GENERAL FINANCE

2023 FINANCIAL STATEMENTS

GENERAL INDEX

REPORT ON OPERATIONS 5

THE MACROECONOMIC CONTEXT AND THE FACTORING MARKET IN 2023 7

REGULATORY FRAMEWORK. THE REGULATION OF FACTORING ACTIVITIES 16

OPERATING PERFORMANCE AND RESULT 20

PERFORMANCE INDICATORS 22

TURNOVER 23

ECONOMIC DATA 24

BALANCE SHEET AND ASSET QUALITY DATA 25

SHAREHOLDERS' EQUITY AND CAPITAL RATIOS 26

SIGNIFICANT ASPECTS DURING THE YEAR 26

OTHER ASPECTS 31

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR 35

BUSINESS OUTLOOK 35

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR 36

FINANCIAL STATEMENTS 37

BALANCE SHEET 38

INCOME STATEMENT 39

STATEMENT OF COMPREHENSIVE INCOME 40

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 41

CASH FLOW STATEMENT 43

EXPLANATORY NOTES 45

PART A – ACCOUNTING POLICIES 46

PART B – INFORMATION ON THE BALANCE SHEET 61

PART C – INFORMATION ON THE INCOME STATEMENT 81

PART D – OTHER INFORMATION 90

REPORT OF THE BOARD OF STATUTORY AUDITORS 133

INDIPENDENT AUDITOR'S REPORT 140

CERTIFICATION ON THE 2023 FINANCIAL STATEMENTS 147

CORPORATE BODIES

Board of Directors

Name and surname	Office
Maurizio Dallocchio(*)(**)(****)	Chairperson of the Board of Directors
Mauro Selvetti(*)(**)(****)	Deputy Chairperson of the Board of Directors
Massimo Gianolli(***)	Chief Executive Officer
Leonardo Luca Etro(*)(**)(****)	Director
Maria Luisa Mosconi(*)(**)(****)	Director
Annalisa Raffaella Donesana(*)(**)(****)	Director
Marta Bavasso(*)(**)(****)	Director
Gabriele Albertini (*)(**)(****)	Director
Federica Casalvolone (*)(**)(****)	Director

(*) *Independent Director pursuant to Article 147-ter, paragraph 4, of the TUF.*
(**) *Independent Director pursuant to Article 2 of the Corporate Governance Code.*
(***) *Executive Director.*
(****) *Non-executive Director.*

Board of Statutory Auditors

Name and surname	Office
Paolo Francesco Maria Lazzati	Chairperson of the Board of Statutory Auditors
Marco Carrelli	Standing Auditor
Maria Enrica Spinardi	Standing Auditor
Andrea di Giuseppe Cafà	Alternate Auditor
Luca Zambanini	Alternate Auditor

Independent Auditors
Deloitte & Touche S.p.A.

Financial Reporting Manager
Ugo Colombo

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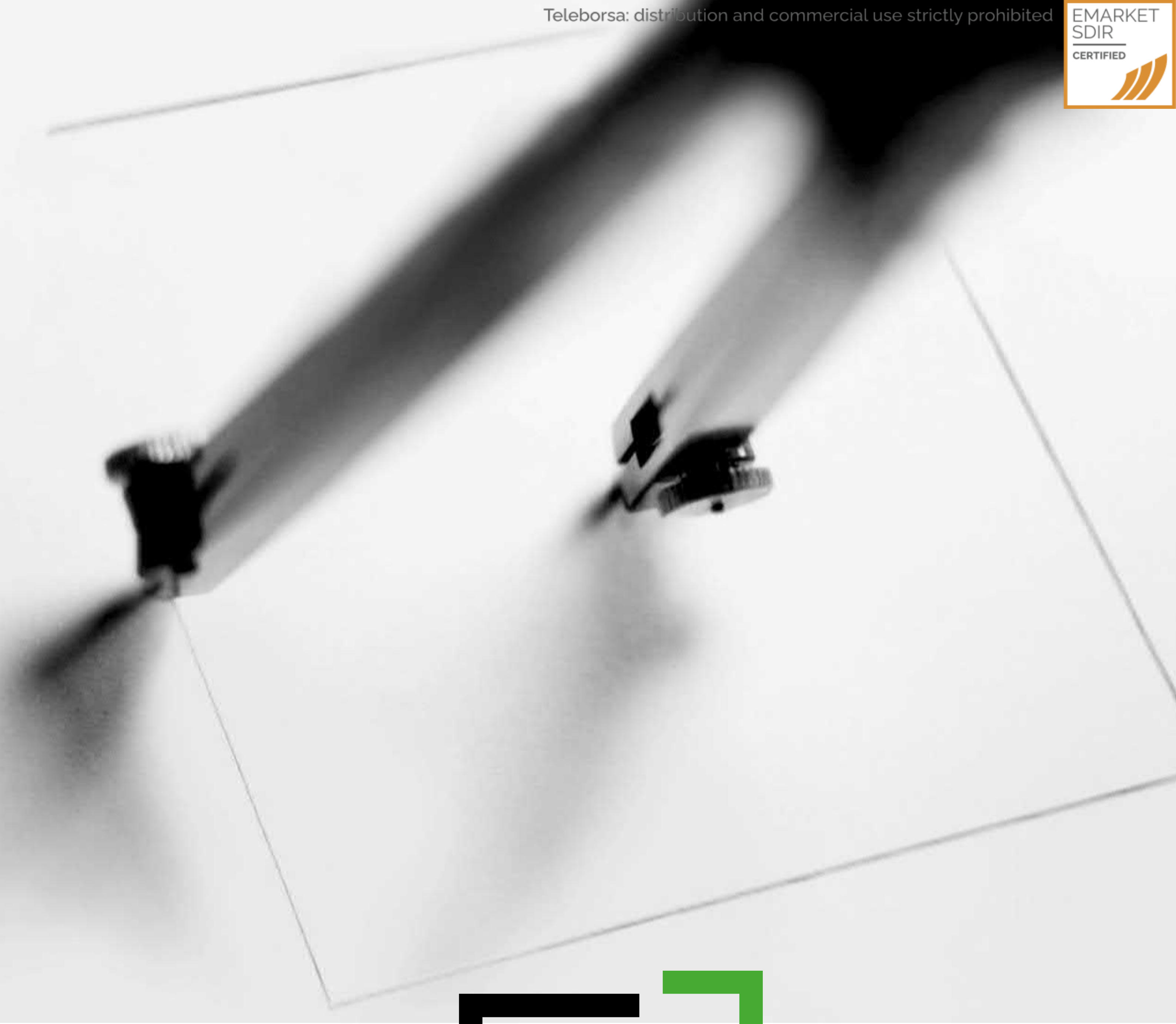


REPORT ON OPERATIONS

Report of the Board of Directors on operations for the year ended 31 December 2023 (Article 2428 of the Italian Civil Code)

Dear Shareholders,

The financial statements as at 31 December 2023, submitted for your approval, were prepared by the Directors in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date.

They have been drafted in compliance with the layouts and instructions issued by the Bank of Italy on 17 November 2022 on the "financial statements of IFRS intermediaries other than banking intermediaries", in execution of the provisions of Art. 9 of Italian Legislative Decree no. 38/2005 as amended, as well as in consideration of the additional specific provisions regarding the determination of non-performing items, contained in Circular no. 217 of 5 August 1996 and subsequent updates.

The financial statements as at 31 December 2023 are composed of the following documents: Balance Sheet and Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement and Explanatory Notes.

Since Generalfinance S.p.A. (“Company” or “Generalfinance”), has been a company with shares listed on the Euronext STAR Milan market as from 29 June 2022, the "Report on corporate governance and ownership structures" drawn up pursuant to Article 123-bis of the Consolidated Law on Finance is added to the report on operations. In addition, the Company provides the public with a "Report on the remuneration policy and the remuneration paid", according to the methods established by CONSOB with regulations.

The evaluations and judgements of the Directors were formulated in the assumption of the company as a going concern, in the light of the positive historical – also confirmed by the results of the 2023 financial statements – and forward-looking income and financial data entered 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.

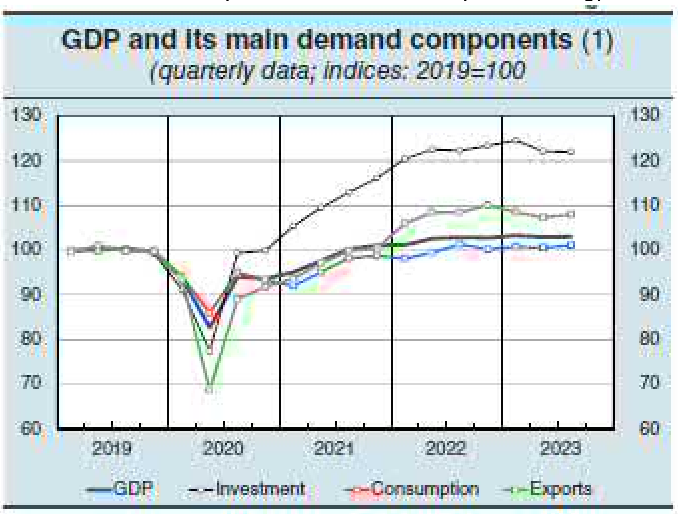
The financial year 2023, in which the Company celebrated its forty-first year since its establishment, closed with a net profit of EUR 15,067,393. The main reference indicators, as with the trend in economic and equity aggregates, the significant capital resources and available liquidity reserves make it possible to reasonably exclude the current and future risk of an interruption to business continuity and confirm the Company's capacity to produce positive results and generate cash flows from ordinary operations. This conclusion was reached by also considering the analysis of the current and potential future impacts of the current and future macroeconomic and geopolitical context on the Company’s 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 2023[1]

Macroeconomic context

In Italy, GDP increased marginally in the third quarter; according to the indications of our models, growth remained almost zero even in the last few months of 2023, held back by monetary restriction, by the consistently high energy prices and by weak foreign demand.

After the high volatility observed in the first part of the year, GDP recorded a slight increase in the third quarter. Household consumption increased, also supported by the creation of jobs, exceeding the pre-pandemic level by about one percentage point; fixed investment expenditure, on the other hand, continued to decline, albeit to a limited extent, affected by the higher cost of financing. The partial increase in construction investments was offset by a further decline in those in plant and machinery. The extraordinary destocking, most likely related to the weak demand prospects, subtracted 1.3 percentage points from the GDP trend; on the other hand, foreign trade made a positive contribution, due to an increase in exports and a drop in imports. On the supply side, value added increased in all sectors with the exception of agriculture: the expansion was more pronounced in construction, which partly recovered from the sharp decline in the second quarter, and was only marginal in services and in industry in the strict sense, where it continued to be held back by the reduction in activity in the energy-intensive sectors.



Source: Based on Istat data.
(1) Chain-linked volumes; data seasonally and calendar adjusted.

Source: Bank of Italy, Economic Bulletin no. 1/2024

Based on our estimates, GDP stagnated in the fourth quarter. Manufacturing began to decline again, also in connection with the weak economic phase of our main commercial partners, in particular in Germany, and with the persisting difficulties in more energy intensive industrial production, which is affected by consistently high electricity and gas prices when compared to historical prices. In services, the signs of stabilisation of value added were consolidated, while in the construction sector, the expansion of activities continued. On the demand side, the substantial stability of consumption would have been offset by a decrease in investments, slowed down by the tightening of financing conditions. In December, the Ita-coin indicator remained negative, confirming the underlying phase of weakness of the product. According to our most updated projections, GDP will increase by 0.7 percent in 2023 and by 0.6 percent in 2024.

[1] *This chapter cites and/or reports extensive excerpts from "Economic Bulletin no. 1/2024" of the Bank of Italy and Assifact, statistical circular 63-23 "Factoring in figures – Summary of data for September 2023".*

GDP and its main components (1)
(percentage change on previous period and percentage points)

	2022	2022 Q4	2023 Q1	2023 Q2	2023 Q3
GDP	3.7	-0.2	0.6	-0.4	0.1
Imports	12.4	-2.1	0.2	0.7	-2.0
National demand (2)	4.3	-1.4	1.1	0.3	-0.9
National consumption	3.9	-1.1	0.6	-0.2	0.6
Household spending (3)	5.0	-1.6	0.6	0.0	0.7
Gen. gov. spending (4)	0.7	0.4	0.4	-1.0	0.0
Gross fixed investment	9.7	0.9	1.0	-2.0	-0.1
Construction	11.4	0.7	0.3	-3.8	0.5
Capital goods (5)	8.1	1.1	1.8	-0.2	-0.7
Change in stocks (6)	-0.7	-0.7	0.4	0.9	-1.3
Exports	9.9	1.5	-1.4	-1.1	0.6
Net exports (7)	-0.5	1.2	-0.6	-0.7	1.0

Source: Istat.
(1) Chain-linked volumes; the quarterly data are seasonally and calendar adjusted. – (2) Includes the change in stocks and valuables. – (3) Includes non-profit institutions serving households. – (4) General government spending. – (5) Include investment in plants, machinery and arms (which also comprise transport equipment), cultivated biological resources and intellectual property. – (6) Includes valuables; contributions to GDP growth on previous period; percentage points. – (7) Difference between exports and imports; contributions to GDP growth on previous period; percentage points.

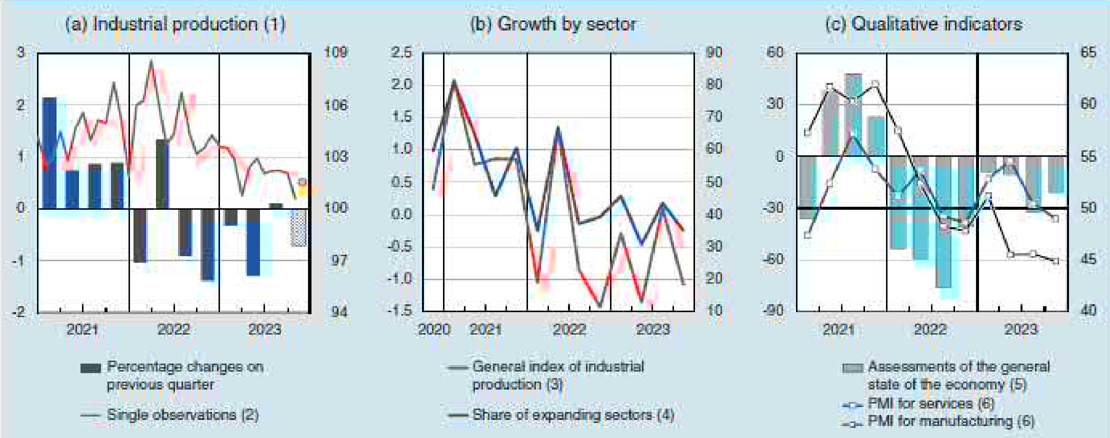
Source: Bank of Italy, Economic Bulletin no. 1/2024

Businesses

According to our estimates, industrial production decreased in the fourth quarter, continuing the negative trend that has been going on since the second half of 2022. This was affected by the weakening of demand and the still high energy costs. Activity in the tertiary sector stagnated, confirming the end of the strong recovery that began with the restart of economic activities after the most acute phase of the pandemic. The tightening of financing conditions is holding back investment expenditure, especially in manufacturing.

On average in the October-November two-month period, industrial production fell by 0.9 percent over the third quarter, reflecting the continued weakness in the production of consumer (especially non-durable) and intermediate goods, which was offset by the stability of capital goods. In the same period, the share of manufacturing sectors that experienced a decline in activity rose markedly again (to 65 percent, which corresponds to about two thirds of production); the dispersion in industry growth rates remains high, above pre-pandemic levels. Activity is more than 14 percent below the values at the end of 2021 in the most energy-intensive sectors, due to the still high energy prices, and is essentially in line with the previous figure in non-energy-intensive sectors.

Industrial production, growth by sector and qualitative indicators for industry and services
(quarterly data, unless otherwise specified)



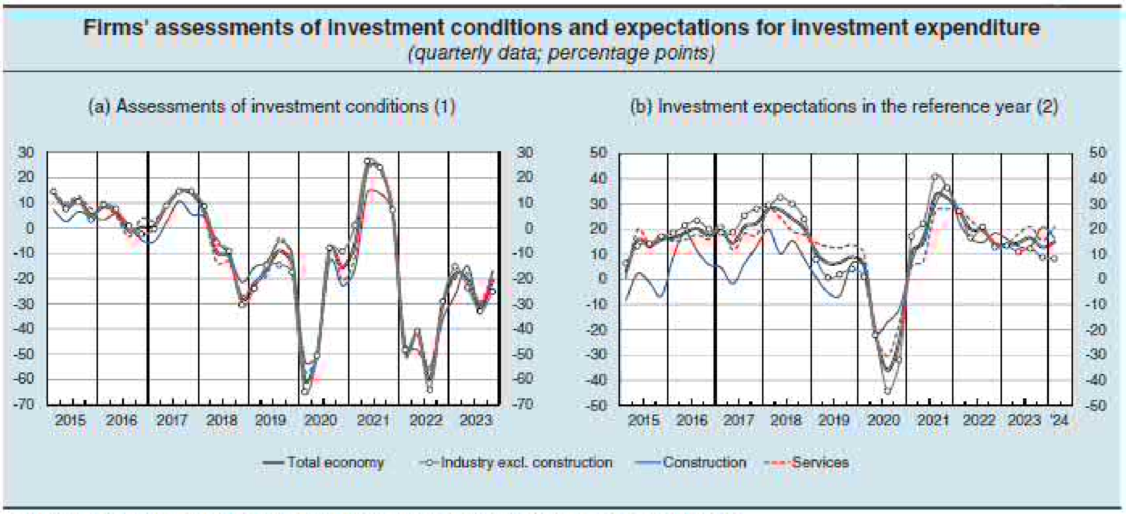
Sources: Based on data from the Bank of Italy, Istat, Markit and Terna.
(1) Data adjusted for seasonal and calendar effects. The yellow dot represents the forecast for December 2023, the striped bar at the right-hand end represents the forecast for the fourth quarter. – (2) Monthly data. Index: 2015=100. Right-hand scale. – (3) The industrial production figure for the fourth quarter of 2023 is calculated assuming zero per cent growth in December on the previous month. – (4) The sectors (as per Ateco classification) with growing production compared with the previous quarter are regarded as expanding. The figure for the fourth quarter of 2023 is calculated comparing the quarter ending in November with the quarter ending in July. Right-hand scale. – (5) Quarterly data. Balance, in percentage points, of the responses 'better' and 'worse' to the question on the general state of the economy (see 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 January 2024). – (6) Average quarterly data. Diffusion indices for economic activity in the sector. Right-hand scale.

Source: Bank of Italy, Economic Bulletin no. 1/2024

Based on our estimates for December – which take into account high-frequency data on electricity and gas consumption and motorway traffic, as well as qualitative indicators on business confidence and expectations – industrial activity started to fall again in the fourth quarter as a whole, reflecting the ailing German manufacturing cycle, weak domestic demand and the further tightening of financing conditions.

Despite a slight recovery in December, on average in the fourth quarter, the confidence indexes based on the surveys conducted by ISTAT on companies fell again, mainly reflecting the deterioration in opinions regarding current and expected demand conditions. Of all sectors, the deterioration was most pronounced among service companies, with the exception of those operating in the tourism sector. The confidence index of construction companies remained high, substantially in line with the previous quarter. Unlike the rest of the Euro area, in Italy companies in the sector still report difficulties in the supply of inputs and intermediate goods, as well as the unavailability of labour, but do not report any demand-related barriers. However, according to the Bank of Italy surveys conducted between November and December, there are signs of improvement for services companies in the current quarter, compared to indications of persistent weakness in manufacturing.

Investments remained stable in the third quarter, after declining in the second quarter (-0.1 and -2.0 percent, respectively): expenditure on capital goods decreased, despite the net growth in purchases of means of transport, while investments in construction rose again. Data from the Italian Leasing Association (Assilea) on the value of lease contracts for the financing of industrial vehicles and capital goods indicate a modest decline in accumulation in the fourth quarter of 2023. As part of the Bank of Italy surveys, companies still consider the conditions for investing to be negative, due to the difficulties related to the cost of credit, although the number of companies that expect an increase in nominal investment expenditure for the current year as a whole exceeds the number that predict a reduction in them.



Source: 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 15 January 2024.
(1) Balance of opinion between positive and negative assessments compared with the previous quarter. – (2) Balance between expectations of an increase and of a decrease compared with the previous year. The first expectations for the reference year are surveyed in the fourth quarter of the preceding year.

Source: Bank of Italy, Economic Bulletin no. 1/2024

In the third quarter, the slowdown in gross fixed investments of companies led to a further reduction in the use of internal sources of financing: the liquidity held actually started to rise significantly, in particular in the demand deposit component. In the same period, the use of external sources of financing (represented by total debt) decreased slightly both in nominal terms and as a percentage of GDP (to 64 percent). Corporate debt to GDP continues to be well below the Euro area average (97 percent).

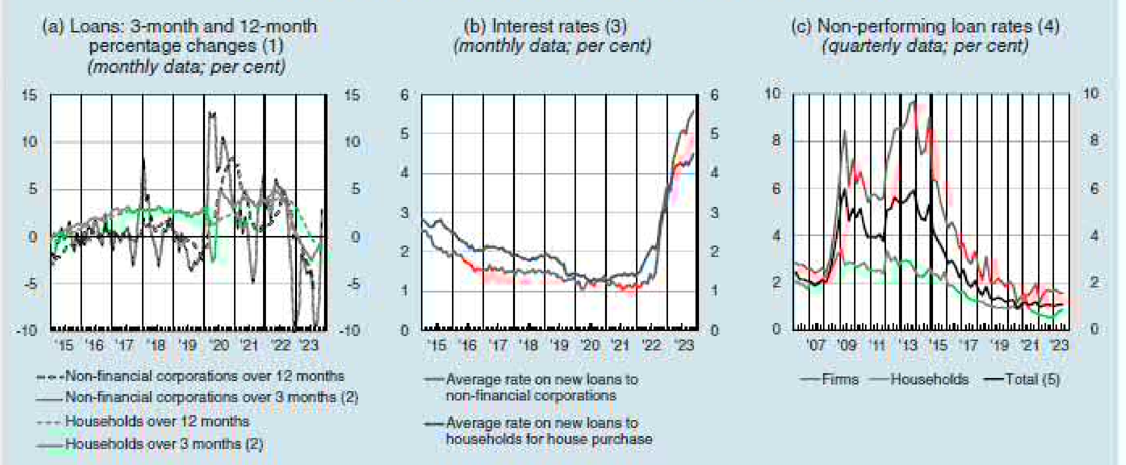
__Banks and the credit market__

The trend in loans disbursed to businesses and households continues to reflect the marked weakness in demand for loans and the rigidity of supply criteria, in line with the restrictive monetary policy stance. The cost of credit disbursed to both sectors has increased again; the effect of official rate hikes has been felt more intensely than in the past in terms of the cost of loans to businesses. The monetary tightening continues to determine a reduction in funding, due to both the reallocation from demand deposits to more profitable financial instruments, and the decline in refinancing with the Eurosystem. In the third quarter, the credit deterioration rate remained low.

The change in loans to businesses was negative until October of last year and returned to positive in November (2.9 percent over the three months and year-on-year). The trend in loans to businesses continues to reflect large repayments, partially due to lower cost effectiveness in renewing payables falling due, while the granting of new loans is generally in line with normal historical trends. Loans granted to households fell further, albeit at a slower rate (-1.0 percent). Loans to businesses continue to decline over twelve months (-4.8 percent); the reduction remains greater for those with fewer than 20 employees (-9.2 percent, compared to -4.4 percent for large companies). The decline was more intense in the construction sector and eased in the services sector, while it remained substantially unchanged in the manufacturing sector.

The Italian banks surveyed last October in the quarterly Bank Lending Survey in the Euro Area reported a fresh decrease in demand for loans from businesses in the third quarter, to an extent comparable to the low observed during the sovereign debt crisis; the decrease would be attributable mainly to the rise in interest rates, as well as to the lower requirement for expenditure on fixed investments and the greater use of self-financing.

Lending in Italy: recent developments, cost and credit quality



Sources: Central Credit Register and supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage changes are net of reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions. 3-month percentage changes are annualized. – (2) Data are seasonally adjusted following a methodology that is in accordance with the guidelines of the European Statistical System. – (3) Average values. Rates on loans refer to euro-denominated transactions and are collected and processed in accordance with the Eurosystem's harmonized methodology. – (4) Annualized quarterly flows of non-performing loans adjusted to the stock of loans, net of adjusted non-performing loans, at the end of the previous quarter. Seasonally adjusted where applicable. – (5) The total includes households, firms, financial corporations, the foreign sector, general government, and non-profit institutions.

Source: Bank of Italy, Economic Bulletin no. 1/2024

Intermediaries also indicate a new tightening of supply criteria for loans to businesses, still influenced by a greater perception of risk and a lower tolerance towards it. Demand from households would also have declined, with reference to both home purchase loans and consumer credit; the criteria remained again unchanged for the former, while they were tightened for the latter. For the fourth quarter, intermediaries stated that they expect stable supply policies in relation to lending to businesses and a further tightening of lending to households.

Compared to last August, the average interest rate on new bank loans to businesses rose by 6 tenths (to 5.6 percent in November). The cost of new mortgages to households for the purchase of homes increased by 2 tenths (to 4.5 percent). In comparison with the end of 2021, the rate applied to new loans rose by 4.4 percentage points for businesses and 3.1 percentage points for mortgages to households; the cost of existing loans rose by 3.7 and 1.5 percentage points, respectively. The passing on of policy rate hikes to the cost of loans disbursed to non-financial companies, more marked than suggested by normal historical trends, also reflects the greater risk perceived by intermediaries, partly generated by sharp and frequent increases at the beginning of the tightening phase.

Main assets and liabilities of Italian banks (1)
(billions of euros and percentage changes)

	End-of-month stocks		12-month percentage changes (2)	
	August 2023	November 2023	August 2023	November 2023
Assets				
Loans to Italian residents (3)	1,675	1,673	-4.2	-3.6
of which: firms (4)	625	625	-6.2	-4.8
households (5)	673	673	-0.6	-1.2
Claims on central counterparties (6)	30	38	-9.3	6.0
Debt securities (7)	516	492	-4.5	-6.7
of which: securities of Italian general government entities (8)	374	356	-6.7	-8.4
Claims on the Eurosystem (9)	207	239	-38.4	-30.2
External assets (10)	515	525	4.2	5.5
Other assets (11)	847	866	1.0	0.0
Total assets	**3,790**	**3,833**	**-5.0**	**-4.3**
Liabilities				
Deposits of Italian residents (3) (12) (13)	1,780	1,767	-5.4	-4.2
Deposits of non-residents (10)	402	415	25.5	31.7
Liabilities towards central counterparties (6)	110	103	3.2	-8.7
Bonds (13)	233	247	18.3	19.7
Liabilities towards the Eurosystem (9)	179	161	-58.5	-61.1
Liabilities connected with transfers of claims	121	118	4.3	5.7
Capital and reserves	352	360	4.7	5.0
Other liabilities (14)	614	662	1.7	0.5
Total liabilities	**3,790**	**3,833**	**-5.0**	**-4.3**
of which: total funding (15)	2,674	2,655	-7.9	-7.0

Source: Supervisory reports.
(1) November 2023 data are provisional. – (2) Adjusted for reclassifications, value adjustments and exchange rate movements. Changes in loans to firms and households are adjusted for securitizations. – (3) Excludes transactions with central counterparties. – (4) Harmonized definition, excludes producer households. – (5) Harmonized definition, includes producer households, non-profit institutions serving households and households not classified elsewhere. – (6) Only repos. – (7) Excludes bonds of resident MFIs, i.e. banks and money market funds. – (8) Includes only securities of Italian general government entities. – (9) Includes the accounts with the Eurosystem for monetary policy operations; see Tables 3.3a and 3.3b in 'Banks and Money: National Data', Banca d'Italia, Statistics Series. – (10) In the period considered these refer mainly to interbank transactions. – (11) Includes bonds issued by resident MFIs; loans to resident MFIs; shares and other equity of resident companies; cash; money market fund units; derivatives; movable and immovable property; other minor items. – (12) Excludes liabilities connected with transfers of claims. – (13) Excludes liabilities towards resident MFIs. – (14) Includes bonds held by resident MFIs and deposits of resident MFIs that are considered for the calculation of the marginal cost of funding. Also includes derivatives and other minor items. – (15) Bank funding is the sum of the following items: deposits by residents, deposits by non-residents, liabilities with central counterparties (excluding reverse repos), bonds and liabilities with the Eurosystem.

Source: Bank of Italy, Economic Bulletin no. 1/2024

In November, bank funding fell by 7.0 percent over twelve months (from -7.9 percent in August). The decline in resident deposits eased (-4.2 percent, from -5.4 percent) and the growth in non-resident deposits strengthened (32.0 percent, from 26 percent) also as a result of the more substantial use of repurchase agreements in conjunction with the repayment of TLTRO3 loans that have reached maturity. The trend in resident deposits continues to be affected by the decrease in current account deposits (-9.4 percent in November), which more than offset the expansion of other deposits (13.5 percent); the latter is supported by the faster adjustment of their yields to changes in the reference rates. Against the backdrop described above of a generalised reduction in Eurosystem liquidity and the reallocation of savings to more profitable assets, the marginal cost of funding increased further, to 2.2 percent (from 2.0 percent in August; it was essentially nil at the end of the 2021).

In the third quarter, the flow of new non-performing loans in relation to total loans remained stable at 1.1 percent (seasonally adjusted and year-on-year). The indicator fell for loans to businesses to 1.5 percent, while it increased slightly for loans to households, to 0.9 percent. The ratio of non-performing loans to total loans of significant banking groups and less significant banks remained unchanged in the third quarter of 2023, gross and net of value adjustments. For the former, the coverage rate of these loans rose slightly, while it fell slightly for the latter.

In the first nine months of 2023, profitability increased compared to the same period of 2022 for significant and, to a lesser extent, less significant banks. The marked increase in the annualised return on equity and reserves (return on equity, ROE), net of the extraordinary components, mainly reflected the growth in net interest income, which more than offset the decline in other revenues. For the significant groups, operating costs dropped slightly, while loan impairments decreased significantly; by contrast, for the less significant banks, costs rose and loan impairments remained essentially stable. In the third quarter, the level of capitalisation of both categories of banks increased; the improvement is mainly due to the positive contribution of profitability and, to a lesser extent, to the decline in risk-weighted assets.

Main indicators for significant Italian banks (1)
(per cent)

	June 2023	September 2023
Non-performing loans (NPLs) (2)		
Gross NPL ratio	2.4	2.4
Net NPL ratio	1.1	1.1
Coverage ratio (3)	54.1	54.3
Regulatory capital		
Common equity tier 1 (CET1) ratio	16.0	15.9
	First 9 months of 2022	First 9 months of 2023
Profitability		
Return on equity (ROE) (4)	8.9	13.8
Net interest income (5)	11.6	50.9
Gross income (5)	2.3	22.4
Operating expenses (5)	2.1	-1.4
Operating profit (5)	2.8	65.7
Loan loss provisions (5)	-1.1	-39.7

Source: Consolidated supervisory reports.
(1) Provisional data for September and for Q3 2023. Significant banks are those directly supervised by the ECB. In 2022 the number of significant groups expanded by two units following the inclusion of Mediolanum and Fineco. The data prior to that date were pro forma recalculated as if the two banks were significant also in the previous periods. – (2) End-of-month data. Includes loans to customers, credit institutions and central banks. The NPL ratio is reported gross and net of loan loss provisions. – (3) The coverage ratio is measured as the ratio of loan loss provisions to the corresponding gross exposure. – (4) Net of non-recurring items. – (5) Percentage changes with respect to the year-earlier period.

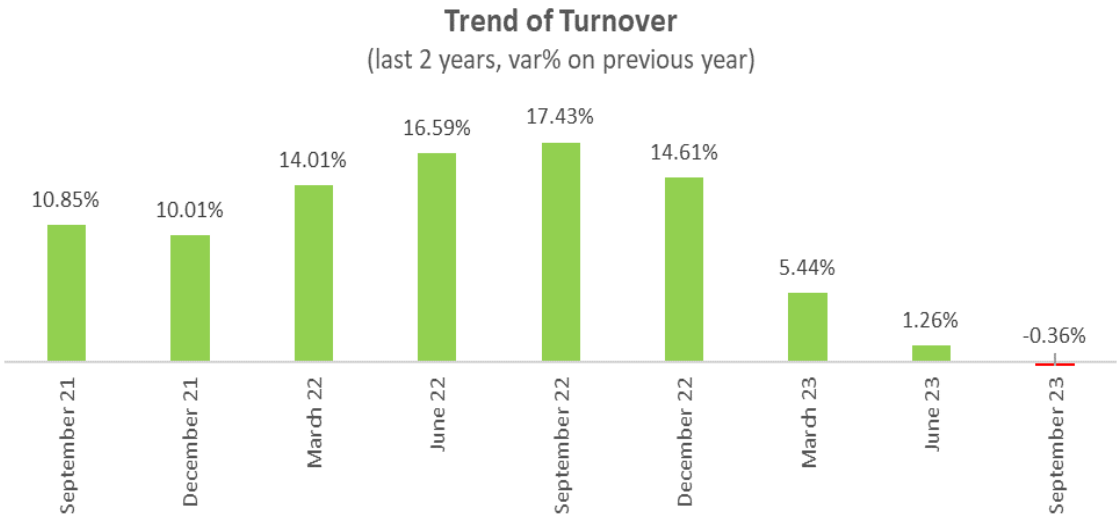
Source: Bank of Italy, Economic Bulletin no. 1/2024

Factoring market – last quarterly report

The factoring market at the end of the third quarter of 2023 recorded a turnover of EUR 206.7 billion, substantially in line with that of the previous year (-0.4%). The cumulative turnover from supply chain finance transactions as at 30 September amounted to EUR 20.3 billion. Operators expect growth in turnover of around of 5% for the whole of 2024. Trade receivables purchased in the first nine months of 2023 from the PA amounted to EUR 14.8 billion (up 8.7% YoY). In September 2023, outstanding receivables amounted to EUR 7.8 billion, of which EUR 3.6 billion are past due in relation to the notoriously long payment times of Public Entities.

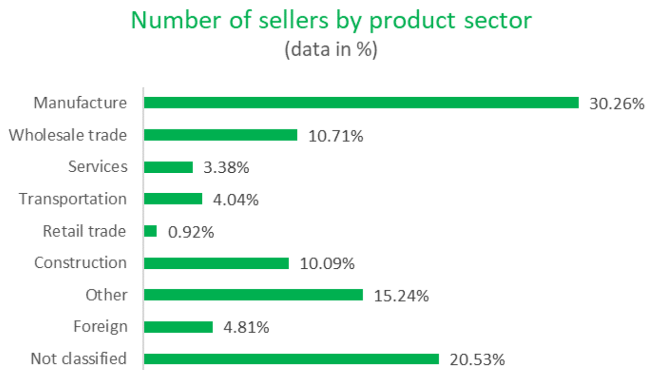
Data in thousands of euro		**Share % of total**	**% change from previous year**
Cumulative Turnover	**206,707,043**		**-0.36%**
With Recourse	43,487,313	21%	
Without Recourse	163,219,730	79%	
Outstanding	**58,907,370**		**-3.52%**
With Recourse	15,126,923	26%	
Without Recourse	43,780,447	74%	
Exposures	**47,515,057**		**-5.17%**

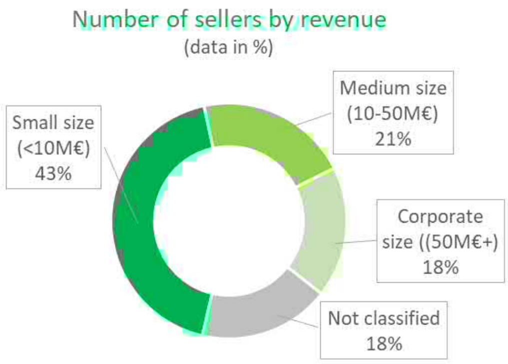
Source: Assifact, statistical circular 63-23 “Il factoring in cifre – Sintesi dei dati di Settembre 2023” (factoring in figures – summary of September 2023 data). Values in thousands of Euro.



Source: Assifact, statistical circular 63-23 "Il factoring in cifre – Sintesi dei dati di Settembre 2023" (factoring in figures – summary of September 2023 data).

Roughly 32,200 companies use factoring, 64% of which are SMEs. It is used predominantly in the manufacturing sector.

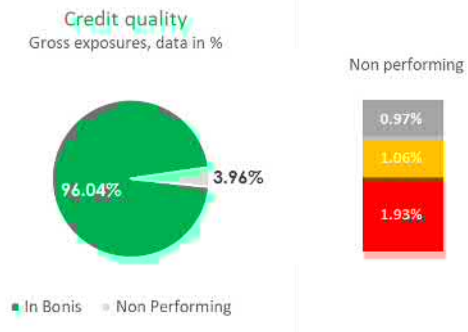


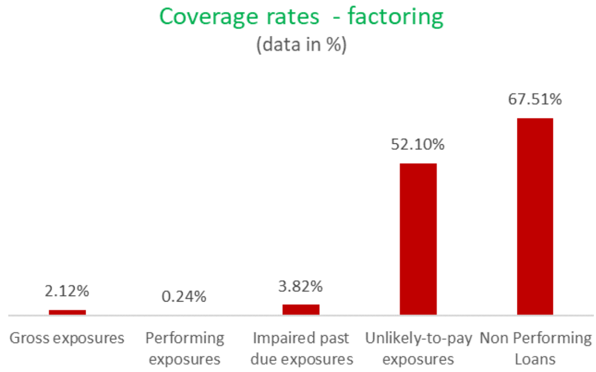


Source: Assifact, statistical circular 63-23 "Il factoring in cifre – Sintesi dei dati di Settembre 2023" (factoring in figures – summary of September 2023 data).

Advances and fees paid, amounting to EUR 47.5 billion, showed a decrease compared to the same period of the previous year.

Non-performing loans at the end of the third quarter of 2023 (3.96%) were up slightly compared to June (3.62%). Bad loans represent 1.93% of total gross exposure. The policies for hedging non-performing loans are extremely prudent with respect to unlikely to pay and bad loans.





Source: Assifact, statistical circular 63-23 "Il factoring in cifre – Sintesi dei dati di Settembre 2023" (factoring in figures – summary of September 2023 data).

Factoring market – monthly position in December 2023

Based on the latest monthly report available, turnover in 2023 was approximately EUR 290 billion, up by approximately 0.9% on the previous year. Outstanding amounts at the reporting date stood to approximately EUR 70 billion, marking growth of 1.2% on the previous year, while advances amounted to roughly EUR 58 billion, stable YoY.

Data in thousands of euro		**Share % of total**	**% change from previous year**
Cumulative Turnover	**289,753,724**		**0.87%**
With Recourse	58,832,998	20%	
Without Recourse	230,920,726	80%	
Outstanding	**70,280,527**		**1.17%**
With Recourse	15,644,187	22%	
Without Recourse	54,636,340	78%	
Exposures	**58,126,642**		**0.03%**
of which turnover from Supply Chain Finance operations.	**27,808,360**	**10%**	**-0.73%**

Source: Assifact, statistical circular 05-24 "Il factoring in cifre – Sintesi dei dati di dicembre 2023" (factoring in figures – summary of December 2023 data").

REGULATORY FRAMEWORK. THE REGULATION OF FACTORING ACTIVITIES

In a general context that continues to be characterised by uncertainties generated by geopolitical contingencies and the effects of the inflation, parliamentary activity and regulatory measures are often still shaped by the response to emergencies and the issue of extraordinary measures rather than by a forward-looking regulatory review. There is also no shortage of efforts on the structural reforms envisaged by the National Recovery and Resilience Plan (NRRP), in particular with reference to civil and criminal justice, competition and labour policies. The process of reform of the Public Administration is also in progress, which should head in the direction of procedural simplification.

On the regulatory front, a central role is played by the **digital transition**, which poses significant challenges for risk containment, and the **sustainable transition**, with particular reference to the environmental transition and to tackling climate change. In this regard, European regulatory and supervisory authorities have also undertaken an important process of harmonisation and adaptation of the regulatory framework aimed at *credit and financial intermediaries*, to address and support the changes in progress, encourage innovation and also safeguard the overall stability of the system.

With regard to the main measures adopted or under discussion at national **level** of major interest to the sector, it is worth mentioning the following.

The conversion into law, with amendments, of Italian Law Decree no. 13 of 24 February 2023, containing urgent provisions for the implementation of the National Recovery and Resilience Plan (NRRP) and the Complementary National Plan (CNP) as well as for the implementation of cohesion policies and the common agricultural policy, by Italian Law no. 41 of 21 April 2023. The NRRP Decree Law makes provision, among other things, for the revision of the NRRP governance system; the strengthening of the administrative capacity of the parties called to implement the initiatives set forth in the NRRP and the CNP, acceleration and simplification of the NRRP procedures in various sectors.

The new **Public Contracts Code**, enacted through Italian Legislative Decree no. 36 of 31 March 2023, was published in the Official Gazette General Series no. 77 of 31 March 2023. This implementation was in accordance with Article 1 of Italian Law no. 78 of 21 June 2022, containing a delegation to the Government on public contracts. The new Code officially entered into force on 1 April, in order to comply with what was agreed with the European Union and defined in the NRRP. However, the provisions contained therein became effective from 1 July, when the previous Code was simultaneously repealed (Italian Legislative Decree no. 50/2016). In relation to the specific issue of the regulation of the *assignment of receivables*, there are no changes to the current Tender Code other than purely formal changes and the positioning of the rules within the regulatory framework.

Specifically, Art. 120 (which replaces the current Article 106 with an amendment to the heading) on the amendment of contracts in progress, includes in paragraph 12 a mere reference to the provisions of Italian Law no. 52 of 21 February 1991 for the purposes of the assignment of receivables, then referring, for the conditions for the enforceability on the contracting authorities, to Annex II.14. The body of the regulations was therefore moved to Art. 6 of Annex II.14 Section II (> Management of works and management of the execution of contracts. Procedures for carrying out the activities of the executive phase. Testing and verification of compliance > Section II – Execution in the strict sense). The aforementioned article dedicated specifically to “Assignments of receivables” reproduces in full and without changes the current contents of Article 106.

Italian Decree Law no. 25 of 17 March 2023, containing urgent provisions on the issuance and circulation of certain financial instruments in digital form and the simplification of FinTech experimentation (FINTECH Decree Law), was converted into law with amendments (Italian Law no. 52 of 10 May 2023). The measure introduces the rules necessary to implement Regulation (EU) no. 2022/858, relating to a pilot regime for market infrastructures based on "distributed ledger technology" (DLT pilot regime), i.e. an information repository in which transactions in financial and digital instruments are recorded and which is shared by networked IT devices or applications and synchronised between them. Measures are also introduced to simplify the experimentation relating to techno-finance activities (FinTech), pursuant to Italian Decree Law no. 34 of 30 April 2019, which introduced a simplified and transitional regime (regulatory sandbox) for the testing of digital technological innovation activities in the banking, financial and insurance sectors, in order to allow FinTech operators to test innovative solutions from a digital point of view, with constant dialogue with the supervisory authorities.

Italian Decree Law no. 11 of 16 February 2023 was converted to law with amendments, containing urgent measures on the **assignment of receivables** referred to in Article 121 of Italian Decree Law no. 34 of 19 May 2020, converted, with amendments, by Italian Law no. 77 of 17 July 2020.

The decree, which makes changes to two specific areas concerning tax credits in the building and energy sector, concerns the transfers of "superbonuses" and establishes that, starting from the date of entry into force of the same, options for invoice discounts and for the assignment of the receivable in relation to the following initiatives are no longer permitted: a) recovery of the building stock; b) energy efficiency; c) adoption of anti-seismic measures; d) recovery or restoration of the façade of existing buildings; e) installation of photovoltaic systems; f) installation of charging stations for electric vehicles; g) overcoming and eliminating architectural barriers. Italian Decree Law no. 169 of 8 November 2022 contains urgent provisions for the extension of the measures for the health service of the Calabria Region. Despite the ruling of the Constitutional Court of 11 November 2022, which declared the constitutional illegitimacy of the provision blocking enforcement actions against the health service bodies of the Calabria Region until 31 December 2025, provided for by Italian decree-law no. 146 of 21 October 2021, Italian Decree Law 169/2022 proposed the extension of the suspension of enforcement actions against the Calabria Region, bringing forward the expiry of the freeze on enforcement actions by two years (until 31 December 2023). The Constitutional Court, in fact, did not challenge the measure tout court but highlighted the need to limit the duration of the extension period of the measures that must be justified by specific and temporary needs.

The 2023 Budget Law provided, among other things, for the recognition of an "Extraordinary contribution, in the form of a tax credit, in favour of companies for the purchase of electricity and natural gas". These tax credits may be transferred, only in full, by the beneficiary companies to other parties, including banks and other financial intermediaries, without the right of subsequent transfer, without prejudice to the possibility of two further transfers only if made in favour of banks and financial intermediaries 106.

The **Aiuti Decree Law** (urgent measures on national energy policies, business productivity and investment attraction, as well as on social and Ukrainian crisis policies) introduces **the extension of the guarantees provided by SACE S.p.A. also to factoring transactions** among the measures to support the liquidity of companies and regulate the recognition and transfer of bonuses and extraordinary contributions introduced to "neutralise" the higher charges deriving from the increases in the costs of raw materials and energy. The subsequent Aiuti bis (urgent measures in the field of energy, water emergency, social and industrial policies) and Aiuti ter Decrees (urgent measures in the field of national energy policy, company productivity, social policies and for the implementation of the National Recovery and Resilience Plan) provide for additional extraordinary contributions, in the form of tax credit, in favour of companies for the purchase of electricity and natural gas. Tax credits are transferable.

For **financial intermediaries**, by way of example but not limited to, the following should be noted:

- **Circular no. 288 of 3 April 2015** containing the new Supervisory Provisions for financial intermediaries, which governs financial activities from subjective profiles and the authorisation for registration in the Single Register with the rules of prudential supervision, organisation and internal controls, now in its *5th update and not changed during the period.* However, a clarification note of 24 July 2023 was published.
- Instructions on "**The Financial Statements of IFRS Intermediaries other than Banking Intermediaries**", issued by Bank of Italy Measure of 17 November 2022, replacing the previous instructions of 29 October 2021 in order to take into account (as already done for banks) IFRS 17 and the resulting changes in other accounting standards.
- **Circular no. 217 of 5 August 1996** containing the reporting formats and the rules for the compilation of reports, the *23rd update* of which was issued during the year in order to: 1) adjust the references of non-performing credit exposures to the new regulations of company crisis and insolvency 2) incorporate, in the reports on payment services, the clarifications and indications provided by the PAY Team of the ECB; 3) introduce two new items on purchases and sales of loans for intermediaries pursuant to Art. 106 of the TUB (Consolidated Banking Law), so as to improve the monitoring of credit quality.
- **Circular no. 115 of 7 August 1990** "Instructions for the compilation of supervisory reports on a consolidated basis" – of which the *28th update* was issued during the year in order to: 1) adjust, in the paragraph "General instructions", the recipients of the reporting provisions of the groups of Stock Brokerage Firms pursuant to the provisions of Article 11, paragraph 1-bis of the TUF relating to groups of Stock Brokerage Firms; b) rename Section III to "Non-harmonised reporting – Prudential Groups of Stock Brokerage Firms".
- **Circular no. 154 of 22 November 1991** "Supervisory reports of credit and financial institutions. Reporting formats

and instructions for the forwarding of information flows", whose *76th update* was issued during the year in order to modify the reporting formats and the corresponding system of codes, in line with the aforementioned updates to the Circulars nos. 272, 217, 148 and 286.

The following are proceeding under standard arrangements and *without modification*:
- reporting on losses historically recorded on positions in default, set forth **in Bankit Circular no. 284 of 18 June 2013** (1st update of 20 December 2016), through which an archive of data on the credit recovery activities carried out by supervised intermediaries (banking and financial) is provided with data, which makes it possible to calculate the loss rates recorded historically on non-performing positions (defaults). This information is particularly relevant for the purposes of the impairment envisaged by IFRS 9, which requires the estimation of expected losses and the adoption of advanced internal models for the calculation of the capital requirement on credit risk;
- reporting in Centrale dei Rischi (central credit register), according to the regulation contained in **Circular no. 139 of 11 February 1991**, now in its *20th update*.

From the point of view of prudential regulations, the review of the **CRR** is underway for the implementation of the Basel 3 reform.

At national level, in **September 2022 the Bank of Italy** also updated its **guidelines** on the application of the new definition of default, making changes in particular to some specific profiles of loans to the Public Administration. The actions of particular significance concerned aspects related to the suspension of the calculation of past due amounts in the presence of legal actions and disputes, as well as specific contractual clauses that implicitly postpone the time of payment, also requiring an update of the associated documentation on the matter.

The Bank of Italy makes significant efforts to monitor on issues related to consumer protection, correct and **transparent** behaviour towards customers, and the fight against **money laundering** and financing of terrorism.
With regard to this last aspect, the Bank of Italy recently reorganised its structure by introducing an **Anti-Money Laundering Supervision and Regulations Unit**, through which the Supervisory Authority intends to more effectively monitor the growing complexity of anti-money laundering and countering the financing of terrorism regulatory and supervisory tasks, to ensure their unified direction and to prepare for the changes that are emerging in Europe – first and foremost, the establishment of a new **Anti-Money Laundering Authority (AMLA).** Italy's Financial Intelligence Unit (**FIU**) also launched a process of updating and **reviewing anomaly indicators and patterns of anomalous behaviour**.
At regulatory level, by means of Italian Ministerial Decree of 12 April 2023, the Ministry of Enterprises and Made in Italy issued the technical specifications of the electronic format of the single business communication for the purposes of full implementation of the **register of beneficial owners**. Specifically, "memo 1685/A – TE instructions form" was approved, which supplements ministerial circular no. 3689/C of 6 May 2016 containing the "Instructions for the compilation of the forms for the legal disclosure obligations towards the register of companies and the economic and administrative information index (REA)".
The Bank of Italy has also published the Communication of 10 May 2023, which contains **clarifications** in the form of **FAQs** regarding the **Anti-Money Laundering questionnaire (AML)**, conducive to the fulfilment of the obligations envisaged by Italian Legislative Decree no. 231 of 21 November 2007 and the related implementing provisions that require the collection of updated information by the bank on its customers, to help prevent and combat the use of the financial system for the purpose of money laundering and financing of terrorism.
Bank of Italy Measure of 1 August 2023 is of huge importance, containing **amendments** to the **Provisions of the Bank of Italy** on **anti-money laundering organisation, procedures and internal controls**, with the aim of implementing the latest guidelines provided by the European Banking Authority (EBA) regarding policies and procedures for compliance management, also establishing the role and responsibilities of the anti-money laundering manager. The main changes introduced include a new section dedicated to the representative responsible for anti-money laundering, as well as some provisions regarding the anti-money laundering function, outsourcing and the rules applicable to groups. The recipients appoint the representative responsible for anti-money laundering at the first renewal of the corporate bodies following the entry into force of this provision and in any case no later than 30 June 2026.

Italian Legislative Decree no. 24 of 10 March 2023 transposed and implemented Directive (EU) no. 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law and laying down provisions concerning the protection of persons who report breaches of national regulatory provisions. The measure aimed to strengthen the principles of transparency and accountability in the area of whistleblowing, providing for more detailed procedures for handling whistleblowing reports and greater confidentiality protections for whistleblowers.

The regulatory framework on **sustainability** is also carefully monitored and enriched by the contribution of the Bank of Italy, which participates in the European debate and ensures its implementation at national level. In particular, following the Supervisory expectations on climate and environmental risks (April 2022), not binding for intermediaries but already subject to dialogue with the Authority in the individual supervision phase to verify the degree of compliance with expectations, and on the basis of initial main findings emerged from the survey carried out in 2022 on a sample of non-bank financial intermediaries regarding the level of integration of climate and environmental risks into their management paradigms, which showed a generally limited alignment with the "*Supervisory expectations on climate risks and environmental issues*", the Bank of Italy has asked all non-banking intermediaries to define, approve, and transmit to the supervisory authority by 31 March 2023, specific action plans capable of encouraging the gradual integration, in the medium term, of climate and environmental risks in corporate strategies, governance and control systems and the risk management framework.

During the year, the European Commission launched a consultation on the revision of the **Directive against late payments**. In the request for contributions, the Commission expressly mentioned, among the unfair practices that have the effect of circumventing the obligations of the Directive, those prohibiting the assignment of trade receivables. Assifact, together with the EUF, closely monitors the developments of this important process.

Lastly, in terms of governance, two important measures have been adopted by the Bank of Italy:

- *Guidelines on the assessment of the requirements and* ***suitability*** *criteria for the fulfilment of the engagement of corporate* ***representatives*** *of LSI banks, financial intermediaries, credit guarantee consortia, electronic money institutions, payment institutions, trust companies and depositor guarantee systems* (of 13 November 2023). Approximately three years after the issue of Italian Ministerial Decree no. 169/2020 and the subsequent issue by the Bank of Italy on 4 May 2021 of a specific Measure aimed at regulating the procedural aspects of the assessments of the representatives, the Bank of Italy has actually paid constant attention to the adequacy of the assessments on the suitability of the representatives carried out by the entities, ensuring the timely application of the aforementioned provisions, also through constant and productive liaising with the supervised intermediaries. This continuous contact, as well as the supervisory activities carried out, favoured the collection of structured evidence on the application profiles of the standard, making it possible to outline a solid benchmarking framework that has brought to light not only some areas of improvement, but a series of virtuous practices suitable to ensure timely and effective performance of the assessment procedures, in line with the expectations shared by the Supervisory Authority in the course of its supervision activities. In this context, through the guidelines published on 13 November 2023, the Bank of Italy aimed to share the results observed with the less significant banks , as well as with all the other supervised intermediaries to which the relevant regulatory provisions apply (financial intermediaries) pursuant to Article 106 of the Consolidated Banking Law, credit guarantee consortia, electronic money institutions, payment institutions, trust companies and depositor guarantee systems).
- *New* ***provisions on reporting regarding the outsourcing*** *of corporate functions for supervised intermediaries* (of 31 May 2023). The objective of reporting on the outsourcing of corporate functions is to collect information on the outsourcing contracts of supervised intermediaries, on suppliers and sub-suppliers of services, as well as on the type of functions outsourced. This data collection is aimed at analysing and monitoring the risks deriving from the use of third parties to carry out the functions, services and activities of supervised intermediaries, in order to guarantee the stability of the intermediaries themselves and the banking and financial system. This information is therefore fundamental for the exercise of supervisory activities and is relevant, above all, for identifying and assessing any concentrations of service providers, in line with European provisions. The report mainly concerns the outsourcing contract, the information on the intermediaries signing the agreements and,

if different, on the intermediaries who use the services provided by the suppliers (users), on the service providers to whom the company functions are entrusted and, if present, on any sub-contractors.

OPERATING PERFORMANCE AND RESULT

Share capital – Transactions affecting the corporate structure

The Company's share capital currently amounts to EUR 4,202,329.36 and is divided into 12,635,066 ordinary shares without nominal value, pursuant to paragraph 3 of Art. 2346 of the Italian Civil Code and Art. 5 of the current Articles of Association. Based on the information available to the Company, it is broken down as follows:

- **GGH – Gruppo General Holding S.r.l. (GGH)**, which holds approximately 41.37% of the share capital (roughly 58.53% of the voting rights taking into account the increased vote);
- **Investment Club S.r.l. (IC)**, which holds approximately 9.55% of the share capital (approximately 6.76% of the voting rights);
- **BFF Bank S.p.A. (BFF)**, which holds approximately 7.68% of the share capital (approximately 5.43% of the voting rights);
- **First4Progress S.p.A. (F4P)**, which owns approximately 6.33% of the share capital (roughly 4.48% of the voting rights);
- (floating) **market**, which overall holds an approximately 35.07% of the share capital (approximately 24.80% of total voting rights).

The shares, all ordinary and traded on Euronext STAR Milan, all have equal rights, both administrative and financial, as established by law and by the Articles of Association, except for the provisions of the latter regarding increased voting rights, as specified below. The shares are indivisible, registered and freely transferable by an act inter vivos and transmissible on death. The currently applicable legislation and regulations regarding representation, legitimate entitlement and circulation of shares set forth for financial instruments traded on regulated markets is applied to the shares. The shares are issued in dematerialised form.
Pursuant to Art. 127-quinquies of Italian Legislative Decree no. 58 of 24 February 1998 ("**TUF**" or "Consolidated Law on Finance"), each share gives the right to double votes (and therefore two votes for each share) where both the following conditions are met: (a) the share belongs to the same party, based on a real right that legitimately entitles them to exercise the voting right (full ownership with voting right or bare ownership with voting right or usufruct with voting right) for a continuous period of at least 24 (twenty-four) months; (b) the meeting of the condition pursuant to point (a) is certified by the continuous registration, for a period of at least 24 (twenty-four) months, in the duly established list, kept by the Company, in compliance with the legislative and regulatory provisions in force. The assessment of the prerequisites for the attribution of the increased vote is carried out by the administrative body.
To date, only the shareholder GGH has acquired the right to double vote on the entire amount of shares held by it. In this regard, it should be noted that, following the sale, on 4 October 2023, by Crédit Agricole Italia S.p.A. ("**CAI**") of all 2,057,684 Generalfinance shares held by it (representing 16.3% of the share capital and 20.4% of the total number of voting rights) the total amount of voting rights changed, given the loss of the increasing voting rights which were enjoyed by part of the Generalfinance shares held by CAI, due to the transfer of their ownership. Therefore, the assignees of the sale did not acquire the increased voting right.
Without prejudice to the above, the CAI transaction did not entail a change in the amount of the share capital, but only a reduction in voting rights.
The current **composition of the Company's share capital**, with respect to which there have been no changes, is shown below.

	Share capital		
	EUR	**No. of shares**	**Nominal value per unit**
Total	4,202,329.36	12,635,066	(*)
of which: ordinary shares (regular dividend entitlement)	4,202,329.36	12,635,066	(*)

(*) Shares with no nominal value.

The **total amount of the voting rights** before and after the loss of the increased voting right of part of the shares sold by CAI is shown below.

	Updated situation		Prior situation	
	Number of shares making up the share capital	Number of voting rights	Number of shares making up the share capital	Number of voting rights
Total ordinary shares	12,635,066	17,862,339	12,635,066	19,865,207
Ordinary shares without increased voting rights (regular dividend entitlement)	7,407,793	7,407,793	5,404,925	5,404,925
Ordinary shares with increased voting rights (regular dividend entitlement)	5,227,273	10,454,546	7,230,141	14,460,282

By virtue of the above, as at today's date, the voting rights that can be exercised by shareholders are as follows:

Shareholder	Shares held	% share capital	% voting rights
GGH – Gruppo General Holding S.r.l.	5,227,273	41.37	58.53
Investment Club S.r.l.	1,207,267	9.55	6.76
BFF Bank S.p.A.	969,974	7.68	5.43
First 4 Progress S.p.A.	800,000	6.33	4.48
Market	4,430,552	35.07	24.80

The shares held by GGH are partially encumbered by a pledge in favour of CAI. In this regard, it should be noted that, on 29 June 2017, in execution of agreements between shareholders, GGH established a first degree pledge on 1,271,766 ordinary shares of Generalfinance owned by it in favour of Creval (now CAI) and that, in execution of the provisions of the deed of incorporation of the pledge:

a) on 20 January 2021, Credito Valtellinese S.p.A. ("**Creval**") agreed to the release from the restriction on 423,922 Generalfinance shares;
b) in the first part of 2023, CAI agreed to the release from the restriction on an additional 423,922 Generalfinance shares.

As at today's date, therefore, the restriction continues to be in place on the additional 423,922 shares owned by GGH. However, it does not entail any limitation on the rights of GGH as, in derogation from Art. 2352 of the Italian Civil Code, the right to vote on the shares encumbered by the pledge is regularly exercised by GGH, both in ordinary and extraordinary shareholders' meetings. Similarly, GGH maintained the right to receive any amount due from Generalfinance in relation to the shares encumbered by the pledge.

Furthermore, it should be noted that GGH has entered into a loan agreement with Banca Nazionale del Lavoro S.p.A. for an amount of EUR 5 million; in relation to this contract, GGH pledged a first degree pledge on 1,263,900 ordinary shares owned by it. Also in this case, the voting right relating to the shares encumbered by the pledge is duly exercised by GGH, both in ordinary and extraordinary shareholders' meetings. Similarly, GGH maintained the right to receive any amount due from Generalfinance in relation to the shares encumbered by the pledge.

It should be noted that, at the date of this report, the Company does not hold treasury shares in its portfolio.

PERFORMANCE INDICATORS (ART. 2428, PARAGRAPH 2)

Generalfinance closed the financial year 2023 with a net profit of EUR 15.1 million (+38% over 2022) and further growth in core business (distressed financing). Turnover – including advance orders and contracts – reached EUR 2,559 million (+27%) with EUR 2,161 million disbursed (+29%).
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.
The main economic and financial data and some operating indicators are presented below, with comments on their performance in the following paragraphs.

Main reclassified income statement data (in thousands of Euro)

Income for:	**Year 2023**	**Year 2022**	**Change**
Net interest income	8,980	7,267	24%
Net fee and commission income	27,219	23,596	15%
Net interest and other banking income	**36,199**	30,865	**17%**
Operating costs	-12,934	-13,188	-2%
Pre-tax profit from current operations	**22,002**	16,470	**34%**
Profit for the year	**15,067**	10,885	**38%**

Key balance sheet data (in thousands of Euro)

Balance sheet item	**Year 2023**	**Year 2022**	**Change**
Financial assets measured at amortised cost	462,365	385,434	20%
Financial liabilities measured at amortised cost	409,388	368,388	11%
Shareholders' equity	66,433	56,775	17%
Total assets	500,043	443,815	13%

Main performance indicators

Indicator	**Year 2023**	**Year 2022**
Cost/Income ratio	36%	43%
ROE	29%	24%
Net interest income/Net interest and other banking income	25%	24%
Net fee and commission income/Net interest and other banking income	75%	76%

Notes:
- Cost Income Ratio calculated as the ratio between operating costs and Net interest and other banking income
- ROE calculated as the ratio of net profit to shareholders' equity at the end of the period, excluding profit for the period

It should be noted that 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 Supervisory Authority

aimed to make certain amendments and additions to 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 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 to deal with the pandemic. The proposed actions also take into account the contents of the documents published by the European regulatory and supervisory bodies and the standard setters aimed at clarifying the methods of application of IAS/IFRS, with particular reference to IFRS 9.
As regards, in particular, quantitative information, this is limited to:

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

In this regard, it should be noted that the activities of Generalfinance were not impacted by the three cases indicated above, given the particular nature of the technical form in which the Company disbursed loans; factoring, as it is a revolving relationship without an amortisation plan, has a short-term duration and, therefore, can hardly be subject to measures that, vice versa, are mainly aimed at medium/long-term loans.
In 2023, the Company did not approve moratoria on existing loans, did not grant changes to the loan agreements, following the COVID-19 pandemic, and did not disburse loans backed by the State guarantee. Moreover, it showed itself to be willing to reschedule certain maturities in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, as part of normal operating activities.

Impact resulting from the conflict between Russia and Ukraine

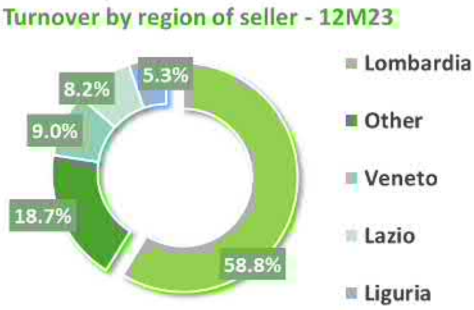
With reference to the information provided by ESMA in the public statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports" on 14 March 2022 and the CONSOB communication of 19 March 2022 "Conflict in Ukraine: CONSOB warnings for supervised issuers on financial reporting and on the obligations related to compliance with the restrictions imposed by the European Union on Russia, as well as on the obligations of managers of online portals", in the context of the constant monitoring of its loan portfolio the Company has paid particular attention, on the geopolitical front, to the developments of the conflict between Ukraine and Russia, which resulted in the invasion by Russia of the Ukrainian territory on 24 February 2022 and in the imposition of economic sanctions by the European Union, Switzerland, Japan, Australia and NATO countries on both Russia and Belarus and some representatives of these countries; the conflict and sanctions have had, since February 2022, significant negative repercussions on the global economy, also taking into account the negative effects on the trend in raw material costs (with particular reference to the prices and availability of electricity and gas), as well as on the performance of the financial markets.
In said context, it should be stressed that Generalfinance has zero direct presence in the Russian/Ukrainian/Belarusian market (areas directly impacted by the conflict), since the Company has factoring relations solely with Transferors active in Italy. As at 31 December 2023, Generalfinance had zero exposure to Transferred Debtors based in Russia, Ukraine and Belarus. Since the invasion of Ukraine, Generalfinance has suspended the credit lines relating to Transferred Debtors operating in the countries directly involved in the conflict.
The persistence, over a prolonged period, of the crisis scenario could then lead to an increase in the number of companies with a lack of liquidity, fuelling the Company's reference market.

TURNOVER

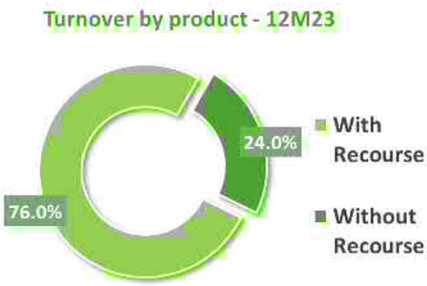
Turnover has grown constantly in recent years, rising from approximately EUR 362 million in 2017 to roughly EUR 2,559 million in 2023, recording a significant increase in particular in the last financial year (+27%). A look at the disaggregation by nationality of the transferred debtors shows a relative weight of International Factoring of roughly 27% of business volumes, with significant diversification by country, reflecting the high level of service that the Company is able to provide to export-oriented customers.

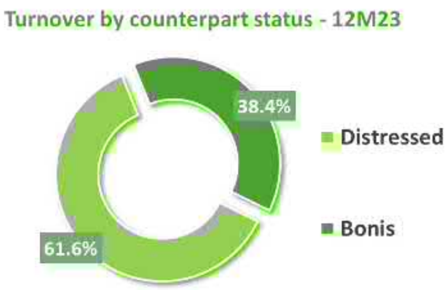
A look at the Transferors' registered offices show that the Company has a deeply rooted presence in the North of the country, with a strong focus on Lombardy (58.8% of turnover), Veneto (9.0%) and Liguria (5.3%); followed by Lazio (8.2%). Overall, these four regions account for approximately 81.3% of turnover, highlighting the strong presence of Generalfinance in the most important and productive areas of the country.

At sector level, manufacturing represents the most important portion of turnover, with approximately 59%; 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 - including transactions involving future receivables and contracts -, which accounts for approximately 76% of volumes, while the without recourse portion of accounts for around 24%, up compared to the previous year. Lastly, around 62% of the turnover is developed with regard to "distressed" transferors, i.e. those engaged in restructuring projects through the various instruments set forth in the Corporate Crisis Code.





ECONOMIC DATA

Net interest income amounted to EUR 9.0 million, up (+24%) compared to 2022, mainly due to the growth in loans disbursed; the increase in market rates (3-month EURIBOR) led to a simultaneous rise in interest expense and interest income for the variable rate loans and advances component, which account for the bulk of liabilities and assets. However, due to the different timing of the adjustment of interest rates on liabilities and assets, the sudden rise in market rates – despite the balance between variable rate assets and liabilities – resulted in a negative effect ("basis risk") in 2023 on net interest income. The trend in net interest income was also negatively impacted by the shorter duration of receivables, taking into account the reduction in the DSO (average credit days) from 75 days in 2022 to 69 days in 2023.

Net fee and commission income amounted to EUR 27.2 million, up compared to EUR 23.6 million in 2022 (+15%). The trend in fee and commission income was affected by the highly positive trend in turnover (+27% 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 36.2 million (+17%), while net value adjustments on loans amounted to EUR 1.3 million, determining a cost of risk, calculated by correlating the adjustments with the annual disbursement, equal to 6 basis points.

Operating costs amounted to EUR 12.9 million (-2% compared to 2022, the year in which the extraordinary costs related to the IPO transaction completed in June were incurred). Other operating income and expenses amounted to EUR 2.2 million, compared to approximately EUR 1 million in 2022 and include in particular, with reference to the year 2023, tax credits recognised during the year. At the end of the year, Generalfinance had 71 employees, compared to 63 at the end of 2022.

Taking into account the tax item of approximately EUR 6.9 million, the net result for the year was approximately EUR 15.1 million, compared to EUR 10.9 million recorded in 2022.

BALANCE SHEET AND ASSET QUALITY DATA

Financial assets measured at amortised cost – represented largely by net loans to customers – stood at EUR 462 million, up by 20% compared to 31 December 2022, due mainly to the increase in the flow of loans disbursed, which rose from EUR 1,674 million in 2022 to EUR 2,161 million in 2023 (+29%). The overall disbursement percentage (average between "with recourse" and "without recourse") – ratio of the amount disbursed to turnover in the year – increased from 83% in 2022 to 84% in 2023; the DSO (Days Sales Outstanding) decreased from 75 in 2022 to 69 in 2023, reflecting the extremely low asset duration profile.

Within the aggregate, gross non-performing loans totalled EUR 2.8 million, with a gross NPE ratio of approximately 0.6%, compared to 0.35% in 2022. The coverage of non-performing loans stood at around 32%.

During the fourth quarter of 2023, the Company adjusted the mechanism for calculating past due receivables with recourse with reference to the ratio between past due exposures (invoices) and the total exposure on the Transferor. The credit position is now classified as "default" when, on the basis of this new calculation mechanism, the past-due amount exceeds the absolute materiality threshold (EUR 100 or EUR 500 depending on the counterparty) or relative materiality threshold (1%) for 90 consecutive days. This new methodology was applied to the portfolio on 31 December 2023, with a retroactive calculation starting from 1 October 2023.

As highlighted in the specific paragraph of the report "Initiatives and measures adopted after the inspection - Initiatives regarding the calculation of past-due receivables ("New DoD")", despite the aforementioned change in methodology, in the fourth quarter of 2023 there was no significant impact deriving from the application of the "New DoD", thanks to proactive collection activities and specific management of the portfolio of receivables of some transferors.

Cash and cash equivalents – largely represented by sight deposits with banks – amounted to EUR 21.6 million, confirming the prudent liquidity management profile, while total balance sheet assets amounted to EUR 500.0 million, compared to EUR 443.8 million at the end of 2022.

Property, plant and equipment – operating properties and rights of use relating to property and operating assets – amounted to EUR 5.0 million, in line with the amount of the previous year. Intangible assets – mainly represented by the proprietary IT platform – amounted to EUR 2.6 million, compared to EUR 2 million in 2022.

Financial liabilities measured at amortised cost, equal to EUR 409.4 million, are made up of payables of EUR 376.8 million and securities issued of EUR 32.6 million.

Payables are mainly represented by the RCF pool loan stipulated in January (EUR 174.3 million) with some Italian banks, in addition to the other bilateral lines with banks and factoring companies. In addition, the item includes the payable to the vehicle (EUR 166.0 million) related to the securitisation transaction in progress.

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

SHAREHOLDERS' EQUITY AND CAPITAL RATIOS

Shareholders' equity as at 31 December 2023 amounted to EUR 66.4 million, compared to EUR 56.8 million as at 31 December 2022.

The capital ratios of Generalfinance – also including the net profit for the third quarter of 2023, net of expected dividends - show the following values:

- CET1 ratio 13.0%;
- TIER1 ratio 13.0%;
- Total Capital ratio 14.9%.

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

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

The Company does not carry out "research and development" pursuant to paragraph 3, no. 1, of Article 2428 of the Italian Civil Code. However, it is useful to point out that for the 2022-2024 period, consistently with the investment policies set out in the Business Plan, continuous development is expected in both the proprietary IT platform with a view to continuous transformation and Digital Innovation, and in the development of core business lines.

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

As at today's date, the Company does not hold treasury shares – directly or indirectly – nor did it, over the course of 2023 – directly or indirectly – purchase or dispose of treasury shares.

*

SIGNIFICANT ASPECTS DURING THE YEAR

Third Pillar Disclosure

It should be noted that the Third Pillar disclosure relating to 2023, prepared in accordance with the provisions of Bank of Italy Circular 288, will be available on the Generalfinance website at the following address: https://www.generalfinance.it/informativa-al-pubblico/. Public disclosures relating to previous years are available at the same address.

Inspection by the Bank of Italy and related organisational adjustments and policy updates

Sanctioning measures

Generalfinance was subject to inspections by the Bank of Italy in the period 3 October – 30 December 2022, pursuant to Art. 108 of the Consolidated Law on Banking. On 30 March 2023, the Supervisory Authority formalised the results of the inspection to the Company, as well as the initiation of two sanctioning proceedings regarding anti-money laundering, on the one hand, and the reporting of cases of default, large risks and internal control functions, on the other, in respect of which Generalfinance presented its counter-arguments in accordance with the applicable laws and regulations.

Therefore, on 29 December 2023, the Supervisory Authority notified Generalfinance of two separate sanction proposals, then confirmed by the Directorate of the Bank of Italy on 22 February 2024, which refer to the following irregularities challenged:

- omitted/erroneous reports to the Supervisory Body (Art. 108, paragraphs 1 and 4, Italian Legislative Decree 385/93; Title III, Chapter 1, Section V, Title IV, Chapter 5, Circular 288/2015 "Supervisory Provisions for Financial Intermediaries"; Circular 217/2020 "Manual for the compilation of Supervisory Reports for Financial Intermediaries, Payment Institutions and Electronic Money Institutions"; Art. 144, paragraph 1, letter a) of Italian Legislative Decree 385/93);

- deficiencies in the area of due diligence, profiling and active collaboration (Arts. 7, 15, 16, 17, 18, 19, 24, 25, 35, 36 of Italian Legislative Decree 231/2007; Bank of Italy Measure of 26/03/2019 "Provisions governing organisation, procedures and internal controls aimed at preventing the use of intermediaries for money laundering and terrorist financing"; Bank of Italy Measure of 30/07/2019 "Provisions on customer due diligence to combat money laundering and terrorist financing"; Art. 62, paragraph 1, Italian Legislative Decree 231/2007).

In both cases, the penalties are equal to the legal minimum (EUR 30,000 each). These sums were fully set aside in the 2023 financial statements, for a total of EUR 60,000.

Initiatives and measures adopted after the inspection

- Organisational initiatives in the credit area

In this regard, it should be noted that Generalfinance already took steps, during the inspection, to acknowledge the observations made by the Supervisory Body, overcome the shortcomings highlighted and ensure better organisational and risk controls.
More specifically, first of all, a new delegation system was launched, which was adopted and completed in 2023. In particular, the powers granted by the Chief Executive Officer to the heads of the company departments were reviewed and organised. More specifically – through the granting of special powers of attorney – delegations relating to the "loans" segment were rearranged, separating those relating to the assessment and monitoring of credit risk – in the hands of the Chief Lending Officer (CLO), Head of the Credit Department – from those in the credit management area, now attributed to the Chief Operating Officer (COO), Head of the Operations Department.
In addition, the Board of Directors approved a broader review of the organisational structure and powers in the credit area, in particular making provision for the following amendments, relating to the Credit Committee, the CLO and the COO.
In particular, the composition of the Credit Committee – which included among its members the Chief Executive Officer, the CLO, the Chief Commercial Officer, the Head of the Corporate Customers Office and the Head of the Retail Business Customers Office – was expanded in order to also include the COO. As in the previous configuration, the members of the Committee with voting rights are exclusively:

- the Chief Executive Officer;
- the CLO; and
- the Chief Commercial Officer.

In addition, provision is made for the participation, in the sessions in which the Credit Committee is called upon to examine the classification of a credit position, of the Head of the Risk Management Office, who acts in an advisory capacity, without voting rights.
In this regard, in order to strengthen the information flows in favour of the Board of Directors, a new periodic flow was also introduced – on a quarterly basis, by the Head of the Risk Management Office, in the context of the interim reports and the financial statements – consisting of: an overall disclosure on credit risk trends, including therein the resolutions passed by the Credit Committee and the CLO/COO as well as the deviations of the most significant positions (*Tableau de Bord* on Credit Risk Monitoring).
Taking into account the observations made by the Supervisory Authority in the inspection report, some limitations were then introduced to the powers of the Credit Committee with reference to the determination of the maximum percentage of advances, the minimum percentage of insurance coverage and the maximum duration of advances.
Within the limits defined by the Board of Directors, the CLO has been granted decision-making powers with regard to:

- granting, revocation, modification and renewal of credit lines on the Transferred Debtors, limited to positions already subject to an initial resolution by the Credit Committee, with the exception of cases in which entities qualifying as "related parties" with respect to the Company are involved, for which the Board of Directors remains exclusively responsible;
- determination of the maximum advance percentage; and
- determination of the operating procedures governing the relationship with each transferred debtor or with groups of transferred debtors.

Within the Credit Department, a new organisational unit was set up, the Portfolio Monitoring Office (UMP), which is responsible for drawing up a specific analysis of the positions under observation (watchlist), a new management category of positions which are classified automatically on the basis of predefined thresholds (triggers). The Portfolio Monitoring Office is also assigned the task of verifying, after the analysis of watchlist loans, the trend in the relevant relations with the Operations Department and the initiatives planned for the settlement of the positions, without prejudice to the fact that, if the conditions are met, the Credit Department proposes to the Credit Committee a classification of the positions in a different Stage from Stage 1.
Provision was also made for operational monitoring of the main performance and risk indicators aimed at identifying potentially problematic situations, so a request for review of the position can be made to the decision-making body. Periodically, the Portfolio Monitoring Office, in agreement with the CLO, informs the Credit Committee of the temporary derogations authorised by the COO and their actual duration, reporting any anomalies found.

The Operations Department, established at the end of 2022 and coordinated by the COO, is responsible for executing credit advances to the Transferors and the continuous monitoring of customers and debtors, managing the timely collection of receivables. Through the three offices that make up the department (Debtor Management, Back Office and Collection), it manages the customer relationship, in coordination with the Sales Department, and provides impetus to and manages debt collection actions, also by defining payment plans with Debtors and Transferors.
The COO has been granted powers of temporary derogation from the decisions taken by the other decision-making bodies.

- <u>Organisational initiatives in the control area</u>

Recognising the importance of working to define a more solid internal control structure and partly anticipating the provisions already made in the Business Plan, the Company followed up on the observations made by the Bank of Italy's inspection team, making provision, among other things, for the following organisational changes, implemented at the end of 2022:

(i) the establishment of a new independent and specialised function in the field of compliance and anti-money laundering, called the “AML and Compliance Office”;

(ii) the introduction of a new organisational unit with specific responsibility for internal auditing, called the “Internal Audit Office”; and

(iii) the renaming of the “Risk Management and Compliance Office” to “Risk Management Office”, dedicated exclusively to the monitoring of risks in order to improve the overall risk governance system.

In addition to affecting organisational profiles, the above changes were accompanied by an increase in the Company's workforce, also through the hiring of new managers in the AML and Compliance Office and the Internal Audit Office.

- <u>Initiatives regarding the calculation of past-due receivables (“New DoD”)</u>

During the inspection and, consequently, as part of the sanctioning procedure initiated, the Supervisory Authority challenged the Company's mechanism for calculating past-due receivables on the basis of the new definition of “default” pursuant to Art. 178 of Regulation (EU) no. 575/2013 (“CRR”), which entered into force on 1 January 2021, deeming it non-compliant with the reference regulations.
In this regard, as part of its counter-arguments, the Company formulated a series of considerations by taking into account, on the one hand, the numerous interpretative doubts that the new definition of default has raised among market operators and, on the other, the specific nature of the Company's business. In fact, Generalfinance finances companies through the purchase of trade – and non-financial – receivables that originate from transactions between companies and which are normally characterised, owing to their very nature, by more flexible payment times and possible disputes that may impact the timing of collections.
However, the Supervisory Authority did not agree with these considerations and clarified its position on the criteria for calculating past-due positions, specifying that *“the relative relevance threshold of past due receivables [must] be calculated by placing the value of the amount of the advances for trade receivables in the denominator of the ratio, rather than the total nominal receivables (including the portion not paid in advance)”.*
Consequently, the Company *adjusted the mechanism for calculating past-due receivables with recourse by* referring to the ratio between past-due exposures (invoices) and the total exposure on the Transferor. The credit position is now classified as “default” when, on the basis of this new calculation mechanism, the past-due amount exceeds the

absolute materiality threshold (EUR 100 or EUR 500 depending on the counterparty) or relative materiality threshold (1%) for 90 consecutive days. This new methodology was applied to the portfolio on 31 December 2023, with a retroactive calculation starting from 1 October 2023, without noting any significant impact.

- AML compliance plan

Lastly, in light of the observations and findings formulated by the Supervisory Authority regarding due diligence, profiling and active collaboration, Generalfinance prepared a specific action plan based on four drivers (People, Processes, Tools, Remediation).
The Company's anti-money laundering controls were also strengthened through the aforementioned establishment of the AML and Compliance Office, as well as with the entry of a new staff member in the position of AML Specialist of the Transferor Assessment Office, to enhance the profiling analyses of the customers in the on-boarding phase, with particular reference to the most critical transferor positions.
Lastly, a differentiated and easy-to-use training plan was prepared for the entire company population.

Change in the composition of the corporate bodies

As a result of the sale by CAI of the entire equity investment held in Generalfinance (formalised on 4 October 2023) and in execution of the shareholders' agreement (now terminated) entered into between CAI and GGH, on 12 October 2023 the directors Elena Ciotti and Rino Antonucci – appointed at the Shareholders' Meeting of 8 March 2022 – resigned.
Subsequently, on 10 November 2023, the Company's Board of Directors (with the approval of the Board of Statutory Auditors) resolved the appointment by co-optation, pursuant to Art. 2386, first paragraph, of the Italian Civil Code and Article 17 of the Articles of Association, of Federica Casalvolone and Gabriele Albertini as non-executive and independent directors of the Company, replacing the outgoing directors. This appointment was resolved by the Board of Directors with effectiveness subject to the condition of obtaining the declaration of the absence of impediments issued by the Bank of Italy pursuant to the Measure published on 4 May 2021, containing: "*Provisions on the procedure for assessing the suitability of the representatives of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee systems*". The appointment became effective on 18 December 2023, when the Company received the aforementioned declaration from the Bank of Italy.
The directors Federica Casalvolone and Gabriele Albertini will remain in office until the Shareholders' Meeting called to examine the financial statements as at 31 December 2023.

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

The financial statements are audited by Deloitte & Touche S.p.A. for the nine-year period 2017-2025.
In consideration of the fact that the mandate granted by the Shareholders' Meeting of 8 March 2022 to Deloitte & Touche S.p.A. will expire at the same time as the approval of the financial statements as at 31 December 2025, during the 2023 financial year the Company commenced the process of selecting the new independent auditors to be appointed for the next nine financial years, starting from the financial year 2026.
The Shareholders' Meeting that will review the Financial Statements as at 31 December 2023 will be called to resolve on the assignment of the aforementioned appointment.

Internal Control System

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

- verification of the implementation of company strategies and policies;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;

- prevention of the risk of involvement, even involuntary, in illegal activities (with particular reference to those connected with money laundering, usury and financing of terrorism);
- compliance of transactions with the law and supervisory regulations, as well as internal policies, regulations and procedures.

In relation to the issue of the ICS, it should be noted that – as anticipated in another part of the report – the Board of Directors, in 2022, approved a significant redefinition of the same, which today is structured as follows:

- independent third-level internal audit function;
- independent second-level control function with specialised activities on risk management issues;
- independent second-level control function with specialised activities on anti-money laundering and regulatory compliance issues (AML and Compliance Function).

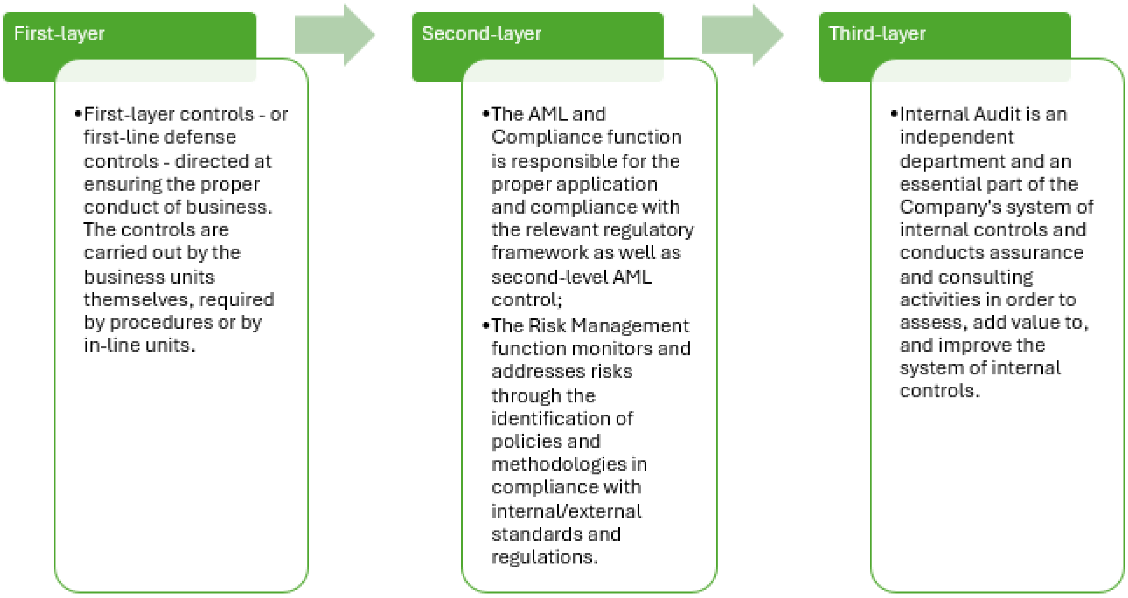
The Head of the Anti-Money Laundering Function is also granted the mandate for the Reporting of Suspicious Transactions ("SOS"), pursuant to Art. 35 of Italian Legislative Decree no. 231 of 21 November 2007.

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

Each head of the second and third level control functions has adequate professional requirements and is placed in an adequate hierarchical-functional position: the heads of the risk control and compliance functions actually report directly to the Chief Executive Officer; the head of the internal audit function, on the other hand, reports directly to the body with strategic supervision function. No manager has direct responsibility in operational areas subject to control.

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

The levels of the internal control system can be summarised as follows:



The Company's Internal Control System is completed by:

- the Board of Directors, which assesses the adequacy of the ICS and plays a strategic steering role, dealing with - among other things - approving the Risk Appetite Statement, which formalises the risk and risk appetite objectives in line with the strategic and operational planning and establishes the respective internal limits (Risk Tolerance and Risk Capacity).
- the Chief Executive Officer, as responsible for the functionality of the internal control and risk management system;
- the Board of Statutory Auditors, required to ascertain the effectiveness of all the structures and functions involved in the control system, the correct performance of the tasks and their adequate coordination, promoting the corrective actions of the shortcomings and irregularities identified;
- the Control, Risk and Sustainability Committee, which has the task of supporting the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as promoting the continuous integration of national and international best practices in the Company's corporate governance;

- the Supervisory Body, which monitors the effectiveness and adequacy of the organisation and management model;
- the independent auditors, which verifies the regular keeping of the company accounts and the correct recognition of the operating events in the accounting records, and that the financial statements present a true and fair view of the equity and financial situation and the economic result.
- The Company's Financial Reporting Manager, who, on the basis of the provisions of the Consolidated Law on Finance, prepares adequate administrative and accounting procedures for the preparation of the financial statements and, where envisaged, the consolidated financial statements, as well as any other financial communication.

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

The Supervisory Body envisaged by no. 1 of letter "b" of Art. 6 of Italian Legislative Decree no. 231/2001 ("*Regulation of the administrative liability of legal persons, companies and associations, including those without legal status, pursuant to Art. 11 of Italian Law no. 300 of 29 September 2000*") ("**SB**") whose functions are mainly those of supervising the functioning and observance of the Organisation, management and control model ("**Model**") adopted by the Company and of ensuring its updating.
Taking into account the dimensional characteristics of Generalfinance and its operations, the related corporate governance rules, the need to achieve a fair balance between costs and benefits, the Company has established a collective Supervisory Body. It consists of two members, a member of the Board of Statutory Auditors, with the functions of Chairperson, and a member of the Legal and Corporate Affairs Department.
The current composition of the SB is as follows:

- Maria Enrica Spinardi (Chairperson);
- Margherita De Pieri (Legal and Corporate Affairs Department).

To complete the regulatory framework outlined by the Model, the Company has adopted the Code of Ethics (since 2010) and the Regulations of the Supervisory Body.

OTHER ASPECTS

Whistleblowing rules

On 30 March 2023, Italian Legislative Decree no. 24/2023 came into force, which introduced the new regulations on whistleblowing, implementing European Directive 2019/1937. The provision includes the entire regulation of the reporting channels and the protection mechanisms recognised to the whistleblowers, both in the public and private sector. The new provisions took effect from 15 July 2023, with an exception for private sector entities that employed an average of no more than 249 employees in the last year. For these, the obligation to establish an internal reporting channel took effect from 17 December 2023.
In accordance with the provisions of Italian Legislative Decree no. 24/2023, the Company renewed its whistleblowing policy by adopting a reporting system that guarantees the highest levels of confidentiality and allows employees, associates, customers and suppliers to report any unlawful conduct, irregularities or violations of the law to the Company or to the Supervisory Body (depending on the area of competence).
It should also be noted that, as envisaged by the new operating guidelines of Confindustria, the Company has provided information to the local organisations of the trade unions on the establishment of the internal whistleblowing channel and that the latter have not formulated any comments on the procedure.
The reporting platform and the related documents are accessible on the institutional website at the following link: https://www.generalfinance.it/modello-231.

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

The Company punctually fulfils the disclosure obligations envisaged by the provisions on Transparency of banking and financial services (Sect. II, Par. 2 of the "*Provisions on transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers*") by making the required documentation available in electronic form on its website, 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.
Generalfinance adheres to the out-of-court dispute resolution system established at the Banking and Financial Arbitrator. In this regard, it should be noted that, during the financial year 2023, the Company received only one communication classified as a "complaint" which was handled by the Complaints Office in compliance with the reference regulations.
During the financial year, the Company did not receive notification of any appeals to the Banking and Financial Arbitrator, or to another alternative dispute resolution body or to the ordinary judicial authority as a result of complaints lodged by customers, nor procedures originating from appeals filed by 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, they also provide specific technical support and consultancy to ensure compliance with the reference regulations and the fulfilment of the obligations envisaged therein.
With regard to health surveillance, the Company complies with the provisions set forth in the Guidelines on the Training of Managers, Supervisors and Employers/RSPP – Prevention and Protection Service Manager – (Articles 34 and 37 of Italian Legislative Decree no. 81/2008), approved on 25 July 2012 by the State-Regions Conference. All employees regularly undergo regular medical check-ups and, in the event of new hires, pre-employment check-ups. In addition, mandatory training is carried out in a timely manner for new hires, as well as the usual refresher courses for first aid and fire-fighting personnel.
On 30 June 2023 and 11 October 2023, two evacuation tests took place at the offices of Biella and Milan, respectively. On 22 November 2023, at the offices of the General Management of Biella and, on 20 October 2023, at the registered office in Milan, the annual meetings provided for by Art. 35 of Italian Legislative Decree no. 81/2008 took place, which were attended by the Employer's representative, the company GP and (solely the meeting held at the General Management) the Head of the Prevention and Protection Service. In consideration of the fact that the employees 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 2023.

Training activities

For Generalfinance, training plays an important role in the context of strategic planning as it contributes to the progressive development of the technical-professional and managerial skills of all personnel. For this reason, the Company periodically provides its employees and associates with training and refresher courses, not only to fulfil specific regulatory duties, but also sessions dedicated to specific topics related to the core business, aimed at training internal staff and the acquisition and development of new and more specialised skills.
A crucial role is also played by the training and updating of the members of the top management on issues that typically relate to the activities of banking and financial intermediaries (such as, for example, anti-money laundering and combating of terrorism, usury, credit quality, etc.) but also to issues of general interest such as, for example, environmental sustainability and ESG issues.

In said context, training courses are provided both with the help of internal teachers, and through external structures, and by allowing staff to take part in courses, conferences, training sessions organised by trade associations or other public or private bodies of high standing.
The most important training initiatives completed in 2023 include courses on company crisis, anti-money laundering and combating terrorism, administrative liability of entities, privacy and data protection and IT security.
The Company also adhered to the training proposals of the trade association (Assifact), allowing its employees to attend the following courses in the specific field of factoring activities: basic elements and main contractual clauses, market and regulations; key performance indicators; reporting pursuant to Bank of Italy Circular no. 139, which governs the Central Credit Register service; credit risk: from prudential regulation to practical applications; management of Non-Performing Loans (NPLs); the Bank of Italy Supervisory expectations on climate and environmental risks and the plan for the adjustment and management of the control system and dialogue between the control functions.
Generalfinance has also organised, with the support of Assifact and PwC Business Services, two specific board inductions for management, the Board of Directors and the Board of Statutory Auditors: one on sustainability, supervisory expectations and action plan and one regarding combatting money laundering and terrorism.
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 2023, 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.

Protection of personal data

The Company has activated a programme to adapt all the controls relating to the protection of personal data to Regulation 679/2016/EU (the "**Regulation**" or "**GDPR**"). As part of the activities for compliance with the GDPR, LTA (privacy consultant) was assigned the role of Data Protection Officer (DPO), represented by Luigi Recupero.
In implementation of the programme, two separate Registers were prepared pursuant to Art. 30 of the GDPR: one for the processing activities carried out by the Company as Data Controller, the other for the processing activities carried out by the Company as Data Processor. Both Registers are managed electronically.
In addition to the mapping of personal data processing activities, the risk analysis on the processing carried out by the Company was updated, pursuant to Art. 24.1 of the GDPR.
In conjunction with adaptation activities, the entire set of documents on privacy was also updated.
The activities carried out so far have obtained a judgement of full adequacy from the DPO.
At the end of the adjustment activity, the Company provided three general internal training sessions on Data Protection.
During 2023, two Data Breaches were recorded, notified to the Company by two suppliers, respectively on 23 February and 7 March 2023. In both cases, the DPO deemed it unlikely that there would be a risk to the rights and freedoms of natural persons since, although the two events led to the loss of confidentiality of personal data, both cases involved, exclusively, common personal identification data. For this reason, it was not necessary to notify the Italian Data Protection Authority, although both incidents were recorded in the "Incident Register".
In conclusion, in November, the Company requested an external audit to verify the correct compliance with the GDPR, the Privacy Code and other data protection acts, which highlighted the compliance of the activities carried out by the Company in relation to the provisions and agreed with the DPO.

Information on the economic support measures prepared by the Government to tackle the COVID-19 emergency

Following the requirements of the Bank of Italy in its communication Prot. no. 0486381/20 of 14 April 2020 containing: "Recommendation on issues relating to the economic support measures prepared by the Government in response to 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 Italian Law Decree no. 18 of 17 March 2020. It offers a summary of the economic support measures prepared by the Government in favour of SMEs (with particular reference to those that, for various reasons, are consistent with a factoring relationship), describes the requirements for accessing them and provides the forms prepared to request support measures.

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

During the financial year, the Company continued to implement and update the Organisation, Management and Control Model, adopted pursuant to the provisions of Italian Legislative Decree no. 231 of 8 June 2001 (the "**Model**"). Following the listing of the Company's shares on the Euronext regulated market, Star segment, managed by Borsa Italiana, market abuse offences (Art. 25-sexies of Italian Legislative Decree 231/01) were also considered – among others – as predicate offences applicable to the Company.

The adaptation of the Model, approved by the Board of Directors last July, concerned: (i) the General Part, (ii) references to the operating protocols and procedures adopted by the Company, containing the organisational measures defined to govern the risk profiles of perpetration of the predicate offences and (iii) the introduction from scratch of the Special Part concerning market abuse crimes and offences.

Lastly, the revision of the Model was completed through the updating of the Code of Ethics adopted by the Company according to the same approach to implementing the new regulations and the applicability of a new class of predicate offences to the Company.

Climate risk and non-financial disclosure

The Company has not prepared the non-financial statement pursuant to Art. 2, paragraph 1 of Legislative Decree no. 254 of 30 December 2016, having employed a lower average number of employees than the 500 units envisaged by the aforementioned Legislative Decree and not exceeding the economic threshold of total revenues.

However, in 2023 the Company voluntarily approved the Sustainability Report for the financial year 2022. The document presents the management policies, the results achieved, the current and potential risks and the relevant indicators for the Company's business, with reference extended to the three-year period 2020-2022. It was drawn up in line with Italian and European best practices, in compliance with the reporting principles and with the disclosure requirements defined by the *Global Reporting Initiative* (GRI), a non-profit organisation created with the aim of providing practical support in the reporting of sustainability performance to companies and institutions of any size, for the purpose of measuring the environmental, social and economic impact generated by their activities.

The Sustainability Report for the financial year 2023, also drafted on a voluntary basis, will be published in 2024.

With reference to the specific issue of climate risk (physical risk and transaction risk) following a preliminary analysis conducted as part of the preparation of the Sustainability Report - considering the nature of its transactions, i.e. disbursement of trade receivables with recourse and, to a lesser extent, without recourse, whose average duration is equal to 69 days, as well as the limited number of real estate units with which it carries out its activities - the Company believes it is exposed to a limited degree.

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

A service agreement is in place with GGH – Gruppo General Holding S.r.l. through which Generalfinance provides some functions and services. In particular, it provides GGH with support in the administration, accounting, treasury and corporate secretariat areas.

For more information on the terms of transactions carried out with related parties, please refer to the appropriate section of the notes to the financial statements, Part D – Other Information.

Concentration of risk and regulatory capital

During the 2023 financial year, the Company and its control functions continued to monitor compliance with the parameters established by current regulations on risk concentration and regulatory capital. Further details are specified in the notes to the financial statements, Part D – Other Information, to which reference should be made for any information in this regard.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR (ART. 2428, PARAGRAPH 3, NO. 5)

As at the date of this report, no significant events occurred after the end of the year that had a significant impact on the financial statements.

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

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

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

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

BUSINESS OUTLOOK (ART. 2428, PARAGRAPH 3, NO. 6)

The positive trend in commercial activity recorded in 2023 – trend in turnover, loans disbursed and the customer base – and the favourable reference context for Generalfinance's activities allows us to look at the Company's economic and financial performance in 2024 with optimism. In fact, the Company expects further growth in profits compared to those achieved in 2023 and in line with the objectives defined in the Strategic Plan.

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Dear Shareholders,

The Financial Statements as at 31 December 2023, which are currently being reviewed and approved, show a net profit of EUR 15,067,393.47.

The positive result for the year is even more significant considering that the Company – also thanks to the specific characteristics of its core business – was able to deal with a challenging geopolitical and macroeconomic context.

In formulating the proposal for the allocation of the profit for the year, the Board of Directors – taking into account the need to continuously strengthen the capital ratios in line with the long-term strategic objectives – invites the Shareholders' Meeting to approve the 2023 Financial Statements and proposes to allocate the net profit for the year as follows:

- a cash dividend to shareholders (gross of legal withholdings) of EUR 0.59 for each ordinary share with coupon detachment on 15 April 2024. Pursuant to Art. 83-terdecies of Italian Legislative Decree no. 58 of 24 February 1998 ("TUF" or Consolidated Law on Finance), the entitlement to payment of the dividend is determined with reference to the records of the intermediary's accounts pursuant to Art. 83-quater, paragraph 3 of the TUF, at the end of the accounting day of 16 April 2024 (record date); the payment will be made from 17 April 2024 through the authorised intermediaries with whom the shares are registered in the Monte Titoli System. The total dividend therefore amounts to EUR 7,454,688.940.
- to reserves—more specifically to the Extraordinary Reserve—for the residual amount of EUR 7,612,704.060.

At the end of this report, 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 2023 financial statements, as well as the Board of Statutory Auditors and the Independent Auditors for their valuable control activities.

Milan, 23 February 2024

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

GENERAL FINANCE

FINANCIAL STATEMENTS

BALANCE SHEET

(values in Euro)

	Asset items	31/12/2023		31/12/2022	
10.	Cash and cash equivalents		21,640,716		43,725,230
20.	Financial assets measured at fair value through profit or loss		22,974		20,300
	c) other financial assets mandatorily measured at fair value	*22,974*		*20,300*	
40.	Financial assets measured at amortised cost		462,365,495		385,434,057
	a) loans to banks	*65,750*		*0*	
	b) receivables from financial companies	*200,017*		*0*	
	c) loans to customers	*462,099,728*		*385,434,057*	
70.	Equity investments		12,500		0
80.	Property, plant and equipment		4,993,230		4,865,994
90.	Intangible assets		2,603,700		2,047,798
	- of which goodwill	*0*		*0*	
100.	Tax assets		5,677,911		4,572,048
	a) current	*5,120,420*		*4,148,970*	
	b) deferred	*557,491*		*423,078*	
120.	Other assets		2,726,576		3,149,078
Total assets			**500,043,102**		**443,814,505**

	Liabilities and shareholders' equity items	31/12/2023		31/12/2022	
10.	Financial liabilities measured at amortised cost		409,388,039		368,388,464
	a) payables	*376,750,770*		*331,170,709*	
	b) securities issued	*32,637,269*		*37,217,755*	
60.	Tax liabilities		7,125,134		4,927,373
	a) current	*7,077,869*		*4,880,108*	
	b) deferred	*47,265*		*47,265*	
80.	Other liabilities		14,037,517		11,585,712
90.	Employee severance indemnity		1,471,156		1,316,956
100.	Provisions for risks and charges		1,587,887		821,254
	b) pension and similar obligations	*164,705*		*142,487*	
	c) other provisions for risks and charges	*1,423,182*		*678,767*	
110.	Share capital		4,202,329		4,202,329
140.	Share premium reserve		25,419,745		25,419,745
150.	Reserves		21,624,119		16,171,811
160.	Valuation reserves		119,783		95,474
170.	Profit (loss) for the year		15,067,393		10,885,387
Total liabilities and shareholders' equity			**500,043,102**		**443,814,505**

INCOME STATEMENT

(values in Euro)

	Items	31/12/2023	31/12/2022
10.	Interest income and similar income	30,591,811	14,013,202
	of which: interest income calculated using the effective interest method	30,591,811	14,013,202
20.	Interest expense and similar charges	(21,612,119)	(6,745,881)
30.	**Net interest income**	**8,979,692**	**7,267,321**
40.	Fee and commission income	31,709,532	27,426,186
50.	Fee and commission expense	(4,490,201)	(3,829,758)
60.	**Net fee and commission income**	**27,219,331**	**23,596,428**
70.	Dividends and similar income	0	584
80.	Net profit (loss) from trading	622	(299)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(150)	857
	b) other financial assets mandatorily measured at fair value	*(150)*	*857*
120.	**Net interest and other banking income**	**36,199,495**	**30,864,891**
130.	Net value adjustments/write-backs for credit risk of:	(1,264,087)	(1,206,562)
	a) financial assets measured at amortised cost	*(1,264,087)*	*(1,206,562)*
150.	**Net profit (loss) from financial management**	**34,935,408**	**29,658,329**
160.	Administrative expenses	(13,853,626)	(13,044,192)
	a) personnel expenses	*(7,196,181)*	*(6,748,499)*
	b) other administrative expenses	*(6,657,445)*	*(6,295,693)*
170.	Net provisions for risks and charges	(82,218)	(24,035)
	b) other net provisions	*(82,218)*	*(24,035)*
180.	Net value adjustments/write-backs on property, plant and equipment	(801,884)	(737,841)
190.	Net value adjustments/write-backs on intangible assets	(442,855)	(335,855)
200.	Other operating income and expenses	2,246,804	953,950
210.	**Operating costs**	**(12,933,779)**	**(13,187,973)**
260.	**Pre-tax profit (loss) from current operations**	**22,001,629**	**16,470,356**
270.	Income taxes for the year on current operations	(6,934,236)	(5,584,969)
280.	**Profit (loss) from current operations after tax**	**15,067,393**	**10,885,387**
300.	**Profit (loss) for the year**	**15,067,393**	**10,885,387**

STATEMENT OF COMPREHENSIVE INCOME

(values in Euro)

	Asset items	31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**15,067,393**	**10,885,387**
	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	24,309	132,535
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
	Other income components net of taxes with reversal to the income statement		
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (non-designated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	-	-
150.	Non-current assets and disposal groups	-	-
160.	Portion of valuation reserves of equity-accounted investments	-	-
170.	**Total other income components net of taxes**	**24,309**	**132,535**
180.	**Comprehensive income (Item 10 + 170)**	**15,091,702**	**11,017,922**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2023

(values in Euro)

	Balance as at 31/12/2022	Change in opening balances	Balance as at 01/01/2023	Allocation of previous year's result		Changes in the year						Comprehensive income for 2023	Shareholders' equity as at 31/12/2023
							Shareholders' equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	New shares issued	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Other changes		
Share capital	4,202,329	-	4,202,329	-	-	-	-	-	-	-	-	-	4,202,329
Share premium reserve	25,419,745	-	25,419,745	-	-	-	-	-	-	-	-	-	25,419,745
Reserves													
a) of profits	15,832,293	-	15,832,293	5,452,309	-	(1)	-	-	-	-	-	-	21,284,601
b) others	339,518	-	339,518	-	-	-	-	-	-	-	-	-	339,518
Valuation reserves	95,474	-	95,474	-	-	-	-	-	-	-	-	24,309	119,783
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	10,885,387	-	10,885,387	(5,452,309)	(5,433,078)	-	-	-	-	-	-	15,067,393	15,067,393
Shareholders' equity	56,774,746	-	56,774,746	-	(5,433,078)	(1)	-	-	-	-	-	15,091,702	66,433,369

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2022

(values in Euro)

	Balance as at 31/12/2021	Change in opening balances	Balance as at 01/01/2022	Allocation of previous year's result		Changes in the year							Comprehensive income for 2022	Equity as at 31/12/2022
							Shareholders' equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	New shares issued	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Other changes		
Share capital	3,275,758	-	3,275,758	-	-	-	926,571	-	-	-	-	-	4,202,329
Share premium reserve	7,828,952	-	7,828,952	-	-	-	17,590,793	-	-	-	-	-	25,419,745
Reserves													
c) of profits	11,105,611	-	11,105,611	4,726,682	-	-	-	-	-	-	-	-	15,832,293
d) others	339,518	-	339,518	-	-	-	-	-	-	-	-	-	339,518
Valuation reserves	(37,061)	-	(37,061)	-	-	-	-	-	-	-	-	132,535	95,474
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	9,453,364	-	9,453,364	(4,726,682)	(4,726,682)	-	-	-	-	-	-	10,885,387	10,885,387
Shareholders' equity	31,966,142	-	31,966,142	-	(4,726,682)	-	18,517,364	-	-	-	-	11,017,922	56,774,746

The *new shares issued* item refers to the capital strengthening completed in the context of the listing on the Euronext Milan market, STAR segment.

The value shown in the item “Share premium reserve” was reduced by the costs incurred for the listing, net of the tax effect, charged directly to shareholders' equity on the basis of the provisions of the IAS 32 international accounting standard.

CASH FLOW STATEMENT (indirect method)

(values in Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2023	31/12/2022
1. Management	**29,482,981**	**19,905,388**
- profit (loss) for the year (+/-)	15,067,393	10,885,387
- gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	150	(1,441)
- gains/losses on hedging activities (-/+)	-	-
- net value adjustments for credit risk (+/-)	1,264,087	1,206,562
- net value adjustments to property, plant and equipment and intangible assets (+/-)	1,244,739	1,073,696
- net provisions for risks and charges and other costs/revenues (+/-)	808,260	928,200
- unpaid taxes, duties and tax credits (+/-)	6,644,148	5,486,234
- net value adjustments to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	4,454,204	326,750
2. Liquidity generated/absorbed by financial assets	**(80,053,382)**	**(69,269,605)**
- 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	(79,816,059)	(65,734,277)
- other assets	(237,323)	(3,535,328)
3. Cash flow generated/absorbed by financial liabilities	**34,962,853**	**47,729,771**
- financial liabilities measured at amortised cost	38,090,436	52,734,006
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	(3,127,583)	(5,004,235)
Net cash flow generated/absorbed by operating activities	**(15,607,548)**	**(1,634,446)**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**11,187**	**11,994**
- sales of equity investments	150	8,972
- dividends collected on equity investments	-	584
- sales of property, plant and equipment	11,037	2,438
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(1,061,202)**	**(1,076,883)**
- purchases of equity investments	(15,474)	-
- purchases of property, plant and equipment	(172,706)	(476,393)
- purchases of intangible assets	(873,022)	(600,490)
- purchases of business units	-	-
Net cash flow generated/absorbed by investment activities	**(1,050,015)**	**(1,064,889)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	17,698,968
- distribution of dividends and other purposes	(5,433,078)	(4,726,682)
Net cash flow generated/absorbed by funding activities	**(5,433,078)**	**12,972,286**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(22,090,641)**	**10,272,951**

RECONCILIATION	Amount	
	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	43,731,790	33,458,839
Total net cash flow generated/absorbed during the year	(22,090,641)	10,272,951
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	**21,641,149**	**43,731,790**

GENERAL FINANCE

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 2023 were prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRC) in force at the reporting date.
The financial statements were prepared according to the formats and instructions issued by the Bank of Italy on 17 November 2022, and issued in compliance with the provisions of Art. 9 of Italian 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 17 November 2022.
4) Aggregation and relevance. All significant groupings of items with a similar nature or function are reported separately. The elements of a different nature or function, if relevant, are presented separately.
5) Prohibition of offsetting. Assets and liabilities, costs and revenues are not offset against each other, unless this is required or permitted by an International Accounting Standard or an interpretation or by the schedules prepared by the Bank of Italy and represented in the instructions for "The financial statements of IFRS intermediaries other than banking intermediaries".
6) Comparative information. The comparative information of the previous year is reported for all the data contained in the financial statements, unless an International Accounting Standard, an interpretation or the instructions prepared by the Bank of Italy for Financial Intermediaries prescribe or allow otherwise. Information of a descriptive nature or comments is also included, when useful for understanding the data.

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

In preparing the financial statements, account was also taken, where applicable, of the communications of the Supervisory Bodies (Bank of Italy, ECB, EBA, Consob, ESMA) and the interpretative documents on the application of IAS/IFRS, through

which recommendations were provided on the information to be disclosed in the financial statements, on certain aspects of greater importance in the accounting field, or on the accounting treatment of particular transactions.
With reference to the interpretations provided by the aforementioned Bodies, account was taken, among other things, of the indications of ESMA which, on 13 May 2022, published the Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports", concerning the accounting effects of the Russia-Ukraine conflict on financial reporting. Please refer to the specific paragraph of the report on operations.

With regard to the disclosure on the impact of COVID-19, it should be noted that Generalfinance's business was not impacted by loans backed by a moratorium and by loans subject to COVID-19 public guarantees, given the particular nature of the technical form with which it provides credit; in fact, factoring, being a revolving relationship without an amortisation plan, is unlikely to be subject to the measures designed primarily with reference to medium- and long-term credit. In 2023, however, the Company was willing to reschedule certain maturities in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected as at the reporting date.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company starting from 1 January 2023:

- On 18 May 2017, the IASB published **IFRS 17 – *Insurance Contracts***, which is intended to replace **IFRS 4 – *Insurance Contracts***. The standard was applied starting from 1 January 2023. 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:
    - the 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).
  Furthermore, on 9 December 2021, the IASB published an amendment called "***Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information***". The amendment is a transition option relating to the comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment was applied from 1 January 2023, together with the application of IFRS 17, to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and to improve the usefulness of comparative information for readers of financial statements.
  The adoption of this standard and the related amendment had no impact on the Company's financial statements.

- On 7 May 2021, the IASB published an amendment called "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount at the date of initial recognition, such as leasing and dismantling obligations, must be accounted for. The amendments were applied starting from 1 January 2023. The adoption of this amendment had no effect on the Company's financial statements.

- On 12 February 2021, the IASB published two amendments entitled "***Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2***" and "***Definition of Accounting Estimates – Amendments to IAS 8***". The amendments regarding IAS 1 require an entity to disclose the relevant information on the accounting standards applied by the Company. The amendments aim to improve disclosure on accounting policies applied by the Company in order to provide more useful information to investors and other primary users of financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments were applied starting from 1 January 2023. The adoption of these amendments had no effect on the Company's financial statements.

- On 23 May 2023, the IASB published an amendment called "**Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules**". The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (whose regulation is in force in Italy as at 31 December 2023, but applicable from 1 January 2024) and provides specific disclosure requirements for entities affected by the related International Tax Reform.
  The document provides for the immediate application of the temporary exception, while the disclosure requirements will only be applicable to annual financial statements commencing on or after 1 January 2023, but not to interim financial statements with a closing date prior to 31 December 2023.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2023, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE COMPANY AS AT 31 DECEMBER 2023

The following IFRS accounting standards, amendments and interpretations were endorsed by the European Union, not yet mandatorily applicable and not adopted early by the company as at 31 December 2023:

- On 23 January 2020, the IASB published an amendment called "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" and on 31 October 2022 published an amendment called "**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**". These amendments aim to clarify how to classify payables and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The amendments enter into force on 1 January 2024; however, early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

- On 22 September 2022, the IASB published an amendment called "**Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**". The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise income or a loss that refers to the right of use retained. The amendments enter into force on 1 January 2024; early application is permitted. At present, the directors have assessed that the adoption of this amendment has no impact on the Company's financial statements, as the Company has not, at the current state, carried out any sale & leaseback transactions.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

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

- On 25 May 2023, the IASB published an amendment entitled ***"Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements"***. The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to evaluate how supplier finance arrangements may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The amendments enter into force on 1 January 2024; early application is permitted. At this time, the directors have assessed that the adoption of this amendment has no impact on the Company's financial statements, as the Company is not party to reverse factoring agreements with reference to its purchasing cycle.

- On 15 August 2023, the IASB published an amendment called "**Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**". The document requires an entity to apply consistently a methodology in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the explanatory notes. The amendment will enter into force on 1 January 2025; early application is permitted. At present, the directors have evaluated that the adoption of this amendment has no effect on the Company's financial statements.

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

Section 3 – Events after the reporting date

Following the close of the 2023 financial year, no events or circumstances occurred as such to appreciably change what was represented in the financial statements, in the notes to the financial statements and in the report on operations.
It is hereby stated that, pursuant to IAS 10, the date on which the financial statements were authorised for publication by the Company's Directors is 23 February 2024.

Section 4 – Other aspects

The financial statements of Generalfinance S.p.A. are audited, pursuant to Italian Legislative Decree no. 39 of 27 January 2010, by the company Deloitte & Touche SpA, which was appointed for the period 2017-2025 by the Shareholders' Meeting of 15 February 2018, subsequently confirmed by the Shareholders' Meeting of 8 March 2022 in relation to the acquisition of the legal status of PIE.

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 judgements, 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 judgements used.
The cases for which the use of subjective judgements was required in the preparation of these financial statements concern:

- the estimates and assumptions on the recoverability of deferred tax assets and liabilities;
- the quantification of impairment losses on financial assets measured at amortised cost;
- the quantification of provisions for personnel and provisions for risks and charges.

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

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

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

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

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

1.1 Classification criteria

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

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

1.2 Recognition criteria

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

1.3 Measurement criteria

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

1.4 Criteria for recognising income components

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

1.5 Derecognition criteria

Financial assets are derecognised only if the sale entails the substantial transfer of all the risks and benefits associated with the assets. If part of the risks and rewards relating to the financial assets sold have been retained, they continue to be recognised in the financial statements, even if legal ownership of the assets has actually been transferred.
If it is not possible to ascertain the substantial transfer of risks and benefits, the financial assets are derecognised if no type of control has been maintained over them. Otherwise, the maintenance, even in part, of this control entails the maintenance in the financial statements of the assets to an extent equal to the residual involvement, measured by the exposure to changes in value of the assets sold and to changes in their cash flows. Lastly, as regards the transfer of collection rights, the financial assets sold are derecognised from the financial statements even when the contractual rights to receive the cash flows of the asset are maintained, but an obligation is assumed to pay those flows to one or more entities.

2 – Financial assets measured at amortised cost

2.1 Classification criteria

This category includes financial assets (in particular loans and debt securities) that meet both of the following conditions:
• the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows (“Held to Collect” Business model), and
• the contractual terms of the financial asset envisage, on certain dates, cash flows consisting only of the repayment of principal and interest consistent with a “basic lending arrangement”, in which the remuneration of the time value of money and credit risk represent the most significant elements (so-called “SPPI test” passed).

In particular, if they meet the technical requirements described above, this item includes:
• loans to banks;
• receivables from financial companies;
• 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 shareholders' 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 (qualitative-quantitative) analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset must therefore consider:

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

  - the former, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This case includes all the renegotiation transactions that are aimed at adjusting the cost of the debt to market conditions. These transactions involve a change in the original conditions of the contract, usually requested by the debtor, which concerns aspects related to the cost of the debt, with a consequent economic benefit for the debtor. In general, it is believed that, whenever the Company carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered as substantial since, if it were not carried out, the customer could obtain financing from another intermediary and the Company would suffer a decrease in expected future revenues;
  - the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the Company's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and benefits, subsequent to the amendments, are not substantially transferred and, consequently, the accounting representation that offers the most relevant information for the reader of the financial statements (except for what will be discussed later on objective elements), is that carried out through "modification accounting" – which involves the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate – and not through derecognition;

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

2.4 Criteria for recognising income components

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

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

2.5 Derecognition criteria

The full elimination of a receivable is carried out when it is considered irrecoverable with waiver of the legal right to recover the receivable by the Company. By way of a non-exhaustive example, this occurs in the presence of the closure of a bankruptcy procedure, death of the debtor without heirs, final judgement 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 credit risk" 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 credit risk". 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 – Equity investments

3.1 Classification criteria

Companies in which the parent company, directly or indirectly, holds more than half of the voting rights or when, even with a lower share of rights, the parent company has the power to appoint the majority of the directors of the investee or to determine the financial and operating policies of the latter are considered subsidiaries.

3.2 Recognition criteria

Equity investments are recognised on the settlement date. Upon initial recognition, the equity interests are recognised at cost, including costs or income directly attributable to the transaction.

3.3 Measurement criteria

In subsequent valuations, if there is evidence that the value of an equity investment may have suffered impairment, the recoverable value of the equity investment is estimated, taking into account the present value of the future cash flows that the equity investment may generate including the final disposal value of the investment.

3.4 Criteria for recognising income components

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

a) if the recoverable amount is lower than the book value, the relative difference is recognised in the item "Gains (losses) on equity investments";
b) if the reasons for the loss in value are removed following an event occurring after the reduction in value, write-backs are recognised under the item "Gains (losses) on equity investments".

The verification of the existence of objective evidence of impairment is carried out at the end of each reporting period or half-yearly reporting period.

3.5 Derecognition criteria

Equity investments are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the equity investment is sold, transferring all the risks and rewards associated with it.

4 – Property, plant and equipment

4.1 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.

4.2 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.

4.3 Measurement criteria

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

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 depreciation, impairment losses and write-backs are allocated to the item "Net value adjustments/write-backs on property, plant and equipment";
b) profits and losses deriving from disposal transactions are allocated to the item "Other operating income and expenses".

4.5 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.

5 – Intangible assets

5.1 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.

5.2 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.

5.3 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.

5.4 Criteria for recognising income components

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

5.5 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.

6 – Tax assets and tax liabilities

6.1 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).

6.2 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.

6.3 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.

7 – Financial liabilities measured at amortised cost

7.1 Classification criteria

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

7.2 Recognition criteria

The aforementioned financial liabilities are initially recognised at their fair value which, as a rule, corresponds, for payables to banks and payables to financial institutions and securities issued, to the value collected by the Company, net of transaction costs directly attributable to the financial liability and, for those to customers, to the amount of the payable, given the short duration of the related transactions.
The initial measurement of the lease liability takes place at the present value of the payments due for the lease not paid at that date. The lease payments are discounted using the Company's marginal borrowing rate.

7.3 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.

7.4 Criteria for recognising income components

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

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

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

8 – Employee severance indemnity
8.1 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.

8.2 Measurement criteria
Based on the provisions of Italian Law no. 296 of 27 December 2006 (2007 Finance Act), since 1 January 2007 each employee has been asked to allocate their employee severance indemnity accruing to forms of supplementary pension or to maintain the employee severance indemnity with the employer. In the latter case, for workers of companies with more than 50 employees (therefore the company Generalfinance is excluded), the employee severance indemnity 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 employee severance indemnity accrued from 1 January 2007 allocated to the INPS Treasury Fund and that for the Supplementary Pension Fund are to be considered as a defined contribution plan and, therefore, no longer subject to actuarial valuation. This approach concerns companies with an average number of employees for the year 2006 of more than 50 since the others (such as the company Generalfinance), if the employee chooses to keep the employee severance indemnity accruing in the company, effectively continue to maintain the employee severance indemnity in their own company fund.
The employee severance indemnity 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 employee severance indemnity 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.

8.3 Criteria for the recognition of income components
The allocation of the income components to the relevant items of the Income Statement is based on the following:
a) provisions accrued against the employee severance indemnity 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.

9 – Provisions for risks and charges
9.1 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.

9.2 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.

9.3 Criteria for the recognition of income components

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

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

9.4 Derecognition criteria

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

Foreign currency transactions

No foreign currency transactions were carried out during the year.

Accounting for income and expenses

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

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

Treasury shares

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

Share-based payments

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

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

A.4 INFORMATION ON FAIR VALUE

Qualitative information

This section includes the disclosure on fair value as required by IFRS 13.

In accordance with the provisions of international accounting standards, the Company determines the fair value to the extent of the consideration with which two independent and knowledgeable market counterparties would be willing, at the reporting date, to conclude a transaction targeted at the sale of an asset or the transfer of a liability.

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

- level 1: listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs other than the listed prices included in Level 1, directly or indirectly observable for the asset or liability. The prices of the assets or liabilities are derived from the market prices of similar assets or through valuation techniques for which all significant factors are derived from observable market data;
- level 3: unobservable inputs for the asset or liability. The prices of the assets or liabilities are inferred using valuation techniques that are based on data processed using the best information available on assumptions that market participants would use to determine the price of the asset or liability (therefore, it involves estimates and assumptions by management).

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

The Company's assets consist mainly of trade receivables sold without recourse and advances paid for trade receivables sold as part of the regulations set forth in Italian 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 transferred 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 transferred and the advances granted may undergo changes due to any losses that may arise due to factors that determine their partial or total non-collectability.

A.4.3 Fair value hierarchy

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

Quantitative information

A.4.5 Fair value hierarchy

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

Assets/Liabilities measured at fair value	Total 31/12/2023			Total 31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	-	-	22,974	-	-	20,300
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	22,974	-	-	20,300
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**22,974**	**-**	**-**	**20,300**
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	**20,300**	**-**	**-**	**20,300**	**-**	**-**	**-**	**-**
2. Increases	**2,974**	**-**	**-**	**2,974**	**-**	**-**	**-**	**-**
2.1. Purchases	2,974	-	-	2,974	-	-	-	-
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	**300**	**-**	**-**	**300**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	300	-	-	300	-	-	-	-
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	**22,974**	**-**	**-**	**22,974**	**-**	**-**	**-**	**-**

In February, 96 shares of Banca di Credito Cooperativo di Milano were purchased.
In November, the share of Confidi Sardegna acquired in 2015 was repaid to the Company.

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 31/12/2023				Total 31/12/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	462,365,495	-	-	462,365,495	385,434,057	-	-	385,434,057
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**462,365,495**	**-**	**-**	**462,365,495**	**385,434,057**	**-**	**-**	**385,434,057**
1. Financial liabilities measured at amortised cost	409,388,039	-	-	409,388,039	368,388,464	-	-	368,388,464
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**409,388,039**	**-**	**-**	**409,388,039**	**368,388,464**	**-**	**-**	**368,388,464**

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

A.5 INFORMATION ON THE "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 31/12/2023	Total 31/12/2022
Cash	1,404	1,311
"On demand" loans to banks	21,639,312	43,723,919
Total	**21,640,716**	**43,725,230**

The amount of EUR 21,639,312 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 2023, the credit balance of the current accounts subject to the pledge amounted EUR 9,037,562, while the payable relating to the loan, including interest payable, amounted to EUR 174,326,430.

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 31/12/2023			Total 31/12/2022		
	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	-	-	**22,974**	-	-	**20,300**
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**-**	**-**	**22,974**	**-**	**-**	**20,300**

In November, the share of Confidi Sardegna purchased in 2015 and classified in Level 3 was repaid to the Company.
The amount classified in Level 3 refers to shares of Rete Fidi Liguria, and shares of Banca di Credito cooperativo di Milano purchased in February, whose valuation is periodically verified on the basis of internal methods.

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

Items/Values	Total 31/12/2023	Total 31/12/2022
1. Equity securities	**22,974**	**20,300**
of which: banks	2,974	-
of which: other financial companies	20,000	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	**22,974**	**20,300**

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

Breakdown	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Deposits at maturity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Current accounts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Loans	**65,750**	**-**	**-**	**-**	**-**	**65,750**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Factoring	65,750	-	-	-	-	65,750	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	65,750	-	-	-	-	65,750	-	-	-	-	-	-
3.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
4. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
4.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
5. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**65,750**	**-**	**-**	**-**	**-**	**65,750**	**-**	**-**	**-**	**-**	**-**	**-**

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

4.2 Financial assets measured at amortised cost: breakdown by type of loans to financial companies

Breakdown	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**200,017**	**-**	**-**	**-**	**-**	**200,017**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	200,017	-	-	-	-	200,017	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	200,017	-	-	-	-	200,017	-	-	-	-	-	-
1.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**200,017**	**-**	**-**	**-**	**-**	**200,017**	**-**	**-**	**-**	**-**	**-**	**-**

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

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

Breakdown	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair Value			Book value			Fair Value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**460,179,378**	**1,920,350**	**-**	**-**	**-**	**462,099,728**	**384,532,580**	**901,477**	**-**	**-**	**-**	**385,434,057**
1.1 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	460,179,378	1,920,350	-	-	-	462,099,728	384,532,580	901,477	-	-	-	385,434,057
- with recourse	338,471,255	1,920,350	-	-	-	340,391,605	327,014,977	882,068	-	-	-	327,897,045
- without recourse	121,708,123	-	-	-	-	121,708,123	57,517,603	19,409	-	-	-	57,537,012
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
4.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**460,179,378**	**1,920,350**	**-**	**-**	**-**	**462,099,728**	**384,532,580**	**901,477**	**-**	**-**	**-**	**385,434,057**

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

The increase in “Loans to customers” compared to the previous year is due mainly to 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 31/12/2023			Total 31/12/2022		
	First and second stage	Third stage	Purchased or originated impaired	First and second stage	Third stage	Purchased or originated impaired
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**460,179,378**	**1,920,350**	**-**	**384,532,580**	**901,477**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	449,098,554	1,920,350	-	375,381,417	901,477	-
c) Households	11,080,824	-	-	9,151,163	-	-
3. Other assets	-	-	-	-	-	-
Total	**460,179,378**	**1,920,350**	**-**	**384,532,580**	**901,477**	**-**

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

	Gross value					Total value adjustments				Total partial write-offs
	First stage	of which: instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans	440,566,120	-	20,936,515	2,819,952	-	890,927	166,563	899,602	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**440,566,120**	**-**	**20,936,515**	**2,819,952**	**-**	**890,927**	**166,563**	**899,602**	**-**	**-**
Total 31/12/2022	**383,013,376**	**-**	**2,084,668**	**1,348,806**	**-**	**537,469**	**27,995**	**447,329**	**-**	**76,000**

As at the date of these financial statements, there are no loans subject to "moratoria" pursuant to law or other forbearance measures or that constitute new liquidity granted through public guarantee mechanisms issued in response to COVID-19.

4.6 Financial assets measured at amortised cost: guaranteed assets

	Total 31/12/2023						Total 31/12/2022					
	Loans to banks		Receivables from financial companies		Loans to customers		Loans to banks		Receivables from financial companies		Loans to customers	
	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)	VE (book value of exposures)	VG (fair value of guarantees)
1. Performing assets guaranteed by:	-	-	-	-	313,853,516	313,853,516	-	-	-	-	317,259,029	317,259,029
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	300,409,913	300,409,913	-	-	-	-	307,585,252	307,585,252
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	13,443,603	13,443,603	-	-	-	-	9,673,777	9,673,777
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	-	-	-	-	1,856,127	1,856,127	-	-	-	-	882,068	882,068
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	1,615,508	1,615,508	-	-	-	-	593,325	593,325
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	240,619	240,619	-	-	-	-	288,743	288,743
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**315,709,643**	**315,709,643**	**-**	**-**	**-**	**-**	**318,141,097**	**318,141,097**

VE = book value of exposures

VG = fair value of guarantees

The table shows the value of financial assets measured at amortised cost 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, in some cases, iv) 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 7 – Equity investments – Item 70

7.1 Equity investments: information on equity investments

Denominations	Registered office	Operational headquarters	% shareholding	Avail. votes %	Book value	Fair Value
C. Companies subject to significant influence						
a) Mit Partners S.p.A.	Milan	Milan	25%	25%	12,500	--
Total					**12,500**	

On 11 May 2023, the Company acquired a 25% stake in the company Mit Partners S.p.A., with registered office in Milan, Via Lodovico Mancini, 5, whose purpose is the acquisition and management of equity investments in other companies or entities and the provision of business and strategic consulting services, including management and turnaround services.

7.2 Annual changes in equity investments

	Group equity investments	Non-group equity investments	Total
A. Opening balance	-	-	-
B. Increases	-	**12,500**	**12,500**
B.1 Purchases	-	12,500	12,500
B.2 Write-backs	-	-	-
B.3 Revaluations	-	-	-
B.4 Other changes	-	-	-
C. Decreases	-	-	-
C.1 Sales	-	-	-
C.2 Value adjustments	-	-	-
C.3 Write-downs	-	-	-
C.4 Other changes	-	-	-
D. Closing balance	-	**12,500**	**12,500**

7.5 Non-significant equity investments: accounting information

The company MIT Partners S.p.a. was established on 11 May 2023 and, at the date of approval of these financial statements, the first financial statements of the investee are not yet available.

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 31/12/2023	Total 31/12/2022
1. Owned assets	**2,502,858**	**2,752,334**
a) land	178,952	178,952
b) buildings	1,714,471	1,496,190
c) furniture	197,762	227,040
d) electronic systems	-	-
e) others	411,673	850,152
2. Rights of use acquired through leasing	**2,490,372**	**2,113,660**
a) land	-	-
b) buildings	2,133,006	1,994,008
c) furniture	-	-
d) electronic systems	-	-
e) others	357,366	119,652
Total	**4,993,230**	**4,865,994**
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**	**5,539,776**	**618,900**	**-**	**2,438,004**	**8,775,632**
A.1 Total net impairment losses	-	2,049,578	391,860	-	1,468,200	3,909,638
A.2 Net opening balance	**178,952**	**3,490,198**	**227,040**	**-**	**969,804**	**4,865,994**
B. Increases:	**-**	**806,139**	**29,002**	**-**	**404,405**	**1,239,546**
B.1 Purchases	-	89,935	10,388	-	72,383	172,706
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	-	716,204	18,614	-	332,022	1,066,840
C. Decreases:	**-**	**448,860**	**58,280**	**-**	**605,168**	**1,112,308**
C.1 Sales	-	-	-	-	1,808	1,808
C.2 Depreciation	-	448,860	58,280	-	294,744	801,884
C.3 Value adjustments for impairment recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	308,616	308,616
D. Net closing balance	**178,952**	**3,847,477**	**197,762**	**-**	**769,039**	**4,993,230**
D.1 Total net impairment losses	-	2,498,438	450,140	-	1,678,904	4,627,482
D.2 Gross closing balance	**178,952**	**6,345,915**	**647,902**	**-**	**2,447,943**	**9,620,712**
E. Valuation at cost	**178,952**	**3,847,477**	**197,762**	**-**	**769,039**	**4,993,230**

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

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

Items/Valuation	Total 31/12/2023		Total 31/12/2022	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets				
of which: software	-	-	-	-
2.1 owned	2,603,700	-	2,047,798	-
- generated internally	423,499	-	336,632	-
- others	2,180,201	-	1,711,166	-
2.2 rights of use acquired through leasing	-	-	-	-
Total 2	**2,603,700**	**-**	**2,047,798**	**-**
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)	**2,603,700**	**-**	**2,047,798**	**-**
Total	**2,603,700**		**2,047,798**	

The item “Other internally generated intangible assets” includes – in terms of wages, salaries and other costs related to the employment of personnel involved in generating the business – the amount invested for the development of software applications whose use extends beyond a single year, also generating economic benefits in the future.
The item “Other owned intangible assets – other” includes the cost incurred for the acquisition and development of software, amortised on a straight-line basis for an estimated useful life of five years from entry into operation and the cost incurred for the acquisition and development of software for which the amortisation period has not yet begun, as the assets, at the reporting date, are not used and available for use.

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**2,047,798**
B. Increases:	**1,021,735**
B.1 Purchases	873,023
B.2 Write-backs	-
B.3 Positive changes in fair value	-
- to shareholders ’equity	-
- to the income statement	-
B.4 Other changes	148,712
C. Decreases:	**465,833**
C.1 Sales	-
C.2 Depreciation	442,855
C.3 Value adjustments	-
- to shareholders ’equity	-
- to the income statement	22,978
C.4 Negative changes in fair value	-
- to shareholders ’equity	-
- to the income statement	-
C.5 Other changes	-
D. Closing balance	**2,603,700**

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 31/12/2023	Total 31/12/2022
Current tax assets	5,120,420	4,148,970
Deferred tax assets	557,491	423,078
Total	**5,677,911**	**4,572,048**

10.1 "Tax assets: current and deferred": breakdown

The item "Current tax assets" is composed almost entirely by receivables due from Tax Authorities for IRES (corporate income tax) advances for EUR 3,902,322 and for IRAP (regional business tax) advances for EUR 928,010.

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

10.2 "Tax liabilities: current and deferred": breakdown

Denominations	Total 31/12/2023	Total 31/12/2022
Current tax liabilities	7,077,869	4,880,108
Deferred tax liabilities	47,265	47,265
Total	**7,125,134**	**4,927,373**

The item "*Current tax liabilities*" consists of the payable to the Tax Authorities for IRES of EUR 5,793,788 and for IRAP of EUR 1,284,081.

The item "*Deferred tax liabilities*" relates to the actuarial effect (Actuarial Gain) resulting from the actuarial valuation of the employee severance indemnity provision according to IAS 19.

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

	Total 31/12/2023	Total 31/12/2022
1. Opening balance	**423,078**	**249,809**
2. Increases	**213,789**	**272,868**
2.1 Deferred tax assets recognised during the year	213,789	272,868
a) relating to previous years	-	39,224
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	213,789	233,644
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**79,376**	**99,599**
3.1 Deferred tax assets cancelled during the year	79,376	99,599
a) reversals	79,376	99,599
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 Italian Law no. 214/2011	-	-
b) others	-	-
4. Final amount	**557,491**	**423,078**

The item increased by EUR 213,789 due to new deferred tax assets recognised during the year.

This increase mainly refers to:

- the deferred tax assets recognised following the allocations made during the year to the provisions for risks and charges related to the long-term incentive plan that was formalised in 2022;
- directors' remuneration for the financial year 2023, which will be paid in the financial year 2024.

The decrease of EUR 79,376 mainly refers to:

- the payment in 2023 of the remuneration of the directors for the year 2022;
- to the reversals on write-downs and losses on receivables pursuant to Italian Law Decree no. 83 of 27 June 2015.

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

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	**98,653**	**113,622**
2. Increases	**-**	**-**
3. Decreases	**32,465**	**14,969**
3.1 Reversals	32,465	14,969
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	**66,188**	**98,653**

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 Italian Law no. 214/2011.

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

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	**-**	**14,057**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**14,057**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	-	14,057
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	**-**	**-**

10.6 Changes in deferred tax liabilities (with offsetting entry in shareholders' equity)

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	**47,265**	**-**
2. Increases	**-**	**47,265**
2.1 Deferred tax liabilities recognised during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	-	47,265
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities 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	**47,265**	**47,265**

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

Items/Values	Total 31/12/2023	Total 31/12/2022
Security deposits	32,623	32,266
Suppliers on advances	87,553	58,134
Tax authorities with VAT and withholding taxes	231,575	6,596
Prepayments	1,610,441	2,287,491
Sundry receivables	764,384	764,591
Total	**2,726,576**	**3,149,078**

The item “Prepaid expenses” is determined by the following costs for the year 2023:

Description	Amount
Insurance prepayments	47,375
Prepayments for software fees	47,602
Prepayments of syndicated loan costs	632,447
Deferred bond loan costs	112,409
Deferred securitisation costs	246,830
Deferred commercial paper costs	22,840
Sundry deferrals	500,938
Total	**1,610,441**

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 31/12/2023			Total 31/12/2022		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans	**183,917,293**	**23,554,445**	**-**	**162,689,489**	**31,780,565**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other loans	183,917,293	23,554,445	-	162,689,489	31,780,565	-
2. Lease payables	**-**	**-**	**1,974,806**	**-**	**-**	**1,571,038**
3. Other payables	**-**	**166,501,036**	**803,190**	**-**	**134,729,206**	**400,411**
Total	**183,917,293**	**190,055,481**	**2,777,996**	**162,689,489**	**166,509,771**	**1,971,449**
Fair value – level 1	-	-	-	-	-	-
Fair value – level 2	-	-	-	-	-	-
Fair value – level 3	**183,917,293**	**190,055,481**	**2,777,996**	**162,689,489**	**166,509,771**	**1,971,449**
Total Fair Value	**183,917,293**	**190,055,481**	**2,777,996**	**162,689,489**	**166,509,771**	**1,971,449**

The total for this item therefore amounts to EUR 376,750,770.

Payables to banks refer to:

Technical form	Amount
Current account exposures for SBF advances	3,876,989
Unsecured loan	5,713,874
Pool loan	174,326,430
Total	**183,917,293**

With regard to the revolving pool loan agreement, it should be noted that the Company – in the context of funding strategies – has obtained an extension of the contract's expiry from the credit institutions until January 2025. In this regard, it is specified that the RCF Agreement envisages certain covenants relating in particular to:

- the capitalisation of the Company ("Financial Parameter");
- the proportion of non-performing loans to total loans;
- the loan to value of the overall line;
- the degree of insurance coverage of credit exposures.

These covenants have been constantly respected since the signing of the RCF Contract and are in line with the contractual limits also with reference to 31 December 2023.

Payables for loans to financial companies mainly refer to payables for re-factoring with recourse on Italian and foreign invoices (refactoring transactions).
Other payables to financial companies refer to payables to the special purpose vehicle relating to the securitisation transaction concluded in December 2021 and relating to a revolving portfolio of receivables deriving from factoring contracts with and without recourse owned by the Company. With reference to the securitisation transaction in place, it should be noted that the contractual documentation signed with the lenders provides for certain triggers, after which the transaction may go into a phase of amortisation. These triggers refer in particular to the performance of the securitised portfolio (delinquency and default levels). These triggers are in line with the contractual limits also with reference to 31 December 2023.

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

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

Type of securities/Values	Total 31/12/2023				Total 31/12/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	**12,781,091**	**-**	**-**	**12,781,091**	**12,757,100**	**-**	**-**	**12,757,100**
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	**12,781,091**	-	-	**12,781,091**	**12,757,100**	-	-	**12,757,100**
2. other securities	**19,856,178**	**19,856,178**	**-**	**-**	**24,460,655**	**24,460,655**	**-**	**-**
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	19,856,178	19,856,178	-	-	24,460,655	24,460,655	-	-
Total	**32,637,269**	**19,856,178**	**-**	**12,781,091**	**37,217,755**	**24,460,655**	**-**	**12,757,100**

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

The other securities are commercial paper admitted in dematerialised form in Monte Titoli and traded on the ACCESS Professional Milan, professional segment of the ACCESS market, a multilateral trading system managed by Borsa Italiana S.p.A.
In particular, at the reporting date, three securities were issued and still not reimbursed. The first, with a 83-day duration, was issued for a total of EUR 5 million – zero coupon – at a fixed annual rate of 5%. The second, with a duration of six months, was issued for a total of EUR 5 million – zero coupon – at a fixed annual rate of 5.05%. The third, with a duration of twelve months, was issued for an amount of EUR 10 million – with a six-month coupon – at an annual floating rate of 6-month EURIBOR + 1.45%.

1.3 Payables and subordinated securities

The item "Debt securities issued", as already mentioned in the previous paragraph, includes subordinated securities of EUR 12.8 million, relating to the issue of Tier 2 bonds for a nominal amount of EUR 12.5 million.

Section 6 – Tax liabilities – Item 60

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

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Items/Values	Total 31/12/2023	Total 31/12/2022
Accrued expenses and deferred income	3,841,299	3,326,034
Payables to tax authorities	318,249	270,803
Social security and welfare institutions	199,902	162,040
Payables to employees	475,933	494,053
Payables to suppliers and lenders	2,462,378	2,349,836
Sundry payables	6,739,756	4,982,946
Total	**14,037,517**	**11,585,712**

The item "other payables" includes mainly payments received from debtors for existing factoring transactions, for which the allocation to the relative positions has taken place in the first few days of January 2024, and the differential between the bills presented at credit institutions and the relative positions still outstanding on the transferred debtors, due to the time lag between the closing operation carried out by the credit institutions and that carried out by the Company, which, with the same expiry date, will take place when the security is actually collected.

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	623,747
Miscellaneous accrued expenses	96,232
Deferred fee and commission income	3,003,575
Deferred tax assets	117,530
Sundry deferred income	215
Total	**3,841,299**

Section 9 – Employee severance indemnity – Item 90

9.1 Employee severance indemnity: annual changes

	Total 31/12/2023	Total 31/12/2022
A. Opening balance	**1,316,956**	**1,353,695**
B. Increases	**194,056**	**241,154**
B.1 Provision for the year	194,056	237,602
B.2 Other increases	-	3,552
C. Decreases	**39,856**	**277,893**
C.1 Payments made	6,327	4,559
C.2 Other decreases	33,529	273,334
D. Closing balance	**1,471,156**	**1,316,956**

The liability recognised in the financial statements as at 31 December 2023, relating to the employee severance indemnity, is equal to the present value of the obligation estimated by an independent actuarial study on the basis of demographic and economic assumptions.

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 2023, the decision was taken to adopt an annual salary increase rate of 1.8% for all job categories. In addition to this salary increase, an annual increase was assumed due to inflation, the ratios of which are indicated below;

Average probabilities and percentages of use of the employee severance indemnity 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 2022 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 1% per year;

Employee severance indemnity revaluation rates: the estimated inflation rate for December 2023 is 0.4% (on a monthly basis) and is estimated using the FOI (*National Consumer Price Index for Blue-collar and White-collar workers*, net of tobacco), provided by ISTAT, based on data published for the months of October and November 2023. For the year 2024, an inflation rate of 1.9% was considered, while for the years after 2025 (including the latter) an inflation rate of 2% was used, in line with the most recent analyses published by the Bank of Italy;

Interest rates: the Europe Corporate AA rating curve produced by Bloomberg Finance as at 29 December 2023 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	**1,471**	
Sensitivity with respect to interest rates		
I) 0.5% decrease in rates	1,558	5.91%
II) 0.5% increase in interest rates	1,392	-5.41%
Sensitivity with respect to the salary scale		
III) 0.5% decrease in the salary scale	1,448	-1.60%
IV) 0.5% increase in the salary scale	1,496	1.71%

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	Total 31/12/2023	Total 31/12/2022
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	**164,705**	**142,487**
4. Other provisions for risks and charges	**1,423,182**	**678,767**
4.1 legal and tax disputes	-	-
4.2 personnel expenses	-	-
4.3 others	1,423,182	678,767
Total	**1,587,887**	**821,254**

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	-	**142,487**	**678,767**	**821,254**
B. Increases	-	**22,218**	**744,415**	**766,633**
B.1 Provision for the year	-	22,218	744,415	766,633
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	-	**164,705**	**1,423,182**	**1,587,887**

10.5 Defined benefit company pension funds

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

10.6 Provisions for risks and charges: other provisions

The increase refers to the provision made for the long-term incentive plan for the period 2022-2024 approved by resolution of the Board of Directors at its meetings held on 6 June and 22 November 2022 and to the provision allocated in respect of the two sanctions imposed by the Bank of Italy on Generalfinance – relating to the inspection conducted by the Supervisory

Authority in 2022 – for a total of EUR 60,000; in both cases, the amount of the sanction is equal to the minimum legal requirement (see the directors' report on operations for further details).

With reference to the disputes in which the Company is involved as defendant, also on the basis of the specific opinions provided by the legal defence attorneys, at the reporting date, the same disputes were all assessed as having a “remote” risk of losing, except one, for which the counterparty filed – in 2018 – an application for the repayment of sums debited during the relationship. Although the value of the case (as declared by the plaintiff in the summons), is equal to EUR 201,626.19, the risk of losing is assessed as “possible” for EUR 94,986.76 (and "remote" for the residual amount). In line with the provisions of the relevant accounting standards and internal policies, the Company has not made any provisions.
As at the reporting date, six disputes were brought against the Company.

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

11.1 Share capital: breakdown

Types	Amount
1. Share capital	**4,202,329**
1.1 Ordinary shares	4,202,329
1.2 Other shares	-

The share capital is equal to EUR 4,202,329.36 and is divided into no. 12,635,066 ordinary shares without nominal value, pursuant to paragraph 3 of Art. 2346 of the Italian Civil Code and Art. 5 of the current Articles of Association.
Based on the information available to the Company, it is broken down as follows:

- **GGH – Gruppo General Holding S.r.l. (GGH)**, which holds approximately 41.37% of the share capital (roughly 58.53% of the voting rights taking into account the increased vote);
- **Investment Club S.r.l.**, which holds approximately 9.55% of the share capital (approximately 6.76% of the voting rights);
- **BFF Bank S.p.A.**, which holds approximately 7.68% of the share capital (approximately 5.43% of the voting rights);
- **First4Progress S.p.A. (F4P)**, which owns approximately 6.33% of the share capital (roughly 4.48% of the voting rights);
- (floating) **market**, which overall holds an approximately 35.07% of the share capital (approximately 24.80% of total voting rights).

The shares, all ordinary and traded on Euronext STAR Milan, have equal rights, both administrative and financial, as established by law and by the Articles of Association, except for the provisions of the latter regarding increased voting rights. The shares are indivisible, registered and freely transferable by an act inter vivos and transmissible on death. The currently applicable legislation and regulations regarding representation, legitimate entitlement and circulation of shares set forth for financial instruments traded on regulated markets is applied to the shares. The shares are issued in dematerialised form.
Pursuant to Art. 127-quinquies of Italian Legislative Decree no. 58 of 24 February 1998 (“TUF” or "Consolidated Law on Finance"), each share gives the right to double votes (and therefore two votes for each share) where both the following conditions are met: (a) the share belongs to the same party, based on a real right that legitimately entitles them to exercise the voting right (full ownership with voting right or bare ownership with voting right or usufruct with voting right) for a continuous period of at least 24 (twenty-four) months; (b) the meeting of the condition pursuant to point (a) is certified by the continuous registration, for a period of at least 24 (twenty-four) months, in the duly established list, kept by the Company, in compliance with the legislative and regulatory provisions in force. The assessment of the prerequisites for the attribution of the increased vote is carried out by the administrative body.

11.2 Treasury shares: breakdown

As at 31 December 2023 and 31 December 2022, the Company held no treasury shares.

11.3 Equity instruments: breakdown

As at 31 December 2023 and 31 December 2022, the Company did not recognise the item equity instruments.

11.4 Share premium reserve: breakdown

Types	Amount
1. Share premium reserve	**25,419,745**
1.1 Ordinary shares	25,419,745
1.2 Other shares	-

As at 31 December 2023, the item “Share premium reserve” did not change compared to the previous year.

11.5 Other information

Change in Reserves

	Legal	Extraordinary	FTA reserve	Revaluation reserve It. Law Decree no. 185/08	Valuation reserves	Total
A. Opening balance	**655,152**	**15,947,810**	**(770,669)**	**339,518**	**95,474**	**16,267,285**
B. Increases	**185,313**	**5,266,995**	**-**	**-**	**24,309**	**5,476,617**
B.1 Allocation of profits	185,313	5,266,995	-	-	-	5,452,308
B.2 Other changes	-	-	-	-	24,309	24,309
C. Decreases	-	-	-	-	-	-
C.1 Uses	-	-	-	-	-	-
- coverage of losses	-	-	-	-	-	-
- distribution	-	-	-	-	-	-
- transfer to capital	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
D. Closing balance	**840,465**	**21,214,805**	**(770,669)**	**339,518**	**119,783**	**21,743,902**

The allocation of profits refers to the resolution of the ordinary shareholders' meeting of 20 March 2023, in which the 2022 profit of a total of EUR 10,885 thousand was allocated, also providing for the distribution of dividends for the totalling EUR 5,433 thousand.

The change in valuation reserves reflects the actuarial effect relating to employee severance indemnity.

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	**4,202,329**	---	-	-	-
Legal reserve	840,465	B	840,465	-	-
Share premium reserve	25,419,745	A, B	25,419,745	-	-
Extraordinary reserve	21,214,805	A, B, C	21,214,805	-	-
FTA reserve	(770,669)	---	-	-	-
Revaluation reserve It. Law Decree no. 185/08	339,518	A, B	339,518	-	-
Valuation reserves	119,783	---	-	-	-
Total	**51,365,976**		**47,814,533**	-	-

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 Italian 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 15,067,393.47, 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	31/12/2023	31/12/2022
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	-	**30,492,733**	-	**30,492,733**	**13,977,582**
3.1 Loans to banks	-	834,042	X	834,042	2,470
3.2 Receivables from financial companies	-	1,109,224	X	1,109,224	-
3.3 Loans to customers	-	28,549,467	X	28,549,467	13,975,112
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	**99,078**	**99,078**	**35,620**
6. Financial liabilities	X	X	X	-	-
Total	-	**30,492,733**	**99,078**	**30,591,811**	**14,013,202**
of which: interest income on impaired financial assets	-	-	-	-	-
of which: interest income on leases	X	-	X	-	-

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2023	31/12/2022
1. Financial liabilities measured at amortised cost	18,928,277	2,683,839	-	21,612,116	6,731,755
1.1 Due to banks	7,618,708	X	X	7,618,708	2,765,761
1.2 Payables to financial companies	11,265,491	X	X	11,265,491	2,606,366
1.3 Due to customers	44,078	X	X	44,078	28,730
1.4 Securities issued	X	2,683,839	X	2,683,839	1,330,898
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	3	3	14,126
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**18,928,277**	**2,683,839**	**3**	**21,612,119**	**6,745,881**
of which: interest expense on lease payables	**44,078**	**X**	**X**	**44,078**	**28,730**

Section 2 – Commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Detail	Total 31/12/2023	Total 31/12/2022
a) lease transactions	-	-
b) factoring transactions	31,709,532	27,426,186
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	-	-
Total	**31,709,532**	**27,426,186**

2.2 Fee and commission expense: breakdown

Retail/Sectors	Total 31/12/2023	Total 31/12/2022
a) guarantees received	375	375
b) distribution of services by third parties	-	-
c) collection and payment services	-	-
d) other commissions	4,489,826	3,829,383
d.1 advances on business loans (It. Law 52/91)	418,037	496,955
d.2 others	4,071,789	3,332,428
Total	**4,490,201**	**3,829,758**

Fee and commission expense for advances on business receivables are represented by commissions and fees paid to third parties.
The sub-item "*Other*" is mainly composed of bank charges and commissions for EUR 2,045,600 and costs incurred for credit insurance for EUR 1,824,344.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 31/12/2023		Total 31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	584	-
C. Financial assets measured at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**-**	**-**	**584**	**-**

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**	**622**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**622**

Section 7 – Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Net gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**-**	**150**	**(150)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	150	(150)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**-**	**-**	**-**	**150**	**(150)**

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 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-off	Other	Write-off	Other						
1. Loans to banks	**(831)**	**-**	**-**	**-**	**-**	**-**	**6,214**	**-**	**-**	**-**	**5,383**	**(5,892)**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(743)	-	-	-	-	-	-	-	-	-	(743)	-
- other receivables	(88)	-	-	-	-	-	6,214	-	-	-	6,126	(5,892)
2. Receivables from financial companies	**(895)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(895)**	**-**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(895)	-	-	-	-	-	-	-	-	-	(895)	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
3. Loans to customers	**(381,616)**	**(140,135)**	**(117,840)**	**(673,603)**	**-**	**-**	**29,797**	**1,568**	**13,254**	**-**	**(1,268,575)**	**(1,200,670)**
- for leases	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(381,616)	(140,135)	(117,840)	(673,603)	-	-	29,797	1,568	13,254	-	(1,268,575)	(1,200,670)
- for consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
- loans on pledge	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(383,342)**	**(140,135)**	**(117,840)**	**(673,603)**	**-**	**-**	**36,011**	**1,568**	**13,254**	**-**	**(1,264,087)**	**(1,206,562)**

The amounts included in the item “Loans to banks – other receivables” refer to the amounts due from banks “on demand” reported in the item “Cash and cash equivalents”.

Value adjustments include both allocations to the provision to cover expected credit losses and credit losses. The value of the write-offs recognised directly in the income statement is equal to EUR 117,840.

For further details, please refer to “Part D – Other information – Section 3 – Information on risks and related hedging policies”.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Types of expenses/Values	Total 31/12/2023	Total 31/12/2022
1. Employees	**5,976,201**	**5,595,194**
a) wages and salaries	3,952,445	3,811,807
b) social security contributions	1,102,861	976,826
c) employee severance indemnity	6,311	2,105
d) social security expenses	-	-
e) employee severance indemnity provision	198,126	175,380
f) allocation to the provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	108,805	88,948
- defined contribution	108,805	88,948
- defined benefit	-	-
h) other employee benefits	607,653	540,128
2. Other active personnel	**-**	**-**
3. Directors and Statutory Auditors	**1,219,980**	**1,153,305**
4. Retired personnel	**-**	**-**
5. Expense recoveries for employees seconded to other companies	**-**	**-**
6. Reimbursement of expenses for employees seconded to the company	**-**	**-**
Total	**7,196,181**	**6,748,499**

Item "*h) other employee benefits*" and item "*3. Directors and Statutory Auditors*" include the provisions made against the long-term incentive plan for the period 2022-2024 approved by resolution of the Board of Directors at its meetings of 6 June and 22 November 2022.

10.2 Average number of employees broken down by category

	2023	2022
Employees	68	61
a) executives	2	2
b) middle managers	10	7
c) remaining employees	56	52
Other personnel	-	-
Total	**68**	**61**

10.3 Other administrative expenses: breakdown

Type of expense/Values	Total 31/12/2023	Total 31/12/2022
Professional fees and consultancy	2,892,075	2,804,559
Charges for indirect taxes and duties	139,098	132,993
Maintenance costs	75,441	73,434
Utility costs	136,637	148,139
Rent payable and condominium expenses	168,541	139,922
Insurance	38,590	41,157
Commercial information	698,631	550,480
Other administrative expenses	2,508,432	2,405,009
Total	**6,657,445**	**6,295,693**

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	31/12/2023	31/12/2022
1. Allocations to the pension fund	**(22,218)**	**-**	**-**	**-**	**(22,218)**	**(24,035)**
2. Allocations to other provisions for risks and charges:	**(60,000)**	**-**	**-**	**-**	**(60,000)**	**-**
a) legal and tax disputes	-	-	-	-	-	-
b) personnel expenses	-	-	-	-	-	-
c) others	(60,000)	-	-	-	(60,000)	-
Total	**(82,218)**	**-**	**-**	**-**	**(82,218)**	**(24,035)**

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

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

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

Assets/Income component	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment	**(801,884)**	**-**	**-**	**(801,884)**
A.1 For functional use	(801,884)	-	-	(801,884)
- owned	(332,385)	-	-	(332,385)
- rights of use acquired through leases	(469,499)	-	-	(469,499)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
A.3 Inventories	X	-	-	X
Total	**(801,884)**	**-**	**-**	**(801,884)**

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	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill	**(442,855)**	**-**	**-**	**(442,855)**
of which: software				
1.1 owned	(442,855)	-	-	(442,855)
1.2 rights of use acquired through leases	-	-	-	-
2. Assets relating to finance leases	-	-	-	-
3. Assets granted under operating leases	-	-	-	-
Total	**(442,855)**	**-**	**-**	**(442,855)**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

	Total 31/12/2023	Total 31/12/2022
Contingent liabilities	(32,931)	(161,913)
Donations	(81,500)	(120,000)
Others	(134,848)	(376,231)
Total	**(249,279)**	**(658,144)**

14.2 Other operating income: breakdown

	Total 31/12/2023	Total 31/12/2022
Reimbursement of expenses	671,789	644,193
Insurance reimbursements	382,207	525,681
Contingent assets	1,159,975	231,761
Others	282,112	210,459
Total	**2,496,083**	**1,612,094**

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

- Listing bonus of EUR 500,000
- Art bonus of EUR 39,000
- Energy bonus of EUR 7,965
- Investment bonus in capital goods of EUR 16,008
- Advertising bonus of EUR 11,701
- Capital goods 4.0 bonus of EUR 52,484
- Digital innovation 4.0 bonus of EUR 101,057
- Patent box of EUR 70,508
- Training 4.0 bonus of EUR 60,630

The sub-item "Other" includes EUR 148,712 for direct costs (essentially personnel costs) relating to the development of software generated internally.

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

19.1 Income taxes for the period on current operations: breakdown

	Total 31/12/2023	Total 31/12/2022
1. Current taxes (-)	(7,077,869)	(5,698,503)
2. Changes in current taxes from previous years (+/-)	-	(59,735)
3. Reduction in current taxes for the period (+)	-	-
3 bis. Reduction in current taxes for the year for tax credits pursuant to Italia Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	134,413	173,269
5. Change in deferred tax liabilities (+/-)	9,220	-
6. Taxes for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	**(6,934,236)**	**(5,584,969)**

Current taxes are due for EUR 5,793,788 from IRES and EUR 1,284,081 from IRAP.
For the calculation of the income tax (IRES), the rate of 27.5% was applied, including 3.5% relating to the IRES surcharge. For the regional tax on productive activities (IRAP), the rate of 5.57% was adopted.
The change in deferred tax assets is determined by the algebraic sum obtained from increases of EUR 213,789 for new deferred tax assets arising during the financial year and decreases of EUR 79,376 due to the reabsorption of the increase made in the previous year and of the reversals as envisaged by the norm.

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	6,050,450	27.50%	1,225,491	5.57%
Remuneration not paid to directors	23,015	0.10%	0	0.00%
Non-deductible transport costs	23,820	0.11%	0	0.00%
Non-deductible amortisation and rights of use	75,193	0.34%	6,933	0.03%
Hotel/meal expenses and entertainment	85,127	0.39%	0	0.00%
Sundry non-deductible expenses	16,572	0.08%	0	0.00%
Telephone expenses	6,694	0.03%	0	0.00%
Employee severance indemnity – actuarial portion of the income statement	9,220	0.04%	0	0.00%
Write-downs and non-deductible provisions	206,843	0.93%	0	0.00%
Other administrative expenses – IRAP	0	0.00%	36,694	0.17%
Personnel expenses	0	0.00%	97,545	0.45%
Other IRES adjustments (increases)	7,129	0.03%	0	0.00%
Other IRAP adjustments (increases)	0	0.00%	5,219	0.02%
Bad debt allowance for previous years	(29,827)	(0.14%)	(2,638)	(0.01%)
Remuneration to directors paid from previous years	(43,858)	(0.20%)	0	(0.00%)
Employee severance indemnity not deducted in previous years	(998)	(0.00%)	0	(0.00%)
10% deduction – IRAP and IRAP on personnel	(21,906)	(0.10%)	0	(0.00%)
Effects of IFRS 16 – Lease payments	(77,960)	(0.35%)	0	(0.00%)
Portions of costs that cannot be capitalised – IAS	(172)	(0.00%)	0	(0.00%)
Super-amortisation	(11,820)	(0.05%)	0	(0.00%)
Untaxed contingent assets	(233,588)	(1.07%)	0	(0.00%)
Patent Box benefit	(105,963)	(0.48%)	(21,462)	(0.10%)
Other IRES adjustments (decreases)	(2,744)	(0.01%)	0	(0.00%)
Income taxed for IRAP correlation	0	0.00%	(63,671)	(0.29%)
Other IRAP adjustments (decreases)	0	0.00%	(30)	(0.00%)
ACE (aid for economic growth)	(181,439)	(0.82%)	0	0.00%
TOTAL TAX CHANGES	(256,662)	(1.17%)	58,590	0.27%
INCOME TAXES AND ACTUAL TAX RATE	5,793,788	26.33%	1,284,081	5.84%
Change in deferred tax assets	(136,963)	(0.62%)	2,550	0.01%
Change in deferred tax liabilities	(9,220)	(0.04%)	0	0.00%
TOTAL TAXES	5,647,605	25.67%	1,286,631	5.85%
Overall total taxes	**6,934,236**	**31.52%**		

Earnings per share

The methods for calculating the basic earning (loss) per share and diluted earnings (losses) per share are defined by IAS 33 – Earnings per share. Basic earnings (loss) per share is defined as the ratio between the economic result or the result of operating activities in the period (thus excluding the result of non-current assets being disposed of net of taxes) attributable to the holders of ordinary capital instruments and the weighted average of ordinary shares outstanding during the period. The table below shows the basic earnings (loss) per share with the details of the calculation.

Detail	31/12/2023	31/12/2022
Earnings (loss) attributable to holders of ordinary shares	15,067,393	10,885,387
Weighted average of ordinary shares	12,635,066	11,250,401
Basic earnings (loss) per share	**1.19**	**0.97**

During the first half of 2022, the company completed the process of listing ordinary shares on Euronext Milan, organized and managed by Borsa Italiana S.p.A., Euronext STAR Milan segment. In the context of the listing, 2,807,792 newly issued shares

were offered and placed, deriving from the share capital increase approved by the Company to service the IPO. The ordinary shares in circulation therefore increased from 9,827,274 as at 31 December 2021 to 12,635,066 as at 30 June 2022.
As established by IAS 33, the weighted average of the ordinary shares in circulation in 2022 was calculated in consideration of the fact that the issue of the new shares took place on 29 June 2022. There are no instruments in place with a potential dilutive effect, therefore, the diluted earnings (loss) per share is therefore equal to the basic earnings (loss) per share.

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 31/12/2023	Total 31/12/2022
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**-**	**28,549,467**	**-**	**-**	**31,709,532**	**60,258,999**	**41,401,298**
- on current receivables	-	-	20,476,881	-	-	23,439,234	43,916,115	37,759,219
- on future receivables	-	-	2,006,283	-	-	2,388,283	4,394,566	1,750,068
- on receivables purchased outright	-	-	6,066,303	-	-	5,882,015	11,948,318	1,892,011
- on receivables purchased below the original value	-	-	-	-	-	-	-	-
- for other loans	-	-	-	-	-	-	-	-
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loan	-	-	-	-	-	-	-	-
4. Pledged loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**-**	**28,549,467**	**-**	**-**	**31,709,532**	**60,258,999**	**41,401,298**

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 mainly given by the interest income from banks and interest income deriving from the securitisation transaction.

21.2 Other information

Analytical breakdown of interest expense and similar charges

Technical form	Amount
Current accounts payable	86,850
Pool loan	7,145,742
Mortgages	386,119
Advance invoices in Italy and abroad	3,451,214
Bonds	1,346,003
Commercial paper	1,337,836
Securitisation	7,814,274
Lease payables	44,078
Other interest expense	3
Total	**21,612,119**

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 31/12/2023			Total 31/12/2022		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing	**461,502,635**	**1,057,490**	**460,445,145**	**385,098,044**	**565464**	**384,532,580**
• exposures to transferors (with recourse)	339,282,225	810,970	338,471,255	327,439,318	424,341	327,014,977
- assignment of future receivables	38,503,033	441,691	38,061,342	19,512,154	82,429	19,429,725
- others	300,779,192	369,279	300,409,913	307,927,164	341,912	307,585,252
• exposures to transferred debtors (without recourse)	122,220,410	246,520	121,973,890	57,658,726	141,123	57,517,603
2. Non-performing	**2,819,952**	**899,602**	**1,920,350**	**1,348,806**	**447,329**	**901,477**
2.1 Bad loans	1,890,833	776,898	1,113,935	858,658	434,075	424,583
• exposures to transferors (with recourse)	1,890,833	776,898	1,113,935	858,658	434,075	424,583
- assignment of future receivables	481,239	240,620	240,619	481,239	192,496	288,743
- others	1,409,594	536,278	873,316	377,419	241,579	135,840
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.2 Unlikely to pay	929,119	122,704	806,415	469,717	12,232	457,485
• exposures to transferors (with recourse)	929,119	122,704	806,415	469,717	12,232	457,485
- assignment of future receivables	75,557	11,334	64,223	-	-	-
- others	853,562	111,370	742,192	469,717	12,232	457,485
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.3 Non-performing past due exposures	-	-	-	20,431	1,022	19,409
• exposures to transferors (with recourse)	-	-	-	-	-	-
- assignment of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
• exposures to transferred debtors (without recourse)	-	-	-	20,431	1,022	19,409
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	20,431	1,022	19,409
Total	**464,322,587**	**1,957,092**	**462,365,495**	**386,446,850**	**1,012,793**	**385,434,057**

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		TOTAL RECEIVABLES	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
- on demand	59,826,176	59,273,350	84,626,615	81,082,260
- up to 3 months	235,922,583	244,283,688	266,675,970	278,843,022
- over 3 months to 6 months	41,840,282	23,921,471	30,765,060	23,293,349
- from 6 months to 1 year	1,300,753	416,774	150,731	520,077
- over 1 year	1,501,811	1,762	-	1,892
- indefinite duration	-	-	-	-
Total	**340,391,605**	**327,897,045**	**382,218,376**	**383,740,600**

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	
	31/12/2023	31/12/2022
- on demand	18,345,014	8,573,319
- up to 3 months	95,645,678	39,973,915
- over 3 months to 6 months	7,802,362	8,652,526
- from 6 months to 1 year	180,836	330,157
- over 1 year	-	7,095
- indefinite duration	-	-
Total	**121,973,890**	**57,537,012**

B.3 – Other information

B.3.1 – Turnover of receivables subject to factoring transactions

Items	31/12/2023	31/12/2022
1. Transactions without recourse	612,966,197	184,366,349
- of which: purchases below nominal value		
2. Transactions with recourse	1,781,994,192	1,750,126,987
Total	**2,394,960,389**	**1,934,493,336**

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 2023.

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

Items	31/12/2023	31/12/2022
Flow of contracts for the purchase of future receivables during the year	164,314,119	74,879,906
Amount of contracts outstanding at year end	59,170,246	23,886,575

As at 31 December 2023, the net exposure for future receivables amounted to EUR 38,366,184.

D. Guarantees given and commitments

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

Transactions	Amount 31/12/2023	Amount 31/12/2022
1. Financial guarantees issued on first demand	**32,592,007**	**51,112,988**
a) Banks	9,037,562	19,332,423
b) Financial companies	23,554,445	31,780,565
c) Customers	-	-
2. Other financial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
3. Commercial guarantees issued	**-**	**-**
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
4. Irrevocable commitments to disburse funds	**-**	**-**
a) Banks	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
b) Financial companies	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
c) Customers	-	-
i) with certain use	-	-
ii) with uncertain use	-	-
5. Commitments underlying credit derivatives: protection sales	**-**	**-**
6. Assets pledged as collateral for third party obligations	**-**	**-**
7. Other irrevocable commitments	**-**	**-**
a) to issue guarantees	-	-
b) others	-	-
Total	**32,592,007**	**51,112,988**

In relation to "Financial guarantees issued on first demand – a) Banks", it should be noted that, in relation to the medium/long-term loan agreement in place 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 2023, the credit balance of the current accounts subject to the pledge amounted EUR 9,037,562, while the payable relating to the loan, including interest payable, amounted to EUR 174,326,430.

In addition, it should be noted that the Company has pledged part of the receivables acquired from its Transferors as collateral to the pool of banks, in line with the provisions of the medium/long-term loan agreement. In particular, the contract envisages that Generalfinance – at each drawdown of the line – make assignments as collateral of nominal loans for a total amount equal to the amount of the line used as at the reference date. Since this is a particular case and different from a financial or personal guarantee, this guarantee is not indicated in the table above.

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

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	**-**	**-**	**32,592,007**	**181**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- first demand financial guarantees	-	-	32,592,007	181	-	-	-	-	-	-	-	-
- 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	**-**	**-**	**32,592,007**	**181**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**-**	**51,112,988**	**-**	**-**	**-**	**-**
(B) Increases	**-**	**-**	**-**	**-**	**-**	**-**
- (b1) guarantees issued	-	-	-	-	-	-
- (b2) other increases	-	-	-	-	-	-
(C) Decreases	**-**	**18,520,981**	**-**	**-**	**-**	**-**
- (c1) guarantees not enforced	-	18,520,981	-	-	-	-
- (c2) transfers to non-performing guarantees	-	-	-	-	-	-
- (c3) other decreases	-	-	-	-	-	-
(D) Final gross value	**-**	**32,592,007**	**-**	**-**	**-**	**-**

D.12 – Changes in total value adjustments/provisions

Reasons/Categories	Amount
A. Initial total value adjustments/provisions	**2,900**
B. Increases	**-**
B.1 value adjustments from purchased or originated impaired financial assets	-
B.2 other value adjustments/provisions	-
B.3 losses on disposal	-
B.4 contractual changes without cancellations	-
B.5 other increases	-
C. Decreases	**2,719**
C.1 write-backs from valuation	2,719
C.2 write-backs from collection	-
C.3 gains on disposal	-
C.4 write-offs	-
C.5 contractual changes without cancellations	-
C.6 other decreases	-
D. Total closing value adjustments/provisions	**181**

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

A – Securitisation transactions

Qualitative information

On 13 December 2021, Generalfinance signed a first securitisation programme – three-year and subject to annual renewal – of trade receivables under which it transfers without recourse, on a revolving basis, portfolios of performing trade receivables originated in the exercise of its core business to an Italian vehicle company established pursuant to the law on securitisation (General SPV S.r.l.). Subsequently, on 14 June and 9 December 2022 respectively, the entry of Intesa Sanpaolo (IMI Corporate & Investment Banking Division) and Banco BPM as new senior lenders was defined – alongside BNP Paribas – as part of the securitisation programme, currently with a maximum nominal amount EUR 737.5 million.

Purchases of receivables are financed through the issue of various classes of partly-paid type ABS securities, with different degrees of subordination; details of the notes outstanding as at 31 December 2023 are provided below:

- Maximum EUR 200,000,000 of A1 Senior Notes, subscribed by BNP Paribas, through the Matchpoint Finance LTD conduit, with a commitment of EUR 75 million and an uncommitted amount of EUR 75 million;
- Maximum EUR 200,000,000 of A2 Senior Notes, subscribed by Intesa Sanpaolo, through the Duomo Funding PLC conduit, with a commitment of EUR 75 million and an uncommitted amount of EUR 25 million;
- Maximum EUR 100,000,000 of A3 Senior Notes, subscribed by Banco BPM, with a commitment of EUR 50 million;
- Maximum EUR 53,000,000 of B1, B2 and B3 Mezzanine Notes, subscribed and retained by Generalfinance and which could be subsequently placed with institutional investors;
- Maximum EUR 37,000,000 of Junior Notes, fully subscribed and withheld by Generalfinance, also in order to satisfy the regulatory retention rule.

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

In the context of securitisation – which does not lead to the deconsolidation of loans to customers, who therefore continue to remain registered in the balance sheet of the factor – Generalfinance operates as a sub-servicer.

From an accounting point of view – on the basis of the economic substance of the transaction – the amount of the senior notes subscribed by Matchpoint Finance LTD, Duomo Funding PLC and Banco BPM was recognised under liabilities in the balance sheet, under financial liabilities measured at amortised cost, net of the available liquidity in the vehicle's current account, as it represents the net debt obtained from Generalfinance through the securitisation structure. The Mezzanine and Junior notes – fully retained by Generalfinance – were subscribed to offset the corresponding part of the initial consideration relating to the assignment of the receivables by the originator; therefore, these notes do not appear in the financial statements as they do not represent a cash exposure of Generalfinance.

The company has no exposure to third-party securitisation.

Quantitative information

As at 31 December 2023, the payable to the vehicle company (including accrued interest) amounted to EUR 166,501,036.

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

Transaction: General SPV	Amount
Maximum nominal outstanding of receivables	737,500,000
Maximum nominal value of notes issued – General SPV	
Senior (A1)	200,000,000
Senior (A2)	200,000,000
Senior (A3)	100,000,000
Mezzanine (B1)	21,200,000
Mezzanine (B2)	21,200,000
Mezzanine (B3)	10,600,000
Junior	37,000,000
TOTAL	**590,000,000**

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

Role	Subject
Issuer and Transferee	General SPV S.r.l. – Special purpose vehicle established pursuant to Italian Law no. 130/99
Master Servicer	Zenith Service S.p.A.
Originator/Sub-Servicer	Generalfinance S.p.A.
Programme Agent	BNP Paribas S.A., Italian branch
Calculation Agent	Zenith Service S.p.A.
Corporate Servicer	Zenith Service S.p.A.
Representative of the bondholders	Zenith Service S.p.A.
Interim Account Bank	Banco BPM S.p.A.
Account Bank	The Bank of New York Mellon SA/NV Milan branch
Paying Agent	The Bank of New York Mellon SA/NV Milan branch
Subscriber of the ABS A1 Senior Notes	BNP Paribas S.A., through the Matchpoint Finance LTD conduit
Subscriber of the ABS A2 Senior Notes	Intesa Sanpaolo S.p.A., through the Duomo Funding PLC conduit
Subscriber of the ABS A3 Senior Notes	Banco BPM S.p.A.
Subscriber of the ABS Mezzanine and Junior Notes	Generalfinance S.p.A.

The following table shows the conditions of the senior funding, subscribed by Banco BPM, by BNP Paribas, through Matchpoint Finance LTD, and by Intesa Sanpaolo, through Duomo Funding PLC

Description	Level
Senior Noteholders	BNP Paribas S.A., through Matchpoint Finance LTD Intesa Sanpaolo, through Duomo Funding PLC Banco BPM S.p.A.
Target of Senior Funding Line	Maximum amount of the Senior Loan Line: EUR 500 million
Senior committed line	EUR 200 million
Senior committed and uncommitted line (maximum amount)	EUR 300 million
Duration	3 years with commitment renewable annually, expiry 31.12.2024
Revolving period	3 years, subject to early termination events
Generalfinance percentage disbursement limit	Limit 85%
Senior Advance Rate	85% (senior note) of the advances (Initial Advanced Amount)
Portfolio subject to the Transaction	With Recourse Factoring and Without Recourse Factoring
Credit support	Dynamic Credit Enhancement based on the levels of (i) default, (ii) dilution, (iii) the average amount financed to the Originators, subject to a floor and adjusted for the level of concentration of the Debtors. The Credit Support corresponds to the Deferred Purchase Price (DPP)
Senior Notes	Variable Funding Notes equal to 85% of the advances of GF
Mezzanine Notes	Partly Paid Notes equal to roughly 8.8% of the advances of GF
Junior Notes	Partly Paid Notes equal to around 6.3%[1] of the advances of GF
Interest Rate	1-month EURIBOR with floor at 0% + Margin
Margin	1.1% for A1 and A2 notes 0.98% for A3 notes
Commitment Fee	30% of the margin of the senior notes, calculated on the portion of the committed line not used
Rating	Not provided for
Hedging	Not provided for

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

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 resulting from procedural malfunctions, inadequacy of internal processes, human resources and technological systems or deriving from unexpected external events.

Generalfinance is also exposed to the following other risks:

- **Concentration risk**: risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading in the same goods, 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.
- **Transfer risk:** the risk of exposure to a borrower financing itself in a currency other than that in which it earns its main sources of income, and therefore realising losses due to the borrower's difficulties in converting its currency into the currency in which the exposure is denominated.
- **Interest rate risk**: the risk that arises as a result of unfavourable market rate trends and relates to the mismatch of maturity and repricing dates (repricing risk) and the different trend in the reference rates of asset and liability items (basis risk).
- **Liquidity risk**: the risk of not being able to meet its payment commitments due to the inability both to raise funds on the market (*funding liquidity risk*) and to sell its assets (*market liquidity risk*). For Generalfinance, the case of funding liquidity risk is particularly relevant. In other words, the liquidity risk derives from a possible imbalance between expected cash flows and outflows and the consequent imbalances/surpluses in different maturity brackets, depending on the collectability of the assets or payment of the liabilities divided by residual life (maturity ladder).
- **Residual risk:** risk that the recognised techniques for mitigating credit risk used by the Company are less effective than expected. This risk essentially arises when, at the time of the debtor's impairment, the mitigation instrument against the exposure provides, in fact, a degree of protection lower than that originally envisaged and, consequently, the equity benefit obtained with the related usage is overestimated.
- **Securitisation risk**: risk determined by the absence of adequate policies and procedures to ensure that the economic substance of said transactions is fully in line with their risk assessment and with the decisions of the corporate bodies. The Company does not transfer the risk of the portfolio with the only securitisation transaction carried out (General SPV), as the transaction itself is aimed exclusively at raising funds on the institutional market.
- **Excessive leverage risk**: risk that a particularly high level of indebtedness with respect to the amount of equity makes the intermediary vulnerable, making it necessary to adopt corrective measures to its business plan, including the sale of assets with recognition of losses that could be entail value adjustments also on the remaining assets.
- **Strategic risk**: the current or future risk of a decline in profits or capital deriving from changes in the operating environment or from incorrect company decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.
- **Reputational risk**: the current or future risk of a decline in profits or capital deriving from a negative perception of the image of the intermediary by customers, counterparties, shareholders of the intermediary, investors or supervisory authorities.
- **Risk of non-compliance**: risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory provisions (of law or regulations) or of self-regulation rules (e.g. articles of association, codes of conduct, etc.), including legislation governing international money laundering/terrorism financing and legislation governing the transparency of banking and financial transactions and services.

- **<u>IT risk</u>**: risk of incurring economic, reputation and market share losses in relation to the use of Information and Communication Technology (ICT).
- **<u>Risk deriving from outsourcing</u>:** risk linked to the outsourcer's activities, in particular to its inefficiency/service disruptions and to the loss of skills by the Company's human resources. These are mainly operational risks, although the implications for credit, compliance and reputational risks are not negligible.

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

- the Credit Department (Chief Lending Officer) and the Operations Department (Chief Operating Officer) oversee the management of credit risk, country risk and concentration risk, being organisationally responsible for the various phases of the credit process, i.e. investigation, granting and monitoring as regards the Credit Department and management and recovery in relation to the Operations Department;
- the Finance and Administration Department (Chief Financial Officer) manages and monitors liquidity, interest rate, residual, securitisation, excessive leverage and strategic risks (the latter, in particular, in close collaboration with the Chief Executive Officer);
- the Legal and Corporate Affairs Department manages and monitors reputational risks (in collaboration with the CFO, as regards relations with the media).
- the AML and Compliance Department monitors the risk of non-compliance (which includes the risk of money laundering) and the risk deriving from outsourcing relationships;
- the Internal Audit Office oversees third-level controls on the credit process;
- the ICT and Organisation Department oversees IT risk.

On an operational level, the Finance and Administration Department provides periodic reports (through the management planning and control system) to the corporate bodies on the performance of the activities and on the deviations from the budget and the business plan; this disclosure is structured on a daily (commercial data, asset figures, profitability of factoring transactions) and monthly (tableau de bord, which summarises financial, portfolio risk and liquidity information, capitalisation) basis. The Risk Management Office monitors in detail the trend of the main risk indicators with a specific "tableau de bord Risk", which is presented quarterly to the Board of Directors, and through the monitoring of the main indices defined in the Risk Appetite Framework, through a specific quarterly disclosure (Risk Appetite Statement), submitted to the Board.

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

CONTROL SYSTEM

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

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

Risk Management Department

In the organisation of Generalfinance, the risk management department is located in the "Risk Management Office".
The office reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.
Risk management activities aim to verify compliance with prudential supervisory rules and the management of company risks. In particular, this office contributes to the definition of risk measurement methods, verifying ongoing compliance with the overall prudential supervisory limits imposed by the Supervisory Authority.

Compliance Function

The compliance function is carried out by the AML and Compliance Office, which is responsible for the activities relating to the monitoring and verification of compliance with the regulations. 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 AML and Compliance Office, with the help of the Legal and Corporate Affairs Department, identifies the rules applicable to the Company and assesses and measures their impact on the business, proposing appropriate organisational changes in order to ensure effective and efficient monitoring of the identified non-compliance and reputational risks.

The Anti-Money Laundering Function

The Anti-Money Laundering Function is part of the AML and Compliance Office. The office reports directly to the body with management functions (Chief Executive Officer), with direct access to the Board of Directors through periodic information flows.
The Anti-Money Laundering Function (hereinafter AML) 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.

Internal Audit Function

The internal audit function is carried out by the Internal Audit Office, which reports directly to the Board of Directors, ensuring compliance with sound and prudent management.
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.

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 help contain the relative risk factors: the presence of several parties (transferor and transferred debtor), the insurance guarantee that covers the bulk of business volumes, any additional personal guarantees acquired and, in particular, 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 2023, 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 – in the context of the ordinary management of trade receivables – to reschedule certain deadlines in order to facilitate transferred debtors and transferors, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected as at the reporting date.

2. Credit risk management policies

2.1 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 and Operations Departments.

The Credit Department acts through:

- the Transferor Assessment Office, ensuring 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;
- the Legal Support Office, constantly monitoring the changes and updates of the legal aspects of the Transferor customers. This Office manages the legal aspects that arise over the course of the relationship with the Transferor customers, assists the Collection Office in the judicial debt collection activities and manages disputes by maintaining relations with the appointed lawyers, providing them with indications and agreeing on strategies for legal proceedings;
- the Debtor Assessment Office, dealing in detail with the assessment of the individual transferred debtors and defining the overall risk of the transferred debtor portfolio;
- the Portfolio Monitoring Office, monitoring credit risk from a portfolio perspective, assessing performance and credit quality indicators.

The Operations Department acts through:

- the Collection Office, which is entrusted with the continuous monitoring of maturities and the management of the collection of receivables. This Office is responsible for the credit recovery process in all the different phases, from the past due to any legal recovery;
- the Debtor Management Office, which is responsible for managing the relationship with the transferred debtors as part of the operating procedures defined with the Transferor and managing the reconciliation of daily collections;
- the Back Office, which monitors compliance with the operating procedures envisaged for the specific relationship and deals with the process of disbursement of credit and settlement of amounts not advanced to the transferors.

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 six members, of which three with voting rights and three without voting rights.

Members with voting rights are:

- the Chief Executive Officer;
- the Head of the Credit Department (CLO);
- the Head of the Sales Department.

Non-voting members are:

- the Head of the Operations Department (COO);
- the Head of the Corporate Customer Management Office;
- the Head of the Retail Customer Management Office.

Sessions in which the Credit Committee is called upon to examine the credit classification of an active position must also be attended by the Head of the Risk Management Office, who intervenes with an advisory function, without voting rights.

The resolutions of the Credit Committee are passed by open vote and by simple majority of the members present with voting rights. Although each of the voting members may cast only one vote, the vote of the Chief Executive Officer (as a connecting and controlling element of the Board of Directors) influences the outcome of the vote, if they are placed in a minority. In this case, in fact, the decision cannot be validly taken by the Credit Committee but is the responsibility of the Board of Directors.

The Head of the Transferor Assessment Office also participates in the meetings of the Credit Committee, in their capacity as Secretary of the Credit Committee and, depending on the topics dealt with or the subject of the resolution, the Customer Managers (each with reference to the names of its competence).

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) and by the data analytics systems, which allow 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 the appropriate functions of the company management system (electronic credit application and transferor position), 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 and customers 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 and operating conditions that govern the relationship with the Transferor, in such a way that all criteria and operating limits are set in a definitive and complete manner for the subsequent disbursement phase.

The Credit Committee – on the basis of the provisions of the "Classification and measurement of credit exposures" Policy supplemented, operationally, by the "Credit & Collection Policy" – also resolves: i) the transfers between administrative statuses (past due, UTP, bad loan) and the related analytical provisions and ii) the transfers from Stage 1 to Stage 2 (in reference to "discretionary triggers", in accordance with IFRS 9).

The results of the Committee's deliberations are always forwarded to the CFO, the head of the Administration and Personnel Department and the head of the Supervisory Reporting Office, in order for the results to be correctly incorporated into the financial and reporting framework, as well as to the head of the Risk Management Office.

As part of the credit process, the Risk Management Office plays an important role, which relates to second-level controls on the credit process. The Risk Management Office, as part of the lending activities carried out by the Company, is responsible for carrying out checks aimed at ascertaining the adequacy of the various phases of the credit process and assessing their compliance with the credit policy.

As part of the credit risk management process, the Risk Management Office monitors the risk level of the Company's loan portfolio. 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, doubtful and watchlist);
• monitoring of limits and exceptions to company policies;
• verification of consistency over time between the rules for assessing creditworthiness and the related pricing;
• monitoring the concentration limits of credit exposures to a single Counterparty (Groups of companies), as per the regulations of the Supervisory Authority;
• monitoring the IFRS 9 framework, as part of the determination of the Expected Credit Loss.

2.2 Management, measurement and control systems

General considerations

The main types of customers are represented by the following two segments into which "Distressed" transactions are structured:

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

The reference area in which the company operates, as regards transferred debtors, is mainly represented by the so-called "Eurozone". A component – historically around 25% – of turnover is achieved with foreign transferred debtors, mainly in the EU and North America, with a limited assumption of "country risk". As regards Transferors, the scope of operations relates to Italian companies. In particular, at geographical level, operations are mainly concentrated in Northern Italy – with a particular focus on Lombardy – and, at sector level, in manufacturing and sales.

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

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

• With recourse factoring: the Company operates through the granting of a loan to customers, which at the same time transfers to the Company business receivables, the payment of which is attributed to the repayment of the financed sum. The collection of the receivable transferred 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 with recourse stood, over the years, at around 80% of the nominal value of the loan transferred; the percentage of disbursement per individual assignment varies according to the specific characteristics of the transaction, the Transferor and the transferred debtors (e.g. according to the method of payment of the receivables, the nature and solvency of the transferred debtor, the transferor's situation, past relations, collection trend data and other elements that are assessed from time to time for granting purposes). In this type of transaction, the risk of insolvency of the transferred debtor remains with the Transferor.

• Without recourse factoring: this type of transaction follows the same operating methods described in the previous point but requires the Company to assume the risk of non-payment of the receivable transferred. The transactions without recourse carried out by the company are IAS-compliant, with the transfer of risks from the Transferor to the factor.

The transactions carried out by Generalfinance normally provide for the notification of the individual assignments to the Transferred Debtor (“Factoring Notification”); based on specific operational controls, transactions are implemented without notification (“Non-notification”).

The assignments normally concern receivables that have already arisen while in certain situations – on the basis of specific operational controls defined from time to time by the decision-making body – assignments of future receivables are carried out (contracts or orders).

The assumption of risks involves the acquisition of suitable documentation to allow an assessment of the individual customer, codified in an investigation process, which also provides for customer profiling for anti-money laundering purposes. Through this activity, an analysis report is prepared in favour of the Credit Committee (summarised in a document called Electronic Credit Application or PEF) aimed at highlighting the level of credit risk associated to the Transferor and the Transferred Debtors (evaluated, in said case, also at overall portfolio level), as well as the compatibility between the individual loan applications and the credit policy adopted by the Company. The preliminary investigation process is completed when all the additional checks required by internal and supervisory regulations (e.g. anti-money laundering) are completed, at the end of which the case may be submitted to the Credit Committee.

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

- the analysis of the customer (Transferor) and the Transferred debtor, both through internal processing of information taken from company databases, and with the help of data from third parties and specialised public and private bodies; in particular, a score is calculated for each Transferor and Debtor, based on the methodology developed over time by Generalfinance. The score at the debtor level is then aggregated at the portfolio level, so as to calculate the overall score of the factoring transaction, based on the weighted average between the Transferor and the Debtor portfolio. Taking into account the self-liquidating nature of the risk assumed, the greatest weight in the scope of the scoring method is assigned to the Debtor portfolio;
- the continuous verification of the entire position of the transferor, both statically, i.e. with reference to the overall risk situation, and dynamically, i.e. with reference to the performance of its relationship with each individual transferred debtor;
- the verification and analysis of any intragroup relations, understood as relations between a transferor and transferred debtors belonging to the same legal or economic group;
- continuous verification of the regularity of payments by the transferred debtors;
- portfolio diversification;
- the continuity and quality of commercial relations between supplier and customer;
- the analysis of the consistency and size of the transferor in order to obtain the balance of the assumed risk.

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

- insurance coverage of most of the turnover;
- explicit acceptance of the assignment (also in the form of recognition) by the transferred debtor, on positions deemed worthy of special attention;
- notification to debtors of the Letter of Initiation – LIR and of the individual assignments in order to obtain the enforceability of the factoring transactions and the channelling of collections;
- setting a limit on the amount that can be disbursed to customers (as determined by the Credit Committee) with particular attention to any situations of risk concentration;
- diversification of customers by economic sector and geographical location.

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

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

• Resolution: final act of the decision-making process to which credit applications are submitted. This may have as its object the acceptance or rejection of the request.

• Initiation of the relationship: phase in which the contractual documentation is formalised.

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

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

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

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

• Reporting: reporting is the set of information flows intended for the Corporate Bodies and the functions involved in the loan disbursement and monitoring process.

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

Maximum Payable

A limit is also defined ("Maximum Payable") which represents the maximum amount within which Generalfinance is available to disburse amounts by way of advance payment of the purchase price of the receivables. It refers to the entire position of the Transferor (individual or at Group level), considered as a whole, and constitutes an operating ceiling, resolved internally by the Company, predetermined and defined to meet operational needs of a management nature. Having these characteristics and not representing any contractual commitment to the customer to grant advances on the transferred 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 per transferor is decided by the Credit Committee or by the Board of Directors based on the autonomy and powers granted.

Percentage of disbursement

The percentage of disbursement is defined as the ratio between the value advanced by Generalfinance during the disbursement phase and the nominal value of the loans transferred by the customer to the Company.

The percentage of disbursement, in respect of factoring with recourse, per individual Transferor/Debtor varies at the discretion of the factor based on the specific characteristics of the transaction, the Transferor and the transferred debtors (e.g. according to the method of payment of the receivables, the nature and solvency of the transferred debtor and other elements that are assessed on each occasion a disbursement is carried out). With regard to on-recourse factoring, the disbursement percentage is 100%, as these are only outright purchases (IAS Compliant). The disbursement percentage per transferor is decided by the Credit Committee or by the Board of Directors based on the autonomy and powers granted.

Debtor Advance Limit

In addition to the previous one, an additional operating limit is assessed ("Debtor Advance Limit" or "Cross credit line") which represents the maximum amount within which Generalfinance is available to disburse amounts by way of Advance on receivables due from a single Debtor or a group of related Debtors. It represents the ratio between the maximum limit (in terms of nominal value) of receivables due from a single Debtor (or group of related Debtors) that the Company is willing to acquire from a particular Transferor ("Cross Credit Line") and the percentage of advances on individual loans.

In any case, the Debtor Advance Line cannot, in any case, exceed the limits envisaged by the applicable Supervisory provisions. The Cross Credit Line by debtor is approved by the CLO, the Credit Committee or the Board of Directors based on the autonomy and powers granted.

Pricing

The pricing of factoring transactions is calculated on the basis of an automated model and depends largely on the outcome

of the analysis of the transferred debtors, the prospective volume of business, the complexity of portfolio management and the form of payment used by the debtor.
To this end, the following are relevant for listing purposes:
- the turnover forecasts proposed by the Transferor (the turnover cluster);
- the score of the overall transaction;
- the complexity of the relationship (considering, for example, the number of debtors, the percentage of foreign counterparties on the total, the form of payment and the management of the receivable borne by the Factor);
- the level of commercial oversight (considering turnover and revenues from sales).
The automatic preliminary assessment is then duly defined by the Sales Department according to the system of powers.

Internal rating (scoring)
The Company assigns each factoring transaction (understood as the overall assessment of the profiles relating to the transferor and the debtors portfolio) its own internal rating ("GF score") to classify the risk of the factoring relationship according to a numerical progression corresponding to a certain level of creditworthiness. The score is assigned to the transferor when the relationship is initiated and is continuously updated until its termination.
The GF Score of the transaction is calculated on the basis of the following elements:
- the risk of the transferred debtors that have the most significant weight for valuation purposes;
- the objective and subjective assessment of the transferor (through qualitative/quantitative analysis of the economic and financial results 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 legal status and corporate relations).
In the event that the analysis of the debtor's creditworthiness reveals the existence of risk factors or areas of attention, the Transferor Assessment Office reports this in the analysis report intended for the Credit Committee. For these positions, at the time of its resolution, the Credit Committee can define 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 exposure, again with regard to the Debtor concerned, within a given maximum limit 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 transferred receivables due from the Debtor concerned from those subject to advances.

Heading of the risk on the Transferred Debtor
In consideration of the fact that sector regulations (i.e. Circular no. 288 of 3 April 2015) allow the performing exposure to be assigned to the transferred debtor – rather than the transferor – if certain legal and 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 (ii) 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.
Specific controls are defined with reference to non-notification operations, in order to comply with the provisions of Circular 288.
In addition, both with reference to the "Transferred Debtor" approach and that relating to the "Transferor Debtor", 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.).

Insurance guarantees and maximum duration of the loan
The decision-making bodies (CLO, Credit Committee and Board of Directors, as appropriate) define minimum levels of insurance coverage associated with the transferred debtor portfolio and maximum credit durations. In particular, there are minimum insurance coverage thresholds differentiated between without recourse and with recourse transactions. Beyond certain thresholds envisaged by the Credit Regulation on the duration of the loan or insurance coverage, resolutions may be passed exclusively by the higher bodies, up to the Board of Directors.

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), taking account of the duration of the loans;
- *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 (including "Watchlist" financial assets) that have not undergone a significant increase in credit risk since origination;
- *Stage 2*: performing financial assets for which there has been a significant increase in credit risk (SICR) between the origination date and the reporting date or are characterised by unique characteristics defined in the "backstops" possibly adopted by the Company;
- *Stage 3*: includes all positions classified in default status at the reporting date according to the regulatory definition of impaired loans (EU Regulation no. 575/2013, Regulation (EU) no. 2019/630, EBA GL 2016/07 and Circular no. 288/2015 which acknowledged Consultation Document of the Bank of Italy from 10 June 2020 to 8 September 2020 "Amendments to the supervisory provisions for financial intermediaries: application of the new definition of default and other changes regarding credit risk, own funds, investments in property and significant transactions").

The process of allocation to internships adopted by the Company, with simultaneous verification of the conditions inherent to the significant increase in credit risk, is also characterised by elements of complexity and subjectivity. In line with the requirements of the Standard, the quantification of the SICR must be based on the change in the risk of default expected for the expected life of the financial asset and not on the change in the amount of expected loss (ECL). The Company has chosen to measure the significant increase in the credit risk of the counterparty (Transferor) with subsequent classification of the exposure in Stage 2 in relation to certain automatic events (triggers), for the past due condition is evaluated, according to the definition of the Delegated Regulation (EU) no. 171/2018 on the materiality threshold of past due obligations pursuant to Art. 178, paragraph 2, letter d) of the CRR (RD) and discretionary (based on the assessment of the status of the counterparty, in particular in cases of access to an insolvency procedure by the Transferor after the disbursement of the loan).

If, in relation to an exposure classified in Stage 2, the conditions for this classification no longer apply at a subsequent reporting date, it will be reclassified by the Credit Committee to Stage 1.

The Standard requires that the same transfer criteria be used to transfer an exposure from the different stages. This also refers to the so-called symmetrical approach, which allows an entity to recognise an expected loss over a time horizon of 12 months for all exposures classified in Stage 1, unless the recognition of the expected loss throughout the life of the receivable is changed once the credit risk of these exposures has increased significantly after initial recognition. Therefore, IFRS 9 provides for the possibility of allocating financial assets in Stage 2 or Stage 3 and to report these exposures in the initial categories if subsequent assessments show that the credit risk has decreased significantly.

In this regard, the Standard states that "if in the previous year an entity measured the loss provision of the financial instrument at an amount equal to the expected losses over the entire life of the instrument, but at the current reporting date it determines that the paragraph 5.5.3 is no longer satisfied, it must measure the loss provision at an amount equal to the expected credit losses in the 12 months following the current reporting date".

Calculation of expected credit loss – Stage 1 and Stage 2

The Company has implemented an accounting model in line with the provisions of international accounting standards, in order to calculate the risk parameters underlying the determination of the Expected Credit Loss (ECL): PD, LGD, EAD, at the level of individual exposure.

The Standard provides that the calculation of expected losses (ECL) must reflect:

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

For the measurement of expected losses, the Company has a set of rules defined in accordance with the requirements set out by the accounting standard.

For exposures in Stage 1 and 2, the expected losses at 12 months and lifetime are calculated respectively, based on the stage assigned to the exposure, taking into account the duration of the financial instrument.
In this regard, the approach adopted is differentiated to take into due consideration the potential significant increase in credit risk associated with loans classified in Stage 2. In light of these considerations, taking into account the short duration (less than one year) of loans disbursed by the Company, a time factor is applied to positions classified as Stage 1 that rescales the exposure on the basis of the residual life of the loan, applying a minimum floor (30 days), according to the following formula:

$$EAD = Exposure * N/365$$

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

In the case of loans classified as Stage 1, the following corrective measures apply in any case:
a) a minimum “floor” of 30 days in the case of receivables falling due with a residual life of less than 1 month and up to 5 days for performing past due (minimum technical time for recording the collection);
b) a factor N equal to 365, or no split if the credit exposure is past due by at least 6 days and not yet collected.

On the other hand, with regard to the positions classified as Stage 2, in consideration of the observed significant increase in credit risk, the exposure is not reproportioned from a timing perspective. In fact, a duration of the exposure of 12 months is assumed, consistent with the Probability of Default (PD) time horizon.

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

$$ECL = PD * LGD * EAD$$

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

Considering that the average credit days are very limited (less than 90 days), the different degree of risk recorded between the positions classified in Stage 2 compared to those in Stage 1 is intercepted through the use of a time factor applied to the EAD, added to the calculation formula, as specified above.
With regard to credit exposures to financial intermediaries, a 12-month ECL is considered (since the company does not have exposures other than on demand to financial institutions) equal to the average EL of a peer group of Italian banks, based on the probability of default provided by external providers (Bloomberg), taking into account an estimated LGD of 10%.

Risk parameters: Probability of Default (PD)
The Probability of Default is measured at the level of the transferred debtor; this approach is also consistent with the company’s business model, which assesses the risk of the counterparties primarily on the basis of the transferred debtors portfolio. The approach is also consistent with the provisions of the Supervisory regulations which, under certain legal and operating conditions, allow the transfer of the risk to the transferred debtor – in place of the transferor – for prudential purposes also for with recourse transactions, which represents the core business of Generalfinance.
The 12-month PD is that inferred from the ratings provided by external providers associated with the rating classes which are then reclassified within a single distribution of risk classes (mapping).

Taking into account the estimated time horizon of the PD, i.e. 12 months, it is considered reasonable to consider the rating of each transferred debtor on an annual basis. Where the rating has been validated beyond the previous 12 months, it is discarded by the system and the position is treated as unrated.
With regard to the estimate of the lifetime PD to be used to calculate the ECL for loans classified as Stage 2, the following elements were taken into consideration:

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

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

With regard to counterparties for which it is not possible to identify any rating provided by external providers, a PD equal to the weighted average PD of the loan portfolio is used as a proxy. This PD is updated periodically (at least annually) in order to reflect the latest information available on the portfolio in the calculation.
Finally, in the presence of future credit advances, the relative PD is calculated as the average PD of the Transferor's Transferred Debtors with recourse portfolio, in order to correctly reflect the risk profile of this operation.

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 on loans that have already arisen, to recover the credit position from both the transferred and the transferor. In this sense, it is considered reasonable to use different approaches, for with and without recourse portfolios and the future credit advances portfolio, 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.
With reference to advances on future receivables, the relative LGD is prudentially assumed to be equal to the regulatory LGD of the IRB – Foundation models (45%).
With reference to positions in Stage 3, the policy envisages increasing minimum levels of provisions for past due, unlikely to pay and bad loans.

Risk parameters: Exposure at Default (EAD)

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

Forward-looking elements and macro-economic scenarios

IFRS 9 requires the inclusion of forward-looking elements in the expected loss estimates, so that they are suitable to represent the macroeconomic conditions forecast for the future. The inclusion of forward-looking information in the estimate of the lifetime expected loss is therefore fundamental for a correct implementation of IFRS 9. However, in consideration of the approach adopted for the estimate of the ECL, the following elements are noted:

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

Write-off

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

Operationally, the write-off resolutions are adopted by the Credit Committee on the proposal of the Credit Department, once the reasonable expectations of recovery, including legal, of the exposure no longer exist. In any case, the maximum term for maintaining the exposure in the financial statements is 2 years. After this deadline, the exposure must be fully written off.

2.3 Credit risk mitigation techniques

Insurance guarantees

Generalfinance has signed with Allianz Trade (formerly Euler Hermes S.A.), secondary office and general representation for Italy, two insurance policies against the risks of insolvency of the transferors of the trade receivables and/or the related transferred debtors acquired by the Company in the context of factoring transactions (the "Policies").

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

Due to the recognition of the Policies for CRM purposes, the Company has a so-called "large exposure" towards the guarantor Allianz Trade. Therefore, the overall exposure to Allianz Trade must comply with the requirements of the CRR and, in particular, not exceed 25% of the Company's eligible capital, thus limiting the maximum protection effects recognised for prudential purposes to this amount.

In this context, the impacts deriving from the recognition of the Policies for prudential purposes – in terms of lower risk-weighted assets – are calculated on the basis of the maximum exposure to Allianz Trade, an entity currently weighted at 20% based on its rating; in essence, Generalfinance calculates on a quarterly basis the ratio between the limit of large risks and the total exposure insured by Allianz Trade. This percentage is then applied to the insured risk of each exposure, thus dividing the insurance benefit proportionally over all guaranteed exposures.

The activities carried out by Generalfinance and defined in a specific company policy are summarised below, in order to continuously verify the eligibility of insurance policies for CRM purposes and consequently recognise their effect in the calculation of capital requirements.

The guarantee management process for CRM purposes is divided into the following sub-phases:

- Acquisition of the guarantee: in this phase, the supplier of the guarantee (i.e. the insurance company) is selected and evaluated. In this context, attention is also paid to the possible concentration risk that would derive from the use of the personal guarantee, taking into account the nature of the guarantee provider, its creditworthiness and business model; in any case, from an internal policy point of view, also taking into account the constraints relating to loan agreements, Generalfinance underwrites policies to hedge credit risk exclusively with leading companies (Allianz Trade – current partner – Coface or Atradius) for the purpose of avoiding the concentration of risks on insurance intermediaries of lower standing. The assessment is carried out by the Credit Department and resolved by the Board of Directors.
- Assessment of eligibility requirements: the eligibility of the guarantee for CRM purposes is assessed, in particular by verifying the type of guarantee and whether the contractual conditions are in line with regulatory provisions; in this context, the contractual text of the policy is defined by the Credit Department and must be submitted in advance to the Risk Management Office, which is responsible for assessing compliance with regulatory provisions on CRM, in coordination with the Finance and Administration Department.
- Monitoring of the guarantee, a phase in turn broken down into:
  - Monitoring of eligibility requirements: the purpose of this monitoring is to verify the continued compliance of the guarantee contract with the regulatory provisions, with particular attention to the phases of renewal of the insurance policy contract or in the presence of contractual changes; in this context, the contractual text of the policy is defined by the Credit Department and must be submitted in advance to the Finance and Administration Department for the assessment of impacts and to the AML and Compliance Office, which is responsible for assessing its adequacy with respect to regulatory provisions on CRM;
  - Compliance with contractual conditions and clauses: the objective of this phase is to comply with the operating procedures and practices that allow Generalfinance to operate in compliance with the contractual conditions contained in the guarantee contract, in order to maintain the effectiveness of the protection; this activity is the responsibility of the Credit Department, which assesses that the Company's operations are constantly in line with contractual provisions.

- Identification of the relevant characteristics of the policy for reporting purposes: the characteristics of the guarantee used for CRM purposes are analysed in order to identify the relevant aspects for the Supervisory Reports, such as the determination of the value of the guarantee or the weighting to be associated with the supplier of the guarantee, with particular reference to compliance with concentration limits. This activity falls under the responsibility of the Finance and Administration Department (Supervisory Reporting Office).

External ratings provided by ECAI

For the purposes of the Standardised Approach, to determine the risk weight of an exposure, the regulator envisages the use of the external credit assessment only if issued, or endorsed, by an external credit assessment agency (External Credit Assessment Institution "ECAI").

The list of authorised ECAIs is periodically published on the EBA website and adopted by the Bank of Italy. The technical standards regarding the association between the credit risk assessments and the creditworthiness classes of the ECAIs are identified in Implementing Regulation (EU) no. 2016/1799, in accordance with Article 1361, paragraphs 1 and 3, of Regulation (EU) no. 575/2013.

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

3. Non-performing credit exposures

The Company has internal procedures that make it possible to ascertain ex ante the deterioration of the financial situation of the individual debtor and the quality of the trade receivables purchased, as well as adequate procedures that allow it to manage any anomalies that may arise during the relationship (e.g. management of outstanding debts, recovery actions, etc.).

The entire business process is homogeneous for the types of customers and is implemented by all company functions. It is developed – as mentioned above – along the following main phases: (i) customer acquisition; (ii) investigation (customer/transferor assessment, debtor assessment, guarantor assessment); (iii) approval of the Credit Committee; (iv) formalisation and activation of the advance relationship; (v) monitoring and management of existing relationships, credit lines and guarantees.

The Company carries out periodic checks – typically on a daily basis – to verify the emergence, both among transferors and debtors, of unpaid positions that may generate particular critical issues and in order to promptly adopt the appropriate decisions, if there are any reasons for alarm or criticality. Moreover, on the basis of the flow acquired by the Home Banking system and any information obtained from other company or external sources, all non-payments are duly and promptly recorded and credit risk is continuously monitored.

With reference to the specific risk deriving from delay or non-collection of receivables, the operating methodology developed allows Generalfinance to obtain a series of important safeguards for its exposure. In fact, by virtue of the credit assignment agreement, the Company has the possibility of recovering from the Transferred debtor and in the case of with-recourse assignment, also against the Transferor.

Classification – Stage 3

Stage 3 includes all exposures with objective evidence of impairment, therefore all non-performing exposures: past due loans, unlikely to pay and bad loans.

As regards the classification in the three stages highlighted, note that:

- the classification as impaired past due takes place automatically, on the basis of the provisions of Bank of Italy Circular no. 217, with specific reference to the technical form of factoring and the new definition of default valid from 1 January 2021 provided for by the European Regulation relating to prudential requirements for credit institutions and investment firms (Article 178 of Reg. (EU) no. 575/2013);
- with regard to unlikely to pay, the classification in this stage takes place automatically on the basis of the days past due and based on specific triggers defined in the company policies;
- 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 and also based on specific triggers defined in the company policies.

The classification as unlikely to pay/bad loans 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.

As anticipated in the Directors' Report on operations, it should be noted that, during the inspection by the Bank of Italy and, consequently, as part of the sanctioning proceedings initiated referred to below, the Supervisory Authority challenged the Company's mechanism for the calculation of past-due loans on the basis of the new definition of “default” pursuant to Art. 178 of Regulation (EU) no. 575/2013 (“CRR”), which entered into force on 1 January 2021, deeming it non-compliant with the reference regulations.
In this regard, as part of its counter-arguments, the Company formulated a series of considerations by taking into account, on the one hand, the numerous interpretative doubts that the new definition of default has raised among market operators and, on the other, the specific nature of the Company's business. In fact, Generalfinance finances companies through the purchase of trade – and non-financial – receivables that originate from transactions between companies and which are normally characterised, owing to their very nature, by more flexible payment times and possible disputes that may impact the timing of collections.
However, the Supervisory Authority did not agree with these considerations and clarified its position on the criteria for calculating past-due positions, specifying that *“the relative relevance threshold of past due receivables [must] be calculated by placing the value of the amount of the advances for trade receivables in the denominator of the ratio, rather than the total nominal receivables (including the portion not paid in advance)”.*

Expected Credit Loss – Stage 3
The Standard requires the entity to recognise a provision to cover losses for expected credit losses on financial assets measured at amortised cost or at fair value through other income components (FVOCI), receivables implicit in lease contracts, assets deriving from contract or commitments to disburse loans and financial guarantee agreements to which the provisions on impairment apply.
Exposure at Default (EAD) (as at the reporting date) consists of the book value at amortised cost net of the insurance guarantee supporting the loan, except for the commitment component to disburse the loan, for which the exposure is the off-balance sheet value weighted by the Credit Conversion Factor (CCF) estimated by the Company. In this regard, it should be noted that the Company has no commitments to disburse funds, therefore the EAD is equal to the exposure (disbursed not yet collected net of any unpaid portions already collected and not yet retroceded to the Transferor) net of the insurance guarantee as at the reporting date.
The Standard also requires an entity to measure the expected credit losses of the financial instrument in a way that reflects:

a) a target, probability-weighted amount, determined by assessing a range of possible outcomes;

b) the time value of money; and

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

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

In terms of credit risk management, the Risk Management Office handles second-level control by continuously monitoring credit exposures, identifying potentially problematic positions and the relative level of provisions. The Risk Management Office carries out its verification activities on the basis of information flows from the corporate functions, periodically reporting to the Board of Directors on credit risk trends.

__Quantitative information__

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

Portfolios/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1,113,935	806,415	-	15,069,753	445,375,392	462,365,495
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	-	-	-	-	22,974	22,974
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2023	**1,113,935**	**806,415**	**-**	**15,069,753**	**445,398,366**	**462,388,469**
Total 31/12/2022	**424,583**	**457,485**	**19,409**	**17,701,815**	**366,851,065**	**385,454,357**

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	2,819,952	899,602	1,920,350	-	461,502,635	1,057,490	460,445,145	462,365,495
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	22,974	22,974
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2023	**2,819,952**	**899,602**	**1,920,350**	**-**	**461,502,635**	**1,057,490**	**460,468,119**	**462,388,469**
Total 31/12/2022	**1,348,806**	**447,329**	**901,477**	**76,000**	**385,098,044**	**565,464**	**384,552,880**	**385,454,357**

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

Portfolios/risk stages	First stage			Second stage			Third stage			Purchased or originated impaired		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	8,647,125	4,525,446	14,034	996,199	738,554	148,395	99,471	738,523	426,944	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**8,647,125**	**4,525,446**	**14,034**	**996,199**	**738,554**	**148,395**	**99,471**	**738,523**	**426,944**	**-**	**-**	**-**
Total 31/12/2022	**11,756,256**	**4,547,317**	**172,194**	**8,183**	**1,119,379**	**98,486**	**2,291**	**1,852**	**744,731**	**-**	**-**	**-**

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

Causes/ risk stages	Total value adjustments																							Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Purchased or originated impaired financial assets									
	On demand loans to banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other	Financial assets held for	of which: individual	of which: collective write-downs	On demand loans to banks	Financial assets measured at amortised cost	Financial assets measured at fair value	Financial assets held for	of which: individual	of which: collective write-downs	On demand loans to	Financial assets measured at amortised cost	Financial assets measured at fair value	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised	Financial assets measured at fair value through other	Financial assets held for	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to disburse funds and financial guarantees issued – purchased	
Initial total adjustments	**6,560**	**537,469**	-	-	-	**544,029**	-	**27,995**	-	-	-	**27,995**	-	**447,329**	-	-	**447,329**	-	-	-	-	-	-	-	-	-	-	**1,019,353**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/write-backs for credit risk (+/-)	(6,127)	353,458	-	-	-	347,331	-	138,568	-	-	-	138,568	-	660,349	-	-	660,349	-	-	-	-	-	-	-	-	-	-	1,146,248
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(208,076)	-	-	(208,076)	-	-	-	-	-	-	-	-	-	-	(208,076)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final total adjustments	**433**	**890,927**	-	-	-	**891,360**	-	**166,563**	-	-	-	**166,563**	-	**899,602**	-	-	**899,602**	-	-	-	-	-	-	-	-	-	-	**1,957,525**
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	117,840	-	-	117,840	-	-	-	-	-	-	-	-	-	-	117,840

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	15,797,578	1,384,184	-	-	2,069,138	-
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 31/12/2023	**15,797,578**	**1,384,184**	**-**	**-**	**2,069,138**	**-**
Total 31/12/2022	**2,086,564**	**-**	**9,419**	**-**	**995,832**	**-**

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

6. Credit exposures to customers, banks and financial companies

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

Types of exposures/Values	Gross exposure					Total value adjustments and total provisions					Net exposure	Total partial write-offs
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. Cash credit exposures												
A.1 On demand	**21,639,745**	**21,639,745**	**-**	**-**	**-**	**433**	**433**	**-**	**-**	**-**	**21,639,312**	**-**
a) Non-performing	X	X	-	-	-	X	X	-	-	-	-	-
b) Performing	21,639,745	21,639,745	-	X	-	433	433	-	X	-	21,639,312	-
A.2 Others	**267,405**	**267,405**	**-**	**-**	**-**	**1,638**	**1,638**	**-**	**-**	**-**	**265,767**	**-**
a) Bad loans	X	X	-	-	-	X	X	-	-	-	-	-
- of which: forborne exposures	X	X	-	-	-	X	X	-	-	-	-	-
b) Unlikely to pay	X	X	-	-	-	X	X	-	-	-	-	-
- of which: forborne exposures	X	X	-	-	-	X	X	-	-	-	-	-
c) Non-performing past due exposures	X	X	-	-	-	X	X	-	-	-	-	-
- of which: forborne exposures	X	X	-	-	-	X	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	267,405	267,405	-	X	-	1,638	1,638	-	X	-	265,767	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**21,907,150**	**21,907,150**	**-**	**-**	**-**	**2,071**	**2,071**	**-**	**-**	**-**	**21,905,079**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	X	X	-	-	-	X	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)	**21,907,150**	**21,907,150**	**-**	**-**	**-**	**2,071**	**2,071**	**-**	**-**	**-**	**21,905,079**	**-**

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

Types of exposures/Values	Gross exposure					Total value adjustments and total provisions					Net exposure	Total partial write-offs
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. Cash credit exposures												
a) Bad loans	1,890,833	X	-	1,890,833	-	776,898	X	-	776,898	-	1,113,935	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	929,119	X	-	929,119	-	122,704	X	-	122,704	-	806,415	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	15,143,228	13,248,619	1,894,609	X	-	73,475	62,014	11,461	X	-	15,069,753	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	446,092,002	427,050,096	19,041,906	X	-	982,377	827,275	155,102	X	-	445,109,625	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**464,055,182**	**440,298,715**	**20,936,515**	**2,819,952**	**-**	**1,955,454**	**889,289**	**166,563**	**899,602**	**-**	**462,099,728**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)	**464,055,182**	**440,298,715**	**20,936,515**	**2,819,952**	**-**	**1,955,454**	**889,289**	**166,563**	**899,602**	**-**	**462,099,728**	**-**

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

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

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**858,658**	**469,717**	**20,431**
- of which: exposures sold but not derecognised	-	-	-
B. Increases	**1,376,091**	**929,119**	**-**
B.1 inflows from performing exposures	1,376,091	929,119	-
B.2 inflows from purchased or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	-	-	-
C. Decreases	**343,916**	**469,717**	**20,431**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	325,916	-	-
C.3 collections	18,000	469,717	20,431
C.4 gains on disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	**1,890,833**	**929,119**	**-**
- 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	**434,075**	**-**	**12,232**	**-**	**1,022**	**-**
- of which: exposures sold but not derecognised	-	-	-	-	-	-
B. Increases	**550,899**	**-**	**122,704**	**-**	**-**	**-**
B.1 Value adjustments from purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	550,899	-	122,704	-	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**208,076**	**-**	**12,232**	**-**	**1,022**	**-**
C.1 write-backs from valuation	-	-	-	-	-	-
C.2 write-backs from collection	-	-	12,232	-	1,022	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	208,076	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Final total adjustments	**776,898**	**-**	**122,704**	**-**	**-**	**-**
- 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	**1,483,395**	**50,630,767**	**27,644,267**	**45,441,739**	**5,912,783**	**384,822**	**332,824,814**	**464,322,587**
- First stage	1,483,395	48,453,680	26,663,842	44,985,025	5,912,783	384,822	312,682,573	440,566,120
- Second stage	-	2,177,087	944,332	456,714	-	-	17,358,382	20,936,515
- Third stage	-	-	36,093	-	-	-	2,783,859	2,819,952
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**1,483,395**	**50,630,767**	**27,644,267**	**45,441,739**	**5,912,783**	**384,822**	**332,824,814**	**464,322,587**
D. Commitments to disburse funds and financial guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**32,592,007**	**32,592,007**
- First stage	-	-	-	-	-	-	32,592,007	32,592,007
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**-**	**-**	**-**	**-**	**32,592,007**	**32,592,007**
Total (A+B+C+D)	**1,483,395**	**50,630,767**	**27,644,267**	**45,441,739**	**5,912,783**	**384,822**	**365,416,821**	**496,914,594**

Table 7.1 shows the exposures with external rating. In this case, reference was made to the ratings used also for regulatory purposes. For the purposes of the Standardised approach, to determine the risk weighting factor of an exposure, the regulations provide for the use of the external assessment of creditworthiness only if issued, or endorsed, by an external assessment agency of creditworthiness (External Credit Assessment Institution “ECAI”). The list of authorised ECAIs is periodically published on the European Banking Authority (EBA) website and adopted by the Bank of Italy. The technical standards regarding the association between the credit risk assessments and the creditworthiness classes of the ECAIs are identified in Implementing Regulation (EU) no. 2016/1799, in accordance with Article 1361, paragraphs 1 and 3, of Regulation (EU) no. 575/2013. In line with the aforementioned regulations, Generalfinance uses Cerved Rating Agency S.p.A. ("CRA") as

external rating agency (known as ECAI) for the calculation of RWAs relating to exposures to companies, with specific reference to those joint-stock companies that, at the reporting date, have an exposure of more than EUR 100,000, as part of the factoring relationship (without recourse or with recourse, with the name of the risk on the Transferred Debtor) with a maximum payable amount of more than EUR 2 million.

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

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

9. Credit concentration

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

	Amount
Other operators	-
Public bodies and central administrations	-
Banks and financial companies	21,905,079
Non-financial companies and producer households	462,099,728
Other	-
Total 31/12/2023	**484,004,807**

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	464,091,571	-
Other European countries	13,520,372	-
America	5,739,743	-
Asia	653,121	-
Total 31/12/2023	**484,004,807**	**-**

9.3 Large Exposures

(values in Euro)	31/12/2023
a) book value	83,922,360
b) weighted value	55,398,669
c) number	8

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

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

For the purposes of measuring the capital requirement for credit risk, Generalfinance adopts the standardised approach envisaged by prudential regulations, taking into account any portion of exposure guaranteed by insurance policies on eligible credits for CRM purposes. The company also makes use of Cerved Rating Agency S.p.a. ("CRA") as an external rating agency (known as ECAI) for the calculation of RWAs relating to exposures to companies, with specific reference to those joint-stock companies that, at the reporting date, have an exposure of more than EUR 100,000, as part of the factoring relationship (without recourse or with recourse, with the name of the risk on the Transferred Debtor) with a maximum payable amount of more than EUR 2 million.

11. Other quantitative information

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

3.2 MARKET RISKS

3.2.1 Interest rate risk

Qualitative information

1. General aspects

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

Quantitative information

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

Items residual duration	On demand	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	**99,700,233**	**319,663,972**	**61,467,672**	**1,671,120**	**1,501,811**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Receivables	99,700,233	319,663,972	61,467,672	1,671,120	1,501,811	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**11,218,918**	**376,409,296**	**14,951,987**	**162,385**	**6,274,056**	**96,661**	**274,737**	**-**
2.1 Payables	10,930,398	363,930,976	81,558	162,385	1,274,056	96,661	274,737	-
2.2 Debt securities	288,520	12,478,320	14,870,429	-	5,000,000	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

The sub-item "Receivables" of the Assets includes EUR 21,639,312 of "on demand" loans to banks.

3.2.2 Price risk

Qualitative information

1. General aspects

The financial institution does not normally assume price fluctuations.

3.2.3 Currency risk

Qualitative information

1. General aspects

The financial institution does not normally assume exchange rate risks.

3.3 OPERATIONAL RISKS

Qualitative information

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

In relation to operational risk, understood as the risk of losses deriving from malfunctions at the level of procedures, personnel and internal systems, or from external events, the Company is constantly engaged in the implementation of processes and controls – particularly with regard to the proprietary IT platform – in order to improve 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), 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; in particular, the ICT and Organisation Department oversees the maintenance and development of the proprietary IT platform which – through the progressive digitalisation of processes and services – allows, natively, a reduction in operational risks;
- mapping and formalisation of business processes ("core" and "support" processes) that describe operating practices and identify first-level controls;
- adoption of a "Code of Ethics", which describes the ethical principles, i.e. the rules of conduct that inspire the style of the Company in the conduct of relations with its stakeholders to which each Recipient must refer;
- adoption of the "Organisation, management and control model", pursuant to Italian 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 organisation;
- 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. In view of the requests received, the Company posts the appropriate provisions in the financial statements based on the definition of the amounts potentially at risk, the assessment of the risk carried out according to the degree of actual "probability" of loss, as defined by accounting standard IAS 37 and taking into account the most consolidated relevant case law.

In particular, 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 case, the aspects of law raised in the court, assessed in the light of the case law stance, the evidence actually emerged during the proceedings and the progress of the proceedings, as well as the outcome of the first instance judgement, 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.

Quantitative information

For the purpose of measuring operational risk, Generalfinance adopts the basic method proposed by the Supervisory Authority. The capital requirement for operational risk is equal to 15% of the average of the relevant indicators for 2021-2023 pursuant to Art. 316 of Regulation (EU) no. 575/2013.

3.4 LIQUIDITY RISK

Qualitative information

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

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

The risk assessment takes place through the preparation of a maturity ladder (prepared both daily and monthly) that models future 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 expected cash outflows (mainly: disbursements of loans, payment of suppliers and repayments of loans, payments of dividends and taxes), determining the positive and negative 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 or other unused funding instruments).

Liquidity risk is therefore controlled based on the dynamics of future cash flows, generated by the expected disbursements and by the financial needs covered with the use of available lines and with the cash flow generated by ordinary operations.

The funding structure guarantees an adequate structural balance, benefiting from diversified credit lines and financing instruments, partly committed; in particular:

- a loan disbursed by a pool of banks – maturing in January 2025 – for the amount of EUR 173 million;
- a three-year securitisation programme, maturing in December 2024, for a total maximum senior financing of EUR 500 million, with an approved line of EUR 300 million, of which EUR 200 million committed. The maximum amount of the notes, also including the mezzanine and junior notes purchased by Generalfinance, is EUR 590 million. The maximum outstanding amount of receivables that can be purchased remains unchanged at EUR 737.5 million;
- bilateral bank lines and lines with factoring companies for a total of roughly EUR 180 million;
- a programme for the issue of commercial paper of up to EUR 100 million.

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

The Company adopts a careful loan acquisition policy, which has historically guaranteed a limited duration of assets (loans to customers) (around 70 days in 2023) and low seasonality of turnover, elements that help to reduce funding needs; in addition to this, the constant monitoring of the maturities and effective credit collection makes it possible to achieve significant benefits in terms of the structural liquidity profile, reducing its overall needs.

Lastly, the Company has defined a Contingency Funding Plan that makes it possible to monitor the liquidity risk on a daily basis and, if necessary, to promptly activate funding initiatives, where liquidity levels fall below the minimum levels established, also taking into account the external market context.

Quantitative information

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

Items/Time brackets	On demand	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	**99,826,445**	**10,084,105**	**39,935,700**	**53,842,929**	**218,155,810**	**62,156,436**	**1,698,916**	**1,551,705**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	99,826,445	10,084,105	39,935,700	53,842,929	218,155,810	62,156,436	1,698,916	1,551,705	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities	**4,983,075**	**36,399**	**92,795**	**5,385,679**	**364,816,698**	**8,709,381**	**12,316,963**	**8,144,281**	**5,629,775**	**371,398**	**-**
B.1 Due to	4,697,484	9,402	57,159	337,990	364,542,976	3,421,746	1,506,673	644,281	629,775	371,398	-
- Banks	3,889,836	-	-	337,990	175,004,990	3,340,188	1,344,288	-	-	-	-
- Financial companies	-	-	-	-	189,523,594	-	-	-	-	-	-
- Customers	807,648	9,402	57,159	-	14,392	81,558	162,385	644,281	629,775	371,398	-
B.2 Debt securities	285,591	26,997	35,636	5,047,689	273,722	5,287,635	10,810,290	7,500,000	5,000,000	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
“Off-balance sheet” transactions	**32,592,007**	-	-	-	-	-	-	-	-	-	-
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	32,592,007	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

It should be noted that the amount relating to “financial guarantees issued” refers to the positive balance of current accounts pledged and with recourse guarantees issued in relation to the “refactoring” financing transactions entered into with counterparties of Italian factoring companies, in which Generalfinance maintains the guarantee of solvency on the recurring loans, which has already been mentioned in “Part D – OTHER INFORMATION – D. Guarantees issued and Commitments”. The amount is gross of total provisions.

Section 4 – Information on equity

4.1 – Company equity

4.1.1 Qualitative information

In the current year, the profit amounted to EUR 15,067,393, bringing shareholders' equity to EUR 66,433,369.

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 the prudential regulations, is also not significant in Generalfinance's activities, as assets and liabilities are all denominated in Euro.
The company carries out a constant analysis of capital absorption against credit risk and operational risk.
The credit risk control methods and the related supporting reporting are described in the company operating procedures on:
- Resolution and renewal of factoring transactions;
- Debtor assessment;
- Management of the ordinary relationship with customers;
- Management of problem loans.

The presence of the operational requirements instrumental to the transfer of the risk to the debtor in the context of with-recourse or without recourse exposures not recorded is guaranteed by the procedures defined in the loans domain.
The management of operational risk is mainly entrusted to the organisational units (line controls), the risk management function (second level controls) and the internal audit function (third level controls).

4.1.2 Quantitative information

4.1.2.1 Shareholders' equity: breakdown

Items/Values	Total 31/12/2023	Total 31/12/2022
1. Share capital	4,202,329	4,202,329
2. Share premium reserve	25,419,745	25,419,745
3. Reserves	21,624,119	16,171,811
- of profits	21,624,119	16,171,811
a) legal	840,465	655,152
b) statutory	-	-
c) treasury shares	-	-
d) others	20,783,654	15,516,659
- others	-	-
4. (Treasury shares)	-	-
5. Valuation reserves	119,783	95,474
- Equity securities designated at fair value through other comprehensive income	-	-
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments (non-designated elements)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains/losses relating to defined benefit plans	119,783	95,474
- Portion of valuation reserves relating to equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	15,067,393	10,885,387
Total	**66,433,369**	**56,774,746**

4.2 – Own funds and regulatory ratios

4.2.1 – Own funds

4.2.1.1 Qualitative information

1. Tier 1 capital

It should be noted that - in accordance with Article 26(2) of Regulation (EU) no. 575/2013 of the European Parliament (the "CRR") - the Tier 1 Capital includes the net profits resulting from the interim report on operations for the third quarter of 2023, net of expected dividends.

For the purposes of the above, please note that:

- the profits were verified by entities independent from the entity responsible for auditing the entity's accounts, as required by Article 26 (2) of the CRR.
- the profits were valued in compliance with the standards established by the applicable accounting regulations;
- all foreseeable charges and dividends were deducted from the amount of profits;
- the amount of dividends to be deducted was estimated in accordance with applicable regulations;
- the Board of Directors of Generalfinance will formulate a proposal for the distribution of dividends consistent with the calculation of net profits.

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

1 capital.

2. Tier 2 capital

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

4.2.1.2 Quantitative information

	Total 31/12/2023	Total 31/12/2022
A. Tier 1 capital before the application of prudential filters	**62,033,139**	**56,774,746**
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)	**62,033,139**	**56,774,746**
D. Elements to be deducted from Tier 1 capital	6,276,890	6,694,664
E. Total Tier 1 capital (C-D)	**57,479,085**	**50,080,082**
F. Tier 2 capital before the application of prudential filters	**12,500,000**	**12,500,000**
G. Prudential filters of Tier 2 capital	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-
H. Tier 2 capital gross of elements to be deducted (F+G)	**12,500,000**	**12,500,000**
I. Elements to be deducted from Tier 2 capital	4,500,274	2,001,643
L. Total Tier 2 capital (H-I)	**7,999,726**	**10,498,357**
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E+L-M)	**63,755,975**	**60,578,439**

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 pillar II 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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. RISK ASSETS	-	-	-	-
A.1 Credit and counterparty risk	506,583,205	445,751,833	369,062,956	297,862,971
B. REGULATORY CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	29,525,036	23,829,038
B.2 Risk for the provision of payment services	-	-	-	-
B.3 Requirement for the issue of electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	4,656,969	3,696,945
B.5 Total prudential requirements	-	-	34,182,005	27,525,983
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-	-	-
C.1 Risk-weighted assets	-	-	427,275,078	344,074,780
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	-	-	13.0%	14.6%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)	-	-	14.9%	17.6%

The risk-weighted assets, shown in item C.1, also used in the calculation of the ratios reported in items C.2 and C.3, are calculated as the product of the total prudential requirement (item B.5) and 12.50 (inverse of the mandatory minimum coefficient of 8%).

Section 5 – Analytical statement of comprehensive income

	Asset items	31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**15,067,393**	**10,885,387**
	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	24,309	132,535
80.	Non-current assets and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
100.	Income taxes relating to other income components without reversal to the income statement	-	-
	Other income components without reversal to the income statement		
110.	Foreign investment hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	- adjustments for impairment	-	-
	- gains/losses on sale	-	-
	c) other changes	-	-
160.	Non-current assets and disposal groups:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	c) other changes	-	-
170.	Portion of valuation reserves of equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reversal to the income statement	-	-
	- adjustments for impairment	-	-
	- gains/losses on sale	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to the income statement	-	-
190.	**Total other income components**	**24,309**	**132,535**
200.	**Comprehensive income (Item 10 + 190)**	**15,091,702**	**11,017,922**

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 key manager.

6.1 Information on remuneration of key management personnel

In addition to the directors, two key managers have been identified, namely the CFO and the CLO. The gross annual remuneration of key management personnel amounts to a total of EUR 304,200.

This amount does not consider allocations to the employee severance indemnity provision, the employee severance indemnity provision paid to supplementary pension funds, the non-competition agreement and any bonuses in relation to short-term and medium/long-term monetary incentive plans determined on the basis of the Company's results.

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 2023 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	-	571,314
120. Other assets	-	55,652
Total assets	**-**	**626,966**
80. Other liabilities	-	590,691
90. Employee severance indemnity	-	65,665
100. Provisions for risks and charges	-	300,000
Total liabilities	**-**	**956,356**

TRANSACTIONS WITH RELATED PARTIES (amounts in Euro)	Parent company	Other related parties
INCOME STATEMENT ITEMS		
10. Interest income and similar income	-	34,563
20. Interest expense and similar charges	-	(175)
40. Fee and commission income	-	39,362
50. Fee and commission expense	-	-
160. Administrative expenses: a) personnel expenses	-	(1,852,366)
160. Administrative expenses: b) other administrative expenses	-	(625,601)
180. Net value adjustments/write-backs on property, plant and equipment	-	(3,946)
200. Other operating expenses/income	15,600	4,225
Total items	**15,600**	**(2,403,938)**
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	15,600	300
Total items	**15,600**	**300**

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

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

The remuneration paid to the members of the Board of Directors amounted to EUR 1,075,298. The amount, indicated on an accrual basis, mainly refers to the remuneration of the Chief Executive Officer and includes any bonuses for both short-term and medium-long term monetary incentive plans, determined on the basis of the results of the Company, and the cost of the professional liability policy of Assicurazioni Generali for EUR 21,990.
The fees paid to the members of the Board of Statutory Auditors amounted to EUR 55,000 plus VAT, social security contributions and reimbursement of expenses.
The amount is indicated on an accrual basis.

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 table below shows the remuneration for the year for the services provided to the Company by the independent auditors and the entities belonging to the network of the independent auditors.
The value does not include expenses and VAT.

Type of service	Subject	Fees
Audit	Deloitte & Touche Spa	75,968
Other services	Deloitte & Touche Spa	85,000
Certification services	Deloitte & Touche Spa	38,000
Total		**198,968**

Segment reporting

For the purposes of the segment reporting required by IFRS 8, the breakdown by operating segment (Corporate and Retail) of the income statement, balance sheet and operating data.
With regard to the provisions for risks, adjustments to property, plant and equipment and intangible assets and other income and
expenses, the breakdown was made considering the percentage impact of the sector on the Turnover.

Distribution by operating segment: income statement figures as at 31 December 2023

Income statement	Corporate	Retail	Total
Interest income and similar income	25,424,170	5,167,641	30,591,811
Interest expense and similar charges	(18,374,743)	(3,237,376)	(21,612,119)
Net interest income	**7,049,427**	**1,930,265**	**8,979,692**
Fee and commission income	25,597,856	6,111,676	31,709,532
Fee and commission expense	(3,735,987)	(754,214)	(4,490,201)
Net fee and commission income	**21,861,869**	**5,357,462**	**27,219,331**
Net interest and other banking income	**28,911,688**	**7,287,807**	**36,199,495**
Net adjustments/reversals for credit risk	(617,471)	(646,616)	(1,264,087)
Net profit (loss) from financial management	**28,294,217**	**6,641,191**	**34,935,408**
Personnel expenses	(5,188,864)	(2,007,317)	(7,196,181)
Other administrative expenses	(4,800,404)	(1,857,041)	(6,657,445)
Net provisions for risks and charges	(69,744)	(12,474)	(82,218)
Net value adjustments/write-backs on property, plant and equipment	(680,223)	(121,661)	(801,884)
Net value adjustments/write-backs on intangible assets	(375,666)	(67,189)	(442,855)
Other operating income and expenses	1,905,922	340,882	2,246,804
Operating costs	**(9,208,979)**	**(3,724,800)**	**(12,933,779)**
Pre-tax profit (loss) from current operations	**19,085,238**	**2,916,391**	**22,001,629**
Income taxes	(5,882,182)	(1,052,054)	(6,934,236)
Profit for the year	**13,203,056**	**1,864,337**	**15,067,393**

Distribution by operating segment: balance sheet figures as at 31 December 2023

Capital ratios	Corporate	Retail	Total
Loans to customers	384,421,487	77,944,008	462,365,495
Financial liabilities measured at amortised cost	348,063,976	61,324,063	409,388,039

Distribution by operating segment: turnover and amount disbursed in 2023

Business data	Corporate	Retail	Total
Turnover	2,170,984,486	388,290,022	2,559,274,508
Disbursed	1,837,669,084	323,771,902	2,161,440,986

The disclosure by sector includes two sectors, in line with the commercial segmentation of customers (Transferors) of Generalfinance:

▪ Corporate Sector, which includes all Transferors with latest available turnover exceeding EUR 20 million;
▪ Retail Sector, which includes all Transferors with last available turnover of less than EUR 20 million.

The secondary disclosure by geographical area was omitted as it is not relevant since the customers are totally concentrated in the domestic market.

Milan, 23 February 2024

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

GENERAL FINANCE

REPORT OF THE BOARD OF STATUTORY AUDITORS

GENERALFINANCE S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS

pursuant to Art. 153 *of Italian Legislative Decree no.* 58/1998 and *Art.* 2429 *of the Italian Civil Code*

Dear Shareholders,

this report documents the activities carried out by the Board of Statutory Auditors of Generalfinance S.p.A. (hereinafter "**Generalfinance**" or the "**Company**") in the year ended 31 December 2023 (hereinafter "**FY**").

Since the shares issued by the Company have been listed on the Euronext STAR Milan market since 29 June 2022, this report has been drafted in compliance with the requirements of the relevant regulatory and self-regulatory provisions (art. 153 of Italian Legislative Decree no. 58/1998 ("TUF"), articles 2429 et seq; articles 17 and 19 of Italian Legislative Decree no. 39/2010).

Generalfinance was subject to inspections by the Bank of Italy, pursuant to art. 108 of the Consolidated Law on Banking, in the period 3 October – 30 December 2022, whose detailed findings are contained in the Report on Operations, to which reference should be made. Following the inspection, the Company implemented various organisational initiatives in the area of receivables, anti-money laundering and controls.

It is useful at this juncture to recall the latter, aimed at strengthening the structure of the entire control system. The actions summarised below were partly already envisaged in the Business Plan, but were brought forward by the Company, indeed to follow up on the observations made by the inspectors of the Supervisory Authority:

(i) the establishment of a new independent and specialised function in the field of *compliance* and anti-money laundering, called the “AML and Compliance Office”;

(ii) the introduction of a new organisational unit with specific responsibility for internal auditing, called the “Internal Audit Office”; and

(iii) the renaming of the “Risk Management and Compliance Office” to “Risk Management Office”, dedicated exclusively to the monitoring of risks in order to improve the overall *risk governance* system.

The above changes led to the recruitment of the new heads of the AML and Compliance Office and the Internal Audit Office. The Board of Statutory Auditors was involved in the process of selecting new staff.

As regards the initiatives implemented by the Company, the Board of Statutory Auditors acknowledged the updating of the powers conferred by the Chief Executive Officer to the heads of the company departments, through which, in particular, the board resolutions amending the powers relating to the "loans" segment were executed, separating those relating to the assessment and monitoring of credit risk – in the hands of the Chief Lending Officer (CLO), Head of the Credit Department – from those in the credit management area, now attributed to the Chief Operating Officer (COO), Head of the Operations Department.

With specific reference to the issue of sustainability, the Board of Statutory Auditors acknowledged that the Company has adopted an action plan containing the main activities defined for the two-year period 2023-2024, also to meet the expectations conveyed by the Bank of Italy in two recent communications sent to all financial intermediaries. In this context, during the year, the Company launched a training programme aimed at both the management bodies (Board of Directors and internal Board Committees) and the Department managers and prepared its first Sustainability Report, which outlines the management policies, the results achieved, the current and potential risks and the relevant indicators for the Company's business, with reference extended to the three-year period 2020-2022.

1. In carrying out its supervisory and control activities, the Board of Statutory Auditors acknowledges:

a) that it monitored compliance with the law, the Articles of Association and respect for the principles of correct administration, in observance of the reference regulations, also taking into account the principles of conduct issued by the National Institute of Chartered Accountants and Accounting Experts;

b) that it participated in the meetings of the Board of Directors, the Control, Risk and Sustainability Committee, the Appointments and Remuneration Committee (both established following the stock market listing), and that it received periodic information from the Directors on the general performance of operations, on its outlook, as well as on the most significant economic, financial and equity transactions resolved and carried out by the Company during the FY, also in compliance with art. 150, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998 ("TUF - Consolidated Law on Finance"). This information is adequately represented in the Report on Operations, to which reference should be made.

The Board of Statutory Auditors can reasonably ensure that the transactions resolved and carried out comply with the law and the Articles of Association and are not manifestly imprudent, risky, in potential conflict of interest, in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets. The resolutions of the Board of Directors are carried out by the top management and the structure based on maximum compliance criteria;

c) that it did not identify any atypical and/or unusual transactions with third parties or with related parties, nor did it receive any information in this regard from the Board of Directors or the Independent Auditors. Furthermore, the Board of Statutory Auditors, also on the basis of the results of the activities carried out by the Internal Audit and Compliance functions, believes that transactions with related parties are adequately monitored. In this regard, the Board of Statutory Auditors reports that the Company - at the time of the listing

- has adopted the procedures for transactions with related parties, in compliance with the provisions of Consob Regulation no. 17221 of 12 March 2010 and the Consob Communication of 24 September 2010, as well as specific rules contained in its Code of Ethics in order to avoid or adequately manage transactions in which there are situations involving a conflict of interest or personal interests of the directors. Pursuant to art. 4 of the aforementioned Consob Regulation, the Board of Statutory Auditors verified the compliance of the procedures adopted with the principles of said Regulation as well as their observance;

d) that it acquired knowledge and supervised the adequacy of the organisational structure of the Company for the matters within its competence, on compliance with the principles of correct administration, by collecting information from the managers of the competent corporate functions and through meetings with the representatives of the independent auditors, appointed to carry out the statutory audit of the accounts, also for the purposes of the exchange of the relevant data and information, from which no critical issues emerged;

e) that it supervised and verified, to the extent of its competence, the adequacy of the administrative-accounting system, as well as its reliability in correctly representing operating events through:

(i) the periodic exchange of information with the Chief Executive Officer and, in particular, with the financial reporting manager pursuant to the provisions of art. 154-*bis* of the TUF;

(ii) the examination of the reports prepared by the Internal Audit and Compliance functions, including information on the results of any corrective actions taken following audit activities;

(iii) the acquisition of information from the heads of corporate functions;

(iv) an in-depth analysis of the activities carried out and analysis of the results of the work of the independent auditors;

(v) participation in the works of the Control, Risk and Sustainability Committee.

The activity carried out did not reveal any anomalies that could be considered indicators of inadequacies in the internal control and risk management system;

f) that it held meetings with the representatives of the independent auditors, Deloitte & Touche S.p.A. in charge of carrying out the statutory audit of the accounts, for the purposes of exchanging the relevant data and information, being informed of the main risks to which the Company is exposed and the controls put in place, as well as the checks carried out with regard to the regular keeping of the accounts and the correct recognition of the operating events in the accounting records. No significant observations emerged from the meetings held, either from the independent auditors or from the Board of

Statutory Auditors;

g) that it supervised the implementation of the Corporate Governance Code, which the Company adheres to, according to the terms illustrated in the Report on Corporate Governance and Ownership Structures approved by the Board of Directors on 23 February 2024. The Board of Statutory Auditors, inter alia, verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members. Furthermore, the Board of Statutory Auditors verified its members' compliance with the independence and professionalism criteria, pursuant to the relevant regulations;

h) that it has read and obtained information on the organisational and procedural activities carried out pursuant to Italian Legislative Decree no. 231 of 8 June 2001 on the administrative liability of entities. The Supervisory Body set up by the Company constantly informed the Board of Statutory Auditors on the activities carried out during the Financial Year and did not notify the Board of any significant events;

i) that it monitored the implementation of organisational measures related to the evolution of the company activities and the strengthening of the control structures (Internal Audit, Risk Management, Compliance and Anti-Money Laundering);

j) that it participated in induction sessions aimed at enhancing knowledge of the company's business sectors and strategies, in line with the recommendations of the Corporate Governance Code.

In its capacity as Internal Control and Audit Committee, pursuant to art. 19 of Italian Legislative Decree no. 39 of 27 January 2010, as amended by Italian Legislative Decree no. 135 of 17 July 2016 in implementation of Directive 2014/56/EU, during the Financial Year, the Board of Statutory Auditors:

a) monitored the financial reporting process, which proved to be suitable in terms of its integrity;

b) checked the effectiveness of the Company's internal quality control and risk management systems as well as the internal audit system, with regard to financial reporting, without violating their independence;

c) monitored the independent audit of the financial statements;

d) verified and monitored the independence of the independent auditors in accordance with the provisions of the law and in particular with regard to the adequacy of the provision of non-auditing services, in accordance with art. 5 of Regulation (EU) no. 537/2014;

e) issued an opinion pursuant to art. 2389, paragraph 3, of the Italian Civil Code, with regard to the remuneration of directors holding special offices.

During the year, the Board of Statutory Auditors met 14 times and participated in the meetings of the Board of Directors, the Control, Risk and Sustainability Committee and the Appointments and Remuneration Committee.

With regard to the exchange of information with the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, said body periodically informed the Board of Statutory Auditors on the monitoring activities carried out on the Organisational Model adopted by the Company pursuant to Italian Legislative Decree no. 231/2001.

Taking into account the information acquired, the Board of Statutory Auditors believes that the activity was carried out in compliance with the principles of correct administration and that the organisational structure, the internal control system and the administrative-accounting system are on the whole adequate to the company needs.

2. With regard to relations with the independent auditors, Deloitte & Touche S.p.A., the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, reports that:

a) on today's date, the independent auditors issued, pursuant to art. 14 of Italian Legislative Decree no. 39 of 27 January 2010 and art. 10 of Regulation (EU) no. 537/2014, the audit report on the financial statements for the year ended 31 December 2023, without findings. With regard to the opinions and certifications, in the audit Report, the Independent Auditors:

(i) issued an opinion which confirms that the financial statements of Generalfinance provide a true and fair view of the Company’s financial position as at 31 December 2023, the economic result and the cash flows for the year ended as at that date, in accordance with the International Financial Reporting Standards adopted by the European Union as well as the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38 of 28 February 2005;

(ii) issued a consistency opinion which shows that the Report on Operations accompanying the financial statements as at 31 December 2023 and some specific information contained in the “Report on corporate governance and ownership structures”, as indicated in art. 123-bis, paragraph 4, of the TUF, whose responsibility lies with the directors of the Company, are drawn up in compliance with the law;

(iii) issued a compliance opinion showing that the separate and consolidated financial statements were prepared in the XHTML format, in compliance with the provisions of Delegated Regulation (EU) 2019/815 of the European Commission;

(iv) declared, with regard to any material errors in the Reports on Operations, based on the knowledge and understanding of the company and its context acquired during the audit activity, that it has nothing to report.

(b) The independent auditors Deloitte & Touche S.p.A. also issued, today, the additional report for the Board of Statutory Auditors in its role as Internal Control and Audit Committee pursuant to art. 11 of Regulation (EU) 537/2014, a report that will be sent to the Board of Directors as required by the regulations in force.

(c) The independent auditors Deloitte & Touche S.p.A. finally issued, today, the declaration relating to independence, as required by art. 6 of the Regulation (EU), from which no situations arise that could compromise its independence. In addition, the Board of Statutory Auditors acknowledged the Transparency Report prepared by the independent auditors and published on its website pursuant to art. 18 of Italian Legislative Decree no. 39/2010.

d) The independent auditors Deloitte & Touche S.p.A. and the companies belonging to the Deloitte & Touche network, in addition to the duties envisaged by the regulations for listed companies, received additional assignments for non-audit services, whose fees are reported in the notes to the financial statements as required by art. 149-*duodecies* of the Issuers' Regulation as well as art. 2427, no. 16-bis of the Italian Civil Code. The permitted non-audit services were approved in advance by the Board of Statutory Auditors, which assessed their adequacy and appropriateness with reference to the criteria set out in Regulation (EU) 537/2014.

Having acknowledged the declaration of independence issued by Deloitte & Touche S.p.A. and the transparency report produced by it, as well as the tasks assigned to Deloitte & Touche S.p.A. and the companies belonging to its network, the Board of Statutory Auditors does not consider there to be any critical aspects regarding the independence of Deloitte & Touche S.p.A..

3. The Board of Statutory Auditors is not aware of any facts or complaints to report to the Shareholders' Meeting. During the course of the activity carried out and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or circumstances were identified that would require reporting to the Supervisory Authority or mention in this report.

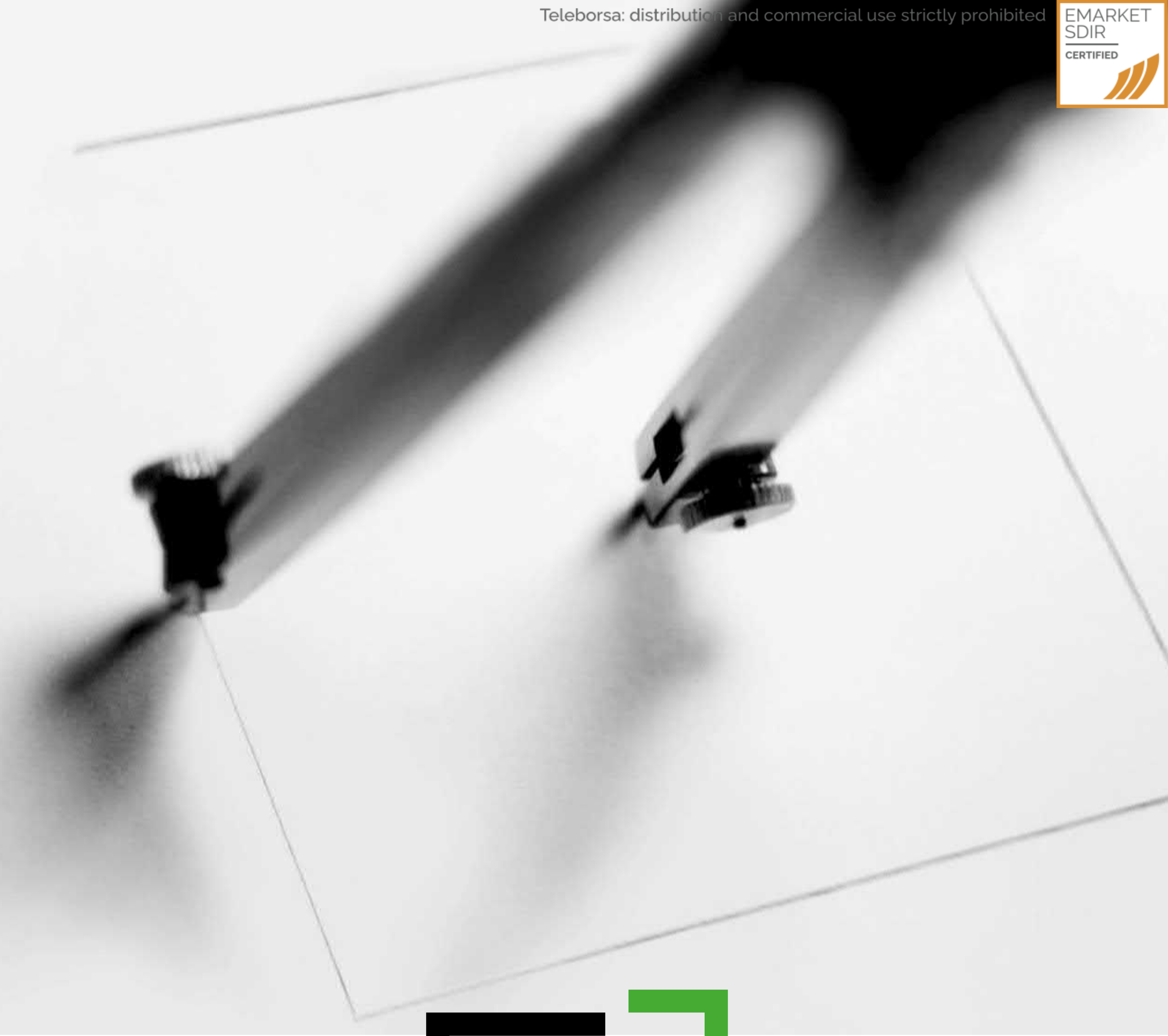
4. The Board of Directors promptly delivered the financial statements and the Report on Operations to the Board of Statutory Auditors. To the extent of its competence, the Board of Statutory Auditors notes that the formats adopted are compliant with the law, that the accounting standards adopted, described in the explanatory notes, are adequate in relation to the activities and transactions carried out by the Company.

5. The Board of Statutory Auditors, taking into account the outcome of the specific tasks carried out by the independent auditors in terms of auditing the accounts and verifying the reliability of the financial statements, as well as the supervisory activity carried out, does not identify any reasons to prevent approval of the proposed resolutions formulated by the Board of Directors to the Shareholders' Meeting.

Milan, 13 March 2024.

The Board of Statutory Auditors

Paolo Francesco Maria Lazzati
Chairman



GENERAL FINANCE

INDIPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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 balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the explanatory notes, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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. 9 of Italian Legislative Decree no. 38/05 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Classification of performing loans to customers valued at amortized cost

Description of the key audit matter	In the financial statements as of December 31, 2023, performing loans to customers valued at amortized cost (*stages* 1 and 2), represented by the anticipation, mainly in the distressed sector, of commercial loans with recourse and, to a lesser extent, without recourse, amount to € 461.5 million (Euro 385.1 million at the end of 2022), while allowances for impairment amount to Euro 1.1 million (Euro 0.6 million at the end of 2022), with a coverage rate of 0.23% (0.15% at the end of 2022). These loans are measured collectively upon allocation of the same in clusters (*stage*), through an articulated classification mechanism according to the level of credit risk inherent in the instrument. In the Explanatory Notes, "Part B - Information on the balance sheet", Section 4 of assets, "part C - Information on income statement", Section 8, and "Part D - Other Information", Section 3, and in the Report on Operation, "The result indicators" section provides information on the above described aspects. In consideration of the complexity of credit classification process at the various stages provided by IFRS 9 accounting standard adopted by the Directors, which also reflects elements of subjectivity, as well as the significance of the amount of performing loans to customers valued at amortized entered in the balance sheet, we considered that the classification of the same represent a key audit matter for the audit of the financial statements of the Company as of December 31, 2023.
Audit procedures performed	As part of the audit activities, the following main procedures were carried out: • Recognition and understanding of the organizational and procedural requirements implemented by the Company with regard to the loans process, with particular attention to the monitoring of credit quality and classification in accordance with applicable accounting principles and with the provisions of current sector legislation, and verification of the operational effectiveness of the relevant controls; • Verification of the proper management and supply of the relevant computer archives, also through the support of specialists belonging to the Deloitte network; • Verification of the criteria adopted by the Company for the classification of performing loans to customers valued at amortized cost into homogeneous risk categories and, in particular, for allocation to *stage* 1 and *stage* 2 (according to IFRS 9 classification), by analyzing the reasonableness of the assumptions and the parameters used;

- Verification, on a sample basis, of the correctness of the classification of loans into *stage* 1 and *stage* 2 according to the provisions of the sector legislation and to the applicable accounting principles;

- carrying out comparative and trend analysis of the volumes of loans to customers by allocation stage (*stage* 1 and *stage* 2), comparison with the information relating to the previous financial year and discussion of the results with the heads of business functions;

- analysis of the events occurred after the reporting period.

Finally, we verified the completeness and the compliance of financial statements disclosure in accordance with accounting standards and applicable laws.

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. 9 of Italian Legislative Decree no. 38/05 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.

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Generalfinance S.p.A. has appointed us on February 15, 2018, and subsequently confirmed on March 8, 2022 in relation to the acquisition of the legal status of public interest entity, as auditors of the Company for the years from 2017 to 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Generalfinance S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at December 31, 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Generalfinance S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Generalfinance S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, no. 4 of Legislative Decree 58/98 with the financial statements of Generalfinance S.p.A. as at December 31, 2023 and on its their compliance with the law, as well as to make a statement about any material misstatement.

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In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Generalfinance S.p.A. as at December 31, 2023 and are prepared in accordance with the law.

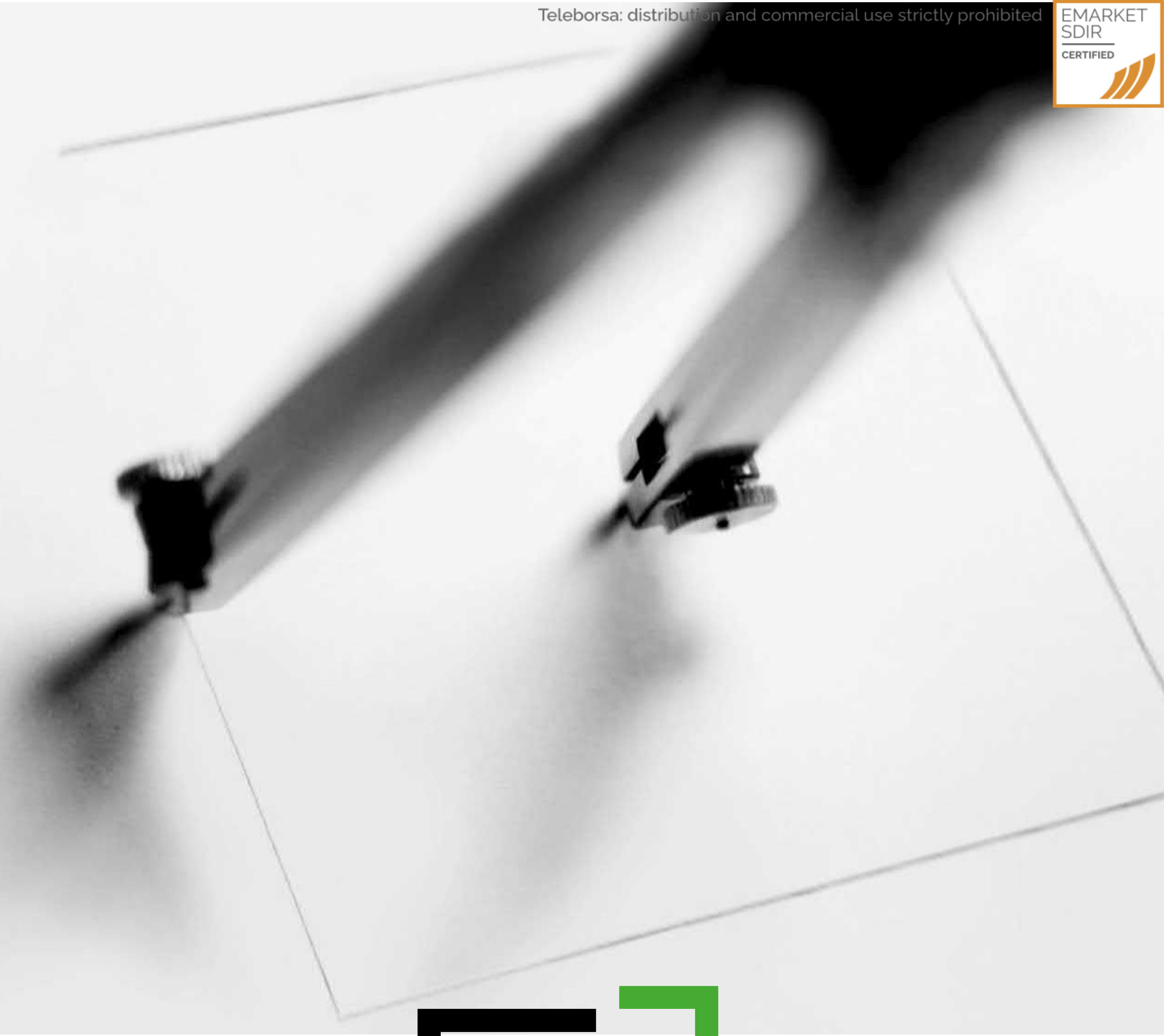
With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giuseppe Avolio
Partner

Milan, Italy
March 13, 2024

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



GENERAL FINANCE

CERTIFICATION ON THE 2023 FINANCIAL STATEMENTS

Certification of the financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Massimo Gianolli, as Chief Executive Officer of Generalfinance S.p.A., and Ugo Colombo, as Financial Reporting Manager, of Generalfinance S.p.A., certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the preparation of the financial statements/consolidated financial statements during the period 1 January – 31 December 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2023 took place on the basis of methods defined by Generalfinance S.p.A. in line with the COSO and COBIT models (for the IT component) that make up the generally accepted frameworks at international level.

3. It is also certified that:

   3.1 the financial statements:
   a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the results of the accounting books and records;
   c) are suitable for providing a true and fair view of the equity, economic and financial situation of the issuer.

   3.2 the report on operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

23 February 2024

Chief Executive Officer:

Massimo Gianolli

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Financial reporting manager:

Ugo Colombo

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