,914,880
Sundry deferred income	1,750
Total	**4,062,479**

Section 9 - Severance pay - Item 90

9.1 Severance pay: annual changes

	Total 31/12/2021	Total 31/12/2020
A. Opening balance	**1,390,799**	**1,210,182**
B. Increases	**185,060**	**213,807**
B.1 Provision for the year	185,060	172,900
B.2 Other increases	0	40,907
C. Decreases	**222,164**	**33,190**
C.1 Payments made	94,571	31,105
C.2 Other decreases	127,593	2,085
D. Closing balance	**1,353,695**	**1,390,799**

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

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 30 November 2021, the decision was taken to adopt an annual salary increase rate of 1.8% 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 2020 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 index estimated for the medium term by the European Central Bank for the Eurozone and is equal to 1.9% flat;
Interest rates: the Europe Corporate AA rating curve produced by Bloomberg Finance as at 31 December 2021 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	**1,354**	
Sensitivity with respect to interest rates		
I) 0.5% decrease in rates	1,436	6.11%
II) 0.5% increase in interest rates	1,278	-5.59%
Sensitivity with respect to the salary scale		
III) a 0.5% decrease in the salary scale	1,331	-1.69%
IV) 0.5% increase in the salary scale	1,378	1.80%

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	Total 31/12/2021	Total 31/12/2020
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	**118,452**	**62,297**
4. Other provisions for risks and charges	**158,076**	**1,556,044**
4.1 legal and tax disputes	-	1,556,044
4.2 personnel expenses	158,076	-
4.3 others	-	-
Total	**276,528**	**1,618,341**

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	**-**	**62,297**	**1,556,044**	**1,618,341**
B. Increases	**-**	**56,155**	**158,076**	**214,231**
B.1 Provision for the year	-	56,155	158,076	214,231
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	**-**	**-**	**1,556,044**	**1,556,044**
C.1 Use in the year	-	-	1,556,044	1,556,044
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**118,452**	**158,076**	**276,528**

10.5 Defined benefit company pension funds

The “Pension funds” refer to the “Provision for supplementary customer indemnity” and the “Provision for non-competition agreements” allocated to the sole agent. These amounts will be paid at the end of the relationship.

10.6 Provisions for risks and charges - other provisions

The increase refers to the provision made against the probable request by INPS of contributions from the ceiling surplus pursuant to art. 2, paragraph 18 of Law no. 335/1995, not paid by the Company for the years 2017-2020.

The decrease relates to the use of the provision allocated to cover a legal dispute closed during the year.

With reference to the disputes in which the Company is involved as defendant, also on the basis of the specific opinions provided by the legal defence attorneys, at the reporting date, they were all assessed as having a "remote" risk of losing, except for two, as of explained below:

- a dispute (risk "between remote and possible"), for which the receivership filed - in 2020 - a bankruptcy revocation request in reference to the assignments made by the transferor to the Company in the period prior to the declaration of bankruptcy. The value of the case, as declared by the plaintiff in the summons, is equal to EUR 517,229.06. In line with the provisions of the relevant accounting standards and internal policies, the Company has not made any provisions;
- a dispute ("possible" risk) for which the receivership filed - in the course of 2021 - a bankruptcy revocation request in reference to the assignments made by the transferor to the Company in the period prior to the declaration of bankruptcy. The value of the case, as declared by the plaintiff in the summons, is equal to EUR 2,239,457.37. In line with the provisions of the relevant accounting standards and internal policies, the Company has not made any provisions.

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.

11.2 Treasury shares: breakdown

As at 31 December 2021 and 31 December 2020, the Company held no treasury shares.

11.3 Equity instruments: breakdown

As at 31 December 2021 and 31 December 2020, the Company did not recognize the item equity instruments.

11.4 Share premium reserve: breakdown

Types	Amount
1. Share premium reserve	**7,828,952**
1.1 Ordinary shares	7,828,952
1.2 Other shares	-

The change of EUR 1,991,402 compared to the previous year corresponds to the amount paid into the capital account by the shareholder Creval as the differential of the subscription price of the shares subscribed in 2017, accrued on the basis of an Earn-Out clause.

11.5 Other information
Change in Reserves

	Legal	Extraordinary	FTA reserve	Revaluation reserve Law Decree no. 185/08	Valuation reserves	Total
A. Opening balance	**655,152**	**8,024,373**	**(770,669)**	**339,518**	**(125,386)**	**8,122,988**
B. Increases	**-**	**3,196,755**	**-**	**-**	**88,325**	**3,285,080**
B.1 Allocation of profits	-	3,196,755	-	-	-	**3,196,755**
B.2 Other changes	-	-	-	-	88,325	88,325
C. Decreases	-	-	-	-	-	-
C.1 Uses	-	-	-	-	-	-
- coverage of losses	-	-	-	-	-	-
- distribution	-	-	-	-	-	-
- transfer to capital	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
D. Closing balance	**655,152**	**11,221,128**	**(770,669)**	**339,518**	**(37,061)**	**11,408,068**

The allocation of profits refers to the resolution of the ordinary shareholders' meeting of 10 March 2021, in which the 2020 profit of a total of EUR 5,328 thousand was allocated, also providing for the distribution of dividends for the 40% 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	655,152	B	655,152	-	-
Share premium reserve	7,828,952	A, B	7,828,952	-	-
Extraordinary reserve	11,221,128	A, B, C	11,221,128	-	-
FTA reserve	(770,669)	---	-	-	-
Revaluation reserve Law Decree no. 185/08	339,518	A, B	339,518	-	-
Valuation reserves	(37,061)	---	-	-	-
Total	**22,512,778**		**20,044,750**	-	-

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 9,453,363.88, please refer to the conclusions of the Management Report.

Other information
In these financial statements, with the exception of what is reported in "Part D - Other information - D. Guarantees issued and Commitments", there are no commitments and financial guarantees given, other commitments and other guarantees issued, assets and liabilities subject to offsetting or master netting or similar agreements and securities lending transactions.

With reference to guarantees received, please refer to "Part B - Information on the Balance Sheet - ASSETS" point "*4.6 Financial assets measured at amortised cost: guaranteed assets*".

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	31/12/2021	31/12/2020
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	**-**	**9,203,504**	**-**	**9,203,504**	**5,720,085**
3.1 Loans to banks	-	4	X	4	208
3.2 Receivables from financial companies	-	-	X	-	-
3.3 Loans to customers	-	9,203,500	X	9,203,500	5,719,877
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**29**	**29**	**478**
6. Financial liabilities	**X**	**X**	**X**	**-**	**-**
Total	**-**	**9,203,504**	**29**	**9,203,533**	**5,720,563**
of which: interest income on impaired financial assets	**-**	**-**	**-**	**-**	**-**
of which: interest income on leases	**X**	**-**	**X**	**-**	**-**

1.3 Interest expense and similar charges: breakdown

Items / Technical forms	Payables	Securities	Other transactions	31/12/2021	31/12/2020
1. Financial liabilities measured at amortised cost	2,696,942	275,485	-	2,972,427	1,626,682
1.1 Due to banks	1,934,136	X	X	1,934,136	1,538,394
1.2 Payables to financial companies	725,181	X	X	725,181	45,324
1.3 Due to customers	37,625	X	X	37,625	42,964
1.4 Securities issued	X	275,485	X	275,485	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	13	13	262
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**2,696,942**	**275,485**	**13**	**2,972,440**	**1,626,944**
of which: interest expense on lease payables	**37,625**	**X**	**X**	**37,625**	**42,964**

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Detail	Total 31/12/2021	Total 31/12/2020
a) leasing transactions	-	-
b) factoring transactions	20,800,830	14,747,709
c) consumer credit	-	-
d) guarantees issued	-	-
e) services of:		
- management of funds on behalf of third parties	-	-
- foreign exchange brokerage	-	-
- product distribution	-	-
- others	-	-
f) collection and payment services	-	-
g) servicing in securitisation transactions	-	-
h) other commissions	-	570
Total	**20,800,830**	**14,748,279**

2.2 Fee and commission expense: breakdown

Retail / Sectors	Total 31/12/2021	Total 31/12/2020
a) guarantees received	375	374
b) distribution of services by third parties	-	-
c) collection and payment services	-	-
d) other commissions	3,109,451	1,628,164
d.1 advances on business loans (Law no. 52/91)	412,610	217,419
d.2 others	2,696,841	1,410,745
Total	**3,109,826**	**1,628,538**

Fee and commission expense for advances on business receivables are represented by commissions and fees paid to third parties.
The sub-item "*Other*" is mainly composed of bank charges and commissions for Euro 1,595,204 and costs incurred for credit insurance for Euro 1,079,234.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items / Income	Total 31/12/2021		Total 31/12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	184	-	-	-
C. Financial assets measured at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**184**	**-**	**-**	**-**

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**	**(185)**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**(185)**

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	**2,558**	**-**	**-**	**3**	**2,555**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	2,558	-	-	3	2,555
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**2,558**	**-**	**-**	**3**	**2,555**

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 31/12/2021	Total 31/12/2020
	First stage	Second stage	Third stage		purchased or originated impaired		First stage	Second stage	Third stage	purchased or originated impaired		
			Write-off	Others	Write-off	Others						
1. Loans to banks	**(45)**	**-**	**-**	**-**	**-**	**-**	**11,478**	**-**	**-**	**-**	**11,433**	**(5,396)**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(45)	-	-	-	-	-	11,478	-	-	-	11,433	(5,396)
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
3. Loans to customers	**(200,117)**	**-**	**(41,610)**	**(230,025)**	**(137)**	**-**	**-**	**105,452**	**137,750**	**-**	**(228,687)**	**(708,052)**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(200,117)	-	(41,610)	(230,025)	(137)	-	-	105,452	137,750	-	(228,687)	(708,052) €
- for consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
- loans on pledge	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(200,162)**	**-**	**(41,610)**	**(230,025)**	**(137)**	**-**	**11,478**	**105,452**	**137,750**	**-**	**(217,254)**	**(713,448)**

The amounts included in the item "Loans and receivables with banks" refer to the amounts due from banks "on demand" reported in the item "Cash and cash equivalents".

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 41,747 euro.

For further details, please refer to "Part D - Other information - *Section 3 - Information on risks and related hedging policies*".

8.1a Net value adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

As at the date of these financial statements, there are no net value adjustments for loans subject to "moratoria" or other forbearance measures or that constitute new liquidity granted through public guarantee mechanisms.

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Types of expenses / Values	Total 31/12/2021	Total 31/12/2020
1. Employees	**4,560,804**	**3,705,926**
a) wages and salaries	3,251,757	2,653,754
b) social security contributions	927,042	714,559
c) severance pay	15,303	3,540
d) social security expenses	-	-
e) severance pay provision	185,061	172,900
f) allocation to the provision for pensions and similar obligations:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:		
- defined contribution	65,196	42,695
- defined benefit	-	-
h) other employee benefits	116,445	118,478
2. Other active personnel	-	-
3. Directors and Statutory Auditors	**674,727**	**566,291**
4. Retired personnel	-	-
5. Expense recoveries for employees seconded to other companies	-	-
6. Reimbursement of expenses for employees seconded to the company	-	-
Total	**5,235,531**	**4,272,217**

10.2 Average number of employees broken down by category

	2021	2020
Employees	55	49
a) executives	2	2
b) middle managers	7	7
c) remaining employees	46	40
Other personnel	-	-
Total	**55**	**49**

10.3 Other administrative expenses: breakdown

Type of expense / Values	Total 31/12/2021	Total 31/12/2020
Professional fees and consultancy	1,125,302	1,035,776
Charges for indirect taxes and duties	109,439	110,006
Maintenance costs	52,467	43,281
Utility costs	115,483	116,217
Rent payable and condominium expenses	78,481	73,940
Insurance	41,085	44,300
Other administrative expenses	1,914,723	1,551,179
Total	**3,436,980**	**2,974,699**

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	31/12/2021	31/12/2020
1. Allocations to the pension fund	**(56,155)**	**-**	**-**	**-**	**(56,155)**	**(7,467)**
2. Allocations to other provisions for risks and charges:	**(158,076)**	**-**	**-**	**-**	**(158,076)**	**(1,056,044)**
a) legal and tax disputes	-	-	-	-	-	(1,056,044)
b) personnel expenses	(158,076)	-	-	-	(158,076)	-
c) others	-	-	-	-	-	-
Total	**(214,231)**	**-**	**-**	**-**	**(214,231)**	**(1,063,511)**

With reference to the table above, please refer to the comments in section 10 of PART B - INFORMATION ON THE BALANCE SHEET - LIABILITIES.

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	**(713,412)**	**-**	**-**	**(713,412)**
A.1 For functional use	(713,412)	-	-	(713,412)
- owned	(314,135)	-	-	(314,135)
- rights of use acquired through leasing	(399,277)	-	-	(399,277)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leasing	-	-	-	-
A.3 Inventories	X	-	-	X
Total	**(713,412)**	**-**	**-**	**(713,412)**

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	**(231,268)**	**-**	**-**	**(231,268)**
of which: software				
1.1 owned	(231,268)	-	-	(231,268)
1.2 rights of use acquired through leasing	-	-	-	-
2. Assets relating to finance leases	-	-	-	-
3. Assets granted under operating leases	-	-	-	-
Total	**(231,268)**	**-**	**-**	**(231,268)**

Section 14 - Other operating income and expenses - Item 200

14.1 Other operating expenses: breakdown

	Total 31/12/2021	Total 31/12/2020
Contingent liabilities	(683,472)	(98,330)
Donations	(49,900)	(80,200)
Others	(121,166)	(51,730)
Total	**(854,538)**	**(230,260)**

The sub-item "Contingent liabilities" includes the amount of EUR 567,798.44, exceeding the provision allocated and used, paid during the year to settle a legal dispute.

14.2 Other operating income: breakdown

	Total 31/12/2021	Total 31/12/2020
Reimbursement of expenses	583,197	542,880
Insurance reimbursements	40,554	244,337
Contingent assets	145,214	19,786
Others	135,701	199,827
Total	**904,666**	**1,006,830**

The sub-item "Contingent assets" includes the following contributions:

- Art bonus for EUR 39,000
- Bonus for advertising investments for EUR 4,059
- Investment bonus in capital goods for EUR 438

The sub-item "Other" includes Euro 104,067 for direct costs (essentially personnel costs) relating to the development of software generated internally.

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

19.1 Income taxes for the year on current operations: breakdown

	Total 31/12/2021	Total 31/12/2020
1. Current taxes (-)	(4,001,211)	(3,025,714)
2. Changes in current taxes from previous years (+/-)	-	(88,144)
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 (+/-)	(471,528)	331,955
5. Change in deferred tax liabilities (+/-)	-	-
6. Taxes for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	**(4,472,739)**	**(2,781,903)**

Current taxes are due for EUR 3,170,406 from IRES and for EUR 830,805 from IRAP.
For the calculation of the income tax (IRES), the rate of 27.5% was applied, including 3.5% relating to the IRES surcharge. 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 66,758 for new deferred tax assets arising during the year and from decreases of EUR 538,286 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	3,829,679	27.50%	775,684	5.57%
Non-deductible transport costs	5,192	0.04%	0	0.00%
Non-deductible amortisation	8,972	0.06%	56	0.00%
Hotel / meal expenses and entertainment	24,020	0.17%	0	0.00%
Donations	19,938	0.14%	6,121	0.04%
Telephone expenses	4,587	0.03%	0	0.00%
Severance pay - actuarial portion of the income statement	8,559	0.06%	0	0.00%
Write-downs and non-deductible provisions	55,719	0.40%	11,286	0.08%
Other IRES adjustments (increases)	11,253	0.08%	0	0.00%
Other IRAP adjustments (increases)	0	0.00%	129,186	0.93%
Bad debt allowance for previous years	(23,029)	(0.17%)	(1,759)	(0.01%)
Patent box	(8,087)	(0.06%)	(1,638)	(0.01%)
Use of provisions for risks	(427,913)	(3.06%)	(86,672)	(0.61%)
Revaluation of securities	(703)	(0.01%)	(142)	0.00%
10% deduction - IRAP and IRAP on personnel	(15,564)	(0.11%)	0	0.00%
Effects of IFRS 16 - Lease payments	(4,095)	(0.03%)	(829)	(0.01%)
Portions of costs that cannot be capitalised - IAS	(174)	(0.00%)	(35)	(0.00%)
Other IRES adjustments (decreases)	(49,154)	(0.35%)	0	0.00%
Other IRAP adjustments (decreases)	0	0.00%	(453)	(0.01%)
ACE (aid for economic growth)	(267,224)	(1.92%)	0	0.00%
Energy savings deduction	(1,570)	(0.01%)	0	0.00%
TOTAL TAX CHANGES	(659,273)	(4.74%)	55,121	0.40%
INCOME TAXES AND ACTUAL TAX RATE	3,170,406	22.76%	830,805	5.97%
Change in deferred tax assets	385,234	2.77%	86,294	0.62%
Change in deferred tax liabilities	0	0.00%	0	0.00%
TOTAL TAXES	3,555,640	25.53%	917,099	6.59%
Overall total taxes	**4,472,739**	**32.12%**		

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 31/12/2021	Total 31/12/2020
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**-**	**9,203,500**	**-**	**-**	**20,800,830**	**30,004,330**	**20,467,586**
- on current receivables	-	-	8,593,799	-	-	19,226,061	27,819,860	19,669,927
- on future receivables	-	-	222,082	-	-	540,731	762,813	-
- on receivables purchased outright	-	-	387,619	-	-	1,034,038	1,421,657	797,659
- 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	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**-**	**9,203,500**	**-**	**-**	**20,800,830**	**30,004,330**	**20,467,586**

The difference between the amount of interest income shown in the table above and that of table 1.1 - PART C - Section 1 - Interest - is given by the interest income from banks and other interest income.

21.2 Other information

Analytical breakdown of interest expense and similar charges

Technical form	Amount
Current accounts payable	262,530
Pool loan	1,671,606
Advance invoices in Italy and abroad	716,327
Bonds	234,247
Commercial paper	41,238
Securitisation	8,854
Lease payables	37,625
Other interest expense	13
Total	**2,972,440**

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 31/12/2021			Total 31/12/2020		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing	**321,034,647**	**386,395**	**320,648,252**	**176,129,487**	**291,730**	**175,837,757**
• exposures to transferors (with recourse)	307,675,237	371,745	307,303,492	160,004,983	278,232	159,726,751
- assignment of future receivables	8,544,289	20,259	8,524,030	-	-	-
- others	299,130,948	351,486	298,779,462	160,004,983	278,232	159,726,751
• exposures to transferred debtors (without recourse)	13,359,410	14,650	13,344,760	16,124,504	13,498	16,111,006
2. Non-performing	**788,173**	**392,656**	**395,517**	**1,022,129**	**355,124**	**667,005**
2.1 Bad loans	695,630	379,044	316,586	768,752	336,955	431,797
• exposures to transferors (with recourse)	695,440	378,949	316,491	768,288	336,723	431,565
- assignment of future receivables	-	-	-	-	-	-
- others	695,440	378,949	316,491	768,288	336,723	431,565
• exposures to transferred debtors (without recourse)	190	95	95	464	232	232
- purchases below the nominal value	190	95	95	464	232	232
- others	-	-	-	-	-	-
2.2 Unlikely to pay	92,543	13,612	78,931	115,814	15,661	100,153
• exposures to transferors (with recourse)	92,543	13,612	78,931	115,814	15,661	100,153
- assignment of future receivables	-	-	-	-	-	-
- others	92,543	13,612	78,931	115,814	15,661	100,153
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.3 Non-performing past due exposures	-	-	-	137,563	2,508	135,055
• exposures to transferors (with recourse)	-	-	-	137,563	2,508	135,055
- assignment of future receivables	-	-	-	-	-	-
- others	-	-	-	137,563	2,508	135,055
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
Total	**321,822,820**	**779,051**	**321,043,769**	**177,151,616**	**646,854**	**176,504,762**

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
- on demand	44,208,448	25,889,792	60,232,628	37,313,923
- up to 3 months	221,692,600	115,599,408	291,908,194	164,399,735
- over 3 months to 6 months	36,010,020	17,599,772	45,763,298	28,951,673
- from 6 months to 1 year	5,787,846	1,297,782	7,195,579	2,056,748
- over 1 year	-	6,770	-	74,271
- indefinite duration	-	-	-	-
Total	**307,698,914**	**160,393,524**	**405,099,699**	**232,796,350**

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	
	31/12/2021	31/12/2020
- on demand	3,106,172	2,103,888
- up to 3 months	8,161,654	11,327,210
- over 3 months to 6 months	2,076,934	2,679,908
- from 6 months to 1 year	-	-
- over 1 year	95	232
- indefinite duration	-	-
Total	**13,344,855**	**16,111,238**

B.3 - Other information

B.3.1 - Turnover of receivables subject to factoring transactions

Items	31/12/2021	31/12/2020
1. Transactions without recourse	73,168,958	33,600,334
- of which: purchases below nominal value		
2. Transactions with recourse	1,329,701,125	727,122,103
Total	**1,402,870,083**	**760,722,437**

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 2021.

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

Items	31/12/2021	31/12/2020
Flow of contracts for the purchase of future receivables during the year	36,092,806	-
Amount of contracts outstanding at year end	12,021,335	-

As at 31 December 2021, the net exposure for future receivables amounted to EUR 8,524,030.

D. Guarantees issued and Commitments

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

Transactions	Amount 31/12/2021	Amount 31/12/2020
1. Financial guarantees issued on first demand	**101,394,853**	**16,526,249**
a) Banks	23,458,842	16,526,249
b) Financial companies	77,936,011	-
c) Customers	-	-
2. Other financial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
3. Commercial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
4. Irrevocable commitments to disburse funds	**-**	**-**
a) Banks	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
b) Financial companies	-	-
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	**101,394,853**	**16,526,249**

In relation to "Financial guarantees issued on first demand - a) Banks", 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 2021, the credit balance of the current accounts subject to the pledge amounted to EUR 23,458,842, while the payable relating to the loan amounted to EUR 133,228,665.

“Financial guarantees given on first demand - b) Financial companies” includes the amount of with-recourse guarantees issued in relation to the “refactoring” financing transactions entered into with counterparties of Italian factoring companies, in which Generalfinance maintains the guarantee of solvency on reclassified loans. The amount of the guarantee, covering the entire with-recourse exposure, is equal to the debt for with-recourse transfer transactions as at the reference date.

In addition, it should be noted that the Company pledged part of the loans purchased from its transferors as guarantee to the pool of banks, in line with the provisions of the “Revolving Credit Facility” agreement renewed in advance in November 2021. In particular, the amended contract envisages that Generalfinance - at each drawdown of the RCF line - make assignments as collateral of nominal loans for a total amount equal to the amount of the line used as at the reference date. Since this is a particular case and different from a financial or personal guarantee, this guarantee is not indicated in the table above.

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	**-**	**-**	**101,394,853**	**469**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	101,394,853	469	-	-	-	-	-	-	-	-
- 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	**-**	**-**	**101,394,853**	**469**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**-**	**16,526,249**	**-**	**-**	**-**	**-**
(B) Increases	**-**	**84,868,604**	**-**	**-**	**-**	**-**
- (b1) guarantees issued	-	84,868,604	-	-	-	-
- (b2) other increases	-	-	-	-	-	-
(C) Decreases	**-**	**-**	**-**	**-**	**-**	**-**
- (c1) guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to non-performing guarantees	-	-	-	-	-	-
- (c3) other decreases	-	-	-	-	-	-
(D) Final gross value	**-**	**101,394,853**	**-**	**-**	**-**	**-**

D.12 - Changes in total value adjustments / provisions

Reasons / Categories	Amount
A. Initial total value adjustments / provisions	**8,262**
B. Increases	**-**
B.1 value adjustments from purchased or originated impaired financial assets	-
B.2 other value adjustments / provisions	-
B.3 losses on disposal	-
B.4 contractual changes without cancellations	-
B.5 other increases	-
C. Decreases	**7,793**
C.1 write-backs from valuation	7,793
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	**469**

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

A - Securitisation transactions

Qualitative information

On 13 December 2021, Generalfinance signed the first securitisation programme - three-year and subject to annual renewal - of trade receivables under which it will transfer without recourse, on a revolving basis, portfolios of performing trade receivables originated in the exercise of its core business - factoring to distressed companies - to an Italian vehicle company established pursuant to the law on securitisation (General SPV S.r.l.) - up to a maximum nominal amount of EUR 295 million.

Purchases of receivables are financed through the issue of three classes of partly paid ABS securities, with different degrees of subordination, in particular:

- Maximum EUR 200,000,000 of Senior Notes, subscribed by BNP Paribas, through the Matchpoint Finance LTD conduit, with an initial commitment of EUR 75 million;
- Maximum EUR 21,200,000 of Mezzanine Notes - initially subscribed and withheld by Generalfinance - will be subsequently placed with institutional investors;
- Maximum EUR 14,800,000 of Junior Notes, fully subscribed and withheld by Generalfinance, also in order to satisfy the regulatory retention rule.

The securities issued by General SPV are unrated and are not listed.

The program is designed to finance the growth of the *business* of Generalfinance at the service of Italian SMEs, also in financial tension and / or involved in procedures for the settlement of the business crisis.

As part of the securitisation - which does not determine the deconsolidation of loans to customers, which will therefore continue to be recorded in the financial statements of the factor - Generalfinance will operate as Sub-Servicer.

From an accounting point of view - on the basis of the economic substance of the transaction - the amount of the *senior* notes subscribed by Matchpoint Finance LTD was recognised under liabilities in the balance sheet, under financial liabilities measured at amortised cost, as it represents the loan obtained from Generalfinance through the securitisation structure. The mezzanine and junior notes - fully retained by Generalfinance at the balance sheet date - were subscribed to offset the corresponding part of the initial consideration relating to the assignment of the receivables by the originator; therefore, these notes do not appear in the financial statements as they do not represent a cash exposure of Generalfinance.

The company has no exposure to third party securitisation.

Quantitative information

As at 31 December 2021, the payable to the vehicle company (including accrued interest) amounted to EUR 35,799,682.

The capital structure - with the relative maximum values - of the only securitisation transaction in place at the reporting date is shown below.

Transaction: General SPV	Amount
Nominal outstanding of receivables	295,000,000.00
Nominal value of notes issued - General SPV	
Senior	200,000,000.00
Mezzanine	21,200,000.00
Junior	14,800,000.00
TOTAL	**236,000,000.00**

The table below shows the parts of the General SPV securitisation.

Role	Subject
Issuer and Transferee	General SPV S.r.l. - Special purpose vehicle established pursuant to Law no. 130/99
Master Servicer	Zenith Service S.p.A.
Originator /Sub-Servicer	Generalfinance S.p.A.
Programme Agent	BNP Paribas S.A., Italian branch
Calculation Agent	Zenith Service S.p.A.
Corporate Servicer	Zenith Service S.p.A.
Representative of the bondholders	Zenith Service S.p.A.
Interim Account Bank	Banco BPM S.p.A.
Account Bank	The Bank of New York Mellon SA/NV Milan branch
Paying Agent	The Bank of New York Mellon SA/NV Milan branch
Subscriber of the ABS Senior Notes	BNP Paribas SA, through the Matchpoint Finance LTD conduit
Subscriber of the ABS Mezzanine[1] and Junior Notes	Generalfinance S.p.A.

1 – Initial Subscriber of the ABS Mezzanine Notes

The following table shows the conditions of the *senior funding*, subscribed by BNP Paribas, through Matchpoint Finance LTD.

Description	Level
Senior Noteholders	BNP Paribas SA, through Matchpoint Finance LTD
Target of Senior Funding Line	Target 3-year Senior Loan Line: EUR 200 mln Senior Loan Line at closing: EUR 100 mln
Line committed to Closing	EUR 75 million
Uncommitted line at Closing	EUR 25 million
Duration	3 years with commitment renewable annually
Revolving period	3 years, subject to early termination events
GF Advance Amount	Limit 82.5%
Senior Advance Rate	85% (senior note) of the advances of GF (Initial Advanced Amount)
Portfolio subject to the Transaction	With Recourse Factoring and Without Recourse Factoring
Credit support	Dynamic Credit Enhancement based on the levels of (i) default, (ii) dilution, (iii) of the average amount financed to the Originators, subject to a floor and adjusted for the level of concentration of the Debtors. The Credit Support corresponds to the DPP and is expected to be equal to approximately 20% of the nominal value of the Portfolio
Senior securities	Variable Funding Notes equal to 85% of the advances of GF
Mezzanine securities	Partly Paid Notes equal to 8.8% of the advances of GF
Junior Notes	Partly Paid Notes equal to 6.2%[1] of the advances of GF
Interest Rate	EURIBOR 1M with floor at 0% + Margin
Margin	1.08% per annum
Commitment Fee	0.33% per annum of the portion of the committed line not used
Rating	Not provided for
Hedging	Not provided for

Notes: [1] Assuming an Initial Purchase Price equal to 80% of the nominal value of the loans transferred.

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 (and the transferor, in the case of with-recourse transactions) 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 unexpected 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 that arises in relation to changes in the value of assets / liabilities sensitive to fluctuations in interest rates following a change in the structure by maturity (Duration GAP).
- **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). For Generalfinance, the case of funding liquidity risk is particularly relevant. In other words, the liquidity risk derives from a possible imbalance between expected cash flows and outflows and the consequent imbalances / surpluses in different maturity brackets, depending on the collectability of the assets or payment of the liabilities divided by residual life (maturity ladder).
- **Residual risk:** risk that the recognised techniques for mitigating credit risk used by the Company are less effective than expected. This risk essentially arises when, at the time of the debtor's impairment, the mitigation instrument against the exposure provides, in fact, a degree of protection lower than that originally envisaged and, consequently, the equity benefit obtained with the related usage is overestimated.
- **Securitisation risk**: risk determined by the absence of adequate policies and procedures to ensure that the economic substance of said transactions is fully in line with their risk assessment and with the decisions of the corporate bodies. The Company does not transfer the risk of the portfolio with the only securitisation transaction carried out (General SPV), as the transaction itself is aimed exclusively at raising funds on the institutional market.
- **Excessive leverage risk**: risk that a particularly high level of indebtedness with respect to the amount of equity makes the intermediary vulnerable, making it necessary to adopt corrective measures to its business plan, including the sale of assets with recognition of losses that could be entail value adjustments also on the remaining assets.
- **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.
- **IT risk**: risk of incurring economic, reputation and market share losses in relation to the use of Information and Communication Technology (ICT).

- **<u>Risk deriving from outsourcing</u>:** risk linked to the outsourcer's activities, in particular to its inefficiency / service disruptions and to the loss of skills by the Company's human resources. These are mainly operational risks, although the implications for credit, compliance and reputational risks are not negligible.

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

- the Credit Department (Chief Lending Officer) oversees the management of credit risk, country risk and concentration risk, being organisationally responsible for the various phases of the credit process (investigation / granting / monitoring / recovery);
- The Finance and Administration Department (Chief Financial Officer) manages and monitors liquidity, interest rate, residual, securitisation, excessive leverage 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);
- The Risk Management and Compliance Department monitors the risk of non-compliance and the risk deriving from outsourcing relationships;
- The ICT and Organisation Department oversees IT risk.

On an operational level, the Finance and Administration Department provides periodic reports (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 (commercial data, asset figures, profitability of factoring transactions) and monthly (tableau de bord, which summarises financial, portfolio risk and liquidity information, capitalisation) basis.

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.

CONTROL SYSTEM

The internal control system implemented by the Company ("ICS") consists of the set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk of involvement, even involuntary, in illegal activities (with particular reference to those connected with money laundering, usury and terrorism financing);
- compliance of transactions with the law and supervisory regulations, as well as internal policies, regulations and procedures.

In relation to the issue of the ICS, during the year, the Board of Directors approved a significant redefinition of the same, leaving the "Single Control Function", with the consequent establishment and new assignment of the second and third level control functions.

Risk Management and Compliance Department

In the organisation of Generalfinance, the risk management function is located at the "Risk Management and Compliance Office", which is also responsible for the activities relating to the compliance function. This consolidation was considered

consistent with the proportionality principle which allows the performance of the compliance and risk management functions to be assigned to the same department (see Circular no. 288/2015, Title III - Chapter 1 - Section III - 15).
The office reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.
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 Risk Management and Compliance Office, 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 organisational 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, this office contributes to the definition of risk measurement methods, verifying ongoing compliance with the overall prudential supervisory limits imposed by the Supervisory Authority.

Internal Audit Function
The internal audit function is allocated to the Board of Directors, headed by a non-executive Director with adequate professionalism and independence requirements. Therefore, the head of the internal audit function functionally reports to the Board of Directors.
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 powers of the anti-money laundering function to the internal audit function.
The Anti-Money Laundering Department is placed with the Legal and Corporate Affairs Department, under the responsibility of the head of said department. The latter is an organisational unit not involved in operating activities (except for the management of disputes brought against the company)and reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.
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 operating area of Generalfinance, is the main determinant 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 the bulk 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.

Impacts deriving from COVID-19

In 2021, the Company did not approve moratoria on existing loans, did not grant changes to the loan agreements as a result of COVID-19 and did not disburse loans backed by the State guarantee. The Company showed itself to be willing to reschedule certain deadlines in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected as at the reporting date.

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 carried out by the Credit Department, which:

- through the Risk Assessment Office, it ensures the compliance of loan applications with the Company's credit policy and expresses opinions for decision-making purposes. This Office is also responsible for the activities that characterise the preliminary phase and the secretarial activities of the Credit Committee.
- Through the Credit Management Office, it is responsible for the continuous monitoring of the solvency of customers and the management of the timely collection of receivables, acquiring all the information useful or necessary for a correct representation of the commercial relationship.
- It oversees the process of disbursement of credit and settlement of amounts not advanced to transferors, through the Credit Management Office.
- It 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 manages 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 Credit Division;
- the Head of the Sales Department.

Non-voting members are:

- the Head of the Corporate Customer Management Office;
- the Head of the Retail Customer Management Office.

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 “Classification and measurement of credit exposures” Policy supplemented, operationally, by the “Credit & Collection 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 Administration and Personnel Department, for the purpose of the correct acknowledgement of the results in the context of financial and

reporting.
As part of the credit process, the Risk Management and Compliance Office plays an important role, which is responsible for second-level controls on the credit process. With regard to compliance, the Risk Management and Compliance Office, 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 Risk Management and Compliance Department is responsible for the ex post control of the risk level of the Company's loan portfolio (risk management). 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;
• monitoring the correct functioning of the IFRS 9 framework, as part of the determination of the so-called *Expected Credit Loss.*

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 financial tension situations, during and after the restructuring procedure;
- "performing" companies, which are offered flexible services, aimed at solving financing problems, also extended to customers and suppliers.

The reference area in which the company operates, as regards transferred debtors, is mainly represented by the so-called "Eurozone". A component - historically around 25% - of turnover is achieved with foreign debtors transferred, mainly in the EU and North America, with a limited assumption of "country risk". As regards Transferors, the scope of operations relates to Italian companies. In particular, at geographical level, operations are mainly concentrated in Northern Italy - with a particular focus on Lombardy - and, at sector level, in manufacturing and sales.
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 Company's main transactions are as follows:
• With recourse factoring: 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 assigned gradually extinguishes the loan and covers its costs and the residual amount (any difference between the nominal amount of the receivable collected and the amount disbursed as an advance) is transferred to the Transferor.
The average percentage of advance payments on the entire portfolio does not normally exceed 80% 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.
• Without recourse factoring: 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. The transactions without recourse carried out by the company are IAS-compliant, with the transfer of risks from the Transferor to the factor.
The transactions carried out by Generalfinance normally provide for the notification of the individual assignments to the Transferred Debtor ("Factoring Notification"); in particular situations and with specific operational controls, transactions are carried out without notification ("Non-notification").
The assignments normally concern receivables that have already arisen while in certain situations - on the basis of specific operational controls defined from time to time by the decision-making body - assignments of future receivables are carried out.

The assumption of risks involves the acquisition of suitable documentation to allow an assessment of the individual customer, codified in an investigation process, which also provides for customer profiling for anti-money laundering purposes. Through this activity, an analysis report is prepared in favour of the Credit Committee aimed at highlighting the level of credit risk associated to the Transferor and the Transferred Debtors (evaluated, in said case, also at overall portfolio level), 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 overall risk situation, 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 Transferred Debtors belonging to the same legal or economic group;
- continuous verification of the regularity of payments by the Transferred Debtors;
- portfolio diversification;
- the continuity and quality of commercial relations between supplier and customer;
- 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 (also in the form of recognition) by the Transferred debtor, on positions deemed worthy of special attention;
- notification to debtors of the Letter of Initiation - LIR and of the individual assignments in order to obtain the enforceability of the factoring transactions and the channelling of collections;
- 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 economic sector and geographical location.

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

• <u>Investigation</u>: represents the moment in which credit applications from customers are acquired and assessed submitted, 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 analysed.

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

• <u>Activation of the relationship</u>: phase in which the contractual documentation is formalised;

• <u>Disbursement</u>: indicates the management process at the end of which the amount subject to the advance of the transferred credit is credited to the Transferor. It therefore refers to a progression of management activities that result in the provision of funds in favour of the Transferor.

• <u>Settlement</u>: indicates the possible management process, at the end of which the amounts Not Disbursed Available are credited to the Transferor, accrued as a result of the collection of the assigned receivables, following the payment made by the Assigned Debtor.

• <u>Monitoring and review</u>: 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.

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

• <u>Reporting</u>: 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 (individual or at Group level), 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.

The percentage of disbursement

The percentage of disbursement is defined as the ratio between the value advanced by Generalfinance during the disbursement phase and the nominal value of the loans transferred by the customer to the Company.
The percentage of disbursement per individual Transferor / Debtor 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 on each occasion a disbursement is carried out).

Debtor Advance Limit

In addition to the previous one, an additional operating limit is assessed ("Debtor Advance Limit") which represents the maximum amount within which Generalfinance is available to disburse amounts by way of Advance on receivables due from a single Debtor or a group of related Debtors. It represents the ratio between the maximum limit (in terms of nominal value) of receivables due from a single Debtor (or group of related Debtors) that the Company is willing to acquire from a particular Transferor ("Cross Credit Line") and the percentage of advances on individual loans.
In any case, the Debtor Advance Line cannot, in any case, 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.

Pricing

The pricing of factoring transactions is calculated on the basis of a preliminary assessment by the Transferor, but is significantly affected by the outcome of the analysis of the transferred debtors.
To this end, the following are relevant for listing purposes:
- the employment forecasts proposed by the Transferor;
- the defined operating procedures (acceptance, recognition, non-notification);
- the average payment days;
- the number of debtors transferred and their creditworthiness.

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, degree of insurance as well as in relation to any historical insolvencies;
- 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 Risk Assessment Office 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 status at the reporting date according to the regulatory definition of impaired loans (EU Regulation 575/2013, EBA GL 2016/07 and Consultation Document of the Bank of Italy of 10 June 2020 "Amendments" to the supervisory provisions for financial intermediaries: application of the new definition of default and other changes regarding credit risk, own funds, investments in property and significant transactions ").

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 subsequent classification of the exposure in Stage 2 in relation to certain automatic events (triggers), for the past due condition is evaluated, according to the definition of the Delegated Regulation (EU) no. 171.2018 on the materiality threshold of past due obligations pursuant to art. 178, paragraph 2, letter d) of the CRR (RD) 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 Company has implemented an accounting model in line with the provisions of international accounting standards, in order to calculate the risk parameters underlying the determination of the *Expected Credit Loss* (ECL): PD, LGD, EAD, at the level of individual exposure.
The Standard provides that the calculation of expected losses (*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.

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, taking into account the duration of the financial instrument.
In this regard, the approach adopted was differentiated to take into due consideration the significant increase in credit risk associated with loans classified in Stage 2. In light of these considerations, taking into account the short duration (less than one year) of loans disbursed by the Company, a time factor is applied to positions classified as Stage 1 that re-proportions the exposure on the basis of the residual life of the loan, applying a minimum floor (30 days), according to the following formula:

$$EAD = Esposizione * N/365$$

Where N represents the number of days remaining for the single due date of the loan (so-called “practical line”).

On the other hand, with regard to the positions classified as Stage 2, in consideration of the observed significant increase in credit risk, it is decided not to use any split of the exposure.

The calculation of expected losses - with the related definition of the risk parameters - is updated periodically and in any case at each reporting date. In particular, the expected loss recognised is measured taking into consideration the specific nature of the portfolio and the business model, or the active risk mitigation policies used in portfolio management.
The ECL is therefore calculated according to the following formula:

$$ECL = PD * LGD * EAD$$

- PD represents the probability of default considering a time horizon of 1 year;
- LGD represents the loss given default;
- EAD measures exposure at default.

Considering that the average credit days are very limited (on average less than 90 days), the different degree of risk recorded between the positions classified in Stage 2 compared to the positions in Stage 1 is intercepted through the use of a time factor applied to the EAD, added to the calculation formula, as specified above.

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 the probability of default provided by external providers (Bloomberg), taking into account an estimated LGD of 10%.

Risk parameters: Probability of Default (PD)

The Probability of Default is measured at the level of the assigned debtor; this approach is also consistent with the company's business model, which assesses the risk of the counterparties primarily on the basis of the Assigned Debtors portfolio. The approach is also consistent with the provisions of the Supervisory regulations which, under certain legal and operating conditions, allow the transfer of the risk to the transferred debtor - in place of the transferor - for prudential purposes also for with recourse transactions. which represents the core business of Generalfinance.

The 12-month PD is the one inferred from the ratings provided by external providers, i.e. from the associated PDs.

Taking into account the estimated time horizon of the PD, i.e. 12 months, it is considered reasonable to consider the rating of each transferred debtor on an annual basis. Where the rating has been validated beyond the previous 12 months, it is discarded by the system and the position is treated as unrated.

With regard to the estimate of the lifetime PD to be used to calculate the ECL for loans classified as Stage 2, the following elements were taken into consideration:

- specific nature of the business model ("factoring");
- average days of credit of the portfolio less than 90 days on average.

The proxy of the lifetime PD, the 12-month PD identified according to the previously reported approaches.

With regard to counterparties for which it is not possible to identify any rating provided by external providers, a PD equal to the weighted average PD of the loan portfolio is used as a proxy. This PD is updated periodically (at least annually) in order to reflect the latest information available on the portfolio in the calculation.

Risk parameters: Loss Given Default (LGD)

For the definition of the Loss Given Default (LGD) parameter to be used, due consideration was given to the company's business model that makes it possible, for receivables with recourse, to recover the credit position from both the transferred and the transferor. Therefore, two different approaches were used, for with and without recourse portfolios, in order to incorporate a different estimate of the loss, in line with i) the management of the portfolio ii) the specific nature of the business iii) the different risk mitigation levels.

Risk parameters: Exposure at Default (EAD)

The Exposure at Default or EAD at the reference date consists of the carrying amount at amortized cost. More specifically, the EAD for factoring transactions is equal to the exposure (disbursed not yet collected net of any unpaid portions already collected and not yet retroceded to the Transferor) at the reporting date.

Forward-looking elements and macro-economic 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 the lifetime expected loss is therefore fundamental for a correct implementation of IFRS 9. However, in consideration of the approach adopted for the estimate of the ECL, the following elements are noted:

- the use of an accurate PD from "third-party" information sources makes it possible to incorporate forward looking elements that are reasonably foreseeable in the short term and taken into consideration by the infoproviders that process the external ratings ;
- the updating the LGD on an annual basis makes it possible to increase the representativeness of the estimate, already incorporating forward-looking elements in the calculation model.

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, the write-off resolutions are adopted by the Credit Committee on the proposal of the Credit Department, once the reasonable expectations of recovery, including legal, of the exposure no longer exist. 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

<u>Insurance guarantees</u>
Generalfinance has signed with Euler Hermes S.A., secondary office and general representation for Italy (“EH”), two insurance policies against the risks of insolvency of the transferors of the trade receivables and / or the related debtors transferred acquired by the Company in the context of factoring transactions (the “Policies”).

In order to improve the disclosure of risk-weighted assets relating to the core business, starting from the prudential reports of June 2021, the Company uses the Policies as instruments to mitigate credit risk, also for prudential purposes for the management of credit risk (credit risk management, “CRM”), in compliance with the provisions of the CRR and the Circular no. 288/2015. This use takes place in the context of a long-term strategic partnership with the company whose primary objective is to support the internal structures in the risk assessment activity, thanks to the enormous information assets, at global level, that EH can boast on the assigned debtors. For Generalfinance, the company is therefore seen as a business partner, rather than a pure protection “provider”, which makes the insurance contract particularly effective in the ordinary management of the activity and high-performing from the point of view of the “claims on premiums” ratio.

Due to the recognition of the Policies for CRM purposes, the Company has a so-called “large exposure” towards the guarantor EH. Therefore, the overall exposure to EH must comply with the requirements of the CRR and, in particular, not exceed 25% of the Company’s eligible capital, thus limiting the maximum protection effects recognised for prudential purposes to this amount.
In this context, the impacts deriving from the recognition of the Policies for prudential purposes - in terms of lower risk-weighted assets - are calculated on the basis of the maximum exposure to EH, weighted at 20% based on its rating; in essence, Generalfinance - starting from 30 June 2021 - calculates on a quarterly basis the ratio between the limit of large risks and the total exposure insured by EH. This percentage is then applied to the insured risk of each exposure, thus dividing the insurance benefit proportionally over all guaranteed exposures.
The activities carried out by Generalfinance in order to continuously verify the eligibility of insurance policies for CRM purposes and consequently recognise their effect in the calculation of capital requirements are summarised below.
The guarantee management process for CRM purposes is divided into the following sub-phases:

- Acquisition of the guarantee: in this phase, the supplier of the guarantee (i.e. the insurance company) is selected and evaluated. In this context, attention is also paid to the possible concentration risk that would derive from the use of the personal guarantee, taking into account the nature of the guarantee provider, its creditworthiness and business model; in any case, from an internal policy point of view, also taking into account the constraints relating to loan agreements, Generalfinance underwrites policies to hedge credit risk exclusively with leading companies (Euler Hermes - current partner - Coface or Atradius) for the purpose of avoiding the concentration of risks on insurance intermediaries of lower standing. The assessment is carried out by the Credit Department and resolved by the Board of Directors.
- Assessment of eligibility requirements: the eligibility of the guarantee for CRM purposes is assessed, in particular by verifying the type of guarantee and whether the contractual conditions are in line with regulatory provisions; in this context, the contractual text of the policy is defined by the Credit Department and must be

submitted in advance to the Finance and Administration Department, which is responsible for assessing compliance with regulatory provisions on CRM.

- Monitoring of the guarantee, a phase in turn broken down into:

  - Monitoring of eligibility requirements: the objective of this monitoring is to verify the continued compliance of the guarantee contract with the regulatory provisions, with particular attention to the phases of renewal of the insurance policy contract or in the presence of contractual changes; in this context, any amendment to the insurance contract must be submitted in advance to the Finance and Administration Department, which is responsible for assessing compliance with regulatory provisions on CRM.
  - Compliance with contractual conditions and clauses: the objective of this phase is to comply with the operating procedures and practices that allow Generalfinance to operate in compliance with the contractual conditions contained in the guarantee contract, in order to maintain the effectiveness of the protection; this activity is the responsibility of the Credit Department, which assesses that the Company's operations are constantly in line with contractual provisions;
  - Identification of the relevant characteristics of the policy for reporting purposes: the characteristics of the guarantee used for CRM purposes are analysed in order to identify the relevant aspects for the Supervisory Reports, such as the determination of the value of the guarantee or the weighting to be associated with the supplier of the guarantee, with particular reference to compliance with concentration limits. This activity falls under the responsibility of the Finance and Administration Department (Supervisory Reporting Office).

<u>External ratings provided by ECAI</u>

For the purposes of the Standardised Approach, to determine the risk weight of an exposure, the regulator envisages the use of the external credit assessment only if issued, or endorsed, by an external credit assessment agency (External Credit Assessment Institution "ECAI").
The list of authorised ECAIs is periodically published on the EBA website and adopted by the Bank of Italy. The technical standards regarding the association between the credit risk assessments and the creditworthiness classes of the ECAIs are identified in Implementing Regulation (EU) no. 2016/1799, in accordance with Article 1361, paragraphs 1 and 3, of Regulation (EU) no. 575/2013.

In line with the aforementioned regulations, Generalfinance - starting from 30 June 2021 - uses Cerved Rating Agency SpA ("CRA") as external rating agency (known as ECAI) for the calculation of RWAs relating to exposures to companies, with specific reference to those joint-stock companies that, at the reporting date, have an exposure of more than EUR 100,000, as part of the factoring relationship (without recourse or with recourse) , with the name of the risk on the Transferred Debtor) with a maximum payable amount of more than EUR 2 million.

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) investigation (customer / transferor assessment, debtor assessment, guarantor assessment); (iii) approval of the Credit Committee; (iv) formalisation and activation of the advance relationship; (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:

- the classification as impaired past due takes place automatically, on the basis of the provisions of Bank of Italy Circular no. 217, with specific reference to the technical form of factoring and the new definition of default valid from 1 January 2021 provided for by the European Regulation relating to prudential requirements for credit institutions and investment firms (Article 178 of EU Reg. no. 575/2013);
- 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 non-performing / non-performing is always resolved by the Credit Committee on the proposal of the Credit 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) (as 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 as 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 as 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.

With regard to unlikely to pay and bad loans, the value of the provisions is always established by resolution of the Credit Committee on the proposal of the Credit Department, 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	316,586	78,931	-	10,273,891	310,374,361	321,043,769
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	-	-	-	-	28,415	28,415
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2021	**316,586**	**78,931**	**-**	**10,273,891**	**310,402,776**	**321,072,184**
Total 31/12/2020	**431,797**	**100,153**	**135,055**	**1,248,716**	**174,635,339**	**176,551,060**

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	788,173	392,656	395,517	38,000	321,034,647	386,395	320,648,252	321,043,769
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	28,415	28,415
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2021	**788,173**	**392,656**	**395,517**	**38,000**	**321,034,647**	**386,395**	**320,676,667**	**321,072,184**
Total 31/12/2020	**1,022,129**	**355,124**	**667,005**	**-**	**176,129,487**	**291,730**	**175,884,055**	**176,551,060**

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

Portfolios / risk stages	First stage			Second stage			Third stage			purchased or originated impaired		
	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	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	6,240,628	3,965,981	-	4,688	62,594	-	-	-	395,422	-	-	95
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**6,240,628**	**3,965,981**	**-**	**4,688**	**62,594**	**-**	**-**	**-**	**395,422**	**-**	**-**	**95**
Total 31/12/2020	**14,924**	**23,720**	**-**	**770,403**	**439,669**	**-**	**-**	**-**	**666,773**	**-**	**-**	**232**

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						Purchased or originated impaired financial assets								
	Current accounts and demand deposits with Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Current accounts and demand deposits with Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Current accounts and demand deposits with Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	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	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to disburse funds and financial guarantees issued - purchased and/or originated impaired	
Initial total adjustments	**12,102**	**182,841**	-	-	-	**194,943**	-	**108,889**	**-**	-	**-**	**108,889**	-	**354,892**	-	-	**354,892**	-	**232**	-	-	**232**	-	-	-	-	-	**658,956**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments / write-backs for credit risk (+/-)	(11,434)	200,117	-	-	-	188,683	-	(105,452)	-	-	-	(105,452)	-	92,275	-	-	92,275	-	-	-	-	-	-	-	-	-	-	175,506
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,606)	-	-	(54,606)	-	(137)	-	-	(137)	-	-	-	-	-	(54,743)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total final adjustments	**668**	**382,958**	-	-	-	**383,626**	-	**3,437**	**-**	-	**-**	**3,437**	-	**392,561**	-	-	**392,561**	-	**95**	-	-	**95**	-	-	-	-	-	**779,719**
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	41,610	-	-	41,610	-	137	-	-	137	-	-	-	-	-	41,747

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	316,558	16,420,288	-	-	492,600	-
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 31/12/2021	**316,558**	**16,420,288**	**-**	**-**	**492,600**	**-**
Total 31/12/2020	**7,604,844**	**1,688,544**	**-**	**-**	**622,204**	**-**

5a. Loans subject to COVID-19 support measures: transfers between the different stages of credit risk (gross values)

As at the date of these financial statements, there are no loans subject to “moratoria” or other forbearance measures or that constitute new liquidity granted through public guarantee mechanisms.

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
		First stage	Second stage	Third stage	purchased or originated impaired		First stage	Second stage	Third stage	purchased or originated impaired		
A. Cash credit exposures												
A.1 On sight		**33,457,129**	**-**	**-**	**-**		**668**	**-**	**-**	**-**	**33,456,461**	**-**
a) Non-performing		X	-	-	-		X	-	-	-	-	-
b) Performing		33,457,129	-	X	-		668	-	X	-	33,456,461	-
A.2 Others		-	-	-	-		-	-	-	-	-	-
a) Bad loans		X	-	-	-		X	-	-	-	-	-
- of which: forborne exposures		X	-	-	-		X	-	-	-	-	-
b) Unlikely to pay		X	-	-	-		X	-	-	-	-	-
- of which: forborne exposures		X	-	-	-		X	-	-	-	-	-
c) Non-performing past due exposures		X	-	-	-		X	-	-	-	-	-
- of which: forborne exposures		X	-	-	-		X	-	-	-	-	-
d) Performing past due exposures		-	-	X	-		-	-	X	-	-	-
- of which: forborne exposures		-	-	X	-		-	-	X	-	-	-
e) Other performing exposures		-	-	X	-		-	-	X	-	-	-
- of which: forborne exposures		-	-	X	-		-	-	X	-	-	-
TOTAL (A)		**33,457,129**	**-**	**-**	**-**		**668**	**-**	**-**	**-**	**33,456,461 €**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing		X	-	-	-		X	-	-	-	-	-
b) Performing		-	-	X	-		-	-	X	-	-	-
TOTAL (B)		**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)		**33,457,129**	**-**	**-**	**-**		**668**	**-**	**-**	**-**	**33,456,461**	**-**

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
		First stage	Second stage	Third stage	purchased or originated impaired		First stage	Second stage	Third stage	purchased or originated impaired		
A. Cash credit exposures												
a) Bad loans	695,630	X	-	695,440	190	379,044	X	-	378,949	95	316,586	38,000
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	92,543	X	-	92,543	-	13,612	X	-	13,612	-	78,931	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	10,349,249	10,281,409	67,840	X	-	75,358	74,800	558	X	-	10,273,891	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	310,685,398	310,104,499	580,899	X	-	311,037	308,157	2,880	X	-	310,374,361	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**321,822,820**	**320,385,908**	**648,739**	**787,983**	**190**	**779,051**	**382,957**	**3,438**	**392,561**	**95**	**321,043,769**	**38,000**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (B)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B)	**321,822,820**	**320,385,908**	**648,739**	**787,983**	**190**	**779,051**	**382,957**	**3,438**	**392,561**	**95**	**321,043,769**	**38,000**

6.4a Loans subject to COVID-19 support measures: gross and net values

As at the date of these financial statements, there are no loans subject to “moratoria” or other forbearance measures or that constitute new liquidity granted through public guarantee mechanisms.

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	**768,752**	**115,814**	**137,563**
- of which: exposures sold but not derecognised	-	-	-
B. Increases	**496,915**	**-**	**-**
B.1 inflows from performing exposures	492,600	-	-
B.2 inflows from purchased or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	4,315	-	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	-	-	-
C. Decreases	**570,037**	**23,271**	**137,563**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	95,520	970	-
C.3 collections	474,517	17,986	137,563
C.4 gains on disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	4,315	-
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	**695,630**	**92,543**	**-**
- 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	**336,955**	**-**	**15,661**	**-**	**2,508**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-
B. Increases	**230,090**	**-**	**-**	**-**	**-**	**-**
B.1 Value adjustments from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	230,025	-	-	-	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	65	-	-	-	-	-
B.5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**188,001**	**-**	**2,049**	**-**	**2,508**	**-**
C.1 write-backs from valuation	-	-	-	-	-	-
C.2 write-backs from collection	133,329	-	1,913	-	2,508	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	54,672	-	71	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	65	-	-	-
C.6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Total final adjustments	**379,044**	**-**	**13,612**	**-**	**-**	**-**
- 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	**980,197**	**14,682,981**	**18,655,753**	**18,583,984**	**2,893,132**	**329,642**	**265,697,131**	**321,822,820**
- First stage	980,197	14,677,858	18,655,753	18,583,984	2,893,132	329,642	264,265,342	320,385,908
- Second stage	-	5,123	-	-	-	-	643,616	648,739
- Third stage	-	-	-	-	-	-	787,983	787,983
- purchased or originated impaired	-	-	-	-	-	-	190	190
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**980,197**	**14,682,981**	**18,655,753**	**18,583,984**	**2,893,132**	**329,642**	**265,697,131**	**321,822,820**
D. Commitments to disburse funds and financial guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**101,394,853**	**101,394,853**
- First stage	-	-	-	-	-	-	101,394,853	101,394,853
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**101,394,853**	**101,394,853**
Total (A + B + C + D)	**980,197**	**14,682,981**	**18,655,753**	**18,583,984**	**2,893,132**	**329,642**	**367,091,984**	**423,217,673**

Table 7.1 shows the exposures with external rating. In this case, reference was made to the ratings used also for regulatory purposes. It should be noted that, for the purposes of the Standardised approach, to determine the risk weighting factor of an exposure, the regulations provide for the use of the external assessment of creditworthiness only if issued, or endorsed, by an external assessment agency of creditworthiness (External Credit Assessment Institution “ECAI”). The list of authorised ECAIs is periodically published on the EBA website and adopted by the Bank of Italy. The technical standards regarding the association between the credit risk assessments and the creditworthiness classes of the ECAIs are identified in Implementing Regulation (EU) no. 2016/1799, in accordance with Article 1361, paragraphs 1 and 3, of Regulation (EU) no. 575/2013. In line with the aforementioned regulations, Generalfinance - starting from 30 June 2021 - uses Cerved Rating Agency SpA ("CRA") as external rating agency (known as ECAI) for the calculation of RWAs relating to exposures to companies, with specific reference to those joint-stock companies that, at the reporting date, have an exposure of more than EUR 100,000, as part of the factoring relationship (without recourse or with recourse) , with the name of the risk on the Transferred Debtor) with a maximum payable amount of more than EUR 2 million.

The table below shows the correspondence of the rating classifications calculated by the ECAI with the merit classes defined at regulatory level.

Cerved Rating Agency	Class of merit	Weighting
A1.1, A1.2, A1.3	1	20%
A2.1, A2.2, A3.1	2	50%
B1.1, B1.2	3	100%
B2.1, B2.2	4	100%
C1.1	5	150%
C1.2, C2.1	6	150%

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	33,456,461
Non-financial companies and producer households	321,043,769
Other	-
Total 31/12/2021	**354,500,230**

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	353,707,741	-
Other European countries	792,489	-
Total 31/12/2021	**354,500,230**	**-**

9.3 Large Exposures

(values in Euro)	31/12/2021
a) book value	62,314,775
b) weighted value	24,972,347
c) number	8

The table shows the amount and number of counterparties with a weighted exposure, according to the rules envisaged by the prudential supervisory regulations, greater than 10% of the eligible capital.
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, taking into account any portion of exposure guaranteed by insurance policies on eligible credits for CRM purposes. The company also makes use of Cerved Rating Agency Spa ("CRA") as an external rating agency (known as ECAI) for the calculation of RWAs relating to exposures to companies, with specific reference to those joint-stock companies that, at the reporting date, have an exposure of more than EUR 100,000, as part of the factoring relationship (without recourse or with recourse) , with the name of the risk on the Transferred Debtor) with a maximum payable amount of more than EUR 2 million.

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	**80,771,081**	**229,854,254**	**37,472,367**	**6,402,433**	**-**	**95**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Receivables	80,771,081	229,854,254	37,472,367	6,402,433	-	95	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**35,242,374**	**272,824,019**	**68,531**	**128,947**	**865,528**	**5,511,558**	**-**	**-**
2.1 Payables	35,008,127	247,033,691	68,531	128,947	865,528	511,558	-	-
2.2 Debt securities	234,247	25,790,328	-	-	-	5,000,000	-	-
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	-	-	-	-	-	-	-	-

The sub-item "Receivables" of the Assets includes EUR 33,456,461 of Current accounts and demand deposits with Banks.

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 “Organisation, 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 posts the 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 is equal to 15% of the average of the relevant indicators for 2019-2021 pursuant to art. 316 of Regulation (EU) no. 575/2013.

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 2023, for the amount of EUR 133 million. In addition to this loan, the following additional lines help diversify the financial structure by counterparty and technical form:

- a three-year securitisation programme, maturing in December 2024, with the commitment of a leading international bank to subscribe the senior notes of the transaction up to EUR 200 million, with an initial commitment of EUR 75 million;
- bilateral bank lines (subject to collection) and lines with factoring companies for a total of EUR 151.5 million;
- a three-year programme for the issue of commercial paper of up to EUR 100 million.

During 2021, the Company also issued subordinated bonds for EUR 12.5 million.

The Company adopts a careful loan acquisition policy, which has historically guaranteed a limited duration (less than 90 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 over 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	**80,865,712**	**6,398,152**	**30,216,309**	**48,305,822**	**145,101,133**	**37,569,425**	**6,429,977**	**-**	**-**	**95**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	80,865,712	6,398,152	30,216,309	48,305,822	145,101,133	37,569,425	6,429,977	-	-	95	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**35,002,286**	**21,845**	**76,116**	**13,340,801**	**252,156,886**	**343,531**	**687,800**	**446,813**	**7,918,715**	**5,511,558**	**-**
B.1 Due to	-	-	-	-	-	-	-	-	-	-	-
- Banks	34,532,363	-	-	-	133,228,665	-	-	-	-	-	-
- Financial companies	-	-	-	-	113,735,694	-	-	-	-	-	-
- Customers	466,909	3,763	52,366	-	13,205	68,531	137,800	446,813	418,715	511,558	-
B.2 Debt securities	3,014	18,082	23,750	13,340,801	5,179,322	275,000	550,000	-	7,500,000	5,000,000	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions	**101,394,853**	-	-	-	-	-	-	-	-	-	-
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	101,394,853	-	-	-	-	-	-	-	-	-	-
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 pledged and with recourse guarantees issued in relation to the "refactoring" financing transactions entered into with counterparties of Italian factoring companies, in which Generalfinance maintains the guarantee of solvency on the recurring loans, which has already been mentioned in "Part D - OTHER INFORMATION - D. Guarantees issued and Commitments". The amount is gross of total provisions.

Section 4 - Information on equity

4.1 - Company Equity

4.1.1 Qualitative information

In the current year, the profit amounted to EUR 9,453,364, bringing shareholders' equity to EUR 31,966,142.

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 31/12/2021	Total 31/12/2020
1. Share capital	3,275,758	3,275,758
2. Share premium reserve	7,828,952	5,837,550
3. Reserves	-	-
- of profits	-	-
a) legal	655,152	655,152
b) statutory	-	-
c) treasury shares	-	-
d) others	10,789,977	7,593,222
- 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	(37,061)	(125,386)
- Portion of valuation reserves relating to equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	9,453,364	5,327,925
Total	**31,966,142**	**22,564,221**

4.2 - Own funds and regulatory ratios

4.2.1 - Own funds

4.2.1.1 Qualitative information

1. Tier 1 capital

Please note that - pursuant to Article 26, paragraph 2, of Regulation (EU) no. 575/2013 of the European Parliament (the "CRR") - Tier 1 capital includes net profits resulting from the financial statements for the year for the year 2021, net of expected dividends.

For the purposes of the above, please note that:

- the profits were verified by entities independent from the entity responsible for auditing the entity's accounts, as required by Article 26 (2) of the CRR. In this regard, Deloitte & Touche SpA was appointed to prepare a limited scope audit report (review report) for the purpose of including undistributed profit in own funds; this report will be issued in time for the submission of prudential reports to the Supervisory Body;
- the profits were valued in compliance with the standards established by the applicable accounting regulations;
- all foreseeable charges and dividends were deducted from the amount of profits;
- the amount of dividends to be deducted was estimated in accordance with applicable regulations;
- the Board of Directors of Generalfinance will formulate a proposal for the distribution of dividends consistent with the calculation of net profits.

The amount referred to the so-called "Quick Fix" with which the value of the assets in the form of software to be deducted from the Common Equity Tier 1 capital and the amount referred to intangible assets in progress was also deducted from Tier 1 capital.

2. Tier 2 capital

Tier 2 capital includes subordinated bonds that the Company issued in 2021, net of the amortisation charge calculated in accordance with art. 64 of the CRR (EU Regulation no. 575/2013).

4.2.1.2 Quantitative information

	Total 31/12/2021	Total 31/12/2020
A. Tier 1 capital before the application of prudential filters	**31,966,142**	**17,236,296**
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)	**31,966,142**	**17,236,296**
D. Elements to be deducted from Tier 1 capital	5,665,072	763,812
E. Total Tier 1 capital (C - D)	**26,301,070**	**16,472,484**
F. Tier 2 capital before the application of prudential filters	**12,500,000**	-
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)	**12,500,000**	-
I. Elements to be deducted from Tier 2 capital	250,548	-
L. Total Tier 2 capital (H - I)	**12,249,452**	-
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E + L - M)	**38,550,522**	**16,472,484**

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. RISK ASSETS	-	-	-	-
A.1 Credit and counterparty risk	366,940,749	209,667,617	245,876,990	155,801,922
B. REGULATORY CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	19,670,159	9,348,115
B.2 Risk for the provision of payment services	-	-	-	-
B.3 Requirement for the issue of electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	2,822,629	2,177,021
B.5 Total prudential requirements	-	-	22,492,788	11,525,136
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-		
C.1 Risk-weighted assets	-	-	281,159,851	192,092,859
C.2 Tier 1 capital / Risk-weighted assets (TIER 1 capital ratio)	-	-	9.4%	8.6%
C.3 Regulatory capital / Risk-weighted assets (Total capital ratio)	-	-	13.7%	8.6%

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 12.50 (inverse of the mandatory minimum coefficient of 8%).

Section 5 - Analytical statement of comprehensive income

	Asset items	31/12/2021	31/12/2020
10.	**Profit (loss) for the year**	**9,453,364**	**5,327,925**
	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	88,325	(29,658)
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**	**88,325**	**(29,658)**
200.	**Comprehensive income (Item 10 + 190)**	**9,541,689**	**5,298,267**

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 balance sheet and income statement transactions with related parties in 2021 as defined above on the basis of the provisions of IAS 24.

TRANSACTIONS WITH RELATED PARTIES (amounts in Euro)	Parent company	Other related parties
BALANCE SHEET ITEMS		
10. Cash and cash equivalents	-	116,562
40. Financial assets measured at amortised cost	-	1,689,762
Total assets	**0**	**1,806,324**
10. Financial liabilities measured at amortised cost	-	40,095,480
80. Other liabilities	761,787	19,569
Total liabilities	**761,787**	**40,115,049**

"Other liabilities" due to the parent company MGH - Massimo Gianolli Holding S.r.l. are, as part of the tax consolidation already mentioned, the payable corresponding to the application of the ordinary IRES rate of 24% to the taxable amount of the Company, net of advances paid to the consolidating company during the year.

TRANSACTIONS WITH RELATED PARTIES (amounts in Euro)	Parent company	Other related parties
INCOME STATEMENT ITEMS		
10. Interest income and similar income	-	45,065
20. Interest expense and similar charges	-	(503,195)
40. Fee and commission income	-	62,019
50. Fee and commission expense	-	(75,061)
160. Administrative expenses: a) personnel expenses	-	(9,600)
160. Administrative expenses: b) other administrative expenses	-	(342,569)
180. Net value adjustments / write-backs on property, plant and equipment	-	(15,914)
200. Other operating expenses / income	300	24,938
Total items	**300**	**(814,317)**
NB. It should be noted that the costs include non-deductible VAT.		

DETAILED STATEMENT OF RELATIONS WITH GROUP COMPANIES (amounts in Euro)	GGH – Gruppo general Holding S.r.l.	Generalbroker S.r.l.
INCOME STATEMENT ITEMS		
200. Other operating expenses / income	20,600	300
Total items	**20,600**	**300**

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 (31/12/2020) 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)

IFRS 16 applies to all leases (or contracts that contain a lease) that grant the lessee the right to control the use of an identified asset for a specific period of time in exchange for consideration. The concept of control refers to all those identifiable assets (both explicitly and implicitly) within a contract for which the lessee has the right to control the assets, or to obtain substantially all the economic benefits from the use of the assets and to decide on their use. This category includes real estate lease agreements that mainly refer to office buildings and vehicle leases that refer to the vehicle fleet.

Section 8 - Other disclosures

Information on the remuneration of directors and statutory auditors

Directors' fees: EUR 619,489. 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 17,526.
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 2021 due to the independent auditors for the annual audit of the accounts and for carrying out periodic audits and for other services amounted to 36,000 euro.
The above value does not include expenses and VAT.

Milan, 31 January 2022

In the name and on behalf of the Board of Directors
The Chairman
Maurizio Dallocchio

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

BALANCE SHEET
(values in Euro)

	Asset items	31/12/2020		31/12/2019	
10.	Cash and cash equivalents		86		254
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		84,123		201,567
	a) loans to banks	*77,368*		*201,567*	
	c) loans to customers	*6,755*		*0*	
70.	Equity investments		15,889,058		15,889,058
80.	Property, plant and equipment		69,704		77,416
90.	Intangible assets		11,091		0
100.	Tax assets		15,080		18,555
	a) Current	*12,234*		*11,395*	
	b) Deferred	*2,846*		*7,160*	
120.	Other assets		88,830		93,864
Total assets			**16,162,904**		**16,285,646**

	Liabilities and shareholders' equity items	31/12/2020		31/12/2019	
10.	Financial liabilities measured at amortised cost		8,149		17,247
	a) Payables	*8,149*		*17,247*	
60.	Tax liabilities		21,487		12,234
	a) current	*21,487*		*12,234*	
80.	Other liabilities		82,205		263,914
110.	Share capital		100,000		100,000
140.	Share premium reserve		12,863,400		12,863,400
150.	Reserves		2,278,851		2,544,462
170.	Profit (loss) for the year		808,812		484,389
Total liabilities and shareholders' equity			**16,162,904**		**16,285,646**

INCOME STATEMENT
(values in Euro)

	Items	31/12/2020	31/12/2019
10.	Interest income and similar income	0	0
20.	Interest expense and similar charges	(363)	(619)
30.	**Interest margin**	**(363)**	**(619)**
50.	Fee and commission expense	(907)	(790)
60.	**Net fee and commission income**	**(907)**	**(790)**
70.	Dividends and similar income	1,113,671	777,471
120.	**Net interest and other banking income**	**1,112,401**	**776,062**
130	Net value adjustments / write-backs for credit risk	42	(81)
	a) financial assets measured at amortised cost	*42*	*(81)*
150.	**Net profit (loss) from financial management**	**1,112,443**	**775,981**
160.	Administrative expenses	(350,667)	(344,383)
	a) personnel expenses	*(218,542)*	*(219,832)*
	b) other administrative expenses	*(132,125)*	*(124,551)*
180.	Net value adjustments / write-backs on property, plant and equipment	(15,093)	(14,459)
190.	Net value adjustments / write-backs on intangible assets	(1,109)	0
200.	Other operating income and expenses	21,779	12,388
210.	**Operating costs**	**(345,090)**	**(346,454)**
220.	Gains (losses) on equity investments	0	0
260.	**Pre-tax profit (loss) from current operations**	**767,353**	**429,527**
270.	Income taxes for the year on current operations	41,459	54,862
280.	**Profit (loss) from current operations after tax**	**808,812**	**484,389**
300.	**Profit (loss) for the year**	**808,812**	**484,389**

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 of the company year ended as at 31/12/2021
and on the activities carried out pursuant to art. 2429, paragraph 2 of the Italian Civil Code

<u>Summary and results of the monitoring activities</u>

Dear Shareholders,

in the financial year ended as at 31 December 2021, 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 Law Decree no. 87/1992, Bank of Italy measure of 31 July 1992 and subsequent amendments according to the principles recommended by the National Institute of Chartered Accountants.
In particular, the Board of Statutory Auditors:
- monitored observance of the law and the Articles of Association;
- took part in the Shareholders' Meetings and the meetings of the Board of Directors, held in respect of the statutory and legislative regulations that govern their functioning;
- periodically obtained, from the directors and, during participation in meetings of the Board of Directors, information on the activities carried out and on the transactions of the greatest economic, financial and capital importance carried out by the company;
- held meetings with the representatives of the independent auditors Deloitte & Touche S.p.A., tasked with conducting the independent audit of the financial statements;
- verified the independence of the independent auditors Deloitte & Touche S.p.A.

The intercompany and extraordinary transactions carried out during the year are adequately described in the Directors' report and are reasonably in keeping with the Company's interest.
The Board acquired knowledge and monitored, for matters within its competence, the adequacy of the Company's organisational structure, by collecting information from the managers of the operating Departments and, in this regard, has no news to report regarding malfunctions or anomalies verified during the year.
The Board evaluated and monitored the adequacy of the administrative and accounting system and the latter's reliability in correctly representing management events, by obtaining information from the managers and conducting a sample-based analysis of the corporate documents.
The Board acknowledges that the financial statements for the year ended as at 31 December 2021, like those of the previous year, were drafted by the directors accounting to the international accounting standards issued by the International Accounting Standard Board (IASB) and are prepared according to the formats and instructions set forth in Bank of Italy Measure of 9 December 2016, considering additional specific provisions governing the

determination of impaired items, contained in Bank of Italy Circular no. 217 of 5 August 1996 and its subsequent updates.
The organisational, accounting and information systems continue to be subject to a constant process of verification of consistency by the corporate functions responsible, as well as by the directors themselves, assisted in said task by the independent auditors Deloitte & Touche S.p.A.
In the difficult context of the Covid-19 emergency, the Company considered protecting the health of its workers and supporting its customers to be a priority. In fact, it has defined, adopted and continued to apply throughout 2021 a series of technical and organisational measures aimed at protecting personnel safety and business continuity, minimising the impacts on the service levels provided, in compliance with the measures issued by the competent Authorities.
In light of the above, Company operations have, to date, been guaranteed without any criticalities and no situations of operating tension have been highlighted.
At the current state of play, the Company has not registered any situations of liquidity tension, significant increases in credit risk or sharp rises in operating costs connected with the pandemic.
The potential effects of the pandemic on the Company's economic-capital situation are monitored constantly.
The Board has acknowledged that, as a result of the Company's loss of the requirements needed to qualify as a minor intermediary (as defined for ICAAP purposes by Title IV, Chapter 14, Section III, paragraph 2 of Bank of Italy Circular no. 288 of 3 April 2015), on 7 June 2021, the Company's Board of Directors redefined the structure of the Internal Control System, abandoning the centralisation of level two and level three control functions in a single function (the Single Control Function), and appointing new and separate control functions, namely:

a. the Manager of the internal audit function;

b. the Manager of the newly established Risk Management and Compliance Department;

With regard to the activities carried out in 2021 by the Single Control Function (until 7 June 2021) and, subsequently, by the *Risk Management and Compliance Department*, the Board has acknowledged the activities carried out at the periodic meetings, the reports produced and the reports prepared by the control functions.
The Board also monitored observance of the anti-money laundering legislation, whose responsibility was entrusted - until 7 June 2021 - to the non-operating Director, Mr. Maurizio Dallocchio and subsequently, to the Head of the Legal and Corporate Affairs Department, Mr. Stefano Saviolo, who 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.
It was not necessary to make use of the mandatory exemption 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 did it receive 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 respect of 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 statement of cash flows and (vi) the explanatory notes. Lastly, 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 figures posted in the financial statements, the tables and the annexes. Said report provides a detailed illustration of the most important and significant elements of the activities carried out during the year and the business continuity plans.

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

The opinion regarding the Report on Operations is one of compliance with the legal provisions.

In light of the above, the Board of Directors does not note any reason to prevent approval of the financial statements for the year ended as at 31 December 2021, as well as the acceptance of the proposal formulated by the Directors regarding the allocation of the profit for the year.

Milan, 28 February 2022.

The Board of Statutory Auditors
Paolo Lazzati
Federica Casalvolone
Andrea di Giuseppe Cafà

on behalf of the Board of Statutory Auditors
The Chairman

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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and 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 2021, 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 2021 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 2021 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
28 February 2022