PILLAR 3

PUBLIC DISCLOSURE AS AT 31 DECEMBER 2024

Approved by the Board of Directors on 28 April 2025

Generalfinance S.p.A.

Financial intermediary registered under no. 201 of the register maintained by the Bank of Italy pursuant to Article 106 of Italian Legislative Decree no. 385 of 1 September 1993 (Consolidated Law on Banking, TUB), Milan Companies Register, Tax Code and VAT no. 01363520022 – Share Capital €4,202,329.36 fully paid-up, Registered office and commercial offices: Milan, Via Giorgio Stephenson no. 43A, 20157 – Tel. +39 02 87158048 Head Office, administrative offices and correspondence address: Biella, Via Carso no. 36, 13900 – Tel. +39 015 8484301 www.generalfinance.it – info@generalfinance.it – generalfinance@pec.it

Summary

Foreword

The Basel regulations, aimed at strengthening market discipline by generally enhancing rules on capital and liquidity, are designed to make the financial system more robust and better able to absorb financial shocks. These regulations impose disclosure obligations on financial intermediaries regarding capital adequacy, risk exposure and the general characteristics of the structures and systems used for identifying, measuring and managing risks.

The system established by the Basel Accords can be summarised as a structure based on the following three pillars:

- "**Pillar 1**", which defines the capital requirements appropriate to cover the typical risks associated with banking and financial activities;
- "**Pillar 2**", which requires institutions to adopt a strategy and process for the self-assessment and control of current and future capital adequacy. Responsibility lies with the Supervisory Authority to verify the reliability and consistency of the internal process and, where necessary, to require suitable corrective measures;
- "**Pillar 3**", which introduces public disclosure obligations designed to enable market participants to make a more accurate assessment of the capital soundness and risk exposure of banks and financial intermediaries. In this context, the Basel Committee has introduced enhanced transparency requirements and more detailed information on the composition of regulatory capital, risk exposure and the general features of the processes that banks and intermediaries have implemented to identify, measure and manage risks. The regulations also require more comprehensive information regarding the methods used by intermediaries to calculate capital ratios.

The EU legal system has transposed the contents of Basel III through two regulatory instruments:

- Regulation (EU) No. 575/2013 of 26 June 2013 ("CRR"), which governs Pillar 1 prudential supervisory requirements and the rules on public disclosure ("Pillar 3");
- Directive 2013/36/EU of 26 June 2013 ("CRD IV"), which addresses, among other matters, the conditions for access to banking activities, freedom of establishment and the freedom to provide services, the prudential review process and additional capital buffers.

In addition to EU legislation, the Bank of Italy has issued provisions through which the national regulatory framework has been updated to reflect developments in international regulation. In particular:

- Circular No. 285 of 17 December 2013, which consolidates the prudential supervisory provisions applicable to Italian banks and banking groups ("**Circular 285/2013**"), and
- Circular No. 288 of 3 April 2015, which consolidates the prudential supervisory provisions applicable to financial intermediaries registered in the register under Article 106 of Italian Legislative Decree No. 385 of 1 September 1993 ("Consolidated Law on Banking" or "TUB") and to financial groups ("**Circular 288/2015**").

As a result, financial intermediaries are required to publish the information for public disclosure set out in EU regulations at least on an annual basis (Article 433 of the CRR), while also assessing the appropriateness of publishing some or all of the information more frequently (particularly regarding Own Funds and capital requirements), based on the specific characteristics of their business activities.

In compliance with this obligation, GENERALFINANCE S.P.A. (hereinafter "**Generalfinance**" or the "**Company**"), a financial intermediary registered in the register under Article 106 of the TUB, prepares and publishes this document ("**Public Disclosure**") on its corporate website, www.generalfinance.it. Since 29 June 2022, Generalfinance shares have been listed on the regulated market Euronext Milan, STAR segment, which is a market segment for companies with high standards, organised and managed by Borsa Italiana S.p.A., part of the pan-European Euronext Group ("**Borsa Italiana**").

In line with the principle of proportionality that underpins the relevant regulations, the details of this Public Disclosure have been tailored according to the degree of organisational complexity and the type of operations carried out by Generalfinance. The purpose of the document is to provide information on the Company's capital adequacy, risk exposure, and the management and measurement of the risks to which it is exposed. The information is presented according to the specific disclosure areas defined in the CRR and follows the order prescribed therein.

Generalfinance has published all information deemed relevant and has not made use of the option to omit any "confidential" or "proprietary" information.
The data presented herein is consistent with the financial statements as at 31 December 2024; unless otherwise specified, quantitative information is expressed in units of Euro.

This Public Disclosure document was approved by the Board of Directors on 28 April 2025 prior to its publication on the Company's website.

1. Risk management objectives and policies

Over the course of more than thirty years of operations in the factoring sector, the Company has implemented appropriate corporate governance mechanisms, along with effective management and control structures and processes, in order to monitor the risks to which it is exposed and to achieve a suitable balance between profitability and risk objectives. As a result, the organisational and internal control system, as defined by the corporate bodies, ensures effective management and oversight of the various types of business risk.

As stated in its Articles of Association, the Company adopts the traditional model of governance and control, which consists of a body responsible for strategic supervision and management (Board of Directors) and a body responsible for control functions (Board of Statutory Auditors). Both are appointed by the Shareholders' Meeting and serve a three-year term. This configuration is considered the most appropriate to ensure sound and prudent management of the Company.

In this context, Generalfinance has defined its own risk governance policy ("***risk policy***") — which is subject to periodic review to ensure its ongoing effectiveness — and continuously monitors the proper functioning of risk management and control processes.

The *risk policy*, set out in the document titled "*ICAAP governance policy*"[1] ("**ICAAP Policy"**), identifies and/or defines:

- the risk management policy and the responsibilities of the individual corporate functions involved in such process;
- the risks to which the Company is subject, identifying the most appropriate methods of measuring them and the information flows that summarise the monitoring activities;
- the annual assessment process on the adequacy of internal capital.

The Company has also formalised its risk objectives and risk appetite ("*Risk Appetite*") in a document known as the Risk Appetite Statement (the "**RAS**"), in alignment with the strategic and operational planning defined by the Company. This document sets out the internal limits ("*Risk Tolerance*" and "*Risk Capacity*").

The metrics used to define Risk Appetite are linked to the main operational indicators (or "management and operational metrics"), which are measured and monitored by the Risk Management Office and, subsequently, submitted to the Board of Directors on a quarterly basis.

Internal control system

Organisation of the Internal Control System

The internal control system ("**ICS**") comprises the set of rules, functions, structures, resources, processes and procedures designed to ensure sound and prudent management.

To guarantee the effectiveness of their activities, the control functions are granted direct access to all information necessary for the proper performance of their duties.

Each head of the second- and third-level control functions possesses the appropriate professional qualifications and holds a suitable hierarchical and functional position: the heads of the Risk Control and Compliance functions report directly to the Chief Executive Officer; the head of the Internal Audit function, by contrast, reports directly to the body responsible for strategic supervision. No manager has direct responsibility in operational areas subject to control.

The Generalfinance ICS is structured as follows:

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1 Internal Capital Adequacy Assessment Process (ICAAP).

a. *first-level controls*, also called "line" controls, aimed at ensuring the proper execution of operations related to the granting of financing and other business activities. Line controls are intended to provide immediate and direct oversight over every business activity through checks, validations and monitoring, which are carried out by the staff within the relevant operational units.
   Specifically, these types of controls:
   - are the responsibility of the head of each activity, who is required to organise and keep them up to date;
   - are carried out at intervals consistent with the type of operations they are intended to oversee;
   - are, as far as possible, automated and/or incorporated into IT procedures.

b. *second-level controls*, aimed at ensuring risk management and compliance of the business activity with the reference regulations. They are mainly divided into:
   - risk management controls, designed to identify, measure or assess, monitor, prevent or mitigate all risks assumed or that may be assumed;
   - compliance controls, aimed at monitoring the management of the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws or regulations), or self-regulatory provisions (e.g. articles of association, codes of conduct, corporate governance codes);
   - controls aimed at monitoring the risk of money laundering, linked to the use of proceeds (money, assets and other benefits) deriving from criminal activities in lawful operations, with the purpose of concealing their illicit origin through transactions intended to hinder the traceability of capital movements.

c. *third-level controls*, as part of internal audit activities, aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the information system (ICT audit), with a predetermined frequency in relation to the nature and intensity of the risks.

AML and Compliance Function

The Company has consolidated the anti-money laundering (AML) and counter-terrorism financing function, along with the compliance function, into a dedicated and specialised office – the AML-Compliance Office – which reports directly to the CEO.
As the "AML function", this office performs the duties defined in the Bank of Italy Provision dated 10 March 2011, which sets out the implementing provisions concerning the organisation, procedures and internal controls aimed at preventing the use of financial intermediaries and other financial service providers for the purposes of money laundering and terrorist financing, pursuant to Article 7, paragraph 2 of Italian Legislative Decree No. 231 of 21 November 2007, Chapter II, Section I.
Specifically, the Anti-Money Laundering Function is responsible for: *(i)* monitoring money laundering risk by overseeing the proper functioning of corporate processes; *(ii)* implementing measures to counter money laundering and the financing of international terrorism; *(iii)* ensuring compliance with anti-money laundering regulations within the Company and tracking developments in relevant legislation, verifying the alignment of the Company's AML and counter-terrorism processes with regulatory requirements; *(iv)* conducting checks and audits relating to customer due diligence and proper data retention.
The Head of the Anti-Money Laundering Function is also granted the mandate for filing Suspicious Transaction Reports (STRs), pursuant to Article 35 of Italian Legislative Decree No. 231 of 21 November 2007.

The Compliance Function is responsible for the activities relating to regulatory compliance. It ensures the observance and implementation of company procedures, regulations and policies in line with legal provisions. It identifies the applicable legislation for the Company, assesses and measures its impact on the business, and

recommends appropriate organisational changes to ensure an effective and efficient control over the identified compliance and reputational risks.
The Compliance function is also involved, through appropriate information flows, in the *ex-ante* assessment of the compliance of all innovative projects (including new products or services) the Company intends to undertake, as well as in the prevention and management of conflicts of interest, including those involving employees and corporate officers.

Risk Management Function

Within the organisational structure of Generalfinance, the risk management function is assigned to 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.
The Risk Control Function ensures the performance of second-level controls on risk management, in line with the provisions of the reference regulations.
As part of its activities, the Risk Management Office is responsible for carrying out the Company's Internal Capital Adequacy Assessment Process (ICAAP)[2] and carries out all necessary activities to fulfil its duties in accordance with the provisions of Bank of Italy Circular No. 288/2015.

Internal Audit Function

The internal audit function is assigned to the Internal Audit Office, which reports directly to the Board of Directors.
The internal audit activity is aimed, on the one hand, at checking the regularity of operations and risk trends, including through ex-post checks at the individual organisational units, and on the other hand at assessing the functionality of the overall internal control system and to bring to the attention of the Board of Directors possible improvements to risk management policies, control mechanisms and procedures. In this context, internal audit is responsible for assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the information system. It also conducts checks aimed at identifying any violations of procedures or regulatory requirements.

Control, Risk and Sustainability Committee

The Company established the Control, Risk and Sustainability Committee within the Board of Directors, with the task of supporting the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as promoting the continuous integration of national and international best practices in the Company's corporate governance and of environmental, social and governance factors in the corporate strategies targeted at pursuing sustainable success. The Committee supports the Board of Directors in carrying out its functions.
The Committee receives information from the Chief Executive Officer relating to any problems and critical issues that have emerged in the performance of his/her activities or of which he/she has become aware, so that the Committee can implement the appropriate initiatives.

2 The regulations under the "Second Pillar" require financial intermediaries to establish processes and tools — referred to as the Internal Capital Adequacy Assessment Process (ICAAP) — to determine the appropriate level of internal capital necessary to cover all types of risks, including those not addressed under the "First Pillar" total capital requirement. This must be carried out within the framework of an assessment of both current and forward-looking risk exposure, taking into account the intermediary's strategies and the evolution of the broader economic and regulatory context. The regulatory framework outlines the stages of the process, its frequency and the key risks to be assessed, providing guidance on the methodologies to be used for some of these risks. (Title IV – Chapter 1 – Section I of Bank of Italy Circular No. 288/2015).

The Committee receives, at least on a semi-annual basis and whenever deemed necessary, information from the Head of the Internal Audit function regarding the activities carried out, the methods by which risk management is conducted, and compliance with the plans established for risk mitigation.

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

Pursuant to Italian Legislative Decree 231/2001, the Company has adopted an Organisation, Management and Control Model designed to ensure that business activities are carried out in compliance with the law, through the definition of clear and effective operational and behavioural rules, as well as the establishment and implementation of appropriate safeguards to prevent the commission of criminal offences.
The Organisation, Management and Control Model is complemented by the Code of Ethics and the Regulations of the Supervisory Body (as described below).

Supervisory Body

The Company has established a collegial Supervisory Body, composed of two members: one external and independent of the Company, who acts as Chairperson, and one internal member. The Supervisory Body is responsible for monitoring the functioning, effectiveness, adequacy, compliance with, and updating of the Organisation, Management and Control Model adopted by the Company.

In addition to the above responsibilities, the Company's Internal Control System (ICS) also includes:
- the *Board of Directors*, which assesses the adequacy of the ICS and plays a strategic steering role, dealing with – among other things – approving the Risk Appetite Statement, which formalises the risk and risk appetite objectives in line with the strategic and operational planning and establishes the respective internal limits (Risk Tolerance and Risk Capacity).
- the *Chief Executive Officer*, who is responsible for the functionality of the internal control and risk management system;
- the *Board of Statutory Auditors*, which is tasked with verifying the effectiveness of all structures and functions involved in the control system, ensuring the proper execution of their duties and their adequate coordination, and promoting corrective actions in response to any shortcomings or irregularities identified.

Finally, the independent auditors are responsible for verifying the proper maintenance of the Company's accounts, ensuring that the accounting records accurately reflect business transactions, and confirming that the annual financial statements provide a true and fair view of the Company's financial position and performance.

Identification of the risks to be assessed

Generalfinance is exposed to the typical risks of a financial intermediary. Specifically, and also based on the ICAAP process it has established, the Company has identified the relevant risks through comparison with the list of risks outlined in Annex A of Chapter 14, Title IV of the Bank of Italy's Circular No. 288/2015, while also identifying additional types of risks not explicitly included in that list.
Among the "Pillar I" relevant risks, the following have been identified:

- **Credit risk**: risk that the debtor 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.
- **Market risk**: the risk of incurring losses on positions held in the trading book portfolio due to unfavourable movements in market factors such as interest rates, exchange rates, equity prices and commodity prices. Since the Company does not hold financial assets for trading purposes, it is not exposed to this risk.
- **Operational risk**: risk of losses deriving from failure or inadequacy of internal processes, human resources and technological systems or deriving from external events.

Generalfinance is also exposed to the following other risks:

- **Concentration risk**: risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading in the same goods, as well as the application of credit risk mitigation techniques, including, in particular, risks deriving from indirect exposures, such as, for example, with respect to individual providers of guarantees (for concentration risk with respect to individual counterparties or groups of related counterparties).
- **Country risk**: risk of losses caused by events occurring in a country other than Italy. The concept of country risk is broader than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, whether natural persons, companies, banks or public administrations.
- **Interest rate risk**: risk deriving from potential changes in interest rates.
- **Liquidity risk**: the risk of not being able to meet its payment commitments due to the inability both to raise funds on the market (funding liquidity risk) and to sell its assets (market liquidity risk).
- **Residual risk:** risk that the recognised techniques for mitigating credit risk used by the Company are less effective than expected. The risk is considered minimal for the Company, as the level of protection is clearly defined and, due to the contractual nature, holds indisputable value.
- **Securitisation risk**: the risk arising from the absence of adequate policies and procedures to ensure that the economic substance of securitisation transactions is fully aligned with their risk assessment and with the decisions made by the corporate bodies.
- **Excessive leverage risk**: the 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, which could lead to impairment adjustments on remaining assets.
- **Base risk**: the risk of losses caused by misaligned changes in the values of opposing positions that are similar but not identical. The Base Risk is not measured as the Company has no significant exposure to this risk. This implies the absence of a structured governance framework for this type of risk.
- **Transfer risk**: the risk of exposure to a debtor who finances itself in a currency other than that in which it receives its main sources of income. This risk is not significant for the Company.
- **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 reuptational damage as a result of violations of mandatory provisions (of law or regulations) or of self-regulation rules (e.g. articles of association, codes of conduct), including legislation governing international money laundering/terrorism financing and legislation governing the transparency of banking and financial transactions and services.
- **IT risk**: the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage due to the use of information and communication technology (ICT). This is a significant component of operational risk.
- **Outsourcing risk**: the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage due to the inadequacy or inefficiency of a service provider related to a critical business function.

Measurement/assessment of individual risks and related internal capital

For each relevant risk, identified as significant, the Company ensures the identification of the methodology and tools for its measurement or assessment for proper management, in accordance with the applicable regulations. As a result, on the one hand, the current and prospective levels of internal capital associated with each measurable risk are defined, while on the other hand, organisational and control measures are identified to mitigate non-quantifiable risks.

Credit risk

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 exclusive operating area of Generalfinance, is the main determining factor of credit risk. However, factoring has specific features that reduce the level of credit risk: the involvement of multiple parties (transferor and transferred debtor), insurance coverage for over 70% of business volumes, additional personal guarantees and the transfer of receivables from the assignor to the factor within a “revolving” relationship with high risk diversification and fragmentation at portfolio level. These factors, on one hand, help contain the credit risk compared to that of traditional banking activities, and on the other hand, define the entire credit process, which in Generalfinance is regulated by specific policies.

Organisational aspects

The assumption of credit risk is governed by the policies approved by the Board of Directors and is governed by internal procedures that define the management, measurement and control activities and identify the organisational units responsible for them.

Credit risk management is carried out by the Credit and Operations Departments.

The Credit Department acts through:

- the Transferor Assessment Office, ensuring the compliance of loan applications with the Company's credit policy and expresses opinions for decision-making purposes. This Office is also responsible for the activities that characterise the preliminary phase and the secretarial activities of the Credit Committee.
- the Legal Support Office, constantly monitoring the changes and updates of the legal aspects of the Transferor customers. This Office manages the legal aspects that arise during the relationship with the Transferor customers, assists the Collection Office in judicial credit recovery activities and, in consultation with the Operations Department and the Legal and Corporate Affairs Department, within their respective areas of competence, manages disputes by liaising with the lawyers in charge, providing them with guidance and agreeing on litigation strategies;
- 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, 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, monitoring compliance with the operating procedures envisaged for the specific relationship and managing the process of disbursement and settlement of amounts not advanced to the transferors.

The authority to grant credit is divided between the Board of Directors, the Credit Committee and, to a limited extent and only with regard to the Debtor Credit Line (as specified below), the Chief Lending Officer (CLO). The Credit Committee and the CLO operate under the powers granted to them by the Board of Directors, as set out below.

	TRANSFEROR CREDIT LINE								
	Maximum Payable		Products %	Products	Debtor Advance Limit	Advance %	Maximum Duration Advance	Maximum Non-Notification %	Minimum insurance coverage %
	Credit Line Amount	Transaction Score							
BOD	Within the regulatory limits		100%	All	100%	100%	In delegation to the Credit Committee up to 12m	In delegation to the Credit Committee	0%
CREDIT COMMITEE	**10 mln - group 8 mln - single**		100%	All	100%	**Non-recourse: 100% With recourse: up to 2m max payable: 100% over 2m max payable: 90%**	**12m**	100%	**Non-recourse: up to 2m max payable: 50% over 2m max payable: 80% With recourse: 40%**

	DEBTOR CREDIT LINE						
	Cross Credit Line by debtor			Products	Advance %	Maximum Duration Advance	Maximum Non-Notification %
	Credit Line Amount	Δ Transaction Scoring	Transaction Score				
BOD	Within the regulatory limits	Any		All	100%	In delegation to the Credit Committee up to 12m	In delegation to the Credit Committee
CREDIT COMMITEE	**7mln**	**Any**		All	100%	**12m**	All
CLO	**2mln**	**+50% (up to 2,5 yellow)**		With recourse Non-recourse	Within the limit of the transferor	**5m (within the limit of the transferor credit line)**	All

As part of their duties, the decision-making bodies carry out an in-depth analysis of the documentation and the level of risk of the financing operation and, if the assessment is positive, decide on the granting of the loan.
In the analysis phase, the decision-making bodies are supported by the proprietary management information system (Generalweb/TOR) and by the data analytics systems, which allow a detailed analysis of each individual credit facility requested, both with reference to the assessment of the Transferor and the transferred debtors. The process of approving the granting/disbursement of credit is managed electronically through the appropriate function of the company management system (Electronic Credit Application and transferor position), through which it is possible to acquire immediate evidence of all the data relating to the various positions subject to assessment and the outcome of the resolutions. Once the analysis is completed, the process concludes with the generation of specific disclosures for the various company departments and customers concerned.

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 loan portfolio. This activity is aimed at ensuring the continuous analysis and monitoring of the composition of the portfolio and the related risk. In particular, the Risk Management Function is responsible for the following activities:

- the measurement of the credit risk underlying the performing portfolio and the problem portfolio;
- monitoring of "problem loans" (non-performing, watchlist and supervised entities);
- monitoring of limits and exceptions to company policies;
- verification of consistency over time between the rules for assessing creditworthiness and the related pricing;
- monitoring the concentration limits of credit exposures to a single Counterparty (Groups of companies), as per the regulations of the Supervisory Authority;
- monitoring the correct functioning of the IFRS 9 framework, as part of the determination of the Expected Credit Loss.

Management, measurement and control systems

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

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

The reference area in which the company operates, as regards transferred debtors, is mainly represented by the "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 Company's core business consists of granting loans to the above-mentioned parties (typically identified as "Transferor Customers" or simply "Transferors") by advancing trade receivables from them through factoring.
In particular, the main transactions carried out by the Company consist of the following:

- <u>Recourse factoring:</u> 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 amount disbursed as an advance and the nominal amount of the receivable collected) is transferred to the Transferor. The average percentage of advance payments on the entire portfolio is around 80% of the nominal value of the loan transferred; the percentage of disbursement per individual assignment varies according to the specific characteristics of the transaction, the Transferor and the transferred debtors according to the method of payment of the receivables, the nature and solvency of the transferred debtor, the transferor's situation, past relations, collection trend data and other elements that are assessed from time to time for granting purposes. In this type of transaction, the risk of insolvency of the transferred debtor remains with the transferor.
- <u>Non-recourse factoring:</u> 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 non-recourse transactions carried out by the company are IAS-compliant, with the transfer of risks from the Transferor to the factor.

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

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

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

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

- the analysis of the customer (Transferor) and the Transferred Debtor, both through internal processing of information taken from company databases, and with the help of data from third parties and specialised public and private bodies; in particular, a score is calculated for each Transferor and Debtor, based on the methodology developed over time by Generalfinance. The score at the debtor level is then aggregated at the portfolio level, so as to calculate the overall score of the factoring transaction, based on the weighted average between the Transferor and the Debtor portfolio. Taking into account the self-liquidating nature of the risk assumed, the greatest weight in the scope of the scoring method is assigned to the Debtor portfolio;
- the continuous verification of the entire exposure of the Transferor, both statically, i.e. with reference to the individual characteristics of the same, and dynamically, i.e. with reference to the performance of its relationship with each individual Transferred Debtor;
- the continuous verification of the entire exposure 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 of the Relationship – LIR and of the individual assignments in order to obtain the enforceability of the factoring transactions and the channelling of collections;
- setting a limit on the amount that can be disbursed to customers (as determined by the Credit Committee) with particular attention to any situations of risk concentration;

- diversification of customers by economic sector and geographical location.

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

- Investigation: represents the moment in which credit applications from customers are acquired and assessed submitted, in order to provide the decision-making bodies, with the utmost possible objectivity, with a complete and exhaustive representation of the position of the credit applicant with regard to its capital assets and all other elements necessary for the assessment of creditworthiness and its reliability. In this phase, the information collected with reference to the potential transferred debtors for the purposes of their assessment is analysed.
- Resolution: final act of the decision-making process to which credit applications are submitted. This may have as its object the acceptance or rejection of the request.
- Initiation of the relationship: phase in which the contractual documentation is formalised.
- Disbursement: indicates the management process at the end of which the amount subject to the advance of the transferred credit is credited to the Transferor. It therefore refers to a progression of management activities that result in the provision of funds in favour of the Transferor.
- Settlement: indicates the possible management process, at the end of which the amounts Not Disbursed Available are credited to the Transferor, accrued as a result of the collection of the transferred receivables, following the payment made by the Transferred Debtor.
- Monitoring and review: these describe the methods for monitoring the loans disbursed in order to ensure proper credit management, as well as a correct representation of the Company’s exposure to each Transferor or group of connected customers. The monitoring is also carried out in order to promptly review the conditions of the loan if the circumstances relating to both the economic performance of the situation of the Transferor and the value of the guarantees should change.
- Renewal: represents the periodic activity, with variable frequency based on the risk profile of the transaction (12 months for less risky transactions and 6 months for the others), involving the complete review of the Transferor's position. On the basis of the operational monitoring activities carried out on a monthly basis by the Portfolio Monitoring Office, positions that show significant deviations in the risk profiles over a period of 1 month may also be reviewed.
- Reporting: reporting activities vary widely and are designed to support the flow of information to company bodies and departments involved in the credit granting 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.
In any case, the Maximum Payable cannot, in any case, exceed the limits envisaged by any applicable Supervisory provisions.

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 non-recourse factoring, the disbursement percentage is 100%, as these are only outright purchases (IAS Compliant). The disbursement percentage per transferor is decided by the Credit Committee or by the Board of Directors based on the autonomy and powers granted.

Debtor Advance Limit

In addition to the above, a further operating limit ("Debtor Advance Limit" or "Cross Credit Line") is assessed, which represents the maximum amount that Generalfinance is willing to advance as an advance on receivables due from a single Debtor or a group of related Debtors. It represents the ratio between the maximum limit (in terms of nominal value) of receivables due from a single Debtor (or group of related Debtors) that the Company is willing to acquire from a particular Transferor ("Cross Credit Line") and the percentage of advances on individual loans. In any case, the Debtor Advance Line cannot, in any case, exceed the limits envisaged by the applicable Supervisory provisions.

The Cross Credit Line by debtor is approved by the CLO, the Credit Committee or the Board of Directors based on the autonomy and powers granted.

Minimum insurance coverage percentage

The insurance coverage percentage represents the ratio of insured exposure to total exposure. The definition of this minimum threshold applicable to the Customer's entire position represents a risk management parameter.

Pricing

The pricing of factoring transactions is calculated using an automated model.

The methodology followed represents a first step towards the practices required by the Regulator, which, particularly in the EBA LOM, has emphasised the importance of adopting risk-adjusted pricing models.
Generalfinance's pricing model formalises all revenues and costs associated with the transaction in a single indicator (EVA Based):

- estimated cost of risk: expected cost of credit for Generalfinance measured through the estimated Expected Loss to hedge against the risk of counterparty default;
- cost of capital: cost of the assets necessary to grant the loan, given by the product of the expected return to shareholders ("Ke") and the capital absorbed;
- cost of funding: costs to be incurred to finance the transaction;
- operating expenses: direct and indirect costs incurred by Generalfinance in carrying out its operating processes.

A profit margin is then added to these costs based on profitability targets.

The automatic preliminary assessment is then duly defined by the Sales Department according to the system of powers.

Internal rating (scoring)

The Company assigns each transaction its own internal rating defined as the "Transaction score", in order to classify the riskiness of the factoring relationship, according to a numerical progression.
The transaction score is calculated on the basis of independent assessments of the economic and financial performance of the Transferor, both historical and forward-looking, and the analysis of additional performance factors related to the legal context that characterises the customer company (factors summarised in the "transferor score") and the riskiness of its portfolio of transferred debtors ("portfolio score").

The Transferor score is a score that summarises the risk level of the counterparty through the assessment of specific key performance indicators (identified and differently assessed based on the type of company being analysed), grouped into dimensions that define the scope of analysis; the weighting logic of the KPIs makes it possible to calculate the value of the individual dimension to which, in turn, a specific weight has been attributed that allows the final score to be determined.

The valuation model was consolidated, defining at least one mandatory indicator for each dimension, distributing the weight of the indicators that cannot be assessed proportionally on the indicators assessed. Lastly, the different dimensions are in turn weighted in order to generate a Transferor score which will then be expressed on a scale from 1 to 4, where 4 represents the maximum risk level of the counterparty.

The main indicators subject to assessment are:

- sustainability of the repayment of the indebtedness with respect to the flows generated and outlined in the restructuring plan (in the case of a Distressed Transferor) or in the Business Plan (in the case of a Performing Transferor);
- 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).
- any presence of legal safeguards (sureties, pledges, mortgages, etc.).

The portfolio score is used with reference to transferred debtors. For these, the creditworthiness is calculated using a matrix formula that triggers – based on the size class of estimated overall exposure to the Debtor – different requests for information from selected infoproviders.
This analysis is based on three distinct valuation elements: financial assessment, performance evaluation, and insurability analysis, along with the evaluation of the actual insurance coverage obtained on the Debtor.
The financial valuation component summarises the evaluation of data available from Chamber of Commerce sources (including historical financial statements and additional factors such as company activity, history, and governance), along with an analysis of the Debtor's economic and financial assets, and verification of any prejudicial or negative public information.
On the other hand, the performance assessment component identifies – drawing from leading private databases – punctuality in payments to suppliers.
The insurance assessment component integrates both the summary credit rating assessment expressed by various credit insurance companies and the precise assessment of the insurance guarantee issued by the Insurance Company with which the insurance coverage is in place (Allianz Trade).
Once the score of each individual transferred debtor has been obtained (on a scale from 1 to 4, where 4 represents the maximum risk level of the counterparty), each of them is weighted on the basis of the amount payable of the related cross credit line (understood as the product of the amount of the cross credit line and the expected disbursement percentage), so as to be able to determine the score of the transferor portfolio.

Once the Transferor's score and the score of its portfolio have been obtained, these are used to determine the score of the final transaction. In the case of Distressed Transferors, the score of the transaction is calculated by weighting the transferor score and the score of the transferred portfolio based on the type of instrument for the composition of the business crisis that characterises the legal status of the Transferor.

In the event that the analysis of the debtor’s creditworthiness reveals the existence of risk factors or areas of attention, the Credit Department reports this in the analysis report intended for the Credit Committee. For these positions, at the time of its resolution, the Credit Committee can define specific operating methods, aimed at mitigating the credit risk such as, for example, the reduction of the percentage of advances relating to receivables due from the debtor concerned, or the containment of the exposure, again with regard to the debtor concerned, within a given maximum limit of the total credit line granted to the transferor.

If, on the other hand, the analysis of the creditworthiness of the debtor should reveal the existence of significant risk factors, the Credit Committee excludes the transferred receivables due from the debtor concerned from those subject to advances.

Heading of the risk on the Transferred Debtor

In consideration of the fact that sector regulations (i.e. Circular No. 288/ 2015) allow the performing exposure to be assigned to the transferred debtor – rather than the transferor – if certain legal and operational requirements are met aimed at ensuring that the recovery of the credit exposures depends on the payments made by the same debtor, rather than on the solvency of the transferor, the Credit Committee assesses the advisability of adopting this approach in the case of transactions that, as a whole: (i) concern advances to the Transferor for an amount exceeding EUR 2 million or (ii) in the event in which it is considered necessary to strengthen the controls for monitoring of the loan assignment relationship, by virtue of the characteristics of the portfolio of "transferred customers".

In order to verify the fulfilment of the aforementioned requirements of the supervisory regulations, Generalfinance has provided that, in the case of the choice of the "transferred customer" approach, a specific "check list" is compiled, subject to evaluation and approval by the Credit Committee and stored electronically to accompany the investigation of the Transferor position. Specific controls are defined with reference to Non-notification operations, in order to comply with the provisions of Circular No. 288/2015.

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

Credit risk mitigation techniques

Insurance guarantees

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

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

Due to the recognition of the Policies for CRM purposes, the Company has a so-called "large exposure" towards the guarantor AT. Therefore, the overall exposure to AT 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 AT, 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 AT. This percentage is then applied to the insured risk of each exposure, thus dividing the insurance benefit proportionally over all guaranteed exposures.

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

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

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

In addition, against specific credit exposures, eligible guarantees were acquired for CRM purposes provided by SACE S.p.A. The assessment of eligibility of the aforementioned guarantees, also for the purpose of calculating capital requirements, is also supported by an opinion from a leading law firm, as well as by the analyses of the competent internal structures.

<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") and Modefinance as external rating agencies (ECAIs) for the calculation of RWAs relating to exposures to companies, with specific reference to those counterparties (Italian and foreign, respectively) that have, as of the reporting date, an exposure greater than EUR 100,000, in the context of a factoring relationship (without recourse or with recourse, with the risk being borne by the Transferred Debtor) with a Maximum Payable amount greater than EUR 2 million.

Determination of the capital requirement

For the purpose of determining the capital requirement necessary to cover credit risk, the Company applies the standardised approach as described in Regulation (EU) No. 575/2013 (CRR). Under this approach, a class is identified for each exposure, to which a weighting factor is applied based on the class of exposure and its respective credit quality.

More specifically, the capital requirement for credit risk was determined considering the following main classes:

- credit exposures to supervised intermediaries, represented by non-financial receivables with an original effective maturity of three months or less, are weighted at 20% (Article 121 CRR);
- credit exposures to retail customers are weighted at 75%. Credit exposures to corporate customers are weighted at 100%;
- default credit exposures relating to portfolios acquired with recourse or without recourse are prudentially weighted at 150%, if the individual adjustments on loans are less than 20% of the unsecured portion of the exposure; they are, on the other hand, 100% weighted if the individual adjustments on loans are equal to at least 20% of the unsecured portion of the exposure (Article 127 CRR);
- other exposures, including equity investments, investment funds, tangible assets and other assets, are weighted at 100%.

Deferred Tax Assets (DTA) are either deducted from capital or weighted, in line with the provisions of Article 48 of the CRR. Currently, since the regulatory thresholds are not exceeded, all DTAs are weighted with a factor of 250%.

Pursuant to Article 501 CRR (relating to the "Capital requirements deduction for credit risk on exposures to SMEs"), the Company multiplies by a factor of 0.7619 the capital requirements for credit risk on exposures to SMEs, if the exposure is included in the retail exposures class or in the corporate exposures class. In this regard, from 1 January 2021, the SME Supporting Factor has been extended to exposures of up to EUR 2.5 million with a factor of 0.7619, and for exposures exceeding EUR 2.5 million, a weighting factor of 0.85 applies.

Taking into account its specific characteristics and operational, size and organisational complexity, as well as the activities carried out, the Company, in accordance with the principle of proportionality, has consistently maintained a capital requirement for credit risk well above the regulatory minimum, equal to 4.5% in terms of Tier 1 capital of risk-weighted exposures, 6% in terms of Tier 1 capital of risk-weighted exposures and 8% of risk-weighted exposures in terms of own funds.

Market risk

Generalfinance does not have a trading portfolio exposed to market risks, as it does not engage in transactions for speculative purposes. The Risk Management Function and the Administration and Finance Department oversee this risk (which was absent at the time of drafting this document) through the monitoring of fair value exposure related to financial assets measured at fair value through profit or loss.

During 2024, part of the subscribed units of the reserved closed-end alternative investment fund, "Finint Special

Credit Opportunity Fund", were paid up, as were the subscribed units of the fund "Ver Capital Credit Partners IX - Trade Receivables", managed by Ver Capital, which primarily invests in Italian private debt.

As at 31 December 2024, Generalfinance holds no fair value assets classified as Level 1. The amount classified as Level 3 relates to:

- the UCITS Units of the investment fund mentioned above, valued based on the most recent management reports received from the fund managers.
- Shares in Rete Fidi Liguria, whose valuation is subject to periodic review based on internal methods.

Operational risk

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

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

The Company is therefore exposed to multiple types of operational risk: (i) the risk of fraud by employees or external parties, (ii) the risk of unauthorised transactions and/or operational errors, and (iii) risks related to the failure to retain documentation pertaining to transactions.

Risk of fraud by employees and external parties

Factoring companies, being deeply interconnected with the market as providers of liquidity to businesses, are particularly exposed to the risk of unlawful conduct by external parties. In the event of a confirmed case of fraud, losses may or may not materialise. These losses can be categorised as follows:

1. Actual losses (reduction in the value of tangible assets in the income statement), which include:
   a. Certain losses. These are actual, objectively measurable losses that are recorded in the accounts, either because they are specifically logged or because their impact on the income statement can be clearly traced. Certain losses refer to negative economic outflows incurred as a result of a non-systemic adverse event. These losses must be objective and measurable, specifically recorded in the accounting system, and traceable in the income statement. The loss therefore reflects the cost necessary to resolve the event, excluding any future preventive costs aimed at improving controls, and should be considered gross of any amounts potentially recovered (e.g., through insurance or other means).
   b. Loss provisions. These arise when the amount of the loss is uncertain, but the accrual accounting principle requires a forecast to be made. The estimated loss is reviewed, and if necessary, adjusted at each periodic financial closing, until the loss is realised and the provision is released through the use of the relevant Provision.
   c. Estimate. An estimate is made when no detailed information is available regarding the aggregate impact of the actual loss (e.g. human error during the execution of a procedural transaction requiring reprocessing). These are costs not specifically recorded in the income statement but can be estimated through dedicated internal monitoring systems (e.g. by the Planning and Control Office based on predefined assessment criteria). This category includes costs required to restore the situation prior to the risk event, such as overtime hours worked by staff, when not recorded individually but accumulated as part of the monthly overtime total.
2. Non-Actual Losses (reduction in the value of intangible assets and, indirectly, of tangible assets). This category includes:
   a. loss of earnings, resulting from ineffective/inefficient management of internal processes and/or external events (unrealised gains not achieved or higher costs incurred);
   b. opportunity costs, referring to the foregone returns from alternative investments due to the use of a resource that is available in limited supply;

c. reversed revenues, i.e. losses resulting in the reversal of previously recognised income entries in the income statement, where such entries arose from operational errors rather than commercial decisions;

Risk of procedural disruption due to an IT incident ("Incident")

To monitor the risk of procedural disruption due to an IT incident ("Incident"), the Risk Management Function maintains a register of all such events. These are reported by the Head of the Organisation Office and the Chief Information Officer (CIO), following consultation with the Cyber Risk Manager — who is responsible for the Incident Response Plan — and the Head of the ICT Systems Office. An incident is an event or series of events that negatively impact the confidentiality, integrity or availability of an organisation's data and/or systems, with consequential effects on the business.

The Cyber Risk Manager is tasked with identifying security incidents, containing the damage, eliminating the root causes and notifying all relevant stakeholders, including Risk Management. Once the incident is resolved, the ICT and Organisation Department assesses and quantifies the cost incurred to restore operations to normal. In 2024, two Incidents were reported and were managed promptly, avoiding any disruption to Generalfinance's operations. No actual economic loss or confirmed data breaches occurred, aside from potential risks.

Legal Risk

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, as defined in the specific policy on the matter. The amount of the provision is estimated on the basis of multiple elements of opinion mainly concerning the forecast on the outcome of the case and, in particular, the probability of losing the case with the conviction of the Company, and the elements of quantification of the amount that, in the event of losing the case, the Company may be required to pay the counterparty. The forecast on the outcome of the case (risk of losing) takes into account, for each individual position, the aspects of law raised in the court, assessed in light of the case law stance, the evidence actually dismissed during the proceedings and the progress of the proceedings, as well as, for subsequent encumbrances, the outcome of the first instance judgment, as well as past experience and any other useful element, including the opinions of experts, which allow adequate account to be taken of the expected development of the dispute.

The amount due in the event of losing is expressed in absolute terms and shows the value estimated on the basis of the results of the proceedings, taking into account the amount requested by the counterparty, the technical estimate carried out internally on the basis of accounting findings and / or those that emerged in the course of the proceedings and, in particular, of the amount ascertained by the court-appointed expert witness - if ordered - as well as the legal interest, calculated on the principal from the notification of the preliminary statement, in addition to any expenses due in the event the case is lost. In cases where it is not possible to determine a reliable estimate (failure to quantify the claims for compensation by the plaintiff, presence of legal and factual uncertainties that render any estimate unreliable), no provisions are made as long as it is impossible to predict the results of the judgment and reliably estimate the amount of any loss.

In view of the requests received, the Company posted 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 addition to the risks described above, the Company is exposed to further operational risks, including: (i) risk of unauthorised transactions and/or operational errors; (ii) risks related to the failure to keep the documentation relating to the transactions; (iii) risks related to the inadequacy or incorrect functioning of company procedures relating to the identification, monitoring and management of company risks; (iv) errors and/or delays in providing the services offered; (v) risk of sanctions deriving from violation of the regulations applicable to the Company; (vi) risks related to damages caused to property, plant and equipment deriving from atmospheric events or natural disasters.

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

- definition of a clear organisational structure, with well-defined, transparent and consistent lines of responsibility;
- mapping and formalisation of business processes (“core” processes and “support” processes) that describe operating practices and identify first-level controls;
- adoption of a “Code of Ethics”, which describes the ethical principles, i.e. the rules of conduct that inspire the style of the Company in the conduct of relations with its stakeholders to which each Recipient must refer;
- adoption of the “Organisation, management and control model”, pursuant to Italian Legislative Decree No. 231 of 8 June 2001, which sets out the mix of preventive and disciplinary measures and procedures suitable for reducing the risk of commission of offences envisaged by the aforementioned decree, within the company organisation;
- provision of specific SLAs (Service Level Agreements) in outsourcing contracts;
- self-risk assessment activities carried out by the Risk Management Function, with the aim of identifying and assessing the risks potentially capable of producing a material economic impact (direct or indirect), as well as assessing the adequacy of the control measures aimed at monitoring such risks in order to allow the adoption of any countermeasures necessary to improve risk management, strengthening business processes and the related controls;

Lastly, since 2023, the Risk Management Function, with the support of the Administration and Personnel Office, has also initiated a Loss Data Collection (LDC) process. This involves recording operational losses that have a direct impact on the income statement — namely, certain losses and/or loss provisions — excluding losses linked to commercial policies or to misclassified operating costs or revenues from previous accounting periods.
Each operational loss must therefore be entered into the LDC database, categorised by event type, underlying risk factor(s) and the financial impact incurred. The results of this activity are shared with Internal Audit and the Chief Executive Officer.
The analysis of internal loss data collected through the LDC process serves as an additional operational risk mitigation tool.

Generalfinance adopts the Basic Indicator Approach (BIA) for calculating the capital requirement for operational risk. Under this method, operational risk is measured by applying a coefficient of 15% to the average of the last three annual observations of the “relevant indicator” as defined in Article 316 of the CRR.

Concentration risk

Concentration risk represents a specific type of credit risk arising from exposures to counterparties — including central counterparties, groups of connected counterparties and counterparties operating within the same economic sector, geographic region or business activity, or trading in the same goods. It also includes risks associated with the application of credit risk mitigation techniques, particularly those stemming from indirect exposures, such as to individual guarantors (as outlined in Circular 288/2015, Title IV, Chapter 14, Annex A).
In response to this risk, the Company has implemented appropriate safeguards to minimise concentration risk, including through the timely identification of positions qualifying as large exposures and the effective sectoral diversification of

its customer base. Specific threshold parameters have been established with regard to the concentration of the acquired credit portfolio by exposure amount, economic sector and geographic area. More specifically, a so-called “VMEC” condition is typically applied in the case of concentrated portfolios, so as to prevent certain individual exposures to transferred debtors from exceeding a certain percentage threshold of the total advances granted to the transferor on a recourse basis.
The methodology adopted by the Company for measuring concentration risk is based on the approach set out in Annex “B” to Title IV, Chapter 14 of Circular 288/2015.
In particular, regarding the portfolio used for internal capital calculation and using the standardised approach for credit risk, reference is made to the exposure classes “corporates and other counterparties”, “short-term corporate exposures”, exposures to companies in the “past due” and “secured by real estate” asset classes, as well as to “other exposures”.
As for the calculation of the capital requirement related to single-name concentration risk, the Company has determined the proportionality constant “C” in accordance with the calibration table provided by the Supervisory Authority in the aforementioned Annex “B”. This value was established using the default migration rate.
With regard to specific types of concentration risk, the Company has adopted the safeguards described in the following three paragraphs.

Risk of dependence on individual customers

The risk of dependence on individual customers is constantly monitored and managed through a careful acquisition policy, particularly with regard to the quality, number, product-sector diversification and geographical distribution of debtors. This ensures that the concentration risk on the Transferor is effectively mitigated and supported by an adequate ratio between the number of Transferred Debtors and each individual Transferor — a factor that reduces the degree of concentration risk. In this context, setting credit limits (maximum disbursable amounts) for individual customers plays an important role, as it allows for maximum fragmentation of credit risk both by transferor and transferred debtor.

Geographical concentration risk

Generalfinance operates with companies based in Italy and is therefore exposed to the performance of the Italian economy and market, which directly affects its operational results.
However, given that Transferors maintain business relationships with entities operating in international markets, the Company pursues its acquisition policy with careful consideration of the geographical location of debtors. In this regard, it should be noted that some Transferred Debtors are based abroad — a circumstance which, combined with appropriate geographical distribution of Transferors, results in a significant additional mitigation of geographical concentration risk.

Large exposures

Pursuant to Article 392 of the CRR, an institution’s exposure to a customer or group of connected customers is considered a large exposure when its value is equal to or exceeds 10% of the institution’s eligible capital. The Company has implemented suitable monitoring tools to promptly identify when an exposure qualifies as a large exposure, in order to ensure compliance with the specific limit set out in Article 395 CRR (25% of eligible capital).
In relation to exposures arising from the use of the financing line made available to Generalfinance through the Pool Financing facility, the Company systematically monitors the positive balance of the account held with the Agent Bank (“Pool Current Account”), which — in accordance with the definition provided in Article 395 of Regulation (EU) No.

575/2013 of the European Parliament and of the Council of 26 June 2013 (“CRR”) — qualifies as an “exposure to a group of connected customers where the customer is an entity, or where the group of connected customers includes one or more entities.” To this end, the Company continuously checks that any liquidity peaks in the Pool Current Account that might result in the exposure limit being exceeded with respect to the Agent Bank (100% of Own Funds) are promptly transferred and offloaded into two separate current accounts, referred to as “Liquidity Peak Current Accounts”, held with two different banks. This transfer mechanism between the accounts, as provided for in the Pool Financing agreement, allows for liquidity peaks to be managed in accordance with the constraints laid out in prudential supervisory regulations.

In accordance with Article 394 CRR, the Company reports to the competent authorities all information related to each large exposure, including the identity of the customer or group of connected customers and the corresponding exposure value.

Country risk

Country risk is the 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.

This risk is significant for the Company, as a portion of the exposure (on average around 25% in recent years) relates to foreign transferred debtors. The foreign exposure is predominantly concentrated in the European area and the USA, which considerably mitigates the actual level of country risk.

In the 2025-2027 Business Plan, the Company has taken Country Risk into account with respect to the turnover it expects to intermediate over the three-year period in Spain and Switzerland.

Interest rate risk

Interest rate risk refers to the losses the Company may incur as a result of an unfavourable movement in market rates and relates to the mismatch in maturity and repricing dates (repricing risk) and to the differing performance of reference rates for assets and liabilities (basis risk). Since factoring operations are typically short-term in nature, and the financing granted (in the form of advances on consideration) is self-liquidating with a short residual life directly tied to the collection period of the assigned trade receivables, interest rate risk is inherently limited.
The Company measures interest rate risk in the banking book using the methodology outlined in Title IV, Chapter 14, Annex C of Circular 288/2015. Under this approach, assets and liabilities are classified into fourteen time bands based on their residual maturity. Within each band, asset positions are offset against liability positions, thereby yielding a net position per band. Each band’s net position is then multiplied by weighting factors, calculated as the product of annual interest rate changes observed over a six-year period — considering either the 1st percentile (downward scenario) or the 99th percentile (upward scenario) — and a modified duration set by the Bank of Italy for the relevant maturity band. The weighted exposures across the various bands are then added together, and the total net weighted exposure thus derived approximates the change in the present value of capital (economic value).

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 assessment of risk is carried out by the Treasury Office through the preparation of a maturity ladder (produced monthly for a medium-term horizon and daily for a short-term horizon) which compares cash inflows and outflows, identifying mismatches across specific time horizons and comparing these mismatches with the amount of liquidity reserves (available balances on “free” bank current accounts and unused credit lines), which together constitute the “Counterbalancing Capacity”.

Liquidity risk is adequately controlled based on the dynamics of future cash flows, generated by expectations relating to lending transactions and by the financial needs covered with new credit lines and with the cash flow generated by ordinary operations. Liquidity risk is adequately controlled based on the dynamics of future cash flows, generated by the expected disbursements (up in recent years) and by the financial needs covered with new credit lines and with the cash flow generated by ordinary operations.

The funding structure ensures a sound structural balance, benefiting in particular from a committed financing facility provided by a banking pool, maturing in December 2027, for a total amount of EUR 260 million, and a revolving securitisation transaction allowing for senior financing of up to EUR 500 million, with an approved credit line of EUR 345 million, of which EUR 250 million is committed.

In addition, the following are available:

- a programme for the issue of commercial paper of up to EUR 100 million.

- bilateral bank lines and lines with factoring companies for a total of roughly EUR 262 million;

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

The Company adopts a prudent loan acquisition policy, which has historically guaranteed a limited duration (averaging less than 80 days) of assets (loans to customers) and a related reduced need for funding, in the same way the constant monitoring of the maturities of the loans transferred (in conjunction with the timely and effective management of any anomalies) has made it possible to contain the default level, with benefits on the structural liquidity profile.

Since July 2021, the Company has established a three-year programme for the issuance of commercial paper. In line with applicable regulations, Generalfinance has therefore prepared and implemented a Contingency Funding Plan (CFP), a document outlining the procedures to follow and actions to be taken in the event of — or in anticipation of — stress or deterioration in the Company's liquidity position. Specifically, the CFP defines and formalises the organisational escalation path, the objectives and the management levers necessary to safeguard the business during episodes of unexpected liquidity pressure. The Contingency Funding Plan is managed by the Risk Management Function in close coordination with the Treasury Office.

As part of the overall liquidity risk governance framework, the CFP provides for the identification of an escalation task force, assigning specific responsibilities to corporate bodies and functions involved in the management of liquidity stress situations.

The classification of a liquidity stress scenario is based on specific indicators, which also help identify whether the sources of risk are idiosyncratic or systemic. During the monitoring and escalation processes, other relevant factors not captured by the indicators — such as market context developments that could signal general or isolated difficulties (e.g., actual or anticipated distress of a systemically important financial institution, or one with significant ties to Generalfinance, or a deterioration in the sovereign risk of a euro area country) — may also be taken into account. The alert system within the Contingency Funding Plan is based on a set of indicators which, together with trend analysis carried out by relevant company functions, allow for effective monitoring of the Company's liquidity profile and the prompt detection of any deterioration, whether stemming from idiosyncratic or systemic factors.

These so-called early warning indicators are qualitative and quantitative parameters that, when jointly evaluated, can identify or detect signs of stress at a systemic or entity-specific level, which may potentially have negative impacts — even of a prospective nature — on the liquidity position. These indicators are considered capable of anticipating potential crisis situations.

Risks deriving from securitisation

This risk arises from the absence of adequate policies and procedures to ensure that the economic substance of securitisation transactions is fully aligned with their risk assessment and with the decisions made by the corporate bodies. The Company does not transfer portfolio risk through its securitisation transactions, as these are solely intended to raise funding; indeed, it purchases the junior note in the same transaction.

On 18 December 2024, the "General" securitisation programme was renewed until 31 December 2027. The programme covers performing trade receivables up to a maximum nominal amount of EUR 737.5 million. The receivables, acquired by Generalfinance as part of its business activities (i.e. factoring, primarily within the framework of corporate restructuring tools), have been and will continue to be sold by Generalfinance on a non-recourse and revolving basis to a special purpose vehicle (General SPV S.r.l.) established under Law No. 130 of 30 April 1999 (the

"Securitisation Law"). As part of the renewal, the total senior financing line (committed and uncommitted) was increased from EUR 300 million to EUR 345 million.

Since Securitisation does not involve risk transfer — its purpose being solely to raise funding — the associated risk primarily relates to the accuracy of collection processes and, secondarily, to compliance with triggers and ratios.

This risk, assessed as medium-low, is classified as such because the transaction has been supported by leading legal advisers and involves counterparties with expertise in securitisation.

As of the date of this Report, no operational errors or loss events have occurred that would increase the perceived risk level. Furthermore, a structured IT system has been developed to automate the data flows necessary for the preparation of Generalfinance's reporting in its role as Sub-Servicer (service report).

Securitisation risk is monitored by the Treasury Office, which performs checks:

- on the credit risk of the securitisation, through monitoring of trigger events and ratios set out in the Master Transfer Agreement (e.g. Default Ratio, Delinquency Ratio, etc.);
- on the consistency of the transaction with the strategic plan.

As required by Circular No. 288 of 3 April 2015 and subsequent updates to Title III, Chapter 1, Section VII, the Risk Management Function periodically reviews the performance of collection and payment services and prepares a dedicated report.

Excessive leverage risk

Excessive leverage risk is the risk that a particularly high level of indebtedness in relation to equity capital renders the intermediary vulnerable, requiring corrective measures to be taken with respect to its business plan. These may include the sale of assets at a loss, potentially leading to impairment of remaining assets as well. This risk is mitigated by the Company's strong capital base. The leverage ratio — measured as the ratio of shareholders' equity to total assets on the balance sheet — has remained in line with the Company's targets and with significant buffers above the minimum regulatory thresholds applicable to banks.

Residual risk

Residual risk refers to the possibility that the credit risk mitigation techniques adopted by the Company prove less effective than expected. This risk typically arises when, at the point of a debtor's default or deterioration, the mitigation instrument linked to the exposure provides a lower level of protection than originally anticipated. As a result, the capital benefit recognised through its use may have been overestimated. Generalfinance protects its portfolio of trade receivables through an insurance policy with Allianz Trade, which covers insolvency and default events related to the Transferred Debtor. This risk is not considered significant for the Company, as the level of protection is clearly defined and, by virtue of its contractual nature, is legally binding.

Compliance risk

Compliance risk is the risk of incurring judicial or administrative sanctions, or significant financial losses, as a result of violations of mandatory regulations (laws or regulatory provisions), or self-regulation (e.g. articles of association, codes of conduct or corporate governance codes). This includes regulations on anti-money laundering, counter-terrorism financing, and transparency in banking and financial services.

Compliance and transparency risks are mitigated by specific internal procedures that govern individual activities and are updated in line with regulatory changes. Mitigation activities are carried out by the Compliance Function, which is responsible for managing and controlling the risk of non-compliance with both external regulations and internal self-regulatory standards.

With regard to legal risk (mainly stemming from potential unfavourable outcomes of legal proceedings in which the Company is involved due to its operations), the Compliance Function's monitoring activities are supported by the Legal and Corporate Affairs Department.

The Compliance Function identifies the regulatory framework applicable to the Company and assesses the impact of such regulations on business operations, proposing appropriate organisational changes to ensure effective and efficient

control of identified compliance risks. The same department is also responsible for the ex ante assessment of the compliance of any new strategic projects (including those involving new products or services) with applicable regulations.
For compliance risk related to anti-money laundering and countering the financing of terrorism, the Company has adopted a dedicated policy outlining the obligations it must meet as a subject of the relevant legislation. This internal regulation establishes behavioural rules concerning customer due diligence procedures, data and information retention, and the reporting of suspicious transactions. Risks arising from outsourcing of business processes and functions are directly overseen by the Anti-Money Laundering Function.

IT risk

The Cyber Risk Office, part of the ICT and Organisation Department, is responsible for identifying, assessing, addressing, documenting and monitoring risks associated with the use of information technology, in order to effectively manage what is referred to as IT risk. This is defined as the risk of incurring financial losses, reputational damage or loss of market share due to the use of information and communication technology.

The role of ICT Security Manager, within the ICT and Organisation Department, primarily involves the following activities:

- managing emergency situations in the event of a confirmed breach, and coordinating mitigation and recovery strategies;
- staying up to date with new vulnerabilities, identifying those that may impact the Company's systems, and being familiar with technological solutions available in the market to mitigate them;
- user training on cybersecurity topics;
- implementing systems that ensure the security of clients and servers;
- managing network and software access, including implementing, maintaining and monitoring systems that detect unauthorised access to the Company's network and automatically generate alerts;
- identifying vulnerabilities that may be exploited via social engineering or phishing techniques;
- assessing user reports;
- conducting penetration testing activities.

The goal of the IT risk management process is to provide the Company's decision-making bodies and functions with the necessary insights for the effective governance of IT risk and for defining the Company's risk appetite in this area.

This process applies to all significant development and modification initiatives concerning the information system, as well as to IT resources relevant to the Company's business.

Outsourcing risk

This is the risk associated with the activities of the outsourced party, particularly related to inefficiencies, service disruptions or the loss of in-house expertise. These are mainly operational risks, although there may also be implications for credit, compliance and reputational risks.
To manage and mitigate the risk of judicial or administrative sanctions, significant financial losses or reputational harm resulting from the outsourcing of corporate processes and functions, the Company has implemented an Outsourcing Policy. This policy sets out the criteria to follow and the activities to be carried out throughout the outsourcing lifecycle (i.e., the Company's policy for outsourcing business processes or functions to third parties). Risks linked to outsourced corporate processes and functions are directly managed by the designated Representative of the outsourced activity, appointed for each Critical or Important Function (CIF), and ultimately by the Board of Directors, which retains exclusive authority to make decisions regarding the activation of new outsourcing relationships.
Outsourcing risk is also monitored by the Internal Audit function, which periodically prepares a dedicated report – addressed to the Board of Directors and, ultimately, to the Supervisory Authority – outlining the results of the audits performed on the management of CIFs, any deficiencies identified and the corrective actions to be implemented.

Strategic risk

Strategic risk refers to the current or potential risk of a decline in earnings or capital arising from changes in the operating environment, poor business decisions, inadequate implementation of decisions or a lack of responsiveness to changes in the competitive landscape.

The Company does not allocate internal capital specifically for strategic risk. However, this risk is mitigated through the establishment of a development plan, which the Company has adopted. This plan clearly, formally and thoroughly outlines the assumptions for business growth and the expected resulting improvements in Generalfinance's profitability and capital position for the 2025-2027 period. The business plan is the Company's most important internal document for enabling corporate bodies to assess the external environment, the relevant macroeconomic and regulatory scenarios, and the assumptions behind the growth of the factoring business.

Strategic risk management is therefore supported by this business plan, which serves as a reference point for the Company throughout each financial year. In particular, the assessment of strategic risk is carried out by examining the strategic planning process and the variances between actual results and the objectives set out in the business plan. The Company identifies, assesses and evaluates risk factors, determining the variables that could affect the achievement of its goals.

An annual financial and economic budget is then developed based on the business plan. Within this framework, strategic risk is periodically evaluated through analysis of variances between targets and outcomes — both quantitative and qualitative (including organisational, procedural and control-related aspects that underpin sound risk management). The nature of this risk calls for both ex-ante management — when setting budget assumptions — and ex-post management — through variance analysis and/or revision of the budget, which may lead to a revision of the development plan.

Responsibility for overseeing strategic risk lies with the Board of Directors, as the body with strategic supervisory functions. The Board is tasked with managing the decision-making process related to strategy definition, closely aligning it with the opportunities and threats arising from the external context, as well as the internal strengths and weaknesses of the Company.

Implementation of the business plan and the budget, achievement of objectives, and variance analysis are the responsibility of the Chief Executive Officer, supported by the Finance and Administration Department (CFO). The effectiveness of existing controls over business performance relies on the timeliness and reliability of the Company's reporting system.

Reputational risk

Reputational risk refers to the current or potential risk of a decline in earnings or capital arising from a negative perception of the intermediary's image by clients, counterparties, shareholders, investors or Supervisory Authorities. In most cases, it is linked to operational inefficiencies or shortcomings that may damage the company's reputation in the eyes of the market and third parties in general, particularly in relation to its conduct and the quality of its products and services. This type of risk can manifest through a variety of consequences — often interrelated and concurrent — which result in losses (or missed profits) that are difficult to quantify, not easily attributable in financial terms, and not always directly traceable.

Within the Company, reputational risk is considered limited, due to the scale of business activity and the ongoing oversight exercised by corporate bodies.

The Company does not allocate internal economic capital specifically for reputational risk. The management of reputational risk is entrusted to the Board of Directors and the Chief Executive Officer, who are responsible for identifying potential harmful events that could give rise to reputational risk and assessing their potential consequences on business results and corporate integrity.

The Company manages reputational risk through:

- the formalisation, updating and timely and effective dissemination of internal corporate policies;
- the implementation of adequate control systems (establishment of control functions, delegation mechanisms, line and second-level controls, etc.);
- monitoring of the conduct of functions interacting with customers;
- careful selection of counterparties;
- analysis of findings from second- and third-level controls that reveal operational risk situations with potential reputational impact, followed by the implementation of corrective measures;
- ongoing and periodic delivery of both general and targeted training to all staff.

The Company has further strengthened its management of reputational risk by adopting its own Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01, and by establishing a Supervisory Body, whose control functions have been entrusted to an independent body.

RISK MAPPING

Risk	Definition	Risk Materiality	Management Principles	ICAAP Calculation Model	Risk Controls	Materiality for Generalfinance
PILLAR I RISKS						
Credit Risk	Risk that the debtor 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	Material	Measurable	Standardised approach	Capital and organisational controls	High
Market Risk	Risk relating to the unforeseen effects on the market value of assets and liabilities produced by changes in interest rates, exchange rates and other asset prices.					Not Significant
Operational Risk	Risk of losses deriving from failure or inadequacy of internal processes, human resources and technological systems or deriving from external events	Material	Measurable	Basic approach	Capital and organisational controls	High
OTHER RISKS						
Concentration Risk	Risk deriving from exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading in the same goods, as well as the application of credit risk mitigation techniques, including, in particular, risks deriving from indirect exposures, such as, for example, with respect to individual providers of guarantees (for concentration risk with respect to individual counterparties or groups of related counterparties)	Material	Measurable	Granularity adjustment approach	Capital and organisational controls	Medium/High
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	Material	Measurable	Qualitative assessment	Capital and organisational controls	Medium/Low
Transfer Risk	Risk that an intermediary, exposed to an entity that borrows in a currency other than that in which it receives its main sources of income, will incur losses due to the debtor's difficulty in converting its currency into the currency in which the exposure is denominated.	Material	Assessable	Qualitative assessment	Capital and organisational controls	Low
Interest Rate Risk	Risk that arises in relation to changes in the value of assets/liabilities sensitive to fluctuations in interest rates following a change in the structure by maturity	Material	Measurable	Duration Gap Model from Circ. 288/2015, Title IV, Chapter 14, Annex C	Capital and organisational controls	Medium/Low
Liquidity Risk	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)	Material	Assessable	Qualitative assessment (Maturity ladder) and Contingency Funding Plan	Organisational Indicators and Controls	High
Residual Risk	Risk that the recognised techniques for mitigating credit risk used by the intermediary are less effective than expected	Material	Assessable	Qualitative assessment	Organisational Controls	Low
Securitisation Risk	Risk that arises from the absence of adequate policies and procedures to ensure that the economic substance of securitisation transactions is fully aligned with their risk assessment and with the decisions made by the corporate bodies	Material	Assessable	Qualitative assessment	Organisational Controls	Medium/Low
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 entail value adjustments also on the remaining assets	Material	Measurable	Calculation using a proxy (Tangible Equity/TotAss) compared with an internal limit consistent with Basel banking supervision regulations;	Organisational Indicators and Controls	Medium/High
Base Risk	Risk of losses caused by misaligned changes in the values of opposing positions that are similar but not identical.					Not Significant
Strategic Risk	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	Material	Assessable	Qualitative assessment	Organisational Controls	Medium/High
Reputational Risk	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	Material	Assessable	Qualitative assessment	Organisational Controls	High
Risks not listed in ANNEX A of Circular 288/2015 (Title IV - Chapter 14 - Annex A)						
Compliance Risk	Risk of incurring judicial or administrative sanctions, significant financial losses or reuptational damage as a result of violations of mandatory provisions (of law or regulations) or of self-regulation rules (e.g. articles of association, codes of conduct), including legislation governing international money laundering/terrorism financing and legislation governing the transparency of banking and financial transactions and services	Material	Assessable	Qualitative assessment	Organisational Controls	High
IT Risk	Risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage due to the use of information and communication technology (ICT). This is a significant component of operational risk	Material	Assessable	Qualitative assessment	Organisational Controls	High
Outsourcing risk	Risk of incurring judicial or administrative sanctions, significant financial losses or reputational damage due to the inadequacy or inefficiency of a service provider related to a critical business function	Material	Assessable	Qualitative assessment	Organisational Controls	Medium/High

Declarations of the management body pursuant to Article 435, Paragraph 1, Letters (e) and (f) of Regulation (EU) No. 575/2013

The Board of Directors declares, pursuant to Article 435, Paragraph 1, Letters (e) and (f) of Regulation (EU) No. 575/2013, that:

- the risk management systems implemented by Generalfinance and described in this document are aligned with the institution's risk profile and strategy;
- this document provides a summary representation of all of Generalfinance's overall risk profiles – in particular, it highlights a Total Capital Ratio of 13.7% at the end of 2024, well above the minimum requirement of 8% – and confirms that such risk profiles are consistent with and linked to the company's strategy.

Information on governance systems

The Company operates under the so-called traditional (or ordinary) governance system, which includes, in addition to the Shareholders' Meeting, a Board of Directors (comprising nine members, five men and four women) with administrative functions, and a Board of Statutory Auditors (comprising three standing members and two alternates) responsible for overseeing the administration.

At the top of the operational structure is the Chief Executive Officer (CEO), a managing body with executive powers responsible for day-to-day management, defined as the implementation of strategic directions approved by the body with supervisory responsibilities.

All corporate officers meet the requirements and suitability criteria established by current regulatory provisions applicable to companies listed on a regulated Italian market, and they comply with the so-called "interlocking" ban set out in Article 36 of Decree-Law No. 201/2011.

The Board of Directors

The Board of Directors ("**BoD**") is the Body with strategic supervisory responsibilities and original powers concerning the management of the Company's business. Under the Italian Civil Code and the Company's Articles of Association, it is assigned responsibilities for directing the management of the company. The Company considers all members of the Board of Directors to possess the professional qualifications and skills appropriate to their respective roles. The Company also believes that the number and skills of non-executive directors are such as to ensure that they carry significant influence in the adoption of board resolutions and to guarantee effective management monitoring. All non-executive directors are independent pursuant to Italian Legislative Decree No. 58 of 24 February 1998 (the "**Consolidated Law on Finance**" or "**TUF**") and the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee[3] (the "**Corporate Governance Code**"), which the Company adheres to as a listed entity.

Verification of requirements, criteria and diversity policies in the composition of the Board of Directors

The rules requiring that the allocation of elected members of the Board of Directors be carried out according to criteria that ensure gender balance — pursuant to Article 147-*ter*, paragraph 1-*ter* of the TUF — have been incorporated into Article 14, paragraph 4, and Article 16, paragraphs 5 et seq., of the Company's Articles of Association.

With regard to gender diversity, the composition of Generalfinance's Board of Directors complies with the requirements set out in the aforementioned Article 147-*ter*, paragraph 1-*ter* of the TUF, as the less represented gender accounts for more than two-fifths of the elected directors.

The Company applies diversity criteria in terms of age and professional background when composing its Board of Directors, while maintaining the overriding objective of ensuring adequate competence and professionalism among its members, in accordance with Article 2, Principle VII, of the Corporate Governance Code.

Generalfinance's Articles of Association include rules for list composition and supplementary voting mechanisms designed to ensure the minimum number of board members from the less represented gender, as required by applicable regulations.

At the date of this Report, the composition of the Board of Directors is adequately diversified by age, gender, and educational and professional background.

3 The Corporate Governance Committee is made up of business associations (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni), as well as Borsa Italiana S.p.A.

Responsibilities of the Board of Directors

With regard to responsibilities, the Board of Directors examines and resolves on business or financial plans, as well as strategic transactions. In relation to its members, the Board verifies compliance with the criteria and requirements for holding office, as well as the adequacy of its collective composition, in accordance with the timelines established by current regulations.

As the body responsible for strategic supervision, the Board of Directors is specifically tasked – in addition to other responsibilities assigned to it under Bank of Italy Circular No. 288/2015 – with defining and approving:

- the intermediary's business model, being fully aware of the risks to which it is exposed and how such risks are identified and assessed;
- strategic guidelines, risk objectives, risk governance policies, and the internal control system framework; it also periodically verifies their correct implementation and consistency with the evolution of the Company's business activities in order to ensure its effectiveness over time;
- policies relating to the distribution of contracts for the granting of loans, including the use of third parties, ensuring their consistency with business development strategies, governance policies and risk management processes.

Pursuant to Article 18 of Generalfinance's Articles of Association, the Board of Directors is vested with all powers for the ordinary and extraordinary management of the Company. It is responsible for the tasks and obligations assigned by the Bank of Italy's regulations for financial intermediaries to the strategic supervisory body.

Without prejudice to legal limits, it is specifically responsible for decisions regarding:

a) mergers and demergers in the cases covered by Articles 2505 and 2505-bis of the Italian Civil Code, including as referred to by Article 2506-ter of the Italian Civil Code;
b) the opening and closing of secondary offices;
c) the indication of which Directors represent the Company;
d) any reduction in capital in the event of the withdrawal of one or more shareholders;
e) adjustments of the Articles of Association in line with the regulatory provisions;
f) the transfer of the registered office in the national territory;
g) resolutions relating to the issuance of bonds, within the limits established by current laws and regulations.

The Board of Directors is also responsible for appointing and dismissing the financial reporting officer, subject to the mandatory opinion of the Board of Statutory Auditors.

In accordance with Article 437(2)(a) of the CRR, the table below provides a summary of the number of directorships held (as at 31 December 2024) by members of the Board of Directors:

Name and surname	Offices held in other companies
Maurizio Dallocchio	24
Mauro Selvetti	3
Massimo Gianolli	8
Gabriele Albertini	4
Marta Bavasso	3
Federica Casalvolone	8
Annalisa Raffaella Donesana	2
Leonardo Luca Etro	10
Maria Luisa Mosconi	2

Board Committees

To complete the process of aligning the corporate governance system with the provisions of the Corporate Governance Code, two internal board committees have been established within the Board of Directors: the Appointments and Remuneration Committee and the Control, Risk and Sustainability Committee.

The Control, Risk and Sustainability Committee is assigned the role of the competent committee under the Company's Procedure for Related Party Transactions, except for related party transactions involving the granting or increase of remuneration and economic benefits, in any form, to executives with strategic responsibilities, for which the Appointments and Remuneration Committee is responsible.

The Board of Statutory Auditors

The Board of Statutory Auditors is composed of three standing members, two (2) men and one (1) woman, and two alternate members, appointed by the Shareholders' Meeting. The term of office is three years, with the possibility of renewal.

The Board of Statutory Auditors assesses the suitability of its members (including alternates) as well as the adequacy of the collective composition of the body and compliance with the limits on the number of offices that may be held, at the time of their appointment and subsequently if events occur which, also in relation to the operating characteristics of the Company, affect the situation of the representative or the role held by them within the company organisation or the collective composition of the body.

The Board of Statutory Auditors is vested with the duties and responsibilities established by law and by the regulatory provisions issued by the competent supervisory authorities.

As per Article 26 of Generalfinance's Articles of Association, the Board meets as required by law and is convened by the Chairman of the Board of Statutory Auditors, using any appropriate means, with a notice of at least five calendar days prior to the scheduled date of the meeting (unless there is an emergency, in which case the notice period is reduced to twenty-four hours).

The Credit Committee

In order to ensure coordinated management of decisions related to credit risk, the Company has established a technical collegial body called the Credit Committee, which has decision-making and advisory powers regarding credit granting, within the limits delegated to it by the Board of Directors. The operational and dimensional characteristics of Generalfinance, as well as the frequency of meetings of the Credit Committee (which meets, as a rule, once a week) and the Board of Directors (which meets, as a rule, once a month), combined with the internal discussions within the management and strategic oversight body, allow for timely and effective risk control.

Information flows to the Board of Directors

Information flows from the Internal Audit Function

The Internal Audit Function provides the Board of Directors with the following:

- an annual report outlining the activities carried out during the reporting period;

- the annual audit plan, which includes, among other things, the activities subject to audit, and the processes and systems to be reviewed;
- an annual report on the controls performed on outsourced key operational or control functions, any shortcomings identified, and the corrective actions undertaken;
- prompt reporting of any significant anomalies identified during audit activities, as documented in audit reports.

Information flows from the Risk Management Function

The Risk Management Function provides the Board of Directors with the following:

- an annual report outlining the activities carried out during the reporting period;
- the annual control plan, based on the assessment of the main risks to which the Company is exposed;
- prompt reporting of any significant anomalies identified during in the course of its activities;
- in the context of the interim reports and the financial statements, a detailed report is provided to the Board of Directors on non-performing exposures, their movements and related provisions, along with regular updates on resolutions passed by the Credit Committee and significant position deviations;
- quarterly risk reporting related to the Risk Appetite Statement, containing updated risk profile data for the relevant period.

Information flows from the Compliance Function

The Compliance Function provides the Board of Directors with the following:

- an annual report summarising, among other things: the compliance checks carried out during the reference year and their main findings (as well as the status of any corrective actions taken by company structures to address any shortcomings); advisory, support and training activities provided to the company structures;
- the annual compliance verification plan for the following year;
- prompt reporting of any significant anomalies identified during compliance checks, as documented in the corresponding reports;
- where deemed appropriate, opinions concerning the introduction of regulatory changes or new compliance-related regulations, or in relation to particularly significant communications with Supervisory Authorities;
- preparation of specific notes/memoranda/reports on an ad hoc basis, following advisory support activities carried out for the Board of Directors.

Information flows from the Anti-Money Laundering Function

In relation to anti-money laundering and counter-terrorism financing obligations, the following information flows are provided:

- an annual report summarising activities carried out during the reporting period — including any reports of suspicious transactions — the training delivered, and the results of the annual self-assessment of money laundering risk to which the Company is exposed;
- the annual plan of activities scheduled for the following year;
- where deemed appropriate, opinions concerning the introduction of regulatory changes or new AML regulations, or in relation to particularly significant communications with Supervisory Authorities;
- prompt reporting of serious anomalies or deficiencies identified during AML-specific checks;
- preparation of specific notes/memoranda/reports on an ad hoc basis, following advisory support activities carried out for the Board of Directors.

Information flows from the Finance and Administration Department (CFO)

In relation to its specific duties, the Finance and Administration Department provides the following information flows:

- quarterly interim financial reports for the first three quarters of the year, in the form of a dossier compliant with interim financial reporting standards (IAS 34), accompanied by a comprehensive “Tableau de Bord”

covering various key performance areas (profitability, credit quality, costs and operational efficiency, commercial performance, supervisory ratios, capital adequacy and liquidity indicators);
- preliminary year-end figures — via the “Tableau de Bord” — for the fourth quarter;
- annual financial statements, including the mandatory financial statements and explanatory notes, for the full year;
- quarterly comparisons with Assifact data across key performance indicators (turnover and its breakdown, asset quality, profitability);
- annual benchmarking against financial statements of comparable factoring companies.

Information flows from the Legal and Corporate Affairs Department

In relation to its specific responsibilities, the Legal and Corporate Affairs Department provides a quarterly report on litigation in which the Company is involved.
In its role as Corporate Secretariat, it promptly communicates any correspondence received from, or intended for, the Supervisory Authorities.

Information flows from the Credit Department

In line with its specific duties, the Credit Department regularly transmits structured information relating to credit applications requiring resolution by the Board of Directors, along with the data required under the Policy on the classification and assessment of credit exposures.

Information flows from the Board of Statutory Auditors

The Board of Statutory Auditors prepares and delivers to the Company its “Report of the Supervisory Body” accompanying the annual financial statements and promptly notifies the Board of Directors of any shortcomings or serious anomalies identified during the performance of its duties.

Information flows from the independent auditors

The independent auditors prepare and submit to the Company the “Audit Report” accompanying the financial statements and promptly report to the Board of Directors any shortcomings or serious anomalies identified during the course of their activities.

Information flows from the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001

The Supervisory Body established pursuant to Italian Legislative Decree No. 231/2001 provides the Board of Directors with a biannual report summarising:
- the activities carried out during the relevant six-month period;
- any reports received;
- events deemed to pose risks, as well as any critical issues (or suggestions for improvement) identified either in terms of behaviours or events internal to the Company, or with regard to the effectiveness of the 231/2001 Organisational Model.

Information flows from delegated officers

The Board of Directors receives quarterly updates regarding the exercise of delegated powers by each department head and by other individuals entrusted with specific responsibilities.

Information flows to the Board of Statutory Auditors

The Board of Statutory Auditors, as a rule, obtains the information necessary for its activities during its regular meetings, including through direct meetings with the operational and control functions.

Information flows to the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001

The Supervisory Body receives information flows, either through correspondence or meetings with the parties directly concerned, regarding any issues requiring attention or critical or anomalous situations relating to the functioning and compliance with the Company's Organisation and Management Model.

2. SCOPE OF APPLICATION

The disclosure requirements referred to in this document, as set out in Article 436 of the CRR, refer to Generalfinance S.p.A., a financial intermediary registered in the register pursuant to Article 106 of the Consolidated Law on Banking, Milan company registration number, tax code and VAT number 01363520022, with registered office in Milan, Via Giorgio Stephenson No. 43A (MI-20157) and Head Office in Biella, Via Carso No. 36 (BI-13900).

3. OWN FUNDS

Reconciliation between Own Funds and Shareholders' Equity as per the financial statements

Regulatory capital represents the primary buffer against unexpected losses for financial intermediaries. It consists of the sum of Tier 1 capital and Tier 2 capital, net of deductible items and IAS/IFRS prudential filters.
Generalfinance's regulatory capital, amounting to EUR 73,394,922, differs from its Shareholders' Equity, which amounts to EUR 80,087,902.
It should be noted that — pursuant to Article 26, paragraph 2, of Regulation (EU) No. 575/2013 of the European Parliament (the "CRR") — Tier 1 Capital includes the net profits from the 2021 financial year, net of dividends distributed.
In addition, Tier 1 Capital has been reduced by the amount relating to the so-called "Quick Fix", which determines the value of software assets to be deducted from Common Equity Tier 1 items, as well as by the amount relating to intangible assets in progress.
Furthermore, Tier 2 Capital includes subordinated bond instruments, net of the amortisation amount calculated in accordance with Article 64 of the CRR (Regulation EU 575/2013).

Breakdown of Regulatory Capital as at 31.12.2024

Categories/Values	31/12/2024	31/12/2023
A. Tier 1 capital before the application of prudential filters	**80,087,902**	**66,433,369**
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)	**80,087,902**	**66,433,369**
D. Elements to be deducted from Tier 1 capital	12,187,230	8,397,998
E. Total Tier 1 capital (C - D)	**67,900,672**	**58,035,371**
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	7,005,750	4,500,274
L. Total Tier 2 capital (H - I)	**5,494,250**	**7,999,726**
M. Elements to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Regulatory capital E + L - M)	**73,394,922**	**66,035,097**

Breakdown of Shareholders' Equity as at 31.12.2024

B.S. item	B.S. section	Description	Amount
110)	Liabilities	Share capital	4,202,329
120)	Liabilities	Treasury shares (-)	-
130)	Liabilities	Equity instruments	-
140)	Liabilities	Share premium reserve	25,419,745
150)	Liabilities	Reserves	29,236,823
160)	Liabilities	Valuation reserves	129,856
170)	Liabilities	Profit (loss) for the year	21,099,149
SHAREHOLDERS' EQUITY			**80,087,902**

Main features of capital instruments

The table below is structured on the basis of the formats contained in Implementing Regulation (EU) No. 1423 of 20 December 2013 (‘**Implementing Regulation**’), which lays down technical implementation standards for disclosure on institutions' capital requirements under the CRR. In particular, Annex II of the aforementioned Implementing Regulation provides a specific template for the disclosure of the main features of capital instruments.

Model of the main features of capital instruments		
1	Issuer	Generalfinance S.p.A.
2	Unique identifier	Mechanographic code assigned by the Bank of Italy: “19118”
3	Legislation applicable to the instrument	Italian law
	Regulatory treatment	==
4	CRR transitional provisions	Tier 1 capital
5	CRR post-transitional provisions	Tier 1 capital
6	Eligible at individual entity/(sub-)consolidation/both levels	Individual entity
7	Type of instrument	Ordinary shares
8	Amount recognised in regulatory capital	EUR 4,202,329.36
9	Nominal amount of the instrument	EUR 4,202,329.36
9a	Issue price	EUR 1.00
9b	Redemption price	N/A
10	Accounting classification	Share capital
11	Original issue date	Pursuant to art. 2346 of the Italian Civil Code
-		the issuance of securities representing shares is excluded
12	Perpetual or with maturity	With maturity
13	Original maturity date	31/12/2100
14	Early redemption at the discretion of the issuer subject to prior approval by the Supervisory Authority	N/A
15	Optional early redemption date, potential early redemption date and redemption amount	N/A
16	Subsequent early redemption dates, if applicable	N/A
COUPONS/DIVIDENDS		
17	Fixed or variable dividends/coupons	Variable
18	Coupon rate and related index	N/A
19	Presence of a “dividend stopper” mechanism	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Presence of “step-up” or other redemption incentive	Absent
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, event(s) triggering conversion	N/A
25	If convertible, in whole or in part	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify type of instrument into which it converts	N/A
29	If convertible, specify issuer of instrument into which it converts	N/A
30	Write-down mechanisms	Absent
31	If write-down mechanism, triggering event(s)	N/A
32	If write-down, total or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of revaluation mechanism	N/A
35	Position in subordination hierarchy in case of liquidation (specify type of instrument immediately senior)	N/A
36	Non-compliant features of the instruments benefiting from transitional provisions	N/A
37	If yes, specify non-compliant features	N/A

As at 31 December 2024, Generalfinance has two outstanding bond issues included in Tier 2 capital. The features of the two loans are provided below.

Generalfinance S.p.A. Subordinated Tier II Callable 10% Fixed Rate 30 September 2021 – 30 September 2027

Nominal amount (Euro)	5,000,000
Issue	30 September 2021 (the "**Date of Issue**")
Expiry	30 September 2027 (the "**Date of Expiry**")
Unit issue price (Euro)	100% of nominal value
Minimum denomination (Euro)	100,000
Interest	Fixed rate 10%
Subscription	Annually deferred
Bond Status	"Subordinated liabilities" of the Issuer and, in particular, "Tier 2 capital instruments" (Tier II), in accordance with the CRR
Option of repurchase before maturity by the Company	On the initiative of the Issuer, the bonds may be repurchased or redeemed on a par value basis (100% of the nominal value), in whole or in part, in advance of the Date of Expiry, only in the following cases: (i) from the date falling on the fifth anniversary following the Date of Issue and, therefore, from 30 September 2026, in accordance with the conditions set out in Articles 77 and 78 of the CRR and Circular 288 of the Bank of Italy; (ii) at all times: a) in the event of changes in the regulatory classification of the Bonds, which could result in the Bonds being excluded from the Issuer's own funds or reclassified as lower quality own funds; b) in the event of changes in the tax regime of the Bonds.
Listing market	None

"Generalfinance S.p.A. Subordinated Tier II Floating Rate 28 October 2021 – 28 October 2026"

Nominal amount (Euro)	7,500,000
Issue	28 October 2021
Expiry	28 October 2026
Unit issue price (Euro)	100% of nominal value
Minimum denomination (Euro)	100,000
Interest	3-month EURIBOR +800 basis points
Subscription	Deferred quarterly
Bond Status	"Subordinated liabilities" of the Issuer and, in particular, "Tier 2 capital instruments" (Tier II), in accordance with the CRR
Option of repurchase before maturity by the Company	On the initiative of the Issuer, the bonds may be redeemed on a par value basis (100% of the nominal value), in whole or in part, in advance of the expiry date, under the following circumstances: (i) in the event of changes in the regulatory classification of the bonds, which could result in the bonds being excluded from the Issuer's own funds, or reclassified as lower quality own funds; (ii) in case of changes in the tax regime of the bonds
Listing market	none

4. CAPITAL REQUIREMENTS

Internal capital adequacy – valuation model

The term capital adequacy refers to the evaluation of a company's ability, both current and prospective, to absorb unexpected losses arising from its operations.

In this context, in addition to complying with regulatory capital requirements (in respect of Pillar I risks: credit and counterparty, market, operational), the Company has established strategies and processes to assess and maintain, over time, an overall capital level that is adequate in both amount and composition to cover all risks to which it is or could be exposed, including Pillar II risks.

Through the Internal Capital Adequacy Assessment Process (ICAAP), the Company evaluates its capital adequacy in relation to the risks undertaken and its corporate strategies.

The capital adequacy assessment process is structured into the following main phases:

- identification of the risks to be assessed, including both regulatory (Pillar I) risks and those falling under Pillar II;
- measurement/assessment of individual risks and related internal capital. Internal capital is calculated for regulatory risks and for quantifiable Pillar II risks, limited to those for which the Bank of Italy has provided simplified methodologies for internal capital calculation. For other risk types that are difficult to quantify, qualitative assessments are provided and appropriate control and mitigation systems are in place;
- assessment of total internal capital. The Company determines total internal capital using a simplified building block approach, which consists of adding the internal capital required for other relevant risks to the regulatory capital requirements under Pillar I.

Capital requirements

Below, the Company presents its capital requirements – calculated using the standardised approach (for credit risk) and the BIA (Basic Indicator Approach for operational risk) – for the various regulatory portfolios:

Categories/Values	Non-weighted amounts	Weighted amounts/requirements
	31/12/2024	31/12/2024
A. RISK ASSETS	-	-
A.1 Credit and counterparty risk	777,359,272	461,975,860
B. REGULATORY CAPITAL REQUIREMENTS	-	-
B.1 Credit and counterparty risk	-	36,958,068
B.2 Risk for the provision of payment services	-	-
B.3 Requirement for the issue of electronic money	-	-
B.4 Specific prudential requirements	-	5,908,657
B.5 Total prudential requirements	-	42,866,725
C. RISK ASSETS AND SUPERVISORY RATIOS	-	-
C.1 Risk-weighted assets	-	534,834,068
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)		**12.7%**
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)		**13.7%**

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%).

5. COUNTERPARTY RISK

Section not applicable to the company.

6. CAPITAL RESERVES

Section not applicable to the company.

7. GLOBAL SYSTEMIC IMPORTANCE INDICATORS

Section not applicable to the company.

8. VALUE ADJUSTMENTS ON LOANS

Methods used to determine value adjustments and definition of impaired loans

Performing credit exposures

Staging criteria

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 Stages, in relation to the level of credit risk inherent in the instrument.

Value adjustments are therefore defined as follows:

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

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

- *Stage 1*: performing financial assets (including "watchlist" financial assets) that have not undergone a significant increase in credit risk since origination;
- *Stage 2*: performing financial assets for which there has been a significant increase in credit risk (SICR) between the origination date and the reporting date or are characterised by unique characteristics defined in the "backstops" possibly adopted by the Company;
- *Stage 3*: includes all positions classified in default status at the reporting date according to the regulatory definition of impaired loans (EU Regulation No. 575/2013, EU Regulation No. 2019/630, EBA GL 2016/07 and Bank of Italy Circular No. 288 which acknowledged the consultation document of the Bank of Italy of 10 June 2020 "Amendments to the supervisory provisions for financial intermediaries: application of the new definition of default and other changes regarding credit risk, own funds, investments in property and significant transactions").

The 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 Article 178, paragraph 2, letter d) of the CRR (RD) and discretionary (based on the assessment of the status of the counterparty, in particular in cases of access to an insolvency procedure by the Transferor after the disbursement of the loan).

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

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

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

Calculation of expected credit loss – Stage 1 and Stage 2

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

The Standard provides that the calculation of Expected Credit Loss (ECL) must reflect:

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

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

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

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

$$EAD = \text{Exposure} * N/365$$

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

In the case of loans classified as Stage 1, the following corrective measures apply in any case:

a) a minimum "floor" of 30 days in the case of receivables falling due with a residual life of less than 1 month and up to 5 days for performing past due (minimum technical time for recording the collection);

b) a factor N equal to 365, or no split if the credit exposure is past due by at least 6 days and not yet collected.

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

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

The ECL is therefore calculated according to the following formula:

$$ECL = PD * LGD * EAD$$

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

Considering that the average credit days are very limited (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 that inferred from the ratings provided by external providers associated with the rating classes which are then reclassified within a single distribution of risk classes (mapping).

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

With regard to the estimate of the lifetime PD to be used to calculate the ECL for loans classified as Stage 2, the following elements were taken into consideration:
- specific nature of the business model ("factoring");
- average days of credit of the portfolio less than 90 days on average.

The proxy of the lifetime PD, is the 12-month PD identified according to the previously reported approaches.
With regard to counterparties for which it is not possible to identify any rating provided by external providers, a PD equal to the weighted average PD of the loan portfolio is used as a proxy. This PD is updated periodically (at least annually) in order to reflect the latest information available on the portfolio in the calculation.

With regard to the "advance payments on future receivables" product, a specific treatment is envisaged for the calculation of the ECL. In particular:

- in cases where the nominal value of the receivables assigned with recourse is greater than or equal to 50% of the exposure relating to the future receivables of the same transferor, the Probability of Default (PD) is calculated as the weighted average for the exposure of the PDs relating to the portfolio of transferred debtors with recourse of the transferor;
- in cases where the nominal value of the receivables transferred with recourse is less than 50% of the exposure relating to the future receivables of the same transferor, the Probability of Default (PD) is calculated using the average of the PDs associated with the available ratings of the transferor.

If the transferred debtor is a Public Administration (e.g. Revenue Agency, Ministries or other public entities of the Central Administration), the PD used is that provided by Bloomberg in relation to the Italian Republic at the reference date.

Lastly, in the case of a position without recourse in relation to which the receivable from the transferred debtor is fully covered by the receivables cycle in which the same party is the transferor (situation associated with a reverse factoring), a specific treatment is envisaged for the purposes of calculating the ECL. In particular, the PD relating to that transferred debtor will be equal to the weighted average for the exposure of the PD of the portfolio of the transferred debtors relating to the trade receivables purchased by the transferor.

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 transfers of receivables with recourse 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.

In the event that the transferred debtor is a Public Administration (e.g. Revenue Agency, Ministries or other public entities of the Central Administration), the LGD, in the absence of information and historical data on the default of these entities, is expected to be 5%.

With reference to advances on future receivables, the relative LGD is prudentially assumed to be equal to the regulatory LGD of the IRB – Foundation models (45%).

With reference to positions in Stage 3, the policy envisages analytical provisions by respecting the increasing minimum levels of provisions for past due, unlikely to pay and bad loans.

Risk parameters: Exposure at Default (EAD)

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

Forward-looking elements and macroeconomic scenarios

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

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

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

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 all types of customers and is implemented by all company functions. It is developed 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.

In any case, on a quarterly basis, in the context of the approval of interim financial statements and the financial statements, a detailed report on non-performing exposures and related changes is submitted to the Board by the Risk Management Function.

Expected Credit Loss – Stage 3

The Standard requires the entity to recognise a provision to cover losses for expected credit losses on financial assets measured at amortised cost or at fair value through other income components (FVOCI), receivables implicit in lease contracts, assets deriving from contract or commitments to disburse loans and financial guarantee agreements to which the provisions on impairment apply.

Exposure at Default (EAD) (as at the reporting date) consists of the book value at amortised cost net of the insurance guarantee supporting the loan, except for the commitment component to disburse the loan, for which the exposure is the off-balance sheet value weighted by the Credit Conversion Factor (CCF) estimated by the Company. In this regard, it should be noted that the Company has no commitments to disburse funds, therefore the EAD is equal to the exposure (disbursed not yet collected net of any unpaid portions already collected and not yet retroceded to the Transferor) net of the insurance guarantee as at the reporting date.

The Standard also requires an entity to measure the expected credit losses of the financial instrument in a way that reflects:
a) a target, probability-weighted amount, determined by assessing a range of possible outcomes;
b) the time value of money; and
c) reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and forecasts of future economic conditions.
For a non-performing financial asset as at the reporting date, which is not a purchased or originated impaired financial asset, the entity must measure the expected credit losses as the difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. Adjustments are recognised as a profit or loss due to impairment in the income statement.

With regard to unlikely to pay and bad loans, the value of the provisions is always established by resolution of the Credit Committee on the proposal of the Credit Department, at the time of classification in said administrative statuses. The company Policy also envisages increasing minimum thresholds for provisions for positions classified as past due, unlikely to pay or bad loans.

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.

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 period 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.

Quantitative information

Distribution of credit exposures by portfolio and credit quality

Portfolios/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1,353,699	2,441,726	229084	15,447,585	595,473,445	614,945,539
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	-	-	-	-	8,145,408	8,145,408
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2024	**1,353,699**	**2,441,726**	**229,084**	**15,447,585**	**603,618,853**	**623,090,947**

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	2,513,329	X	-	2,513,329	-	1,159,630	X	-	1,159,630	-	1,353,699	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	2,766,421	X	-	2,766,421	-	324,695	X	-	324,695	-	2,441,726	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	244,332	X	-	244,332	-	15,248	X	-	15,248	-	229,084	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	15,613,161	8,888,321	6,724,840	X	-	165,576	107,815	57,761	X	-	15,447,585	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	596,805,449	587,194,011	9,611,438	X	-	1,406,760	1,350,242	56,518	X	-	595,398,689	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL A	**617,942,692**	**596,082,332**	**16,336,278**	**5,524,082**	-	**3,071,909**	**1,458,057**	**114,279**	**1,499,573**	**-**	**614,870,783**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**617,942,692**	**596,082,332**	**16,336,278**	**5,524,082**	**-**	**3,071,909**	**1,458,057**	**114,279**	**1,499,573**	**-**	**614,870,783**	**-**

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

Types of exposures/Values	Gross exposure				Total value adjustments and total provisions				Net exposure	Total partial write-offs
	First stage	Second stage	Third stage	Purchased or Originated Impaired	First stage	Second stage	Third stage	Purchased or Originated Impaired		
A. Cash credit exposures										
A.1 On demand	**122,398,213**	-	-	-	**1,226**	-	-	-	**122,399,439**	-
a) Non-performing	X	-	-	-	X	-	-	-	-	-
b) Performing	122,398,213	-	X	-	1,226	-	X	-	122,399,439	-
A.2 Others	74,757	-	-	-	1	-	-	-	**74,758**	-
a) Bad loans	X	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	X	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	X	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	X	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	X	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	X	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	X	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	X	-	-	-	X	-	-	-
e) Other performing exposures	74,757	-	X	-	1	-	X	-	74,758	-
- of which: forborne exposures	-	-	X	-	-	-	X	-	-	-
TOTAL A	**122,472,970**	**-**	**-**	**-**	**1,227**	**-**	**-**	**-**	**122,474,197**	**-**
B. Off-balance sheet credit exposures										
a) Non-performing	X	-	-	-	X	-	-	-	-	-
b) Performing	-	-	X	-	-	-	X	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A + B	**122,472,970**	**-**	**-**	**-**	**1,227**	**-**	**-**	**-**	**122,474,197**	**-**

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

Causes/stages of risk	Total value adjustments																							Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Purchased or originated impaired financial assets									
	On demand loans to banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	On demand loans to banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	On demand loans to banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to disburse funds and financial guarantees issued – purchased and/or originated impaired	
Initial total adjustments	**433**	**890,927**	-	-	-	**891,360**	-	**166,536**	-	-	-	**166,563**	-	**899,602**	-	-	**899,602**	-	-	-	-	-	-	-	-	-	-	**1,957,525**
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/write-backs for credit risk (+/-)	793	567,132	-	-	-	567,925	-	- 52,285	-	-	-	- 52,285	-	636,112	-	-	636,112	-	-	-	-	-	-	-	-	-	-	**1,151,752**
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	- 36,141	-	-	- 36,141	-	-	-	-	-	-	-	-	-	-	**- 36,141**
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final total adjustments	**1,226**	**1,458,059**	-	-	-	**1,459,285**	-	**114,251**	-	-	-	**114,278**	-	**1,499,573**	-	-	**1,499,573**	-	-	-	-	-	-	-	-	-	-	**3,073,136**
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	14,789	-	-	14,789	-	-	-	-	-	-	-	-	-	-	**14,789**

Distribution of cash and off-balance sheet credit exposures by counterparty geographical area

	Amount
Other operators	-
Public bodies and central administrations	9,249,959
Banks and financial companies	122,471,743
Non-financial companies and producer households	605,620,824
Other	-
Total 31.12.2024	**737,342,526**

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

	Amount
Other operators	-
Public bodies and central administrations	9,249,959
Banks and financial companies	122,471,743
Non-financial companies and producer households	605,620,824
Other	-
Total 31.12.2024	**737,342,526**

Credit risk: distribution of risk-weighted assets (RWA), by weighting coefficient and by regulatory exposure classes.

Exposures classes	Net exposure value as at 31.12.2024 (a)	Weighting	Risk-weighted assets as at 31.12.2024 (b)	Capital requirement as at 31.12.2024 (c) = (b) x 8%
OTHER EXPOSURES	12,554,655	99.99%	12,553,300	1,004,264
CENTRAL ADMINISTRATIONS AND CENTRAL BANKS	83,376,947	1.43%	1,189,405	95,152
REGIONAL ADMINISTRATIONS OR LOCAL AUTHORITIES	6,366,167	20.00%	1,273,233	101,859
RETAIL EXPOSURES	187,644,893	55.62%	104,373,446	8,349,876
EXPOSURES IN EQUITY INSTRUMENTS	22,974	100.00%	22,974	1,838
UCITS EXPOSURES	8,122,434	49.99%	4,060,044	324,804
PAST DUE EXPOSURES	4,056,088	126.82%	5,143,905	411,512
COMPANIES AND OTHER ENTITIES	330,982,785	91.61%	303,201,211	24,256,097
SUPERVISED INTERMEDIARIES	134,613,192	20.69%	27,850,965	2,228,077
PUBLIC SECTOR BODIES	7,426,773	31.07%	2,307,374	184,590
Overall total	**775,166,908**	**59.60%**	**461,975,859**	**36,958,069**

9. UNENCUMBERED ASSETS

Section not applicable to the company.

10. USE OF ECAIs

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**”) and Modefinance as external rating agencies (ECAIs) 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. EXPOSURE TO MARKET RISK

The Company has no products in its portfolio that expose it to market risk.

12. OPERATIONAL RISK

As explained in the previous paragraphs, to which reference should be made for further details, the Company is exposed to operational risk.
In accordance with supervisory regulations, Generalfinance adopts the Basic Indicator Approach (BIA), which requires the calculation of the capital to be allocated to cover this risk as a weighting (with a weighting factor of 15%) of the arithmetic mean of the relevant indicator for the last three years, as defined by the CRR. As a result, the capital requirement for operational risk at the reporting date for this report amounts to EUR 5,908,657, calculated as follows:

Material indicator			Capital requirement as at 31.12.2024
Reference period	Amount in euro	Three-year average in euro	
31/12/2022	31,606,424		
31.12.2023	36,993,593	39,391,044	**5,908,657**
31.12.2024	49,573,116		

13. EXPOSURES IN EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO

The Company holds, within its portfolio, capital instruments of insignificant amount, in particular:

- subscribed units of the reserved closed-end alternative investment fund “Finint Special Credit Opportunity Fund” and subscribed units of the fund “Ver Capital Credit Partners IX - Trade Receivables,” managed by Ver Capital, which primarily invests in Italian private debt.
  The fair value of these instruments, amounting to EUR 8,122,434, was determined on the basis of the latest available update of the Total Net Value (NAV) communicated by the savings management companies.
- certain shares in: (*i*) Rete Fidi Liguria Società consortile per azioni di garanzia collettiva fidi, (ii) Banca di Credito Cooperativo Milano included under “*Financial assets at fair value through profit or loss c) other financial assets mandatorily measured at fair value*”, classified at fair value level 3, for an amount of EUR 22,974. As these instruments are not listed, there have been no recent transactions and no impairment losses have been identified, the Company has determined their fair value as equal to their purchase cost.

14. EXPOSURE TO INTEREST RATE RISK

The Company is exposed, albeit to a negligible extent, to interest rate risk arising from assets other than trading assets. Interest rate risk is specifically measured in terms of capital absorption; to this end, the Company uses the methodology described in the prudential regulations (Circular No. 288/2015, Title IV, Chapter 14, Annex C), which provides for the classification of assets and liabilities into 14 residual maturity bands. The methodology used, in particular, involves the following steps:

- collection of daily Euribor and Swap rates for each maturity, covering a historical period of six years;
- determination of the absolute annual daily variation in the rate curves for each maturity;
- determination of the distribution of variations for each duration and measurement of significant percentiles (1st percentile and 99th percentile);
- interpolation of the percentiles obtained based on the average durations of the 14 maturity bands;
- classification of assets and liabilities and the related difference (net position) within the 14 maturity bands, based on the classification under the Basel III framework;
- calculation of the weighting for each maturity band (calculation of capital absorbed) obtained with the respective modified durations of each band and with the significant percentiles of rate changes (1st percentile and 99th percentile);

The sum of the capital obtained for each of the 14 maturity bands in the two non-parallel shock scenarios of the rate curve (1st percentile and 99th percentile) is equal to the total regulatory capital for interest rate risk on the banking book portfolio.

The result of the risk index calculation is shown below:

€/		a)	b)	c)=a)-b)	e)	h)	i)=[c)*e)*h)] /10000	l)	m)=[c)*e)*l)]/10000
Time band code	Time band	Assets	Liabilities	Net position	Approximate modified duration (years)	1 p.tile delta rate (10,000 bps)	Shock 1 p.tile	99 p.tile delta rate (10,000 bps)	Shock 99 p.tile
1	On demand and revocable	220,767,545	21,493,045	199,274,500	0.00	-88	0	387	0
2	up to 1 month	130,870,837	22,542,104	108,328,733	0.04	-88	-38,133	387	167,711
3	from over 1 month to 3 months	300,369,785	553,872,239	-253,502,454	0.16	-98	396,569	383	-1,554,605
4	from over 3 months to 6 months	55,765,961	19,647,844	36,118,117	0.36	-119	-154,850	392	509,082
5	from over 6 months to 1 year	18,395,279	9,987,387	8,407,892	0.71	-142	-84,759	400	238,779
6	from over 1 year to 2 years	10,961,723	474,717	10,487,006	1.38	-148	-214,720	382	552,568
7	from over 2 years to 3 years	211	5,521,430	-5,521,219	2.25	-135	167,990	355	-440,787
8	from over 3 years to 4 years	0	405,529	-405,529	3.07	-121	15,111	342	-42,522
9	from over 4 years to 5 years	0	210,464	-210,464	3.85	-113	9,153	333	-26,951
10	from over 5 years to 7 years	0	312,894	-312,894	5.08	-106	16,799	320	-50,870
11	from over 7 years to 10 years	0	337,051	-337,051	6.63	-99	22,151	306	-68,302
12	from over 10 years to 15 years	0	434,311	-434,311	8.92	-100	38,649	288	-111,754
13	from over 15 to 20 years	0	0	0	11.21	-103	0	264	0
14	over 20 years	0	0	0	13.01	-102	0	241	0
		737,131,341	635,239,015	101,892,326			173,960		-827,651
	Own funds						73,394,922		
	Risk index						0.24%		

The current internal capital against interest rate risk amounts to EUR 173,960. The ratio between this value and own funds stands at 0.24% and therefore significantly below the materiality threshold indicated in the company risk appetite in line with prudential regulations, equal to 20%.

15. EXPOSURE IN POSITIONS TOWARDS SECURITISATION

Qualitative information

On 13 December 2021, Generalfinance signed a first securitisation programme – a three-year programme 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 special purpose vehicle 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. In December 2024, the three-year programme was therefore renewed until 31 December 2027. Currently, the programme envisages a maximum amount of outstanding nominal receivable of EUR 737.5 million.

Purchases of receivables are financed through the issue of various classes of partly-paid ABS securities, with different degrees of subordination; details of the notes outstanding as at 31 December 2024 are provided below:

- Maximum EUR 150,000,000 of A1 Senior Notes, subscribed by BNP Paribas, through the Matchpoint Finance LTD conduit, with a commitment amount of EUR 100 million and an uncommitted amount of EUR 50 million;

- Maximum EUR 125,000,000 of A2 Senior Notes, subscribed by Intesa Sanpaolo, through the Duomo Funding PLC conduit, with a commitment amount of EUR 100 million and an uncommitted amount of EUR 25 million;

- Maximum EUR 70,000,000 of A3 Senior Notes, subscribed by Banco BPM, with a commitment amount of EUR 50 million and an uncommitted amount of EUR 20 million;

- Maximum EUR 36,570,000 of B1, B2 and B3 Mezzanine Notes, subscribed and retained by Generalfinance and which could be subsequently placed with institutional investors;

- Maximum EUR 25,530,000 of Junior Notes, fully subscribed and retained 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 determine the deconsolidation of loans to customers, which therefore continue to remain registered in the balance sheet of the factor – Generalfinance operates as Originator and 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 special purpose 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, and are recognised in the memorandum accounts.

The company has no exposure to third-party securitisation.

Quantitative information

As at 31 December 2024, the payable to the special purpose vehicle (including accrued interest) amounted to EUR 202,235,521.

The capital structure – with the relative maximum values – of the only securitisation transaction in place as at 31 December 2024.

Transaction: General SPV	Amount
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**

16. REMUNERATION POLICIES

Remuneration policies and practices have been established in accordance with Articles 123-ter of the TUF and 84-quater of the Issuers' Regulation, taking into account the principles and recommendations set out in Article 5 of the Corporate Governance Code, as well as, in consideration of the Issuer's status as a financial intermediary, in compliance with current legislation and, in particular, in accordance with the provisions of Circular 288/2015. They are published on the website in the Shareholders' Meeting – Shareholders' Meeting 2025 – Documents section. Below is the link: https://investors.generalfinance.it/files/document-kit/it/politica-di-remunerazione-esercizio-2025-e-informativa-di-sintesi-2024.pdf). The Company's Remuneration Policy is prepared with the involvement of the corporate control functions and, after review by the Appointments and Remuneration Committee, is approved by the Board of Directors. The Risk Management Department makes an effective contribution to formulating the Remuneration Policy, playing an active role in drafting the Report and determining the performance objectives in line with the Company's risk appetite. The Report is then validated by the Company's Compliance Function, which certifies that the Remuneration Policy complies with regulatory provisions. Lastly, the Report is brought to the attention of the Internal Audit Function before being annually submitted to the Board of Directors for review and approval by the Appointments and Remuneration Committee. The Board of Directors, having examined and approved the Remuneration Policy, submits it to the Shareholders' Meeting vote.

Bodies or parties involved in the preparation, approval and possible review of the remuneration policy, specifying the respective roles, as well as the bodies or parties responsible for its correct implementation.

The Remuneration Policy is structured as follows:

I. the Shareholders' Meeting establishes the remuneration due for the office to each member of the Board of Directors, at the time of appointment and for the entire duration of the mandate. It also establishes any remuneration for directors holding special offices;
II. the Shareholders' Meeting expresses a vote, which is binding for Section I and advisory for Section II, on the Remuneration Policy approved annually by the Board of Directors;
III. the Board of Directors determines the remuneration of the directors holding special offices, after obtaining the opinion of the Board of Statutory Auditors;
IV. the Board of Directors determines the remuneration of the Directors for their participation in one or more committees;

V. the Chief Executive Officer determines the remuneration of Key Management Personnel who are not members of the Board of Directors;

VI. the Appointments and Remuneration Committee is responsible for preparing proposals to the Board of Directors for the remuneration of directors holding special offices, for preparing the Remuneration Policy and submitting it to the Board of Directors for review, and for drawing up any proposals to the Board of Directors with regard to the characteristics of any share-based payment plans.

Any intervention by a remuneration committee or other competent committee, describing its composition, responsibilities and operating methods and any additional measures to avoid or manage conflicts of interest.

The members of the Appointments and Remuneration Committee were appointed by the Board of Directors, and have adequate accounting and financial knowledge and experience, deemed adequate by the Board at the time of appointment. The Appointments and Remuneration Committee, which has advisory, propositional and supervisory functions for remuneration policies:

I. assists the Board in drawing up the remuneration policy;

II. submits proposals or expresses opinions to the Board on the remuneration of executive directors and other directors holding special offices, as well as on the establishment of company performance objectives related to the variable component of remuneration;

III. monitors the actual application of the remuneration policy and verifies the actual achievement of the performance objectives;

IV. periodically assesses the adequacy and overall consistency of the remuneration policy for directors and Key Management Personnel.

How the company took into account the remuneration and working conditions of its employees in determining the remuneration policy.

The Company's Remuneration Policy was drafted using criteria substantially similar to those used to date by the Company to define the terms and conditions of the remuneration package of its employees and, therefore, taking into account the remuneration and working conditions of its employees, as well as collective bargaining provisions (applicable from time to time), with the aim of retaining and attracting qualified and adequately motivated professional resources, with a focus on merit.

Any intervention by independent experts.

The Appointments and Remuneration Committee did not deem it necessary to seek the advice of independent experts when defining the Remuneration Policy described in this document to be proposed to the Board of Directors.

Aims pursued with the remuneration policy, underlying principles, duration and, if revised, the description of changes with respect to the remuneration policy most recently submitted to the Shareholders' Meeting and how this review takes into account votes and assessments expressed by the shareholders during said meeting or subsequently.

The Remuneration Policy aims to achieve and promote sound and effective risk management, as well as to ensure consistency with the objectives of compliance with the regulations, articles of association, code of ethics and standards of conduct applied by the Company and to prevent any conflicts of interest. The Remuneration Policy is adopted in line with the corporate strategy, objectives, values, interests and financial position of the Company over the medium-long term.

The Remuneration Policy is also aimed at: (i) pursuing the corporate strategy, (ii) pursuing long-term interests, and (iii) the sustainability of the Company's business model. With regard to the contribution of the Remuneration Policy to pursuit of the corporate strategy, the Company conducts its remuneration policies independently, while taking into consideration the decisions made in this regard by companies of comparable size and economic performance. This allows the Issuer to attract, motivate and retain individuals with the individual and professional qualities required to pursue the corporate objectives and capable of pursuing predefined business development. By contrast, as regards the contribution of the Remuneration Policy, with reference to the pursuit of long-term interests and the sustainability of the Company, the objectives set by the Board of Directors are structured in such a way as to prevent them from being achieved through short-term management decisions that could potentially undermine the sustainability and/or the ability of the Company to generate profit in the long term.

The Remuneration Policy is therefore defined according to criteria suitable for attracting, retaining and motivating individuals with adequate professional skills to effectively manage the Company, while guaranteeing labour market competitiveness for the Issuer in line with growth objectives and rewarding the loyalty of human resources.

In line with the general purposes illustrated above, the Remuneration Policy is based on the following reference principles:

a) adequate balance of the fixed component and the variable component based on the strategic objectives and the risk management policy of the Company, taking into account the sector in which it operates and the characteristics of its actual business activities, in order to avoid conduct not aligned with the creation of sustainable value in the short and medium-long term, in any case envisaging that the variable component represents a significant part of the total remuneration;
b) determination of performance objectives, to which payment of the variable components is linked; and
c) provision of total remuneration levels that suitably recognise the professional value of individuals and their contribution to the creation of sustainable value in the short and medium-long term.

The Remuneration Policies are updated annually.

Description of the policies on fixed and variable components of remuneration with particular regard to the indication of relative weight in the context of total remuneration and distinguishing between short and medium-long term variable components.

Board of Directors and Executive Directors

The annual remuneration assigned to non-executive directors for their participation in the Board of Directors as well as, where applicable, in one or more committees (in addition to the fixed remuneration for the office resolved by the Shareholders’ Meeting, as further detailed under point o), is proportional to the commitment required of each of them and is fixed for the entire duration of the mandate.

In particular, the Shareholders' Meeting has currently determined the fixed remuneration (pursuant to art. 2389, paragraph 1 of the Italian Civil Code) to be paid to the directors.

The annual remuneration assigned to executive directors is set by the Board of Directors within the maximum amount approved by the Shareholders' Meeting and may include a fixed part and a variable part.

In particular, with regard to the Chief Executive Officer, the Board of Directors has currently established (in addition to the remuneration as director), a fixed remuneration pursuant to art. 2389 third paragraph of the Italian Civil Code and:

- up to a maximum of 57.5% of the fixed component to be paid based on the achievement of predetermined objectives, including non-financial targets, with regard to the 2025 MBO; and up to a maximum of 300% of the fixed component, to be paid based on the achievement of predetermined targets, including non-financial targets, with regard to the 2025-2027 LTI.

The Chairman may receive additional remuneration to that paid as a director.

Key Management Personnel

The remuneration allocated to Key Management Personnel is based on a fixed remuneration and, in line with the principles and recommendations of Article 5 of the Corporate Governance Code and based on the employment contracts stipulated, on a variable component linked to the achievement of specific performance objectives in order to incentivise their interests with pursuit of the priority objective of creating value for shareholders over a medium/long-term horizon.

Based on these principles, the Board of Directors has envisaged a variable remuneration component:
- up to a maximum of 41.25% of the fixed component, to be paid based on the level of achievement of predetermined objectives, also of a non-economic nature, with regard to the 2025 MBO; and
- up to a maximum of 225% of the fixed component, to be paid depending on the level of achievement of predetermined objectives, also of a non-economic nature, with regard to the 2025-2027 LTI.

Key Management Personnel have signed non-compete agreements, specifically remunerated in line with market practices.

Board of Statutory Auditors

Statutory Auditors are excluded from any form of variable remuneration. Therefore, the remuneration of the standing auditors is fixed and is determined to an extent appropriate to the skills, professionalism and commitment required by the relevance of the role held, as well as the size of the Company.

Employees

With reference to employees hired with an employment contract, the main elements adopted with regard to valuation for remuneration purposes are linked to aspects of meritocracy, ethics, expertise and professionalism, with the aim of ensuring adequate correlation between remuneration, the role held, related responsibilities and the level of commitment to carrying out the assigned tasks. The corporate remuneration strategy strives to maintain a balanced composition between fixed and variable remuneration elements. In this way, expectations of the security, attractiveness and stability of employment relationships, which are an important factor in remuneration, are fully balanced with the need to favour merit or the particular commitment to a company objective with positive effects in the medium term. The overall configuration of the remuneration system guarantees that virtuous conduct is maintained in line with the regulations, articles of association and code of ethics. Therefore, the components of the remuneration system for Company employees are as follows:

- fixed remuneration, determined in such a way as to remunerate the work associated with a given position. This consists of: contractual minimum, seniority increases, individual discretionary salary elements. It is regulated by the national labour contract of reference (Trade Contract), with the possibility of defining the levels that best remunerate the position of the resources. The level of fixed remuneration responds to principles of meritocracy and internal fairness, i.e. it reflects the relative content of roles in the organisation;
- for certain professional positions, fees in line with market practices for non-compete agreements;
- any variable bonuses (such as performance bonus, MBO, annual bonus and/or one-off bonus), that the Company may decide to grant to resources, in consideration of the results achieved and always correlated with the achievement of quantitative and qualitative company objectives;
- any fringe benefits, regarding the possibility of granting remuneration “in kind”, i.e. non-monetary, but which addresses work-life balance requirements, or provides savings on certain expenses, conferring goods or services at a price lower than the actual value or perceived as such by the resource that benefits from it (typically, company cars);
- any welfare package, regarding the possibility of recognising supplementary insurance policies and concessions on transport, physical activity, intellectual and educational activities.

Internal control functions

In relation to the control functions assigned to members of the Board of Directors, the remuneration is defined by the Board of Directors. In this case, forms of remuneration such as stock options, shares, instruments linked to shares and other financial instruments are not normally envisaged.

Associates

With regard to associates not linked to the Company by an employment contract (external collaborators), the Issuer has traditionally made reduced use of these professionals, considered useful in supporting specific projects and over a limited time horizon. Ongoing collaborations with commercial partners and credit brokers are governed by specific contracts that normally provide for a commission rebate, in accordance with specific company policy. The remuneration for such roles is always variable, depending on the actual business contributed, taking into account the level of risk.

Policy adopted with regard to non-monetary benefits

The Company has stipulated a policy with a leading insurance company for the civil liability of directors, including independent directors, statutory auditors and Key Management Personnel of the Issuer and its subsidiaries.

There are no other non-monetary benefits in favour of the Chairman or the other directors. The remuneration of Key Management Personnel is integrated by supplementary pension benefits envisaged by the collective agreement, as well as by life and health insurance policies in line with market practices. For Key Management Personnel, a company car allowing business and personal use is also assigned. For

Key Management Personnel, corporate housing is provided.

Fringe benefits (e.g. company cars) and welfare packages are envisaged for the remaining employees, in line with market practices and company policies on the matter.

17. FINANCIAL LEVERAGE

In accordance with the supervisory provisions of the Bank of Italy, non-bank financial intermediaries are exempt from the application of the provisions contained in CRR/CRD IV relating to financial leverage. It should also be noted that, for management and risk control purposes, the Company determines an internal Leverage Ratio, an indicator of financial leverage risk – calculated as the ratio between tangible net equity and total assets in the balance sheet – which is substantially consistent with the provisions of Article 429 of the CRR. The entity's capital base means that its exposure to excessive financial leverage is currently very limited.

	Item	31.12.2024
A	Tangible Equity	76,827,166
B	Total Assets	769,704,521
A/B	**Leverage Ratio**	**9.98%**