EMARKET SDIR CERTIFIED

GENERAL FINANCE

HALF-YEARLY REPORT
AS AT 30 June 2023

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Half-Yearly Report on Operations as at 30 June 2023

Foreword

The half-yearly report as at 30 June 2023 was prepared in compliance with IAS 34 "Interim Financial Reporting", which defines the minimum amount of information and identifies the accounting and valuation standards to be applied to the condensed financial statements. The standards and interpretations used to prepare the interim financial statements, with reference to classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods for recognising the related revenues and costs, are in line with those adopted by Generalfinance for the preparation of the financial statements as at 31 December 2022, prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.
Also, the valuation policies and the estimation methods adopted have not changed significantly with respect to those applied in the preparation of the financial statements as at 31 December 2022.

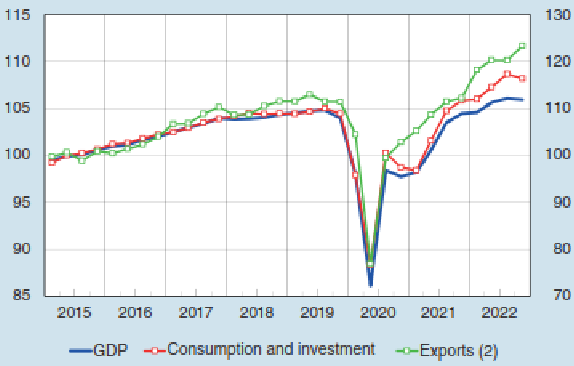
The half-yearly condensed financial statements as at 30 June 2023 consist of the following documents: Balance Sheet and Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related explanatory notes, which contain information on fair value, details of the main balance sheet and income statement aggregates, information on risks and hedging policies, information on transactions with related parties. The half-yearly condensed financial statements are also accompanied by the Directors' Report on Operations.

THE MACROECONOMIC CONTEXT AND THE FACTORING MARKET IN 2023[1]

Macroeconomic context

In the fourth quarter of 2022, GDP in Italy essentially stagnated (-0.1% compared to 0.4% in the third). The sharp decline in household spending was countered by an acceleration in investments, which recorded positive changes in all the main components. The decumulation of inventories subtracted 1.1 percentage points from the GDP trend; on the other hand, foreign trade made a positive contribution of 1.4 points, due to an increase in exports and a drop in imports. On the supply-side, value-added rose significantly in construction, while it decreased in industry in the strict sense and remained almost stable in services, breaking a prolonged expansion. Overall, in 2022, GDP grew by 3.7 per cent (from 7.0 in 2021).

GDP and its main demand components (1)
(quarterly data; indices: 2015=100)



Source: Based on Istat data.
(1) Chain-linked volumes; data adjusted for seasonal and calendar effects. – (2) Right-hand scale.

Source: Bank of Italy, Economic Bulletin no. 2/2023

Based on our models, which rely on a substantial dataset, we predict a GDP recovery in the first quarter of 2023. This recovery is expected to be influenced positively by the decrease in energy prices and the normalisation of supply conditions along the value chains. The services sector is expected to exhibit strong activity, with simultaneous growth anticipated in the construction and manufacturing sectors. In the same period, the Ita-coin indicator, which measures the trend in GDP net of the most erratic components, shows a slight improvement compared to the end of 2022.

[1] *The chapter refers to and/or reports extensive excerpts from the Bank of Italy's "Economic Bulletin no. 2/2023" and Assifact statistical circular no. 29-23 "Factoring in figures - Summary of the March 2023 data".*

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

	2022				2022
	Q1	Q2	Q3	Q4	
GDP	0.1	1.0	0.4	-0.1	3.7
Imports	4.1	1.5	2.5	-1.7	11.8
National demand (2)	-0.3	0.9	1.2	-1.6	4.3
National consumption	-0.8	1.3	1.6	-1.1	3.5
Household spending (3)	-1.1	2.2	2.2	-1.6	4.6
Gen. Gov. spending (4)	0.3	-1.4	-0.2	0.5	0.0
Gross fixed investment	3.4	1.1	0.2	2.0	9.4
Construction	4.4	1.0	-2.2	1.7	11.6
Capital goods (5)	2.4	1.2	2.7	2.2	7.3
Change in stocks (6)	-0.3	-0.3	0.0	-1.1	-0.4
Exports	5.3	1.8	0.0	2.6	9.4
Net exports (7)	0.5	0.1	-0.8	1.4	-0.5

Source: Istat.
(1) Chain-linked volumes; the quarterly data are adjusted for seasonal and calendar effects. – (2) Includes the change in stocks and valuables. – (3) Includes non-profit institutions serving households. – (4) General government expenditure. – (5) Includes, as well as investment in plants, machinery and arms (which also include 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.

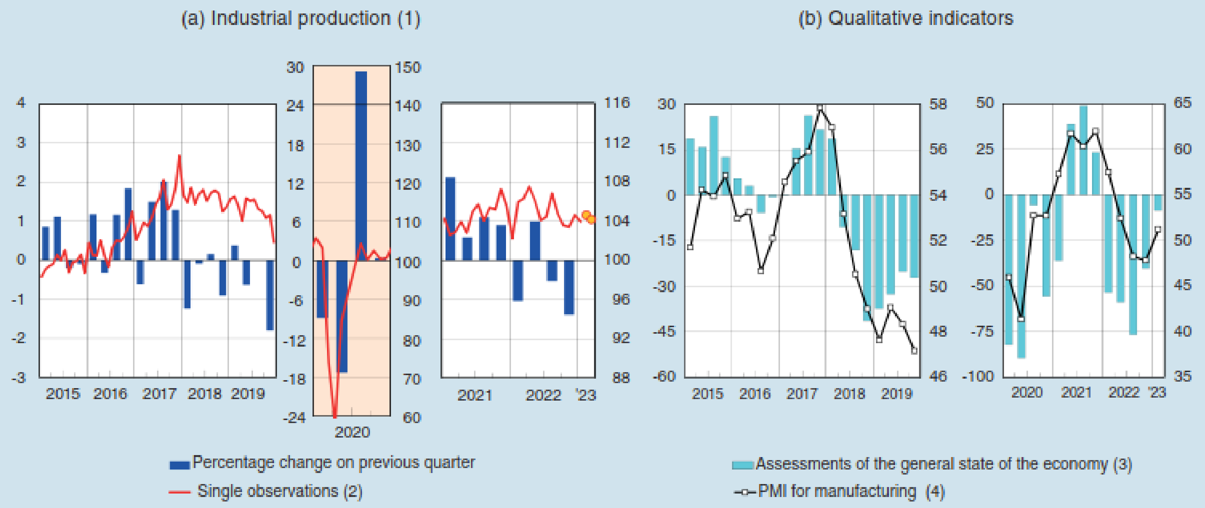
Source: Bank of Italy, Economic Bulletin no. 2/2023

<u>*Businesses*</u>

Following two consecutive quarters of decline, manufacturing activity is expected to return to expansion on average during the first three months of 2023. The qualitative indicators of service sector companies point to a recovery in activity. According to the companies, capital accumulation will continue in the current year. Housing market conditions remain weak.

In January, industrial production decreased (-0.7% compared to the previous month, from 1.2% in December); this was affected by the decline in the production of capital goods and, to a lesser extent, intermediate goods, while the production of consumer goods increased. The gap between the level of activity in energy-intensive sectors and that in the rest of the manufacturing sector remains wide. Based on our estimates for February and March, industrial production is expected to have seen a slight increase on average during the first quarter compared to the previous period.

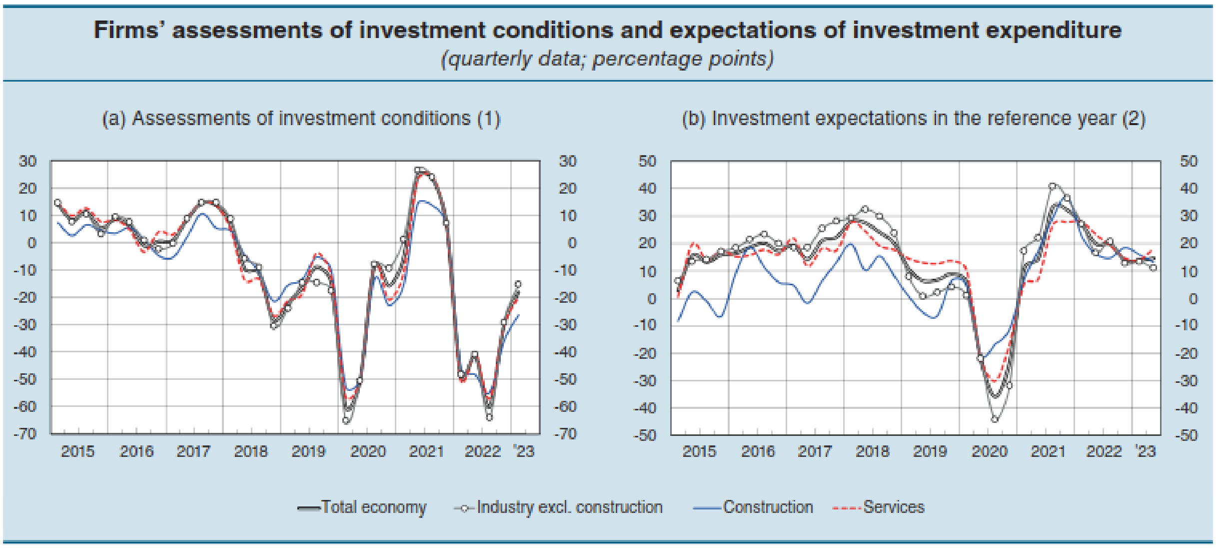
Industrial production and qualitative indicators
(monthly and quarterly data)



Sources: Based on data from the Bank of Italy, Istat, Markit and Terna.
(1) Adjusted for seasonal and calendar effects. For graphic design reasons, the scale used for plotting data for 2020 is different from that used for the other years. – (2) Monthly data. Index: 2015=100. The yellow dots represent the estimates for February and March 2023. Right-hand scale. – (3) Quarterly data. Balance, in percentage points, of the replies '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, 6 April 2023). – (4) Average quarterly data. Diffusion indices of economic activity in the manufacturing sector based on purchasing managers' assessments (PMI). The index is obtained by adding the percentage of responses of 'increasing' foreign orders to half of the percentage of responses of 'stable' foreign orders. Right-hand scale.

Source: Bank of Italy, Economic Bulletin no. 2/2023

On average in the first three months of the year, the climate of business confidence recorded by Istat improved in all sectors. Positive signals are also emerging from SMEs in the manufacturing and services sectors, which in the same period returned to levels compatible with an expansion in activity, for the first time since the second quarter of 2022. Based on the surveys conducted by the Bank of Italy between February and March, there is a continuing improvement in opinions regarding the general economic situation. This positive trend is driven by assessments of demand and the easing of difficulties related to energy prices and the procurement of raw materials and intermediate inputs.



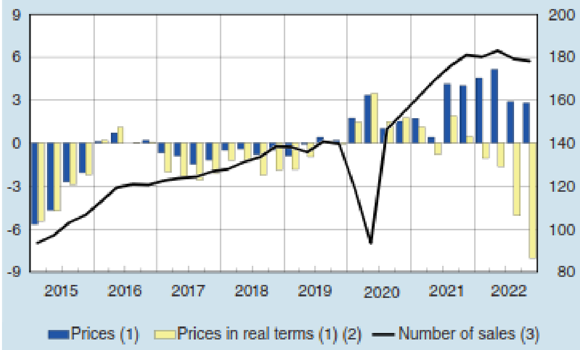
Source: 'Survey on Inflation and Growth Expectations', Banca d'Italia, Statistics Series, 6 April 2023.
(1) Balance of opinion between positive and negative assessments compared with the previous quarter. Construction firms are included in 'Total economy' starting from Q1 2013. – (2) Balance between expectations of an increase and of a decrease compared with the previous year. The first expectations for the reference year are based on the survey conducted in the last quarter of the preceding year.

Source: Bank of Italy, Economic Bulletin no. 2/2023

Investments accelerated in the fourth quarter (2.0% over the previous period), with growth in all the main components. According to our estimates, confirmed by data from the Italian leasing association (Assilea) on the value of lease contracts for the financing of industrial vehicles and capital goods, the increase in investments continued in the two months of January and February. Based on the Bank of Italy surveys, companies currently view the conditions for investing as more favourable compared to the previous survey. However, there is still a negative balance between the opinions of improvement and those indicating a worsening situation.

In the fourth quarter of 2022, house purchases and sales continued to decrease, although at a slower rate than during the summer months. House prices remained unchanged in nominal terms compared to the previous quarter, but they were 2.8% higher than in the corresponding period of 2021, which is significantly lower than consumer inflation. Based on the Economic Survey on the housing market in Italy conducted with real estate agents between January and February of this year, the short-term and two-year outlook for both the local and national markets remain weak. The increase in the cost of mortgages has had a negative impact on demand. The vast majority of operators continue to expect price stability. Listings on the Immobiliare.it digital platform provide evidence of a slight slowdown in housing demand during the first two months of the year.

House prices and sales
(quarterly data; percentage changes and index numbers)

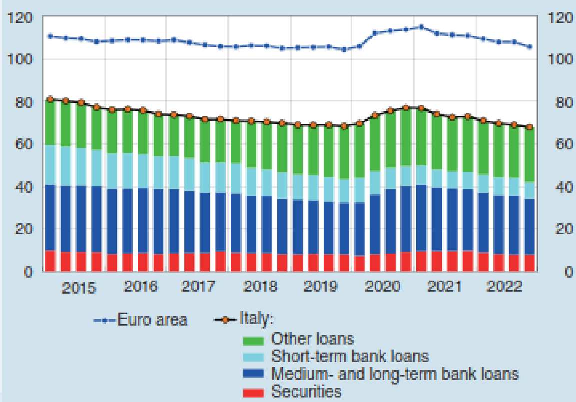


Sources: Based on data from the Italian Revenue Agency's Osservatorio del Mercato Immobiliare (OMI), the Bank of Italy, Istat and Consulente Immobiliare.
(1) Year-on-year percentage changes. – (2) House prices deflated by the consumer price index. – (3) Adjusted for seasonal and calendar effects. Indices: 2015=100. Right-hand scale.

Source: Bank of Italy, Economic Bulletin no. 2/2023

In the fourth quarter of last year, the total debt of Italian non-financial corporations as a percentage of GDP fell by around one point from the previous quarter (to 67.8%), primarily due to the expansion of nominal GDP.
This ratio is well below the euro area average (105.5%). In the same period, liquidity held by companies on current accounts and deposits increased slightly compared to the previous quarter (especially the time deposit component) and remains at high levels in historical comparison.

Debt of non-financial corporations (1)
(quarterly data; per cent of GDP)



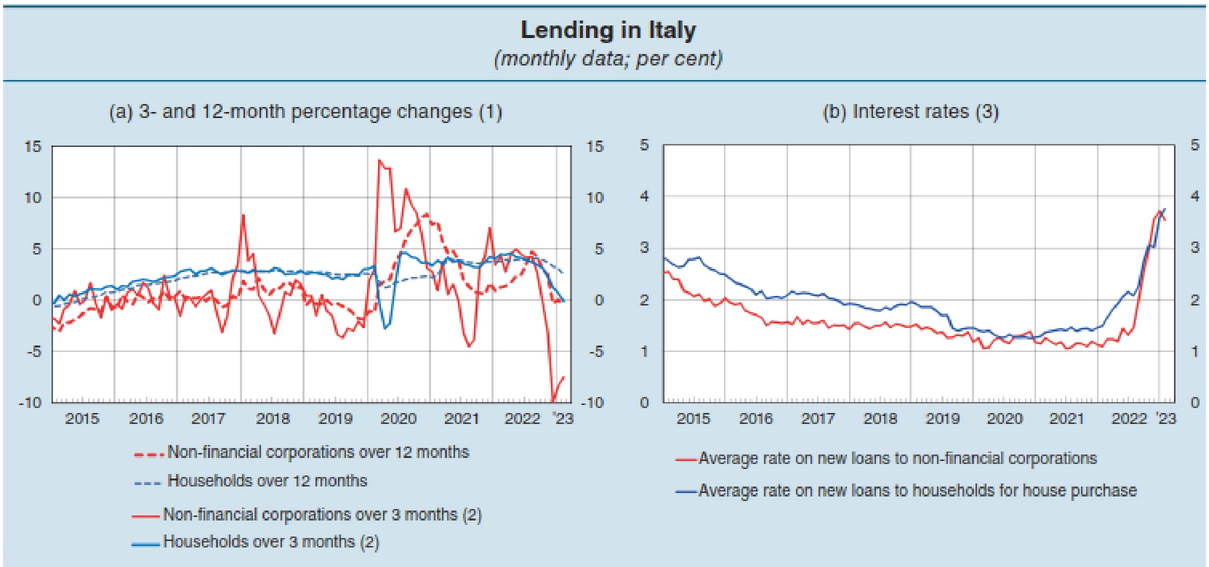
Sources: Based on ECB, Bank of Italy and Istat data.
(1) For the debt: end-of-quarter stocks (including securitized loans); for GDP 4-quarter cumulative flows. The data for the last quarter are provisional.

Source: Bank of Italy, Economic Bulletin no. 2/2023

<u>*Banks and the credit market*</u>

Between November and February, the trend in bank loans declined sharply, particularly for corporate loans, reflecting the increase in financing costs and more stringent offer criteria. The rise in official rates continues to be passed on to the cost of credit. Despite the recent tensions following the collapse of some intermediaries in the United States and Switzerland, the Italian banking system is in better shape compared to past crisis episodes. The credit deterioration rate remained low; profitability and capitalisation of significant banking groups rose in 2022.

In February, credit to the non-financial private sector experienced a 3.2% decrease over the three-month period and on an annual basis. This decline was mainly driven by a significant reduction in credit to businesses, which saw a drop of 7.5% compared to the previous November's rate of -3.1%. Businesses made substantial repayments during this period, drawing on the ample liquidity they held with banks. The contraction reflects a widespread weakening in all sectors and in particular the decline in services. The growth in loans to households was essentially cancelled out (-0.1%, down from 2.3% over the three months), mainly due to the slowdown in mortgages for home purchases.



Source: Supervisory reports.
(1) Includes bad debts, repos and loans not reported in banks' balance sheets because they have been securitized. The percentage change is net c reclassifications, exchange rate variations, value adjustments, and other variations not due to transactions; 3-month percentage changes are annualized. - (2) The data are seasonally adjusted using a methodology that conforms with the guidelines of the European Statistical System. – (3) Averages. The data o lending rates refer to transactions in euros and are gathered and processed using the Eurosystem's harmonized method.

Source: Bank of Italy, Economic Bulletin no. 2/2023

The Italian banks surveyed last January in the Bank Lending Survey in the euro area reported a further tightening of the lending criteria on loans to businesses in the fourth quarter of 2022, mainly due to a higher perception of risk and lower risk tolerance by intermediaries. According to the banks' assessments, corporate credit demand was predicted to be negatively impacted by the rise in overall interest rates and reduced financing needs for investment purposes. However, there was an expectation that demand for credit to meet working capital requirements would increase. The lending criteria for household loans for house purchases were slightly tightened, while the criteria for consumer credit remained unchanged. As a result, demand decreased in both areas, primarily due to the impact of higher interest rates. Intermediaries said they expected a further tightening of the policies for granting credit to businesses and households for the purchase of homes in the first quarter of 2023.

The average interest rate on new bank loans to businesses has risen by around 60 basis points since November (to 3.6% in February). The cost of new loans to households for house purchases rose to 3.8% (from 3.1%), reflecting the rate increase on both variable-rate (to 3.7%) and fixed-rate (to 3.8%) mortgages.

In February, bank funding declined by 4.4% over twelve months. The decrease mainly reflected the further decline in liabilities to the Eurosystem following the voluntary repayments and the maturity of the second transaction of the TLTRO3 programme last December.

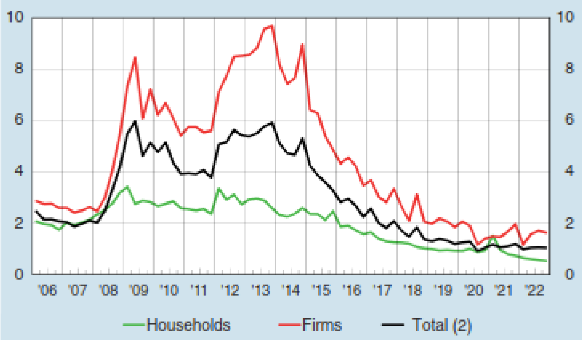
Funding was also affected by the decline in residents' deposits, as households and businesses moved a portion of their funds from current accounts to higher-yielding financial assets. The cost of funding increased further, mainly due to the increase in interest rates on the money market.

The tensions on the international banking system, arising from the episodes of instability in the United States and Switzerland, also had repercussions on analysts' forecasts and the market valuations of the main Italian intermediaries. However, Italian banks are in a significantly better condition than that observed in past crisis episodes.

In the fourth quarter, the flow of new non-performing loans in relation to total loans remained almost stable (at 1.0% seasonally adjusted and year-on-year). Compared to the previous quarter, the indicator fell marginally for businesses (to 1.6%), while it showed no substantial change for households (0.5%). The significant banking groups experienced a decline in the gross incidence of non-performing loans compared to total loans, reaching a low level consistent with the European average. However, the incidence of non-performing loans net of value adjustments remained unchanged. The coverage rate of these loans decreased as a result of the selling-off of loans with above-average coverage levels.

In 2022, significant groups experienced an improvement in profitability. The increase in ROE net of extraordinary items mainly reflected the growth in net interest income, which more than offset the decrease in other revenues. Operating costs decreased slightly, while value adjustments on loans decreased more substantially.

New non-performing loan rates (1)
(quarterly data; per cent)



Source: Central Credit Register.
(1) Annualized quarterly flows of adjusted NPLs in relation to the stock of loans at the end of the previous quarter, net of adjusted NPLs. Data seasonally adjusted where necessary. – (2) The total includes households, firms, financial corporations, foreign trade, general government and non-profit institutions.

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

	September 2022	December 2022
Non-performing loans (NPLs) (2)		
Gross NPL ratio	2.6	2.4
Net NPL ratio	1.2	1.2
Coverage ratio (3)	53.9	53.5
Regulatory capital		
Common equity tier 1 (CET1) ratio	14.7	15.7
	2021	2022
Profitability		
Return on equity (ROE) (4)	5.7	8.6
Net interest income (5)	-2.0	20.0
Gross income (5)	5.3	6.0
Operating expenses (5)	-2.2	-0.9
Operating profit (5)	25.2	20.5
Loan loss provisions (5)	-36.8	-17.0

Source: Consolidated supervisory reports.
(1) Provisional data. Significant banks are those directly supervised by the ECB. In 2022, 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 in the previous periods too. – (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 extraordinary components. – (5) Percentage changes year on year.

Source: Bank of Italy, Economic Bulletin no. 2/2023

In the last quarter of the year, the capitalisation of significant groups expanded significantly, far exceeding that observed before the pandemic. Both the reduction of weighted assets, especially of the two largest groups, and the growth of better-quality capital, in particular following the recapitalisation of Monte dei Paschi di Siena, contributed to the increase.

Factoring market – last quarterly report

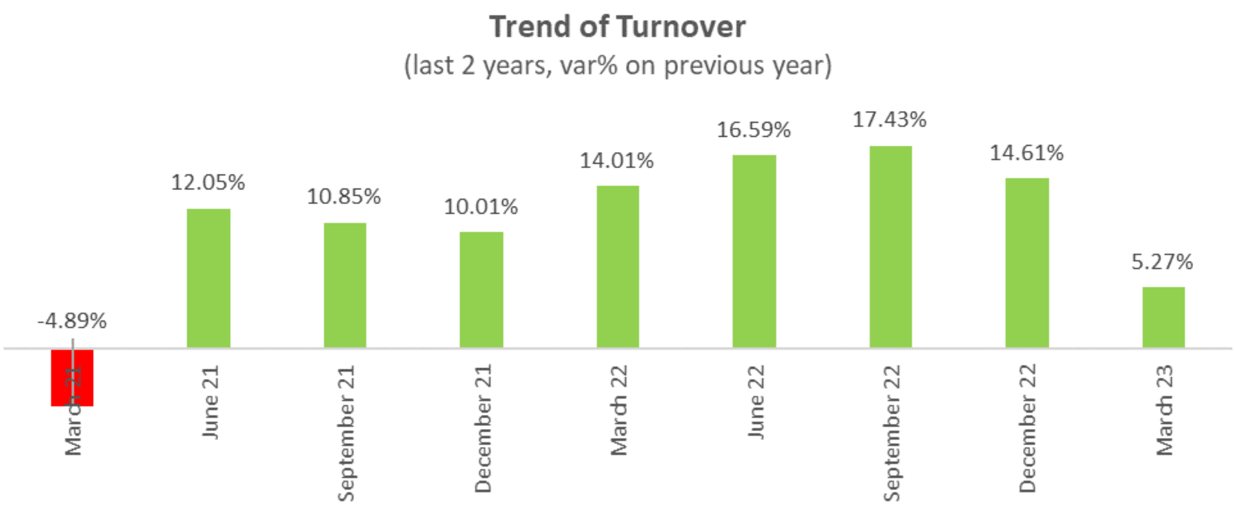
At the end of the first quarter, the factoring market recorded a turnover of EUR 66.6 billion, up 5.3% year-on-year, despite multiple economic challenges. The turnover from supply chain finance transactions amounted to EUR 6.4 billion, up roughly 9% compared to the previous year.

Operators in the sector expect a slightly negative development in turnover in the second quarter, while growth of 7.3% is expected for the whole of 2023. In the first quarter of the year, there was a net change in advances of EUR 2 billion compared to the same quarter of the previous year, which brings the advances disbursed to EUR 49.3 billion, up by more than 4% compared to the first quarter of 2022.

Purchases of trade receivables from the public administration amounted to EUR 4.9 billion in March 2023 (up by 15% y-o-y). Outstanding receivables amount to EUR 8.5 billion, of which EUR 3.6 billion are past due in relation to the notoriously long payment times of Public Entities.

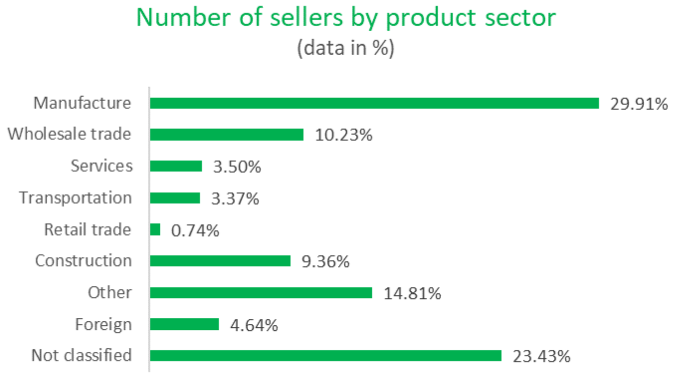
Data in thousands of euro		Share % of total	% change from previous year
Cumulative Turnover	**66,648,810**		**5.27%**
With Recourse	13,886,162	21%	
Without Recourse	52,762,649	79%	
Outstanding	**61,811,157**		**-0.52%**
With Recourse	15,271,831	25%	
Without Recourse	46,539,326	75%	
Exposures	**49,269,235**		**4.23%**

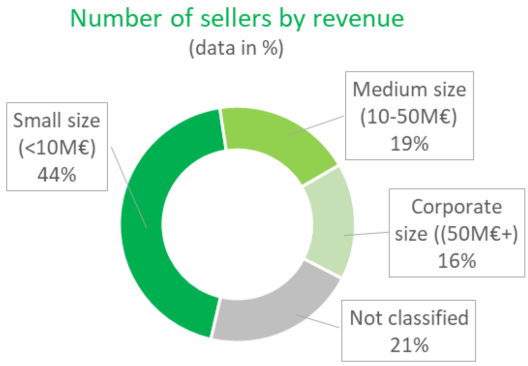
Source: Assifact, statistical circular 29-23 “Factoring in figures – Summary of March 2023 data”. Values in thousands of Euro.



Source: Assifact, statistical circular 29-23 “Factoring in figures – Summary of March 2023 data”.

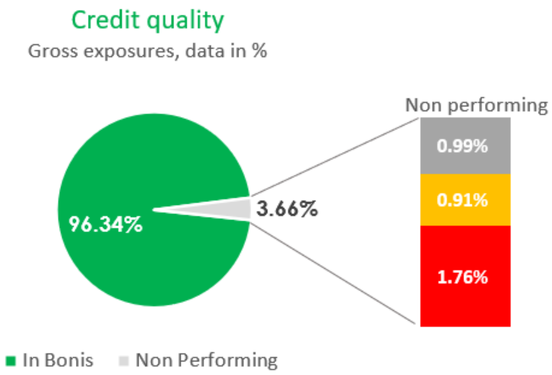
Roughly 31,400 companies use factoring, 64% of which are SMEs. It is used predominantly in the manufacturing sector

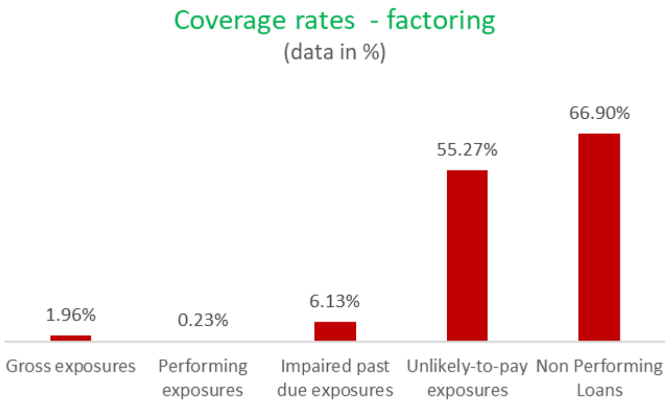




Source: Assifact, statistical circular 29-23 "Factoring in figures – Summary of March 2023 data".

Non-performing loans at the end of the first quarter of 2023 (3.7%) were up slightly compared to December 2022 (3.3%) and down compared to March 2022 (4.3%). Bad loans represent 1.8% of total gross exposure. The policies for hedging non-performing loans are, as usual, very prudent with respect to unlikely to pay and bad loans.





Source: Assifact, statistical circular 29-23 "Factoring in figures – Summary of March 2023 data".

<u>Factoring market – monthly position in May 2023</u>

Based on the latest monthly report available, cumulative turnover as of May 2023 was approximately EUR 110 billion, up by approximately 3% on the previous year. Outstanding amounts at the reporting date amounted to approximately EUR 57 billion, a decrease of -3.7% year-on-year, while advances amounted to approximately EUR 44 billion (+0.6%).

Data in thousands of euro		Share % of total	% change from previous year
Cumulative Turnover	**110,235,960**		**3.01%**
With Recourse	23,722,502	22%	
Without Recourse	86,513,457	78%	
Outstanding	**57,387,828**		**-3.68%**
With Recourse	15,349,458	27%	
Without Recourse	42,038,370	73%	
Exposures	**44,172,360**		**0.62%**
of which turnover from Supply Chain Finance operations.	**11,021,531**	**10%**	**3.45%**

Source: Assifact, statistical circular 36-23 "Factoring in figures - Summary of May 2023 data".

THE LEGISLATIVE FRAMEWORK AND THE REGULATION OF FACTORING ACTIVITIES

In a general context that continues to be characterised by uncertainties caused by geopolitical factors and the impact of inflation, a central role is played by both the digital transition, which poses major challenges for risk containment, and the sustainable transition. 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 Company's activities, it is worth mentioning the following.
The new Public Contracts Code, enacted through 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 Law no. 78, passed on 21 June 2022, which delegated the Government on public contracts. The new Code entered into force on Saturday 1 April, but the provisions contained therein will become effective from 1 July, when the previous Code will be simultaneously repealed (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.
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 (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.
The Ministerial Decree of 12 April 2023, through which the technical specifications of the electronic format of the single business communication were issued for the full implementation of the register of beneficial owners in the fight against money laundering and international terrorism.
The Provision of the Italian Revenue Agency of 12 January 2023 effectively implemented the non-possessory pledge register, providing for specific technical procedures for the preparation of applications and related securities, as well as for their transmission to the registrar and the registration of the securities.
With reference to the Bank of Italy's secondary regulations, mostly related to the necessary alignment with European regulations on access to lending and prudential supervision, the regulatory framework for the sector is articulated and complex. For financial intermediaries, examples include:

- Bank of Italy 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.
- Bank of Italy 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.
- Bank of Italy Circular no. 217 of 5 August 1996 containing the reporting formats and the rules for compiling reports; the 22nd update of 2 November 2022 involved the following: a) the introduction of specific information relating to the issue of protection, banking transparency and the rights and obligations of the parties involved in the provision of payment services; b) the supplementation of the information sent by the Payment Institutions and by the IMELs (electronic money institutions) relating to the funds of the users of the protected payment services; c) incorporation of certain clarifications provided by the ECB relating to the reports on payment services connected with Regulation (EU) no. 2020/2011 of the European Central Bank of 1 December 2020.
- Bank of Italy Circular no. 284 of 18 June 2013 (1st update of 20 December 2016) concerning the reporting of losses historically recorded on positions in default, through which an archive of data on the credit recovery activities carried out by supervised intermediaries (banking and financial) is fed which makes it possible to calculate the loss rates recorded historically on non-performing positions (defaults).
- Bank of Italy Communication of 29 March 2016 (updated on 22 February 2017) which established a specific statistical survey for non-performing exposures, through which detailed information is collected on such exposures, on any collateral or other guarantees mitigating the credit risk and on the status of recovery procedures.
- Bank of Italy Circular no. 139 of 11 February 1991, now in its 20th update, concerning reporting in the Centrale dei Rischi (central credit register).

In general, the Bank of Italy's commitment remains high on issues related to consumer protection, correct and transparent behaviour towards customers, and the fight against money laundering and terrorist financing.

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, which resulted in the Measure of 12 May 2023, containing a renewed set of indicators.

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.

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 5,227,273 shares, equal to 41.37% of the share capital;
- ***Crédit Agricole Italia S.p.A.*** ("**CAI**") which holds 2,057,684 shares, equal to 16.29% of the share capital;
- ***First 4 Progress S.p.A.*** ("**F4P**"), which holds 663,126 shares, equal to 5.25% of the share capital;

The remaining 4,686,983 ordinary shares (equal to 37.09% of the share capital) are held by institutional and professional investors who subscribed the securities as part of the Company's listing.

The shares, all ordinary and traded on Euronext STAR Milan, have no nominal value, 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. 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 Legislative Decree no. 58 of 24 February 1998 ("TUF" - 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 shareholders GGH and CAI have acquired the right to double vote on their shares: in particular, GGH on all the shares it holds; CAI on 2,002,868 shares.
By virtue of this, 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	41.371	52.627
Crédit Agricole Italia S.p.A.	2,057,684	16.286	20.441
First 4 Progress S.p.A.	663,126	5.248	3.338
Free float	4,686,983	37.095	23.594

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, 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, the Parent Company 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, the Parent Company maintained the right to receive any amount due from Generalfinance in relation to the shares encumbered by the pledge.

PERFORMANCE INDICATORS (ART. 2428, PARAGRAPH 2)

Generalfinance closed the first six months of 2023 with a net profit of EUR 6.7 million (+35% over the first six months of 2022) and further growth in the area of distressed financing. Turnover – including advance orders – reached EUR 1,140 million (+22%) with EUR 932 million disbursed (+20%).
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 related to the same period of 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:	**30/06/2023**	**30/06/2022**	**Change**
Net interest income	3,843	3,763	2%
Net fee and commission income	12,470	10,845	15%
Net interest and other banking income	16,313	14,610	12%
Operating costs	-6,372	-6,974	-9%
Pre-tax profit from current operations	9,677	7,434	30%
Profit for the period	6,699	4,947	35%

Key balance sheet data (in thousands of Euro)

Balance sheet item	**30/06/2023**	**31/12/2022**	**Change**
Loans to customers	408,717	385,434	6%
Financial liabilities measured at amortised cost	387,722	368,388	5%
Shareholders' equity	58,086	56,775	2%
Total assets	469,960	443,815	6%

Main performance indicators

Indicator	**30/06/2023**	**30/06/2022**
Cost/Income ratio	39%	48%
ROE	26%	22%
Net interest income/Net interest and other banking income	24%	26%
Net fee and commission income/Net interest and other banking income	76%	74%

Notes:

- Cost Income Ratio calculated as the ratio between operating costs and Net interest and other banking income

- ROE calculated as the ratio of annualised profit for the period to shareholders' equity at the end of the period

These positive operating results were achieved in a half-year period still marked by the impacts, particularly on the business system, of the effects of the ongoing conflict between Russia and Ukraine and the additional macroeconomic factors that emerged in the second half of 2022 (inflation rate, increase in the cost of borrowing and energy).

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 it aimed to 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

Also with reference to the information provided by ESMA in the public statement "Implications of Russia's invasion of Ukraine on interim 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/Belarussian market (areas directly impacted by the conflict), since the Company has factoring relations solely with transferors active in Italy. With reference to the Assigned Debtors based in Russia, Ukraine and Belarus, Generalfinance has no exposure as at 30 June 2023. Since the invasion of Ukraine, Generalfinance has suspended the credit lines relating to Transferred Debtors operating in the countries directly involved in the conflict.

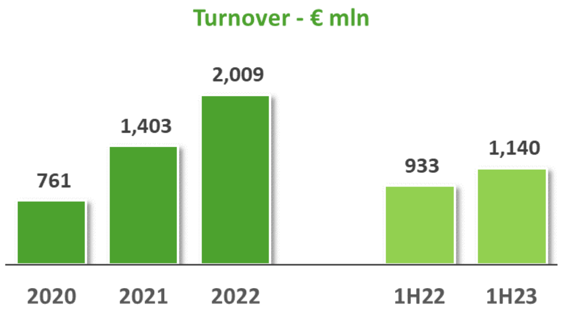
In this context, however, due consideration must be given to the anti-cyclical nature of Generalfinance's business, which benefits from difficult times in the economic situation; specifically, the persistence of market volatility following the invasion of Ukraine could have a negative impact on the risk appetite of the traditional banking system (partly exposed to a significant extent to the countries mentioned), which would reasonably lead to a reduction in the availability of credit by banks to the most vulnerable SMEs, creating potential new business opportunities for Generalfinance. Furthermore, the impact of the crisis scenario on the cost of raw materials (with particular reference to the prices and availability of electricity and gas) could determine the need, on the part of client companies, for increases in their available credit lines/ portfolios, in order to increase available liquidity, increasing the turnover volumes of Generalfinance.

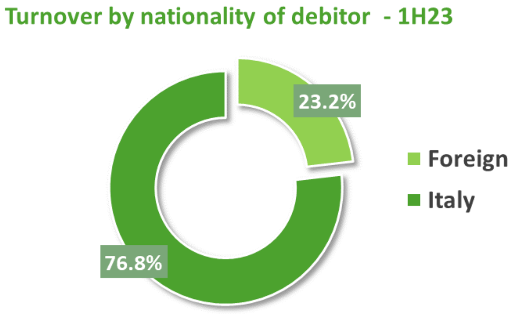
The persistence, over a prolonged period, of the crisis scenario could then determine an increase in the number of companies with a lack of liquidity, fuelling the Company's reference market.

TURNOVER

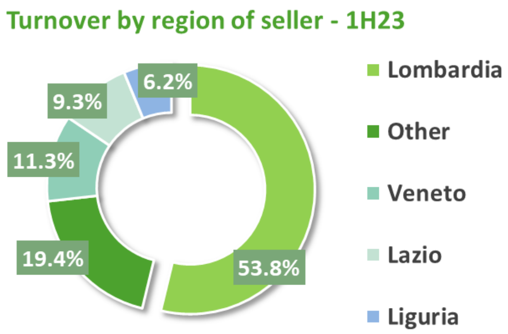
Including data referring to future credit advances, turnover reached EUR 1,140 million as at 30 June 2023, up by 22% compared to the first half of 2022.

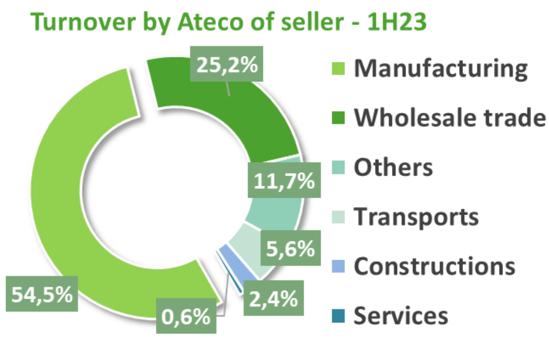
With reference to the annual "LTM – Last Twelve Months" turnover (July 2022 - June 2023), the breakdown by nationality of the transferred debtors shows a relative weight of international factoring equal to around 23.2% of business volumes, with significant diversification by country, reflecting the high level of service that the Company is able to provide to export-oriented customers.



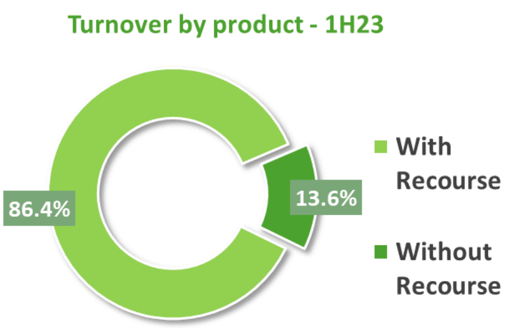


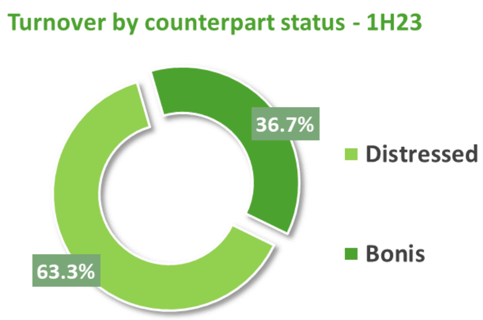
A look at the Transferors' registered offices show that the Company has a deeply rooted presence in the North of the country, with a strong focus on Lombardy (53.8% of turnover), Veneto (11.3%) and Liguria (6.2%); followed by Lazio (9.3%). This underlines the extent to which Generalfinance works with the most productive areas of the country.
From a sector point of view, manufacturing represents the most important portion of turnover, with approximately 54.5%; this positioning is consistent with the "DNA" of Generalfinance as a reference factor for manufacturing SMEs affected by turnaround processes.





The activity is mainly represented by factoring with recourse, which accounts for approximately 86.4% of volumes, while the without recourse portion accounts for around 13.6%, up compared to the same period of the previous year. Lastly, around 63.3% 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 3.8 million, up (+2%) compared to the first half of 2022 due to the upward trend in Euribor rates, which negatively impacted the cost of funding, only partially offset by the increase in volumes and the rise in lending rates, which were almost entirely correlated to the 3-month Euribor parameter.
Net fee and commission income amounted to approximately EUR 12.5 million, up from EUR 10.8 million (+15%) in the first half of 2022. The trend in fee and commission income was affected by the positive trend in turnover (+22%) and the moderate reduction in commission rates, reflecting the Company's excellent commercial and operational performance.

Net interest and other banking income amounted to EUR 16.3 million (+12%) while operating costs amounted to EUR 6.4 million, down by 9% compared to the same period of the previous year; this reduction is attributable to the positive change in "other operating income and charges" and the elimination of the extraordinary costs related to the IPO transaction completed in June 2022.
As at 30 June 2023, the number of employees of Generalfinance stood at 67 compared to 61 as at 30 June 2022.
Taking into account the tax item of approximately EUR 3.0 million, the net result for the period amounted to approximately EUR 6.7 million (+35%) compared to EUR 4.9 million recorded in the first half of 2022.

BALANCE SHEET AND ASSET QUALITY DATA

Net loans to customers amounted to EUR 409 million, up 6% compared to 31 December 2022.
The disbursement rate decreased from 83% in 2022 to 82% in the first half of 2023, while the average number of days of credit was 66.
Within the aggregate, gross non-performing loans totalled EUR 1.01 million, with a gross NPE ratio of approximately 0.25%, while the coverage of non-performing loans stood at around 54%.
Cash and cash equivalents – largely represented by sight loans to banks – amounted to EUR 48.0 million, reflecting the prudent liquidity management profile, while total assets on the balance sheet amounted to EUR 470.0 million.
Financial liabilities measured at amortised cost, equal to EUR 387.7 million, are made up of payables of EUR 345.2 million and securities issued of EUR 42.5 million.
Payables are mainly represented by the RCF pool loan stipulated in January (EUR 133.9 million) with some Italian banks, in addition to loans and other bilateral lines with banks and factoring companies. In addition, the item includes the payable to the vehicle (EUR 148.6 million) relating to the securitisation transaction concluded in December 2021, with BNP Paribas, Intesa Sanpaolo and Banco BPM as senior lenders.
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 30 June 2023 amounted to EUR 58.1 million, compared to EUR 56.8 million as at 31 December 2022.
The capital ratios of Generalfinance show the following values:

- 14.44% CET1 ratio (against a minimum regulatory requirement of 4.5%);
- 14.44% TIER1 ratio (against a minimum regulatory requirement of 6%);
- 16.94% Total Capital ratio (against a minimum regulatory requirement of 8%).

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

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

The Company does not carry out "research and development" pursuant to paragraph 3, no. 1, of article 2428 of the Italian Civil Code. However, it is worth noting that for the 2022-2024 period, in line with the investment policies envisaged in the Business Plan and the development of core business lines, a continuous evolution of the proprietary IT platform is envisaged, with a view to continuous transformation and Digital Innovation.

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.

*

OTHER ASPECTS OF PARTICULAR INTEREST

Third Pillar Disclosure

It should be noted that the Third Pillar disclosure relating to 2022, prepared in accordance with the provisions of Bank of Italy Circular no. 288, is 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.

Bank of Italy inspection

Generalfinance was subject to inspections by the Bank of Italy in the period 3 October - 30 December 2022, pursuant to Article 108 of the Consolidated Law on Banking. On 30 March 2023, the Supervisory Authority formalised the results of the inspection to the Company, with the initiation of sanctioning proceedings in the area of anti-money laundering and credit management, in respect of which Generalfinance presented its counter-arguments in accordance with the applicable laws and regulations. As at the date of approval of the half-yearly financial report, the proceedings have not yet been concluded.

Change in the composition of the corporate bodies

During the first half of the year, there were no changes to the composition of the corporate bodies.

Independent Auditors pursuant to 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.

Internal Control System

By means of resolution of 28 December 2022, the Board of Directors – in order to significantly strengthen second and third level control activities, in the context of significant growth recorded in recent years (CAGR of the 2020-2022 Turnover of 63%) and the further development expected in the three-year period and in line with the strategic actions of the Business Plan, – resolved to make some changes to the structure of the Internal Control System, with the establishment of three separate units specialised in the respective areas (Risk Management, AML and Compliance, Internal Audit). In particular:

Compliance Function

The Compliance function was separated from the *Risk Management and Compliance Office* and is aggregated to the Anti-Money Laundering function, as part of the newly established *AML and Compliance Office*.

Risk Management Function

The Risk Management Function (previously aggregated to the Compliance Function) was established as an autonomous function, with specialised activities on issues relating to risk management.

Anti-Money Laundering (AML) Function

It was spun off from the Legal and Corporate Affairs Department and established as an autonomous function, with specific responsibilities, within which the main activities related to the obligations in the field of combatting money laundering and terrorism financing were centralised. The function was placed within a new organisational unit (AML and Compliance Office), reporting directly to the Chief Executive Officer, who also assumed the duties, activities and responsibilities of the Compliance function.

Internal Audit Function

The structure and composition of the Internal Audit Function were changed, until now assigned to the responsibility of an independent Board Member, a sign of further development of the organisational structure. A new organisational unit was also established for the internal audit function, reporting directly to the Board of Directors, with specific responsibility for internal audit, called the "Internal Audit Office".

To ensure effectiveness of their action, the control functions are guaranteed with direct access to all useful information for the performance of their duties.
The control functions produce periodic reports in relation to the activities carried out and, at least annually, a report on the activities carried out during the previous year to be submitted to the Board of Directors.

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

The Supervisory Body envisaged by no. 1 of letter "b" of art. 6 of Legislative Decree no. 231/2001 ("*Regulation of the administrative liability of legal persons, companies and associations, including those without legal status, pursuant to Article 11 of Law no. 300 of 29 September 2000*") ("**SB**") whose functions they are mainly those of supervising the functioning and observance of the Organisation, management and control model and of ensuring its updating. As an independent body, it has been entrusted with the management of any reports from employees who intend to report offences of general interest of which they have become aware based on the employment relationship (whistleblowing).
Taking into account the dimensional characteristics of Generalfinance and its operations, the related corporate governance rules, the need to achieve a fair balance between costs and benefits as well as the academic literature, case law and practice on the matter, the Company has established a Supervisory Body of a collective nature. It consists of two members, one a member of the Board of Statutory Auditors, with the functions of Chairman, and the other internal, belonging to 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).

OTHER ASPECTS

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

The Company punctually fulfils the disclosure obligations envisaged by the provisions on Transparency of banking and financial services (Sect. II, Par. 2 of the "*Provisions on transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers*") by making the required documentation available in electronic form on its website and on the Generalweb company portal and, in paper form, at the registered office in Milan and at the Head Office in Biella. These also include (as required by the Measure of the Governor of the Bank of Italy of 9 February 2011 - Section XI, paragraph 3) - the periodically updated report on complaints management.
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 first half of the year, the Company received no communications that could be classified as 'complaints'.
As at the date of this report, are no ongoing proceedings originating from appeals submitted by the customers to the Banking and Financial Arbitrator.

Protection of health and safety at work

The Company constantly monitors and protects the health of employees and their safety in the workplace, assisted by an external consultant, who has been appointed as Head of the Company Prevention and Protection Service ("**RSPP**"). In addition to the obligations required for the RSPP function, he also provides specific technical support and consultancy to ensure compliance with the reference regulations and the fulfilment of the obligations envisaged therein.

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

No other events worthy of note took place during the first half of the year.

Training activities

The Company periodically provides its employees and associates with training and refresher courses, not only to fulfil the duties envisaged by the sector regulations, but also and above all to satisfy the requests coming from the various company functions, in relation to the activities of each company. Training is provided both with the help of internal teachers, and through external structures, and by allowing staff to take part in courses, to conferences, study days organised by trade associations or other public or private bodies. The most important training initiatives include courses on: (i) corporate crisis; (ii) the prevention of the use of the financial system for the purpose of laundering of the proceeds from criminal activities and terrorism financing (pursuant to Legislative Decree no. 231 of 1 November 2007); (iii) on the administrative liability of companies and entities (pursuant to Legislative Decree no. 231 of 8 June 2001); (iv) cybersecurity.
The Company also regularly participates in the training proposals of the trade association (Assifact) by offering its employees basic and advanced courses on factoring.
With reference to the issue of out-of-court settlement of disputes relating to banking and financial transactions and services, in addition to participating in specific training sessions, 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 the first half of the year, 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

During the first half of the year, the Company finalised the process of adapting to the GDPR (General Data Protection Regulation no. 679/2016/EU) with the assistance of the consultancy firm LTA Advisory, which was appointed as Data Protection Officer (DPO).
To this end, a first general training session on data protection was delivered.

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

During the first half of the year, the Organisational, Management and Control Model, adopted pursuant to the provisions of Legislative Decree no. 231 of 8 June 2001 (the '**Model**') was updated in light of both the most recent changes to the Company's organisational structure and following the listing of its shares on the Euronext STAR segment, with reference to the offence hypotheses referable to listed companies such as, for example, the cases relating to market abuse, internal dealing and insider trading regulations.

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. On the other hand, with reference to climate risk (physical risk and transaction risk) following a preliminary analysis, at the date of preparation of this 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 66 days, as well as the limited number of real estate units with which it carries out its activities, the company believes to be exposed to a limited degree. Nevertheless, the Company has launched, with the support of an external consultant, specific projects in order to report information on the non-financial profiles of its activities (in the social, environmental and governance areas), taking into due consideration its small size and the nature of the financial services it offers. The objective of the project is in fact to publish, on an exclusively voluntary basis, a first sustainability report by September 2023.

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

A service agreement is in place with GGH through which Generalfinance provides some functions and services. In particular, it provides GGH with support activities 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 explanatory notes, “Part D - Other Information”.

Concentration of risk and regulatory capital

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

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

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

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

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

In the current context, with reference to the prospects for 2023, we need to take into consideration possible further impacts, particularly on the business system, of the effects of the geopolitical tensions underway - in particular, the ongoing conflict between Russia and Ukraine - and of other macroeconomic factors that emerged at global level in the second part of 2022 (marked increase in the rate of inflation, marked increase in energy costs and in the cost of borrowing).

In said general framework still marked by critical issues for the real economy, the sales activities developed by Generalfinance in 2023 - trend in turnover, revenues and profitability - show a trend in line with what was defined in the budget on a consistent basis with the Business Plan in force with reference to the current year.

Half-Yearly Financial Statements

FINANCIAL STATEMENTS

BALANCE SHEET - FINANCIAL INTERMEDIARIES
(values in Euro)

	Asset items	30/06/2023	31/12/2022
10.	Cash and cash equivalents	47,962,217	43,725,230
20.	Financial assets measured at fair value through profit or loss	23,274	20,300
	c) other financial assets mandatorily measured at fair value	*23,274*	*20,300*
40.	Financial assets measured at amortised cost	408,717,043	385,434,057
	c) loans to customers	*408,717,043*	*385,434,057*
70.	Equity investments	12,500	0
80.	Property, plant and equipment	5,168,536	4,865,994
90.	Intangible assets	2,265,593	2,047,798
	- of which goodwill	*0*	*0*
100.	Tax assets	3,173,004	4,572,048
	a) current	*2,686,244*	*4,148,970*
	b) deferred	*486,760*	*423,078*
120.	Other assets	2,637,803	3,149,078
Total assets		**469,959,970**	**443,814,505**

	Liabilities and shareholders' equity items	30/06/2023	31/12/2022
10.	Financial liabilities measured at amortised cost	387,722,154	368,388,464
	a) payables	*345,182,361*	*331,170,709*
	b) securities issued	*42,539,793*	*37,217,755*
60.	Tax liabilities	3,106,174	4,927,373
	a) current	*3,041,853*	*4,880,108*
	b) deferred	*64,321*	*47,265*
80.	Other liabilities	18,526,918	11,585,712
90.	Employee severance indemnity	1,351,843	1,316,956
100.	Provisions for risks and charges	1,167,122	821,254
	b) pension and similar obligations	*151,761*	*142,487*
	c) other provisions for risks and charges	*1,015,361*	*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	140,439	95,474
170.	Profit (loss) for the period	6,699,127	10,885,387
Total liabilities and shareholders' equity		**469,959,970**	**443,814,505**

INCOME STATEMENT - FINANCIAL INTERMEDIARIES
(values in Euro)

	Items	30/06/2023	30/06/2022
10.	Interest income and similar income	12,116,781	6,362,776
	of which: interest income calculated using the effective interest method	12,116,781	6,362,776
20.	Interest expense and similar charges	(8,274,112)	(2,599,517)
30.	**Net interest income**	**3,842,669**	**3,763,259**
40.	Fee and commission income	14,593,436	12,886,896
50.	Fee and commission expense	(2,123,439)	(2,041,637)
60.	**Net fee and commission income**	**12,469,997**	**10,845,259**
70.	Dividends and similar income	0	584
80.	Net profit (loss) from trading	629	(324)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	0	857
	b) other financial assets mandatorily measured at fair value	*0*	*857*
120.	**Net interest and other banking income**	**16,313,295**	**14,609,635**
130.	Net value adjustments/write-backs for credit risk of:	(264,459)	(201,278)
	a) financial assets measured at amortised cost	*(264,459)*	*(201,278)*
150.	**Net profit (loss) from financial management**	**16,048,836**	**14,408,357**
160.	Administrative expenses	(6,861,433)	(6,390,123)
	a) personnel expenses	*(3,723,544)*	*(3,009,394)*
	b) other administrative expenses	*(3,137,889)*	*(3,380,729)*
170.	Net provisions for risks and charges	(9,275)	(10,670)
	b) other net provisions	*(9,275)*	*(10,670)*
180.	Net value adjustments/write-backs on property, plant and equipment	(391,118)	(357,136)
190.	Net value adjustments/write-backs on intangible assets	(211,616)	(165,192)
200.	Other operating income and expenses	1,101,904	(51,347)
210.	**Operating costs**	**(6,371,538)**	**(6,974,468)**
260.	**Pre-tax profit (loss) from current operations**	**9,677,298**	**7,433,889**
270.	Income taxes for the period on current operations	(2,978,171)	(2,487,076)
280.	**Profit (loss) from current operations after tax**	**6,699,127**	**4,946,813**
300.	**Profit (loss) for the period**	**6,699,127**	**4,946,813**

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

	Asset items	30/06/2023	30/06/2022
10.	**Profit (loss) for the period**	**6,699,127**	**4,946,813**
	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	44,965	-
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**	**-**	**-**
180.	**Comprehensive income (Item 10 + 170)**	**6,744,092**	**4,946,813**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30/06/2023 - FINANCIAL INTERMEDIARIES
(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 period							Comprehensive income first half of 2023	Shareholders' equity as at 30/06/2023
							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	-	-	-	-	-	-	-	-		44,965	140,439
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (loss) for the period	10,885,387	-	10,885,387	(5,452,309)	(5,433,078)	-	-	-	-	-	-		6,699,127	6,699,127
Shareholders' equity	56,774,746	-	56,774,746	-	(5,433,078)	(1)	-	-	-	-	-		6,744,092	58,085,759

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30/06/2022 - FINANCIAL INTERMEDIARIES
(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 period						Comprehensive income first half of 2022	Shareholders' equity as at 30/06/2022
							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	-	-	-	17,605,503	-	-	-	-	-	25,434,455
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)	-	-	-	-	-	-	-	-	-	(37,061)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	9,453,364	-	9,453,364	(4,726,682)	(4,726,682)	-	-	-	-	-	-	4,946,813	4,946,813
Shareholders' equity	31,966,142	-	31,966,142	-	(4,726,682)	-	18,532,074	-	-	-	-	4,946,813	50,718,347

The *issue of new shares* 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 - FINANCIAL INTERMEDIARIES (indirect method)

(values in Euro)

A. OPERATING ACTIVITIES	Amount	
	30/06/2023	30/06/2022
1. Management	**12,406,207**	**9,243,122**
- profit (loss) for the period (+/-)	6,699,127	4,946,813
- gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	-	(1,441)
- gains/losses on hedging activities (-/+)	-	-
- net value adjustments for credit risk (+/-)	264,459	201,278
- net value adjustments to property, plant and equipment and intangible assets (+/-)	602,734	522,328
- net provisions for risks and charges and other costs/revenues (+/-)	355,685	298,108
- unpaid taxes, duties and tax credits (+/-)	2,226,535	2,448,076
- net value adjustments to discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	2,257,667	827,960
2. Liquidity generated/absorbed by financial assets	**(21,335,420)**	**(43,591,802)**
- 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	(24,069,581)	(40,867,312)
- other assets	2,734,161	(2,724,490)
3. Cash flow generated/absorbed by financial liabilities	**19,081,878**	**20,592,396**
- financial liabilities measured at amortised cost	16,954,984	17,030,134
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	2,126,894	3,562,262
Net cash flow generated/absorbed by operating activities	**10,152,665**	**(13,756,284)**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**10,504**	**11,039**
- sales of equity investments	-	8,972
- dividends collected on equity investments	-	584
- sales of property, plant and equipment	10,504	1,483
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	**(492,479)**	**(438,809)**
- purchases of equity investments	(15,474)	-
- purchases of property, plant and equipment	(117,697)	(159,294)
- purchases of intangible assets	(359,308)	(279,515)
- purchases of business units	-	-
Net cash flow generated/absorbed by investment activities	**(481,975)**	**(427,770)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-	17,699,998
- issues/purchases of equity instruments	-	-
- distribution of dividends and other purposes	(5,433,078)	(4,726,682)
Net cash flow generated/absorbed by funding activities	**(5,433,078)**	**12,973,316**
NET CASH FLOW GENERATED/ABSORBED DURING THE PERIOD	**4,237,612**	**(1,210,738)**

RECONCILIATION	Amount	
	30/06/2023	30/06/2022
Cash and cash equivalents at the beginning of the period	43,731,790	33,458,839
Total net cash flow generated/absorbed during the period	4,237,612	(1,210,738)
Cash and cash equivalents: effect of changes in exchange rates	0	0
Cash and cash equivalents at the end of the period	**47,969,402**	**32,248,101**

Explanatory notes

PART A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 - Statement of compliance with International Accounting Standards

These half-yearly condensed financial statements of Generalfinance S.p.A. as at 30 June 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 half-yearly condensed 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 Legislative Decree no. 38/2005 and subsequent amendments to the law. With reference to the Explanatory Notes, the above instructions apply to the information included in accordance with the provisions of the international accounting standard for interim financial reporting (IAS 34), with which these financial statements comply. In particular, the Company has availed itself of the right to prepare these financial statements in a condensed form.

The half-yearly condensed financial statements as at 30 June 2023 do not disclose all the information required in the annual financial statements. For this reason, it is necessary to read these financial statements together with the financial statements as at 31 December 2022. The recognition and measurement criteria adopted for the preparation of the half-yearly condensed financial statements as at 30 June 2023 are those used for the preparation of the 2022 financial statements, supplemented with the accounting standards endorsed by the European Union and applicable as at 1 January 2023.

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 half-yearly condensed 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 half-yearly condensed financial statements are also completed by the relative comparative information as required by IAS 1 and are drawn up 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 for the previous year is shown for the figures reported in the balance sheet, while with regard to the other statements, the comparison with the figures for the corresponding period of the previous year is shown as required by IAS 34.

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. Reference is therefore made to the section "Impact of the conflict between Russia and Ukraine" above.

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. During the first half of 2023, however, the Company was willing to reschedule certain maturities in order to facilitate assigned debtors and assignors, with some rescheduling of trade receivables, almost all of which returned to normal conditions and were collected as at the reporting date.

<u>IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2023</u>
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:
  - 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 condensed half-yearly financial statements.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The amendments were applied starting from 1 January 2023. The adoption of this amendment had no effect on the Company's half-yearly condensed 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 aim to improve disclosure on accounting policies in order to provide more useful information to investors and other primary users of financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments were applied starting from 1 January 2023. The adoption of these amendments had no effect on the Company's half-yearly condensed financial statements.

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 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***". The documents aim to clarify how to classify payables and other short or long-term liabilities. The amendments enter into force on 1 January 2024; however, early application is permitted. At present, the directors are assessing the possible effects of the introduction of this amendment on the Company's half-yearly condensed financial statements.

- On 22 September 2022, the IASB published an amendment entitled "***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 are assessing the possible effects of the introduction of this amendment on the Company's half-yearly condensed financial statements.

- On 23 May 2023, the IASB published an amendment entitled "***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 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. At present, the directors are assessing the possible effects of the introduction of this amendment on the Company's half-yearly condensed financial statements.

- 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 present, the directors are assessing the possible effects of the introduction of this amendment on the Company's half-yearly condensed 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 of the half-yearly condensed financial statements

No events or circumstances have occurred since the end of the first half of the financial year 2023 that would appreciably alter what has been presented in these half-yearly condensed financial statements.
Pursuant to IAS 10, the date on which these financial statements were authorised for publication by the Company's Directors is 26 July 2023.

Section 4 - Other aspects

Risks and uncertainties associated with the use of estimates

The preparation of the half-yearly condensed 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 half-yearly condensed 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 period to period, 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 half-yearly condensed financial statements concern:

- 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 and tax liabilities.

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

Risks, uncertainties and impacts of the COVID-19 epidemic

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

Contractual changes resulting from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

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

2) Amendment to IFRS 16

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

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

The accounting policies adopted for the preparation of these half-yearly condensed financial statements as at 30 June 2023, with reference to the stages of classification, recognition, measurement and derecognition of the various asset and liability items, as well as for the methods of recognising costs and revenues, remained unchanged from those adopted for the financial statements as at 31 December 2022, to which reference should therefore be made.

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

During the half 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 in the half-yearly condensed financial statements consist mainly of trade receivables transferred without recourse and advances paid for trade receivables sold as part of the regulations set forth in Law no. 52 of 21 February 1991.

The fair value measurement method most appropriate for transferred loans and advances granted is to recognise the present value on the basis of discounted future cash flows, using a rate, normally corresponding to the effective rate of the relationship agreed with the transferring 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 30/06/2023			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	-	-	23,274	-	-	20,300
a) financial assets held for trading	-	-	-	-	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	23,274	-	-	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	**-**	**-**	**23,274**	**-**	**-**	**20,300**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

In February, shares of Banca di Credito Cooperativo di Milano were purchased.

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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses allocated to:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
of which capital losses	-	-	-	-	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**23,274**	**-**	**-**	**23,274**	**-**	**-**	**-**	**-**

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 30/06/2023				Total 31/12/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	408,717,043	-	-	408,717,043	385,434,057	-	-	385,434,057
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**408,717,043**	**-**	**-**	**408,717,043**	**385,434,057**	**-**	**-**	**385,434,057**
1. Financial liabilities measured at amortised cost	387,722,154	-	-	387,722,154	368,388,464	-	-	368,388,464
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**387,722,154**	**-**	**-**	**387,722,154**	**368,388,464**	**-**	**-**	**368,388,464**

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

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

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

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

Breakdown of item 10 "Cash and cash equivalents"

Items/Values	Total 30/06/2023	Total 31/12/2022
Cash	1,483	1,311
Current accounts and demand deposits with Banks	47,960,734	43,723,919
Total	**47,962,217**	**43,725,230**

The amount of EUR 47,960,734 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 30 June 2023, the credit balance of the current accounts subject to the pledge amounted to EUR 8,168,320, while the payable relating to the loan, including interest payable, amounted to EUR 133,875,206.

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 30/06/2023			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	-	-	**23,274**	-	-	**20,300**
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	-	-	**23,274**	-	-	**20,300**

The amount classified in Level 3 refers to shares of Banca di Credito Cooperativo di Milano, purchased in February, shares of Rete Fidi Liguria and shares of Confidi Sardegna, the valuation of which is periodically verified on the basis of internal methods.

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

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

Composition	Total 30/06/2023						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	**408,254,247**	**462,796**	**-**	**-**	**-**	**408,717,043**	**384,532,580**	**901,477**	**-**	**-**	**-**	**385,434,057**
1.1 Loans for leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	408,254,247	462,796	-	-	-	408,717,043	384,532,580	901,477	-	-	-	385,434,057
- with recourse	311,472,031	446,503	-	-	-	311,918,534	327,014,977	882,068	-	-	-	327,897,045
- without recourse	96,782,216	16,293	-	-	-	96,798,509	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	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	**408,254,247**	**462,796**	**-**	**-**	**-**	**408,717,043**	**384,532,580**	**901,477**	**-**	**-**	**-**	**385,434,057**

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

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

Type of transactions/Values	Total 30/06/2023			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:	**408,254,247**	**462,796**	**-**	**384,532,580**	**901,477**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial companies	404,517,931	462,796	-	375,381,417	901,477	-
c) Households	3,736,316	-	-	9,151,163	-	-
3. Other assets	-	-	-	-	-	-
Total	**408,254,247**	**462,796**	**-**	**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	393,353,351	-	15,621,881	1,014,119	-	535,811	185,174	551,323	-	76,000
Other assets	-	-	-	-	-	-	-	-	-	-
Total 30/06/2023	**393,353,351**	**-**	**15,621,881**	**1,014,119**	**-**	**535,811**	**185,174**	**551,323**	**-**	**76,000**
Total 31/12/2022	**383,013,376**	**-**	**2,084,668**	**1,348,806**	**-**	**537,469**	**27,995**	**447,329**	**-**	**76,000**

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

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

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4.6 Financial assets measured at amortised cost: guaranteed assets

	Total 30/06/2023						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:	-	-	-	-	294,917,713	294,917,713	-	-	-	-	317,259,029	317,259,029
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	282,216,598	282,216,598	-	-	-	-	307,585,252	307,585,252
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	12,701,115	12,701,115	-	-	-	-	9,673,777	9,673,777
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets guaranteed by:	-	-	-	-	446,502	446,502	-	-	-	-	882,068	882,068
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	205,883	205,883	-	-	-	-	593,325	593,325
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	240,619	240,619	-	-	-	-	288,743	288,743
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	295,364,215	295,364,215	**-**	**-**	**-**	**-**	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 (with recourse non-performing and performing loans) that are guaranteed and the amount of the related guarantee. The guarantees consist of factoring receivables transferred.

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

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

Section 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.

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 30/06/2023	Total 31/12/2022
1. Owned assets	**2,642,600**	**2,752,334**
a) land	178,952	178,952
b) buildings	1,749,285	1,496,190
c) furniture	226,902	227,040
d) electronic systems	-	-
e) others	487,461	850,152
2. Rights of use acquired through leasing	**2,525,936**	**2,113,660**
a) land	-	-
b) buildings	2,249,367	1,994,008
c) furniture	-	-
d) electronic systems	-	-
e) others	276,569	119,652
Total	**5,168,536**	**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.
The increase, compared to 31 December 2022, is due to the start of a new lease for additional office premises at the Milan headquarters.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

Items/Valuation	Total 30/06/2023		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	2,265,593	-	2,047,798	-
- generated internally	377,945	-	336,632	-
- others	1,887,648	-	1,711,166	-
2.2 rights of use acquired through leasing	-	-	-	-
Total 2	**2,265,593**	**-**	**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)	**2,265,593**	**-**	**2,047,798**	**-**
Total	**2,265,593**		**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.

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

Denominations	Total 30/06/2023	Total 31/12/2022
Current tax assets	2,686,244	4,148,970
Deferred tax assets	486,760	423,078
Total	**3,173,004**	**4,572,048**

10.1 "Tax assets: current and deferred": breakdown

The item "Current tax assets" is composed almost entirely of receivables due from tax authorities for IRES (corporate income tax) advances in the amount of EUR 1,560,929 and for IRAP (regional business tax) advances in the amount of EUR 371,204. In addition, the item includes a number of tax credits yet to be used for offsetting purposes for a total amount of EUR 747,431.

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

10.2 "Tax liabilities: current and deferred": breakdown

Denominations	Total 30/06/2023	Total 31/12/2022
Current tax liabilities	3,041,853	4,880,108
Deferred tax liabilities	64,321	47,265
Total	**3,106,174**	**4,927,373**

The item "*Current tax liabilities*" consists of the payable to the tax authorities for IRES of EUR 2,476,338 and for IRAP of EUR 565,515.

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.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

Items/Values	Total 30/06/2023	Total 31/12/2022
Security deposits	32,570	32,266
Suppliers on advances	136,995	58,134
Tax authorities with VAT and withholding taxes	51,697	6,596
Accrued income and prepaid expenses	2,065,286	2,299,635
Sundry assets	351,255	752,447
Total	**2,637,803**	**3,149,078**

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 30/06/2023			Total 31/12/2022		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans	**145,020,130**	**48,879,072**	**-**	**162,689,489**	**31,780,565**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other loans	145,020,130	48,879,072	-	162,689,489	31,780,565	-
2. Lease payables	**-**	**-**	**1,976,662**	**-**	**-**	**1,571,038**
3. Other payables	**-**	**148,613,300**	**693,197**	**-**	**134,729,206**	**400,411**
Total	**145,020,130**	**197,492,372**	**2,669,859**	**162,689,489**	**166,509,771**	**1,971,449**
Fair value - level 1	-	-	-	-	-	-
Fair value - level 2	-	-	-	-	-	-
Fair value - level 3	**145,020,130**	**197,492,372**	**2,669,859**	**162,689,489**	**166,509,771**	**1,971,449**
Total Fair Value	**145,020,130**	**197,492,372**	**2,669,859**	**162,689,489**	**166,509,771**	**1,971,449**

The total for this item therefore amounts to EUR 345,182,361.

Payables to banks refer to:

Technical form	Amount
Unsecured loans	11,144,924
Pool loan	133,875,206
Total	**145,020,130**

As at the date of the financial report, the following unsecured loans were outstanding:

Bank	Expiry	Residual capital
Cassa di Risparmio di Asti S.p.A.	24/04/2024	3,367,149
Banca Santa Giulia S.p.A.	17/02/2026	2,762,869
Banca Galileo S.p.A.	02/04/2024	3,000,000
Cassa di Risparmio di Savigliano S.p.A.	11/11/2024	2,000,000

With regard to the pool loan agreement, it should be noted that the Company – in the context of funding strategies – has obtained a prorogation of the contract's expiry from the credit institutions of a further 2 years, to January 2025.

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

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

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

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

Type of securities/Values	Total 30/06/2023				Total 31/12/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	**13,011,814**	**-**	**-**	**13,011,814**	**12,757,100**	**-**	**-**	**12,757,100**
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	13,011,814	-	-	13,011,814	12,757,100	-	-	12,757,100
2. other securities	**29,527,979**	**29,527,979**	**-**	**-**	**24,460,655**	**24,460,655**	**-**	**-**
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	29,527,979	29,527,979	-	-	24,460,655	24,460,655	-	-
Total	**42,539,793**	**29,527,979**	**-**	**13,011,814**	**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 ExtraMOT PRO, Professional Segment of the ExtraMOT Market, multilateral trading system managed by Borsa Italiana S.p.A.
In particular, at the financial report's date, four bonds with similar characteristics were issued. The first, with a duration of twelve months, was issued for a total of EUR 10 million and with a zero coupon at a fixed annual rate of 5.545%. The second, with a duration of three months, was issued for a total of EUR 5 million and with a zero coupon at a fixed annual rate of 4.25%. The third, with a duration of six months, was issued for a total of EUR 5 million and with a zero coupon at a fixed annual rate of 4.50%. The fourth and last, with a duration of three months, was issued for a total of EUR 10 million and with a zero coupon at a fixed annual rate of 4.60%.

1.3 Payables and subordinated securities
The item “Debt securities issued” includes subordinated securities of EUR 13 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 30/06/2023	Total 31/12/2022
Accrued expenses and deferred income	3,649,197	3,326,034
Payables to tax authorities	307,068	270,803
Social security and welfare institutions	213,386	162,040
Employees payroll account	456,457	494,053
Payables to suppliers and lenders	2,499,166	2,349,836
Sundry payables	11,401,644	4,982,946
Total	**18,526,918**	**11,585,712**

The item other payables includes, almost entirely, 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 July, and the differential between the items of bills with credit institutions and the relative positions still open 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.

Section 9 - Employee severance indemnity - Item 90

9.1 Employee severance indemnity: annual changes

	Total 30/06/2023	Total 31/12/2022
A. Opening balance	**1,316,956**	**1,353,695**
B. Increases	**98,758**	**241,154**
B.1 Provision for the period	81,230	237,602
B.2 Other increases	17,528	3,552
C. Decreases	**63,871**	**277,893**
C.1 Payments made	0	4,559
C.2 Other decreases	63,871	273,334
D. Closing balance	**1,351,843**	**1,316,956**

The increase is due to the adjustment of the component of the average value of services (Current service cost).
The decrease is due to the substitute tax on the revaluation of employee severance indemnity and the adjustment of the actuarial valuation.

9.2 Other information

The main actuarial assumptions are reported below:
Salary increase and inflation: based on analyses conducted on company data updated to 2022, 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 2021 of the Italian Institute of Statistics) differentiated according to gender were used;
Probability of elimination from the community due to retirement: given the small number of the community, probabilities already adopted for similar companies were used. These probabilities, differentiated by gender and by work category, take into account the latest provisions on retirement age;
Probability of elimination from the community for reasons other than death and retirement (resignation, permanent disability, etc.): on the basis of the historical series recorded by the Company, these probabilities were set at 3% per year;
Employee severance indemnity revaluation rates: the rates estimated by the European Central Bank were used as the basis for inflation. The inflation rates for the upcoming years are as follows: 7.1% for 2023, 5.4% for 2024, 2.04% for 2025, and a steady 2.2% for the years starting from 2026 onwards. The rates presented in the Economic Bulletin have been appropriately interpolated to take into account the projection time horizon;
Interest rates: the Europe Corporate AA rating curve produced by Bloomberg Finance as at 27 June 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	**1,352**	
Sensitivity with respect to interest rates		
I) 0.5% decrease in rates	1,416	4.78%
II) 0.5% increase in interest rates	1,292	-4.43%
Sensitivity with respect to the salary scale		
III) a 0.5% decrease in the salary scale	1,335	-1.24%
IV) 0.5% increase in the salary scale	1,370	1.31%

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	Total 30/06/2023	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	**151,761**	**142,487**
4. Other provisions for risks and charges	**1,015,361**	**678,767**
4.1 legal and tax disputes	-	-
4.2 personnel expenses	-	
4.3 others	1,015,361	678,767
Total	**1,167,122**	**821,254**

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 2022-2024 period approved by resolution of the Board of Directors at the meetings of 6 June and 22 November 2022.

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 for two, as of explained below:

- a dispute ("possible" risk) for which the receivership filed - in the course of 2021 - a bankruptcy revocation request in reference to the assignments made by the transferor to the Company in the period prior to the declaration of bankruptcy. The value of the case, as declared by the plaintiff in the summons and the risk of being the losing party is considered "possible", for an amount of EUR 2,239,457.37. In line with the provisions of the relevant accounting standards and internal policies, the Company has not made any provisions.
- a dispute ("possible" risk) for which the counterparty submitted - in 2018 - a request for the repayment of sums charged during the relationship. Although the value of the case, as declared by the plaintiff in the summons, is equal to Euro 201,626.19, the risk of losing is assessed as "possible" for EUR 94,986.76. 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.

The shareholding situation updated on the basis of the communications received from the custodian intermediaries as at 1 June 2023 is as follows:

- ***GGH - Gruppo General Holding S.R.L.*** ("**GGH**"), which holds 5,227,273 shares, equal to roughly 41.37% of the share capital;
- ***Crédit Agricole Italia S.p.A.*** ("**CAI**") which holds no. 2,057,684 shares, equal to approximately 16.29% of the share capital;
- ***First 4 Progress S.p.A.*** ("**F4P**"), which holds 663,126 shares, equal to around 5.25% of the share capital;

The remaining 4,686,983 ordinary shares (equal to 37.09% of the share capital) are held by institutional and professional investors who subscribed the securities as part of the Company's listing.

It should be noted that, pursuant to art. 85-bis, paragraph 4-bis, of the Issuers' Regulation, on 29 June 2022, GGH - Gruppo General Holding S.r.l. and Crédit Agricole Italia S.p.A. obtained the increased voting rights with reference to, respectively, 5,227,273 and 2,002,868 ordinary shares of the Company, given the prerequisites and conditions envisaged by art. 127-quinquies, paragraph 7, of Legislative Decree no. 58 of 24 February 1998 as subsequently amended and supplemented and by art. 6 of the Articles of Association.

11.2 Treasury shares: breakdown

As at 30 June 2023 and 31 December 2022, the Company held no treasury shares.

11.3 Equity instruments: breakdown

As at 30 June 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	-

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	30/06/2023	30/06/2022
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	-	**11,643,578**	-	**11,643,578**	**6,362,776**
3.1 Loans to banks	-	196,364	X	196,364	-
3.2 Receivables from financial companies	-	-	X	-	-
3.3 Loans to customers	-	11,447,214	X	11,447,214	6,362,776
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	**473,203**	**473,203**	-
6. Financial liabilities	X	X	X	-	-
Total	-	**11,643,578**	**473,203**	**12,116,781**	**6,362,776**
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	30/06/2023	30/06/2022
1. Financial liabilities measured at amortised cost	7,035,998	1,238,111	-	8,274,109	2,585,761
1.1 Due to banks	2,823,100	X	X	2,823,100	1,131,432
1.2 Payables to financial companies	4,194,576	X	X	4,194,576	826,880
1.3 Due to customers	18,322	X	X	18,322	16,642
1.4 Securities issued	X	1,238,111	X	1,238,111	610,807
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	3	3	13,756
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**7,035,998**	**1,238,111**	**3**	**8,274,112**	**2,599,517**
of which: interest expense on lease payables	**18,322**	**X**	**X**	**18,322**	**16,642**

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Detail	Total 30/06/2023	Total 30/06/2022
a) leasing transactions	-	-
b) factoring transactions	14,593,436	12,886,896
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	**14,593,436**	**12,886,896**

2.2 Fee and commission expense: breakdown

Retail/Sectors	Total 30/06/2023	Total 30/06/2022
a) guarantees received	186	186
b) distribution of services by third parties	-	-
c) collection and payment services	-	-
d) other commissions	2,123,253	2,041,451
d.1 advances on business loans (Law no. 52/91)	251,658	303,381
d.2 others	1,871,595	1,738,070
Total	**2,123,439**	**2,041,637**

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 931,459 and costs incurred for credit insurance for EUR 814,718.

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 30/06/2023	Total 30/06/2022
	First stage	Second stage	Third stage		purchased or originated impaired		First stage	Second stage	Third stage	purchased or originated impaired		
			Write-off	Others	Write-off	Others						
1. Loans to banks	**(4,329)**	**-**	**-**	**-**	**-**	**-**	**3,702**	**-**	**-**	**-**	**(627)**	**25**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(4,329)	-	-	-	-	-	3,702	-	-	-	(627)	25
2. Receivables from financial companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
3. Loans to customers	**(74,746)**	**(158,747)**	**-**	**(120,542)**	**-**	**-**	**76,403**	**1,568**	**12,232**	**-**	**(263,832)**	**(201,303)**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(74,746)	(158,747)	-	(120,542)	-	-	76,403	1,568	12,232	-	(263,832)	(201,303)
- for consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
- loans on pledge	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(79,075)**	**(158,747)**	**-**	**(120,542)**	**-**	**-**	**80,105**	**1,568**	**12,232**	**-**	**(264,459)**	**(201,278)**

The amounts included in the item “Loans and receivables with banks” refer to the amounts due from banks “on demand” reported in the item “Cash and cash equivalents”.
Value adjustments include both allocations to the provision to cover expected credit losses and credit losses.
For further details, please refer to “Part D - Other information - Section 3 - Information on risks and related hedging policies”.

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

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

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Types of expenses/Values	Total 30/06/2023	Total 30/06/2022
1. Employees	**3,071,970**	**2,654,675**
a) wages and salaries	2,069,030	1,901,200
b) social security contributions	585,318	554,263
c) employee severance indemnity	919	2,105
d) social security expenses	-	-
e) employee severance indemnity provision	98,758	103,513
f) allocation to the provision for pensions and similar obligations:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:		
- defined contribution	51,935	40,445
- defined benefit	-	-
h) other employee benefits	266,010	53,149
2. Other active personnel	**-**	**-**
3. Directors and Statutory Auditors	**651,574**	**354,719**
4. Retired personnel	**-**	**-**
5. Expense recoveries for employees seconded to other companies	**-**	**-**
6. Reimbursement of expenses for employees seconded to the company	**-**	**-**
Total	**3,723,544**	**3,009,394**

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 the meetings of 6 June and 22 November 2022.

10.3 Other administrative expenses: breakdown

Type of expense/Values	Total 30/06/2023	Total 30/06/2022
Professional fees and consultancy	1,393,242	1,728,247
Charges for indirect taxes and duties	64,755	78,267
Maintenance costs	28,573	33,769
Utility costs	62,646	67,800
Rent payable and condominium expenses	100,131	44,987
Commercial information	365,484	342,335
Insurance	19,260	20,032
Other administrative expenses	1,103,798	1,065,292
Total	**3,137,889**	**3,380,729**

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	30/06/2023	30/06/2022
1. Allocations to the pension fund	**(9,275)**	**-**	**-**	**-**	**(9,275)**	**(10,670)**
2. Allocations to other provisions for risks and charges:	**-**	**-**	**-**	**-**	**-**	**-**
a) legal and tax disputes	-	-	-	-	-	-
b) personnel expenses	-	-	-	-	-	-
c) others	-	-	-	-	-	-
Total	**(9,275)**	**-**	**-**	**-**	**(9,275)**	**(10,670)**

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

Section 14 - Other operating income and expenses - Item 200

14.1 Other operating expenses: breakdown

	Total 30/06/2023	Total 30/06/2022
Contingent liabilities	(7,642)	(148,019)
Donations	(29,500)	(61,000)
Others	(92,094)	(348,965)
Total	**(129,236)**	**(557,984)**

14.2 Other operating income: breakdown

	Total 30/06/2023	Total 30/06/2022
Reimbursement of expenses	300,500	284,029
Insurance reimbursements	7,622	43,584
Contingent assets	784,030	105,284
Others	138,988	73,740
Total	**1,231,140**	**506,637**

The sub-item “Contingent assets” includes the following contributions:

- Listing bonus of EUR 500,000
- Art bonus for EUR 39,000
- Energy bonus of EUR 5,444
- Investment bonus in capital goods for EUR 13,010
- Advertising bonus of EUR 11,701
- Capital goods 4.0 bonus of EUR 41,107
- Digital innovation 4.0 bonus of EUR 78,771
- Patent box for EUR 70,508

The sub-item “Other” includes EUR 70,103 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 30/06/2023	Total 30/06/2022
1. Current taxes (-)	(3,041,853)	(2,471,372)
2. Changes in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the period (+)	-	-
3 bis. Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	63,682	(15,704)
5. Change in deferred tax liabilities (+/-)	-	-
6. Taxes for the period (-) (-1+/-2+3+3 bis+/-4+/-5)	**(2,978,171)**	**(2,487,076)**

Current taxes pertaining to the first half of 2023 are estimated at EUR 2,476,338 for IRES and EUR 565,515 for 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 119,031 for new deferred tax assets arising during the half-year and from decreases of EUR 55,349 for the recovery of taxable income taxed in previous years.

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	30/06/2023	30/06/2022
Earnings (loss) attributable to holders of ordinary shares	6,699,127	4,946,813
Weighted average of ordinary shares	12,635,066	9,842,786
Basic earnings (loss) per share	**0.53**	**0.50**

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, 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 30 June 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 the first half of 2022 was calculated in consideration of the fact that the issue of the new shares took place on 29 June, therefore one day before the end of the quarter, with a marginal impact on the average number. 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.

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 30/06/2023			Total 31/12/2022		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing	**408,975,232**	**720,985**	**408,254,247**	**385,098,044**	**565,464**	**384,532,580**
• exposures to transferors (with recourse)	312,039,857	567,826	311,472,031	327,439,318	424,341	327,014,977
- assignment of future receivables	29,537,145	281,713	29,255,432	19,512,154	82,429	19,429,725
- others	282,502,712	286,113	282,216,599	307,927,164	341,912	307,585,252
• exposures to transferred debtors (without recourse)	96,935,375	153,159	96,782,216	57,658,726	141,123	57,517,603
2. Non-performing	**1,014,119**	**551,323**	**462,796**	**1,348,806**	**447,329**	**901,477**
2.1 Bad loans	836,343	531,403	304,940	858,658	434,075	424,583
• exposures to transferors (with recourse)	836,343	531,403	304,940	858,658	434,075	424,583
- assignment of future receivables	481,239	240,620	240,619	481,239	192,496	288,743
- others	355,104	290,783	64,321	377,419	241,579	135,840
• exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- purchases below the nominal value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.2 Unlikely to pay	159,480	17,917	141,563	469,717	12,232	457,485
• exposures to transferors (with recourse)	159,480	17,917	141,563	469,717	12,232	457,485
- assignment of future receivables	-	-	-	-	-	-
- others	159,480	17,917	141,563	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	18,296	2,003	16,293	20,431	1,022	19,409
• exposures to transferors (with recourse)	-	-	-	-	-	-
- assignment of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
• exposures to transferred debtors (without recourse)	18,296	2,003	16,293	20,431	1,022	19,409
- purchases below the nominal value	-	-	-	-	-	-
- others	18,296	2,003	16,293	20,431	1,022	19,409
Total	**409,989,351**	**1,272,308**	**408,717,043**	**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.3 - Other information

B.3.1 - Turnover of receivables subject to factoring transactions

Items	30/06/2023	30/06/2022
1. Transactions without recourse	177,579,888	56,059,067
- of which: purchases below nominal value	-	-
2. Transactions with recourse	886,303,624	862,427,501
Total	**1,063,883,512**	**918,486,568**

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

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

Items	30/06/2023	30/06/2022
Flow of contracts for the purchase of future receivables during the period	76,223,278	14,124,728
Amount of contracts outstanding at period end	47,636,069	26,047,772

As at 30 June 2023, the net exposure for future receivables amounted to EUR 29,509,689.

D. Guarantees given and commitments

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

Transactions	Amount 30/06/2023	Amount 31/12/2022
1. Financial guarantees issued on first demand	**57,047,392**	**51,112,988**
a) Banks	8,168,320	19,332,423
b) Financial companies	48,879,072	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	**57,047,392**	**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 30 June 2023, the credit balance of the current accounts subject to the pledge amounted to EUR 8,168,320, while the payable relating to the loan, including interest payable, amounted to EUR 133,875,206.
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 and 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.

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, in particular:

- 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;
- 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;
- 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 30 June 2023, the payable to the vehicle company (including accrued interest) amounted to EUR 148,613,300.

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 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 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) of the average amount financed to the Originators, subject to a floor and adjusted for the level of concentration of the Debtors. The Credit Support corresponds to the DPP
Senior securities	Variable Funding Notes equal to 85% of the advances of GF
Mezzanine securities	Partly Paid Notes equal to 8.8% of the advances of GF
Junior Notes	Partly Paid Notes equal to 6.2%[1] of the advances of GF
Interest Rate	EURIBOR 1M with floor at 0% + Margin
Margin	1.1% for notes A1 and A2 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.

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 commodity, as well as the application of credit risk mitigation techniques, including, in particular, risks deriving from indirect exposures, such as, for example, with respect to individual providers of guarantees (for concentration risk with respect to individual counterparties or groups of related counterparties).
- **Country risk**: risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, whether natural persons, companies, banks or public administrations.
- **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. statutes, codes of conduct, etc.), including legislation governing international money laundering/terrorism financing and legislation governing the transparency of banking and financial transactions and services.
- **IT risk**: risk of incurring economic, reputation and market share losses in relation to the use of Information and Communication Technology (ICT).

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

In this context, the resulting risks are monitored by specific organisational structures (which operate in agreement with the Risk Management 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 and granting as regards the Credit Department and monitoring, 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.

In relation to the ICS, it should be noted that between the end of 2022 and the beginning of 2023, the Board of Directors continued to strengthen it, significantly enhancing the second and third level control activities, in line with the provisions of the strategic actions of the Business Plan, making some changes to the structure of the Internal Control System, with the establishment of three separate units specialised in their respective areas (Risk Management, AML and Compliance and Internal Audit).

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 placed at the "AML and Compliance Office", which is responsible for the activities relating to the compliance function. 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 located at 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 allocated to 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 affect the relative risk factors: the presence of several parties (transferor and transferred debtor), the insurance guarantee that covers the bulk of business volumes, additional personal guarantees acquired and the transfer to the factor of the supply credit between the transferor and the transferred debtor. These factors, on the one hand, make it possible to contain credit risk compared to that of ordinary banking activities and, on the other hand, characterise the entire credit process that is regulated by specific policies in Generalfinance.

Impacts deriving from COVID-19

In the first half of 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 Transferring customers. This Office manages the legal aspects that arise over the course of the relationship with the Assignor 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 five members, of which three with voting rights and two without voting rights.

Members with voting rights are:

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

Non-voting members are:

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

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

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

In the analysis phase, the Credit Committee is supported by the proprietary management information system (Generalweb/TOR) 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 a special function of the company management system, through which it is possible to acquire immediate evidence of all the data relating to the various positions subject to assessment and the outcome of the resolutions. Once the analysis is completed and the resolution adopted by the Credit

Committee, the process concludes with the generation of specific disclosures for the various company departments concerned.

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

The Credit Committee - on the basis of the provisions of the "Classification and measurement of credit exposures" Policy supplemented, operationally, by the "Credit & Collection Policy" – also resolves: i) the transfers between administrative statuses (past due, UTP, 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 (risk management). This activity is aimed at ensuring the continuous analysis and monitoring of the composition of the portfolio and the related risk. In particular, the Risk Management Function is responsible for the following activities:

• the measurement of the credit risk underlying the performing portfolio and the problem portfolio;
• monitoring of "problem loans" (non-performing, 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:

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

The reference area in which the company operates, as regards transferred debtors, is mainly represented by the so-called "Eurozone". A component - historically around 25% - of turnover is achieved with foreign 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 "Transferring Customers" or simply "Transferors") by advancing trade receivables claimed by them in the technical form of factoring.

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

• With recourse factoring: the Company operates through the granting of a loan to customers, which at the same time transfers to the Company business receivables, the payment of which is attributed to the repayment of the financed sum. The collection of the receivable 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 does not normally exceed 80% of the nominal value of the loan transferred; the percentage of disbursement per individual assignment varies according to the specific characteristics of the transaction, the Transferor and the transferred debtors (e.g. according to the method of payment of the receivables, the nature and solvency of the transferred debtor and other elements that are assessed from time to time). In this type of transaction, the risk of insolvency of the transferred debtor remains with the Transferor.

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

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

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

- the analysis of the customer (Transferor) and the Transferred debtor, both through internal processing of information taken from company databases, and with the help of data from third parties and specialised public and private bodies; 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:

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

• <u>Resolution</u>: 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.

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

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

• <u>Settlement</u>: indicates the possible management process, at the end of which the amounts Not Disbursed Available are credited to the Transferor, accrued as a result of the collection of the 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.

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).

Debtor Advance Limit

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

In any case, the Debtor Advance Line cannot, in any case, exceed the limits envisaged by the applicable Supervisory provisions.

Pricing

The pricing of factoring transactions is calculated on the basis of a preliminary assessment by the Transferor, and is significantly affected by 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).

<u>*Internal rating (scoring)*</u>

The Company assigns each Transferor its own internal scoring to classify the riskiness 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.

This is calculated using, among others, the following elements:

- the risk of the receivables transferred, measured on the basis of the assessment of the debtors, the concentration of the risk as well as in relation to any insolvency found;
- 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);
- the ancillary guarantees given (sureties, pledges, mortgages, etc.).

In the event that the analysis of the Debtor's creditworthiness reveals the existence of risk factors, the Assignor Assessment Office reports this in the analysis report intended for the Credit Committee. For these positions, at the time of its resolution, the Credit Committee defines specific operating methods, aimed at mitigating the credit risk such as, for example, the reduction of the percentage of advances relating to receivables due from the Debtor concerned, or the containment of the 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.

<u>*Heading of the risk on the Transferred Debtor*</u>

In consideration of the fact that sector regulations (i.e. Circular no. 288 of 3 April 2015) allows the exposure to be assigned to the transferred debtor - rather than the transferor - if certain 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.

In addition, both with reference to the "Transferred Debtor" approach and that relating to the "Debtor-Transferor", Generalfinance has adopted internal procedures that make it possible to ascertain ex ante the deterioration of the financial situation of the individual debtor and the quality of the business loans acquired, as well as adequate procedures that make it possible to manage any anomalies that may arise during the relationship (e.g. management of anomalous loans, recovery actions, etc.).

<u>*Staging criteria - Stage 1 and Stage 2*</u>

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 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 to Stage 1.

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

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

Calculation of expected credit loss - Stage 1 and Stage 2

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

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

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

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

For exposures in Stage 1 and 2, the expected losses at 12 months and lifetime are calculated respectively, based on the stage assigned to the exposure, taking into account the duration of the financial instrument.

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

$$EAD = Exposure * N/365$$

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

However, in the case of loans classified as Stage 1, it is considered appropriate to use the following corrective measures:

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 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, it is decided not to use any split of the exposure.

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

$$ECL = PD * LGD * EAD$$

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

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

Risk parameters: Probability of Default (PD)
The Probability of Default is measured at the level of the 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 the one inferred from the ratings provided by external providers, i.e. from the associated PDs.

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

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

The proxy of the lifetime PD, 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%).

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

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

- the use of an accurate PD from "third-party" information sources makes it possible to incorporate forward looking elements that are reasonably foreseeable in the short term and taken into consideration by the infoproviders that process the external ratings;
- the updating 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 EH 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 in order to continuously verify the eligibility of insurance policies for CRM purposes and consequently recognise their effect in the calculation of capital requirements are summarised below.
The guarantee management process for CRM purposes is divided into the following sub-phases:

- Acquisition of the guarantee: in this phase, the supplier of the guarantee (i.e. the insurance company) is selected and evaluated. In this context, attention is also paid to the possible concentration risk that would derive from the use of the personal guarantee, taking into account the nature of the guarantee provider, its creditworthiness and business model; in any case, from an internal policy point of view, also taking into account the constraints relating to loan agreements, Generalfinance underwrites policies to hedge credit risk exclusively with leading companies (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).

Lastly, it should be noted that in relation to the exposure relating to an individual non-recourse Assigned Debtor, the Company acquired the transfer of the rights of a credit policy, originally taken out by an Assignor with the insurance company Coface.

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

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

In line with the aforementioned regulations, Generalfinance 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.

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.

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.

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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	304,940	141,563	16,293	19,611,510	388,642,737	408,717,043
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	-	-	-	-	23,274	23,274
5. Financial assets held for sale	-	-	-	-	-	-
Total 30/06/2023	**304,940**	**141,563**	**16,293**	**19,611,510**	**388,666,011**	**408,740,317**
Total 31/12/2022	**424,583**	**457,485**	**19,409**	**17,701,815**	**366,851,065**	**385,454,357**

EMARKET SDIR CERTIFIED

6. Credit exposures to customers, banks and financial companies

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	836,343	X	-	836,343	-	531,403	X	-	531,403	-	304,940	76,000
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	159,480	X	-	159,480	-	17,917	X	-	17,917	-	141,563	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	18,296	X	-	18,296	-	2,003	X	-	2,003	-	16,293	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	19,718,618	17,202,610	2,516,008	X	-	107,108	71,869	35,239	X	-	19,611,510	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	389,256,614	376,150,741	13,105,873	X	-	613,877	463,942	149,935	X	-	388,642,737	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**409,989,351**	**393,353,351**	**15,621,881**	**1,014,119**	**-**	**1,272,308**	**535,811**	**185,174**	**551,323**	**-**	**408,717,043**	**76,000**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)	**409,989,351**	**393,353,351**	**15,621,881**	**1,014,119**	**-**	**1,272,308**	**535,811**	**185,174**	**551,323**	**-**	**408,717,043**	**76,000**

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9. Credit concentration

9.3 Large Exposures

(Values in Euro)	30/06/2023
a) book value	105,311,895
b) weighted value	57,840,531
c) number	11

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 interest margin and a change in the value of assets and liabilities and therefore in the value of shareholders' equity.
The operations of Generalfinance are concentrated in the short-term; the loans granted are self-liquidating and have a short residual life directly related to the collection times of the transferred trade receivables.
These characteristics determine a significant mitigation of the exposure to interest rate risk.

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

In relation to the operations of the Company, a significant type of operational risk is represented by legal risk. In this regard, to mitigate potential economic losses resulting from pending legal proceedings against the Company, a provision has been made in the financial statements to an extent consistent with international accounting standards. In view of the requests received, the Company posts the appropriate provisions in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility", as defined by accounting standard IAS 37 and taking into account the most consolidated relevant case law.

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 dismissed 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 2020-2022 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).

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 new credit 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 133 million;
- a three-year securitisation programme, maturing in December 2024, for a total maximum senior financing of EUR 500 million;
- bilateral bank lines and lines with factoring companies for a total of roughly EUR 160 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 (historically less than 90 days) of assets (loans to customers) and low seasonality of turnover, need for funding, elements that determined a low funding requirement; in addition to this, the constant monitoring of the maturities and effective credit management 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.

Section 4 - Information on equity

4.1 - Company Equity

4.1.1 Qualitative information

In the first half of 2023, the profit amounted to EUR 6,699,127, bringing shareholders' equity to EUR 58,085,759.

For more details, see "PART B - INFORMATION ON THE BALANCE SHEET - LIABILITIES - Section 11 - Equity - Items 110, 140, 150, 160 and 170".

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 30/06/2023	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	-	-
- of profits	-	-
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	-	-
- 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	140,439	95,474
- Portion of valuation reserves relating to equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the period	6,699,127	10,885,387
Total	**58,085,759**	**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 financial statements for the period related to the first half 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 30/06/2023	Total 31/12/2022
A. Tier 1 capital before the application of prudential filters	**58,085,759**	**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)	**58,085,759**	**56,774,746**
D. Elements to be deducted from Tier 1 capital	4,637,654	6,694,664
E. Total Tier 1 capital (C-D)	**53,448,105**	**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	3,240,690	2,001,643
L. Total Tier 2 capital (H-I)	**9,259,310**	**10,498,357**
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital (E+L-M)	**62,707,415**	**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 second pillar risks, Generalfinance uses the following quantitative measurement tools proposed in Bank of Italy Circular no. 288/15:

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

IV, Chapter 14, Annex C;

- for liquidity risk, the funding risk measurement maturity ladder model, envisaged by Bank of Italy Circular no. 288/15.

The other Pillar 2 risks are subject to qualitative assessment.

4.2.2.2 Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
A. RISK ASSETS	-	-	-	-
A.1 Credit and counterparty risk	472,724,527	445,751,833	323,956,523	297,862,971
B. REGULATORY CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	25,916,522	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	-	-	3,696,945	3,696,945
B.5 Total prudential requirements	-	-	29,613,467	27,525,983
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-		
C.1 Risk-weighted assets	-	-	370,168,332	344,074,780
C.2 Tier 1 capital/Risk-weighted assets (TIER 1 capital ratio)	-	-	14.4%	14.6%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)	-	-	16.9%	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 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 300,000.

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 the first half of 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		
10. Cash and cash equivalents	-	2,688,323
40. Financial assets measured at amortised cost	-	229,845
Total assets	**-**	**2,918,168**
10. Financial liabilities measured at amortised cost	-	40,269,662
80. Other liabilities	-	414,166
90. Employee severance indemnity	-	65,094
100. Provisions for risks and charges	-	673,151
Total liabilities	**-**	**41,422,073**

TRANSACTIONS WITH RELATED PARTIES (amounts in Euro)	Parent company	Other related parties
INCOME STATEMENT ITEMS		
10. Interest income and similar income	-	25,143
20. Interest expense and similar charges	-	(775,460)
40. Fee and commission income	-	22,240
50. Fee and commission expense	-	(71,790)
160. Administrative expenses: a) personnel expenses	-	(991,796)
160. Administrative expenses: b) other administrative expenses	-	(189,664)
180. Net value adjustments/write-backs on property, plant and equipment	-	(1,973)
200. Other operating expenses/income	149	9,701
Total items	**149**	**(1,973,559)**
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	7,736	149
Total items	**7,736**	**149**

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

Attestation on the half-yearly financial statements

Certification of the half-yearly condensed 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, 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 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 half-yearly condensed financial report, during the period 1 January 2023 - 30 June 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the half-yearly condensed financial report as at 30 June 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 framework at international level.

3. It is also certified that:

   3.1 the half-yearly condensed financial statements
   a) have been prepared in compliance with the applicable international accounting standards recognized 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 and of the group of companies included in the consolidation.

   3.2 The interim report on operations includes a reliable analysis of the references to important events that occurred in the first six months of the year and their impact on the half-yearly condensed financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 26 July 2023

Massimo Gianolli
Amministratore Delegato

Ugo Colombo
Dirigente preposto alla redazione
dei documenti contabili societari

Limited audit report

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED FINANCIAL STATEMENTS

To the Shareholders of
Generalfinance S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed financial statements, which comprise the balance sheet and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and other explanatory notes of Generalfinance S.p.A. as of June 30, 2023. The Directors are responsible for the preparation of the half-yearly condensed financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed financial statements of Generalfinance S.p.A. as at June 30, 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giuseppe Avolio
Partner

Milan, Italy
August 4, 2023

This report has been translated into the English language solely for the convenience of international readers.

GENERAL FINANCE

HALF-YEARLY REPORT
AS AT 30 June 2023