



# H1 2022 Financial Results

8<sup>TH</sup> AUGUST 2022



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# Today's presenters



**Massimo Gianolli**  
*CEO*

*Main results and business updates*



**Ugo Colombo**  
*CFO*

*Review of the financial performance*

# Main results and business updates



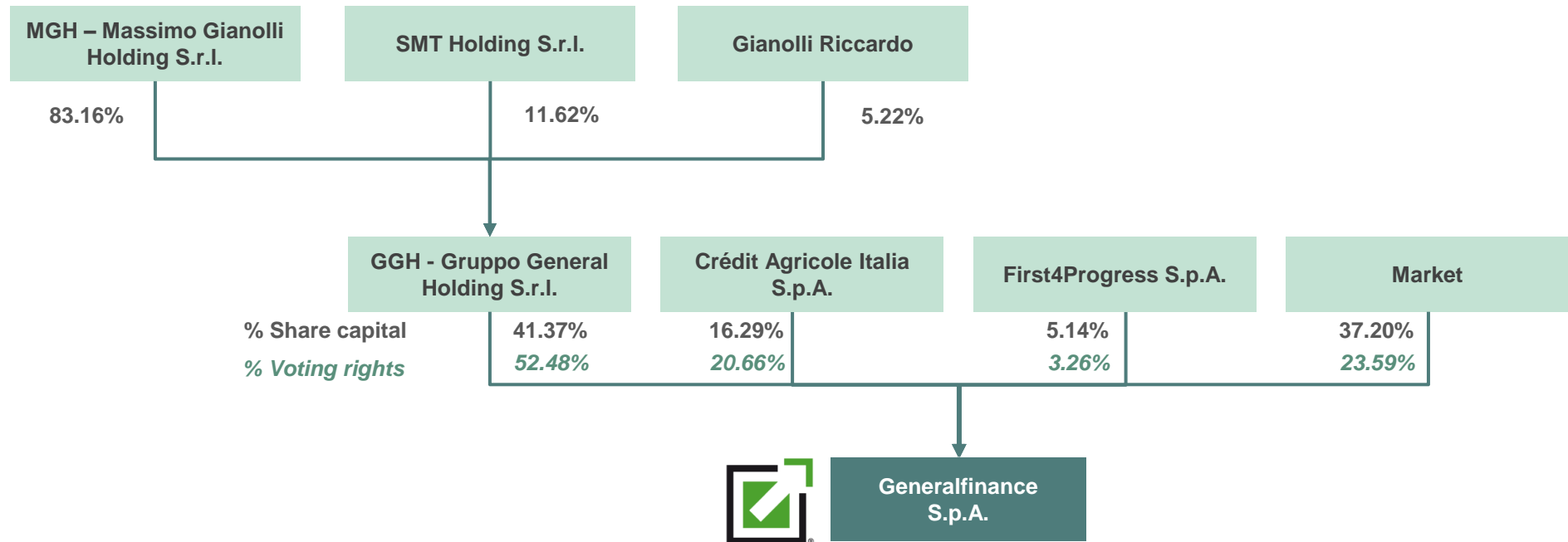
**Massimo Gianolli**  
*CEO*

# IPO and updated shareholder base

## IPO main results

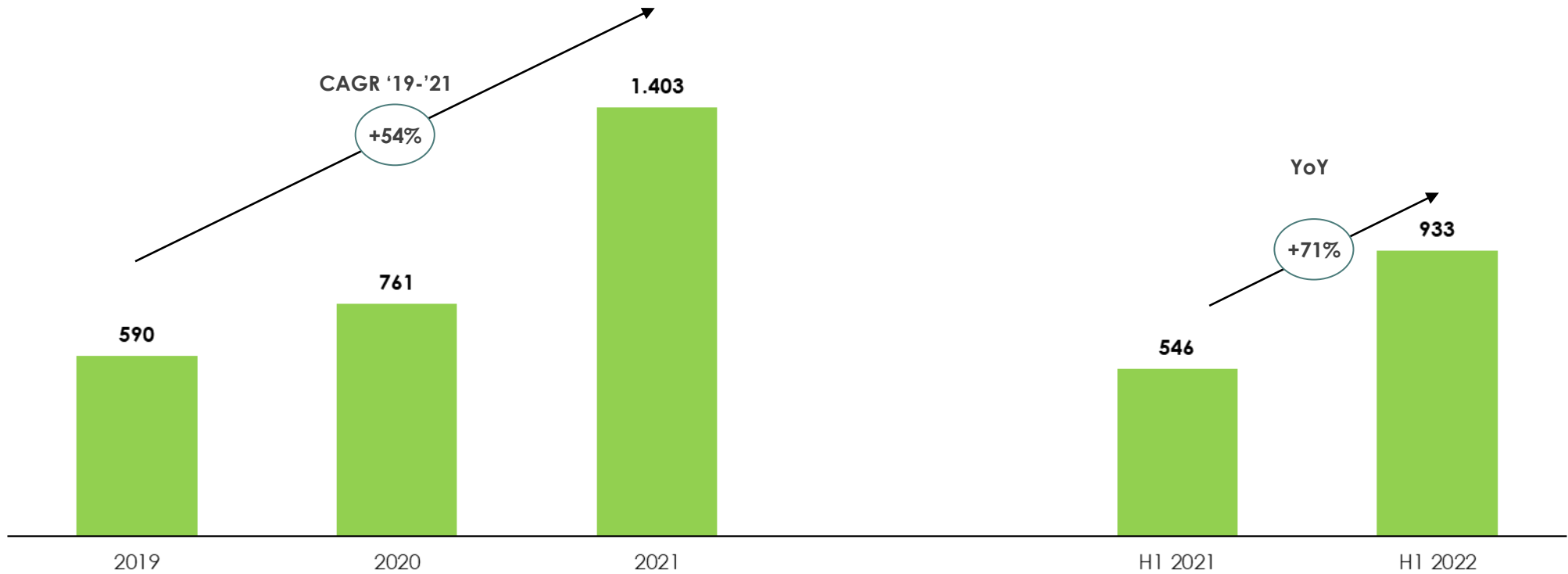
<b>29<sup>th</sup> June 2022</b>	<b>€ 38.5 M</b>	<b>€ 20.2 M</b>	<b>€ 65.8 M</b>	<b>€ 91.0 M</b>
FIRST DAY OF TRADING	CAPITAL RAISED <sup>1</sup>	CAPITAL INCREASE	TOTAL DEMAND	MARKET CAPITALIZATION AT IPO

## Shareholders' structure



# Turnover – historical series

Growth in Turnover Volume (€M)



2022 annual growth rate (71%) above the CAGR '19-'21

# Main KPIs behind our H1 results - adjusted figures

H1 2021



Turnover



Net Banking Income



Net Income

TURNOVER YOY H1.21-H1.22  
**+71%**

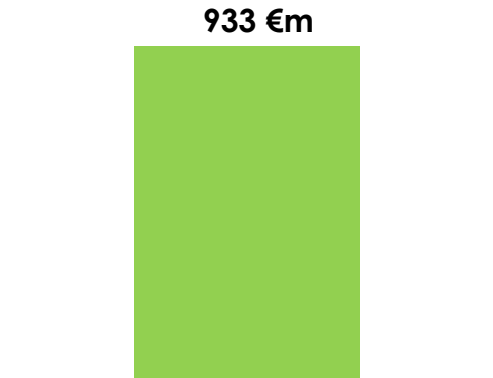


NET BANKING INCOME YOY H1.21-H1.22  
**+39%**



NET INCOME YOY H1.21-H1.22  
**+47%**

H1 2022



Turnover



Net Banking Income



Net Income

# Asset quality – Cost of Risk and NPE ratio



**H1 2022**

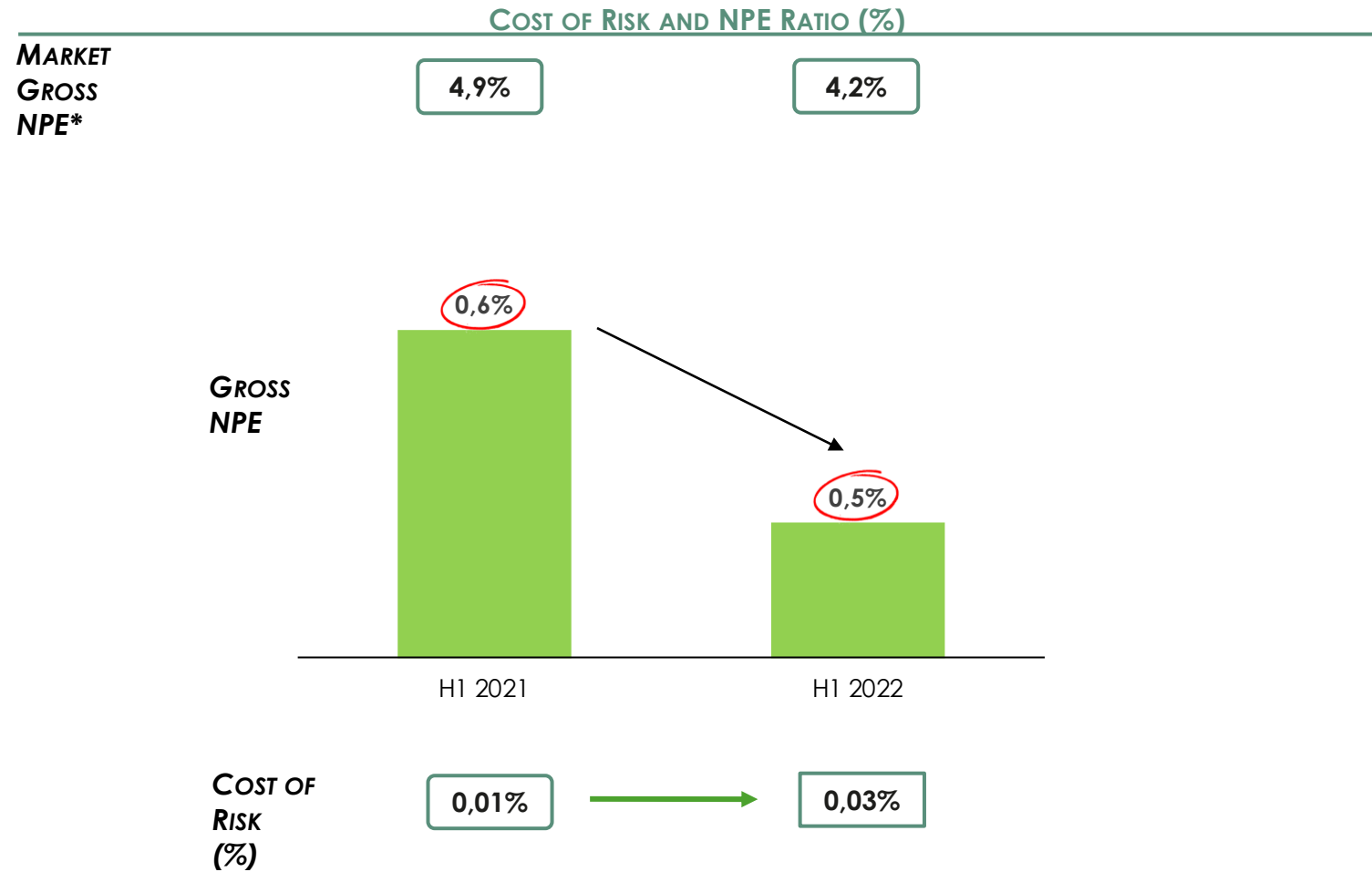
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**3 BPS  
COST OF  
RISK<sup>1</sup>**



**0,5%  
GROSS  
NPE<sup>2</sup>**



**GENERALFINANCE HAS A LOWER COST OF RISK AND A NON-PERFORMING EXPOSURE COMPARED TO THE MARKET THANKS TO ITS UNIQUE AND EFFECTIVE BUSINESS MODEL ENABLING A CONSTANT MITIGATION OF CREDIT RISK**



# A unique business model

The peculiarity of Generalfinance's business model is the choice of Seller-Debtor, where clients (Sellers) typically have a low credit rating (turnaround situation) while the Debtors underlying customer loans refer to a high credit rating (investment grade)

AAA
AA+
AA
AA-
A+
A
A-
BBB+
BBB
BBB-

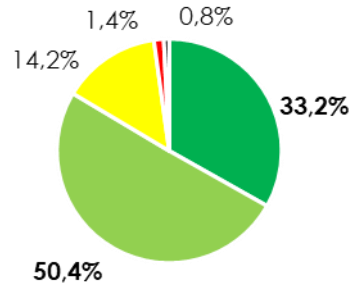
**DEBTOR, GENERALLY WITH  
«INVESTMENT GRADE» RATING**



CCC+
CCC
CCC-
CC
C
D

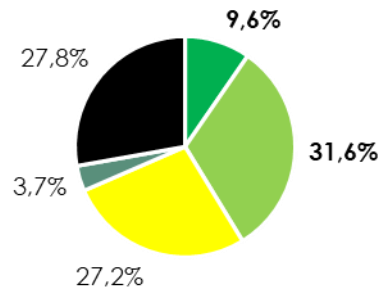
**SELLER TYPICALLY IN  
TURNAROUND /  
RESTRUCTURING PROCEDURE**

Turnover H1 2022 – per Debtor



Rating Class 1 and 2 equal to 84%

Turnover H1 2022 – per Seller



Rating Class 1 and 2 equal to 41%

## HIGHLIGHTS FOR GENERALFINANCE<sup>1</sup>

### PRODUCTS

- Pro-solvendo factoring (c. 94% of turnover; vs 21% Assifact average)
- Pro-soluto factoring (c. 6% of turnover; vs 79% Assifact)
- Reverse factoring
- C. 76% of turnover covered by insurance with Allianz Trade
- 83% LTV in H1 2022, adjustable according to credit risk

### CUSTOMERS

- Italian corporates (revenues higher than €20M) mainly distressed (c. 76% of turnover) and "in bonis" (c. 24% of turnover)
- High diversification by sector
- Debtors from Italy and abroad with an "investment grade" rating
- High ratio Debtor/Seller (~78 vs 10 of Assifact average<sup>2</sup>)
- Average Seller retention about 3 years

RATING GF SCORE	1	2	3	4	5
	Great	Good	Vulnerable	Risk	Default

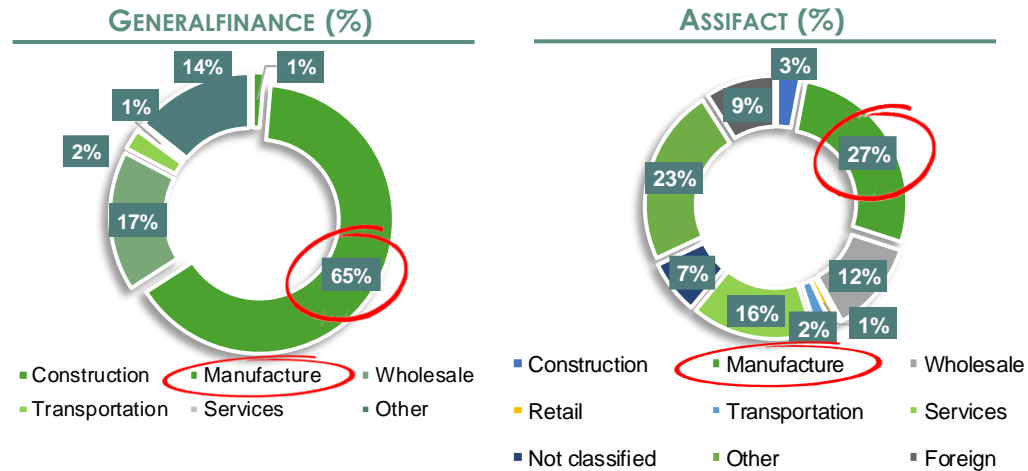
Source: Management

Notes: 1) Generalfinance data refers to 1H 2022; Assifact data refers to FY 2021; 2) Assifact data net of household debtors.

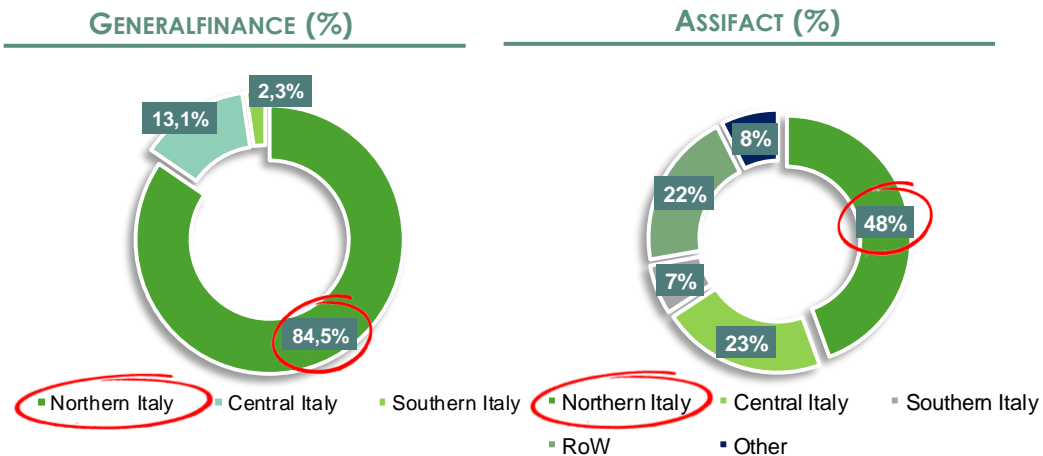
# Turnover breakdown vs system average (1/2)

AT THE CORE OF THE BUSINESS MODEL, GENERALFINANCE HAS A PERFECT BALANCE IN TERMS OF:

## SELLERS' DIVERSIFICATION BY SECTOR<sup>1</sup>



## SELLERS' DIVERSIFICATION BY GEOGRAPHY<sup>1</sup>

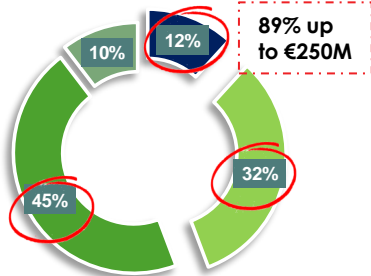


Note: Generalfinance Turnover data refers to 1H 2022; Assifact Turnover data refers to FY 2021  
Source: Management

# Turnover breakdown vs system average (2/2)

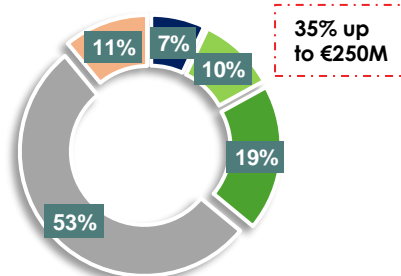
## SELLERS' DIVERSIFICATION BY DIMENSION<sup>1</sup>

GENERALFINANCE (%)



- Small size (<€10M)
- Corporate (€50M-€250M)
- Medium size (€10M-€50M)
- Large corporate (>€250M)

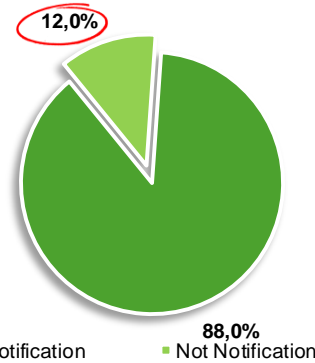
ASSIFACT (%)



- Small size (<€10M)
- Corporate (€50M-€250M)
- Not classified
- Medium size (€10M-€50M)
- Large corporate (>€250M)

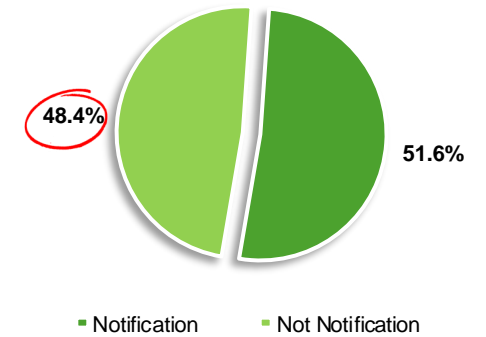
## FACTORING BY NOTIFICATION STATUS<sup>1</sup>

GENERALFINANCE (%)



- Notification
- Not Notification

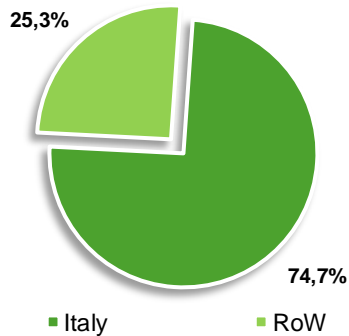
ASSIFACT (%)



- Notification
- Not Notification

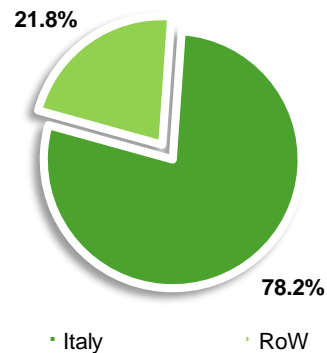
## NATIONAL VS INTERNATIONAL TURNOVER

GENERALFINANCE (%)



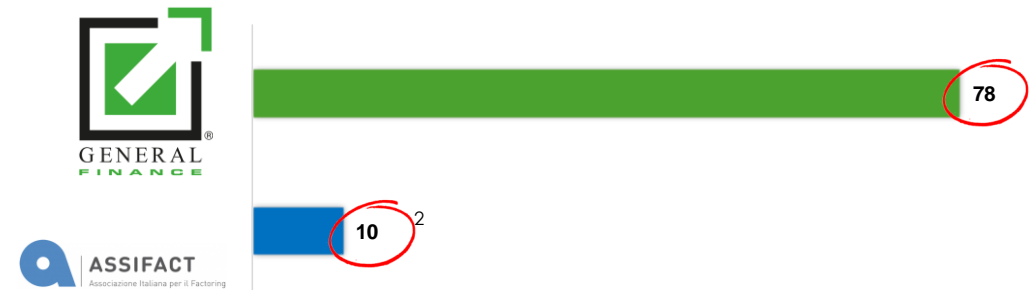
- Italy
- RoW

ASSIFACT (%)



- Italy
- RoW

## HIGHER NUMBER OF DEBTORS PER SELLER<sup>1</sup>



ASSIFACT  
Associazione Italiana per il Factoring

# From Funding to Operations

## VERTICAL SPECIALIST COVERING THE ENTIRE VALUE CHAIN



### FUNDING

The Company has a **stable and diversified funding structure**, thanks to the different available lines of credit allowing for an optimal management of disbursements and collections



### ORIGINATION

Solid network and strong reputation are at the base of Generalfinance turnover (97%) while the remaining part (3%) is originated through formal agreements with agents and brokers

Turnover generated by... (%)	2019A	2020A	2021A	H1 2022
Generalfinance's Network	93%	96%	96%	97%
Third Parties	7%	4%	4%	3%



### OPERATIONS

Generalfinance is among the few Italian Factors to have developed an **in-house proprietary platform** allowing for **custom solutions** (scoring in c.15 days)

The proprietary platform enables to perform further additional analysis and guarantees a **high level of flexibility and a constant monitoring activity**

€K	2019A	2020A	2021A	H1 2022
Capex- Intangibles	199	611	1,096	280
Capex - Tangibles	487	456	547	159
<b>Total CapEx</b>	<b>686</b>	<b>1,067</b>	<b>1,685</b>	<b>439</b>

### GENERALWEB (FRONT-END)

Generalweb is the platform through which the sellers can interact with Generalfinance. It acts as an archive of files and as an exchange of documentation between the parties

### TOR (BACK-END)

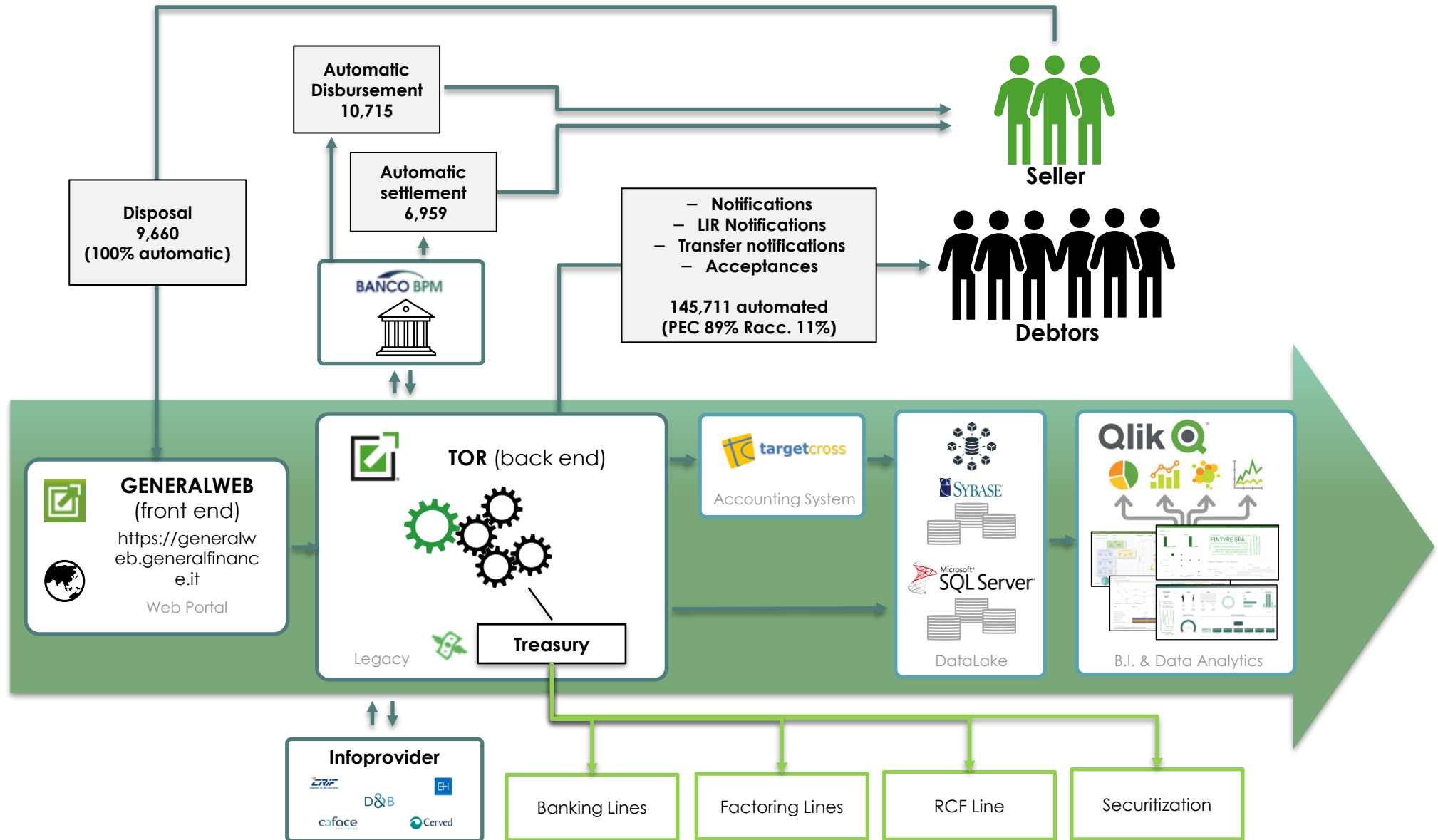
DATA MANAGEMENT

CREDIT MANAGEMENT  
AND INSURANCE

OPERATIONAL  
MANAGEMENT

TREASURY

# Digital factoring – L12M KPI



Source: LTM Company data

# Review of the financial performance



**Ugo Colombo**  
*CFO*

# Income statement 1H 2022 – adjusted net income

Income Statement (€m)	H2 2022	Adj	H2 2022 Adj
Interest income and similar income	6,4	0,0	6,4
Interest expense and similar charges	(2,6)	0,0	(2,6)
<b>INTEREST MARGIN</b>	<b>3,8</b>	<b>0,0</b>	<b>3,8</b>
Fee and commission income	12,9	0,0	12,9
Fee and commission expense	(2,0)	0,0	(2,0)
<b>NET FEE AND COMMISSION INCOME</b>	<b>10,8</b>	<b>0,0</b>	<b>10,8</b>
Dividends and similar income	0,0	0,0	0,0
Net profit (loss) from trading	(0,0)	0,0	(0,0)
Net results of other financial assets and liabilities measured at fair value through profit or loss	0,0	0,0	0,0
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>14,6</b>	<b>0,0</b>	<b>14,6</b>
Net value adjustments / write-backs for credit risk	(0,2)	0,0	(0,2)
a) Financial assets measured at amortised cost	(0,2)	0,0	(0,2)
<b>NET PROFIT (LOSS) FROM FINANCIAL MANAGEMENT</b>	<b>14,4</b>	<b>0,0</b>	<b>14,4</b>
Administrative expenses	(6,4)	1,2	(5,2)
a) Personnel expenses	(3,0)	0,3	(2,8)
b) Other administrative expenses	(3,4)	0,9	(2,5)
Net provision for risks and charges	(0,0)	0,0	(0,0)
b) Other net provisions	(0,0)	0,0	(0,0)
Net value adjustments / write-backs on property, plan and equipment	(0,4)	0,0	(0,4)
Net value adjustments / write-backs on intangible assets	(0,2)	0,0	(0,2)
Other operating income and expenses	(0,1)	0,0	(0,1)
<b>OPERATING COSTS</b>	<b>(7,0)</b>	<b>1,2</b>	<b>(5,8)</b>
<b>PRE-TAX PROFIT (LOSS) FROM CURRENT OPERATIONS</b>	<b>7,4</b>	<b>1,2</b>	<b>8,6</b>
Income tax for the year on current operations	(2,5)	(0,4)	(2,9)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>4,9</b>	<b>0,8</b>	<b>5,7</b>

Extraordinary costs booked in H1 2022, related to the IPO Process, ~ 1,2 € M  
Adjusted net income 5.7 € M, +47% YoY

# Our 1H 2022 in a nutshell - adjusted figures

## POSITIVE INCOME TREND

**€14,6M**  
NET BANKING INCOME **+39%** vs H1 2021

**€5,7M**  
NET INCOME ADJ **+47%** vs H1 2021

**39,7%**  
COST INCOME RATIO ADJ **vs 47%** in H1 2021

**25,0%**  
ROE ADJ

confirming the **high profitability of the business model, after the capital increase** completed through the IPO

## FURTHER INCREASE OF DISTRESSED FINANCING BUSINESS

**€933M**  
TURNOVER **+71%** vs H1 2021

**€776M**  
DISBURSED AMOUNT **+80%** vs H1 2021

**€362M**  
RECEIVABLES **+69%** vs H1 2021

**~ 76% disbursement** backed by the historical and strategic partnership with **Allianz Trade**

## EXCELLENT CREDIT QUALITY

**Gross NPE ratio and Cost of Risk substantially not affected by geopolitical tensions**

**0,53%**  
GROSS NPE RATIO

Vs

**0,63%** 1H 2021

**0,03%**  
COST OF RISK

Vs

**0,01%** 1H 2021

## SOLID CAPITAL POSITION

**Strong capital buffers well above regulatory requirements, after the capital increase completed through the IPO (+€18,5M)**

**19,2%**  
TOTAL CAPITAL RATIO

Vs

**8%** MINIMUM REQUIREMENT

**15,4%**  
CET 1 RATIO

Vs

**4,5%** MINIMUM REQUIREMENT



# The main KPIs behind our business – adjusted figures

Income Statement (€m)	2019A	2020A	2021A	CAGR '19-'21	H1 2021	H1 2022 adj	YoY
Interest Margin	3,4	4,1	6,2	35,0%	2,7	3,8	38%
Net Fee and Commission Income	10,1	13,1	17,7	32,4%	7,8	10,8	39%
<b>Net Interest and Other Banking Income</b>	<b>13,5</b>	<b>17,2</b>	<b>23,9</b>	<b>33,1%</b>	<b>10,5</b>	<b>14,6</b>	<b>39%</b>
Operating Costs	(6,9)	(8,4)	(9,8)	19,2%	(4,9)	(5,8)	18%
<b>Profit for the year</b>	<b>4,2</b>	<b>5,3</b>	<b>9,5</b>	<b>50,4%</b>	<b>3,9</b>	<b>5,7</b>	<b>47%</b>

(€m)	2019A	2020A	2021A	CAGR '19-'21	H1 2021	H1 2022	YoY
Turnover	590,0	761,0	1.403,0	54,2%	545,5	932,6	71,0%
Disbursed Amount	445,0	562,0	1.118,0	58,5%	432,2	776,8	79,7%
<b>LTV</b>	<b>75,4%</b>	<b>73,9%</b>	<b>79,7%</b>	<b>2,8%</b>	<b>79,2%</b>	<b>83,3%</b>	<b>5,1%</b>

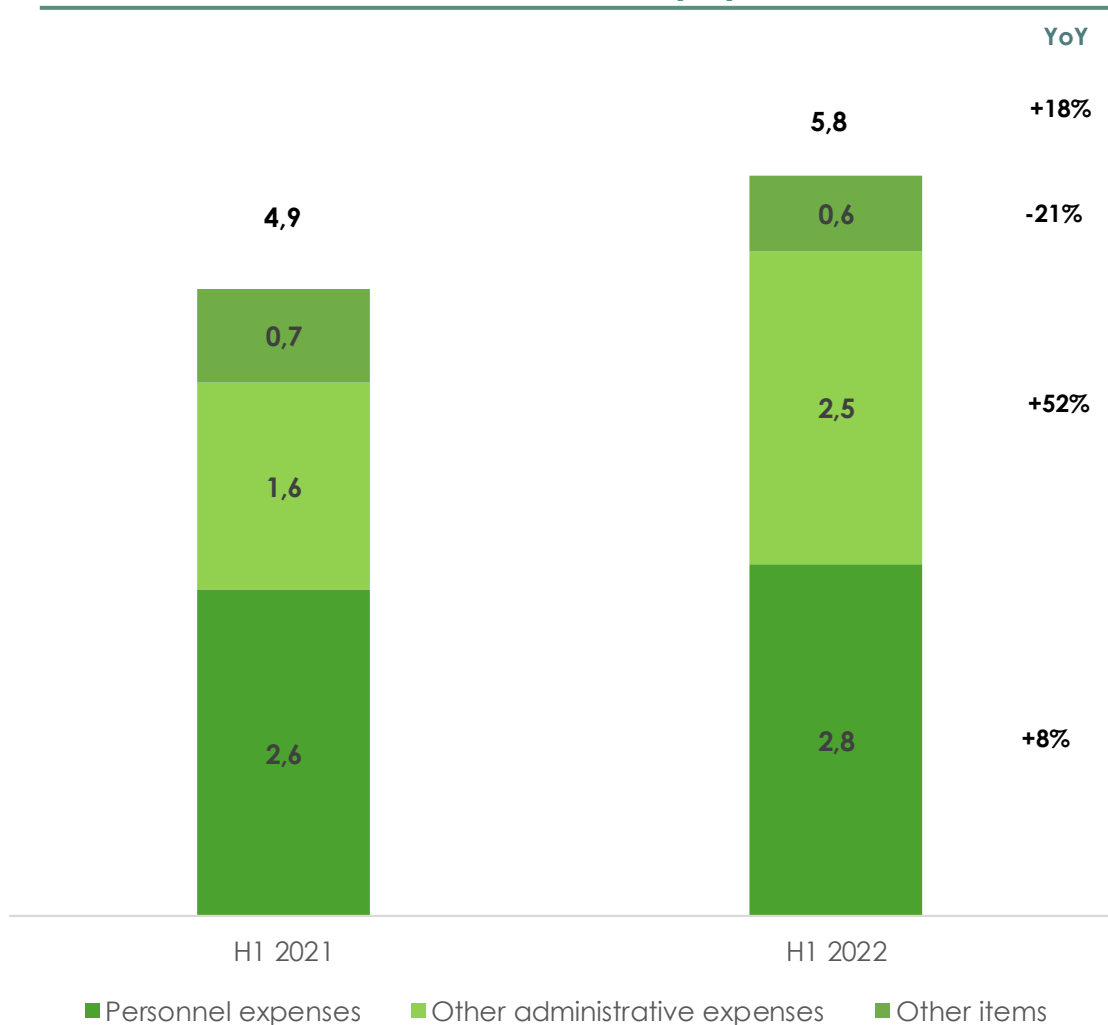
Net Banking Income / Average Loan (%)	12,2%	11,2%	9,6%	(11,3%)	10,7%	8,6%	(20,4%)
Interest Margin / Net Banking Income (%)	25,4%	23,8%	26,0%	1,2%	25,9%	25,8%	(0,4%)
Cost Income Ratio	51,0%	48,7%	40,9%	(10,4%)	46,9%	39,7%	(15,2%)
ROE (%)	27,6%	30,9%	42,0%	23,4%	34,7%	25,0%	(27,9%)

Balance Sheet (€m)	2019A	2020A	2021A	CAGR '19-'21	H1 2021	H1 2022	YoY
Cash & Cash Equivalents	16,8	24,2	33,5	41,2%	19,5	32,2	65,6%
Financial Assets	131,9	176,5	321,0	56,0%	214,6	361,7	68,6%
Other Assets	9,7	9,5	10,8	5,5%	9,8	13,2	35,3%
<b>Total Assets</b>	<b>158,4</b>	<b>210,2</b>	<b>365,3</b>	<b>51,9%</b>	<b>243,8</b>	<b>407,2</b>	<b>67,0%</b>
Financial Liabilities	129,0	175,4	314,6	56,2%	204,9	332,5	62,3%
Other Liabilities	10,0	12,2	18,7	36,7%	12,6	24,0	90,0%
<b>Total Liabilities</b>	<b>139,0</b>	<b>187,6</b>	<b>333,3</b>	<b>54,8%</b>	<b>217,5</b>	<b>356,5</b>	<b>63,9%</b>
<b>Shareholder's Equity</b>	<b>19,4</b>	<b>22,6</b>	<b>32,0</b>	<b>28,4%</b>	<b>26,3</b>	<b>50,7</b>	<b>92,8%</b>

Note: Turnover includes Future receivables; Income statement data as of 1H 2022 adjusted. ROE adj = annualized net income adj / (equity-net profit)

# Costs Structure & Bottom Line – adjusted figures

## OPERATING COSTS (€M)

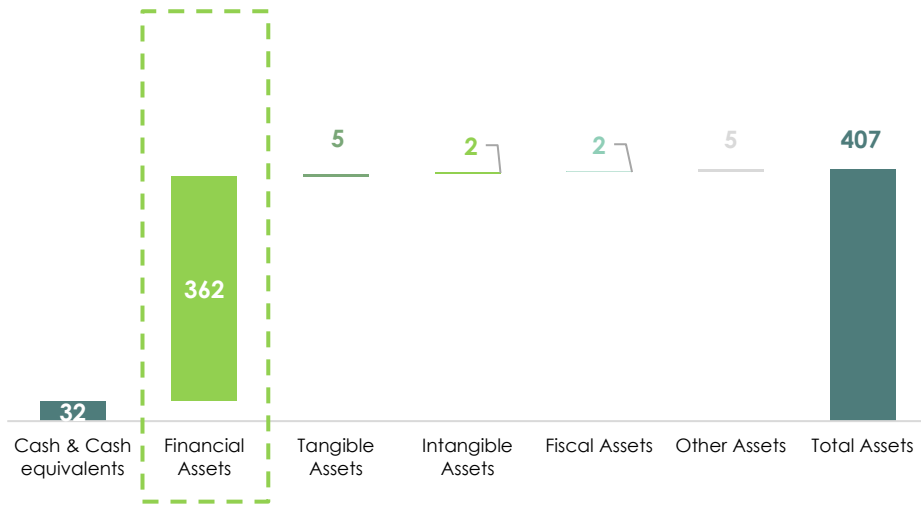


## DRIVER

- ❑ **Personnel expenses up +8% YoY**, taking into consideration the hiring of new people (headcounts from 53 at the end of H1 2021 to 61, H2 2022 end)
- ❑ **Other administrative expenses up +52% YoY**, mainly driven by info provider costs related to the expansion of the turnover, marketing / communication expenses and costs related to the securitization in place
- ❑ **Other itmes** (Net provision for risks and charges + Net value adjustments / write-backs on property, plan and equipment + Net value adjustments / write-backs on intangible assets + Other operating income and expenses) substantially in line with the previous year
- ❑ **Adjusted operating costs +18% YoY, significantly lower than the net banking income dynamic (+39%)**
- ❑ **Further improvement of the cost / income ratio, down from 47% to 40% (adjusted)**

# Balance sheet overview and regulatory capital

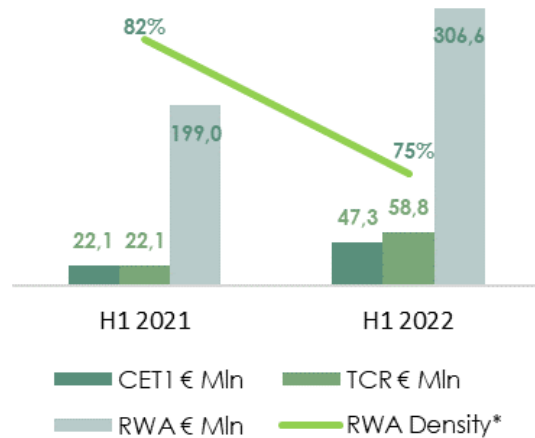
### H1 2022A ASSETS BREAKDOWN



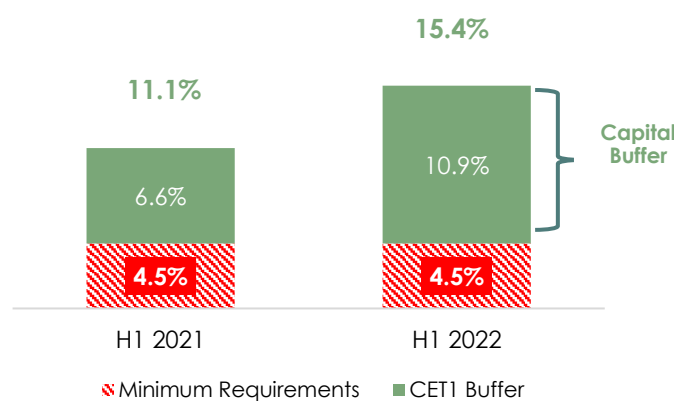
### H1 2022A LIABILITIES AND EQUITY BREAKDOWN



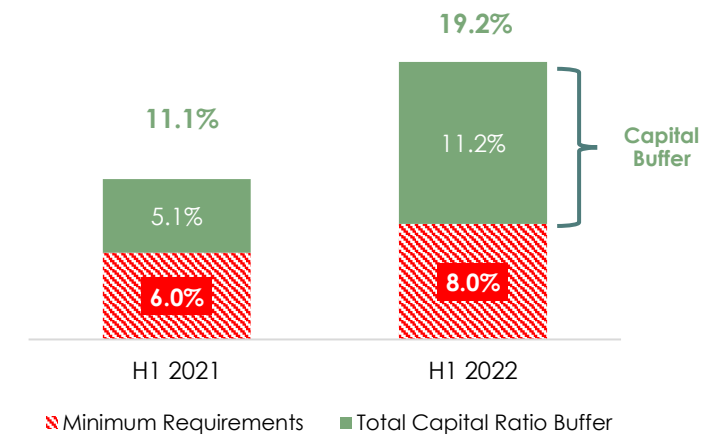
### CAPITAL AND RWA



### CET1 RATIO (%)

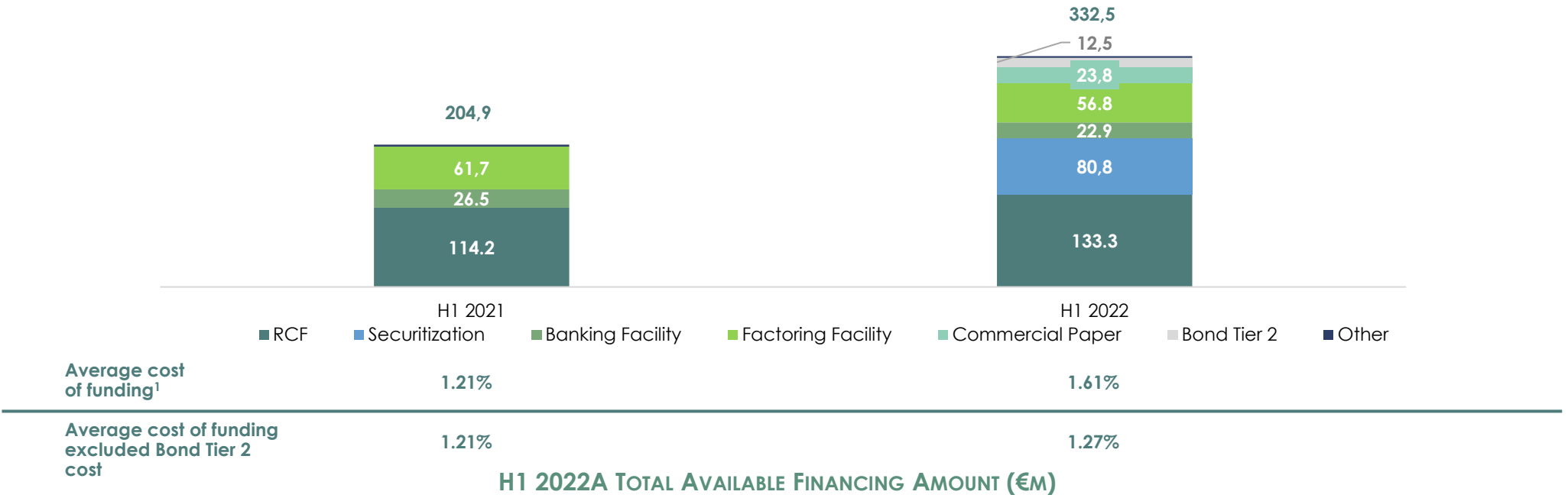


### TOTAL CAPITAL RATIO (%)

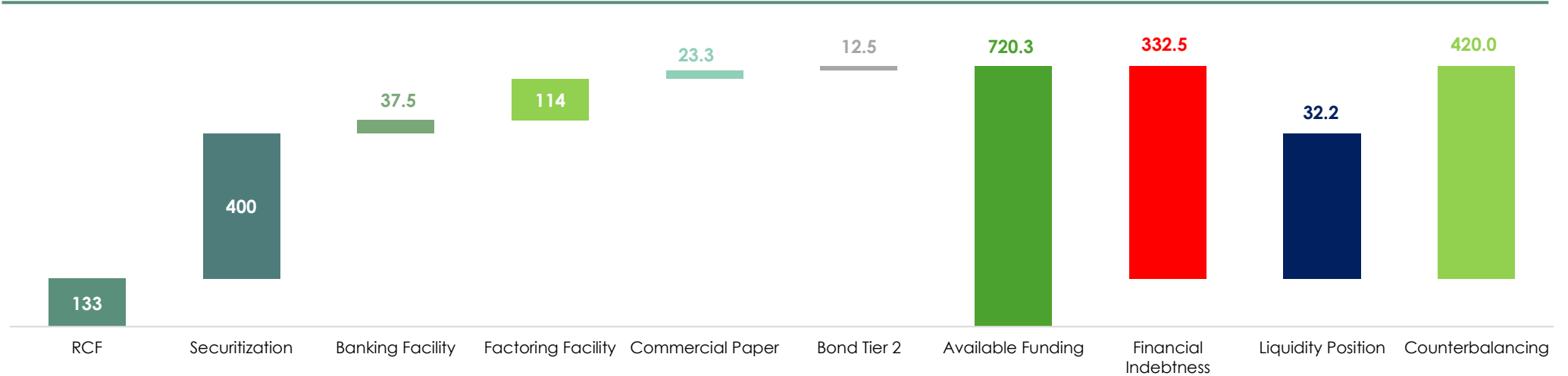


# Funding evolution

## H1 2021A – H1 2022A FUNDING AND COST OF FUNDING (€M, %)



## H1 2022A TOTAL AVAILABLE FINANCING AMOUNT (€M)



Source: Management

# Closing Remarks



**Massimo Gianolli**  
*CEO*

- ❑ Strong profitability during H1 2022, with an Adjusted Net Income up +47% YoY
- ❑ Elevated adjusted ROE (25%) and low adjusted Cost Income Ratio (40%), confirming the high profitability of the business model
- ❑ Ample capital buffer (Total Capital Ratio 19.2%, 11.2% of capital buffer) after the capital increase completed through the IPO process
- ❑ Strong commercial dynamic with 933 € M Turnover, +71% YoY

The strong results of the H1 2022 represent a good step to beat the 2022 target presented to the market

New Industrial Plan «Post Money» will be presented in autumn, with a substantial increase of the «pre money»  
Turnover level (2024F 2.7 € B)

# Annexes

# Top line components

SINCE 2016, GENERALFINANCE HAS ADOPTED IAS/IFRS ACCOUNTING STANDARDS

## PRO SOLVENDO FACTORING

Factoring Commissions

+

Other Commissions

+

Interest Income

+

Interests and commissions derived from delay in payments

- Deducting from allocated amount
- Accounted in financial statements through accrued income or by cash (other commissions)

- Accounted by cash at the payment time
- Settled within the DPP (Deferred Purchase Price) framework

## PRO SOLUTO FACTORING<sup>1</sup>

Factoring Commissions

+

Other Commissions

+

Interest Income

SIMPLE AND TRANSPARENT P&L PAIRED WITH ALMOST NO VOLATILITY OF FAIR VALUE / CREDIT ADJUSTMENT

# Revenues' generation – example

PRO SOLVENDO TRANSACTION		Formula	Accounting
Valore nominale cessione (fattura)	100,000.00	<b>a</b>	
% anticipazione	80%	<b>b</b>	
<b>Importo erogato lordo</b>	<b>80,000.00</b>	<b><math>c = a \times b</math></b>	
Giorni erogazione (data scadenza-data erogazione)	88	<b>e</b>	
Tasso contrattuale	4.00%	<b>f</b>	
<b>Interessi contrattuali</b>	<b>789.04</b>	<b><math>g = (c \times f \times (e+2)) / 365</math></b>	<i>ricavi riscontati fino a scadenza</i>
Giorni credito (data scadenza-data pratica)	90	<b>h</b>	
Tasso commissionale	0.50%	<b>i</b>	
<b>Commissioni contrattuali</b>	<b>1,500.00</b>	<b><math>l = a \times i \times (h/30)</math></b>	<i>ricavi riscontati fino a scadenza</i>
<b>Totale ricavi a conto economico</b>	<b>2,289.04</b>	<b><math>m = g + l</math></b>	<i>ricavi riscontati fino a scadenza</i>
<b>Importo erogato netto</b>	<b>77,710.96</b>	<b><math>n = c - m</math></b>	
Giorni tardato pagamento	5	<b>o</b>	
Interessi tardato pagamento contrattuali	5.00%	<b>p</b>	
Commissioni tardato pagamento	0.50%	<b>q</b>	
<b>Interessi tardato pagamento</b>	<b>54.79</b>	<b><math>r = (c \times p \times o) / 365</math></b>	<i>ricavi tardato pagamento per cassa</i>
<b>Commissioni tardato pagamento</b>	<b>83.33</b>	<b><math>s = a \times q \times (o / 30)</math></b>	<i>ricavi tardato pagamento per cassa</i>
<b>Ricavi tardato pagamento</b>	<b>138.13</b>	<b><math>t = r + s</math></b>	<i>ricavi tardato pagamento per cassa</i>
Importo non anticipato	20,000.00	<b><math>u = a - c</math></b>	
<b>Liquidato netto</b>	<b>19,861.87</b>	<b><math>v = u - t</math></b>	



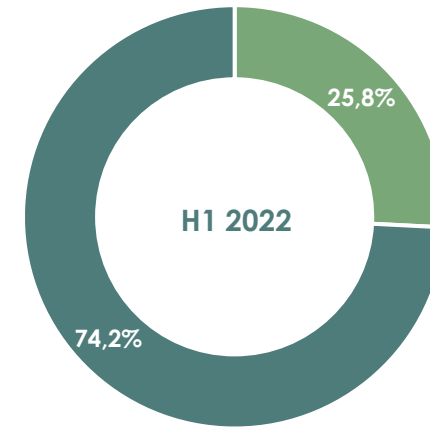
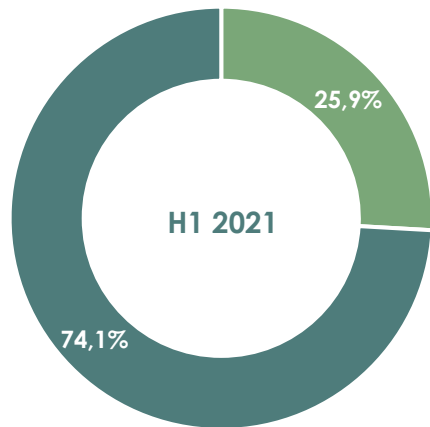
# Revenues Breakdown

## NET BANKING INCOME (€M)

YoY



■ Interest Margin ■ Net Commission



# Valuation Framework

## Distressed Client



- |                                  |  |
|----------------------------------|--|
| <b>Key Factors for Valuation</b> | <ul style="list-style-type: none"> <li>▪ Industrial market position and client portfolio</li> <li>▪ Recovery plan credibility and sustainability of the repayment plan of the previous debt position</li> <li>▪ Standing and profile of the Seller's legal/financial advisors</li> <li>▪ Feasibility of the financial measures and presence of legal protections</li> <li>▪ Presence of financial support (Equity/Debt) from investors/shareholders</li> </ul> |
|----------------------------------|--|

- |               |  |
|---------------|--|
| <b>Output</b> | <ul style="list-style-type: none"> <li>▪ <b>Distressed Seller's quantitative score</b> (green, yellow, red)</li> <li>▪ <b>Debtor's score</b></li> <li>▪ <b>Seller's portfolio score</b></li> <li>▪ <b>Overall valuation (Seller + Debtor)</b></li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="background-color: #2e7d32; color: white; padding: 5px;">Grant</div> <div style="background-color: #ffc107; color: white; padding: 5px;">To be evaluated</div> <div style="background-color: #dc3545; color: white; padding: 5px;">Reject</div> </div> |
|---------------|--|











## Performing Client



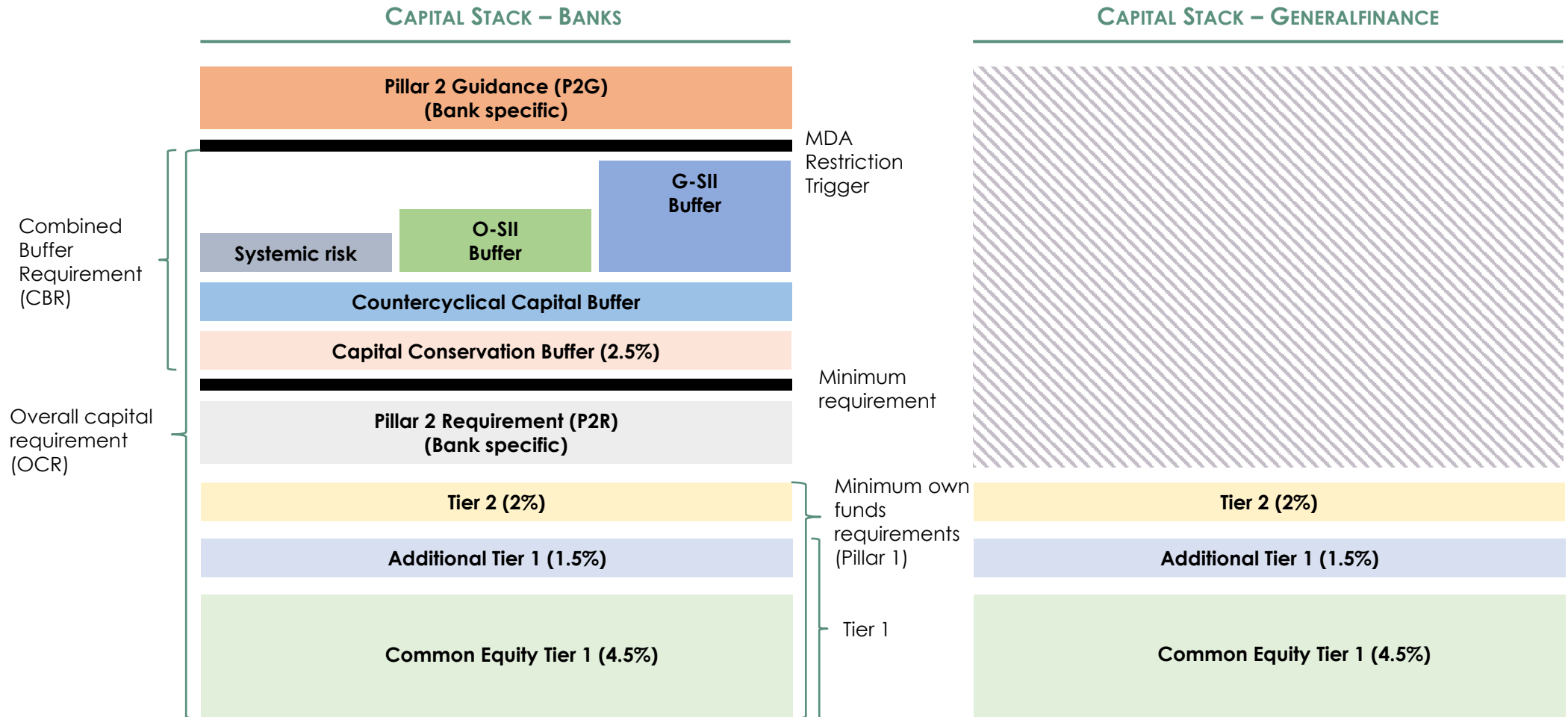
- |                                  |   |
|----------------------------------|---|
| <b>Key Factors for Valuation</b> | <ul style="list-style-type: none"> <li>▪ Economic and financial analysis of the Balance Sheet/P&amp;L/Cash Flow Statement</li> <li>▪ Positioning in the sector</li> <li>▪ Sustainability of the debt position (Debt-Service Coverage Ratio)</li> <li>▪ Credibility of the management</li> </ul> |
|----------------------------------|---|

- |               |   |
|---------------|---|
| <b>Output</b> | <ul style="list-style-type: none"> <li>▪ <b>Performing Seller's quantitative score</b></li> <li>▪ <b>Debtor's score</b></li> <li>▪ <b>Seller's portfolio score</b></li> <li>▪ <b>Overall valuation (Seller + Debtor)</b></li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="background-color: #2e7d32; color: white; padding: 5px;">Grant</div> <div style="background-color: #ffc107; color: white; padding: 5px;">To be evaluated</div> <div style="background-color: #dc3545; color: white; padding: 5px;">Reject</div> </div> |
|---------------|---|

# Scoring debtor

Macro score	Indicator	Assessment details
1  Commercial score	BRI 	<ul style="list-style-type: none"> <li>Counterparty summary assessment considering the economic and financial aspects, the history of the company, the shareholders structure, etc.</li> </ul>
	CGS 	<ul style="list-style-type: none"> <li>Counterparty summary assessment considering the economic and financial aspects, the history of the company, the shareholders structure, etc.</li> </ul>
	Rating Score 	<ul style="list-style-type: none"> <li>Counterparty summary assessment considering the economic and financial aspects, the history of the company, the shareholders structure, etc.</li> </ul>
	Delinquency Score 	<ul style="list-style-type: none"> <li>Probability of late payments over the next 12 months</li> </ul>
	Failure Score 	<ul style="list-style-type: none"> <li>Company probability of default over the next 12 months</li> </ul>
2  Payments score	Paydex 	<ul style="list-style-type: none"> <li>Score on the counterparty's payment performance</li> </ul>
	Payline 	<ul style="list-style-type: none"> <li>Score on the counterparty's payment performance</li> </ul>
3  Credit insurability score	Grade Allianz Trade 	<ul style="list-style-type: none"> <li>Degree of credit insurability</li> </ul>
	DRA 	<ul style="list-style-type: none"> <li>Degree of credit insurability</li> <li>Coface – <i>in progress</i></li> </ul>
4  Credit insurance	Insurance 	<ul style="list-style-type: none"> <li>Insurance partnership with Allianz Trade to insure up to 100% of the credit cross, starting from amounts above 30k</li> </ul>

# Capital Stack – A capital light lending business

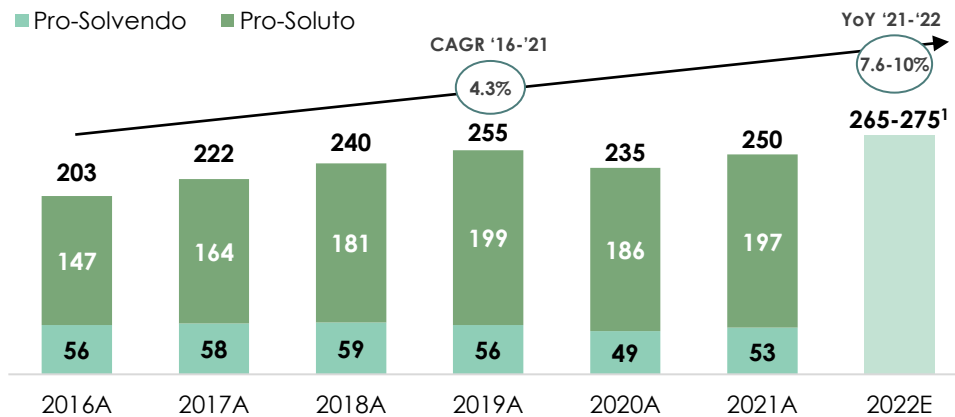


Source: Management

# An attractive market with key growth drivers

In the overall fast growing factoring market (turnover in Italy is expected to grow from € 250bn in 2021 up to €269-€275bn in 2022) Generalfinance focuses on distressed sellers (UTP, forborne and past due) with a portfolio of performing debtors (in bonis)

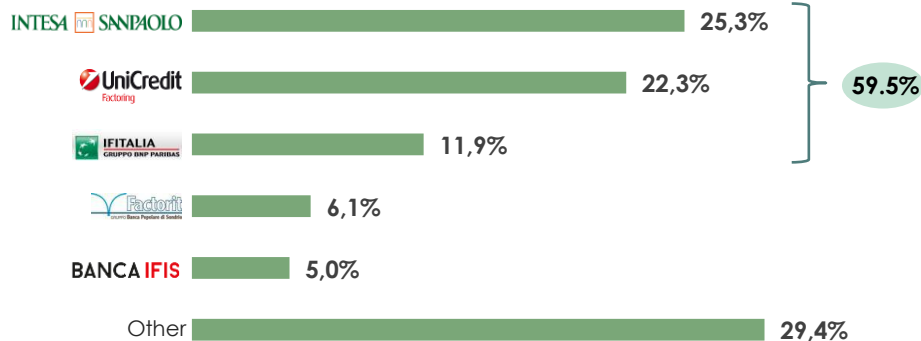
## Evolution of Turnover in Italy (€bn)



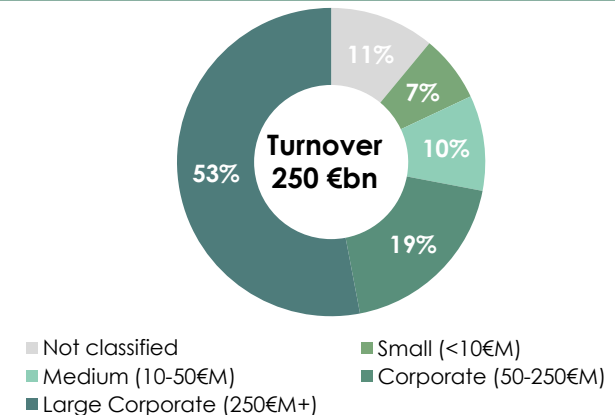
## Generalfinance's Market Key Drivers

- 1 Impact of Covid-19 on non-performing loans
- 2 Vulnerable companies and new non-bankruptcy procedures
- 3 Regulatory framework affecting banks and NPE

## Ranking of the Italian factoring market – 2021 (€bn)



## Sellers by Size – 2021



Notes: (1) range of values estimated in the last Assifact report «ForeFact» 22

Source: Assifact, Banca d'Italia, Banca IFIS Market Watch, report PWC, company balance sheets and website

# Regulatory Framework

Calendar Provisioning									
Default Period	1	2	3	4	5	6	7	8	9
Secured A	-	-	25%	35%	55%	70%	80%	85%	100%
Secured B	-	-	25%	35%	55%	80%	100%	-	-
Unsecured	-	-	35%	100%					

Based on the March 2018 BCE addendum, NPEs should be clustered in terms of default period and level of security, with a distinction between secured ('Secured A') other collateral ('Secured B') and unsecured ('Unsecured') properties. For each cluster, banks are expected to apply the above provisioning schedule such that the impaired exposure (NPLs and UTPs) is fully removed from the balance sheet by 2026.

The main implications are:

- development of a strategy for effective **NPE reduction**
- **limiting inflows of impaired exposures** into banks with a high NPE ratio
- Acceleration of credit recovery processes through the **transfer / sale of positions**

## New definition of default

According to CRR 178, a default occurs when any of the following conditions occur: (i) probable default, or (ii) exposures past due by more than 90 days.

**From January 1<sup>st</sup>, 2020 the European Banking Authority has introduced stricter rules to define if an exposure is in default.**

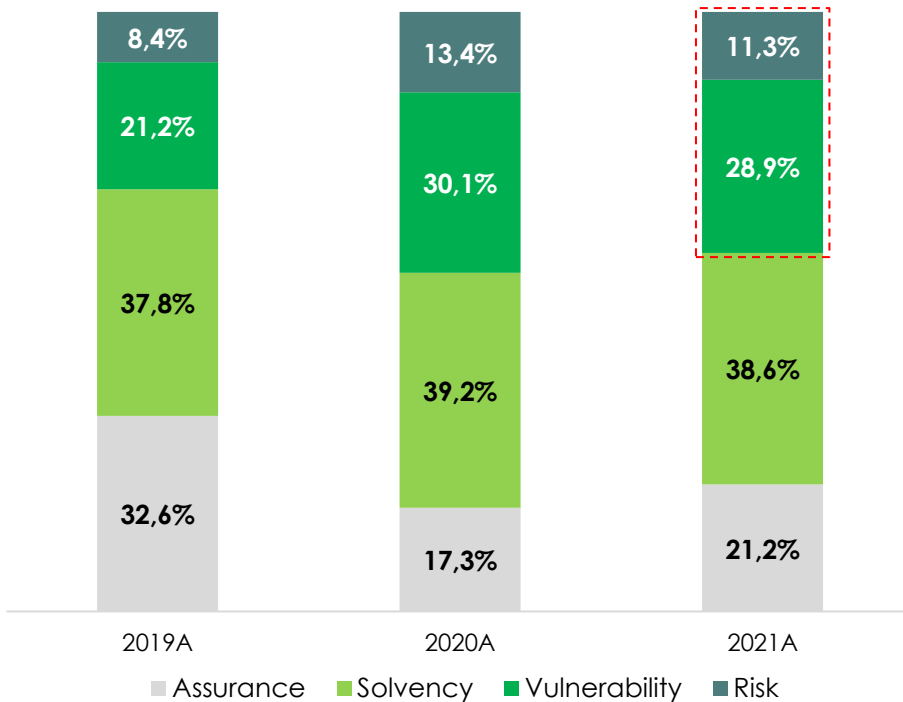
	Previous Reg.	NEW REG.
Thresholds	Client in default if arrears for more than 90 days, equal to at least 5% of their exposure towards the bank	Client in default if arrears of € 100 for individuals or € 500 for other exposures for more than 90 days, and at least 1% of their exposure towards the bank. (Bank of Italy can decide between 0 and 2.5%)
Compensation	Offsetting of overdue amounts against unused credit lines is possible	No compensation granted
Thresholds	Default status expires when the client settles the position	The default status remains for at least 90 days after the client settles the position

## Other "Basel III" regulatory impacts

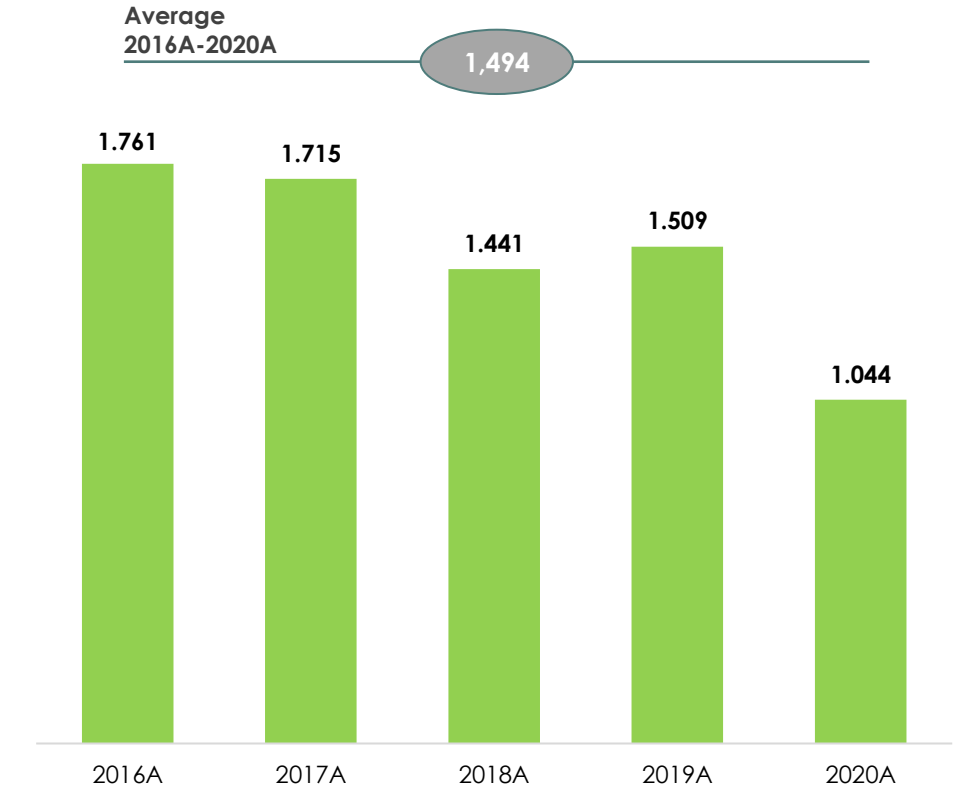
**The envisaged tightening of current account overdrafts**, which until now did not require capital provisions but could in future be subject to risk weighting for credit institutions, **may have a significant impact in Italy**, where they are widely used for household and PMI financing.

# Vulnerable companies and new non-bankruptcy procedures

CERVED GROUP SCORE (CGS)



NON-BANKRUPTCY PROCEDURES



More than 40% of SMEs are in vulnerability or risk condition

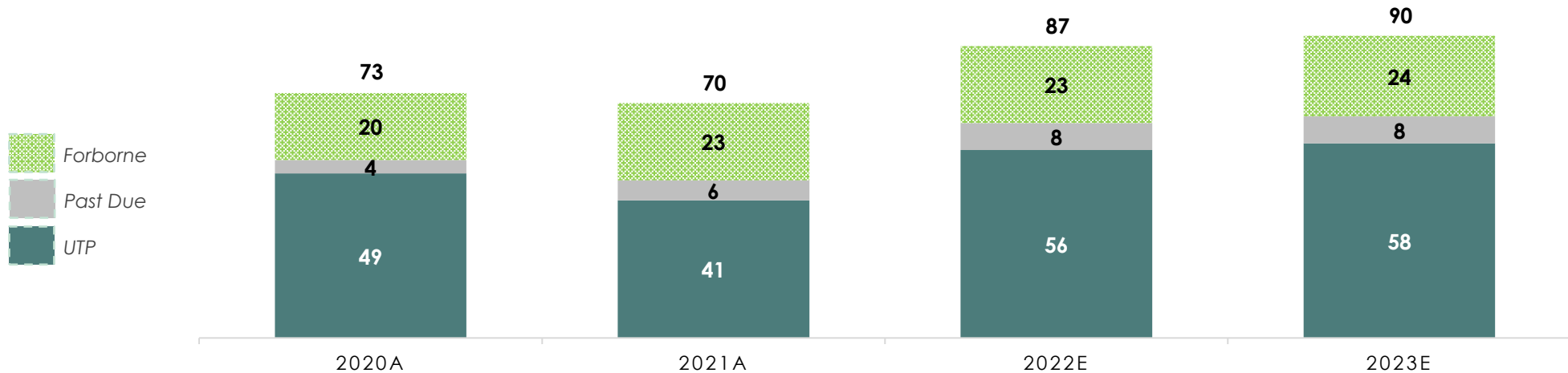
An annual average of 1,494 companies entered non-bankruptcy procedures since 2016

Source: Cerved «Rapporto PMI 2021», Cerved «Osservatorio chiusura Imprese»

# The potential market for Generalfinance

- The 2020 recession has affected the trend of the UTP/Past Due/Forborne stock, which is the best proxy of the Generalfinance's niche market, with an expected growth from 70bn in 2021E to 90bn in 2023E

EVOLUTION OF NON-PERFORMING EXPOSURES IN ITALY (€bn)



ASSUMPTIONS FOR ESTIMATING POTENTIAL OUTSTANDING OF DISTRESSED FACTORING

Short-term loans vs companies on total loans

6.4% of the total amount of loans<sup>1</sup>

POTENTIAL DISTRESSED FACTORING MARKET ESTIMATES (€bn)

Potential outstanding (light green oval) Potential turnover (dark teal oval)

	2021E	2022E	2023E	CAGR
Potential outstanding	6	7	7	13%
Potential turnover	23	28	29	13%



# Income Statement

Income Statement (€m)	2019A	2020A	2021A	H1 2021	H2 2022
Interest income and similar income	4,6	5,7	9,2	3,9	6,4
Interest expense and similar charges	(1,2)	(1,6)	(3,0)	(1,2)	(2,6)
<b>INTEREST MARGIN</b>	<b>3,4</b>	<b>4,1</b>	<b>6,2</b>	<b>2,7</b>	<b>3,8</b>
Fee and commission income	11,5	14,7	20,8	9,3	12,9
Fee and commission expense	(1,4)	(1,6)	(3,1)	(1,5)	(2,0)
<b>NET FEE AND COMMISSION INCOME</b>	<b>10,1</b>	<b>13,1</b>	<b>17,7</b>	<b>7,8</b>	<b>10,8</b>
Dividends and similar income	0,0	0,0	0,0	0,0	0,0
Net profit (loss) from trading	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)
Net results of other financial assets and liabilities measured at fair value through profit or loss	0,0	(0,0)	0,0	0,0	0,0
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>13,5</b>	<b>17,2</b>	<b>23,9</b>	<b>10,5</b>	<b>14,6</b>
Net value adjustments / write-backs for credit risk	(0,4)	(0,7)	(0,2)	(0,0)	(0,2)
a) Financial assets measured at amortised cost	(0,4)	(0,7)	(0,2)	(0,0)	(0,2)
<b>NET PROFIT (LOSS) FROM FINANCIAL MANAGEMENT</b>	<b>13,2</b>	<b>16,5</b>	<b>23,7</b>	<b>10,5</b>	<b>14,4</b>
Administrative expenses	(6,8)	(7,2)	(8,7)	(4,2)	(6,4)
a) Personnel expenses	(3,8)	(4,3)	(5,2)	(2,6)	(3,0)
b) Other administrative expenses	(3,0)	(3,0)	(3,4)	(1,6)	(3,4)
Net provision for risks and charges	(0,0)	(1,1)	(0,2)	(0,2)	(0,0)
b) Other net provisions	(0,0)	(1,1)	(0,2)	(0,2)	(0,0)
Net value adjustments / write-backs on property, plan and equipment	(0,6)	(0,7)	(0,7)	(0,4)	(0,4)
Net value adjustments / write-backs on intangible assets	(0,2)	(0,2)	(0,2)	(0,1)	(0,2)
Other operating income and expenses	0,8	0,8	0,1	(0,1)	(0,1)
<b>OPERATING COSTS</b>	<b>(6,9)</b>	<b>(8,4)</b>	<b>(9,8)</b>	<b>(4,9)</b>	<b>(7,0)</b>
<b>PRE-TAX PROFIT (LOSS) FROM CURRENT OPERATIONS</b>	<b>6,3</b>	<b>8,1</b>	<b>13,9</b>	<b>5,6</b>	<b>7,4</b>
Income tax for the year on current operations	(2,1)	(2,8)	(4,5)	(1,7)	(2,5)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>4,2</b>	<b>5,3</b>	<b>9,5</b>	<b>3,9</b>	<b>4,9</b>

# Balance Sheet

Balance Sheet (€m)	2019A	2020A	2021A	H1 2021	H2 2022
<b>ASSET ITEMS</b>					
Cash and cash equivalents	0,0	24,2	33,5	19,5	32,2
Financial assets measured at fair value through profit or loss	0,0	0,0	0,0	0,0	0,0
Financial assets measured at amortised cost	148,7	176,5	321,0	214,6	361,7
Property, Plan and Equipment (PPE)	5,3	5,1	4,9	4,9	4,7
Intangible assets	0,4	0,8	1,7	1,0	1,8
Tax assets	0,9	1,4	1,2	0,6	1,9
a) current	0,5	0,7	0,9	0,4	1,7
b) deferred	0,4	0,8	0,3	0,3	0,2
Other assets	3,1	2,2	3,0	3,2	4,8
<b>TOTAL ASSETS</b>	<b>158,4</b>	<b>210,2</b>	<b>365,3</b>	<b>243,8</b>	<b>407,2</b>
<b>LIABILITY AND SHAREHOLDERS' EQUITY ITEMS</b>					
Financial liabilities measured at amortised cost	129,0	175,4	314,6	204,9	332,5
a) payables		175,4	283,6	204,9	296,2
b) outstanding securities	129,0	0,0	31,0	0,0	36,3
Tax liabilities	0,6	0,9	1,2	0,5	1,6
Other liabilities	7,6	8,3	15,8	10,5	20,8
Severance pay	1,2	1,4	1,4	1,4	1,4
Provision for risk and charges	0,6	1,6	0,3	0,2	0,1
Share capital	3,3	3,3	3,3	3,3	4,2
Share premium reserve	5,8	5,8	7,8	7,8	25,4
Reserves	6,2	8,2	11,4	11,4	16,2
Valuation reserves	(0,1)	(0,1)	(0,0)	(0,1)	(0,0)
Profit (loss) for the year	4,2	5,3	9,5	3,9	4,9
<b>TOTAL LIABILITIES AND SHAREHOLDERS'S EQUITY</b>	<b>158,4</b>	<b>210,2</b>	<b>365,3</b>	<b>243,8</b>	<b>407,2</b>



# H1 2022 Financial Results

8<sup>TH</sup> AUGUST 2022

