GENERAL FINANCE

2020 FINANCIAL STATEMENTS

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GENERALFINANCE S.p.a.

Registered Office: 20157 Milan - Via Giorgio Stephenson, 43A

Share capital EUR 3,275,758

Tax Code Milan Register of Companies and VAT no. 01363520022

enrolled at number 201 in the register of financial intermediaries pursuant to Art. 106 of TUB (Consolidated Law on Banking)

Member of the Banking and Financial Arbitrator

Associate of the Banking Conciliator

Associate of ASSIFACT (Italian Factoring Association)

BOARD OF DIRECTORS

Massimo Gianolli (Chairman and Chief Executive Officer)

Maurizio Dallocchio

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

Deloitte & Touche S.p.A.

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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

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Report of the Board of Directors on operations for the year ended 31 December 2020 (art. 2428 of the Italian Civil Code)

Dear Shareholders,

the financial statements as at 31 December 2020, submitted for your approval, were prepared by the Directors in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date. They comply with the formats and instructions issued by the Bank of Italy on 30 November 2018 regarding the financial statements of IFRS intermediaries other than banking intermediaries (as supplemented by the Bank of Italy Communication of 27 January 2021 on the impact of COVID-19 and measures to support the economy and IAS / IFRS amendments), in execution of the provisions of art. 9 of Legislative Decree no. 38/2005 and subsequent amendments to the law, as well as in consideration of the additional specific provisions regarding the determination of non-performing items, contained in Circular no. 217 of 5 August 1996 and subsequent updates and are comprised of the following documents: Balance Sheet and Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Explanatory Notes. They 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 2020, which was the thirty-seventh year for your Company, closed with a net profit of EUR 5,327,925. 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 2020[1]

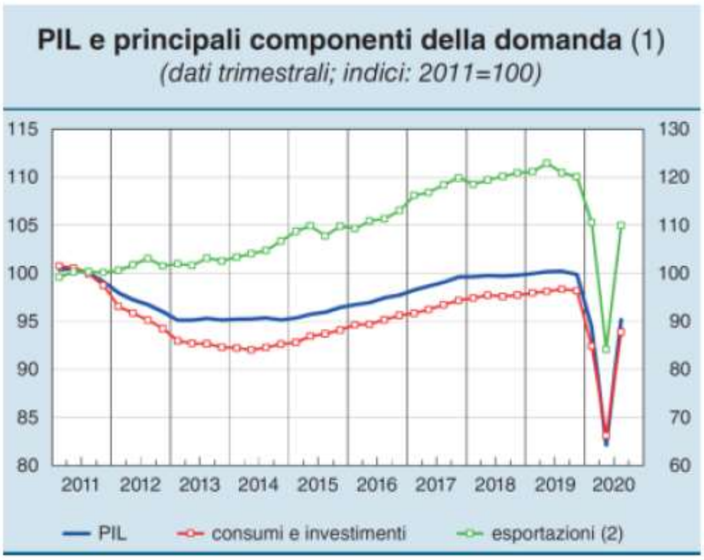
Macroeconomic context

Growth in the summer months of 2020 was higher than expected, demonstrating our economy's excellent ability to recover. In the fourth quarter as a whole, however, activity began to decline again with the resurgence of the pandemic. On the basis of available information, the decline in GDP in the fourth quarter can be estimated at a central value of -3.5% compared to the previous period; however, the uncertainty relating to this estimate is extremely high.

In the third quarter, GDP increased by 15.9%, driven by the sharp rise in both exports and domestic demand, particularly pronounced for gross fixed investments, which exceeded the levels of the end of 2019. The added value rose in all segments; in construction, it exceeded the values prior to the outbreak of the epidemic. In services, there was a partial recovery in sectors such as trade, transport, hotel and catering, professional activities and recreational, cultural and personal care services.

According to the most recent indicators, GDP would have decreased again in the last quarter of 2020 as a whole as a result of the sharp increase in the spread of the virus. The economic information available to date, both qualitative and quantitative, indicates that the decline in activity would have been pronounced in services and marginal in manufacturing.

At the end of the year, the Ita-coin indicator rose to levels close to zero, supported by the improvement in the confidence of manufacturing companies. In December, electronic payments at points of sale partially benefited from the effects of cashback, recently introduced by the Government.



Fonte: elaborazioni su dati Istat.
(1) Valori concatenati; dati destagionalizzati e corretti per i giorni lavorativi. – (2) Scala di destra.

Fonte: Banca d'Italia

1 The chapter cites and / or reports extensive excerpts from "Economic Bulletin no. 1/2021" of the Bank of Italy and the quarterly statistics - Factoring in supervisory reporting as at 31 December 2020 of Assifact.

PIL e principali componenti (1)

(variazioni percentuali sul periodo precedente; contributi alla crescita per variazione delle scorte ed esportazioni nette)

VOCI	2019	2020			2019
	4° trim.	1° trim.	2° trim.	3° trim.	
PIL	-0,3	-5,5	-13,0	15,9	0,3
Importazioni totali	-2,4	-5,3	-17,8	15,9	-0,6
Domanda nazionale (2)	-0,8	-4,7	-11,0	11,9	-0,1
Consumi nazionali	-0,2	-5,5	-8,5	9,2	0,3
spesa delle famiglie (3)	-0,2	-6,8	-11,5	12,4	0,4
spesa delle Amministrazioni pubbliche	-0,1	-1,1	0,3	0,7	-0,2
Investimenti fissi lordi	-0,1	-7,6	-17,0	31,3	1,6
costruzioni	-0,4	-6,7	-22,2	45,1	2,5
beni strumentali (4)	0,2	-8,3	-12,7	21,2	0,9
Variazione delle scorte (5) (6)	-0,6	1,2	-0,9	-1,0	-0,7
Esportazioni totali	-0,7	-7,9	-23,9	30,7	1,0
Esportazioni nette (6)	0,5	-1,0	-2,3	4,0	0,5

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. – (6) Contributi alla crescita del PIL sul periodo precedente; punti percentuali.

Fonte: Banca d'Italia

Businesses

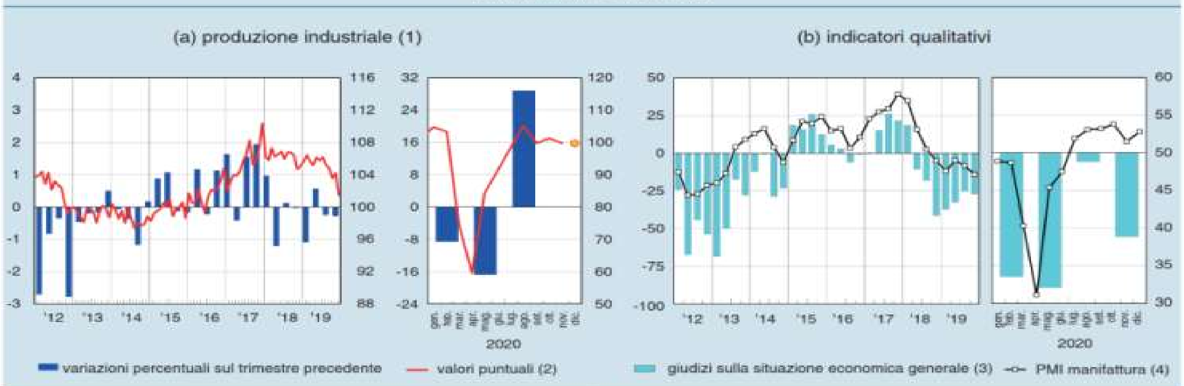
Based on the information available, industrial production, after the strong recovery in the summer, decreased slightly in the last few months of the year. In our surveys, business evaluations have become less favourable, but remain some way off the pessimism recorded in the first half of 2020.

Companies envisage an increase in investment spending for the current year. After the rise in the third quarter in November, industrial production decreased by 1.4% compared to October, reaching a level of 4.7% lower than that of January 2020. According to Bank of Italy estimates, industrial activity decreased slightly (by around 1%) in the fourth quarter as a whole; it would have fallen by more than 10% for the whole of 2020.

In terms of business evaluations, the conditions for investing have worsened, although companies predict an increase in investment spending in the current year, especially in industry. In December, the purchasing managers index (PMI) recorded an increase; they remain above the threshold compatible with the expansion in manufacturing, while in services - which are more affected by the increase in infections and the restrictions to contain them - they are still well below this level.

Produzione industriale e indicatori qualitativi

(dati mensili e trimestrali)



Fonte: elaborazioni su dati Banca d'Italia, Istat, Markit e Terna.
(1) Dati destagionalizzati e corretti per i giorni lavorativi. Per esigenze grafiche, i dati relativi al 2020 sono rappresentati su scale diverse rispetto a quelle utilizzate per gli anni precedenti. – (2) Dati mensili. Indice: 2015=100. Il punto giallo rappresenta la previsione del dato di dicembre. Scala di destra. – (3) Saldo in punti percentuali tra le risposte "migliori" e "peggiori" al quesito sulle condizioni economiche generali (cfr. *Indagine sulle aspettative di inflazione e crescita*, Banca d'Italia, Statistiche, 13 gennaio 2021). – (4) Dati trimestrali medi (a sinistra) e dati mensili (a destra). Indici di diffusione desumibili dalle valutazioni dei responsabili degli acquisti delle imprese (PMI), relativi all'attività economica nel settore manifatturiero. L'indice è ottenuto sommando alla percentuale delle risposte "in aumento" la metà della percentuale delle risposte "stabile". Scala di destra.

Fonte: Banca d'Italia

Banks and the credit market

Banks continued to meet the demand for funds from businesses. The supply conditions remained relaxed on the whole, also thanks to the monetary and government policy measures in support of liquidity. The cost of bank bond funding fell further and the rates on loans to businesses and households remained at low levels. In November, loans to the private non-financial sector grew by 6.1% over the three months (net of seasonal factors and year-on-year). Unlike the other main countries in the area, the trend in loans to non-financial companies remained robust (8.9%), still driven by the extensive use of loans covered by public guarantees.

Loans to households expanded at an almost unchanged pace compared to August (4.1%). Mortgages accelerated slightly, while consumer credit remained weak. The guarantee schemes on new loans and the moratoria on existing loans, adopted by the Government to support business and household liquidity, were extended until June 2021.

The interest rate on new bank loans to businesses remained low, at 1.3% in November; the moderate increase compared to August concerned loans of up to EUR 1 million. The average cost of new loans to households for the purchase of homes remained stable, at 1.3%.

Tassi di interesse bancari (1)
(valori percentuali)

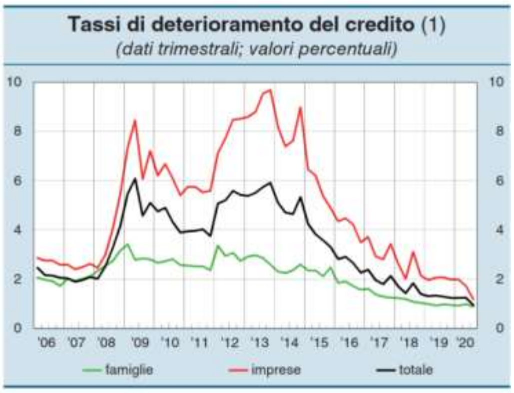
SETTORI	Agosto 2020	Novembre 2020
Prestiti alle imprese	**1,1**	**1,3**
di cui: fino a 1 milione di euro	1,7	1,9
oltre 1 milione di euro	0,9	0,9
Prestiti alle famiglie per l'acquisto di abitazioni	**1,3**	**1,3**
di cui: a tasso fisso (2)	1,3	1,3
a tasso variabile (3)	1,4	1,3

(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

The results of the Bank Lending Survey for the third quarter of 2020, which ended on 6 October, only partially incorporate the first assessments of the consequences of the second wave of the pandemic. The Italian banks interviewed reported unchanged offer criteria on loans to businesses, also thanks to the positive effects of monetary policy measures. For the fourth quarter, intermediaries expect a further, albeit more limited, increase in demand for loans from non-financial companies.

The flow of non-performing loans in relation to total loans decreased in the third quarter (to 0.9%, net of seasonal factors and year-on-year, from 1.3% in the second quarter). The decrease regarded both loans to households (to 0.9%, from 1.0%), and those to businesses (to 1.2%, from 1.7%). The trend in these indicators continues to reflect the measures to support access to credit introduced by the Government (moratoria and guarantees on new loans), as well as the use of the flexibility inherent in the rules for classifying loans, according to the guidelines reported by the supervisory authorities. The impact of the stock of non-performing loans on total loans of major banking groups continued, both gross and net of value adjustments. The rate of coverage of non-performing loans increased, mainly due to the value adjustments recorded by an intermediary in view of a sale transaction.



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

In the first nine months of 2020, the profitability of the major groups decreased compared to the same period of the previous year. The annualised return on equity (ROE), calculated net of extraordinary components, fell by more than two thirds, largely due to the increase in impairment losses on loans. Total revenues decreased, although the decline slowed during the third quarter. The decline in operating costs continues; net of the expenses incurred to facilitate the early termination of employment contracts, costs decreased to a greater extent than revenues, resulting in a reduction in their incidence on the operating income (cost-income ratio) of more than 2% compared to the first nine months of 2019, at 62.8%.

In the third quarter of the year, the level of capitalisation of major groups, measured on the basis of the ratio between the best quality capital and the risk-weighted assets (common equity tier 1 ratio, CET1 ratio), increased by around 30 basis points, at 15.1%. The growth was due to the decline in risk-weighted assets (-3%), in turn attributable to the restructuring of some banking portfolios towards less risky assets and the use of public guarantees. The decline in weighted assets more than offset the slight decrease in better quality capital.

Factoring market

The factoring market in 2020 recorded a turnover of almost EUR 228 billion. The trend in turnover followed the trend in the turnover of companies during the year, moving towards normalisation in the fourth quarter.

The turnover from *Supply chain finance* transactions amounted to EUR 25.1 billion, up 14% compared to the previous year. For 2021, sector operators expect a return to moderate growth close to 3% per year, after a first quarter that is still expected to be negative. In the fourth quarter of the year, there was a net change in advances of EUR +8 billion, which brings the advances disbursed to a total of more than EUR 50 billion.

Purchases of trade receivables from the public administration accelerated, amounting to over EUR 27 billion in 2020. Loans outstanding at the end of the year amounted to EUR 9.2 billion, of which EUR 4 billion were past due.

Gross non-performing loans amounted to 4.05%. Bad loans remained at low levels of 1.8%.

Turnover Cumulativo	**227.829.051**		**-10,83%**
Pro solvendo	46.778.724	21%	
Pro soluto	181.050.327	79%	
Outstanding	**62.233.640**		**-6,08%**
Pro solvendo	15.368.424	25%	
Pro soluto	46.865.216	75%	
Anticipi e corrispettivi pagati	**50.340.478**		**-7,69%**
Turnover Cumulativo	**227.829.051**		**-10,83%**

Dati in migliaia di euro e in percentuale

Fonte: Assifact

The turnover for the year 2020 shows a decline in line with the turnover of companies (-12.5% in November). In the fourth quarter, the market recorded a trend-based "normalisation" after the reduction in the second quarter due to the impact of the first lockdown.

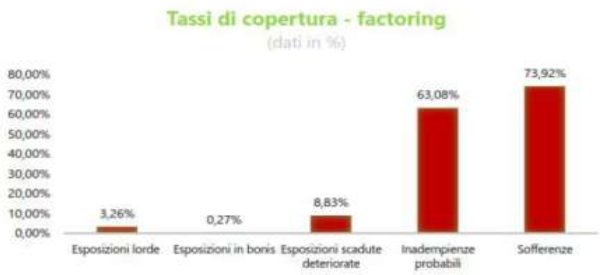
Also for the first quarter of 2021, operators expect a decrease in turnover compared to the same period of 2020 (-3.14%).

For the year 2021 as a whole, operators expect, on average, cautiously positive growth (+ 2.81%).

Over 30,000 companies use factoring, 59% of which are SMEs. It is used predominantly in the manufacturing sector.

Fonte: Assifact

Advances and fees paid, amounting to EUR 50.34 billion, recorded an increase of more than EUR 8 billion compared to September.



Fonte: Assifact

Non-performing loans at the end of the year were reduced compared to September (around 4.05% compared to 5.60%), in particular thanks to the purchase of new loans in the last quarter. Bad loans represent approximately 1.8% of total gross exposure. The policies for hedging non-performing loans are, as usual, prudent with respect to bad loans and loans.

The legislative framework and the regulation of factoring activities

The year 2020 was unique due to the sudden and rapid spread of the COVID-19 pandemic ("Coronavirus"), which affected the whole world. The consequences, in addition to people's health and way of life and the health system, were also profound in terms of legislation and regulations given that, with the spread of the Coronavirus, legislation and regulations were issued in a frenetic manner. The **measures of the Italian Government** include: Law Decree no. 18 of 17 March 2020 "*Measures to strengthen the national health service and provide economic support for families, workers and businesses related to the COVID-19 epidemiological emergency", so-called "Cura Italia",* which made provision for a moratorium on loans applicable exclusively to micro, small and medium-sized enterprises, with a limited scope of application to specific cases; Law Decree no. 23 of 8 April 2020 *"Urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors, as well as interventions in the field of health and employment, extension of administrative and procedural deadlines*", "*Liquidity Decree*", which provided for the public guarantee to cover the new disbursements of liquidity to companies by banks and financial intermediaries and which explicitly made provision for the case of factoring transactions, admitted as collateral for the fees paid to the transferring companies in with-recourse transactions. The 2021 Budget Law also extended the possibility of benefiting from the SACE guarantee and the State counter-guarantee (guarantee envisaged by Art. 1 of the Liquidity Decree) to non-recourse factoring transactions.

With particular regard to the main reference regulations for financial intermediaries, the following should be noted.

Circular no. 288 of 3 April 2015 containing the new *supervisory provisions for financial intermediaries*, after some application clarifications during the first part of the year, was the subject of a third update, published by the Bank of Italy with its Communication of 23 December 2020, in application of the new definition of default and other amendments regarding credit risk, own funds, investment properties and significant transactions.

With ***the Bank of Italy Measure of 30 November 2018***, new instructions were issued relating to "*The financial statements of IFRS intermediaries other than banking intermediaries",* which apply from the financial statements for the year ended or in progress as at 31 December 2019. By means of the **Communication of 27 January 2021,** the Bank of Italy supplemented these provisions, taking into consideration the impacts of COVID-19 and measures to support the economy, as well as the amendments to IAS / IFRS. Further changes were also made to take into account the new disclosure requirements envisaged by IFRS 7 in relation to the Interest Rate Benchmark Reform.

On 24 March 2020, as regards **anti-money laundering,** the *"Provisions for the storage and provision of documents, data and information for combatting money laundering and terrorism financing" were issued.*
Under measure no. 14 of 23.06.2020, **Circular no. 286/13** "Instructions for the compilation of prudential reports for supervised entities", which governs the reporting regulations, was updated

(14th update) to adapt it to the changes in the regulation of risk activities and conflicts of interest, which was contained in Circular no. 263/2006.

On 12.08.2020, the Bank of Italy issued the ***"Provisions on out-of-court settlement systems for banking and financial transactions and services",*** a measure that aligns itself with the provisions of the ADR directive (2013/11/EU) and

Legislative Decree no. 130/2015 transposing the directive. In this regard, note the extension, from 30 to 60 days, of the deadline within which the intermediary can reply to the customer's complaint, as well as the reduction in the time for concluding proceedings.

On 23 December 2020, several regulatory updates were issued following the changes made to the **definition of non-performing credit exposures**, as well as the extension to non-bank financial intermediaries of the European regulations on the **new definition of default** (*Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017 on the materiality threshold of past due credit obligations and Guidelines on the application of the definition of default pursuant to Art. 178 of Regulation (EU) no. 575/2013 (EBA/GL/2016/07*).

The *regulations of the Central Credit Register of the Bank of Italy* contained in ***Circular no. 139 of 11 February 1991*** was *updated in February 2020 (19th update)*, aimed at regulating access to the data contained in the Central Credit Register by legal entities.

With regard to bankruptcy proceedings, the entry into force of the new **Code of business crisis and insolvency (Legislative Decree no. 14 of 12 January 2019**) was further postponed by Law Decree no. 23 of 8 April 2020 (Liquidity Decree) for more than one year, until 1 September 2021. *Legislative Decree no. 147 of 26 October 2020* subsequently introduced additional supplementary and corrective provisions regarding: concept of crisis (art. 2), alert procedure (art. 15), OCRI - corporate crisis composition body (art. 17), role of the Public Ministry (art. 38), protective measures (articles 54 and 55), agreements in execution of certified restructuring plans (art. 56 et seq.), Restructuring agreements with extended effectiveness (art. 61), execution of the plan for the restructuring of consumer debts (art. 71), arrangement with creditors (art. 87), bankruptcy clawback (art. 166, paragraph 3, letter "b"), assessment of liabilities (art. 205), discharge of debt (art. 282) and Register of crisis managers (art. 356).

On **30 December 2020,** by means of **Decree** no. 169 of 23 November 2020 of the Ministry of Economy and Finance, the "*Regulation on requirements and suitability criteria for the fulfilment of the engagement of corporate representatives of banks, financial intermediaries, trust institutions, electronic money institutions, payment institutions and depositor guarantee systems*" was issued. The purpose of the Regulation is to significantly strengthen the standards of suitability of the representatives, raising the requirements already envisaged and introducing new valuation profiles.

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, par. 3 of the Italian Civil Code and art. 5 of the current Articles of Association. It is divided between two shareholders: "***GGH - GRUPPO GENERAL HOLDING S.R.L.***" ("**GGH**"), which holds 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.

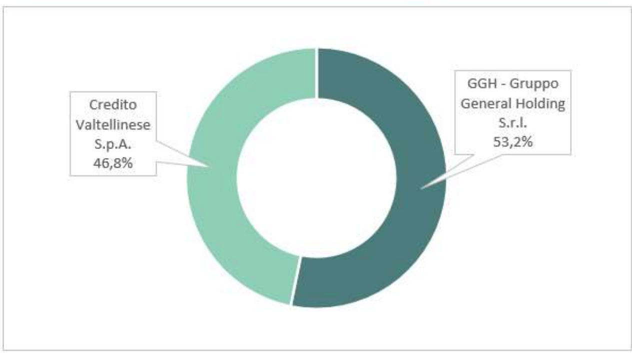
The shares are registered and are transferable according to the rules set out in the Articles of Association. Pursuant to art. 2346, paragraph 1 of the Italian Civil Code, they are not represented by share certificates and the issuing of equity instruments is excluded. The status of shareholder is proven 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, recalling 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, although this is an event subsequent to the close of the year and better specified in the next paragraph *"Significant events after the close of the year"*, it is considered useful to acknowledge 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 / or 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 impacted the corporate structure

During the 2020 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%

Shares in Generalfinance S.p.A



The activities of corporate bodies

With reference to the activities of the corporate bodies, it should be noted that in 2020, only one Shareholders' Meeting was 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 Shareholders' Meeting:
   - approval of the financial statements, resolution on the allocation of the profit for the year, appointment of the Board of Directors and the Board of Statutory Auditors;

b) with regard to the Board of Directors:
   - examination and approval of the document updating the 2019-2021 Business Plan;
   - appointment of the Chief Executive Officer, granting of powers and determination of remuneration;
   - appointment of the Head of the Single Control Function, the Head of the Anti-Money Laundering Function and the Supervisory Body and determination of the respective fees;
   - verification of the requirements and suitability criteria of the members of the Board of Directors and the Board of Statutory Auditors;
   - verification that the members of the Board of Directors and the Board of Statutory Auditors do not have any reasons for incompatibility pursuant to art. 36 of Law Decree no. 201/2011;
   - examination of the Generalfinance public disclosure (Third pillar) as at 31 December 2019;
   - examination of the document entitled: "ICAAP Report as at 31 December 2019";
   - launch of preparatory activities for the listing of the Company's ordinary shares on the Electronic Stock Market, organised and managed by Borsa Italiana SpA and, if the conditions are met, on the STAR Segment;
   - replacement of a director and verification of the requirements and suitability criteria of the director;
   - adoption of a Management By Objectives (MBO) system for personnel assessment;
   - report of the delegated bodies on the general performance of operations and on its outlook, as well as on the most significant transactions, pursuant to art. 2381, par. 5 of the Italian Civil Code.

Performance indicators (art. 2428, paragraph 2)

Generalfinance closed the year 2020 with a net profit of EUR 5.3 million (+ 27% on 2019) and further growth in the area of distressed financing. Turnover reached EUR 761 million (+ 29%) with EUR 561 million disbursed (+ 26%).

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 2020**	**Year 2019**	**Change**
- Interest margin	4,094	3,436	+19%
- Net fee and commission income	13,120	10,097	+30%
- Net interest and other banking income	17,213	13,533	+27%
- Operating costs	-8,389	-6,901	+22%
- Profit before taxes	8,110	6,280	+29%
- Profit for the year	5,328	4,187	+27%

	Year 2020	Year 2019
Cost / Income ratio (%)	49%	51%
ROE	31%	28%
Net interest income / Net interest and other banking income	24%	25%
Net fee and commission income / Net interest and other banking income	76%	75%

These results are particularly significant as they were achieved in a complex year characterized by the COVID-19 health emergency, which led to the closure of economic activities for a prolonged period of time. In this context, 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 the 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.

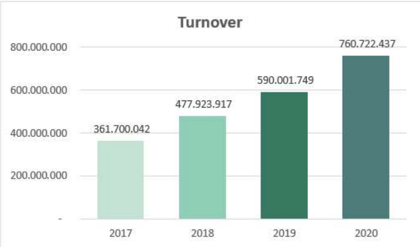
Therefore, in 2020, the Company did not approve moratoria on existing loans, did not grant changes to the loan agreements as a result of COVID-19 and did not disburse loans backed by the State guarantee. Therefore, it showed itself to be willing to reschedule certain maturities in the lockdown period in order to help transferred debtors and transferor, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected at the reporting date.

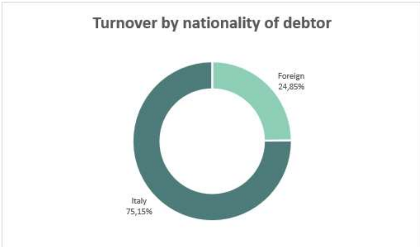
Turnover

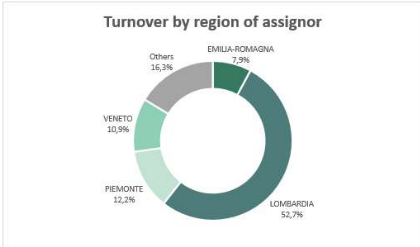
Turnover has constantly grown in recent years, from EUR 361 million in 2017 to around EUR 761 million in 2020. Looking at the disaggregation by nationality of the transferred debtors, there is an increasing relative weight of International Factoring, which represents about 25% of business volumes, with excellent diversification by country, reflecting the high level of service that the Company is able to provide export-oriented customers.

Looking at the Transferor headquarters, the Company is deeply rooted in the North of the country, with a strong focus on Lombardy (53% of turnover), Piedmont (13%), Veneto (11%) and Emilia-

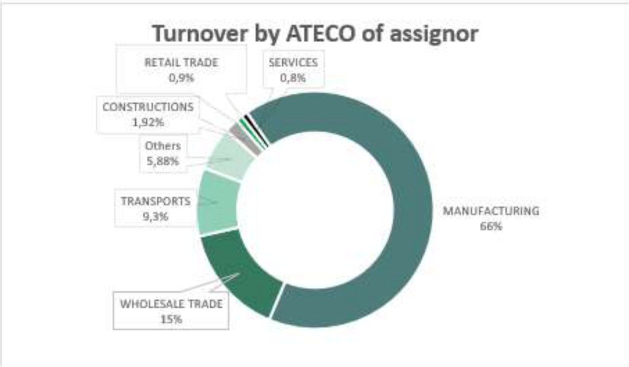
Romagna (8%). Overall, these four regions account for 85% of turnover, reflecting the significant presence of Generalfinance in the most productive areas of the country.

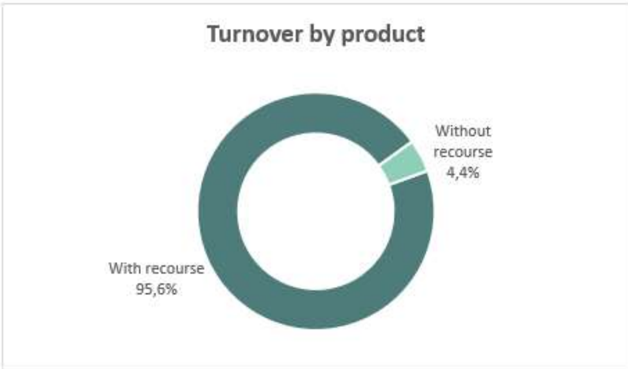






From a sector point of view, manufacturing represents the most important portion of turnover, with approximately 66%; this positioning is consistent with the "DNA" of Generalfinance as a reference factor for manufacturing SMEs affected by turnaround processes.
The activity is mainly represented by factoring with recourse, which accounts for 96% of volumes, with a residual portion of factoring without recourse.





Lastly, approximately 75% of the turnover is developed with regard to "distressed" transferors, i.e. those engaged in restructuring projects (composition agreement, recovery plan, restructuring agreement, extraordinary administration).

Economic data

The interest margin stood at EUR 4.1 million, up significantly (+ 19%) compared to 2019 and in line with the growth in loans disbursed.
Net fee and commission income amounted to EUR 13.2 million, up compared to EUR 10.1 million in 2019 (+ 30%). The trend in these two aggregates was affected by the particularly positive trend in turnover (+ 29% 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 17.2 million (+ 27%) while operating costs, equal to EUR 8.4 million, increased by 22%, less than proportionally with respect to revenues, highlighting the ability of Generalfinance to control administrative costs in a business context of "double digit" growth.

Taking into account the particularly low cost of risk (net value adjustments of EUR 0.7 million) and taxes of EUR 2.8 million, the net profit for the period amounted to EUR 5.3 million, compared to EUR 4.2 million recorded in 2019.

Balance sheet and asset quality data

Net loans to customers amounted to EUR 176.5 million, up by 34% compared to 31 December 2019, due to activities highly focused on corporate customers, which led to an increase of 26% in loans disbursed compared to 2019. The disbursement percentage was substantially stable (from 75% in 2019 to 74% in 2020); the average credit days increased from 78 in 2019 to 85 in 2020, albeit at historically low values, in line with Generalfinance's credit policies.

Within the aggregate, net non-performing loans totalled EUR 0.7 million, with a net NPE ratio of approximately 0.4%. The coverage of non-performing loans stood at around 34.7%.

The gross NPE ratio was 0.6%, significantly lower than the sector average and well below the 1.2% at the end of 2019.

Lastly, the Texas Ratio stands at 3%, a value that attests to the high quality of Generalfinance's assets.

Receivables from banks amounted to approximately EUR 24.2 million - reflecting the prudent liquidity management profile, in the context of the pool loan stipulated in January 2019 - while total assets amounted to EUR 210.2 million in the financial statements, compared to EUR 158.4 million at the end of 2019.

Property, plant and equipment amounted to EUR 5.1 million, compared to approximately EUR 5.3 million in 2019.

Financial liabilities measured at amortised cost, equal to EUR 175.4 million, are mainly represented by the pool loan stipulated in January 2019 with some Italian banks - Banco BPM S.p.A., Creval S.p.A. and UBI Banca S.p.A. (as Mandated Lead Arranger and Bookrunner and Lending Banks), as well as Banca Centropadana Credito Cooperativo - Società Cooperativa, BPER Banca S.p.A., Banca Monte dei Paschi Di Siena S.p.A. and Banca Sella S.p.A. (as Lending Banks), in addition to other bilateral lines with banks and factoring companies.

Shareholders' equity and capital ratios

Shareholders' equity as at 31 December 2020 amounted to EUR 22.6 million, compared to EUR 19.4 million as at 31 December 2019.

The capital ratios of Generalfinance show the following values:

- 8.6% CET1 ratio;
- 8.6% Total Capital ratio.

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

The 2021-2023 Business Plan

On 22 January 2021, the Board of Directors approved the new Business Plan that outlines the growth path in the three-year horizon 2021-2023, with which the Company intends to further consolidate its role as the main operator in the Italian factoring market, in the distressed business segment. The combination of the implementation of the strategy and the macroeconomic context - which will be characterised by the growth of the market due to the effects of the health emergency on the levels of company default - will bring turnover, over the Plan period, to over EUR 1.5 billion 2023 (from EUR 761 million in 2020, with an annual CAGR of 26.7%, substantially in line with what occurred in the previous three-year period) with a net profit of around EUR 10 million and a return on equity of more than 33% at the end of 2023.

The objectives of the 2021-2023 Business Plan are linked to the implementation of six well-defined strategic initiatives, the first three of which are intended to support business development and volumes, and the others aim to strengthen the structure and core processes, in terms of skills, resources, information systems, internal control and risk monitoring processes.
In particular, the Company's action will be aimed at:

(i) the structural growth of customers and turnover, with the strengthening of the network (also through the inclusion of new sales figures in order to seize additional business opportunities, also in geographical areas not currently managed), of the commercial processes and of the internal skills;
(ii) developing new commercial agreements with specialised operators to support the core business;
(iii) the expansion of the products offered to customers, such as the purchase of trade receivables from the Public Administration and the purchase of tax receivables;
(iv) the further consolidation and diversification of the funding structure, through the renewal of the Revolving Credit Facility (RCF) - stipulated in 2019 with Banco BPM (agent bank), Creval and UBI (mandated arranger), in addition to BPER Banca, MPS, Banca Centropadana, Banca Sella - and the search for alternative sources in order to strengthen the structure of liabilities and further improve the management of liquidity risk;
(v) improving the credit process, particularly in the phases of origination, assessment of creditworthiness and monitoring and the consolidation of the systems supporting the credit process;
(vi) the strengthening of systems and resources along the value chain.

With these prospects, the 2021-2023 Business Plan envisages a strengthening of the company workforce with the hiring of 20 new staff by 2023, in particular in the processes of origination, assessment of creditworthiness and monitoring and strengthening of the workforce consistent with the evolution of turnover and transferors / transferred. The incentive systems linked to company performance will also be further refined, with the aim of strengthening the involvement and participation of personnel in the expected growth. The organisational structure is expected to grow from 50 staff in 2020 to 70 staff in 2023, with personnel costs rising from EUR 4.3 million to EUR 6.2 million (annual CAGR: + 13.3%).
The projections developed show a gradual and sustainable economic-financial development, consistent with the growth process recorded in the last three years, with actions aimed at maintaining adequate levels of regulatory capital in relation to RWA. Net banking income is expected to grow from EUR 17.2 million in 2020 to EUR 27.6 million in 2023 (annual CAGR: + 17.1%), with Net Profit increasing from EUR 5.3 million to EUR 10 million (annual CAGR: + 23.6%). The change in turnover is based on a limited increase in the number of assigning customers from the current 209 to 271 in 2023, against a significant increase in the number of transferred debtors, estimated at over 17,300 in 2023 (compared to 10,797 in 2020). Optimisation of the customer mix and a focus more on the corporate world are expected, with a consequent increase in average turnover per customer up to EUR 5.7 million.
From a capital point of view, thanks to the significant retained earnings generated by management, the capital ratios - CET1 Ratio and Total Capital Ratio - will remain above 11% at the end of 2023.

Main KPI 2021-2023

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	Var. '20-'23
Turnover (€ mln)	362	478	590	761	1.080	1.331	1.549	CAGR'20-'23 +26,7%
Disbursed Loans (€ mln)	269	350	445	562	813	1.002	1.170	CAGR'20-'23 +27,7%
LTV (%)	74,5%	73,2%	75,0%	74,7%	75,3%	75,3%	75,6%	+84 bps
Recevaibles DSO (gg)	82,1	72,8	78,1	86,5	89,5	83,4	87,1	
Net Profit (€ mln)	2,7	2,9	4,2	5,3	7,4	8,6	10,0	CAGR'20-'23 +23,6%
ROE(1)	21,3%	21,2%	27,6%	30,8%	33,3%	33,4%	33,4%	+257 bps
NPE Ratio	0,75%	2,19%	1,21%	0,58%	0,62%	0,66%	0,68%	+11 bps
CET1 ratio pro-forma	14,8%	14,4%	11,5%	9,9%	10,7%	10,9%	11,4%	+146 bps
Total Capital ratio pro-forma	14,8%	14,4%	11,5%	9,9%	12,9%	12,9%	13,1%	+316 bps

Note: (1) net profit / equity (net of profit);

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

The Company does not carry out "research and development" pursuant to paragraph 3, no. 1, of article 2428 of the Italian Civil Code. However, it is worth noting that the 2021-2023 Business Plan envisages a series of projects for the implementation of the "TOR4.0" IT platform, which will be added to the investment of EUR 0.7 million made in 2020. More specifically, in 2021 the Plan considers investments for a further EUR 1.2 million (targeted, inter alia, at the Economic-Financial Plan, improvement of the front-office platform, management of new products); for 2022 and 2023 investments of approximately EUR 0.6 million per year, for structural innovation and cyber-security, digital business and other development activities related to the IT management of the treasury, reporting and business intelligence. Therefore, total (cumulative) investments in software rose from EUR 3.3 million in 2020 to EUR 5.7 million in 2023.

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

On 24 March 2020, the Shareholders' Meeting renewed the composition of the Board of Directors and the Board of Statutory Auditors, for both of which the mandate granted on 29 June 2017 expired. The renewal of the offices took place according to the list voting procedure, envisaged by the Articles of Association. On the same date, the Board of Directors also resolved to appoint Massimo Gianolli as Chief Executive Officer.

With reference to the current composition of the Board of Directors, it should be noted that on 23 September 2020, Mr. Maurizio Dallocchio took over from Mr. Alessio Poi, who resigned for personal reasons. The result is that the current composition of the corporate bodies is as follows:

- Board of Directors:
  - Massimo Gianolli (Chairman);
  - Leonardo Luca Etro;
  - Maurizio Dallocchio;
  - Alberto Angelo Landoni;
  - Bruno Messina.

- Board of Statutory Auditors:
  - Paolo Francesco Maria Lazzati (Chairman);
  - Federica Casalvolone;
  - Andrea Di Giuseppe Cafà;
  - 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

The Single Control Function

Taking advantage of the option envisaged by Circular no. 288/2015, the Company has delegated the performance of the activities of the risk management, compliance and internal audit functions to a single function, called the Single Control Function, whose responsibility lies with the Independent Director, Mr. Leonardo Luca Etro. The Single Control Function was entrusted with the performance of the tasks specifically envisaged for the second and third level control functions by Circular no. 288/2015.
In addition, the Head of the Single Control Function is responsible for verifying the ICAAP process given responsible for assessing the capital adequacy of the Company.
With regard to risk management activities, aimed at verifying compliance with the prudential supervisory rules and the management of company risks, the Single Control Function oversees the correct measurement of risks and their specific mapping, also with reference to compliance with the requirements for the consolidated regulatory capital of "GFG - Gruppo Finanziario General" ("**Gruppo Finanziario**"), consisting of the parent company GGH ("**Capogruppo**") and Generalfinance. In the context of compliance verification activities, the Single Control Function verified and supported the updating of company procedures, regulations and policies, ensuring their compliance with legal provisions and compliance with company requirements, also with the aim of adequately monitoring the risks of judicial and administrative sanctions, financial losses or damage to reputation as a result

of the violation of mandatory rules or self-regulation provisions. Lastly, with regard to the internal audit activity aimed, on the one hand, at checking, also with ex post checks at the individual organisational units, the regularity of operations and the trend of risks, on the other hand, at assessing the functionality of the overall internal control system and to bring to the attention of the Board of Directors the possible improvements to the risk management policies, the control mechanisms and the procedures, the Single Control Function carried out the activities specified in the annual integrated control plan.

The Anti-Money Laundering Function

The Anti-Money Laundering Department is assigned to the Board of Directors. Until 23 September 2020, it was overseen by Mr. Alessio Poi and, after his resignation, by Mr. Maurizio Dallocchio.
The Anti-Money Laundering Function, together with the Single Control Function and availing itself of some internal functions, is constantly active in monitoring the company's activities and, in particular, the process put in place to monitor the risks of money laundering and terrorism financing, with the specific purpose of verifying its adequacy and effectiveness. In carrying out this supervisory activity, it pays special attention to the suitability of the procedures and internal processes regarding customer due diligence and the registration of relationships and transactions, as well as the process for assessing and reporting suspicious transactions. To this end, it has access to all the activities of the Company as well as to any information relevant to the performance of its duties.
During the year, a suspicious transaction was reported.

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).
The SB is a collective body, composed of two members, one external and independent (the Chairman), the other drawn from the organisational structure of the Company.
The current composition of the SB is as follows:
- Maria Enrica Spinardi (Chairman);
- Stefano Saviolo.

Other topics

Out-of-court settlement of disputes relating to banking and financial transactions and services (2)

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, the Company has activated, on its institutional website, a section aimed at providing information on the measures in support of SMEs envisaged by 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*".

As an intermediary registered in a register held by the Bank of Italy, Generalfinance adheres to the out-of-court dispute resolution system established at the Banking and Financial Arbitrator. During the 2020 financial year, the Company did not receive any communication classifiable as a "complaint". There 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 began in February 2020, throughout the country and which led to 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 made known 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 aimed at defining the company rules that employees, associates, consultants, suppliers and, in general, all those who are to carry out their work within the offices of the Company are required to comply), and by activating alternative methods of work performance, such as (being explicitly envisaged as a recommended containment measure) working from home, currently still used by a large number of employees.

With regard to health surveillance, the Company complies with the provisions of the Guidelines on Training of Managers, Supervisors and Employees and Employer / RSPP (art. 34 and 37 of Legislative Decree no. 81/2008), approved on 25/07/2012 by the State-Regions Conference. All employees are regularly subjected to regular medical check-ups and, in the event of new hires, to pre-employment check-ups. In addition, mandatory training is carried out in a timely manner for new hires, as well as the usual refresher courses for first aid and fire-fighting personnel.

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

On 9 June 2020, the annual meeting envisaged by article 35 of Legislative Decree no. 81/2008 was held (for companies with more than 15 employees), in which the Head of the Prevention and Protection Service,

the Employer representative and the competent doctor participated. 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 2020.

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 with the help of internal teachers, using external structures or sending personnel to courses, conferences, study days organised by trade associations or other public or private bodies. The most important training initiatives held in 2020 include the following courses: (i) on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing (pursuant to Legislative Decree no. 231 of 1 November 2007); (ii) on the administrative liability of companies and entities (pursuant to Legislative Decree no. 231 of 08 June 2001);

(iii) in the field of *digital transformation*, specific training for the ICT area; (iv) with regard to corporate welfare, to update the Human Resources area.

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 2020, 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 spread of the COVID-19 pandemic and 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.

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

To optimise economies of scale and to better exploit the existing structures at Financial Group level, according to a criterion of proportionality, a service agreement is in place with GGH through which the Company makes certain functions and services available to the Parent Company, in particular the operational functions of administration and accounting, those of company secretariat and those of technical supervision relating to the management of activities concerning 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.

Concentration of risk and regulatory capital

During the 2020 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 explanatory notes, to which reference should be made for any information in this regard.

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

On 20 January 2021, in execution of the agreements defined in the deed of incorporation, Creval agreed to the release from restriction of 423,992 shares of Generalfinance owned by GGH. In this regard, it should be noted that, on 29 June 2017, to ensure the correct execution of a series of obligations assumed as part of the agreements reached between the shareholders at the time of the entry of Creval into the share capital of the Company, the Parent Company established a first degree pledge on 1,271,766 ordinary shares of Generalfinance (representing 12.94% of the share capital) in favour of Creval. As a result of the above-mentioned release, as of today, the restriction continues to be limited to 847,844 shares of the Company owned by GGH, representing 8.63% of the share capital of Generalfinance. The pledge, however, does not entail any limitation on the rights of GGH as, in derogation of 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 / or 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.

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

During the 2020 financial year, the Company did not use - nor does it currently use - financial instruments. In addition, during the year 2020, the Company did not carry out any transactions in currencies other than the Euro.

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

The Company has its registered office in 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 of commercial activity recorded in 2020 - trend in turnover, of loans disbursed and of the customer base - and in the first part of 2021 makes it possible to confirm the feasibility of the objectives of the business plan with reference to 2021, with a turnover above EUR 1 billion and net profit in line with the Business Plan.
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 must be carefully considered. In this context, the feasibility of the previous targets 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 2020, which are being reviewed and approved today, show a net profit of EUR 5,327,924.58, taking into account depreciation of property, plant and equipment for EUR 656,517.03 and amortisation of intangible assets for EUR 199,003.69, as well as net of a tax charge of EUR 2,781,903.00.
Without prejudice to the positive result for the year and although the Company - also thanks to the specific characteristics of the core business - was able to deal with the crisis in such a way as to minimize its negative impacts, with a view to sound and prudent management, in formulating the destination proposal. of the profit for the year, the Board of Directors believes that it cannot ignore the economic context in which Generalfinance operates and, in particular, the serious effects produced by the COVID-19 pandemic on the national economy, as, similarly, it deems appropriate to keep account - although this is a document not intended for financial intermediaries and, therefore, not binding for the Company - of the communication of the Bank of Italy of March 2020 with which all banks and banking groups were recommended not to pay dividends, at least until 1 October 2020, including the distribution of reserves, and not to assume any irrevocable commitment for payment dividends for the financial years 2019 and 2020. Therefore, in inviting the Shareholders' Meeting to

approve the 2020 Financial Statements, the Board of Directors proposes to allocate the net profit for the year as follows:

- EUR .... 3,196,754.75, to the Extraordinary Reserve;
- EUR .... 2,131,169.83, equal to 40% 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	5,837,550.30;
- Extraordinary reserve	EUR	11,221,128.00;
- Revaluation reserve pursuant to Law Decree no. 185/2008	EUR	339,518.20;
- FTA reserve	EUR	-770,668.69;
- Valuation reserves	EUR	-125,386.00;
- and overall	EUR	20.433.051,41.

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 2020 financial statements, as well as the Board of Statutory Auditors and the Independent Auditors for their valuable control activities.

Milan, 1 March 2021.

SIGNED IN ORIGINAL
for the Board of Directors
the Chairman, Massimo Gianolli

GENERAL
FINANCE

CONTENTS OF THE FINANCIAL STATEMENTS

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CONTENTS OF THE FINANCIAL STATEMENTS

BALANCE SHEET - FINANCIAL INTERMEDIARIES
(values in Euro)

	Asset items		31/12/2020		31/12/2019
10.	Cash and cash equivalents		2,268		1,460
20.	Financial assets measured at fair value through profit or loss		46,298		46,974
	c) other financial assets mandatorily measured at fair value	*46,298*		*46,974*	
40.	Financial assets measured at amortised cost		200,695,867		148,705,529
	a) loans to banks	*24,191,105*		*16,757,215*	
	c) loans to customers	*176,504,762*		*131,948,314*	
80.	Property, plant and equipment		5,075,660		5,342,512
90.	Intangible assets		763,812		352,086
	- of which goodwill	*0*		*0*	
100.	Tax assets		1,419,320		883,778
	a) current	*650,424*		*458,086*	
	b) deferred	*768,896*		*425,692*	
120.	Other assets		2,206,393		3,077,065
Total assets			**210,209,618**		**158,409,404**

	Liabilities and shareholders' equity items		31/12/2020		31/12/2019
10.	Financial liabilities measured at amortised cost		175,396,270		129,006,333
	a) payables	*175,396,270*		*129,006,333*	
60.	Tax liabilities		904,002		636,513
	a) current	*904,002*		*636,513*	
80.	Other liabilities		8,335,985		7,641,890
90.	Severance pay		1,390,799		1,210,182
100.	Provisions for risks and charges		1,618,341		554,830
	b) pension and similar obligations	*62,297*		*54,830*	
	c) other provisions for risks and charges	*1,556,044*		*500,000*	
110.	Share capital		3,275,758		3,275,758
140.	Share premium reserve		5,837,550		5,837,550
150.	Reserves		8,248,374		6,154,672
160.	Valuation reserves		(125,386)		(95,728)
170.	Profit (loss) for the year		5,327,925		4,187,404
Total liabilities and shareholders' equity			**210,209,618**		**158,409,404**

INCOME STATEMENT - FINANCIAL INTERMEDIARIES
(values in Euro)

	Items	31/12/2020		31/12/2019	
10.	Interest income and similar income		5,720,563		4,638,228
20.	Interest expense and similar charges		(1,626,944)		(1,202,101)
30.	**Interest margin**		**4,093,619**		**3,436,127**
40.	Fee and commission income		14,748,279		11,541,473
50.	Fee and commission expense		(1,628,538)		(1,444,662)
60.	**Net fee and commission income**		**13,119,741**		**10,096,811**
80.	Net profit (loss) from trading		(29)		(40)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss		(676)		184
	b) other financial assets mandatorily measured at fair value	*(676)*		*184*	
120.	**Net interest and other banking income**		**17,212,655**		**13,533,082**
130.	Net value adjustments / write-backs for credit risk of:		(713,448)		(352,337)
	a) financial assets measured at amortised cost	*(713,448)*		*(352,337)*	
150.	**Net profit (loss) from financial management**		**16,499,207**		**13,180,745**
160.	Administrative expenses		(7,246,916)		(6,805,600)
	a) personnel expenses	*(4,272,217)*		*(3,760,925)*	
	b) other administrative expenses	*(2,974,699)*		*(3,044,675)*	
170.	Net provisions for risks and charges		(1,063,511)		(6,676)
	b) other net provisions	*(1,063,511)*		*(6,676)*	
180.	Net value adjustments / write-backs on property, plant and equipment		(656,518)		(606,221)
190.	Net value adjustments / write-backs on intangible assets		(199,004)		(232,661)
200.	Other operating income and expenses		776,570		750,544
210.	**Operating costs**		**(8,389,379)**		**(6,900,614)**
260.	**Pre-tax profit (loss) from current operations**		**8,109,828**		**6,280,131**
270.	Income taxes for the year on current operations		(2,781,903)		(2,092,727)
280.	**Profit (loss) from current operations after tax**		**5,327,925**		**4,187,404**
300.	**Profit (loss) for the year**		**5,327,925**		**4,187,404**

STATEMENT OF COMPREHENSIVE INCOME - FINANCIAL INTERMEDIARIES

(values in Euro)

	Asset items	31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**5,327,925**	**4,187,404**
	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	(29,658)	(47,111)
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
	Other income components net of taxes without reversal to the income statement		
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	-	-
150.	Non-current assets and disposal groups	-	-
160.	Portion of valuation reserves of equity-accounted investments	-	-
170.	**Total other income components net of taxes**	**(29,658)**	**(47,111)**
180.	**Comprehensive income (Item 10 + 170)**	**5,298,267**	**4,140,293**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2020 OF 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 the year 2020	Shareholders' equity as at 31/12/2020
							Shareholders' equity transactions						
				Reserves	Dividends and other uses	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													
a) of profits	5,815,154	-	5,815,154	2,093,702	-	-	-	-	-	-	-	-	7,908,856
b) 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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2019 - FINANCIAL INTERMEDIARIES
(values in Euro)

	Balance as at 31/12/2018	Change in opening balances	Balance as at 01/01/2019	Allocation of previous year's result		Changes in the year						Comprehensive income for the year 2019	Shareholders' equity as at 31/12/2019
							Shareholders' equity transactions						
				Reserves	Dividends and other uses	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	4,353,469	-	4,353,469	1,461,685	-	-	-	-	-	-	-	-	5,815,154
d) others	339,518	-	339,518	-	-	-	-	-	-	-	-	-	339,518
Valuation reserves	(48,617)	-	(48,617)	-	-	-	-	-	-	-	-	(47,111)	(95,728)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	2,923,371	-	2,923,371	(1,461,685)	(1,461,686)	-	-	-	-	-	-	4,187,404	4,187,404
Shareholders' equity	16,681,049	-	16,681,049	-	(1,461,686)	-	-	-	-	-	-	4,140,293	19,359,656

CASH FLOW STATEMENT - FINANCIAL INTERMEDIARIES (indirect method)
(values in Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2020	31/12/2019
1. Management	**10,740,057**	**7,766,212**
- profit (loss) for the year (+/-)	5,327,925	4,187,404
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at *fair value* through profit or loss (- / +)	676	(184)
- gains / losses on hedging activities (- / +)	-	-
- net value adjustments for credit risk (+/-)	713,448	406,571
- net value adjustments to property, plant and equipment and intangible assets (+/-)	855,522	838,882
- net provisions for risks and charges and other costs / revenues (+/-)	1,154,502	240,812
- unpaid taxes, duties and tax credits (+/-)	2,687,984	2,092,727
- net value adjustments to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	-	-
2. Liquidity generated / absorbed by financial assets	**(44,587,752)**	**(43,981,286)**
- 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	(45,264,500)	(42,313,778)
- other assets	676,748	(1,667,508)
3. Cash flow generated / absorbed by financial liabilities	**44,324,030**	**51,591,454**
- financial liabilities measured at amortised cost	46,407,613	51,105,799
- financial liabilities held for trading	-	-
- financial liabilities designated at *fair value*	-	-
- other liabilities	(2,083,583)	485,655
Net cash flow generated / absorbed by operating activities	**10,476,335**	**15,376,380**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**9,075**	**6,733**
- sales of equity investments	-	-
- dividends collected on equity investments	-	-
- sales of property, plant and equipment	9,075	6,733
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(951,614)**	**(667,852)**
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(489,961)	(514,971)
- purchases of intangible assets	(461,653)	(152,881)
- purchases of business units	-	-
Net cash flow generated / absorbed by investment activities	**(942,539)**	**(661,119)**

C. FUNDING ACTIVITIES		
- issues / purchases of treasury shares	-	-
- issues / purchases of equity instruments	-	-
- distribution of dividends and other purposes	(2,093,702)	(1,461,685)
Net cash flow generated / absorbed by funding activities	**(2,093,702)**	**(1,461,685)**
NET CASH FLOW GENERATED / ABSORBED DURING THE YEAR	**7,440,094**	**13,253,576**

RECONCILIATION	Amount	
	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	16,765,381	3,511,805
Total net cash flow generated / absorbed during the year	7,440,094	13,253,576
Cash and cash equivalents: effect of changes in exchange rates	0	0
Cash and cash equivalents at the end of the year	**24,205,475**	**16,765,381**

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EXPLANATORY NOTES

2020 FINANCIAL STATEMENTS

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EXPLANATORY NOTES

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 2020 were prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date.

The financial statements were prepared according to the formats and instructions issued by the Bank of Italy on 30 November 2018, and issued in compliance with the provisions of art. 9 of Legislative Decree no. 38/2005 and subsequent amendments to the law. The legislation also refers to specific provisions on the determination of non-performing items contained in Circular no. 217 of 5 August 1996 and subsequent updates.

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

• Balance Sheet and Income Statement;

• Statement of comprehensive income;

• Statement of changes in shareholders' equity; • Cash flow statement;

• Explanatory notes.

The financial statements are also completed by the relative comparative information as required by IAS 1 and are prepared on a going concern basis, measured by taking into account present and future income and financial prospects. The amounts shown in the financial statements and in the tables of the explanatory notes are expressed in Euro.

Section 2 - General drafting principles

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

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

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

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

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

5) Prohibition of offsetting. Assets and liabilities, costs and revenues are not offset against each other, unless this is required or permitted by an International Accounting Standard or an interpretation or by the schedules prepared by the Bank of Italy and represented in the instructions for “The Financial Statements” of IFRS intermediaries other than banking intermediaries ”. 6) Comparative information. The comparative information of the previous year is reported for all the data contained in the financial statements, unless an International Accounting Standard, an interpretation or the instructions prepared by the Bank of Italy for Financial Intermediaries prescribe or allow otherwise. Information of a descriptive nature or comments is also included, when useful for understanding the data.

As mentioned above, these financial statements were prepared on the basis of the 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 document published by the Bank of Italy entitled "Provisions on the financial statements of banks and other supervised financial intermediaries regarding: 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 intends to supplement the 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" 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 to deal with the pandemic;
- documents of an interpretative nature and supporting the application of accounting standards in relation to the impacts of COVID19, 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 entities;
    - 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.

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 the 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 affected by the three 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. Therefore, in 2020, 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. However, it was willing to reschedule certain deadlines in the lockdown period 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.

<u>IFRS accounting standards, amendments and interpretations applied from 1 January 2020</u>

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company starting from 1 January 2020:

- on 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "relevant" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or erroneous information already present in the two standards being amended. The amendment clarifies that information is “obscured” if it has been described in such a way as to produce for the primary readers of financial statements an effect similar to that which would have been produced if this information had been omitted or incorrect.

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

- On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing IFRS standards. The document helps ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

  The adoption of this amendment had no effect on the Company’s financial statements.
- On 26 September 2019, the IASB published the amendment entitled “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. The same amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary exceptions to the same, in order to mitigate the impact deriving from the uncertainty of the IBOR reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which they apply the above-mentioned exceptions.

  The adoption of this amendment had no effect on the Company’s financial statements.
- On 22 October 2018, the IASB published the document “Definition of a Business (Amendments to IFRS 3)”. The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities / processes and assets. However, to meet the definition of business, an integrated set of activities / processes and assets must include, at a minimum, an input and a substantive process that together contribute significantly to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also introduced an optional “concentration test”, which makes it possible to exclude the presence of a business if the price paid is substantially referable to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.

  The adoption of this amendment had no effect on the Company’s financial statements.
- On 28 May 2020, the IASB published an amendment called “COVID-19 Related Rent Concessions (Amendment to IFRS 16)”. The document provides lessees with the right to account for the reduction in fees related to COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 is respected. Therefore, the lessees who apply this option will be able to account for the effects of the reductions in rents directly in the income statement at the effective date of the reduction. The adoption of this amendment had no effect on the Company’s financial statements.

<u>IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the company as at 31 December 2020</u>

- On 28 May 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. These amendments entered into force on 1 January 2021. The directors do not expect the adoption of this amendment to have a significant 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 directors do not expect the adoption of this amendment to have a significant effect on the Company's financial statements.

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

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

- On 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.
- 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 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 IFRS 3.
  - 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 when estimating the possible cost of a contract, all costs directly attributable to the contract must be considered. 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 personnel costs and 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 will enter into force on 1 January 2022.

At present, the directors are assessing the possible effects of the introduction of these amendments 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 2021 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.

Please note that, pursuant to IAS 10, the date on which the financial statements were authorised for publication by the Company's Directors is 1 March 2021.

Section 4 - Other aspects

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

Risks and uncertainties associated with the use of estimates

The preparation of the financial statements requires the use of estimates and assumptions that may have significant effects on the values recorded in the balance sheet and in the income statement, as well as on the disclosure relating to contingent assets and liabilities reported in the financial statements.

The preparation of these estimates involves the use of available information and the adoption of subjective judgments, also based on historical experience, used in order to formulate reasonable assumptions for the recognition of operating events.

Due to their very nature, the estimates and assumptions used may vary from year to year, therefore it cannot be excluded that the current values recorded in the financial statements may differ significantly as a result of the change in the subjective judgments used.

The cases for which the use of subjective judgments was required in the preparation of these financial statements concern:

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

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

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.

EXPLANATORY NOTES

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 was not applied.

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

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

1.1 Classification criteria

Financial assets other than those classified under Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost are classified in this category. In particular, this item includes:

a) financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading;

b) financial assets designated at fair value, i.e. non-derivative financial assets thus defined at the time of initial recognition and if the conditions are met. An entity may irrevocably designate a financial asset measured at fair value through profit or loss only if, by doing so, it eliminates or significantly reduces a measurement inconsistency;

c) financial assets mandatorily measured at fair value, represented by financial assets that do not meet the conditions, in terms of business model or characteristics of cash flows, for measurement at amortised cost or at fair value through other comprehensive income. In particular, this category includes:

▪ debt instruments, securities and loans that do not present cash flows consisting only of the repayment of principal and interest consistent with a "basic lending arrangement", (so-called "SPPI test" not passed);

▪ debt instruments, securities and loans whose business model is neither "Held to collect" (whose objective is to own assets aimed at collecting contractual cash flows or "Held to collect and sell" (whose objective is to achieved both through the collection of contractual cash flows and through the sale of financial assets); ▪ UCITS units;

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

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

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

2.4 Criteria for recognising income components

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

a) interest income is allocated to the item "Interest income and similar income";
b) fee and commission income relating to current operations is allocated to the item "Commission income";
c) impairment losses and write-backs for credit risk are allocated to the item "Net value adjustments / write-backs for credit risk 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 the 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 the recognition of income components
The allocation of income components to the relevant income statement items is based on the following:

a) periodic depreciation, impairment losses and write-backs are allocated to the item “Net value adjustments / write-backs on property, plant and equipment”;
b) the profits and losses deriving from the sale 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.

EXPLANATORY NOTES

4 - Intangible assets

4.1 Classification criteria

The item includes intangible assets, identifiable even if they are not physical, which have the characteristics of multi-year use and an ability to produce future benefits.

The Company has no intangible assets with an indefinite useful life; they are represented solely by software, also produced internally, and user licenses.

4.2 Recognition criteria

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

4.3 Measurement criteria

The posting in the financial statements subsequent to the initial one is carried out at cost less any amortisation and any impairment losses.

Amortisation is calculated on the basis of the best estimate of the useful life by using the straight-line distribution method.

Periodically, it is verified whether substantial changes have occurred in the original conditions that require changes to the initial amortisation plans.

If it is found that an individual asset may have suffered an impairment loss, it is subject to an impairment test with the recognition and recording of the related losses.

4.4 Criteria for recognising income components

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

a) periodic amortisation, impairment losses and write-backs are allocated to the item “Net value adjustments / write-backs on intangible assets”.

4.5 Derecognition criteria

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

5 - Tax assets and tax liabilities

5.1 Classification criteria

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

Current tax assets include surpluses and payments on account, while current tax liabilities include payables to be paid for income taxes for the period.

Deferred tax items, on the other hand, represent income taxes recoverable in future periods in connection with deductible temporary differences (deferred assets) and income taxes payable in future periods as a result of taxable temporary differences (deferred liabilities).

5.2 Recognition, derecognition and measurement criteria

Income taxes are calculated on the basis of current tax rates.

Deferred tax assets are recognised, in accordance with the “balance sheet liability method”, only on condition that there is full capacity to absorb the deductible temporary differences from future taxable income, while deferred tax liabilities are usually accounted for if of a significant amount.

5.3 Measurement criteria for income components

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

6 - Financial liabilities measured at amortised cost

6.1 Classification criteria

Financial liabilities other than liabilities held for trading and liabilities designated at fair value are classified in this category.

The item includes payables to banks, payables to financial institutions, in relation to existing contracts, any amounts due to customers and payables recorded by the lessee as part of leasing transactions.

6.2 Recognition criteria

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

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

6.3 Measurement criteria

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

After the effective date, the lease liability is measured:

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

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

6.4 Criteria for the recognition of 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 amortised 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 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 in the relevant items of the Income Statement is based on the following:

a) the 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 in the relevant items of the Income Statement is based on the following:

a) provisions for risks and charges are allocated to the item "Net provisions for risks and charges".

8.4 Derecognition criteria

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

Foreign currency transactions

No foreign currency transactions were carried out during the year.

Accounting for income and expenses

Costs are recognised in the income statement when there is a decrease in economic benefits that involves a decrease in assets or an increase in liabilities.

Revenues are recognised when they are received or when it is likely that they will be received and when they can be reliably quantified.

Treasury shares

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

Share-based payments

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

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

A.4 INFORMATION ON FAIR VALUE

Qualitative information

This section includes the 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: the prices listed (not adjusted) in active markets for identical assets or liabilities which the entity can access the valuation date;

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

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

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

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

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

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

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

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

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

A.4.2 Evaluation processes and sensitivity

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

A.4.3 Fair value hierarchy

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

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

Assets / Liabilities measured at fair value	Total 31/12/2020			Total 31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	5,558	-	40,740	6,234	-	40,740
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5,558	-	40,740	6,234	-	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	**5,558**	**-**	**40,740**	**6,234**	**-**	**40,740**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**40,740**	**-**	**-**	**40,740**	**-**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits allocated to:	-	-	-	-	-	-	-	-
2.2.1. Income statement	-	-	-	-	-	-	-	-
of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses allocated to:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
of which capital losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**40,740**	**-**	**-**	**40,740**	**-**	**-**	**-**	**-**

EXPLANATORY NOTES

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 31/12/2020				Total 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	200,695,867	-	-	200,695,867	148,705,529	-	-	148,705,529
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**200,695,867**	**-**	**-**	**200,695,867**	**148,705,529**	**-**	**-**	**148,705,529**
1. Financial liabilities measured at amortised cost	175,396,270	-	-	175,396,270	129,006,333	-	-	129,006,333
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**175,396,270**	**-**	**-**	**175,396,270**	**129,006,333**	**-**	**-**	**129,006,333**

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 31/12/2020	Total 31/12/2019
Cash	2,268	1,460
Total	**2,268**	**1,460**

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 31/12/2020			Total 31/12/2019		
	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	**5,558**	**-**	**40,740**	**6,234**	**-**	**40,740**
3. UCITS units	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**5,558**	**-**	**40,740**	**6,234**	**-**	**40,740**

EXPLANATORY NOTES

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 2020.

The amount classified in Level 3 refers to the shares of the Liguria Credit Line, the shares of Banca Centropadana Credito Cooperativo and the shares of Confidi Sardegna, whose valuation is subject to periodic verification on the basis of internal methods.

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

Items / Values	Total 31/12/2020	Total 31/12/2019
1. Equity securities	**46,298**	**46,974**
of which: banks	25,998	26,674
of which: other financial companies	20,300	20,300
of which: non-financial companies	-	-
2. Debt securities	**-**	**-**
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
of which: insurance companies	-	-
d) Non-financial companies	-	-
e) Households	-	-
Total	**46,298**	**46,974**

EXPLANATORY NOTES

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

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

Composition	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3
1. Deposits and current accounts	**24,191,105**	**-**	**-**	**-**	**-**	**24,191,105**	**16,757,215**	**-**	**-**	**-**	**-**	**16,757,215**
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**24,191,105**	**-**	**-**	**-**	**-**	**24,191,105**	**16,757,215**	**-**	**-**	**-**	**-**	**16,757,215**

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

The amount of EUR 24,191,105 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 2020, the credit balance of the current accounts subject to the pledge amounted to EUR 16,526,249, while the payable relating to the loan amounted to EUR 114,203,882.

EXPLANATORY NOTES

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

Composition	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or financial assets	L1	L2	L3
1. Loans	**175,837,757**	**667,005**	**232**	**-**	**-**	**176,504,762**	**131,141,379**	**806,935**	**284**	**-**	**-**	**131,948,314**
1.1 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	175,837,757	667,005	232	-	-	176,504,762	131,141,379	806,935	284	-	-	131,948,314
- with recourse	159,726,751	666,773	-	-	-	160,393,524	121,323,982	806,651	-	-	-	122,130,633
- without recourse	16,111,006	232	232	-	-	16,111,238	9,817,397	284	284	-	-	9,817,681
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	**175,837,757**	**667,005**	**232**	**-**	**-**	**176,504,762**	**131,141,379**	**806,935**	**284**	**-**	**-**	**131,948,314**

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

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

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

Type of transactions / Values	Total 31/12/2020			Total 31/12/2019		
	First and second stage	Third stage	of which: purchased or financial assets	First and second stage	Third stage	of which: purchased or financial assets
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**175,837,757**	**667,005**	**232**	**131,141,379**	**806,935**	**284**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	174,731,072	649,190	137	129,990,500	806,840	189
c) Households	1,106,685	17,815	95	1,150,879	95	95
3. Other assets	-	-	-	-	-	-
Total	**175,837,757**	**667,005**	**232**	**131,141,379**	**806,935**	**284**

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

	Gross value				Total value adjustments			Total partial write-offs
	First stage	of which: instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	-	-	-	-	-	-	-	-
Loans	190,642,361	-	9,690,333	1,022,129	194,943	108,889	355,124	-
Other assets	-	-	-	-	-	-	-	-
Total 31/12/2020	**190,642,361**	**-**	**9,690,333**	**1,022,129**	**194,943**	**108,889**	**355,124**	**-**
Total 31/12/2019	**141,537,376**	**-**	**6,414,544**	**1,601,358**	**51,653**	**1,673**	**794,423**	**-**
of which: purchased or originated impaired financial assets	X	X	-	464	X	-	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 73,803, 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

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 31/12/2020						Total 31/12/2019					
	Loans to banks		Receivables due from financial companies		Loans to customers		Loans to banks		Receivables due 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:	-	-	-	-	159,726,751	159,726,751	-	-	-	-	121,323,982	121,323,982
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	159,726,751	159,726,751	-	-	-	-	121,323,982	121,323,982
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	-	-	-	-	666,773	666,773	-	-	-	-	806,651	806,651
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	666,773	666,773	-	-	-	-	806,651	806,651
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**160,393,524**	**160,393,524**	**-**	**-**	**-**	**-**	**122,130,633**	**122,130,633**

VE = book value of exposures

VG = fair value of guarantees

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

In addition, the Company acquires i) insurance guarantees to protect against the risk of default of the transferred debtors, 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 31/12/2020	Total 31/12/2019
1. Owned assets	**2,403,119**	**2,280,731**
a) land	178,952	178,952
b) buildings	952,168	1,071,865
c) furniture	214,074	256,224
d) electronic systems	-	-
e) others	1,057,925	773,690
2. Rights of use acquired through leasing	**2,672,541**	**3,061,781**
a) land	-	-
b) buildings	2,528,766	2,879,038
c) furniture	-	-
d) electronic systems	-	-
e) others	143,775	182,743
Total	**5,075,660**	**5,342,512**
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**	**4,661,458**	**514,903**	**-**	**1,863,981**	**7,219,294**
A.1 Total net impairment losses	-	710,555	258,679	-	907,548	1,876,782
A.2 Net opening balance	**178,952**	**3,950,903**	**256,224**	**-**	**956,433**	**5,342,512**
B. Increases:	**-**	**7,428**	**9,001**	**-**	**473,532**	**489,961**
B.1 Purchases	-	-	9,001	-	447,206	456,207
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	-	7,428	-	-	26,326	33,754
C. Decreases	**-**	**477,397**	**51,151**	**-**	**228,265**	**756,813**
C.1 Sales	-	-	1,058	-	2,346	3,404
C.2 Depreciation	-	381,312	50,093	-	225,113	656,518
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	78,410	-	-	-	78,410
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	-	17,675	-	-	806	18,481
D. Closing balance	**178,952**	**3,480,934**	**214,074**	**-**	**1,201,700**	**5,075,660**
D.1 Total net impairment losses	-	1,091,867	288,378	-	1,002,129	2,382,374
D.2 Gross closing balance	**178,952**	**4,572,801**	**502,452**	**-**	**2,203,829**	**7,458,034**
E. Valuation at cost	**178,952**	**3,480,934**	**214,074**	**-**	**1,201,700**	**5,075,660**

The item “Other changes” is represented by the increase during the year in rights of use on properties and cars.
The item “Other” includes the value, among other things, of owned and leased vehicles.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown

Items / Valuation	Total 31/12/2020		Total 31/12/2019	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
2.1 owned	763,812	-	352,086	-
- generated internally	176,621	-	43,785	-
- others	587,191	-	308,301	-
2.2 Rights of use acquired through leasing	-	-	-	-
Total 2	**763,812**	**-**	**352,086**	**-**
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)	**763,812**	**-**	**352,086**	**-**
Total	**763,812**		**352,086**	

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**352,086**
B. Increases:	**610,730**
B.1 Purchases	461,653
B.2 Write-backs	-
B.3 Positive changes in fair value	-
- to shareholders' equity	-
- to the income statement	-
B.4 Other changes	149,077
C. Decreases	**199,004**
C.1 Sales	-
C.2 Amortisation	199,004
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	**763,812**

The item “Other increases” is represented by internally generated software.

9.3 Intangible assets: other information

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

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

Denominations	Total 31/12/2020	Total 31/12/2019
Current tax assets	650,424	458,086
Deferred tax assets	768,896	425,692
Total	**1,419,320**	**883,778**

10.1 "Tax assets: current and deferred": breakdown

The item "Current tax assets" consists of receivables due from tax authorities for IRES (corporate income tax) advances for EUR 215,168 and for IRAP (regional business tax) advances for EUR 425,459.

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 31/12/2020	Total 31/12/2019
Current tax liabilities	904,002	636,513
Deferred tax liabilities	-	-
Total	**904,002**	**636,513**

The item "*Current tax liabilities*" consists of the payable to the tax authorities for IRES of EUR 309,645 and for IRAP of EUR 594,357.

It should be noted that following the adhesion of the Company, together with GGH - Gruppo General Holding Srl and Generalbroker Srl as Consolidated companies, the national tax consolidation envisaged by art. 117 of the TUIR for MGH - Massimo Gianolli Holding Srl - Consolidating company, a payable to the company MGH - Massimo Gianolli Holding Srl of Euro 726,370 was recorded under "Other liabilities", corresponding to the application of the ordinary IRES rate of the 24% of the taxable income of Generalfinance SpA 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)

Denominations	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**389,382**	**417,001**
2. Increases	**355,659**	**9,522**
2.1 Deferred tax assets recognised during the year	355,659	9,522
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	355,659	9,522
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**23,704**	**37,141**
3.1 Deferred tax assets cancelled during the year	23,704	37,141
a) reversals	23,704	37,141
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	**721,337**	**389,382**

The item increased by EUR 355,659 due to new deferred tax assets recognised during the year.
The increase is mainly due to deferred tax assets recognised following the provision for a legal dispute made during the year.
The item decreased by EUR 23,704 due to the recovery of costs not deducted previously.

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

	Total 31/12/2020	Total 31/12/2019
1. Opening amount	**156,908**	**156,908**
2. Increases	**-**	**-**
3. Decreases	**21,643**	**-**
3.1 Reversals	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	**135,265**	**156,908**

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

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

Denominations	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**36,310**	**18,441**
2. Increases	**11,249**	**17,869**
2.1 Deferred tax assets recognised during the year	11,249	17,869
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	11,249	17,869
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	-	-
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	**47,559**	**36,310**

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

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

Items / Values	Total 31/12/2020	Total 31/12/2019
Security deposits	32,785	34,615
Suppliers for advances	130,621	64,028
Tax authorities with VAT and withholding taxes	236	458
Prepayments	1,101,293	1,352,712
Sundry receivables	941,458	716,324
Receivables from MGH - Massimo Gianolli Holding S.r.l. for tax consolidation	0	908,928
Total	**2,206,393**	**3,077,065**

The item “Deferred income” is determined by the following costs for the year 2021:

Description	Amount
Insurance prepayments	36,211
Prepaid services rendered by third parties	366,243
Prepayments for software fees	59,841
Prepayments of syndicated loan costs	600,165
Sundry deferrals	38,833
Total	**1,101,293**

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 31/12/2020			Total 31/12/2019		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans	**144,561,006**	**25,377,886**	**-**	**125,277,393**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other loans	144,561,006	25,377,886	-	125,277,393	-	-
2. Lease payables	**-**	**10,198**	**1,930,756**	**-**	**21,863**	**2,189,742**
3. Other payables	**-**	**-**	**3,516,424**	**-**	**-**	**1,517,335**
Total	**144,561,006**	**25,388,084**	**5,447,180**	**125,277,393**	**21,863**	**3,707,077**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	**144,561,006**	**25,388,084**	**5,447,180**	**125,277,393**	**21,863**	**3,707,077**
Total Fair Value	**144,561,006**	**25,388,084**	**5,447,180**	**125,277,393**	**21,863**	**3,707,077**

The total for this item therefore amounts to EUR 175,396,270.

Payables to banks refer to:

Technical form	Amount
Current account exposures for SBF advances	30,357,124
Pool loan	114,203,882
Total	**144,561,006**

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

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

Section 6 - Tax liabilities - Item 60

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

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

Items / Values	Total 31/12/2020	Total 31/12/2019
Accrued expenses and deferred income	2,807,773	1,996,990
Payables to tax authorities	205,264	170,794
Social security and welfare institutions	92,688	110,446
Employees payroll account	144,802	135,031
Payables to suppliers and lenders	1,609,037	1,443,049
Payables to MGH - Massimo Gianolli Holding S.r.l. for tax consolidation	726,370	1,428,595
Sundry payables	2,750,051	2,356,985
Total	**8,335,985**	**7,641,890**

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	584,505
Miscellaneous accrued expenses	58,565
Deferred fee and commission income	2,164,703
Total	**2,807,773**

Section 9 - Severance pay - Item 90

9.1 Severance pay: annual changes

	Total 31/12/2020	Total 31/12/2019
A. Opening balance	**1,210,182**	**981,382**
B. Increases	**213,807**	**240,702**
B.1 Provision for the year	172,900	175,722
B.2 Other increases	40,907	64,980
C. Decreases	**33,190**	**11,902**
C.1 Payments made	31,105	9,737
C.2 Other decreases	2,085	2,165
D. Closing balance	**1,390,799**	**1,210,182**

The increase is due to the adjustment of the component of the average value of services (Current service cost) and for EUR 40,907 to the adjustment of the actuarial valuation.
The decrease is due to the payments made in the reference period and the substitute tax on the revaluation of severance pay.

9.2 Other information

The main actuarial assumptions are reported below:
Salary increase and inflation: based on analyses conducted on company data updated as at 30 November 2020, the decision was taken to adopt an annual salary increase rate of 2% for all job categories. In addition to this salary increase, an annual increase was assumed due to inflation, the ratios of which are indicated below;
Average probabilities and percentages of use of the severance pay provision: given the modest size of the community under investigation, the probabilities and percentages of use were estimated, based on seniority and on the basis of experience derived from similar companies;

Probability of elimination from the community due to death: the census tables of the Italian general population (Tables ISTAT SIM / F 2019 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 the severance pay: inflation is set as follows: 2020 -0.2%; 2021 0.5%; 2022 1.0% and from 2023 1.7%, in line with the assumptions of inflation trends presented in the last Update of the Document of Economy and Finance (NADEF) produced by the Italian Ministry of Economy and Finance and with the projections drawn up by the European Central Bank for long-term assumptions;
Interest rates: the Europe Corporate AA rating curve produced by Bloomberg Finance as at 31 December 2020 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	**1,391**	
Sensitivity with respect to interest rates		
I) 0.5% decrease in rates	1,481	6.60%
II) 0.5% increase in interest rates	1,305	-6.04%
Sensitivity with respect to the salary scale		
III) a 0.5% decrease in the salary scale	1,360	-2.11%
IV) 0.5% increase in the salary scale	1,420	2.24%

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	Total 31/12/2020	Total 31/12/2019
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	**62,297**	**54,830**
4. Other provisions for risks and charges	**1,556,044**	**500,000**
4.1 legal and tax disputes	1,556,044	500,000
4.2 personnel expenses	-	-
4.3 others	-	-
Total	**1,618,341**	**554,830**

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	**-**	**54,830**	**500,000**	**554,830**
B. Increases	**-**	**7,467**	**1,056,044**	**1,063,511**
B.1 Provision for the year	-	7,467	1,056,044	1,063,511
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	**-**	**-**	**-**	**-**
C.1 Use in the year	-	-	-	-
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**62,297**	**1,556,044**	**1,618,341**

10.5 Defined benefit company pension funds

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

10.6 Provisions for risks and charges - other provisions

The amount indicated in “Other provisions for risks and charges - legal disputes”, equal to EUR 1,556,044, was set aside to provide coverage for an ongoing dispute.

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

11.1 Share capital: breakdown

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

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

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

11.4 Share premium reserve: breakdown

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

The balance is unchanged compared to the previous year.

11.5 Other information
Change in reserves

	Legal	Extraordinary	FTA reserve	Revaluation reserve Law Decree no. 185/08	Valuation reserves	Total
A. Opening balance	**471,414**	**6,114,409**	**(770,669)**	**339,518**	**(95,728)**	**6,058,944**
B. Increases	183,738	1,909,964	-	-	-	2,093,702
B.1 Allocation of profits	183,738	1,909,964	-	-	-	2,093,702
B.2 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	-	(29,658)	(29,658)
C.1 Uses	-	-	-	-	-	-
- coverage of losses	-	-	-	-	-	-
- distribution	-	-	-	-	-	-
- transfer to capital	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	(29,658)	(29,658)
D. Closing balance	**655,152**	**8,024,373**	**(770,669)**	**339,518**	**(125,386)**	**8,122,988**

The allocation of profits refers to the resolution of the ordinary shareholders' meeting of 24 March 2020, in which the 2019 profit of a total of EUR 4,187 thousand was allocated, also providing for the distribution of dividends for the 50% share.
The change in valuation reserves reflects the actuarial effect relating to severance pay.

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

Description	Amount	Possibility of use	Amount available	Summary of uses made in the three previous years	
				to cover losses	for other reasons
Share capital	**3,275,758**	---	-	-	-
Legal reserve	655,152	B	655,152	-	-
Share premium reserve	5,837,550	A, B	5,837,550	-	-
Extraordinary reserve	8,024,373	A, B, C	8,024,373	-	-
FTA reserve	(770,669)	---	-	-	-
Revaluation reserve Law Decree no. 185/08	339,518	A, B	339,518	-	-
Valuation reserves	(125,386)	---	-	-	-
Total	**17,236,296**		**14,856,593**	-	-

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 5,327,924.58, 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	31/12/2020	31/12/2019
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	-	**5,720,085**	-	**5,720,085**	**4,638,228**
3.1 Loans to banks	-	208	X	208	213
3.2 Receivables from financial companies	-	-	X	-	-
3.3 Loans to customers	-	5,719,877	X	5,719,877	4,638,015
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	**478**	**478**	-
6. Financial liabilities	X	X	X	-	-
Total	-	**5,720,085**	**478**	**5,720,563**	**4,638,228**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on leases	-	-	-	-	-

1.3 Interest expense and similar charges: breakdown

Items / Technical forms	Payables	Securities	Other transactions	31/12/2020	31/12/2019
1. Financial liabilities measured at amortised cost	1,626,682	-	-	1,626,682	1,202,056
1.1 Due to banks	1,538,394	X	X	1,538,394	1,134,042
1.2 Payables to financial companies	45,324	X	X	45,324	20,657
1.3 Due to customers	42,964	X	X	42,964	47,357
1.4 Securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	262	262	45
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**1,626,682**	**-**	**262**	**1,626,944**	**1,202,101**
of which: interest expense on lease payables	**42,964**	**-**	**-**	**42,964**	**47,357**

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Detail	Total 31/12/2020	Total 31/12/2019
a) leasing transactions	-	-
b) factoring transactions	14,747,709	11,540,828
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	645
Total	**14,748,279**	**11,541,473**

2.2 Fee and commission expense: breakdown

Retail / Sectors	Total 31/12/2020	Total 31/12/2019
a) guarantees received	374	375
b) distribution of services by third parties	-	-
c) collection and payment services	-	-
d) other commissions	1,628,164	1,444,287
d.1 advances on business loans (Law no. 52/91)	217,419	237,788
d.2 others	1,410,745	1,206,499
Total	**1,628,538**	**1,444,662**

Fee and commission expense for advances on business receivables are represented by commissions and fees paid to third parties.

The sub-item "*Other*" consists of bank charges and commissions for EUR 814,067 and costs incurred for credit insurance for EUR 596,678.

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**	**(29)**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**(29)**

Section 7 - Net result of 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	**-**	**-**	**676**	**-**	**(676)**
1.1 Debt securities	-	-	-	-	-
1.2. Equity securities	-	-	676	-	(676)
1.3. UCITS units	-	-	-	-	-
1.4. Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**-**	**-**	**676**	**-**	**(676)**

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 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
1. Loans to banks	**(7,675)**	**-**	**-**	**2,279**	**-**	**(5,396)**	**(6,706)**
purchased or originated credit impaired							
- for leases	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables	(7,675)	-	-	2,279	-	(5,396)	(6,706)
- for leases	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	(7,675)	-	-	2,279	-	(5,396)	(6,706)
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**
purchased or originated credit impaired	-	-	-	-	-	-	-
- for leases	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables							
- for leases	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
3. Loans to customers	**(245,109)**	**(312,554)**	**(162,880)**	**-**	**12,491**	**(708,052)**	**(345,631)**
purchased or originated credit impaired	-	(53)	-	-	-	(53)	(114,383)
- for leases	-	-	-	-	-	-	-
- for factoring	-	(53)	-	-	-	(53)	(114,383)
- for consumer credit	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Other receivables	(245,109)	(312,501)	(162,880)	-	12,491	(707,999)	(231,248)
- for leases	-	-	-	-	-	-	-
- for factoring	(245,109)	(312,501)	(162,880)	-	12,491	(707,999)	(231,248)
- for consumer credit	-	-	-	-	-	-	-
- loans against pledges	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-
Total	**(252,784)**	**(312,554)**	**(162,880)**	**2,279**	**12,491**	**(713,448)**	**(352,337)**

Value adjustments include both allocations to the provision to cover expected credit losses and credit losses. The value of the write-offs recognised directly in the income statement is equal to EUR 312,554.

The increase compared to the previous year is mainly due to the change in the IFRS 9 impairment framework. 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 31/12/2020	Total 31/12/2019
1. Employees	**3,705,926**	**3,256,517**
a) wages and salaries	2,653,754	2,322,645
b) social security contributions	714,559	634,529
c) severance pay	3,540	4,690
d) social security expenses	-	-
e) severance pay provision	172,900	175,722
f) allocation to the provision for pensions and similar obligations:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:		
- defined contribution	42,695	25,807
- defined benefit	-	-
h) other employee benefits	118,478	93,124
2. Other active personnel	**-**	**-**
3. Directors and Statutory Auditors	**566,291**	**504,408**
4. Retired personnel	**-**	**-**
5. Expense recoveries for employees seconded to other companies	**-**	**-**
6. Reimbursement of expenses for employees seconded to the company	**-**	**-**
Total	**4,272,217**	**3,760,925**

10.2 Average number of employees broken down by category

	2020	2019
Employees	49	46
a) executives	2	1
b) middle managers	7	6
c) remaining employees	40	39
Other personnel	-	-
Total	**49**	**46**

10.3 Other administrative expenses: breakdown

Type of expense / Values	Total 31/12/2020	Total 31/12/2019
Professional fees and consultancy	1,035,776	1,051,548
Charges for indirect taxes and duties	110,006	110,525
Maintenance costs	43,281	58,399
Utility costs	116,217	104,701
Rent payable and condominium expenses	73,940	71,351
Insurance	44,300	43,233
Other administrative expenses	1,551,179	1,604,918
Total	**2,974,699**	**3,044,675**

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	31/12/2020	31/12/2019
1. Allocations to the pension fund	**(7,467)**	**-**	**-**	**-**	**(7,467)**	**(6,676)**
2. Allocations to other provisions for risks and charges:	**(1,056,044)**	**-**	**-**	**-**	**(1,056,044)**	**-**
a) legal and tax disputes	(1,056,044)	-	-	-	(1,056,044)	-
b) personnel expenses	-	-	-	-	-	-
c) others	-	-	-	-	-	-
Total	**(1,063,511)**	**-**	**-**	**-**	**(1,063,511)**	**(6,676)**

The amount indicated in "Allocations to other provisions for risks and charges - legal and tax disputes" is equal to EUR 1,056,044 was allocated to increase the coverage of an ongoing legal dispute.

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	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment	**(656,518)**	**-**	**-**	**(656,518)**
A.1 For functional use	(656,518)	-	-	(656,518)
- owned	(251,199)	-	-	(251,199)
- rights of use acquired through leasing	(405,319)	-	-	(405,319)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leasing	-	-	-	-
A.3 Inventories	X	-	-	X
Total	**(656,518)**	**-**	**-**	**(656,518)**

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	**(199,004)**	**-**	**-**	**(199,004)**
1.1 owned	(199,004)	-	-	(199,004)
1.2 rights of use acquired through leasing	-	-	-	-
2. Assets relating to finance leases	-	-	-	-
3. Assets granted under operating leases	-	-	-	-
Total	**(199,004)**	-	-	**(199,004)**

Section 14 - Other operating income and expenses - Item 200

14.1 Other operating expenses: breakdown

	Total 31/12/2020	Total 31/12/2019
Contingent liabilities	(98,330)	(45,110)
Donations	(80,200)	(46,100)
Others	(51,730)	(136,089)
Total	**(230,260)**	**(227,299)**

14.2 Other operating income: breakdown

	Total 31/12/2020	Total 31/12/2019
Reimbursement of expenses	542,880	523,009
Rental income	-	10,267
Insurance reimbursements	244,337	269,917
Contingent assets	19,786	71,230
Others	199,827	103,420
Total	**1,006,830**	**977,843**

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

19.1 Income taxes for the year on current operations: breakdown

	Total 31/12/2020	Total 31/12/2019
1. Current taxes (-)	(3,025,714)	(2,065,108)
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 (+/-)	331,955	(27,619)
5. Change in deferred tax liabilities (+/-)	-	-
6. Taxes for the year (-) (-1 + / - 2 + 3 + 3 bis +/- 4 +/- 5)	**(2,781,903)**	**(2,092,727)**

Current taxes are due for EUR 2,431,357 from IRES and for EUR 594,357 from IRAP.
For the calculation of the income tax (IRES), the rate of 27.5% was applied. For the regional tax on productive activities (IRAP), the rate of 5.57% was adopted.

The change in deferred tax assets is determined by the algebraic sum obtained from increases of EUR 355,659 for new deferred tax assets arising during the year and from decreases of EUR 23,704 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	2,205,963	27.50%	446,808	5.57%
Non-deductible transport costs	6,511	0.08%	0	0.00%
Non-deductible amortisation	9,886	0.12%	39	0.00%
Hotel / meal expenses and entertainment	6,390	0.08%	0	0.00%
Donations	55	0.00%	1,682	0.02%
Telephone expenses	4,766	0.06%	0	0.00%
Severance pay - actuarial portion of the income statement	6,425	0.08%	0	0.00%
Write-downs and non-deductible provisions	292,079	3.65%	58,859	0.73%
Other IRES adjustments (increases)	30,020	0.37%	0	0.00%
Other IRAP adjustments (increases)	0	0.00%	91,372	1.15%
Bad debt allowance for previous years	(19,885)	(0.25%)	(1,759)	(0.02%)
Patent box	(7,110)	(0.09%)	(1,440)	(0.02%)
10% deduction - IRAP and IRAP on personnel	(12,826)	(0.16%)	0	0.00%
Effects of IFRS 16 - Lease payments	(2,416)	(0.03%)	(489)	(0.01%)
Portions of costs that cannot be capitalised - IAS	(176)	(0.00%)	(36)	(0.00%)
Other IRES adjustments (decreases)	(26,453)	(0.33%)	0	0.00%
Other IRAP adjustments (decreases)	0	0.00%	(679)	(0.01%)
ACE (aid for economic growth)	(60,302)	(0.75%)	0	0.00%
Energy savings deduction	(1,570)	(0.02%)	0	0.00%
TOTAL TAX CHANGES	225,394	2.81%	147,549	1.84%
INCOME TAXES AND ACTUAL TAX RATE	2,431,357	30.31%	594,357	7.41%
Change in deferred tax assets	(275,236)	(3.43%)	(56,719)	(0.71%)
Change in deferred tax liabilities	0	0.00%	0	0.00%
TOTAL TAXES	2,156,121	26.88%	537,638	6.70%
Overall total taxes	**2,693,759**	**33.58%**		

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 31/12/2020	Total 31/12/2019
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**-**	**5,719,877**	**-**	**-**	**14,747,709**	**20,467,586**	**16,178,843**
- on current receivables	-	-	5,545,084	-	-	14,124,843	19,669,927	15,904,159
- on future receivables	-	-		-	-	-	-	-
- on receivables purchased outright	-	-	174,793	-	-	622,866	797,659	274,684
- on receivables purchased below the original value	-	-	-	-	-	-	-	-
- for other loans	-	-	-	-	-	-	-	-
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special-purpose loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Pledged loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,719,877**	**-**	**-**	**14,747,709**	**20,467,586**	**16,178,843**

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.
The difference between the amount of fee and commission income shown in the table above and that of table 2.1 - PART C - Section 2 - Fee and commission income is given by the commission income.

21.2 Other information
Analytical breakdown of interest expense and similar charges

Technical form	Amount
Current accounts payable	92,754
Pool loan	1,445,587
Advance invoices in Italy and abroad	45,324
Mortgages	53
Lease payables	42,964
Other interest expense	262
Total	**1,626,944**

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 31/12/2020			Total 31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing	**176,129,487**	**291,730**	**175,837,757**	**131,188,000**	**46,621**	**131,141,379**
• exposures to transferors (with recourse)	160,004,983	278,232	159,726,751	121,370,240	46,258	121,323,982
- assignment of future receivables	-	-	-	-	-	-
- others	160,004,983	278,232	159,726,751	121,370,240	46,258	121,323,982
• exposures to transferred debtors (without recourse)	16,124,504	13,498	16,111,006	9,817,760	363	9,817,397
2. Non-performing	**1,022,129**	**355,124**	**667,005**	**1,601,357**	**794,422**	**806,935**
2.1 Bad loans	768,752	336,955	431,797	1,094,997	784,176	310,821
• exposures to transferors (with recourse)	768,288	336,723	431,565	1,094,428	783,891	310,537
- assignment of future receivables	-	-	-	-	-	-
- others	768,288	336,723	431,565	1,094,428	783,891	310,537
• exposures to transferred debtors (without recourse)	464	232	232	569	285	284
- purchases below the nominal value	464	232	232	569	285	284
- others	-	-	-	-	-	-
2.2 Unlikely to pay	115,814	15,661	100,153	147,094	3,302	143,792
• exposures to transferors (with recourse)	115,814	15,661	100,153	147,094	3,302	143,792
- assignment of future receivables	-	-	-	-	-	-
- others	115,814	15,661	100,153	147,094	3,302	143,792
• 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	359,266	6,944	352,322
• exposures to transferors (with recourse)	137,563	2,508	135,055	359,266	6,944	352,322
- assignment of future receivables	-	-	-	-	-	-
- others	137,563	2,508	135,055	359,266	6,944	352,322
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
Total	**177,151,616**	**646,854**	**176,504,762**	**132,789,357**	**841,043**	**131,948,314**

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
- on demand	25,889,792	19,912,081	37,313,923	29,166,485
- up to 3 months	115,599,408	92,347,172	164,399,735	124,227,127
- over 3 months to 6 months	17,599,772	8,915,176	28,951,673	11,382,735
- from 6 months to 1 year	1,297,782	942,037	2,056,748	947,086
- over 1 year	6,770	14,167	74,271	152,228
- indefinite duration	-	-	-	-
Total	**160,393,524**	**122,130,633**	**232,796,350**	**165,875,661**

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	
	31/12/2020	31/12/2019
- on demand	2,103,888	117,278
- up to 3 months	11,327,210	6,914,099
- over 3 months to 6 months	2,679,908	2,786,020
- from 6 months to 1 year	-	-
- over 1 year	232	284
- indefinite duration	-	-
Total	**16,111,238**	**9,817,681**

B.3 - Other information

B.3.1 - Turnover of receivables subject to factoring transactions

Items	31/12/2020	31/12/2019
1. Transactions without recourse	33,600,334	16,259,648
- of which: purchases below nominal value		
2. Transactions with recourse	727,122,103	573,742,101
Total	**760,722,437**	**590,001,749**

EXPLANATORY NOTES

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 2020.

B.3.3 - Nominal value of contracts for the acquisition of future receivables The Company did not acquire future receivables in 2020.

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

Transactions	Amount 31/12/2020	Amount 31/12/2019
1. Financial guarantees issued on first demand	**16,526,249**	**13,778,999**
a) Banks	16,526,249	13,778,999
b) Financial institutions	-	-
c) Customers	-	-
2. Other financial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
3. Commercial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
4. Irrevocable commitments to disburse funds	**-**	**-**
a) Banks	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
b) Financial institutions	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
c) Customers	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
5. Commitments underlying credit derivatives: protection sales	**-**	**-**
6. Assets pledged as collateral for third party obligations	**-**	**-**
7. Other irrevocable commitments	**-**	**-**
a) to issue guarantees	-	-
b) others	-	-
Total	**16,526,249**	**13,778,999**

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

EXPLANATORY NOTES

As at 31 December 2020, the credit balance of the current accounts subject to the pledge amounted to EUR 16,526,249, while the payable relating to the loan amounted to EUR 114,203,882.

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	**-**	**-**	**16,526,249**	**8,262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	16,526,249	8,262	-	-	-	-	-	-	-	-
- 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	**-**	**-**	**16,526,249**	**8,262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**-**	**13,778,999**	**-**	**-**	**-**	**-**
(B) Increases	**-**	**2,747,250**	**-**	**-**	**-**	**-**
- (b1) guarantees issued	-	2,747,250	-	-	-	-
- (b2) other increases	-	-	-	-	-	-
(C) Decreases	**-**	**-**	**-**	**-**	**-**	**-**
- (c1) guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to non-performing guarantees	-	-	-	-	-	-
- (c3) other decreases	-	-	-	-	-	-
(D) Final gross value	**-**	**16,526,249**	**-**	**-**	**-**	**-**

D.12 - Changes in total value adjustments / provisions

Reasons / Categories	Amount
A. Initial total value adjustments / provisions	**5,511**
B. Increases	**4,151**
B.1 value adjustments from purchased or originated impaired financial assets	-
B.2 other value adjustments / provisions	4,151
B.3 losses on disposal	-
B.4 contractual changes without cancellations	-
B.5 other increases	-
C. Decreases	**1,400**
C.1 write-backs from valuation	-
C.2 write-backs from collection	1,400
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	**8,262**

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

Portfolios	Amount 31/12/2020	Amount 31/12/2019
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-
3. Financial assets measured at amortised cost	16,517,987	13,773,488
4. Property, plant and equipment	-	-
of which: property, plant and equipment constituting inventories	-	-

EXPLANATORY NOTES

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

In 2020, the Company did not carry out multi-originator sales of credit portfolios with non-performing exposures classified as “unlikely to pay” and the assignment of loans with the intervention of a mutual investment fund.

Section 3 - Information on risks and related hedging policies

FOREWORD Corporate risk governance

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

- **Credit risk**: risk that the debtor (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 external events.

Generalfinance is also exposed to the following other risks:

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

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

The Company therefore has a management control system aimed at allowing the operating areas to periodically acquire detailed and updated information on the economic-equity and financial situation. The management control system, which is part of the wider internal control system, was developed by Generalfinance from a strategic point of view as it systematically and, in advance, draws the attention of management to the consequences of the decisions taken on a daily basis (management). It is therefore intended as the integrated set of technical-accounting tools, information and process solutions used by management to support planning and control activities.
This model provides for the assignment of responsibilities to clearly identified individuals within the Company to ensure the constant monitoring of critical success factors (FCS) and risk factors (FCR) through the identification of performance and risk indicators (KPI and KRI) and, where necessary, the activation of other types of control.

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

The Anti-Money Laundering Function.
Generalfinance has defined its internal control system, keeping the anti-money laundering function separate from the other control functions (risk management, compliance and internal audit), to monitor the specific risk. This choice was made in compliance with the prohibition to assign the functions of the anti-money laundering function to the internal audit function (and, consequently, in Generalfinance, to the Single Control Function).
The AML Function deals with:
- monitoring the risk of money laundering, overseeing the proper functioning of business processes;
- preparing activities related to combatting money laundering and the financing of international terrorism;
- overseeing compliance with anti-money laundering regulations within the Company and monitoring its development, verifying the consistency of anti-money laundering and anti-terrorism processes with respect to regulatory requirements;
- carrying out checks and controls on customer due diligence and proper data storage.

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

EXPLANATORY NOTES

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 2020, 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 maturities in the lockdown period in order to help transferred debtors and transferor, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected 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 Transferor Assessment and Legal Support 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 Debtor Risk 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 Transferor Operational Management Office.
- The Credit Department also coordinates the out-of-court debt collection actions necessary to monitor, contain and reduce the credit exposure of the Company, is responsible for agreeing any repayment plans with the transferred debtors and collaborates with the Legal and Corporate Affairs Department to assess the cases in dispute.

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 Corporate Customer Management; - 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 - 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.

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

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

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

1.2 Management, measurement and control systems

General considerations

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

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

The area of reference in which the company operates is represented by the so-called "Euro Area". At geographical level, operations are concentrated (analysis by Transferor) mainly in Northern Italy - with a particular focus on Lombardy - and in the manufacturing and commercial sectors. A component - historically around 25% - of turnover is achieved with foreign debtors transferred, mainly in the EU and North America, with a limited assumption of "country risk".

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

In particular, the Company's main transactions are as follows:

- <u>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.</u> 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 75% of the nominal value of the loan transferred; the percentage of disbursement per individual assignment varies according to the specific characteristics of the transaction, the Transferor and the transferred debtors (e.g. according to the method of payment of the receivables, the nature and solvency of the transferred debtor and other elements that are assessed from time to time). In this type of transaction, the risk of insolvency of the transferred debtor remains with the Transferor.

- <u>Without recourse factoring: 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.</u>

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

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

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

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

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

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

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

- <u>Investigation</u>: describing the methods for collecting and assessing credit applications submitted by customers in order to provide the decision-making bodies, with the utmost possible objectivity, with a complete and exhaustive representation of the position of the credit applicant with regard to its capital assets and all other elements necessary for the assessment of creditworthiness and its reliability. In this phase, the information collected with reference to the potential transferred debtors for the purposes of their assessment is also analysed.
- <u>Pre-approval</u>: the Credit Committee, on the basis of the checks carried out in the preliminary investigation phase, ascertains the existence of the regulatory, operational and economic conditions - also with reference to the funding necessary with respect to that available, at the contractual limits that may have already been defined in the pre-contractual phase, or the operating methods that govern the relationship with the customer or with its transferred debtors - which must exist in order for the advance relationship with the customer to be activated.
- <u>Activation of the relationship</u>: phase in which the contractual documentation is formalised;
- <u>Approval</u>: which describes the decision-making process to which loan applications are submitted in order to grant / refuse the loan requested;
- <u>Acquisition and disbursement</u>: this indicates the loading phase in the database and in the management systems of the loans disbursed by the Company and describes the methods for transferring funds to customers;
- <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.

- Renewal: represents the systematic activity - on an annual basis - of complete revision of the position.
- Reporting: the reporting activity is divided into multiple activities aimed at supporting the information flows to the Corporate Bodies and the competent functions.

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

Maximum Payable

A limit is also defined ("Maximum Payable") which represents the maximum amount within which Generalfinance is available to disburse amounts by way of advance payment of the purchase price of the receivables. It refers to the entire position of the Transferor, considered as a whole, and constitutes an operating ceiling, resolved internally by the Company, predetermined and defined to meet operational needs of a management nature. Having these characteristics and not representing any contractual commitment to the customer to grant advances on the assigned receivables up to the defined amount, the above-mentioned limit may be reviewed and modified at its discretion by the Company at any time. The Maximum Payable may not normally 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.

Cross Credit line

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

Since it is a sub-limit, the Cross Credit Line can never exceed the Maximum Payable. Like the latter, it constitutes an operating ceiling (relating to the Transferor-Debtor relationship), resolved internally by the Company, predetermined and defined to meet operational needs of a management nature. Having these characteristics and not representing any contractual commitment to the customer to grant advances on the assigned receivables up to the defined amount, the above-mentioned limit may be reviewed and modified at its discretion by the Company at any time. The Credit Facility cannot normally exceed EUR 10 million, unless there is a justified resolution of the Board of Directors and without prejudice to the limits envisaged by the applicable Supervisory provisions. This amount may be updated according to the evolution of the Company's own funds.

In consideration of the fact that the assignment of receivables proposed by the customer is subject to the condition of acceptance by the Company, it reserves the right not to accept assignments of receivables that do not have the required characteristics. In particular, in application of a specific provision of the factoring agreement, the Company also reserves the right not to grant a loan in the cases of:

- newly established companies, based on the Business Plan analysis;
- single risk positions or positions with particularly concentrated risk;
- transactions with a duration of receivables (collection terms) exceeding 150 days; - absence of sureties issued by shareholders / directors.

Internal rating

The Company assigns each Transferor its own internal rating to classify the factoring relationship according to a numerical progression corresponding to a certain level of creditworthiness. The rating is assigned to the Transferor when the relationship is activated and is continuously updated until its termination.

The "rating" is calculated using, among others, the following elements:

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

EXPLANATORY NOTES

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

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

Staging criteria - Stage 1 and Stage 2
The Company - in compliance with the approach defined by IFRS 9 for the classification of financial assets (the “Standard”), as well as in relation to the methods for determining the relative provision to cover losses - provides for the allocation of financial assets in three clusters called Stage, in relation to the level of credit risk inherent in the instrument.
Value adjustments are therefore defined as follows:

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

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

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

The Company carries out the process of allocation to internships with simultaneous verification of the conditions inherent to the significant increase in credit risk. In line with the requirements of the Standard, the quantification of the SICR must be based on the change in the risk of default expected for the expected life of the financial asset and not on the change in the amount of expected loss (ECL). The Company has chosen to measure the significant increase in the credit risk of the counterparty (Transferor) with consequent classification of the exposure in Stage 2 in relation to certain automatic events (triggers) (relating to the past due condition, on the basis of the amount of receivables past due and days past due) and discretionary (based on the assessment of the status of the counterparty, in particular in cases of access to an insolvency procedure by the Transferor after the disbursement of the loan).

If, in relation to an exposure classified in Stage 2, the conditions for this classification no longer apply at a subsequent reporting date, it will be reclassified to Stage 1.
The Standard requires that the same transfer criteria be used to transfer an exposure from the different stages. This also refers to the so-called symmetrical approach, which allows an entity to recognise an expected loss over a time horizon of 12 months for all exposures classified in Stage 1, unless the recognition of the expected loss throughout the life of the receivable is changed once the credit risk of these exposures has increased significantly after initial recognition. Therefore, IFRS 9 provides for the possibility of allocating financial assets in Stage 2 or Stage 3 and to report these exposures in the initial categories if subsequent assessments show that the credit risk has decreased significantly.
In this regard, the Standard states that “if in the previous year an entity measured the loss provision of the financial instrument at an amount equal to the expected losses over the entire life of the instrument, but at the current reporting date it determines that the paragraph 5.5.3 is no longer satisfied, it must measure the loss provision at an amount equal to the expected credit losses in the 12 months following the current reporting date".

Calculation of expected credit loss - Stage 1 and Stage 2

During the current year, the Company fully revised the IFRS 9 impairment framework, with the aim of making the approach to the calculation of value adjustments even more consistent with international accounting standards. In particular, the Company has implemented an accounting model in order to calculate the risk parameters: PD, LGD; EAD, at individual exposure level.
The Standard provides that the calculation of Expected Credit Loss (ECL) must reflect:

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

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 account that, for loans classified as Stage 2, a significant increase in credit risk was found. Based on these considerations, a factor is applied to the positions classified as Stage 1 that re-proportions the exposure on the basis of the residual life of the receivable, in any case applying a minimum “floor”, 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 is updated periodically and in any case at each reporting date.
In particular, the expected loss recognised in the provision to cover losses 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.

EXPLANATORY NOTES

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)

For the purposes of determining the PD parameter to be used, it was deemed appropriate to measure the Probability of Default at the level of the transferred debtor: this approach is consistent with the business model of the company that assesses the economic advantage of the transaction on the basis of the risk of the transferred counterparties. 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.

With regard to the estimate of the 12-month PD parameter to be used for the purposes of the calculation, the approach adopted is to derive the estimate on the basis of the ratings, and therefore of the related associated PD scales, provided by external providers.

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 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.

In view of these elements, it is considered appropriate to use as a 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, it is considered possible to use as a proxy a PD equal to the weighted average PD of the loan portfolio. 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. In this sense, it is considered reasonable to use two different approaches, 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 factoring business iii) the risk mitigation policies used by the company.

The LGD parameter was defined in line with the provisions of IFRS 9, through the application of an internal model that makes it possible to reflect the company's business model in the estimate, namely:

- for receivables with recourse, the possibility of recovering the exposure from both the transferor and the transferred debtor; - for receivables without recourse, the possibility of recovering the exposure from the insurance company.

This parameter was defined on the basis of internal data, inferred from the historical series of the Generalfinance portfolio, possibly integrated to incorporate future expectations.

Risk parameters: Exposure at Default (EAD)

Exposure to Default (at the reporting date) consists of the carrying amount at amortised cost, except for the component of the commitment to disburse credit, 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) at the date of reporting.

Moreover, since the typical exposures of factoring normally have a duration of less than one year and therefore there is no substantial difference between PD at 12 months and PD lifetime, it is possible to use estimates of the EAD re-proportioned in order to take into account the infra-annual split duration.

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 a punctual PD already makes it possible to incorporate forward looking elements reasonably foreseeable in the short term - this aspect is consistent and in any case not exceeding the average credit days;
- 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 (ie: expected rate of return on risk capital).

Therefore, it is not considered necessary to supplement the risk parameters with further estimates as these effects have already been identified by the various approaches adopted.

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

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

3. Non-performing credit exposures

The Company has internal procedures that make it possible to ascertain ex ante the deterioration of the financial situation of the individual debtor and the quality of the trade receivables purchased, as well as adequate procedures that allow it to manage any anomalies that may arise during the relationship (e.g. management of outstanding debts, recovery actions, etc.).
The entire business process is homogeneous for the types of customers and is implemented by all company functions. It is developed - as mentioned above - along the following main phases: (i) customer acquisition; (ii) pre-investigation (customer / transferor assessment, debtor assessment, guarantor assessment); (iii) pre-resolution of the Credit Committee;

formalisation and activation of the advance relationship; (iv) resolution of the Credit Committee; (v) monitoring and management of existing relationships, credit lines and guarantees.
The Company carries out periodic checks - typically on a daily basis - to verify the emergence, both among transferors and debtors, of unpaid positions that may generate particular critical issues and in order to promptly adopt the appropriate decisions, if there are any reasons for alarm or criticality. Moreover, on the basis of the flow acquired by the Home Banking system and any information obtained from other company or external sources, all non-payments are duly and promptly recorded and credit risk is continuously monitored.
With reference to the specific risk deriving from delay or non-collection of receivables, the operating methodology developed allows Generalfinance to obtain a series of important safeguards for its exposure. In fact, by virtue of the credit assignment agreement, the Company has the possibility of recovering from the Transferred debtor and in the case of with-recourse assignment, also against the Transferor.

Classification - Stage 3

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

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

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

a) a target, probability-weighted amount, determined by assessing a range of possible outcomes; b) the time value of money; and

c) reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and forecasts of future economic conditions.

For a non-performing financial asset at the reporting date, which is not a purchased or originated impaired financial asset, the entity must measure the expected credit losses as the difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. Adjustments are recognised as a profit or loss due to impairment in the income statement.
With regard to unlikely to pay and doubtful loans, the value of the provisions is always established by resolution of the Credit Committee on the proposal of the Credit Department, at the time of classification in said administrative statuses.

EXPLANATORY NOTES

Quantitative information

1. Distribution of financial assets by relevant 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	431,797	100,153	135,055	1,248,716	198,780,146	200,695,867
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	46,298	46,298
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2020	**431,797**	**100,153**	**135,055**	**1,248,716**	**198,826,444**	**200,742,165**
Total 31/12/2019	**310,821**	**143,792**	**352,322**	**1,753,692**	**146,191,876**	**148,752,503**

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

Portfolios/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	1,022,129	355,124	667,005	-	200,332,694	303,832	200,028,862	200,695,867
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	46,298	46,298
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2020	**1,022,129**	**355,124**	**667,005**	**-**	**200,332,694**	**303,832**	**200,075,160**	**200,742,165**
Total 31/12/2019	**1,601,357**	**794,422**	**806,935**	**-**	**147,951,921**	**53,327**	**147,945,568**	**148,752,503**

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

Portfolios/risk stages	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	14,924	23,720	-	770,403	439,669	-	-	-	667,005
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31/12/2020	**14,924**	**23,720**	**-**	**770,403**	**439,669**	**-**	**-**	**-**	**667,005**
Total 31/12/2019	**563,657**	**-**	**-**	**338,094**	**851,941**	**-**	**-**	**155,185**	**651,750**

EXPLANATORY NOTES

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 for commitments to disburse funds and financial guarantees issued			Total
	Assets included in the first stage				Assets included in the second stage				Assets included in the third stage				of which: purchased or originated impaired financial assets				
	Financial assets measured at amortised cost	Financial assets measured at fai r value with impact on comprehensive income	of which: individual write-dov	of which: collective write-do	Financial assets measured at amortised cost	Financial assets measured at fai r value with impact on comprehensive income	of which: individual write-dov	of which: collective write-do	Financial assets measured at amortised cost	Financial assets measured at fai r value with impact on comprehensive income	of individual write-downs	of which: collective write-do		First stage	Second stage	Third stage	
Initial total adjustments	**51,654**	**-**	**-**	**51,654**	**1,673**	**-**	**-**	**1,673**	**794,422**	**-**	**794,422**	**-**	**285**	**-**	**-**	**-**	**847,749**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments / write-backs for credit risk (+/-)	143,289	-	-	143,289	107,216	-	-	107,216	150,388	-	150,388	-	-	-	-	-	400,893
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	(589,686)	-	(589,686)	-	(53)	-	-	-	(589,686)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total final adjustments	**194,943**	**-**	**-**	**194,943**	**108,889**	**-**	**-**	**108,889**	**355,124**	**-**	**355,124**	**-**	**232**	**-**	**-**	**-**	**658,956**
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	312,554	-	312,554	-	53	-	-	-	312,554

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	7,604,844	1,688,544	-	-	622,204	-
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 31/12/2020	**7,604,844**	**1,688,544**	**-**	**-**	**622,204**	**-**
Total 31/12/2019	**6,442,864**	**-**	**-**	**-**	**517,879**	**-**

6. Credit exposures to customers, banks and financial companies

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

Types of exposures / Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Non-performing	Performing			
A. Cash credit exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	24,203,207	12,102	24,191,105	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**24,203,207**	**12,102**	**24,191,105**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**-**	**24,203,207**	**12,102**	**24,191,105**	**-**

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

Types of exposures/Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Non-performing	Performing			
A. Cash credit exposures	1,022,129	176,129,487	646,854	176,504,762	-
a) Bad loans	768,752	X	336,955	431,797	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	115,814	X	15,661	100,153	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	137,563	X	2,508	135,055	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	1,262,387	13,671	1,248,716	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	174,867,100	278,059	174,589,041	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**1,022,129**	**176,129,487**	**646,854**	**176,504,762**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**1,022,129**	**176,129,487**	**646,854**	**176,504,762**	**-**

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

Reasons / Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**1,094,997**	**147,094**	**359,266**
- of which: exposures sold but not derecognised	-	-	-
B. Increases	**466,655**	**110,529**	**137,563**
B.1 inflows from performing exposures	466,655	17,986	137,563
B.2 inflows from purchased or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	-	92,543	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	-	-	-
C. Decreases	**792,900**	**141,809**	**359,266**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	776,509	125,731	-
C.3 collections	16,391	16,078	266,723
C.4 gains on disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	92,543
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	**768,752**	**115,814**	**137,563**
- 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	**784,176**	**-**	**3,302**	**-**	**6,944**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-
B. Increases	**148,662**	**-**	**15,525**	**-**	**2,508**	**-**
B.1 Value adjustments from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	148,662	-	11,710	-	2,508	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	3,815	-	-	-
B.5 contractual changes without cancellations	-	X	-	X	-	X
B.6 other increases	-	-	-	-	-	-
C. Decreases	**595,883**	**-**	**3,166**	**-**	**6,944**	**-**
C.1 write-backs from valuation	-	-	-	-	-	-
C.2 write-backs from collection	6,196	-	3,166	-	3,129	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 write-offs	589,687	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	3,815	-
C.6 contractual changes without cancellations	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total final adjustments	**336,955**	**-**	**15,661**	**-**	**2,508**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-

7. Classification of financial assets, commitments to disburse funds and financial guarantees issued based on 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	**-**	**-**	**-**	**-**	**-**	**-**	**201,354,823**	**201,354,823**
- First stage	-	-	-	-	-	-	190,642,361	190,642,361
- Second stage	-	-	-	-	-	-	9,690,333	9,690,333
- Third stage	-	-	-	-	-	-	1,022,129	1,022,129
B. Financial assets measured at fair value with impact on comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A + B)	**-**	**-**	**-**	**-**	**-**	**-**	**201,354,823**	**201,354,823**
of which: purchased or originated impaired financial assets	-	-	-	-	-	-	464	464
C. Commitments to disburse funds and financial guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**16,526,249**	**16,526,249**
- First stage	-	-	-	-	-	-	16,526,249	16,526,249
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**-**	**-**	**-**	**-**	**-**	**-**	**16,526,249**	**16,526,249**
Total (A + B + C)	**-**	**-**	**-**	**-**	**-**	**-**	**217,881,072**	**217,881,072**

The company does not currently have its own internal rating model and therefore the positions have been fully classified in the "Unrated" column.

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	24,191,105
Non-financial companies and producer households	176,504,762
Other	-
Total 31/12/2020	**200,695,867**

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	199,947,822	-
Other European countries	748,045	-
Total 31/12/2020	**200,695,867**	**-**

9.3 Large Exposures

(values in Euro)	31/12/2020
a) book value	29,069,667
b) weighted value	6,733,470
c) number	5

The table shows the amount and number of counterparties with weighted exposure, as per supervisory provisions, greater than 10% of own funds.

The risks with respect to individual customers of the same intermediary are considered as a whole if there are legal or economic connections between the customers.

The amount is the sum of cash risk assets and off-balance sheet transactions with a customer.

10. Models and other methods for measuring and managing credit risk

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

11. Other quantitative information

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

3.2 MARKET RISKS

3.2.1 Interest rate risk

Qualitative information

1. General aspects

Interest rate risk is caused by differences in maturities and in the repricing times of the interest rate of assets and liabilities. In the presence of these differences, fluctuations in interest rates can determine both a change in the expected interest margin and a change in the value of assets and liabilities and therefore in the value of shareholders' equity.

The operations of Generalfinance are concentrated in the short-term; the loans granted are self-liquidating and have a short residual life directly related to the collection times of the transferred trade receivables.

These characteristics determine a significant mitigation of the exposure to interest rate risk.

Quantitative information

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

Items of 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	**52,184,787**	**126,926,616**	**19,243,799**	**2,329,642**	**10,791**	**232**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Receivables	52,184,787	126,926,616	19,243,799	2,329,642	10,791	232	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**33,889,071**	**139,649,170**	**67,488**	**147,163**	**924,113**	**719,265**	**-**	**-**
2.1 Payables	33,889,071	139,649,170	67,488	147,163	924,113	719,265	-	-
2.2. Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3.2.2 Price risk

Qualitative information

1. General aspects

The financial institution does not normally assume price fluctuations.

3.2.3 Currency risk

Qualitative information

1. General aspects

The financial institution does not normally assume exchange rate risks.

3.3 OPERATIONAL RISKS

Qualitative information

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

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

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

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

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

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

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

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

Quantitative information

For the purpose of measuring operational risk, Generalfinance adopts the basic method proposed by the Supervisory Authority. The capital requirement for operational risk as at 31 December 2020 was EUR 2,177,021, equal to 15% of the average of the relevant indicators for 2018-2020 pursuant to art. 316 of Regulation (EU) no. 575/2013, of EUR 14,513,472.

3.4 LIQUIDITY RISK

Qualitative information

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

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

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

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

The Company adopts a careful loan acquisition policy, which has historically guaranteed a limited duration (less than 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.

EXPLANATORY NOTES

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 over 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	**52,259,035**	**4,018,836**	**21,488,592**	**6,914,882**	**94,669,956**	**19,302,285**	**2,334,931**	**10,954**	**-**	**232**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	52,259,035	4,018,836	21,488,592	6,914,882	94,669,956	19,302,285	2,334,931	10,954	-	232	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**33,889,070**	**4,329**	**50,442**	**-**	**139,594,399**	**67,488**	**147,163**	**503,045**	**421,069**	**719,265**	**-**
B.1 Due to	-	-	-	-	-	-	-	-	-	-	-
- Banks	30,357,124	-	-	-	114,203,882	-	-	-	-	-	-
- Financial companies	-	-	-	-	25,377,887	-	10,198	-	-	-	-
- Customers	3,531,946	4,329	50,442	-	12,630	67,488	136,965	503,045	421,069	719,265	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
“Off-balance sheet” transactions	**16,526,249**	-	-	-	-	-	-	-	-	-	-
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	16,526,249	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

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

Section 4 - Information on equity

4.1 - Company Equity

4.1.1 Qualitative information

The notion of capital used

As at 31.12.2020, the shareholders' equity of Generalfinance S.p.A. differs from Own Funds by a total of EUR 6,091,737, referring to intangible assets of EUR 763,812 and to the profit generated for EUR 5,327,925 during 2020. Total shareholders' equity amounts to EUR 22,564,221, considering the profit generated in 2020 in this item.

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:

- Approval 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 31/12/2020	Total 31/12/2019
1. Share capital	3,275,758	3,275,758
2. Share premium reserve	5,837,550	5,837,550
3. Reserves	-	-
- of profits	-	-
a) legal	655,152	471,414
b) statutory	-	-
c) treasury shares	-	-
d) others	7,593,222	5,683,258
- 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 groups of assets held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains / losses relating to defined benefit plans	(125,386)	(95,728)
- Portion of valuation reserves relating to equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	5,327,925	4,187,404
Total	**22,564,221**	**19,359,656**

4.2 - Own funds and regulatory ratios

4.2.1 - Own funds

4.2.1.1 Qualitative information

1. Tier 1 capital

The amount of this aggregate differs from the value of Equity due to the deduction of the amount referring to intangible assets and to the profit generated in the year 2020.

2. Tier 2 capital

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

4.2.1.2 Quantitative information

	Total 31/12/2020	Total 31/12/2019
A. Tier 1 capital before the application of prudential filters	**17,236,296**	**15,172,252**
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)	**17,236,296**	**15,172,252**
D. Elements to be deducted from Tier 1 capital	763,812	352,086
E. Total Tier 1 capital (C - D)	**16,472,484**	**14,820,166**
F. Tier 2 capital before the application of prudential filters	-	-
G. Prudential filters of Tier 2 capital	-	-
G.1 Positive IAS / IFRS prudential filters (+)	-	-
G.2 Negative IAS / IFRS prudential filters (-)	-	-
H. Tier 2 capital gross of elements to be deducted (F + G)	-	-
I. Elements to be deducted from Tier 2 capital	-	-
L. Total Tier 2 capital (H - I)	-	-
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E + L - M)	**16,472,484**	**14,820,166**

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS	-	-	-	-
A.1 Credit and counterparty risk	209,667,617	158,241,909	155,801,922	113,094,093
B. REGULATORY CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	9,348,115	6,785,646
B.2 Risk for the provision of payment services	-	-	-	-
B.3 Requirement for the issue of electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	2,177,021	1,795,130
B.5 Total prudential requirements	-	-	11,525,136	8,580,776
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-		
C.1 Risk-weighted assets	-	-	192,092,859	143,018,917
C.2 Tier 1 capital / Risk-weighted assets (TIER 1 capital ratio)	-	-	8.6%	10.4%
C.3 Regulatory capital / Risk-weighted assets (Total capital ratio)	-	-	8.6%	10.4%

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

EXPLANATORY NOTES

Section 5 - Analytical statement of comprehensive income

	Asset items	31/12/2020	31/12/2019
10.	**Profit (loss) for the year**	**5,327,925**	**4,187,404**
	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	(29,658)	(47,111)
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.	Hedging of foreign investments	-	-
	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	-	-
	- impairment losses	-	-
	- 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	-	-
	- impairment losses	-	-
	- 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**	**(29,658)**	**(47,111)**
200.	**Comprehensive income (Item 10 + 190)**	**5,298,267**	**4,140,293**

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 2020 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		
40. Financial assets measured at amortised cost	-	1,858,761
120. Other assets	-	84,871
Total assets	**0**	**1,943,632**
10. Financial liabilities measured at amortised cost	-	40,110,797
80. Other liabilities	726,370	11,497
Total liabilities	**726,370**	**40,122,294**

"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	-	86,216
20. Interest expense and similar charges	-	(544,502)
40. Fee and commission income	-	79,235
50. Fee and commission expense	-	(122,670)
160. Administrative expenses: a) personnel expenses	-	(31,313)
160. Administrative expenses: b) other administrative expenses	-	(303,078)
180. Net value adjustments / write-backs on property, plant and equipment	-	(15,958)
200. Other operating expenses / income	300	31,414
Total items	**300**	**(820,656)**

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	5,602	302
Total items	**5,602**	**302**

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 (31/12/2019) 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 511,054. 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 16,782. Statutory auditors' fee: EUR 26,000 plus VAT, including the social security contribution (EUR 1,000).

EXPLANATORY NOTES

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 2020 due to the independent auditors for the annual audit of the accounts and for carrying out periodic audits these amount to EUR 33,000.

Fees for other services other than auditing paid to the independent auditors and to companies in the Deloitte network amount to EUR 43,000.

The above value does not include expenses and VAT.

Milan, 1 March 2021

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

EXPLANATORY NOTES

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

BALANCE SHEET (amounts in Euro)

	Asset items		31/12/2019		31/12/2018
10.	Cash and cash equivalents		254		184
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		201,567		619,166
	a) loans to banks	*201,567*		*614,756*	
	c) loans to customers	*0*		*4,410*	
70.	Equity investments		15,889,058		15,889,058
80.	Property, plant and equipment		77,416		83,130
100.	Tax assets		18,555		14,155
	a) Current	*11,395*		*0*	
	b) Deferred	*7,160*		*14,155*	
120.	Other assets		93,864		92,653
Total assets			**16,285,646**		**16,703,278**

	Liabilities and shareholders' equity items		31/12/2019		31/12/2018
10.	Financial liabilities measured at amortised cost		17,247		26,088
	a) Payables	*17,247*		*26,088*	
60.	Tax liabilities		12,234		11,395
	a) current	*12,234*		*11,395*	
80.	Other liabilities		263,914		357,933
110.	Share capital		100,000		100,000
140.	Share premium reserve		12,863,400		12,863,400
150.	Reserves		2,544,462		2,921,896
170.	Profit (loss) for the year		484,389		422,566
Total liabilities and shareholders' equity			**16,285,646**		**16,703,278**

EXPLANATORY NOTES

INCOME STATEMENT (amounts in Euro)

	Items	31/12/2019	31/12/2018
10.	Interest income and similar income	0	573
20.	Interest expense and similar charges	(619)	(12,905)
30.	**Interest margin**	**(619)**	**(12,332)**
50.	Fee and commission expense	(790)	(3,943)
60.	**Net fee and commission income**	**(790)**	**(3,943)**
70.	Dividends and similar income	777,471	705,604
120.	**Net interest and other banking income**	**776,062**	**689,329**
130	Net value adjustments / write-backs for credit risk	(81)	0
	a) financial assets measured at amortised cost	*(81)*	*0*
150.	**Net profit (loss) from financial management**	**775,981**	**689,329**
160.	Administrative expenses	(344,383)	(307,256)
	a) personnel expenses	*(219,832)*	*(211,620)*
	b) other administrative expenses	*(124,551)*	*(95,636)*
180.	Net value adjustments / write-backs on property, plant and equipment	(14,459)	(11,986)
200.	Other operating income and expenses	12,388	715
210.	**Operating costs**	**(346,454)**	**(318,527)**
220.	Gains (losses) on equity investments	0	0
260.	**Pre-tax profit (loss) from current operations**	**429,527**	**370,802**
270.	Income taxes for the year on current operations	54,862	51,764
280.	**Profit (loss) from current operations after tax**	**484,389**	**422,566**
300.	**Profit (loss) for the year**	**484,389**	**422,566**

REPORT OF THE BOARD OF STATUTORY AUDITORS

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 31/12/2020

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 2020, 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 2020, 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.

As at the date of drafting of this Report, as indicated previously, the Company has actually defined and adopted 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 Bank's economic-capital situation are monitored constantly.

With regard to the activities carried out in 2020 by the Single Control Function, the Board has acknowledged the activities carried out at the periodic meetings, in the reports produced and the reports prepared by Mr. Leonardo Etro, Manager of said function (as well as the Company's non-operating director).

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

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 2020, as well as the acceptance of the proposal formulated by the Directors regarding the allocation of the profit for the year.

Milan, 9 March 2021

The Board of Statutory Auditors

Paolo Lazzati

Federica Casalvolone

Andrea di Giuseppe Cafà

ON BEHALF OF THE BOARD OF STATUTORY AUDITORS

THE CHAIRMAN

The Board of Statutory Auditors

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 2020, 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 2020, 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.

Deloitte.

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 2020, 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 2020 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 2020 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
9 March 2021