



**REPORT ON OPERATIONS AND CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 DECEMBER 2020**

FINLOMBARDA S.p.A.

Sole shareholder: the Lombardy Region

Registered office and headquarters: Via Taramelli 12, – 20124 Milan

Share Capital: Euro 211,000,000 fully paid-in

Tax code/VAT number and Milan Companies Register no. 01445100157 – Milan Chamber of Commerce no. 829530
no. 124 of the list of financial intermediaries (art. 106 of Legislative Decree no. 385/93 (Consolidated Banking Law)
Company subject to management and coordination by the Lombardy Region.

 **BOARD OF DIRECTORS**

Chair Michele Giuseppe VIETTI

Directors IGNAZIO PARRINELLO
PAOLA SIMONELLI

 **BOARD OF STATUTORY AUDITORS**

Chair Luigi JEMOLI

Statutory Auditors MAURIZIO BOCCA
ANTONELLA CHIAMETTI

 **GENERAL MANAGEMENT**

General Manager GIOVANNI RALLO

 **AUDIT FIRM**

AUDIREVI S.p.A.

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REPORT ON OPERATIONS

Dear Shareholder,

The Group closed 2020 with a consolidated result after tax of zero. Depreciation on property, plant and equipment and amortisation on intangible assets have been charged for a total of Euro 758,510. The financial statements presented here have been prepared according to international accounting standards (IAS/IFRS).

The consolidated financial statements have been prepared in accordance with the provisions relating to "The financial statements of IFRS intermediaries other than banking intermediaries", issued by the Bank of Italy by order of 30 November 2018 and subsequently supplemented by the communication of 21 January 2021 having as its subject "the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS".

1. THE MACROECONOMIC CONTEXT

1.1. The global macroeconomic context in 2020

The recovery of the macroeconomic cycle at the international level remains strongly conditioned by the pandemic and the new rise in the number of infections between October and December, which led to a slowdown in economic activity that was well underway during the summer months. The economies of advanced countries remain constrained by containment measures. However, the spread of vaccination campaigns should lead to prospects for improvement in the long term, even if uncertainties about the timing of spread remain at present.

On the basis of the most recent data published by the Bank of Italy¹, world GDP would return to expand by 4.2 percent in 2021, exceeding pre-Covid levels by the end of the year. While in 2020, the domestic product recorded a minus sign in all advanced and emerging economies with the exception of China. According to these projections, the Euro area could reach +3.6% in 2021 (compared to -7.5% in 2020) and the US +4.2% (-11.2% in 2020). The United Kingdom and Japan, on the other hand, stood at +3.2% and +2.3% respectively, only partially recovering their losses in the year just ended. If the advanced countries are struggling to recover, among the emerging countries China stands out, where the contagions are almost zero: its indices in fact report an expansion in all sectors and forecasts are for an increase of 8 percent of GDP in 2021 (+1.8% in 2020), that is, China should contribute more than a third of the global expansion during this year.

¹ Quarterly Economic Bulletin 1 – 2021

Brazil and Russia, on the other hand, went from -6% and -4.3% respectively in 2020 to a growth forecast of 2.6% and 2.8% over 2021. Finally, a level of +7.9% is estimated for India, partially recovering from -9.9% in 2020.

These projections consider the benefits of planned expansionary policies and assume large-scale vaccination by year-end. Indeed, central banks seem to agree to continue monetary expansion until price stability is achieved.

These trends are reflected in world trade which, after a recovery in the third quarter, slowed down at the end of the year, closing with a contraction in 2020 as a whole at a global level of 9 percent.

The level of inflation has remained rather subdued in all major world economies and remains below pre-pandemic levels. In the U.S. in December 2020, it fell to 1.4%, in the U.K. at year-end it stood at 0.3% while in Japan inflation came in at -0.9% in December 2020. Long-term inflation expectations, as measured in financial markets, rose after news about the effectiveness of vaccines.

Macroeconomic scenarios							
	2019	2020	2021		2019	2020	2021
World	2,7%	-4,2%	4,2%				
Advanced countries				Emerging countries			
Euro area	1,3%	-7,5%	3,6%	Brazil	1,1%	-6,0%	2,6%
Japan	0,7%	-5,3%	2,3%	China	6,1%	1,8%	8,0%
United States	1,3%	-11,2%	4,2%	India	4,2%	-9,9%	7,9%
United Kingdom	2,2%	-3,7%	3,2%	Russia	1,3%	-4,3%	2,8%

Source: Bank of Italy Economic Bulletin no. 1 2021

1.2. *European Union*

In the wake of the global economy in the Euro area, there was a weakening of economic activity at the end of the year caused by the renewed tightening of containment measures, which was followed by new interventions by the ECB to mitigate the economic repercussions and ensure favourable financing conditions for as long as necessary.

Domestic product grew in all major economies although in none did it return to pre-pandemic levels. The economic recovery was felt in all sectors, although those with greater social interaction remain the most penalised.

According to the latest projections presented by the experts of the Eurosystem, the decline in GDP in 2020 would be 7.3%; in the following three years, the product should grow by 3.9%, 4.2% and 2.1% respectively, but the outlook would remain negative.

Inflation in the Euro area, according to these projections, would be affected by weak demand, reaching 1% in 2021, 1.1% in 2022 and 1.4% in 2023. Two-year inflation expectations implied by option prices rose to 1.1% in early January, while those on a 5- to 10-year horizon are at 1.3%.

The monetary policy measures adopted include the programme for the purchase of financial assets and the purchase programme for the pandemic emergency: the two portfolios of securities have a value in the financial statements of Euro 2,909 billion (at the end of December) and Euro 698 billion (at the end of November) respectively, while a further long-term refinancing auction (TLTRO3) was settled in December in which Euro 50 billion was allocated to counterparties in the Euro area, including Euro 11 billion to Italian counterparties. All the measures taken will help to support growth and bring inflation back to target levels that allow price stability.

The last quarter of 2020 saw a change in the dynamics of business lending and a lowering of the demand for funds. In particular, the growth rate of loans to non-financial companies recorded a moderate contraction in France (4.4%) and a sustained one in Italy (8.9%). Loans to households increased slightly in the last quarter, by an average of 4.4% for the Euro area.

1.3. International financial markets

After the collapse of the first wave, the markets have returned to pre-Covid levels. In fact, they are discounting the lack of uncertainty about the U.S. elections and the effectiveness of vaccines, although prices remain subject to developments in the pandemic. Long-term rates have remained at decidedly low and even negative levels in advanced economies due to expansionary monetary policies. Equity prices in the last quarter of the year are showing strong recovery trends and in the US and Japan have surpassed end-2019 levels. The Euro appreciated against the Dollar and expectations of a further strengthening prevail. Euribor rates have remained at all-time lows since the introduction of the Euro, negative and down further compared to the beginning of 2020.

1-month Euribor					
2016	2017	2018	2019	2020	2021
-0,21%	-0,37%	-0,37%	-0,36%	-0,44%	-0,57%

First measurement of 1-month Euribor for each year

1.4. The Italian economy

On the basis of the actual figures for the first three quarters of 2020 and statistical computations by the Bank of Italy for the fourth quarter, Italy's GDP in 2020 appears to have increased more than

expected in the third quarter (+15.9%) thanks to the sharp rise in exports and domestic demand. The increase was felt in all sectors. In particular in construction the level of the end of 2019 was exceeded; in the service sectors, however, the recovery was partial (sectors that were particularly affected were: catering, transport, trade, professional activities and personal services). GDP declined again in the fourth quarter as a result of a sharp increase in infections (an estimated 3.5% contraction over the previous period).

Gross domestic product and its components					
	2019	2019	2020		
	4th qtr		1st qtr	2th qtr	3th qtr
GDP	-0,3%	0,3%	-5,5%	-13,0%	15,9%
Total imports	-2,4%	-0,6%	-5,3%	-17,8%	15,9%
Domestic demand	-0,8%	-0,1%	-4,7%	-11,0%	11,9%
Domestic consumption	0,2%	0,3%	-5,5%	-8,5%	9,2%
Gross fixed capital expenditure	-0,1%	1,6%	-7,6%	-17,0%	31,3%
Change in stocks	-0,6%	-0,7%	1,2%	-0,9%	-1,0%
Total exports	-0,7%	1,0%	-7,9%	-23,9%	30,7%
Net exports	0,5%	0,5%	-1,0%	-2,3%	4,0%

Source: Bank of Italy Economic Bulletin no. 1 2021

Industrial production is reported to have shrunk in the last quarter despite positive business assessments and expectations of increased investment spending over the year. PMI indices have risen and would foreshadow expansion in the manufacturing sector while remaining below expansion in the services sector.

Interventions in support of businesses have alleviated the liquidity needs of non-financial companies and contained the risk of insolvency, but have increased their level of indebtedness to unsustainable levels.

Household spending, after the contraction in the first half of the year, is recovering despite the year-end downturn. The propensity to save remains high even though household confidence has risen again. Household debt as a proportion of disposable income is increasing but remains below the Euro area average.

Based on preliminary data in December, the change in consumer prices stabilised at -0.3%. Lower energy commodity prices and low growth in the prices of tourism-related goods and services contributed to these levels.

According to the Bank of Italy Forecasts, GDP is expected to increase by about 3.5% in 2021, starting in the spring and coinciding with the improvement in the health situation. For the following years, it is assumed that 3.8% will be reached in 2022 and 2.3% in 2023, also thanks to the support measures launched by the government and the European Union. This could return GDP to pre-health crisis levels during 2023.

Gross domestic product and its components				
	2020	2021	2022	2023
	expected	estimated	estimated	estimated
GDP	-9,2%	3,5%	3,8%	2,3%
Total imports	-13,4%	9,0%	6,6%	3,6%
Collective consumption	-1,3%	-0,9%	1,4%	0,5%
Household consumption	-10,4%	3,2%	3,1%	1,9%
Gross fixed capital expenditure	-7,8%	10,1%	11,2%	5,2%
Change in stocks	-0,4%	-0,6%	0,0%	0,0%
Total exports	-14,9%	9,8%	4,5%	3,3%
Current balance on balance of payment	3,5%	3,5%	3,0%	2,7%

Source: Bank of Italy Economic Bulletin no. 1 2021

1.5. Labour market

The latest available data show an increase in employment in the third quarter of 2020 (+0.9%) thanks to the reopening of businesses closed during the first wave of the pandemic, but also an increase in requests for layoffs and a slowdown in new job creation since September. The activity rate, after a recovery in the third quarter (64.3%), contracted again (64.2%) in November. Lower participation in the labour market contributed to the fall in unemployment, which stood at 9.2 percent on average for the two months from October to November. Wage growth remains moderate in the private non-agricultural sector (0.6% in the total economy).

The annual report published in September 2020 by the Ministry of Economic Development regarding public support to businesses reconfirms the Central Guarantee Fund as the main instrument of

economic subsidy of the Government aimed at increasing access to credit for SMEs: there were more than 754 thousand guarantee applications accepted in the period analysed (2013-2019), they resulted in guarantees granted equal to more than Euro 75 billion and activated a volume of new loans equal to over Euro 111 billion. From the first year of observation to the last, the Fund recorded an increase in the volume of guarantees issued of +108%. The distribution of the number of successful applications by size class shows a prevalence of micro-enterprises over small and medium-sized enterprises. Considering instead the prevalent field of economic activity, the companies that have recourse to the Fund belong mainly to the industrial sector, followed by commerce and the services sector.

The operations of the Central Guarantee Fund are in sharp contrast with the results of the credit market over the last decade. The Fund has therefore acted as a countercyclical support with respect to the credit rationing carried out by banking intermediaries.

During 2020 to mitigate the effects of the Covid-19 outbreak, specific measures were taken to strengthen the Fund's interventions, increase its allocation and simplify its use.

The Government has launched specific measures to support businesses during the pandemic: the so-called *Cura Italia* Decree, the Liquidity Decree and the Relaunch Decree. The first two were aimed at supporting companies operating in the sectors most exposed to the risk of bankruptcy with repercussions on the labour market and were designed to preserve their productive capacity. The third measure confirmed the urgent measures on health, support for work and the economy connected with the health emergency and introduced new facilities for workers and businesses with the aim of guaranteeing liquidity and support for businesses during the health crisis and favouring their relaunch at the time of recovery.

The number of approved applications for assistance from central and regional administrations, excluding guarantee assistance, increased during the period under review. The monitoring of the flow of commitments shows a decidedly higher level of operativeness for the central administrations than for the regional ones. The territorial distribution in the last year of survey shows a clear prevalence of the Centre-North compared to the South and confirms that SMEs have attracted the largest share of the resources granted (67.3%). Looking at the whole period under analysis, concessions amounted to almost Euro 30 billion, while disbursements amounted to Euro 18 billion; against the commitments made, subsidised investments were activated for almost Euro 105 billion. This last figure, compared with the smaller size of the facilities granted and disbursed, highlights the important leverage effect of the Italian facility system.

1.6. Lombardy Region

According to the Bank of Italy's economic survey published in November 2020, in the first half of the year, all the main economic indicators in the region suffered a sharp decline caused by the Covid-19 pandemic and the consequent restrictions imposed on production activities (-12% in six months in line with the Italian average). The subsequent recovery from the third quarter onwards only partially made up for the decline. The manufacturing sector was particularly affected, as well as the construction and service sectors (in particular non-food trade, tourism and catering), while large-scale distribution recorded an increase in turnover.

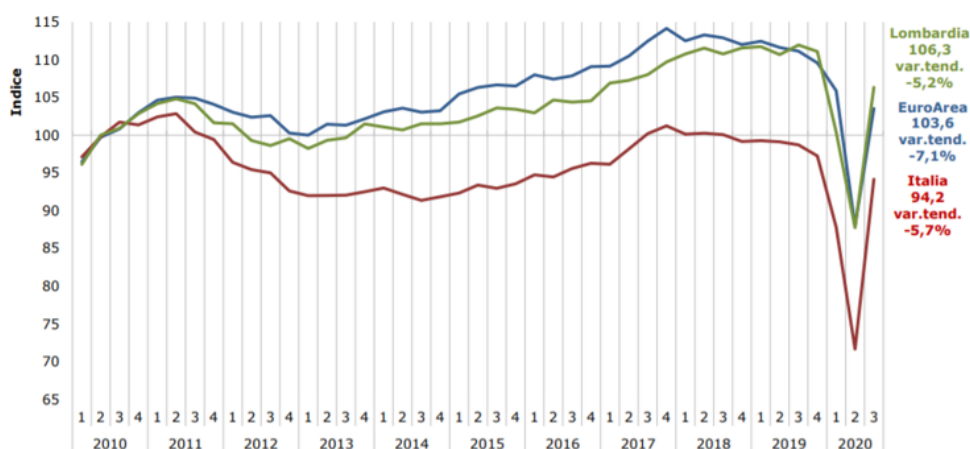
The pandemic has severely tested the profitability of Lombardy's businesses and increased the volume of bank loans to the productive sector due to the marked need for liquidity as a result of the restrictions, but also of the expansive monetary policy and government interventions to support credit. Labour market conditions worsened and employment declined, and lending to households also slowed due to the climate of uncertainty.

According to the latest report of Unioncamere Lombardia in the first nine months of 2020, manufacturing production fell by 12.3 percent compared to the same period last year. The production index fell in the first quarter (-10.1% on the previous year) and more sharply in the second, while the third quarter saw a reversal of the trend and a gradual recovery. The reduction in production involved companies of all size classes.

According to data made available by the same body, the index of industrial production in the manufacturing sector in Lombardy in the third quarter of 2020 reached a value of 106.3, a significant recovery after the collapse of the pandemic, however still not reaching the pre-crisis highs, the trend follows that of the Euro area (103.6) more than that of Italy (94.2).

MANUFACTURING SECTOR PRODUCTION INDEX

Average base year 2010=100 deseasonalized quarterly data



Source: Unioncamere Lombardia, Congiuntura economica T3-2020

The different sectors of industrial production had a differentiated trend: in the construction sector, the expansionary phase that began in 2015 was interrupted due to restrictions. However, companies expect to return to growth during 2021 also thanks to the Ecobonus introduced. The real estate market also saw a contraction in buying and selling in all segments. According to the surveys of Unioncamere Lombardia, the turnover of retail companies has suffered a significant reduction affected by the closure of activities: for them a reduction of 7.3% of turnover is estimated in the first nine months of 2020 compared to the previous corresponding period. The most intense impact was in the transport sector (-15.1%) and in accommodation and food services (-34.5%). Supporting these figures is also the tourism survey carried out by the Bank of Italy, according to which foreign travellers' attendance and spending fell by 63.3 and 66.8 percent respectively over the first six months of the year compared to the corresponding period in 2019.

Foreign trade has also suffered a significant contraction. It is estimated that Lombard exports have suffered a loss in the first half of 2020 of 15.3%, while the International Monetary Fund estimates a reduction in world trade of 8.3% in 2020.

The reduction in assets has put companies under significant financial stress, causing liquidity strains, requiring recourse to credit and the postponement of repayments on outstanding debts. The crisis seems to have decreased the diversification of companies' sources of financing, the climate of uncertainty and the volatility of financial markets has discouraged the use of bond issues.

The labour market in Lombardy worsened during 2020, recording a decrease in the number of people employed (in the six-month period the reduction was 1.3%, slightly lower than the national figure of 1.7%). The decline was greater in the services sector, unemployment was contained by the freeze on layoffs introduced by the *Cura Italia* decree. Those employed on permanent contracts remained more or less stable while those on fixed-term contracts decreased significantly (-14.3% on average over the six-month period compared to 2019), just as the reduction in the self-employed was more marked than that of employees. This trend is confirmed by INPS data on compulsory communications, which showed a negative balance between new contracts and terminations of contracts in the six-month period of about 38,500 jobs (while it was positive by about 117 thousand positions in the same period of the previous year). The pandemic discouraged participation in the labour market, job seekers decreased significantly, and the unemployment rate fell by 4.4% on average over the six-month period (-8.6% in Italy).

1.7. Credit market

Bank lending to the private sector in Lombardy increased during the course of last year; this growth is attributable to loans to productive activities that benefited from the support measures put in place by the government. This trend affected companies of all sizes and with different intensity in the various provinces (the most marked increase was in the provinces of Milan and Brescia).

Households borrowing declined in the first half of 2020 due to declining consumer confidence, uncertainty and a worsening outlook for the housing market. In particular, mortgage applications for home purchase loans fell and the use of consumer credit fell sharply.

Data referring to the first half of the year show that the quality of credit disbursed in the region is stable compared to the end of the previous year, as is the deterioration rate, which remained stationary on average (1.5% for businesses and 0.8% for households).

The figures provided by the Bank of Italy on the changes in credit granted by the banking sector to families and businesses in Lombardy on an annual basis recorded in June 2020 are shown below.

Bank loan by economic sector (1) (percentage changes over 12 months)									
Private sector									
Enterprises									
Small (2)									
PERIOD	Public administration	Financial and insurance companies	Total private sector	Total enterprises	Medium-large	Total small enterprises	of which producer households (3)	Consumer households	Total (3)
Dec.2017	-4,10%	2,90%	2,00%	1,60%	2,10%	-1,80%	0,50%	2,80%	2,00%
Dec.2018	-3,40%	5,40%	1,40%	0,60%	1,00%	-2,00%	-1,30%	3,10%	2,10%
Dec. 2019	-4,50%	-2,20%	-0,50%	-2,60%	-2,60%	-2,60%	-1,20%	3,50%	-0,90%
Mar. 2020	-1,30%	-0,60%	1,50%	1,10%	1,50%	-2,00%	-1,40%	2,40%	1,10%
Jun. 2020	-1,40%	-0,90%	3,00%	3,80%	4,10%	2,10%	4,10%	1,60%	2,20%
Period end amounts in millions of euro									
Jun. 2020	7.892	84.166	331.507	208.386	183.293	25.093	14.923	121.000	423.565

Source: regulatory reporting - Regional economies - Lombardy's economy - Economic update - November 2020

(1) Figures include repurchase agreements and non-performing loans. - (2) Limited partnerships and general partnerships, simple partnerships, de facto corporations and sole proprietorships with fewer than 20 employees. - (3) Simple partnerships, de facto corporations and sole proprietorships up to 5 employees.

Banks from loans and financial entities to enterprises by area of economic activity (percentage changes over 12 months)					
ITEMS	Dec. 2017	Dec. 2018	Jun. 2019	Dec. 2019	Jun. 2020
Branches					
Manufacturing activities	4,20%	2,90%	-0,50%	0,60%	5,30%
Buildings	-5,10%	-0,40%	-2,00%	-5,70%	-0,20%
Services	3,10%	0,50%	-1,20%	-3,50%	4,80%
Total	1,60%	0,90%	-1,10%	-2,60%	3,80%

Source: Regulatory reporting - Regional economies - Lombardy's economy - Economic update - November 2020

1.8. Future outlook

The Covid-19 pandemic represented an unprecedented global shock, with systemic implications not only at the health level, but also at the social, political and economic levels.

Its continuation continues to weigh on consumption and investment decisions, with significant repercussions on the productive fabric, employment and income levels.

Consumer spending is being held back by fears of contagion, as well as for precautionary economic reasons. Similarly on the investment front by the productive fabric.

During 2020, employment was affected by the worsening of the economy, with an impact on incomes and increasing inequalities, with an impact especially on the self-employed and employees with fixed-term contracts, especially young people and women.

The launch of the vaccination plan in the various countries, on the other hand, raises hopes that the health emergency can be effectively combated during the course of this year.

As represented by the Governor of the Bank of Italy² there are, however, significant risks that can be summarised as follows: i) the containment of the spread of the pandemic may prove to be more difficult than expected; ii) the pandemic may have led to changes in consumption habits, in the organisation of company and production activities, and in working methods, which are persistent.

Our country was able to demonstrate, in the third quarter of 2020, that the economy retains the ability to recover, and only the second wave of contagion and the resulting uncertainty led, as in other countries, to a new decline in GDP in the fourth quarter of last year.

In this scenario, however, the Bank of Italy estimates a recovery in productive activity from the spring of this year, provided that the fight against the spread of the pandemic proves effective and investment decisions are reactivated.

2. THE ACTIVITY CARRIED OUT BY THE PARENT COMPANY IN 2020

The activity carried out by the Parent Company in 2020, in support of the development policies of the Lombardy Region, included the management both of soft finance products based on Third Party resources (2014-2020 community programming and regional funds), and of financial intermediation products, in terms of launching new initiatives and remodulating some of the existing ones.

More specifically, among the **financial instruments with EU resources**, the Controgaranzie 3 call was launched, a free counter-guarantee instrument issued to Consorzi di Garanzia Collettiva Fidi (Confidi) for access to credit by SMEs and professionals operating in Lombardy.

² Speech by the Governor of the Bank of Italy - Ignazio Visco. 27th ASSIOM Forex Congress, 06 February 2021.

In addition, work continued in the management of the initiatives already started in the previous year, both with regard to those already open in 2020, and with reference to those for which management continues on the requests already submitted, such as FREE (Energy Efficiency Regional Fund), Linea R&S per MPMI (R&D Line for SMEs, FRIM FESR 2020), Linea R&S per Aggregazioni (R&D Line for Business Combinations), Fondo Credito per l'Agroindustria (Credit Fund for Agro-industry) (Operation 4.2 PSR-FEASR), Linea Intraprendo, Linea Controgaranzie, FRIM FESR 2020 "RICERCA & SVILUPPO, Linea Internazionalizzazione.

With regard to financial instruments based on EU resources, the Parent Company has also constantly monitored regulatory developments across the various European structural and investment funds, also in view of the transition to the next post 2021 – 2027 programming cycle. With reference to the new programming period, the Parent Company is a privileged partner capable of combining solid financial expertise with decades of experience in the management of financial engineering instruments based on structural funds (FESR and FSE) and the skills gained in almost twenty years of support to the Lombardy Region in the definition of Operational Programmes and their implementation.

This role has enabled the Parent Company to consolidate its national (ANFIR) and international (EAPB) network, repositioning the Company on the most innovative issues with its stakeholders.

As far as **financial interventions with autonomous regional resources are concerned**, the management of the applications already presented continues. These include, among others, the call for applications for the Fund for credit support for cooperative enterprises and the Fund for financial support to agricultural enterprises for operating credit, to support the liquidity needs of agricultural enterprises through the granting of interest subsidies.

Next to the activities more closely related to structuring, implementation and management of financial instruments and facilitating measures, the Parent Company also supported the Lombardy Region providing technical assistance as a part of the Social Housing policies, in particular on the EU regulation on Services of General Economic Interest (SGEI), as well as in terms of interventions in support of Social Promotion Associations and Voluntary Organisations.

In the area of **financial intermediation products with the use of Finlombarda's own resources**, the following are worth noting:

- **Credito Adesso**, is the measure launched in 2011 by Lombardy Region and Finlombarda to support the working capital of businesses recently modified and refinanced with an additional Euro 100 million and it has the following characteristics: a) 24/36 month co-financing by Finlombarda (40%) and Banks (60%) based on a maximum amount of Euro 500 million; b) interest contribution of 2% (an additional amount is provided for some categories of

businesses). In 2020, Finlombarda and the Lombardy Region strengthened the existing product with an additional allocation of, respectively, Euro 89 million for loans (40 percent from Finlombarda, 60 percent from banks and Confidi partners) and Euro 4.3 million for interest subsidies. The cumulative amount of disbursements in 2020 was Euro 23.6 million, considering only the resources based on the portion of co-financing of Finlombarda.

- **InnovaLombardia - Linea Innovazione**, launched in early 2017, is a co-financing measure between Finlombarda and banks totalling Euro 100 million; it is aimed at financing investments in product and process innovation. This instrument, follows the structure of Credito Adesso, albeit with the greater complexity tied to the EU nature of the regional resources, associating co-financing with an interest grant using regional resources. Important aspects are the duration (up to 7 years), the amount of the individual loans (up to Euro 7 million), the cut in the interest rate (up to 250bps) and the particularly broad target in terms of both sectors and size of business (Lombardy enterprises under 3,000 employees). At the end of 2020, about Euro 5.3 million were disbursed, considering only the resources based on the co-financing portion of Finlombarda.
- **“AL VIA” Initiative**, in 2016 the definition of the Initiative was completed with the publication in the Official Bulletin of the Lombardy Region Ordinary Section no. 24 of 13 June 2017 of the Notice to Companies and in Official Bulletin of the Lombardy Region Notices and Competitions Section no. 24 of 14 June of the Notice to Intermediaries. The measure, intended for Lombard SMEs to finance productive investments, consists of medium-term co-financing up to 6 years (50% based on Finlombarda resources and 50% on resources from participating intermediaries) for a total of Euro 220 million. It is combined with a capital contribution on ROP ERDF 2014-2020 resources (from 5% to 15%) and a first-demand free guarantee equal to 70% of the co-financing disbursed, again based on resources of the ROP ERDF 2014-2020. In September 2020, the Initiative was revised and with the introduction of the new funding line Corporate Investments FAST, in addition to the already existing lines 'Corporate Development' and 'Relaunch of Productive Areas', which also supports investments for compliance with new health and safety protocols in the post-Covid and provides a capital contribution on resources ROP ERDF 2014-2020 equal to 15%.
A total of 853 applications have been received since the launch of the product, while the cumulative amount of disbursements in 2020 was Euro 31.3 million, considering only the resources based on the portion of co-financing of Finlombarda.
- **Credito Adesso Evolution**: in April 2020, Finlombarda launched a new measure called Credito Adesso Evolution with an endowment of Euro 67 million (50 percent from

Finlombarda, 50 percent from the banks and Confidi partners) for loans and Euro 7.35 million of regional resources for interest subsidies. This measure has been refinanced to bring the funding ceiling up to Euro 389 million (50% from Finlombarda, 50% from the banks and Confidi partners) for loans and Euro 37.35 million of regional resources for interest subsidies. In December 2020, a new refinancing of Euro 270 million (50 percent from Finlombarda, 50 percent from the banks and Confidi partners) for loans and Euro 25 million of regional resources for interest subsidies was also approved, to start in 2021.

The measure in support of companies' working capital has the following characteristics: a) co-financing for a maximum of 72 months, of which a maximum of 24 months of pre-amortisation by Finlombarda (50%) and banks (50%); b) 3% interest rate subsidy. The cumulative amount of disbursements in 2020 was Euro 50.2 million compared to, considering only the resources based on the portion of co-financing of Finlombarda.

- **Minibond Project**, is an alternative financing channel for companies to support investment plans by subscribing to bonds issued by companies operating in Lombardy, on a co-financing basis with leading operators in the financial sector. Since the initiative was launched, four transactions have been approved for a total subscription value (Finlombarda portion) of Euro 8.4 million against a total issue value of Euro 33 million. In January 2021, a memorandum of understanding was signed with Borsa Italiana with the aim of sharing, increasing and developing the opportunities offered by the ExtraMOT PRO3 market and the financing opportunities offered by Finlombarda.
- **Borsa Italiana Elite Basket Bond Programme**: the objective is to finance the development plans of Lombardy companies. The instrument (collateralised debt obligation) consists of a securitisation of bonds issued by companies acquired by a vehicle, set up specifically for this purpose, which issues notes subscribed exclusively and equally by Finlombarda and Cassa Depositi e Prestiti. The Issuance Programme has a total amount of Euro 80 million. In December 2019, the Programme was inaugurated with the issue of senior bonds by two Lombardy mid-corporates for a total notional amount of Euro 17 million (Finlombarda portion Euro 8.5 million). In July 2020, the Program was closed again with the issuance of a minibond, with a term of 8 years and an amount of Euro 15 million, which increased the overall total of the Programme to Euro 32 million.
- **“Credito PPP” - Public Private Partnership**, was activated in February 2018 through the publication of the notice to businesses on the Official Bulletin of the Lombardy Region. The goal of “Credito PPP” is to finance investments in infrastructure and public or public utility services with a maximum amount of Euro 200 million. With the PPP, Finlombarda intervenes

with its own resources in transactions for loans (minimum amount of Euro 1 million, amortizing or bullet repayment, fixed or variable rate, duration up to 20 years for the Finlombarda portion in case of project finance), granted in pool form with participating banks to Lombard enterprises of every size and they can be corporate or project finance.

In case of project finance, to the potential beneficiaries are made available different credit line according to the specific features of the project, including: capex facility to finance a part of the project costs and V.A.T. facility to finance the VAT credits accrued in the construction phase.

- **Syndicated Loans:** with this product, Finlombarda intervenes with its own resources in pooled financing operations as Participant for the financing of Lombardy companies that will have to carry out investment programmes with high financial requirements. The product ceiling is Euro 100 million. During 2020, Finlombarda approved the first two pool operations for a total amount of Euro 15 million (Euro 7.5 million Finlombarda share).
- **Leveraged & Acquisition Finance:** product made available starting from the end of October 2020 and with a ceiling of 65 million, Finlombarda intends to finance mergers and acquisitions (also through the use of Leveraged/Family/Management buy-outs), aimed at growth through external lines or generational change or transfer of ownership to employees of Lombardy companies. Finlombarda will use its own resources to grant medium/long-term loans, in co-financing with affiliated financial intermediaries, to SMEs (excluding Micro-enterprises) and Mid Caps. During 2020, Finlombarda focused its activity on this instrument in the search for partner financial institutions with which to evaluate the first financing proposals.
- **Turnaround financing:** this was activated in April 2020 and is aimed at supporting Lombardy companies that have undertaken a restructuring process and need resources to finance the business re-launch phase. The recipients are companies with less than 3,000 employees (excluding micro enterprises) in Lombardy which have a debt restructuring agreement approved in accordance with article 182 bis of the Bankruptcy Law or an arrangement with continuity approved in accordance with article 186 bis of the Bankruptcy Law. Tangible and intangible investments for the development of the company can be financed, carried out at the operational headquarters in Lombardy and for an amount not less than Euro 500 thousand. The loans granted, ranging from 500 thousand to Euro 2 million and lasting up to 48 months, are backed by a free regional guarantee. The budget is Euro 15 million made available by Finlombarda for the loans and Euro 10 million of regional resources for the guarantees granted free of charge. To date, one transaction has been completed for a total amount of Euro 500,000.

- **Più Credito Liquidità:** this was activated in July 2020 to support the liquidity needs of Lombardy companies with loans for amounts between Euro 1 and Euro 15 million and not more than 25% of turnover as per the latest financial statements filed on the date the loan application was submitted. The duration of the loans is between 24 and 72 months (including a maximum of 12 months' grace period for durations between 24 and 36 months or a maximum of 24 months for durations of more than 36 months). The recipients are Lombardy companies of all sizes that have been operating for at least 24 months. The budget is Euro 400 million, of which Euro 200 million will come from Finlombarda Spa and Euro 200 million from participating intermediaries (banks and confidi).
- **Più Credito Fornitori (More Credit for Suppliers):** this was activated in July 2020 to support the supply chain of Lombardy Region's supplier companies with financing useful for the payment of trade debts and liquidity needs. The recipients are companies with an operating or registered office in Lombardy, in any production sector, with at least 50 employees, operating for at least 24 months, with a supply of goods and/or services, active or completed no more than 120 days from the date of submission of the application to the Lombardy Region and/or companies/entities of the Regional System. The amount of the loans is between Euro 1 and 5 million with a maximum duration of 18 months. The budget is Euro 100 million made available by Finlombarda from its own resources.

In 2020, the Company continued its work in the offer of customised services directed at business in terms of competitiveness (innovation and internationalisation). The activities focused on the integration of services provided through the "**Simpler**" project (European EEN Network) and the **Open Innovation** project (the collaborative platform of the Lombardy Region) that supports the development of open innovation ecosystems. In particular, 6 international (EEN Network) and 11 national open innovation challenges were carried out; more than 1,600 proposals for collaboration and partner searches for the development of projects and industrial development activities were distributed to Lombardy companies - receiving 540 expressions of interest; finally, more than 500 individual consultancy services were provided to companies for participation in European calls and partner searches.

In addition to the offer of services, the consultancy continued to the Lombardy Region in support of **strategic planning and governance on research and innovation**, with particular reference to the set up of the new regional strategy for smart specialisation in the field of Research and Innovation and implementation of Regional Law no. 29/2016 "Lombardy is research and innovation".

As of January 2020, Finlombarda has also been among the partners of the European project **TRANSFORM** - Territories as Responsive and Accountable Networks of S3 through new Forms of Open and Responsible Decision-Making - approved under the Horizon 2020 call and focused on the development and promotion of Responsible Research and Innovation.

In the context of technical assistance to **regional tenders without repayment for the development of local competitiveness**, the Company provided technical assistance for a number of initiatives:

- **Arché 2019 and 2020**: support to new Lombard entrepreneurial realities (MPMI or freelancers) for start-up or consolidation plan (**2019**) and in response to the Covid-19 emergency (**2020**);
- **FABER 2019 and 2020**: contributions for investments aimed at optimising and innovating the production processes of micro and small manufacturing, building and craft enterprises;
- **Smart Living**: integration between production, services and technology in the wood - furniture - home supply chain;
- **Storevolution**: granting of contributions for investments aimed at innovation in micro, small and medium-sized commercial enterprises;
- **Competitiveness Agreements**: for the development and enhancement of productive, human, environmental and infrastructural resources in the regional territory in order to favour competitive growth;
- **Smart Fashion and Design**: for the presentation of projects of experimental development, innovation in favour of SMEs and dissemination of results in the fashion and/or design supply chain
- **Fashiontech**: support for the economic valorisation of innovation in the fashion and accessory textile sector through experimentation and the adoption of innovative solutions in processes, products and organisational formulas, as well as through the financing of the industrialisation of research results;
- **Tourism and Attractiveness - Second Edition**: support to the competitiveness of hotel and non-hotel open-air accommodation structures;
- **International Fairs**: granting of contributions for the participation of SMEs in international fairs in Lombardy;
- **Lombardia To Stay**: realisation of territorial marketing projects by public and private entities;
- **Lombardy Region - Cariplo Foundation Joint Notice**: for the granting of contributions to support the transfer of knowledge in the Advanced Materials sector;

- **Distretti del Commercio:** concession of contributions directly to local authorities and indirectly to companies and aspiring entrepreneurs for projects of urban economic territorial reconstruction within the commercial districts of Lombardy;
- **Reattivi contro il Covid:** granting of grants aimed at expanding the capacity of production units already used for the production of medical devices (MD) or personal protective equipment (PPE) or for the conversion of production units aimed at the production of medical devices or even personal protective equipment.

With regard to **communication and promotion** activities, during 2020, the promotion of products and services continued with the priority objective of (re)building a unique and coherent corporate narrative, "in the first person", interwoven with internal values and professionalism (e.g. signature articles, #Finlombardasiracconta and #paroleutili columns, new "Contacts" web page) and the stories of entrepreneurs who have benefited from loans and services offered by FL (e.g. #cheimpresa column), with the aim of spreading positive "brand awareness" of the company among the Lombardy financial and business community through digital channels (LinkedIn company page, website and newsletter), relational channels (e.g., a yearly institutional meeting for in-depth analysis and discussion and agreements/collaborations with public and private financial operators on credit issues), visual channels (new corporate 'visual identity' including the new brand, an institutional "emotional" video and video briefs on products in the 'Corporate Banking' area launched in 2021, the year of FL's 50th anniversary).

3. SUMMARY OF 2020 RESULTS

3.1. Income statement

The following table shows the results achieved during the year (Euro):

Reclassified income statement	31/12/2020	31/12/2019
OPERATING INCOME - OP. INCOME	18.440.502	19.742.208
PURCHASES OF GOODS AND SERVICES	-1.813.307	-2.037.261
VALUE ADDED	16.627.195	17.704.947
PERSONNEL COSTS	-12.744.568	-12.702.526
EBITDA	3.882.627	5.002.422
AMORTISATION AND DEPRECIATION	-758.510	-1.756.027
OPERATING PROFIT FROM OPERATIONS	3.124.117	3.246.395
OTHER INCOME/(EXPENSES)	62.438	181.339
OPERATING PROFIT - EBIT	3.186.555	3.427.733
FINANCIAL INCOME/(EXPENSES)	-2.976.826	-299.214
PROFIT BEFORE TAXES	209.729	3.128.519
(TAXES)	-209.729	-1.576.989
NET PROFIT - RN	0	1.551.531

Operating income came to Euro 18,441 thousand, 1,301 thousand lower than the previous year (-6.6%).

Within the operating income, net interest income decreased by Euro 727 thousand (-11.5%). Interest income from investments in the securities portfolio decreased and interest income from loans increased, while interest expense was substantially in line. With regard to other financial income and expenses, there was a significant decrease in the net result of financial assets measured at fair value, equal to 95.4% compared to 2019 and in absolute value of Euro 2,173 thousand.

Fee and commission income amounted to Euro 12,942 thousand, an increase compared with 2019 (+15%).

Costs for the acquisition of goods and services decreased compared to 2019 by approximately Euro 244 thousand to Euro 1,813 thousand. Depreciation on property, plant and equipment and intangible assets amounted to approximately Euro 758 thousand, down by approximately Euro 1 million compared to 2019. The difference is due to the application of IFRS 16 to the lease agreement for the previous premises in Via F. Filzi, which in 2020 was effective only for the first 5 months, since the free loan of the new premises in Palazzo Sistema does not fall within the scope of application of the same standard. Personnel costs amounted to Euro 12,744 thousand on Euro 12,702 thousand in 2019. Allocations to provisions for risks These amount to Euro 19 thousand and relate to disputes with former employees.

Adjustments to assets at amortised cost and comprehensive income went from Euro 7 thousand to Euro 2,654 thousand. The increase is attributable to both the increase in outstanding loans

receivable (+66.3% compared to 2019) and the increase in expected loss curves influenced by the impacts of the pandemic on the Italian economy.

There were no changes in Item 290 relating to assets held for sale.

In conclusion, the net result in 2020 amounted to zero, versus Euro 1,551 thousand in 2019.

3.2. Balance sheet

The main balance sheet changes during 2020 are summarised in the following table, in which assets and liabilities have been reclassified to show the invested capital, the sources of financing and their key components.

INVESTED CAPITAL	2020		2019	
	EURO	%	EURO	%
RECEIVABLES	238.380.214		143.326.086	
MISCELLANEOUS RECEIVABLES	8.927.587		11.376.454	
DEFERRED LIQUIDITY	247.307.801	59,08	154.702.540	32,55
MISCELLANEOUS PAYABLES	-5.290.587		-4.912.669	
TAX PAYABLES	-57.916		-2.194.547	
TOTAL AMOUNTS DUE	-5.348.503	-1,28	-7.107.216	-1,50
NET OPERATING WORKING CAPITAL - NOWC	241.959.298	57,80	147.595.324	31,05
INTANGIBLE ASSETS	413.284		462.511	
PROPERTY, PLANT AND EQUIPMENT	959		637.806	
FINANCIAL ASSETS	178.679.584		328.906.589	
NET FIXED ASSETS	179.093.827	42,78	330.006.905	69,43
OTHER MEDIUM/LONG-TERM NON-FINANCIAL LIABILITIES	-542.921		-626.116	
PROVISION FOR SEVERANCE INDEMNITIES	-1.882.368		-1.689.721	
ADJUSTED INVESTED CAPITAL	418.618.835	100,00	475.286.393	100,00

SOURCES OF FUNDS	2020		2019	
	EURO	%	EURO	%
SHORT-TERM FINANCIAL LIABILITIES	0		0	
IMMEDIATE LIQUIDITY	-2.730		-3.489	
SHORT-TERM FINANCIAL POSITION	-2.730	0,00	-3.489	0,00
MEDIUM/LONG-TERM AMOUNTS DUE TO BANKS	162.098.639		216.919.265	
OTHER FINANCIAL FUNDS	0		0	
OTHER MEDIUM/LONG-TERM LOANS	0		0	
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	162.098.639	38,72	216.919.265	45,64
TOTAL MINORITY INTERESTS	162.095.910	38,72	216.915.776	45,64
SHARE CAPITAL	211.000.000		211.000.000	
RESERVES	45.522.925		45.819.085	
RESULT FOR THE YEAR:	0		1.551.531	
EQUITY	256.522.925	61,28	258.370.616	54,36
TOTAL SOURCES OF FUNDS	418.618.835	100,00	475.286.393	100,00

Note that the adjusted invested capital went from Euro 474 million to Euro 418 million. This decrease is mainly attributable to the conclusion of the FNM transaction.

Lastly, with regard to financial liabilities, there was a decrease in loans granted by the EIB in 2020, as a result of the settlement of a credit line.

Lastly, the following indices have been prepared on the basis of the above figures.

	2020	2019
PROFITABILITY RATIOS		
ROE (RN/MP)	0,0%	0,6%
RONA (EBIT/CIR)	0,8%	0,7%
ROS (EBIT/M. INTERM.)	17,3%	17,4%
LIQUIDITY/SOLVENCY ANALYSIS		
PRIMARY LIQUIDITY - ACID TEST (CURR. ASS./CURR. LIAB.)	143,7%	65,4%
ANALYSIS OF FINANCIAL SOLIDITY/STRUCTURE		
GLOBAL LEVEL OF DEBT (MIN.INT./ EQUITY)	66,2%	87,5%

As for the profitability of operations, the ROE index is down compared to 2019, partly due to the regional provisions regarding the determination of the operating contribution, the ROS shows a decrease compared to 2019, while the RONA is slightly up compared to last year.

On the financial front, the Parent Company maintains a high degree of solvency.

In fact, capital absorption amounts to Euro 31.4 million, corresponding to 8% of weighted assets, as required by the regulations on financial intermediaries.

Core capital amounts to Euro 239.3 million (in 2019 it was Euro 240.2 million). At the end of 2020, both the Tier 1 capital ratio and the Total Capital ratio reached 61.00% (see table 4.2.1.2 of the explanatory notes, part D).

4. OTHER INFORMATION

It should be noted that in July 2020, the Parent Company's Shareholders' Meeting appointed the new Board of Directors (with Michele Giuseppe Vietti as Chair and Paola Simonelli and Ignazio Parrinello as Directors), and the new Board of Statutory Auditors (with Luigi Jemoli as Chair, Antonella Chiametti and Maurizio Bocca as Standing Auditors and Elisa Belloni and Daniele Vezzani as Alternate Auditors); these bodies will remain in office until the approval of the financial statements at 31 December 2022.

In addition, the Extraordinary Shareholders' Meeting held on 22 December 2020 approved the amendments to articles 4 and 18 of the Company's Articles of Association, aimed, respectively, at recalling the Company's role as an instrument for implementing regional policies and programmes and at allowing greater flexibility in the conduct of Board meetings on the basis of the experience gained during the pandemic period.

During February 2020, the inspection activities carried out by the Bank of Italy (and started in November 2019), which concerned aspects of corporate governance and the main risk areas of the Finlombarda Group, were concluded with a substantially positive opinion.

It should also be noted that in June 2020, the verification procedure carried out by the Managing Authority of the Lombardy Region on the organisational processes of the Parent Company was positively concluded, certifying the full suitability of the Parent Company to play the role of Intermediate Body for the measures of the ROP ERDF 2014-2020. With the formalisation of this role, the Company will be able to carry out, by delegation of the Lombardy Region, tasks of selection of transactions, management and disbursement of facilities and performance of first-level controls in relation to the measures of the ROP ERDF 2014-2020.

During 2020, the Parent Company continued its information system integration activities, the start-up of which dates back to 2019.

The Company has approximately Euro 239.3 million of own funds. Risk-weighted assets (RWA) amount to Euro 392.2 million.

In accordance with the relevant regulations (Bank of Italy Circular no. 288), financial intermediaries must periodically verify their capital adequacy by expanding the range of risks to be assessed with

respect to Pillar 1. This activity is carried out as part of the ICAAP (Internal Capital Adequacy Assessment Process).

For the purposes of this process, in line with the principle of proportionality laid down by the Supervisory Authorities, the Parent Company is classified as a Class 3 intermediary and has adopted standard measurement methods for quantifiable risks, while non-quantifiable risks have been assessed on a qualitative basis, focusing on the controls put in place by the Parent Company. As for the effects of the assets held for sale, please refer to Section 11 of the balance sheet in the explanatory notes, highlighting that in 2020 there were no effects.

We would point out, in accordance with the regulations for the preparation of the financial statements, that no costs that could be classified as research and development expenses were incurred in 2020. There were no transactions during the year involving treasury shares, whether directly or through trust companies or intermediaries. As a result, the Company does not have any treasury shares at 31 December 2020.

As required under the regulations for financial intermediaries, the public Company also publishes on its website the required disclosures to the general public on capital adequacy and risk exposure, also called "Pillar 3 of Basel 2" in accordance with Circular 288/2015 of the Bank of Italy.

The Company's main financial assets include bank sight deposits, receivables for services, investments in securities and the loans that it has granted. The main purpose of these instruments, with the exception of trade receivables, is to ensure efficient and profitable use of liquidity, while maintaining a very low risk profile. The Parent Company has not entered into any derivative transactions and is exposed to exchange risk only indirectly through participation in mutual fund units.

As for the more general lending situation, action was taken during the year against debtors and guarantors for the recovery of past due loans. The main risks generated by the Company's financial instruments are credit risk, market risk, interest rate risk and liquidity risk. However, given the breakdown of the Parent Company's securities portfolio, the composition of its receivables arising from the provision of services, almost entirely to the Lombardy Region, and the high standing of the counterparties, it is reasonable to say that the financial risks are essentially attributable to more than sustainable values, without prejudice to the effects, currently unforeseeable on the global economy, and attributable to the pandemic in progress.

Lending activities reflected the impact of the restrictive measures introduced by the government and the Italian Banking Association regarding the moratorium on loans.

With reference to relations with the sole shareholder, Lombardy Region, it should be noted that with Regional Decision no. XI/4147 of 30/12/2020 concerning the "Procedure for the determination, reporting and related verification of operating contributions of dependent entities and in-house companies as per Annex A1 section 1 R.L. 30/2006", the procedure for determining and reporting the operating grant was defined, starting with the grant for 2020. The operating contribution represents the component of revenues paid by the Lombardy Region to the Parent Company for services rendered in the context of "in house providing".

Finally, in 2020, the Parent Company transferred the headquarters and offices to the spaces previously used at the regional complex "Palazzo Sistema" located in Via Taramelli 12, Milan.

5. EQUITY INVESTMENTS

Finlombarda holds the following equity investments.

INVESTEES	EQUITY DATA AT	EQUITY VALUE AT THE DATE OF THE	% OWNERSHIP	VALUE AT 31.12. (EQUITY X % OWNERSHIP)	VALUE OF EQUITY INV. AT 31.12. 2020
SISTEMI DI ENERGIA S.P.A.	31/12/2019	19.139.743	11,25%	2.153.221	744.920
SKIAREA VALCHIAVENNA S.P.A.	30/06/2020	10.227.520	0,69%	70.570	56.976
AGENZIA PER LA CINA S.R.L. (*)	29/12/2020	0	3,56%	0	0
CENTRO TESSILE COTONIERO S.P.A.	31/12/2019	4.216.845	2,90%	122.289	31.075
CONSORZIO PER LA REINDUSTRIALIZZAZIONE AREA DI ARESE S.R.L. (CRAA S.R.L.) in liquidation	30/11/2015	252.375	15,00%	37.856	1
FIUMICINO ENERGIA S.R.L.	31/12/2019	11.768.408	11,25%	1.323.946	63.243
LA FUCINA	31/12/2012	-1.303.958	5,26%	-68.588	1
TOTAL					896.216
FINLOMBARDA SGR	31/12/2020	993.584	100,00%	993.584	514.000
TOTAL					514.000

(*) The Shareholders' Meeting approved the final liquidation balance sheet on 29/12/2020

During the year, the Parent Company continued to implement its plan to dispose of its investee companies; in particular, given the unsuccessful outcome of the public procedures carried out in the previous year, during the year, the Company called for a negotiated procedure to identify an external expert to value the equity investments in Sistemi di Energia S.p.A., Skiarea Valchiavenna S.p.A., Centro Tessile Cotoniero S.p.A. and Fiumicino Energia S.r.l. with a view to the intended sale. During 2021, therefore, once the current estimated value of the above equity investments has been accurately defined, the Parent Company intends to make a further attempt to sell them.

With reference to other investee companies, it should be noted that:

- **Agenzia per la Cina S.r.l.:** the company, in liquidation since December 2018, approved, on 29 December 2020, the final liquidation financial statements, which showed a loss for the year of Euro 95,397;
- **Consorzio per la reindustrializzazione Area di Arese S.r.l. in liquidation:** liquidation procedure in progress;
- **La Fucina S.c.a r.l.:** the company, initially in liquidation, has been bankrupt since 2013. The procedure is still ongoing.
- **Finlombarda Gestioni SGR S.p.A.:** the further public sale procedure, started at the end of financial year 2019, on the basis of the price estimated following a special appraisal, ended in May with a negative outcome; in fact, despite the interest shown in the first phase by two economic operators, no economic offer was received at the deadline.

The Company's Board of Directors, in agreement with the Shareholder, has therefore decided to proceed with the sale of the investment by private negotiation with several operators; the procedure is currently underway.

6. INFORMATION RELATING TO THE SUBSIDIARY FINLOMBARDA GESTIONI SGR S.P.A.

The financial statements at 31 December 2020 closed with a net negative result of Euro 336 thousand, in substantial continuity with 2019.

The following table shows the key economic figures for 2020.

Finlombarda Gestioni SGR S.p.A.

thousands of Euro	31/12/2020	31/12/2019	20 vs 19
Net commission income	0,0	78,0	-78,0
EBITDA	1,4	78,8	-77,4
Operating results (A)	-335,7	-292,0	-43,7
Net result	-335,7	-292,0	-43,7
Net invested capital (B+C)	2.138,5	2.799,0	-660,5
Net financial position (B)	1.144,9	1.470,0	-325,1
Equity (C)	993,6	1.329,0	-335,4

Financial and management indicators

	31/12/2020	31/12/2019	20 vs 19
ROI (A/B+C)	-15,7%	-10,4%	-5,3%
Debt/Equity (B/C)	-1,2	-1,1	0,1
Employees	1,0	1,0	0,0

The activity carried out by the company during the year was focused on the management of closed-end investment fund Next, with particular attention to the management of the funds in which the latter invested. As a consequence of the strategic decision to prioritise an orderly sale of the assets of the managed Fund, the company then operated exclusively according to a “divestment” logic, without dedicating resources to the promotion of new investment instruments, and focusing on cost containment.

7. INTERCOMPANY DEALINGS AND RELATED PARTY TRANSACTIONS

Related party transactions are presented in Part D – Other Information, Section 6 – Related party transactions of the Explanatory Notes.

8. HUMAN RESOURCES AND ORGANISATION

As of 1 June 2020, the Parent Company has adopted a new organisational structure aimed at improving the efficiency of business processes (concentration of core activities relating to the credit process in a single department) and control processes (creation of the RPCT Risk Office into which, while maintaining the necessary level of autonomy, all second-level control functions have been merged), as well as greater vertical articulation of corporate structures (with the introduction of offices).

This reorganisation was followed by a significant process of drafting/updating internal regulations. On 3 November 2020, the Company also approved the updating of the Organisation, Management and Control Model and the Code of Ethics to take into account both the changes resulting from the adoption of a new organisational structure and the new offences introduced by regulatory updates and new provisions of internal regulations.

The number of employees of the Parent Company at the end of 2020 was 156, which is substantially in line with the number of employees at the end of 2019 of 150, plus the one employee of the subsidiary.

In relation to the health emergency resulting from the spread of the Covid-19 virus, starting from the Prime Ministerial Decree of 23/02/2020, the Company immediately started a progressive path by which it placed all its staff in agile work by mid-March, subject of course to punctual attendance requirements, and in any case maintaining IT security and activity monitoring.

With a view to the gradual return of personnel to the company's facilities, the Covid Emergency Protocol was defined on 5 August, in accordance with the relevant national indications, on the basis of which, from September, work activities were resumed in rotation at headquarters. Following the resurgence of the pandemic (the so-called second wave), the company has again placed all personnel on remote work since 21 October.

As in previous years, in 2020, the Company evaluated the performance of its employees and the company bonus was defined, following agreement with the trade unions on 5/12/2018 in accordance with art. 48 of the National Labour Contract for 2020.

In view of the health emergency, personnel training activities continued exclusively remotely and in relation to compulsory topics, safety in the workplace, remote work, as well as specific topics linked to specialist needs. In relation to the costs incurred for the implementation of the training plan carried out in 2019 for middle managers and employees, the Parent Company benefited from a contribution from the Fondo Banche Assicurazioni, amounting to Euro 56,070.

9. EVENTS AFTER THE END OF THE YEAR

The first fraction of 2021 was characterised by the continuation of the pandemic and the related health emergency, without however any evident discontinuity compared to 2020.

10. BUSINESS OUTLOOK

The Parent Company intends to further pursue its development objectives by leveraging the two areas, which are in any case integrated with each other, identified and subject to implementation as early as 2020:

1. strengthening of distinctive intermediary skills;
2. strengthening of the distinctive competencies of in-house entities.

With reference to the first area, it is expected that the development of the credit offer will be increasingly based on the integration of the following factors: strengthening of credit skills, development of new products, strengthening of partnerships with the banking system, strengthening of its "commercial" capacity.

Similarly, it is expected to be able to further strengthen its role in the "in house" sphere, with particular reference to the design and management of instruments in the Regional Operational Programmes (programming for 2021/27 is now imminent), and, with reference to the particular contingency we are all experiencing, to the measures and initiatives put in place by the Lombardy Region to support the production fabric and in response to the socio-economic damage caused by the pandemic, as well as the initiatives that will be put in place for the subsequent relaunch of the Lombardy economy.

To date, lending volumes appear consistent with the targets set for 2021.

11. RECONCILIATION TABLE BETWEEN SHAREHOLDERS' EQUITY AND THE RESULT OF THE PARENT COMPANY AND THE SHAREHOLDERS' EQUITY AND RESULT OF THE PARENT COMPANY

Description	31/12/2020		31/12/2019	
	Equity	of which: Net profit for the year	Equity	of which: Net profit for the year
	(in thousands of euro)	(in thousands of euro)	(in thousands of euro)	(in thousands of euro)
Balances as per Parent Company's financial statements	256.043	336	257.555	2.398
Effect of consolidation of Subsidiary Finlombarda Gestioni SGR	480	-336	815	-846
Offsetting of equity investment				
Balances as per Consolidated Financial Statements	256.523	0	258.370	1.552

Milan, 11 May 2021

THE BOARD OF DIRECTORS

The Chairman

(Michele Giuseppe VIETTI)

Digitally signed electronic document
in accordance with the single text Presidential Decree 28 December 2000, no. 445,
Legislative Decree no. 82 of 7 March 2005 and related regulations

FINANCIAL STATEMENTS

BALANCE SHEET

	Asset items	31/12/2020	31/12/2019
10	Cash and cash equivalents	2.730	3.489
20	Financial assets measured at fair value through profit or loss	35.538.957	48.572.079
	a) financial assets held for trading		
	b) financial assets designated at fair value		10.908.197
	c) other financial assets mandatorily measured at fair value	35.538.957	37.663.882
30	Financial assets measured at fair value through other comprehensive income	85.226.231	140.771.464
40	Financial assets measured at amortised cost	300.612.641	288.216.762
	a) due from banks	23.390.950	100.886.871
	b) due from financial entities	11.837.625	8.926.178
	c) due from customers	265.384.066	178.403.713
50	Hedging derivatives		
60	Impairment of financial assets with generic hedges (+/-)		
70	Equity investments		
80	Property, plant and equipment	959	637.806
90	Intangible assets	413.284	462.511
	of which:		
	- goodwill		
100	Tax assets	2.119.061	3.023.746
	a) current	1.033.901	1.171.225
	b) deferred	1.085.160	1.852.521
110	Non-current assets and groups of assets held for sale	1.186.469	1.561.488
120	Other assets	1.295.026	1.463.590
	TOTAL ASSETS	426.395.357	484.712.934

	Liabilities and equity items	31/12/2020	31/12/2019
10	Financial liabilities measured at amortised cost	162.098.639	216.919.265
	a) payables	111.935.402	166.782.118
	b) securities issued	50.163.237	50.137.147
20	Financial liabilities held for trading		
30	Financial liabilities designated at fair value		
40	Hedging derivatives		
50	Impairment of financial liabilities with generic hedges (+/-)		
60	Tax liabilities	57.916	2.194.547
	a) current	57.916	926.932
	b) deferred		1.267.615
70	Liabilities associated with assets held for sale	141.983	193.909
80	Other liabilities	5.148.605	4.718.760
90	Employee severance indemnities	1.882.368	1.689.721
100	Provisions for risks and charges	542.921	626.116
	a) commitments and guarantees given	153.647	245.936
	b) pension and similar commitments		
	c) other provisions for risks and charges	389.274	380.180
110	Share capital	211.000.000	211.000.000
120	Treasury shares (-)		
130	Equity instruments		
140	Share premium reserve	127.823	127.823
150	Reserves	45.544.683	43.993.152
160	Valuation reserves	-149.581	1.698.110
170	Net profit (loss) for the year		1.551.531
180	Minority interests		
	TOTAL LIABILITIES AND EQUITY	426.395.357	484.712.934

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

INCOME STATEMENT

	Income Statement items	31/12/2020	31/12/2019
10	Interest and similar income	6.603.849	7.400.120
	of which: interest income with the effective interest method	0	-
20	Interest and similar expenses	(1.003.378)	(1.073.040)
30	Net interest income	5.600.471	6.327.080
40	Fee and commission income	12.942.311	11.245.605
50	Fee and commission expenses	(315.272)	(40.985)
60	Net commission income	12.627.038	11.204.620
70	Dividends and similar income	263.123	313.096
80	Net trading income	0	0
90	Net hedging gains (losses)	0	-
100	Gains/losses on disposal or repurchase of:	(155.621)	(381.437)
	a) <i>financial assets measured at amortised cost</i>	(29.013)	(401.920)
	b) <i>financial assets measured at fair value through other comprehensive income</i>	(126.608)	20.483
	c) <i>financial liabilities</i>	0	
110	Net income from other assets and financial liabilities measured at fair value through profit or loss	105.490	2.278.850
	a) <i>financial assets and liabilities designated at fair value</i>	0	0
	b) <i>other financial assets mandatorily measured at fair value</i>	105.490	2.278.850
120	Operating income	18.440.502	19.742.208
130	Net impairment/reversals of impairment for credit risk of:	(2.653.733)	(7.182)
	a) <i>financial assets measured at amortised cost</i>	(3.117.057)	502.641
	b) <i>financial assets measured at fair value through other comprehensive income</i>	463.324	(509.823)
140	gains/losses from contractual amendments without cancellations	0	-
150	PROFIT FROM FINANCIAL MANAGEMENT	15.786.769	19.735.026
160	Administrative expenses:	(14.557.875)	(14.739.786)
	a) <i>personnel costs</i>	(12.744.568)	(12.702.526)
	b) <i>other administrative expenses</i>	(1.813.307)	(2.037.261)
170	Net provisions for risks and charges	(19.094)	0
	a) <i>commitments and guarantees given</i>	0	0
	b) <i>other net allocations</i>	(19.094)	0
180	Impairment/reversal of impairment of property, plant and equipment	(637.130)	(1.510.911)
190	Impairment/reversal of impairment of intangible assets	(121.380)	(245.116)
200	Other operating income and expenses	81.532	181.339
210	OPERATING COSTS	(15.253.947)	(16.314.475)
220	Gains (losses) on equity investments	0	0
230	Net result of fair value measurement of property, plant and equipment and intangible assets	0	0
240	Goodwill impairments	0	0
250	Gains (losses) on disposal of investments	0	-
260	PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE TAXES	532.822	3.420.552
270	Income taxes on ordinary operations	(209.729)	(1.576.989)
280	PROFIT (LOSS) FROM ORDINARY OPERATIONS AFTER TAXES	323.093	1.843.563
290	Profit (loss) from discontinued operations after taxes	(323.093)	(292.032)
300	NET PROFIT (LOSS) FOR THE YEAR	0	1.551.531
310	Net profit (loss) pertaining to minority interests	0	0
320	Net profit (loss) pertaining to the Parent Company	0	1.551.531

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME			
	Items	31/12/2020	31/12/2019
10	Net profit (loss) for the year	0	1.551.531
	Other comprehensive income after tax without reversal to income statement		
20	Equities designated at fair value through other comprehensive income	-2.853	-12.546
30	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)		
40	Hedging of equities designated at fair value through other comprehensive income		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	-154.185	-31.417
80	Non-current assets and groups of assets held for sale		
90	Share of valuation reserves of equity investments valued at equity		
	Other comprehensive income after tax with reversal to income statement		
100	Foreign investment hedges		
110	Exchange differences		
120	Cash flow hedges		
130	Hedges (non designated elements)		
140	Financial assets (other than equities) measured at fair value through other comprehensive income	-890.465	2.332.553
150	Non-current assets and groups of assets held for sale		
160	Share of valuation reserves of equity investments valued at equity		
170	Total other comprehensive income, after tax	-1.047.503	2.288.590
180	Comprehensive income (item 10+170)+C2	-1.047.503	3.840.121
190	Consolidated comprehensive income of minority interest		
200	Consolidated comprehensive income of the parent company	-1.047.503	3.840.121

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity at 31 December 2020

Description	Balances at 31.12.2019	Change opening balances*	Balances at 01.01.2020	Allocation of result from previous year		Changes in the year					Comprehensive income at 31.12.2020	Equity at 31.12.2020	
				Reserves	Dividends and other destinations	Change in reserves	Transactions on equity			Changes in equity instruments			Other Changes
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends				
Share capital	211.000		211.000										211.000
Share premium reserve	128		128										128
Reserves:													
a) of profits	32.778		32.778	1.552									34.330
b) other	11.215		11.215										11.215
Valuation reserves	1.698		1.698			-1.847							-149
Equity instruments													
Treasury shares													
Net profit (loss) for the year	1.552		1.552	-1.552							0		0
Group shareholders' equity	258.370	0	258.370			-1.847					0		256.523
Minorities' equity													

Amounts in thousands of Euro

The share capital of the Parent Company, fully subscribed and paid, amounts to Euro 211,000,000 and consists of 2,110,000 ordinary shares with a par value of Euro 100 each. Among the reserves there is one that was established under art. 14 of Regional Law no. 33/2008, with which the Parent Company is authorised to make financial advances only for initiatives to implement the Regional Development Programme using the funds that it has received under management. Excluding the legal reserve and the share premium reserve, all of the other reserves are distributable.

Statement of changes in shareholders' equity at 31 December 2019

Description	Balances at 31.12.2018	Change opening balances*	Balances at 01.01.2019	Allocation of result from previous year		Changes in the year					Comprehensive income at 31.12.2019	Equity at 31.12.2019
				Reserves	Dividends and other destinations	Change in reserves	Transactions on equity					
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments		
Share capital	211.000		211.000									211.000
Share premium reserve	128		128									128
Reserves:			0									
a) of profits	31.360		31.360	972		446						32.778
b) other	11.661		11.661			- 446						11.215
Valuation reserves	-590		-590			2.289						1.698
Equity instruments			0									
Treasury shares			0									
Net profit (loss) for the year	972		972	-972							1.552	1.552
Group shareholders' equity	254.530	0	254.530			2.289					1.552	258.370
Minorities' equity												

Amounts in thousands of Euro

CASH FLOW STATEMENT

The Company has adopted the indirect method for preparing the cash flow statement (in Euro).

A . OPERATING ACTIVITIES	31/12/2020	31/12/2019
1. Management	3.619.334	1.124.533
- Result for the year	0	1.551.531
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value	-105.490	-2.278.850
- net hedging gains/losses	0	0
- net impairment adjustments	2.653.733	7.182
- net impairment on property, plant and equipment and intangible assets	758.510	1.756.027
- net provisions for risks and charges and other costs/revenues	-62.438	88.643
- unpaid taxes and duties		
- net impairment on disposal groups, net of tax effect	375.019	
- other adjustments		
2. Cash generated/absorbed by financing activities:	54.707.483	-45.407.044
- financial assets held for trading	0	0
- financial assets designated at fair value	11.013.687	2.115.215
- financial assets mandatorily measured at fair value	2.124.925	3.367.894
- financial assets measured at fair value through other comprehensive income	56.008.557	-26.204.696
- financial assets measured at amortised cost	-15.512.935	-24.469.106
- other assets	1.073.249	-236.351
3. Cash generated/absorbed by financial liabilities:	-56.407.448	42.411.932
- financial liabilities at amortised cost	-54.820.626	42.070.599
- financial liabilities held for trading	0	0
- financial liabilities designated at fair value	0	0
- other liabilities	-1.586.822	341.332
Net cash generated/absorbed by operating activities (A)	1.919.369	-1.870.580
B. INVESTING ACTIVITIES		
1. Cash generated by:	0	0
- sales of equity investments		
- dividends received from equity investments		
- sales of property, plant and equipment		
- sales of intangible assets		
- sales of business divisions		
2. Cash absorbed by:	-72.436	-417.095
- purchases of equity investments		
- purchases of property, plant and equipment	0	-417.095
- purchases of intangible assets	-72.436	
- purchases of business divisions		
Net cash generated/absorbed by investing activities (B)	-72.436	-417.095
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- change in equity	-1.847.691	2.288.591
- distribution of dividends and other uses		
Net cash generated/absorbed by financing activities (C)	-1.847.691	2.288.591
NET CASH GENERATED/ABSORBED IN THE YEAR (D=A+/B+/-C)	-758	916
RECONCILIATION	31/12/2020	31/12/2019
Cash and cash equivalents at beginning of year	3.489	2.571
Total net cash generated/absorbed in the year	-758	916
Cash and cash equivalents at end of year	2.730	3.489

EXPLANATORY NOTES

PART A – FINANCIAL STATEMENT POLICIES (A.1 – GENERAL PART)

SECTION 1: DECLARATION OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements are prepared in accordance with the international accounting standards IAS/IFRS (including the interpretations by SIC and IFRIC) issued by the International Accounting Standards Board (IASB) as established by European Community Regulation no. 1606 of 19 July 2002 and subsequent regulations adopted by the European Commission.

The new accounting standard IFRS 9, issued by the IASB in July 2014 and adopted by the European Commission through Regulation no. 2067/2016, replaces IAS 39 from 1 January 2018, which until 31 December 2017 has regulated the classification and measurement of financial instruments.

IFRS 9 comprises three different areas: classification and measurement of financial instruments, impairment and hedge accounting. For this purpose, Finlombarda has launched a specific project aimed at incorporating and applying the new accounting standard.

As of 1 January 2019, the international accounting standard IFRS 16 "Leases" came into force, which was published by the IASB on 13 January 2016 and its endorsement at EU level was through the publication in the Official Journal of the European Union of Regulation (EU) no. 2017/1986 of 9 November 2017.

With regard to the tables and explanatory notes, the financial statements are prepared in accordance with the Bank of Italy's guidelines for intermediaries operating in the financial sector enrolled on the special list in compliance with the Instructions of 30 November 2018 entitled "IFRS financial statements of financial intermediaries other than banks", supplemented by the communication of 27 January 2021 concerning "the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS".

For the sake of completeness, the following information is provided:

- The new documents issued by the IASB and endorsed by the EU to be compulsorily adopted from the financial statements for financial years beginning on 1 January 2020:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Amendments to References to Conceptual Framework in IFRS	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Definition of material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2104 10 December 2019
Reform of the reference indices for determining interest rates	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

(Amendments to IFRS 9, IAS 39 and IFRS 7)				
Definition of a business (Amendments to IFRS 3)	October 2018	1 January 2020	21 April 2020	(EU) 2020/551 22 April 2020
Concessions on royalties related to COVID-19 (Amendment to IFRS 16)	May 2020	1 June 2020	9 October 2020	(EU) 2020/1434 12 October 2020

- IAS/IFRS and related IFRIC interpretations applicable to financial statements for periods beginning after 1 January 2021 - Documents endorsed by the EU on 13 January 2021 - with respect to which no material impact on the Parent's accounting policies is expected.

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication	Notes and references to this checklist
Extension of the Temporary Exemption from IFRS 9 - Amendments to IFRS 4 Insurance Contracts	June 2020	1 January 2021	15 December 2019	(EU) 2020/2097 16 December 2020	No early application is envisaged
Reform of Interest Rate Benchmarks – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021	Early application is permitted

It should be noted that these documents have not resulted in substantial amendments to the Company's accounting policies.

SECTION 2: GENERAL POLICIES

These financial statements have been prepared on a going-concern basis and in accordance with the accruals principle.

The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and these notes and are accompanied by the Directors' Report on Operations.

In accordance with art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements have been prepared using the Euro as currency; that currency is also the functional currency of the company included in the consolidation. All amounts in this document are expressed in Euro, unless otherwise specified.

The financial statements are prepared clearly and give a true and fair view of the Company's assets and liabilities, financial position and results.

If the information required by international accounting standards and the provisions contained in the "Bank of Italy Provision of 30 November 2018" and the communication of 27 January 2021 - Supplements to the provisions of the Provision- "The financial statements of IFRS intermediaries other than banking intermediaries" concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS, are not sufficient to give a true and fair view, additional information necessary for this purpose is provided in the explanatory notes.

In application of IAS 1, reclassifications have been made where necessary on the data of the previous year (2019), giving appropriate evidence with a note at the bottom of the reference table; all for the purpose of better comparability between the data.

In addition, reference is made to interpretative and supporting documents for the application of the accounting standards in relation to the impact of COVID-19, issued by the European regulatory and supervisory bodies and standard setters.

These include:

- EBA notice of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures";
- ESMA notice of 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- IFRS Foundation document of 27 March 2020 "IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic";
- ECB letter of 1 April 2020 "IFRS 9 in the context of the Coronavirus (COVID 19) pandemic" addressed to all significant entities;
- EBA Guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis";

- ESMA notice of 20 May 2020 "Implications of the COVID 19 outbreak on the half-yearly financial reports";
- EBA Guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis";
- ESMA notice of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- EBA Guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis";
- ECB letter of 4 December 2020 "Identification and measurement of credit risk in the context of the Coronavirus (COVID 19) pandemic" addressed to all significant institutions.

If, in exceptional cases, the application of a provision under the international accounting standards is incompatible with the true and fair view of assets and liabilities, financial position and results, it is not applied. The explanatory notes explain the reasons for any exceptions and their impact on how the assets and liabilities, financial position and results are presented.

SECTION 3: EVENTS AFTER THE CLOSING DATE

The Covid-19 pandemic is generating a significant negative impact on the socio-economic status globally and, of course, at country system level. At this stage, it is not possible to fully predict the macro-economic impacts.

At corporate level, however, there is a good capital holding, generated with constantly positive results over the years, and with a level of loans that does not saturate the absorption capacity of capital, and allows, on the basis of the information currently available at macro-economic level, to cope with any negative impacts (credit to customers and financial portfolio) without prejudice to the Company's continuity.

SECTION 4: OTHER ASPECTS

Impacts of the COVID-19 epidemic, risks and uncertainties

With the communication of 27 January 2021 concerning "the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS", the Bank of Italy supplemented the provisions governing the financial statements of intermediaries contained in the Provision "The financial statements of IFRS intermediaries other than banking intermediaries" of 30 November 2018 in order to provide information on the effects that COVID-19 and measures to support the economy have had on the strategies, objectives and policies for risk management, as well as on the economic and capital position of intermediaries.

In defining the additions, the Bank of Italy has taken into account, where applicable, the documents published in recent months by European regulatory and supervisory bodies and by standard setters aimed at clarifying the methods of application of IAS/IFRS in the current context, with reference to the impact on the application of IFRS 9, IAS 19, as well as IFRS 16 on lease concessions associated with COVID-19.

During 2020, in fact, in line with the evolution of the health and economic framework, there was a series of regulatory interventions, mainly of an interpretative nature and to support the application of the accounting standards in relation to the impacts of COVID-19.

It should be noted that, since the first days of the health and social emergency that hit Italy, the Parent Company has been fully committed to dealing effectively with the difficult context, in line with the measures implemented by the Lombardy Region, constantly ensuring the operational continuity of its processes and services, despite the considerable difficulties. Successfully adopting solutions to cope with emergency, mitigate risk and ensure service continuity through smart working, process digitalisation and systemic process interventions. The Parent Company has also assured support for Lombardy businesses, in partnership with the Lombardy Region.

The estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. The main areas of estimation uncertainty include those related to credit losses, fair value of financial instruments, employee benefits and impairment of financial assets.

The impact of the pandemic did not in any way affect the company's ability to continue as a going concern, given the company's solid capitalisation and the timely organisational and strategic actions taken by management to contain and mitigate both the operational and credit risks associated with the global crisis.

There is no impact on the application of IFRS16, as the company does not have any existing contracts that fall within the cases envisaged by the international accounting standard (the lease agreement for the previous headquarters expired in May 2020).

With regard to the impact on employee benefits, reference should be made to the specific paragraph in section B on the application and assumptions underlying IAS 19.

With regard to the adjustments made to the models for calculating expected losses in accordance with IFRS 9, more detailed information is provided in Part D – Section 3 – Information on risks and related hedging policies.

The effects on the income statement of the COVID-19 impacts on adjustments to financial assets at amortised cost are shown in Table 8.1(a) in Part C Information on the income statement in section 8 of these explanatory notes.

SECTION 5: SCOPE AND METHODS OF CONSOLIDATION

Equity investments in wholly-owned and jointly-owned subsidiaries:

Finlombarda S.p.A. consolidates on a line-by-line basis.

- a) Finlombarda Gestioni SGR, Via Torquato Taramelli 12, Milan;
- b) Subsidiary;
- c) The percentage of investment is 100.00%.

It is recalled that since Finlombarda Gestioni SGR S.p.A.'s financial statements have been prepared in accordance with IFRS 5. They are consolidated in the line items reserved for Groups of assets and liabilities held for sale and in the corresponding income statement caption.

PART A – FINANCIAL STATEMENT POLICIES (A.2 – MAIN FINANCIAL STATEMENT ITEMS)

This section sets out the accounting standards applied in the preparation of these financial statements. The accounting principles are explained with reference to the classification, recognition, measurement and derecognition of the various balance sheet items.

Cash and cash equivalents

This item includes legal currencies, including banknotes and coins in foreign currency, bank cheques, cashier's cheques and others. This item is shown at its face value.

Financial assets measured at fair value through profit or loss

This category comprises financial assets other than those classified among the “Financial assets measured at fair value through other comprehensive income” and “Financial assets measured at amortised cost”. These include:

- the debt securities or loans to which an “Other” Business Model is associated, i.e. a method of managing financial assets not directed at the collection of contractual cash flows (“Hold to collect” Business Model) at the collection of contractual cash flows and at the sale of financial assets (“Hold to collect and Sell” Business Model);
- the debt securities, loans and mutual fund units whose contractual terms do not provide exclusively for principal repayments and interest payments on the amount of the principal to be returned (i.e. which do not pass the “SPPI test”);
- the equity instruments that cannot be qualified as exclusive control, affiliation and joint control, held for trading purposes or for which, upon first recognition, the option to classify them among “Financial assets measured at fair value through other comprehensive income” was not selected.

Below, more detailed information is provided about the three sub-items comprising the category in question, represented by: a) “Financial assets held for trading”, b) “Financial assets designated at fair value”; c) “Other financial assets mandatorily measured at fair value”.

a) Financial assets held for trading

A financial asset (debt instruments, equity instruments, loans, mutual fund units) is classified as held for trading if it is managed with the goal of realising cash flows by its sale, i.e. if it is associated with the “Other” Business Model, inasmuch as:

- it was acquired for the purpose of being sold in the short term;
- it is included in a portfolio of financial instruments that are managed jointly and for which there is a proven strategy directed at achieving profits in the short term.

It also includes derivative contracts having positive fair value, not designated within an accounting hedge. Derivative contracts include those incorporated in complex financial instruments, in which the primary contract is a financial liability, which were subjected to separate recognition because:

- their economic characteristics and risks are not closely correlated with the characteristics of the underlying contract;
- the incorporate instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are measured at fair value with the related changes recognised in the income statement.

A derivative shall be considered to be a financial instrument or other contract presenting the following characteristics:

- its value changes in relation to the change of an interest rate, of the price of a financial instrument, of the price of a good, of the foreign currency exchange rate, of an index of prices or rates, of the credit rating or of credit indicators or of another pre-determined variable (“underlying”) provided that, in the case of a non-financial variable, it is not specific of one of the contractual parties;
- it does not require an initial net investment or it requires a smaller initial net investment than what would be required for other types of contracts from which a similar response to changes in market factors would be expected;
- is paid at a future date.

b) financial assets designated at fair value

A financial asset (debt securities and loans) may be designated at fair value upon initial recognition, with valuation results recognised in the income statement, only when such designation allows to provide better disclosure because it eliminates or markedly reduces a lack of consistency in the measurement or in the recognition that otherwise would result from the measurement of assets or liabilities or from the recognition of the related profits and losses on different bases (“accounting mismatch”).

c) Other financial assets mandatorily measured at fair value

The other financial assets mandatorily measured at fair value represent a residual categories and comprise financial instruments that do not meet the requirements, in terms of business model or of characteristics of the cash flows, for classification among assets measured at amortised cost or at fair value through other comprehensive income. In detail, these include:

- debt securities or loans whose contractual terms do not provide exclusively for principal repayments and interest payments on the amount of the principal to be returned (i.e. which do not pass the “SPPI test”);

- mutual fund units;
- equity instruments not held for trading purposes, for which the option to classify them among assets measured at fair value through other comprehensive income was not selected.

Recognition criteria

The initial recognition of financial assets takes place on the payment date for debt instruments, equity instruments and mutual fund units, at the date of disbursement for loans and on the date of execution for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which normally corresponds to the price paid, without considering transaction costs or income directly attributable to the financial instruments, which are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Definition and classification

Under item “30. Financial assets measured at fair value through other comprehensive income” are classified the following financial assets (debt instruments, equity instruments and loans):

- financial instruments (debt instruments and loans) associated with the Hold to Collect & Sell Business Model whose contractual terms provide, at determined dates, cash flows represented solely by payments of the principal and interest on the principal to be repaid and which therefore passed the SPPI test;
- equity instruments (shareholdings not qualifiable as controlling, affiliation and joint control) for which, in accordance with the “OCI election”, the option of presenting changes in value in the statement of comprehensive income is selected.

To the Hold to Collect & Sell Business Model can be associated the financial instruments held within a business model whose goal is achieved both through the collection of cash flows and through the sale of the instruments themselves.

Recognition criteria

The financial instruments measured at fair value through comprehensive income are initially recognised when, and only when, the enterprise becomes a party in the contractual clauses of the instrument, i.e. at the time of settlement, at a value equal to fair value generally coinciding with their cost. This value includes the costs or income directly connected with the instruments.

Measurement criteria

After the initial recognition, these activities continue to be measured at fair value with value changes being posted under the item “160. Valuation reserves”. In the Income Statement, under item “10. Interest and similar income”, is recognised the interest accrued on financial instruments constituted by receivables and debt instruments classified under item “30. Financial assets measured at fair value through other comprehensive income”.

At every closing date of the Financial Statements or reporting date, only for instruments associated with the Hold to Collect & Sell Business Model, the impairment losses of these activities are estimated, in accordance with the impairment rules of IFRS 9.

Adjustments are immediately recognised in the Income Statement under item “130. Impairment/reversal of impairments for credit risk”, balancing entry to the item “160. Valuation reserves”, as are partial or total recoveries of previously impaired amounts. Reversals of impairment are recognised in relation to an improved quality of the asset, such as to entail a decrease in the overall impairment recognised previously.

In the Income Statement, under item “10. Interest and similar income”, is recognised the amount represented by the progressive release of the present value calculated at the time of recognition of the adjustment.

Additional, in the Income Statement, under item “70. Dividends and similar income”, are recognised the dividends pertaining to the equity instruments for which the “OCI election” was adopted.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised from the Financial Statements if one of the following situations occurs:

- the contractual rights on the cash flows deriving therefrom have expired; or
- the financial asset is sold with substantial transfer of all risks and benefits deriving from ownership thereof; or
- the financial asset is written off or when there no longer is any reasonable expectation to recover the financial asset, including the cases of giving up the asset; or
- the entity maintains the contractual right to receive the financial flows deriving therefrom, but it concurrently assumes the contractual obligation to pay the flows to a third party;
- contractual amendments to the agreement configure “substantial” changes.

The result of the derecognition of these assets is recognised:

- for financial instruments associated with the Hold to Collect & Sell Business Model in the Income Statement under item “100. b) Gains (losses) from sale or repurchase of: financial

assets measured at fair value through other comprehensive income” in case of sale. Otherwise, in all other cases, it is recognised under item “130. Net impairment/reversals of impairment for credit risk”;

- for equity instruments for which the “OCI election” was adopted, under shareholders’ equity, in item “110. Valuation reserves”. Following the derecognition of these assets, the balance recognised in item “110. Valuation reserves” is reclassified in item “140. Reserves”.

Financial assets measured at amortised cost

Definition and classification

Under item “40. Financial assets measured at amortised cost” are classified the financial assets (debt instruments and loans) associated with the Hold to Collect Business Model whose contractual terms provide, at determined dates, cash flows represented solely by payments of the principal and interest on the principal to be repaid and which therefore passed the SPPI test. To the Hold to Collect Business Model can be associated the financial instruments held within a business model whose goal is to possess said instruments in order to collect the cash flows.

In more detail, this item includes:

- receivables from banks (e.g. current account, security deposits, debt instruments);
- receivable due from customers (e.g., loans, financial leases, factoring transactions, debt securities).

Recognition criteria

- The financial instruments measured at amortised cost are initially recognised when, and only when, the enterprise becomes a party in the contractual clauses of the instrument, i.e. at the time of settlement, at a value equal to fair value, understood to be the cost of the instrument, including any directly attributable costs and income.
- Repurchase agreements with obligation to repurchase or resell forward are recognised in the Financial Statements as funding or lending transactions. In particular, spot sale and forward repurchase transactions are recognised in the financial statements as payable for the spot-collected amount, while spot purchase and forward resale transactions are recognised as receivables for the amount paid spot.

Measurement criteria

- These financial instruments are measured at amortised cost using the effective interest rate criterion. The result deriving from the application of this method is recognised in the Income Statement under item “10. Interest and similar income”.
- The amortised cost of a financial asset is the value at which the asset was measured at the time of the initial recognition net of principal repayments, plus or minus the total amortisation using the effective interest criterion on any difference between the initial value and the value at maturity, and deducting any reduction (following an impairment or irrecoverability).
- The effective interest criterion is the method for calculating the amortised cost of a financial asset or liability (or group of financial assets and liabilities) and the allocation of the interest income or liabilities throughout the related duration. The effective interest rate is the rate that uses exactly the future payments or collections estimated throughout the expected lifetime of the financial instrument. To determine the effective interest rate, it is necessary to assess the cash flows taking into consideration all contractual terms of the financial instrument (e.g., early payment, a buy option or the like), but future losses on receivables are not considered. The calculation includes all expenses or basis points paid or received between the parties of an agreement that are integral parts of the effective interest rate, transaction costs, and all other premiums or discounts.
- At every closing date of the Financial Statements or reporting date the impairment losses of these activities is estimated, in accordance with the impairment rules of IFRS 9.
- Detected impairments are immediately recognised in the Income Statement under item “130. Net impairment/reversals of impairment for credit risk”, as are partial or total recoveries of previously impaired amounts. Reversals of impairment are recognised in relation to an improved quality of the exposure, such as to entail a decrease in the overall impairment recognised previously.
- In the Income Statement, under item “10. Interest and similar income”, is recognised the amount represented by the progressive release of the present value calculated at the time of recognition of the adjustment.

Equity investments

The item includes equity investments in subsidiaries, joint ventures and companies subject to significant influence, other than minority interests placed under "assets held for sale".

Equity investments are initially recognised at cost. Subsequently, they are measured using the equity method; therefore, accounting adjustments are booked to the income statement.

At 31 December 2020, the Parent Company holds 100% in Finlombarda Gestioni SGR S.p.A.

Please note that, in application of IFRS 5, the interest held in Finlombarda Gestioni SGR S.p.A. was classified under item 130 of the balance sheet "Non-current assets and groups of assets held for sale".

Fair value hierarchy

In March 2009, the IASB issued an amendment to IFRS 7 to regulate the so-called "fair value hierarchy". In particular, the amendment defines three levels of fair value (IFRS 7, para. 27A):

- level 1: if the financial instrument is listed on an active market;
- level 2: if the fair value is determined using valuation techniques that refer to observable market parameters, other than listings of the financial instrument;
- level 3: if the fair value is determined using valuation techniques that refer to parameters that are not observable in the market. Therefore, if the fair value is estimated using market data (other than listed prices in an active market), but that require significant adjustment based on unobservable market data, that measurement falls into level 3.

For level 2 financial instruments, in the absence of quotations on active markets, prices are determined on the basis of credit spreads paid by comparable issuers, where available. Alternatively, the DCF (Discounted Cash Flow) is used as the valuation method based on the discounting of future cash flows, taking the implicit interest rates and a credit spread calculated by Bloomberg as a point of reference, based on market curves.

In the case of Minibond and Basket Bond products, *staging* is determined by analysing the creditworthiness of the counterparties, while the fair value hierarchy is determined by the state of substantial illiquidity, which places them at level 2.

Categ. Financial Instruments	Product	Measurement model	Input of the measurement model
Debt securities	Corporate bonds	ASW (Asset Swap Valuation) function of the Bloomberg system	Interest rate curves, credit spreads from comparables plus an illiquidity premium
Unlisted equities	Shareholdings (Minority equity investments)	Income measurement model	Latest available financial statements

Investments in mutual funds	PE Funds (NEXT Fund unit)	NAV communicated by SGR	N/A
Investments in Minibonds	Corporate bonds of Lombard Enterprises	Discounted Cash Flow	Curves of future interest rates and credit spreads (PD's) excerpted from Bloomberg credit evaluation

Property, plant and equipment

This item shows movable property, furnishings, cars and office equipment, communication equipment and vehicles used in operations; they are carried at cost, less accumulated depreciation and impairment losses. In determining cost we include additional charges and direct costs incurred to bring the asset to the location and condition necessary for it to function, based on the company's requirements.

The costs of repair and routine maintenance are expensed in the year they are incurred. Subsequent costs, which can be reliably determined and which increase the future economic benefits enjoyed by the asset, are capitalised and then depreciated over the residual useful life of the asset in question. Leasehold improvements are classified as property, plant and equipment. Where separable from the main asset, they are allocated to the relevant categories based on the nature of the cost incurred, otherwise they are put into a separate category.

Property, plant and equipment with finite useful life are depreciated on a straight-line basis, over a period equal to the estimated useful life.

As required by IAS 36, property, plant and equipment are tested at least once a year, both for impairment (considering as impairment the negative difference between the book value and the recoverable value) and for the fairness of their residual useful life. In particular, at each annual or interim reporting date, if there is any indication that an asset may have suffered a loss in value, a comparison is made between the carrying value of the asset and its recovery value, which is the higher of its fair value, net of any selling costs, and its value in use, which is the present value of the future cash flows generated by it. Any adjustments are recognised in the income statement. If the reasons that led to recognition of the loss no longer exist, a write-back is made, which cannot exceed the value that the asset would have had in the absence of previous impairment losses, net of depreciation.

Property, plant and equipment is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

This classification includes assets for which the international accounting standard IFRS 16 "Leases" is applied, which was published by the IASB on 13 January 2016 and its endorsement at EU level was through the publication in the Official Journal of the European Union of Regulation (EU) no.

2017/1986 of 9 November 2017. Effective 1 January 2019, the standard replaces the previous accounting standards and interpretations regarding lease contracts.

IFRS 16 introduces a new definition of lease based on control (right of use) of the use of an identified asset for a set period of time in exchange for a consideration, identifying as discriminating factors: the identification of the asset, the right for it not to be replaced by the lessor, the right to obtain substantially all the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract. The definition of "lease contracts" includes, in addition to lease contracts in the strict sense of the term, also, for example, rental, lease and non-gratuitous loan contracts.

The standard introduces a single model for recognising leases in the financial statements, regardless of whether they are operating or financial leases, generally requiring recognition respectively as liabilities and assets in the balance sheet of:

- a right of use of the asset (hereinafter RoU), equal to the lease liability increased by the initial direct costs, the estimate of dismantling costs and net of incentives,
- a lease liability, equal to the present value of future payments determined using the discount rate defined at the lease contract effective date.

The lessee shall measure the asset consisting of the RoU by applying the cost model. The income statement is essentially impacted by the amortisation of the right of use, recorded under operating expenses, and by the interest accrued on the lease liability, recorded under net interest income.

As early as the previous year, the Parent Company analysed the scope of contracts to be subjected to IFRS 16, and defined the related accounting treatment - upon first-time application and when fully operational - and identified the necessary IT and organisational implementations.

From the analysis carried out, the accounting standard IFRS 16 is applicable to only one contract concerning the lease of the building for office use, applicable throughout the year of comparison (2019) and until 31 May 2020, the date of early termination of the contract. For the year 2020, no additional contracts have been identified for which the application of IFRS 16 is required.

With reference to the options and exemptions prescribed by IFRS 16, the Company made the following choices:

- IFRS 16 is not generally applied to intangible assets, to agreements with a short duration (i.e., less than 18 months) and of low unit value;
- the right of use and the financial liabilities relating to lease agreements are classified on specific items in the balance sheet;

- any component relating to the performance of services included in lease payments is generally excluded from IFRS 16;
- agreements with similar characteristics are assessed using a single discounting rate;
- lease agreements previously measured as financial leases in accordance with IAS 17 maintain the previously recorded values.

Upon initial application, i.e., as of 1 January 2019 and until 31 May 2020, with respect to the single contract subject to application, the calculation was performed using the option provided by the Accounting Standard to align assets and liabilities as of the date for all active leases. Therefore, the effect of the accounting entry is: Assets = Liabilities.

Intangible assets

Intangible assets consist of software and the website.

According to IAS 38 (Intangible Assets), acquired intangible assets are recognised as assets when:

- it is likely that their use will generate future economic benefits;
- the Company has control, i.e. the power to obtain such benefits;
- the cost of the asset can be measured reliably.

Assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the asset's estimated useful life. As required by the accounting standards, intangible assets are tested at least once a year, both for impairment, considering as a loss the negative difference between the excess book value with respect to the recoverable value, and for the fairness of the residual useful life.

There are no assets with indefinite useful lives in the balance sheet.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it.

Current and deferred taxes

Tax assets and liabilities are reported in the Balance Sheet under items "100. Tax assets" and "60. Tax liabilities".

Current tax assets and liabilities

Current taxes for the year and for previous ones, to the extent to which they have not been paid, are recognised as liabilities; any excess amount with respect to the amount due is recognised as an asset.

Current tax assets (liabilities) of the current year and of previous ones are measured at the amount expected to be paid/recovered from the Tax Authorities at current tax rates and according to the tax legislation currently in force.

Current tax assets and liabilities are derecognised in the year when the assets are realised or the liabilities are extinguished.

Deferred tax assets and liabilities

For taxable temporary differences, a deferred tax liability is recognised, unless the deferred tax liability derives:

- from goodwill whose amortisation is not tax deductible or
- from the initial recognition of an asset or of a liability in a transaction that:
 - it is not a business combination; and
 - at the time of the transaction it does not influence either the accounting profit or the taxable income.

Deferred taxes are not calculated with regard to higher values of the untaxed assets relating to equity investments and to untaxed reserved because at present it is deemed reasonable that the conditions for their future taxation are met.

Deferred tax liabilities are recognised in the Balance Sheet item “60. b) Deferred tax liabilities”.

For all deductible temporary differences, a deferred tax asset is recognised if it is probable that a taxable income will be used with regard to which the deductible temporary difference may be used, unless the deferred tax asset derives from:

- negative goodwill, which is treated as a deferred revenue;
- initial recognition of an asset or of a liability in a transaction that:
 - it does not represent a business combination; and
 - at the time of the transaction it does not influence either the accounting profit or the taxable income.

Deferred tax assets are recognised in the Balance Sheet item “100. b) Prepaid tax assets”.

Prepaid tax assets and deferred tax liabilities are subject to constant monitoring and are quantified according to the tax rates expected to be applicable in the year when the tax asset will be realised or the tax liability will be extinguished, taking into account the tax regulations deriving from current provisions.

Prepaid tax assets and deferred tax liabilities are derecognised in the year when:

- the temporary difference that originated them becomes taxable with reference to the deferred tax liabilities or deductible with reference to prepaid tax assets;
- the temporary difference that originated them loses tax relevance.

Prepaid tax assets and deferred tax liabilities are not discounted or, as a rule, mutually offset.

Financial liabilities measured at amortised cost

Definition and classification

The various forms of interbank and customer financing are represented in the following Financial Statement items:

“10. a) Financial liabilities measured at amortised cost: Payables”;

“10. b) Financial liabilities measured at amortised cost: Securities issued”.

These items also include the payables recognised by the lessee within financial leases.

Recognition criteria

These liabilities are recognised in the financial statements at the time the sums raised are received or the debt securities are issued. The value at which they are initially recognised is equal to their fair value, usually equal to the consideration received or the issue price, including any additional costs/income directly attributable to the transaction and determinable from inception, regardless of when they are settled. All charges that are subject to reimbursement by the creditor counterparty or that are attributable to internal administrative costs are not included in the initial recognition value.

Measurement criteria

After the initial recognition, medium/long term financial liabilities are measured at amortised cost using the effective interest rate method as defined in the previous paragraphs.

Short-term liabilities, for which the time factor is not significant are measured at cost.

Derecognition criteria

Financial liabilities are derecognised from the Financial Statements when they are extinguished or expired.

The repurchase of own-issue securities entails their derecognition for accounting purposes with consequent redefinition of the payable for issued securities. Any difference between the repurchase value of own securities and the corresponding accounting value of the liability is recognised in the Income Statement under item "100. c) Gains (Losses) from sale or repurchase of: financial liabilities". Any subsequent re-placement of own securities, previously derecognised for accounting purposes, constitute, from the accounting viewpoint, a new issue with consequent recognition at the new placement price, without any effect in the Income Statement.

Employee severance indemnities

Employee severance indemnities are similar to a "post employment benefit" under a "defined benefit plan", the value of which is determined on an actuarial basis in accordance with IAS 19.

Consequently, the year-end assessment is carried out based on the accrued benefits using the Projected Unit Credit Method.

This method involves the projection of future payments based on historical analysis, statistics and probabilities, adopting suitable demographic techniques.

It makes it possible to calculate the severance indemnities accruing at a specific date on an actuarial basis, distributing the burden for all the years of remaining service of the employees currently in force and not as a cost payable if the company were to cease operations at the balance sheet date. The valuation of severance indemnities for employees was carried out by an independent actuary using the method outlined above.

Following the entry into force of the reform of supplementary pensions, as per Legislative Decree no. 252/2005, the portions of severance pay accrued up to 31.12.2006 remain in the company, while the amounts accruing from 1 January 2007 can be allocated to a supplementary pension plan.

The portions accrued and transferred to supplementary pension funds are accounted for in the income statement in sub-item 110a), as specified in Section 9 of Part C of these explanatory notes.

These portions constitute a defined contribution plan since the Company's obligation to the employee ceases on payment of the amounts accrued. In this event, the Company's liabilities can include only the portion due (shown under "other liabilities") of payments outstanding to supplementary pension funds at the balance sheet date.

Recognition of actuarial gains and losses

IAS 19 requires that all actuarial gains and losses accrued at the reporting date are recognised immediately in the Statement of Other Comprehensive Income (OCI).

There is no longer the possibility of deferral through the corridor method (which has been eliminated), as well as their possible recognition in the income statement. Consequently, the standard allows the recognition of actuarial gains/losses exclusively in OCI.

The Company opted for early application of the amended standard in the financial statements for the year ended 31 December 2012.

Provisions for risks and charges

Definition

The allocation is defined as a liability with uncertain due date or amount. Conversely, a potential liability is defined:

- as a possible obligation arising from past events and whose existence will be confirmed only by whether one or more future events, not totally under the control of the enterprise, occur;
- a current obligation that arises from past events, but that is not recognised because:
 - it is not probable that use of financial resources will be necessary to extinguish the obligation;
 - the amount of the obligation cannot be determined with sufficient reliability.

Potential liabilities are not subject to accounting recognition, but only to disclosure, unless they are deemed remote.

Recognition and measurement criteria

The allocation is recognised in the accounts if and only if:

- there is a (legal or constructive) obligation as a result of a past event; and
- it is not probable that fulfilling the obligation will require the use of resources able to produce economic benefits;
- the amount deriving from fulfilling the obligation may be reliably estimated.

The amount recognised as allocation represents the best estimate of the expense required to fulfil the obligation existing at the reference date of the Financial Statements and reflect risks and uncertainties that inevitably characterise a plurality of facts and circumstances. The amount of the allocation is represented by the present value of the expenses supposed to be necessary to extinguish the obligation when the effect of the present value is a material aspect. Future facts that may affect the amount required to extinguish the obligation are taken into consideration only if there is sufficient objective evidence that they will occur.

Allocations to Provisions for Risks and Charges include the risk deriving from any tax dispute.

Provisions for Risks and Charges also include:

- allocations pertaining to the commitments and to the financial guarantees issued, subject to the impairment rules of IFRS 9;
- the expenses pertaining to defined-benefit pension funds per the provisions of IAS 19.

Derecognition criteria

The allocation is reversed when the use of resources able to produce economic benefits to fulfill the obligation becomes improbable.

Non-current assets and groups of assets held for sale

The aggregate value of non-current assets and liabilities and of the groups of non-current assets and liabilities comprises:

- assets held for sale that do not meet IFRS 5 requirements to be qualified as “discontinued operations”; and
- “discontinued operations” in accordance with the definition of IFRS 5.

For this aggregate, the accounting value will presumably be recovered through the sale rather than through continued use, therefore the related assets and liabilities are classified, respectively, in the Balance Sheet items “110. Non-current assets and groups of assets held for sale” and “70. Liabilities associated with assets held for sale”.

To be classified in the aforesaid items, the assets or liabilities (or group held for sale) must be immediately available for sale and active, concrete programmes must be in place to dispose of the asset or liability in the short term.

These assets or liabilities are measured at the lower amount between the book value and their fair value minus sale costs.

The gains and losses attributable to groups of assets and liabilities held for sale are posted in the Income Statement, under item “290. Gain (Loss) from discontinued operations”. The gains and losses attributable to individual assets held for sale are recognised in the most suitable Income Statement item.

Revenue recognition

Revenues are recognised when they are collected or, in the case of the sale of goods or products, when it is likely that we will receive the future economic benefits from the transaction and these

benefits can be measured reliably, in the case of services, when the services are performed. In particular:

- fees for services provided to the Lombardy Region are classified in the category of revenues that accrue in connection with the provision of the service performed and recorded on an accruals basis in proportion to the stage of completion, costs incurred and residual future profitability margins;
- late payment interest, if provided for by contract, is recognised in the income statement only when collected;
- dividends are recognised in the income statement when they are declared;
- revenues from the trading of financial instruments, representing the difference between the transaction price and the fair value of the instrument.

Use of estimates

For the purpose of preparing the financial statements, the Directors have adopted estimates that affect the values of assets and liabilities recognised, as well as the disclosures about contingent assets and liabilities.

These estimates are reviewed periodically and the effects of any changes reflected immediately in the income statement.

Other information

Impairment of financial instruments

In accordance with IFRS 9, the following are subject to the related impairment provisions:

- “Financial assets measured at amortised cost”;
- “Financial assets measured at fair value through other comprehensive income” other than equity instruments;
- the commitments to grant loans and the guarantees given that are not measured at fair value through profit or loss.

General approach

The quantification of “Expected Credit Losses” (ECL), i.e. the expected losses to be recognised in the Income Statement as value adjustments, is determined according to the presence or absence of a significant increase in the credit risk of the financial instrument with respect to the one determined at its initial recognition date.

For this purpose, instruments subject to impairment rules are conventionally associated with different stages, characterised by different rules for the quantification of adjustments.

- In particular: in the absence of a significant increase in credit risk relative to the initial recognition, the financial instrument is maintained at stage 1 and with respect to it an adjustment is recognised in the Financial Statements, equal to the loss expected at 12 months (i.e. the expected loss resulting from default events on the financial asset that are deemed possible within 12 months from the date of the reference period);
- in the presence of a significant increase in credit risk relative to the initial recognition, the financial instrument is associated with stage 2, or with stage 3 if the financial instrument is impaired, and an adjustment is recognised in the Financial Statements, equal to the expected lifetime loss (i.e. the expected loss resulting from default events on the financial asset that are deemed possible throughout the entire lifetime of the financial asset).

An exception to the above is represented by “Impaired financial assets acquired or originated” - “POCI” -, and by the assets that are measured according to the provisions of the “Simplified method”, discussed in specific points of the present paragraph.

An improvement in credit risk, such as to nullify the conditions that had led to the significant increase thereof, or the loss of the impaired status, entail the re-attribution of the financial instrument to the previous stage. In this case, the entity redetermines the previously recognised adjustment, recognising a write-back in the Income Statement.

Expected losses are an estimate of the losses (i.e. the present value of all possible missed collections) weighted according to the probability of default throughout the expected lifetime of the financial instrument.

The general approach to estimating expected losses is determined by the application of regulatory risk parameters, adjusted to make them compliant with the requirements of IFRS 9.

The losses expected in the 12 following months are a fraction of the losses expected throughout the lifetime of the receivable, and they represent the losses that would be determined in case of non-compliance in the 12 months following the reference date of the Financial Statements, weighted according to the probabilities of non-compliance.

Non performing positions are measured, as a rule, according to analytical methods.

The criteria for estimating the write-downs to be applied to impaired receivables are based on the discounting of the expected cash flows taking into account any guarantees supporting the positions and any advances received. For the purposes of determining the present value of the flows, the fundamental elements are represented by the identification of the estimated collections, of the related due dates and of the discount rate to be applied. The size of the adjustment is equal to the

difference between the book value of the asset and the present value of expected future cash flows, discounted at the original effective interest rate, appropriately revised for instruments with floating interest rate, or, in case of positions classified as non-performing, at the effective interest rate prevailing at the date of classification as non-performing.

Simplified approach

The quantification of the expected losses according to the provisions of the simplified method always takes place on the basis of the lifetime ECL and therefore does not require verification of the presence of the significant increase in credit risk with respect to the one existing as at the date of initial recognition of the asset.

Finlombarda adopts this method for trade receivables and assets deriving from contracts in the absence of significant financial components, i.e. only for cases for which adoption of the simplified approach is mandatory in accordance with IFRS 9. In this regard, Finlombarda did not opt to use this method for those cases in which the application is optional.

Calculation of interest income on financial assets subject to impairment

Interest income is calculated, as stated in the above paragraph, by applying the “criteria of the effective interest rate”, with the exception of “Acquired or originated impaired financial assets” - POCI - discussed in the following point.

The quantification of interest income differs according to the stage with which the financial instrument is associated for the purposes of determining value adjustments: In particular:

- for the assets associated with stages 1 and 2, or performing positions, the effective interest rate is applied to the gross book value of the financial asset, represented by the amortised cost of the financial instrument without the value adjustments recognised as a whole;
- for the assets associated with stage 3, or impaired positions, the effective interest rate is applied to the amortised cost of the financial instrument, represented by the gross book value minus the accumulated value adjustment.

Write-Off

The gross book value of a financial asset is reduced, in accordance with IFRS 9, when there is no reasonable expectation of its recovery. Write-off, which constitutes an accounting elimination event (i.e., derecognition), may pertain to the financial asset as a whole or in part and it may be posted before the legal actions activated to proceed with the recovery of the exposure are concluded.

The write-off does not necessarily imply the intermediary's waiver of the legal right to collect the receivable; this waiver, known as "debt forgiveness", in any case entails the derecognition/write-off of the deteriorated position.

Any collections, subsequent to the write-off, are recognised among write-backs.

The numbering of the sections, as well as the numbering of the tables, follows the outline indicated in the Bank of Italy's provision of 30 November 2018 and in the communication of 27 January 2021 - Supplements to the provisions of the Provision- "The financial statements of IFRS intermediaries other than banking intermediaries" concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS. Sections with zero are therefore not included.

*PART A – FINANCIAL STATEMENT POLICIES (A.3 – DISCLOSURE ON
TRANSFERS OF FINANCIAL ASSETS BETWEEN PORTFOLIOS)*

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, BOOK VALUE AND INTEREST INCOME

There were no reclassifications of financial assets due to changes in the business model.

A.3.2 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, FAIR VALUE AND EFFECTS ON COMPREHENSIVE INCOME BEFORE TRANSFER

There were no reclassifications of financial assets due to changes in the business model.

A.3.3 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL AND EFFECTIVE INTEREST RATE

There have been no transfers of financial assets.

PART A – FINANCIAL STATEMENT POLICIES (A.4 – DISCLOSURES ON FAIR VALUE)

QUALITATIVE INFORMATION

For a discussion of the methods used to measure the fair value of assets and liabilities for the purposes of the financial statements and for the disclosures made in the explanatory notes for certain assets/liabilities measured at amortised cost/cost, please refer to the sections on the various accounting categories contained in the chapter entitled "A.1 General Part".

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

For assets and liabilities measured at fair value on a recurring basis in the financial statements, in the absence of active market prices, valuation methods are used in line with those generally accepted and used by the market.

For level 2 financial instruments, prices are determined on the basis of credit spreads paid by comparable issuers, where available. Alternatively, the DCF (Discounted Cash Flow) is used as the valuation method based on the discounting of future cash flows, taking the implicit interest rates and a credit spread calculated by Bloomberg as a point of reference. Note that the only items that are measured at fair value in the financial statements at 31/12/2020 are on a recurring basis and consist solely of financial assets.

A.4.2 Measurement processes and sensitivity

The Company generally performs a sensitivity analysis of unobservable inputs, through a stress test on all significant unobservable inputs for the valuation of the different types of financial instruments belonging to Level 3 of the fair value hierarchy; according to that test we determine certain potential changes in fair value, by type of instrument, attributable to plausible changes in unobservable inputs.

A.4.3 Fair value hierarchy

For a review of the procedures followed by the Company to determine the levels of fair value of assets and liabilities, refer to the section on "Fair value hierarchy" in Part A.2 "Information on the main financial statement aggregates".

A.4.4 Other information

To date, there is no information to be provided under IFRS 13, paragraph 93(i).

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	35.123.704		415.254	37.227.627	10.908.197	436.255
a) financial assets held for trading					10.908.197	
b) financial assets designated at fair value						436.255
c) other financial assets mandatorily measured at fair value	35.123.704		415.254	37.227.627		
2. Financial assets measured at fair value through other comprehensive income	66.016.347	18.313.667	896.216	66.806.509	73.064.475	900.480
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	101.140.051	18.313.667	1.311.470	104.034.136	83.972.672	1.336.734
1. Financial liabilities held for trading						
2. Financial liabilities designated at fair value						
3. Hedging derivatives						
Total						

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

The securities in level 2 refer to Minibonds issued by corporate companies. While those shown in level 3 are represented by the Next Fund (UCITS) and minor equity investments.

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

Changes	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
	Total	of which a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance				436.255	900.480			
2. Increases								
2.1 Purchases								
2.2 Profits allocated to:								
2.2.1 Income statement of which: capital gains								
2.2.2 Equity								
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases				-21.001	-4.263			
3.1 Sales								
3.2 Reimbursements								
3.3 Losses allocated to:				-21.001				
3.3.1 Income statement of which: capital losses				-21.001				
3.3.2 Equity								
3.4 Transfers to other levels								
3.5 Other decreases					-4.263			
4. Closing inventories				415.254	896.216			

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

The changes in financial instruments classified at Level 3 relate to the company's own fund Next managed by its investee Finlombarda Gestioni SGR, as well as to minor equity investments; specifically, the change reflects the derecognition of the value of the equity investment in Agenzia per la Cina.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a recurring basis: breakdown by fair value levels.

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	300.612.640	36.484.167		278.975.874	288.216.762	60.708.621		227.546.457
2. Investment properties								
3. Non-current assets and groups of assets held for sale								
Total	300.612.640	36.484.167		278.975.874	288.216.762	60.708.621		227.546.457
1. Financial liabilities measured at amortised cost	162.098.639	50.871.500		111.935.402	216.919.265	52.112.808		166.782.118
2. Liabilities associated with assets held for sale								
Total	162.098.639	50.871.500		111.935.402	216.919.265	52.112.808		166.782.118

The financial assets represented in Level 3 consist of loans and advances to banks for current accounts, loans and advances to customers and non-current assets and groups of assets held for sale.

PART A – FINANCIAL STATEMENT POLICIES (A.5 – DISCLOSURES ON “DAY ONE PROFIT/LOSS”)

A.5 Information on “Day one profit/loss”

As regards the information required on the day one profit/loss, for the financial instruments in the financial statements at 31/12/2020, we can report that there are no significant differences between the fair value at the time of their initial recognition and the amount determined on the same date using the measurement technique adopted by the Company.

PART B – INFORMATION ON THE BALANCE SHEET (B.1 – ASSETS)

SECTION 1 – CASH AND CASH EQUIVALENTS

This section illustrates item 10.

1.1 Cash and cash equivalents: breakdown

	31/12/2020	31/12/2019
a) Cash	2.730	3.489
b) Demand deposits at Central Banks		
Total	2.730	3.489

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This section illustrates item 20.

2.4 Financial assets designated at fair value: breakdown by category

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Loans					10.908.197	
2.1 Structured					10.908.197	
2.2 Other						
Total					10.908.197	

The capitalisation policy taken out with Intesa San Paolo Vita was settled in 2020.

2.5 Financial assets designated at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2020	31/12/2019
1. Debt securities		
b) Public administrations		
c) Banks		
d) Other financial companies of which: insurance companies		
e) Non-financial companies		
2. Loans		10.908.197
a) Central banks		
b) Public administrations		
c) Banks		
d) Other financial companies of which: insurance companies		10.908.197
e) Non-financial companies		
f) Households		
Total	0,00	10.908.197

2.6 Other financial assets mandatorily measured at fair value: breakdown by category

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equities						
3. Mutual fund units	35.123.704		415.254	37.227.627		436.255
4. Loans						
4.1 Repurchase agreement						
4.2 Other						
Total	35.123.704		415.254	37.227.627		436.255

The item “Mutual fund units” is represented, in Level 1 of the fair value hierarchy, by Anima SGR, Azimut Consulenza SIM SpA and J.P. Morgan Asset Management funds, whereas Level 3 of fair value hierarchy includes the Next Fund.

Mutual fund units consist of Euro 24,842,007 of the funds managed by Anima SGR, Euro 8,022,118 of the funds managed by Azimut Consulenza SIM SPA and Euro 2,259,579 of the funds managed by J.P. Morgan Asset Management.

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

Items/Amounts	31/12/2020	31/12/2019
1. Equities of which: banks of which: other financial companies of which: non financial companies		
2. Debt securities b) Public administrations c) Banks d) Other financial companies of which: insurance companies e) Non-financial companies		
3. Mutual fund units	35.538.957	37.663.882
4. Loans a) Central banks b) Public administrations c) Banks d) Other financial companies of which: insurance companies e) Non-financial companies f) Households		
Total	35.538.957	37.663.882

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This section illustrates item 30.

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by category

The “debt instruments” item, in Level 1 of the fair value hierarchy, shows debt securities relating to Intesa San Paolo, Unicredit Banca and other issuers, Level 2 shows bonds related to the minibond product and Lombardia Basket bond, while level 3 shows the minor equity investments in the HTCS portfolio. The securities are tested for credit stage at the reporting date.

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	66.016.347	18.313.667		66.806.509	73.064.475	
1.1 Structured securities						
1.2 Other debt securities	66.016.347	18.313.667		66.806.509	73.064.475	
2. Equities			896.216			900.480
3. Loans						
Total	66.016.347	18.313.667	896.216	66.806.509	73.064.475	900.480

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

Equities, for a total of Euro 896,216, are represented by minor equity investments in companies and consortia, which are valued on the basis of each individual company's shareholders' equity.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	31/12/2020	31/12/2019
1. Debt securities	84.330.015	139.870.984
b) Public administrations		10.185.442
c) Banks	27.716.184	25.051.825
d) Other financial companies	30.933.382	22.767.499
of which: insurance companies		
e) Non-financial companies	25.680.449	81.866.218
2. Equities	896.216	900.480
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies	896.216	900.480
3. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total	85.226.231	140.771.464

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

	Gross value				Total impairment			Total partial write-offs (*)
	First stage		Second stage	Third stage	First stage	Second stage	Third stage	
		of which instruments with low credit risk						
Debt securities	80.602.098		3.000.923	726.994	247.534	83.569	4.000	
Loans								
Total 31/12/2020	80.602.098		3.000.923	726.994	247.534	83.569	4.000	
Total 31/12/2019	55.989.657		81.695.914	2.185.413	32.225	390.347	514.400	
of which: financial assets impaired acquired or originated								

Securities classified as second stage concern securities whose ratings deteriorated during the year. The only third-stage position is represented by the Industrial S.p.A. security (minibond).

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

This section illustrates item 40.

4.1 Financial assets measured at amortised cost: breakdown by category of receivables from banks

Type of transactions/Amounts	31/12/2020						31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. Deposits and current accounts	20.234.011					20.234.011	77.292.937					77.292.937
2. Loans												
2.1. Repurchase agreements												
2.2 Finance lease												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities	3.156.939			3.156.939			23.593.934			23.593.934		
3.1 Structured securities												
3.2 Other debt securities	3.156.939			3.156.939			23.593.934			23.593.934		
4. Other assets												
Total	23.390.950			3.156.939		20.234.011	100.886.871			23.593.934		77.292.937

The item “Deposits and current accounts” is represented, in Level 3 of the fair value hierarchy, by current accounts held with Intesa San Paolo, Monte Paschi di Siena, Credit Agricole and other entities.

The item “Debt securities” is represented, in Level 1 of the fair value hierarchy, by obligations issued by Intesa San Paolo, Unicredit, Unipol, Cassa Depositi e Prestiti, Prysmian and other issuers.

4.2 Financial assets measured at amortised cost: breakdown by category of receivables from financial companies

Type of transactions/Amounts	31/12/2020						31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. Loans												
1.1. Repurchase agreements												
1.2 Finance lease												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans												
2. Debt securities	11.837.624			11.837.624			11.957.193				11.957.193	
2.1 Structured securities												
2.2 Other debt securities	11.837.624			11.837.624			11.957.193				11.957.193	
3. Other assets												
Total	11.837.624			11.837.624			11.957.193				11.957.193	

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

The item "Debt securities" is represented, in Level 1 of the fair value hierarchy, by obligations issued by the Unipol Group and Cassa Depositi e Prestiti, while the item "Other assets".

4.3 Financial assets measured at amortised cost: breakdown by category of receivables from customers

Type of transactions/Amounts	31/12/2020						31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. Loans	236.879.903	1.500.311				253.176.713	141.629.588	1.696.499				143.326.086
1.1 Finance lease												
of which: without final purchase												
1.2 Factoring												
- with recourse												
- without recourse												
1.3 Consumer credit												
1.4 Credit cards												
1.5 Pledged loans												
1.6 Loans granted in connection with payment services provided												
1.7 Other loans	236.879.903	1.500.311				253.176.713	141.629.588	1.696.499				143.326.086
of which: from enforcement of guarantees												
2. Debt securities	21.489.604			21.489.604			25.157.495				25.157.495	
Structured securities												
other debt securities	21.489.604			21.489.604			25.157.495				25.157.495	
3. Other assets	5.514.248					5.514.248	6.889.118					6.889.118
Total	263.883.754	1.500.311		21.489.604		258.690.961	173.676.201	1.696.499			25.157.495	150.215.205

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

The item "Other Loans" is represented, in Level 3 of the Fair Value Hierarchy, by 7 loan products "Made in Lombardy", "Credito Adesso", "Credito Adesso Evolution", "Al Via", "Linea Innovazione", "Club Deal and Syndacated loan" and "Turnaround", disbursed to companies in the Lombardy region essentially SMEs and MICAPs and by two loans to SIREG companies, namely Milano Serravalle - Milano Tangenziale S.p.A. and Fondazione Minoprio.

The item “Debt securities” is represented, in Level 1 of the Fair Value Hierarchy, by bonds and government bonds.

Lastly, the item “Other assets” is represented, in Level 3 of the Fair Value Hierarchy, mainly by other receivables from the Lombardy Region and receivables for Progetti Europei (European Projects).

4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of receivables from customers

	31/12/2020			31/12/2019		
	First and second stage	Third stage	of which: assets impaired acquired or originated	First and second stage	Third stage	of which: assets impaired acquired or originated
1. Debt securities	21.489.604			25.157.495		
a) Public administrations	5.004.907			4.980.477		
b) Non-financial companies	16.484.697			20.177.018		
2. Loans to:	236.879.903	1.500.311		141.629.588	1.696.499	
a) Public administrations	12.894.717					
b) Non-financial companies	222.277.261	1.448.630		141.629.588	1.696.499	
c) Households	1.707.925	51.681				
3. Other assets	5.514.248			6.889.118		
Total	263.883.754	1.500.311		173.676.201	1.696.499	

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

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

	Gross value				Total impairment			Total partial write-offs (*)
	First stage		Second stage	Third stage	First stage	Second stage	Third stage	
		of which instruments with low credit risk						
Debt securities	31.495.276		5.009.145		16.016	4.238		
Loans	254.530.613		6.386.950	7.864.240	3.607.777	195.872	6.363.928	5.579
Other assets	5.514.248							
Total 31/12/2020	291.540.137		11.396.095	7.864.240	3.623.793	200.110	6.363.928	5.579
Total 31/12/2019	193.257.687		16.892.941	8.661.645	816.996	67.990	6.965.147	
of which: financial assets impaired acquired or originated								

4.5a) Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment

	Gross value			Total impairment			Total partial write-offs (*)	
	First stage		Second stage	Third stage	First stage	Second stage		Third stage
		of which instruments with low credit risk						
1. Loans granted in accordance with GL	37.893.206		1.000.859		947.641	38.839		
2. Loans granted in accordance with other measures			4.195.977			117.261		
3. New loans								
Total 31/12/2020	37.893.206		5.196.836		947.641	156.100		
Total 31/12/2019								

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2020						31/12/2019					
	Due from banks		Receivables from financial entities		Due from customers		Due from banks		Receivables from financial entities		Due from customers	
	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Guaranteed assets					149.088.240	131.033.738					141.629.588	80.862.819
- Assets under finance lease												
- Receivables for factoring												
Mortgages												
Pledges					406.282	406.282						
Unsecured guarantees					148.681.958	130.627.456					141.629.588	80.862.819
Credit derivatives												
2. Non-performing assets guaranteed by:					1.470.215	1.463.213					1.696.499	6.625.781
- Assets under finance lease												
- Receivables for factoring												
Mortgages												
Pledges												
Unsecured guarantees					1.470.215	1.463.213					1.696.499	6.625.781
Credit derivatives												
Total					150.558.455	132.496.951					143.326.086	87.488.600

SECTION 7 – EQUITY INVESTMENTS

7.1 Equity investments: information about shareholdings

In 2020 the equity investments item 70 shows a zero balance.

The investment in Finlombarda Gestioni SGR SpA has been reclassified under item 110. “Non-current assets and groups of assets held for sale” from 31/12/2014, in application of IFRS 5.

SECTION 8 – PROPERTY, PLANT AND EQUIPMENT

This section illustrates item 80.

8.1 Property, plant and equipment used for business purposes: breakdown of the assets measured at cost

Assets/Amounts	31/12/2020	31/12/2019
1 Property assets	959	19.339
a) land		
b) buildings		
c) furniture	959	18.312
d) IT equipment		1.027
e) other		
2 Purchased under finance leases		618.467
a) land		
b) buildings		618.467
c) furniture		
d) IT equipment		
e) other		
Total	959	637.806
of which: obtained through enforcement of guarantees received		

The application of the accounting standard IFRS 16, which recognised fixed assets net of amortisation of the lease of the office building, brought to zero the asset related to the lease, due to the early termination of the lease on 31 May 2020.

8.2 Property, plant and equipment held for investment purposes: breakdown of assets measured at cost

The Company has no property, plant and equipment held for investment purposes.

8.6 Property, plant and equipment used for business purposes: annual changes

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount		618.467	18.312		1.027	637.806
A.1 Total net reductions in value						
A.2 Opening net amount						
B. Increases:						
B.1 Purchases						
B.2 Capitalised improvement expenditures						
B.3 Reversals of impairment						
B.4 Increases in fair value booked to						
a) equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Reclassified from property held for investment						
B.7 Other changes						
C. Decreases:		-618.467	-17.353		-1.027	-636.847
C.1 Sales						
C.2 Depreciation		-618.467	-17.353		-1.027	-636.847
C.3 Impairment adjustments booked to						
a) equity						
b) income statement						
C.4 Negative changes in fair value booked to:						
a) equity						
b) income statement						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) property, plant and equipment held for investment purposes						
b) non-current assets and groups of assets held for sale						
C.7 Other changes						
D. Closing net amount						
D.1 Total net reductions in value						
D.2 Closing gross amount						
E. Valuation at cost			959			959

SECTION 9 – INTANGIBLE ASSETS

This section illustrates item 90.

9.1 Intangible assets: breakdown

Assets/Amounts	31/12/2020		31/12/2019	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets				
2.1 owned	413.284		462.511	
- generated internally				
- other	413.284		462.511	
2.2 acquired under financial lease				
Total 2	413.284		462.511	
3. Assets relating to finance lease				
3.1 unopted assets				
3.2 assets withdrawn following termination				
3.3 other assets				
Total 3				
4. Assets granted under operating leases				
Total	413.284		462.511	

9.2 Intangible assets: annual changes

	Total
A. Opening balance	462.511
B. Increases	72.153
B.1 Purchases	72.153
B.2 Reversals of impairment	
B.3 Increases in fair value:	
- to equity	
- to income statement	
B.4 Other changes	
C. Decreases	-121.380
C.1 Sales	
C.2 Depreciation	-121.380
C.3 Impairment:	
- equity	
- income statement	
C.4 Decreases in fair value:	
- to equity	
- to income statement	
C.5 Other changes	
D. Closing balance	413.284

SECTION 10 – TAX ASSETS AND TAX LIABILITIES

Assets item 100 and liabilities item 60 are explained in this section.

10.1 “Tax assets: current and deferred”: breakdown

Tax assets amount to Euro 2,119,061 (Euro 3,023,746 at 31.12.2019) of which Euro 1,032,864 are current tax assets, as detailed in the following table, while Euro 1,085,160 are deferred tax assets.

Item description	31/12/2020	31/12/2019
Advance payments of income tax	1.032.864	1.171.225
- IRES	733.735	810.814
- IRAP	299.129	360.411
Other tax receivables	1.037	
Deferred tax assets	1.085.160	1.852.521
Total current taxes	2.119.061	3.023.746

10.2 “Tax liabilities: current and deferred”: breakdown

Tax liabilities amounted to Euro 57,916 (Euro 2,194,547 at 31.12.2019); they consist entirely of current taxes.

Item description	31/12/2020	31/12/2019
Provisions for income taxes	57.916	926.932
- IRES		646.783
- IRAP	57.916	280.149
Other tax liabilities		
Deferred tax liabilities		1.267.615
Total current and deferred taxes	57.916	2.194.547

10.3 Changes in deferred tax assets (with contra-entry to income statement)

Description	31/12/2020	31/12/2019
1. Opening balance	908.377	1.196.732
2. Increases	317.730	1.067.893
2.1. Deferred tax assets arising during the year	158.214	1.067.893
a) relating to prior years	112.690	
c) reversals of impairment		
d) other	45.524	1.067.893
2.2 New taxes or increases in tax rates		
2.3 Other increases	159.516	
3. Decreases	-197.335	-1.356.248
3.1 Deferred tax assets eliminated during the year		-1.196.732
a) reversals		-1.196.732
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	-197.335	
a) transformation into tax credits as per Law 214/2011		
b) other		-159.516
4. Closing balance	1.028.772	908.377

10.4 Changes in deferred tax liabilities (with contra-entry to income statement)

Description	31/12/2020	31/12/2019
1. Opening balance	450.259	88.557
2. Increases		361.702
2.1. Deferred tax liabilities arising during the year		361.702
a) relating to prior years		361.702
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	-450.259	
3.1 Deferred tax liabilities eliminated during the year	-404.735	
a) reversals	-404.735	
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases	-45.524	
4. Closing balance	0	450.259

10.5 Changes in deferred tax assets (with contra-entry to equity)

Description	31/12/2020	31/12/2019
1. Opening balance	944.144	1.392.741
2. Increases	56.388	900.565
2.1. Deferred tax assets arising during the year		
a) relating to prior years		115.937
b) due to changes in accounting policies		
c) other	56.388	784.628
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	-784.628	-1.349.162
3.1 Deferred tax assets eliminated during the year	-784.628	-1.349.162
a) reversals	-784.628	-1.349.162
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	-159.516	
4. Closing balance	56.388	944.144

10.6 Changes in deferred tax liabilities (with contra-entry to equity)

Description	31/12/2020	31/12/2019
1. Opening balance	817.356	275.652
2. Increases	450.259	1.383.552
2.1. Deferred tax liabilities arising during the year		1.383.552
a) relating to prior years		115.937
b) due to changes in accounting policies		
c) other		1.267.616
2.2 New taxes or increases in tax rates		
2.3 Other increases	450.259	
3. Decreases	-1.267.615	-841.848
3.1 Deferred tax liabilities eliminated during the year	-1.267.615	-841.848
a) reversals	-1.267.615	-841.848
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	0	817.356

The change in deferred taxes is mainly determined by the recognition in the income statement of the provisions for UCITS deferred tax liabilities of the adoption of IFRS 9.

SECTION 11 – NON-CURRENT ASSETS, GROUPS OF ASSETS HELD FOR SALE AND RELATED LIABILITIES

11.1 Non-current assets and groups of assets held for sale: breakdown

BALANCE SHEET - ASSETS						
	Asset items	31.12.2020 IAS FL S.p.A.	31.12.2020 IAS Finlombarda SGR	31.12.2020 IAS AGGREGATE	Consolidation entries	31.12.2020 Consolidated IAS
10	Cash and cash equivalents	2.730		2.730		2.730
20	Financial assets measured at fair value through profit or loss	35.538.957		35.538.957		35.538.957
	a) financial assets held for trading			0		0
	b) financial assets designated at fair value			0		0
	c) other financial assets mandatorily measured at fair value	35.538.957		35.538.957		35.538.957
30	Financial assets measured at fair value through other comprehensive income	85.226.231		85.226.231		85.226.231
40	Financial assets measured at amortised cost	300.663.543		300.663.543	(50.902)	300.612.641
	a) due from banks	23.390.950		23.390.950		23.390.950
	b) due from financial entities	11.888.527		11.888.527	(50.902)	11.837.625
	c) due from customers	265.384.066		265.384.066		265.384.066
50	Hedging derivatives			0		0
60	Impairment of financial assets with generic hedges (+/-)			0		0
70	Equity investments			0		0
80	Property, plant and equipment	959		959		959
90	Intangible assets	413.284		413.284		413.284
	of which:			0		0
	- goodwill			0		0
100	Tax assets	2.119.061		2.119.061		2.119.061
	a) current	1.033.901		1.033.901		1.033.901
	b) deferred	1.085.160		1.085.160		1.085.160
110	Non-current assets and groups of assets held for sale	514.000	1.186.469	1.700.469	(514.000)	1.186.469
120	Other assets	1.295.026		1.295.026		1.295.026
	TOTAL ASSETS	425.773.790	1.186.469	426.960.259	- 564.902	426.395.357

11.2 Liabilities associated with assets held for sale: breakdown

BALANCE SHEET - LIABILITIES AND EQUITY						
	Liabilities and equity items	31.12.2020 IAS FL S.p.A.	31.12.2020 IAS Finlombarda SGR	31.12.2020 IAS AGGREGATE	Consolidation entries	31.12.2020 Consolidated IAS
10	Financial liabilities measured at amortised cost	162.098.639		162.098.639		162.098.639
	a) payables	111.935.402		111.935.402		111.935.402
	b) securities issued	50.163.237		50.163.237		50.163.237
20	Financial liabilities held for trading			0		0
30	Financial liabilities designated at fair value			0		0
40	Hedging derivatives			0		0
50	Impairment of financial liabilities with generic hedges (+/-)			0		0
60	Tax liabilities	57.916		57.916		57.916
	a) current	57.916		57.916		57.916
	b) deferred			0		0
70	Liabilities associated with assets held for sale		192.885	192.885	-50.902	141.983
80	Other liabilities	5.148.605		5.148.605		5.148.605
90	Employee severance indemnities	1.882.368		1.882.368		1.882.368
100	Provisions for risks and charges	542.921		542.921		542.921
	a) commitments and guarantees given	153.647		153.647		153.647
	b) pension and similar commitments			0		0
	c) other provisions for risks and charges	389.274		389.274		389.274
110	Share capital	211.000.000	1.871.430	212.871.430	-1.871.430	211.000.000
120	Treasury shares (-)			0		0
130	Equity instruments			0		0
140	Share premium reserve	127.823		127.823		127.823
150	Reserves	44.729.420	-542.167	44.187.253	1.357.430	45.544.683
160	Valuation reserves	-149.581		-149.581		-149.581
170	Net profit (loss) for the year	335.679	-335.679	0		0
180	Minority interests			0		0
	TOTAL LIABILITIES AND EQUITY	425.773.790	1.186.469	426.960.259	- 564.902	426.395.357

SECTION 12 – OTHER ASSETS

This section illustrates item 120.

This item amounts to Euro 1,295,025 (Euro 1,463,590 in the previous year) and is made up of:

Description	31/12/2020	31/12/2019
Fees for services		
Other assets	1.295.026	1.463.590
Total	1.295.026	1.463.590

Receivables for other assets mainly refer to receivables from personnel, social security institutions, withholding taxes on interest income accrued during the year on current accounts and securities, and VAT receivable for the period.

PART B – INFORMATION ON THE BALANCE SHEET (B.2 – LIABILITIES)

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This section illustrates item 10.

1.1 Financial liabilities measured at amortised cost: breakdown of payables by category

Type of transactions/Amounts	31/12/2020			31/12/2019		
	Banks	Financial companies	Customers	Banks	Financial companies	Customers
1. Loans	111.935.402			166.077.253		
1.1 Repurchase agreements						
1.2 Other loans	111.935.402			166.077.253		
2. Lease payables						
3. Other payables						
Total	111.935.402			166.077.253		
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	111.935.402			166.077.253		
Total Fair value	111.935.402			166.077.253		

This item consists of two loan contracts with the European Investment Bank (EIB).

The first contract is based solely on loan contracts entered into with companies under the Credito Adesso initiative. The framework agreement signed by the EIB and the Lombardy Region involves a commitment to cooperate to the extent of Euro 200 million. The drawdowns of loans have a 12 year term at 6-month Euribor plus a spread communicated by the EIB from time to time.

The second loan agreement, called "Finlombarda SMEs, Mid-Caps & Other priorities" was signed on 24 September 2015 for an amount of Euro 242 million, and is destined to finance small to medium enterprises (SMEs) and/or medium size companies (MID-CAP) with registered or operating offices in Lombardy. Euro 112.2 million (book value) of it has been drawn down. The drawdowns of the loan have a 15 year term at 6-month Euribor plus a spread communicated by the EIB from time to time.

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

Type of transactions/Amounts	31/12/2020				31/12/2019			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	50.163.237	50.871.500			50.137.147	52.112.808		
1.1 structured								
1.2 others	50.163.237	50.871.500			50.137.147	52.112.808		
2. other securities								
2.1 structured								
2.2 other								
Total	50.163.237	50.871.500			50.137.147	52.112.808		

The bond was issued on 22 September 2017 for an amount of Euro 50 million at a rate of 1.53% for a period of five years, with repayment in a lump sum on maturity, placed by BBVA and Unicredit and subscribed by thirteen domestic, Spanish and Portuguese investors.

1.5 Lease payables

Items	31/12/2020	31/12/2019
Lease payables		704.865
Total		704.865

The 2019 value referred to the application of IFRS16 on the lease of the property in Via Fabio Filzi, which was settled early on 31 May 2020.

SECTION 6 – TAX LIABILITIES

See Assets, section 10.

SECTION 7 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

See Assets, section 11.

SECTION 8 – OTHER LIABILITIES

This section illustrates item 80.

8.1 Other Liabilities: breakdown

This item amounts to Euro 5,148,605 (Euro 4,718,760 in the previous year) and is made up of:

Component	31/12/2020	31/12/2019
Due to suppliers	1.743.318	1.643.762
Other payables	3.405.287	3.074.999
Total	5.148.605	4.718.760

The item “due to suppliers” includes payables to suppliers for invoices to be received amounting to Euro 760,994, payables to Financial Entities of Euro 615,200 relating to fee and commission expenses.

“Other payables” include “Accruals and deferred income” for Euro 207,948, “advances on instalments” amounting to Euro 112,277, “due to parent company” of Euro 76,189, “due to social security agencies and withholdings” of Euro 1,179,369, amounts due to personnel and contractors of Euro 1,775,800, mainly for untaken holidays, bonuses and incentives.

SECTION 9 – EMPLOYEE SEVERANCE INDEMNITIES

This section illustrates item 90.

9.1 Employee severance indemnities

	31/12/2020	31/12/2019
A. Opening balance	1.689.721	1.594.170
B. Increases	233.625	112.722
B.1 Provision for the year	83.122	81.306
B.2 Other increases	150.503	31.417
C. Decreases	-40.977	-17.171
C.1 Payments made	-39.433	-17.171
C.2 Other decreases	-1.544	
D. Closing balance	1.882.368	1.689.721

Periodic cost	31/12/2020	31/12/2019
Total service cost	71.630	68.777
Interest cost	12.519	17.630
Actuarial gains (losses)	149.475	29.433
Total periodic cost	233.624	115.840

9.2 Other information

As regards the actuarial valuations for the purposes of determining the severance indemnities at 31.12.2020 according to IAS/IFRS, we considered the following demographic, economic and financial assumptions:

Demographic assumptions

- The probability of death was derived from ISTAT statistics of the Italian population, split by age and sex, as surveyed in 2000 and reduced by 25%;
- the probability of leaving for absolute and permanent disability of the worker becoming disabled and out of the business community are drawn from the disability tables currently used in reinsurance, broken down by age and sex;
- for the probability of leaving work because of resignations and dismissals the annual frequencies have been estimated, based on corporate data, over a period of observation from 2009 to 2019 and set at 3.88% per annum;
- the chances of requesting an advance, based on data supplied by the Company, is equal to 1.00% per annum, with an average advance of 44.70%;
- for the timing of retirement of the general working population, it is assumed that people will retire when the first of the pension requirements valid for the mandatory general insurance scheme has been reached.

Economic and financial assumptions

The macroeconomic scenario used for the evaluations is described in the following table:

Dynamic Hypothesis Parameters

Parameters	Dynamic hypothesis
Rate of increase in severance indemnities	2,10%
Inflation rate	0,80%
Discount rate	-0,10%

For the revaluation of severance indemnities commencing from 1 January 2015 we apply the substitute tax at the new rate set by the 2015 Stability Law (Law no. 190 of 23 December 2014, art. 44, paragraph 3)

With the exception of the portion that accrued during the year, termination indemnities increased on a compound basis at 31 December each year by applying a fixed rate of 1.50% and 75% of the inflation rate recorded by ISTAT compared with December of the previous year. From 1 January 2015, a 17% tax is due on this revaluation according to para. 623 of Law 190 of 23.12.2014.

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES (ITEM 100)

10.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2020	31/12/2019
1. Provisions for credit risk relating to commitments and financial guarantees given	153.647	245.936
2. Provisions on other commitments and other guarantees given		
3. Company severance entitlements		
4. Other provisions for risks and charges	389.274	380.180
4.1 legal and tax disputes	225.000	225.000
4.2 personnel costs	53.094	44.000
4.3 other	111.180	111.180
Total	542.921	626.116

In accordance with IAS 1, amounts for 2019 have been reclassified for better comparison.

The provisions for risks decreased overall by Euro 83,125 compared with the previous year. This decrease is due to allocations for write-downs for commitments and guarantees in accordance with IFRS 9, while in relation to commercial and labour law disputes there was a net increase of Euro 9,274. The provision for risks is recorded on the basis of risks considered certain or probable.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Severance entitlements	Other provisions for risks and charges	Total
A. Opening balance			380.180	380.180
B. Increases			19.094	19.094
B.1 Provision for the year			19.094	
B.2 Changes due to the passage of time				
B.3 Changes due to changes to the discount rate				
B.4 Other changes				
C. Decreases			-10.000	-10.000
C.1 Used in the year			-10.000	-10.000
C.2 Changes due to changes to the discount rate				
C.3 Other changes				
D. Closing balance			389.274	389.274

10.3 Provisions for credit risk relating to commitments and financial guarantees given

	Provisions for credit risk relating to commitments and financial guarantees given			
	First stage	Second stage	Third stage	Total
Commitments to disburse	153.647			153.647
Financial guarantees provided				
Total	153.647			153.647

SECTION 11 – SHAREHOLDERS' EQUITY (ITEMS 110, 120, 130, 140, 150, 160 AND 170)

This section explains liabilities items 120, 130, 140, 150, 160 and 170.

Equity: Breakdown

Description	31/12/2020	31/12/2019
1. Share capital	211.000.000	211.000.000
2. Share premium reserve	127.823	127.823
3. Reserves	45.544.683	43.993.152
4. (Treasury shares)		
5. Valuation reserves	-149.581	1.698.110
6. Equity instruments		
7. Net profit (loss) for the year	0	1.551.531
Total	256.522.925	258.370.616

11.1 Share capital: breakdown

The share capital, fully subscribed and paid in, amounts to Euro 211,000,000 and consists of 2,110,000 ordinary shares with a par value of Euro 100 each.

Type	Amount
1. Share capital	211.000.000
1.1 Ordinary shares	211.000.000
1.2 Other shares (to be specified)	

11.4 Share premium reserve: breakdown

Description	31/12/2020	31/12/2019
A. Opening balance	127.823	127.823
B. Increases		
C. Decreases		
D. Closing balance	127.823	127.823

11.5 Other information

Breakdown of reserves

Description	Legal	Retained earnings	Other reserves	Total
A. Opening balance	6.834.075		37.159.077	43.993.152
B. Increases	239.757		2.157.811	2.397.568
<i>B.1 Allocation of profits</i>	239.757		2.157.811	2.397.568
<i>B.2 Other changes</i>				
C. Decreases			- 846.037	- 846.037
C.1 Uses				
- coverage of losses				
- distribution				
- transfer to capital				
C.2 Other changes			- 846.037	- 846.037
D. Closing balance	7.073.832		38.470.850	45.544.683

All of the reserves, except for the art. 14 R.L. no. 33/2008 reserve and the OCI reserve, are available to cover operating losses.

At the balance sheet date, the breakdown of the reserves is as follows:

- the legal reserve amounts to Euro 7,073,832;
- the reserve “ex art. 14 R.L. no. 33/2008” amounts to Euro 15,608,418;
- the statutory reserve of Euro 4,943,788;
- the statutory risk reserve of Euro 7,068,084;
- the reserve for first time adoption of Euro 1,347,771;
- the reserve arising from the merger of the former Cestec of Euro 8,687,527;
- the consolidation reserve of Euro 815,263.

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST

This section illustrates items 10 and 20.

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	31/12/2020	31/12/2019
1. Financial assets measured at fair value through profit or loss		127.776		127.776	163.635
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value		127.776		127.776	163.635
1.3 Other financial assets mandatorily measured at fair value					
2. Financial assets measured at fair value through other comprehensive income	2.108.220			2.108.220	2.078.009
3. Financial assets measured at amortised cost:	1.207.719	3.139.642	20.492	4.367.853	5.158.476
3.1 Due from banks	224.478		20.492	244.970	1.095.490
3.2 Receivables from financial companies	293.740			293.740	354.428
3.3 Due from customers	689.501	3.139.642		3.829.143	3.708.558
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	3.315.939	3.267.419	20.492	6.603.849	7.400.120
of which: interest income on impaired assets					
of which: interest income on financial lease					

Interest and similar income totalled Euro 6,603,849; there was a decline in interest amounting to Euro 796,271 (Euro 7,400,120 at 31 December 2019).

From the numbers reported, the composition of the financial investment portfolio experienced a decrease in investments in 2020 in favour of an increase in the use of loans receivable (+66.3% compared to 2019).

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other	31/12/2020	31/12/2019
1. Financial liabilities measured at amortised cost	-208.820	-791.090		-999.910	-1.054.298
1.1 Payables to central banks					
1.2 Payables to banks	-208.820			-208.820	-265.912
1.3 Payables to financial companies					
1.4 Payables to customers					
1.4 Securities issued		-791.090		-791.090	-788.386
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions			-3.468	-3.468	-18.742
5. Hedging derivatives					
6. Financial assets					
Total	-208.820	-791.090	-3.468	-1.003.378	-1.073.040

Interest expense relates to the interest accrued on the loan received from the European Investment Bank and on the bond issue, while in "Other liabilities" to the interest expense arising from the discount rate with reference to the application of IFRS 16.

SECTION 2 – COMMISSIONS

This section illustrates items 40 and 50.

2.1 Fee and commission income: breakdown

Detail	31/12/2020	31/12/2019
1. financial lease transactions		
2. factoring transactions		
3. consumer credit		
4. guarantees issued		
5. services of:	11.686.090	8.593.071
- management of funds on behalf of third parties	11.686.090	8.593.071
- exchange rate intermediation		
- product distribution		
- other		
6. collection and payment services		
7. servicing for securitisations		
8. other commissions (to be specified)	1.256.221	2.652.534
Total	12.942.311	11.245.605

The compensation relating to the management of funds on behalf of third parties include all fees and commissions for the management of the European Funds and part of the operating contribution attributable to the management of regional Funds.

The other fees and commissions comprise both compensation on European technical assistance appointments and European projects, and a portion of the operating contribution attributable to the regional technical assistance appointments.

Italian Law no. 124 of 4 August 2017 (Article 1 Paragraphs 125-129) prescribes the obligation to persons who have received “subsidies, contributions, paid appointments and otherwise economic advantages of any kind in the previous year” from public administrations to publicly disclose such amounts by indicating the amounts received during the reference year in the explanatory notes to the annual financial statements.

In this regard, in 2020, Finlombarda collected Euro 13,136,147 from the Lombardy Region as fees for the technical assistance and management of regional and European funds (for invoices related to the reference year and previous years)³.

2.2 Fee and commission expenses: breakdown

Detail/Sectors	31/12/2020	31/12/2019
1. guarantees received		
2. distribution of services from third parties		
3. collection and payment services		
4. other commissions (to be specified)	-315.272	-40.985
Total	-315.272	-40.985

Item d “other fees and commissions”, amounting to Euro 315,272 (Euro 40,985 at 31.12.2019), consists mainly of Euro 157,784 relating to fee and commission expenses recognised to credit Institutions to be paid to the affiliated banks for placement of “Credito Adesso” loans, Euro 87,785 for fees for the use of the EIB funding, commission expense on guarantees to CDP for Euro 55,271 and Euro 12,481 for bank fees.

³ This amount is in addition to Euro 810,108 for grants (Finlombarda share) received from the European Commission for specific projects.

SECTION 3 – DIVIDEND AND SIMILAR INCOME

This section illustrates item 70.

3.1 Dividends and similar income: breakdown

Items/Income	Total 31/12/2020		Total 31/12/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		263.123		192.527
C. Financial assets measured at fair value through other comprehensive income				120.569
D. Equity investments				
Total		263.123		313.096

Reclassified on 31/12/2019, dividends from investees had ended up on UCITS

The above table shows income from coupons accrued on ANIMA UCITS funds present in the Balance Sheet assets for Euro 263,123.

SECTION 6 – GAINS (LOSSES) FROM SALE OR REPURCHASE

This section illustrates item 100.

6.1 Gains (Losses) from sale/repurchase: breakdown

Items/Income items	31/12/2020			31/12/2019		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost:	8.784	-37.796	-29.013	3.061	-404.981	-401.920
1.1 Due from banks	5.687		5.687	3.061	-4.864	-1.803
1.2 Due from customers	3.096	-37.796	-34.700		-400.117	-400.117
2. Financial assets measured at fair value through other comprehensive income	790.748	-917.356	-126.608	214.625	-194.142	20.483
2.1 Debt securities	790.748	-917.356	-126.608	214.625	-194.142	20.483
2.4 Loans						
Total assets	799.532	-955.152	-155.621	217.686	-599.123	-381.437
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

SECTION 7 – NET INCOME FROM FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This section illustrates item 110.

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

Transactions/Income components	Gains (A)	Realized gains (B)	Losses (C)	Realized losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	362.693	114.234	-371.438		105.490
1.1 Debt securities					
1.2 Equities					
1.3 Mutual fund units	362.693	114.234	-371.438		105.490
1.4 Loans					
2. Financial assets in currency: exchange differences					
Total	362.693	114.234	-371.438		105.490

SECTION 8 – NET IMPAIRMENT/REVERSALS OF IMPAIRMENT FOR CREDIT RISK

This section illustrates item 130.

8.1 Net impairment/reversals of impairment for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Impairment			Reversals of impairment		31/12/2020	31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
A. Receivables from banks				15.253		15.253	38.407
<i>loans impaired acquired or originated</i>							
- for leases							
- for factoring							
- other receivables							
<i>Other receivables</i>				15.253		15.253	38.407
- for leases							
- for factoring							
- other receivables				15.253		15.253	38.407
B. Receivables from financial companies				20.137		20.137	-21.160
<i>loans impaired acquired or originated</i>							
- for leases							
- for factoring							
- other receivables							
<i>Other receivables</i>				20.137		20.137	-21.160
- for leases							
- for factoring							
- other receivables				20.137		20.137	-21.160
C. Receivables from customers	-2.951.788		-1.093.634	33.951	859.024	-3.152.447	485.395
<i>loans impaired acquired or originated</i>							
- for leases							
- for factoring							
- for consumer credit							
- other receivables							
<i>Other receivables</i>	-2.951.788		-1.093.634	33.951	859.024	-3.152.447	485.395
- for leases							
- for factoring							
- for consumer credit							
- loans on pledge							
- other receivables	-2.951.788		-1.093.634	33.951	859.024	-3.152.447	485.395
Total	-2.951.788		-1.093.634	69.341	859.024	-3.117.057	502.641

Impairment of financial assets at amortised cost amount to Euro 3,117 thousand, of which Euro 235 thousand in analytical Stage 3 (NPL) impairment and Euro 2,952 thousand in flat-rate Stage 1 and Stage 2 (Performing) impairment. The effect is mainly due to the considerable increase in outstanding amounts (+66%) and the increase in PD due to the ongoing pandemic situation.

8.1a Net impairment for credit risk relating to loans at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income components	Net impairment			31/12/2020	31/12/2019
	First and second stage	Third stage			
		Write-offs	Other		
1. Loans granted in accordance with GL	-644.740			-644.740	
2. Loans granted in accordance with other measures	-99.310			-99.310	
3. New loans					
Total	-744.050			-744.050	

8.2 Net impairment/reversals of impairment for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Impairment			Reversals of impairment		31/12/2020	31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-Offs	Other				
A. Debt securities	-62.486			15.409	510.400	463.324	509.823
B. Loans							
- Due to customers							
- Due to financial companies							
- Due to banks							
<i>Of which: financial assets impaired acquired or</i>							
Total	-62.486			15.409	510.400	463.324	509.823

SECTION 10 – ADMINISTRATIVE EXPENSES

This section illustrates item 160.

10.1 Personnel costs: breakdown

Type of expense/Values	31/12/2020	31/12/2019
1) Employees	-12.099.550	-12.034.212
a) wages and salaries	-8.606.100	-8.410.185
b) social contributions	-2.434.774	-2.408.325
c) termination indemnities		
d) pension expenses		
e) provision for employee severance indemnity	-83.122	-88.643
f) provision for pension and similar commitments:		
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:	-567.852	-551.695
- defined contribution	-567.852	-551.695
- defined benefits		
h) expenses in connection with equity-settled share-based payment agreements		
i) other employee benefits	-407.702	-575.365
2) Other serving personnel	-427.900	-358.065
3) Directors and Statutory Auditors	-209.922	-236.754
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies		-10.649
6) Reimbursement of expenses for seconded third-party employees at the company	-7.197	-62.845
Total	-12.744.568	-12.702.526

Item g) "payments to external supplementary pension funds" consists of the provision for the PREVIGEN fund.

10.2 Average number of employees by category

Description	31/12/2020	31/12/2019	Average number
Managers	12	13	12,5
Middle managers	57	55	56
Employees	88	82	85
Total	157	150	153,5

10.3 Other administrative expenses: breakdown

Description	31/12/2020	31/12/2019
General services	-151.888	-227.044
Development services	-137.636	-113.342
Consultancy	-269.112	-262.765
Supervisory Authorities	-31.200	-31.200
Leases and rentals	-389.430	-499.229
Indirect taxes	-141.973	-173.769
Other services	-692.068	-749.911
Total	-1.813.307	-2.057.261

Pursuant to art. 2427, para. 16-bis of the Italian Civil Code, we would point out that the amount due to the Independent Auditors came to Euro 29,832 in 2020, while tax advisory costs amounted to Euro 16,640.

SECTION 11 – NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES

11.1 Net allocations to provisions for credit risk relating to commitments to disburse funds and financial guarantees given: breakdown

Item description	31/12/2020	31/12/2019
Commitments and guarantees given		
Other net allocations	- 19.094	
Total	- 19.094	

Other provisions refer to litigation with former employees of the company.

SECTION 12 – IMPAIRMENT/REVERSAL OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

This section illustrates item 180.

12.1 Impairment/reversal of impairment of property, plant and equipment: breakdown

Assets/income items	Amortisation and Depreciation (a)	Impairment adjustments (b)	Reversal of impairment (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. For functional use	637.130			637.130
- owned	18.663			18.663
- rights of use acquired through leasing	618.467			618.467
2. Held for investment purposes				
- owned				
- rights of use acquired through leasing				
3. Inventories				
Total	637.130			637.130

The amount includes the portion of amortisation of the year of the right of use in application of IFRS 16, which for 2020 had impacts until 31 May 2020.

SECTION 13 – IMPAIRMENT/REVERSAL OF IMPAIRMENT OF INTANGIBLE ASSETS

This section illustrates item 190.

13.1 Impairment/reversal of impairment of intangible assets: breakdown

Assets/income items	Amortisation and Depreciation (a)	Impairment adjustments (b)	Reversal of impairment (c)	Net result (a + b - c)
1. Intangible assets	121.380			121.380
1.1 Owned	121.380			
1.2 Acquired under finance lease				
2. Assets relating to finance lease				
3. Assets granted under operating leases				
Total	121.380			121.380

SECTION 14 – OTHER OPERATING INCOME AND EXPENSES

This section illustrates item 200.

14.1 Other operating expenses: breakdown

Items/Amounts	31/12/2020	31/12/2019
Other operating expenses	- 160.319	- 77.223

The balance is mainly made up of two events, the first relating to the integration of the guaranteed minimum on the FNM management equal to Euro 59,209 and the second relating to an executive sentence for which the Company has filed an appeal, equal to Euro 77,738.

14.2 Other operating income: breakdown

Items/Amounts	31/12/2020	31/12/2019
Other income	241.850	278.561

The amount is mainly due to the reversal of previous provisions for risks on irrevocable commitments in application of IFRS 9 for Euro 92,289, refunds received for training courses for Euro 57,060, refunds from suppliers for publication expenses for Euro 18,106, penalties applied to suppliers for Euro 34,830.

SECTION 19 – TAXES ON INCOME FROM ORDINARY OPERATIONS

19.1 Income taxes on ordinary operations: breakdown

Income components/Values	31/12/2020	31/12/2019
1. Current taxes (-)	-57.916	-926.932
2. Changes in current taxes of previous years (+/-)	-2	
3. Decrease in current taxes for the year (+)		
3.bis Reduction in current taxes for the year for tax credits under Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)		-288.355
5. Change in deferred tax liabilities (+/-)	-151.811	-361.702
6. Income tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)		
Total	-209.729	-1.576.989

19.2 Reconciliation between the theoretical and current tax burden

	Ires taxable income	% theoretical	Ires tax	Irap taxable amount	% theoretical	Irap tax	Total taxable amount	Total Tax
Profit before taxes	545.408	27,5%	149.987	12.939.471	5,57%	720.729	13.484.879	870.716
Theoretical tax burden	27,50%			5,57%				
Decrease in taxable amount	-1.123.981	27,5%	-309.095	-11.493.418	5,57%	-640.183	-12.617.400	-949.278
Increase in taxable amount	194.928	27,5%	53.605	-406.264	5,57%	-22.629	-211.335	30.976
Taxable amount		27,5%		1.039.788	5,57%	57.916	1.039.788	57.916
Total actual current taxes in the financial statements		27,5%		57.916	5,57%		57.916	

SECTION 20 – PROFIT (LOSS) FROM DISCONTINUED OPERATIONS AFTER TAXES

20.1 Profit (loss) from discontinued operations after taxes: breakdown

This item includes the loss for the year of Finlombarda SGR of Euro 335,679.

	Income Statement items	31.12.2020 IAS FL S.p.A.	31.12.2020 IAS Finlombarda SGR	31.12.2020 IAS AGGREGATE	Consolidation entries	31.12.2020 Consolidated IAS
10	Interest and similar income of which: interest income with the effective interest method	6.603.849		6.603.849		6.603.849
20	Interest and similar expenses	-1.003.378		-1.003.378		-1.003.378
30	Net interest income	5.600.471	0	5.600.471	0	5.600.471
40	Fee and commission income	12.942.311		12.942.311		12.942.311
50	Fee and commission expenses	-315.272		-315.272		-315.272
60	Net commission income	12.627.038	0	12.627.038	0	12.627.038
70	Dividends and similar income	263.123		263.123		263.123
80	Net trading income	0		0		0
90	Net hedging gains (losses)	0		0		0
100	Gains/losses on disposal or repurchase of:	-155.621		-155.621		-155.621
	a) financial assets measured at amortised cost	-29.013		-29.013		-29.013
	b) financial assets measured at fair value through other comprehensive income	-126.608		-126.608		-126.608
	c) financial liabilities	0		0		0
110	Net income from other assets and financial liabilities measured at fair value through profit or loss	105.490		105.490		105.490
	a) financial assets and liabilities designated at fair value	0		0		0
	b) other financial assets mandatorily measured at fair value	105.490		105.490		105.490
120	Operating income	18.440.502	0	18.440.502	0	18.440.502
130	Net impairment/reversals of impairment for credit risk of:	-2.653.733		-2.653.733		-2.653.733
	a) financial assets measured at amortised cost	-3.117.057		-3.117.057		-3.117.057
	b) financial assets measured at fair value through other comprehensive income	463.324		463.324		463.324
140	gains/losses from contractual amendments without cancellations	0		0		0
150	PROFIT FROM FINANCIAL MANAGEMENT	15.786.769	0	15.786.769	0	15.786.769
160	Administrative expenses:	-14.557.875		-14.557.875		-14.557.875
	a) personnel costs	-12.744.568		-12.744.568		-12.744.568
	b) other administrative expenses	-1.813.307		-1.813.307		-1.813.307
170	Net provisions for risks and charges	-19.094		-19.094		-19.094
	a) commitments and guarantees given	0		0		0
	b) other net allocations	-19.094		-19.094		-19.094
180	Impairment/reversal of impairment of property, plant and equipment	-637.130		-637.130		-637.130
190	Impairment/reversal of impairment of intangible assets	-121.380		-121.380		-121.380
200	Other operating income and expenses	94.118		94.118	-12.586	81.532
210	OPERATING COSTS	-15.241.361	0	-15.241.361	-12.586	-15.253.947
220	Gains (losses) on equity investments					
230	Net result of fair value measurement of property, plant and equipment and intangible assets					
240	Goodwill impairments					
250	Gains (losses) on disposal of investments					
260	PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE TAXES	545.408	0	545.408	-12.586	532.822
270	Income taxes on ordinary operations	-209.729		-209.729		-209.729
280	PROFIT (LOSS) FROM ORDINARY OPERATIONS AFTER TAXES	335.679	0	335.679	-12.586	323.093
290	Profit (loss) from discontinued operations after taxes		-335.679	-335.679	12.586	-323.093
300	NET PROFIT (LOSS) FOR THE YEAR	335.679	-335.679	0	0	0
310	Net profit (loss) pertaining to minority interests					
320	Net profit (loss) pertaining to the Parent Company	335.679	-335.679	0	0	0

In accordance with IAS 1, amounts for 2019 have been reclassified for ease of understanding

PART D – OTHER INFORMATION

This part provides information regarding the specific activities carried out by the Company as well as references to the main categories of risk to which it is exposed, its risk management policies and the hedges that are already in place.

SECTION 1 - SPECIFIC REFERENCES ON ACTIVITIES CARRIED OUT

D. Guarantees issued and commitments

Transactions	31/12/2020	31/12/2019
1) Guarantees given of a financial nature at first demand		
a) Banks		
b) Financial entities		
b) Customers		
2) Other guarantees given of a financial nature		
a) Banks		
b) Financial entities		
b) Customers		
3) Commercial guarantees issued		
a) Banks		
b) Financial entities		
b) Customers		
4) Commitments to disburse funds	196.145.601	
a) Banks		
i) certain to be used		
ii) uncertain to be used		
b) Financial entities		
i) certain to be used		
ii) uncertain to be used		
c) Customers	196.145.601	
i) certain to be used		
ii) uncertain to be used	196.145.601	49.295.557
5) Commitments underlying credit derivatives: protection sales		
6) Assets pledged to guarantee third-party obligations		
7) Other irrevocable commitments		
a) to issue guarantees		
b) other		
Total	196.145.601	49.295.557

F. Operations with third-party funds

F.1 – Nature of funds and types of use

This table contains a description of operations using third-party funds, broken down by types of use and nature of the funds received in administration. The share of the assets on which the intermediary bears the risk in its own right is reflected in a separate column. Guarantees issued and commitments are reported at their total value; non-performing exposures include outstanding guarantees and commitments to customers with non-performing exposures.

F.1 – Nature of funds and types of use

Item	31/12/2020		31/12/2019	
	Public funds		Public funds	
		of which at own risk		of which at own risk
1. Performing assets				
- finance lease				
- factoring				
- other loans	205.270.260		241.954.766	
<i>of which: for enforcement of guarantees and commitments</i>				
- equity investments				
- guarantees and commitments	148.921.330		142.526.663	
2. Non-performing assets				
2.1 Non-performing				
- finance lease				
- factoring				
- other loans	43.498.491		41.614.371	
<i>of which: for enforcement of guarantees and commitments</i>				
- guarantees and commitments				
2.2 Unlikely-to-pay				
- finance lease				
- factoring				
- other loans	7.724.120		6.566.295	
<i>of which: for enforcement of guarantees and commitments</i>				
- guarantees and commitments				
2.3 Past due non-performing exposures				
- finance lease				
- factoring				
- other loans	5.687.900		9.114.265	
<i>of which: for enforcement of guarantees and commitments</i>				
- guarantees and commitments				
Total	411.102.100		441.776.359	

F.3 – Other information

F.3.1 – Operations using third party funds

Third-party funds are represented substantially by funds from the Lombardy Region (99%), for a very small proportion by funds made available under national laws delegated to the Lombardy Region, for a residual portion of funds provided by the European Community and by a fund on behalf of FLA foundation belonging to the Regional system. These funds are used for financing activities, giving guarantees, capital grants or interest subsidies; the fund managed on behalf of FLA foundation concern cash management. The management of each fund is regulated by agreements with the granting entity, which establish the ways in which Finlombarda is to intervene (also depending on specific tenders or regulations), the remuneration for the service, the procedures for using existing liquidity and the operating procedures for the technical-financial approval process.

Some funds are disbursed with the participation of credit institutions with which there is an agreement regulating the relationships and methods of delivery.

F.3.2 – Third-party funds

The following table contains information relating to stock values, cash flows and methods of use. We would point out that none of the funds indicated has been reported in the financial statements in view of the fact that their management is remunerated by a flat-rate fee. All resources are separately managed.

STATEMENT OF THIRD-PARTY FUNDS	31/12/2020	31/12/2019
Total under management	767.841.718	955.653.801

Details are shown below:

Funds on behalf of Lombardy Region	31/12/2020	31/12/2019
- Deposits in c/a and securities under Regional Laws	492.591.363	595.947.210
- Loans, finance lease transactions outstanding under Regional Laws	261.664.165	298.364.558
- Due from customers on accrued instalments	2.641.142	2.408.334
- Payments on warranty account	1.469.373	1.469.373
Total Lombardy Region	758.366.044	898.189.476

FNM management	31/12/2020	31/12/2019
- Deposits in c/a and securities	-	48.764.662
Total FNM management	-	48.764.662

Simpler Management	31/12/2020	31/12/2019
- Deposits in c/a and securities	296.261	62.741
Total Simpler Management	296.261	62.741

FLA Management	31/12/2020	31/12/2019
- Deposits in c/a and securities	9.179.414	8.699.663
Total FLA Management	9.179.414	8.699.663

Table 1/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions
		Existing loans										on-call receivables
												guarantee deposit
748-1	SINGLE FUND 598/94 LAW 1329/65	101.795	0	0	1.016	8.604	-326	2.657	0	113.746	0	113.746
748-2	Mis. 1.1. F	0										146.760
758-1	FUND LAW 1329/65	-56	0	0	0	0	-104	0	0	-160	0	-160
758-2	Pia (Law 1329/65-Law 36/88)	0										0
725-1	Development Fund	100.295	0	0	0	0	-67	0	0	100.228	0	100.228
725-2	Industrial districts	0										0
722-1	R.L. 22/2006 former 1/99 and 1/99 PIA	3.324.714	-480.544	0	583.348	-20.962	-888	12.562	0	3.418.230	9.534.496	12.952.726
722-2		10.118.023										28.386
708-1	R.L. 68/86	18.181	0	0	7.051	290	-253	2	0	25.271	629.879	655.151
708-2		636.567										20.248
804-1	FRIM BUSINESS START-UP LINE 8	3.087.048	-1.025.814	0	413.187	-29.039	-2.711	5.756	0	2.448.427	1.555.952	4.004.380
804-2		1.964.560										16.431
795-1	FRIM COOPERATION	6.934.914	-5.233.066	-520.357	3.740.209	-757.682	-76	17.476	0	4.181.418	23.803.456	27.984.874
795-2		27.017.872										13.423
717-1	R.L. 16/93	25.918	0	0	54.745	0	-91	25	0	80.596	518.828	599.424
717-2		573.369										50.084
717-1a	R.L. 2/99	1.423.322	0	0	0	0	-112	0	0	1.423.210	0	1.423.210
717-2a	Guarantee Fund - R.L. 16/93	0										0
751-1	FONCOOPER	862.389	0	0	149.918	41.830	-120	3.347	0	1.057.365	568.223	1.625.588
751-2		716.122										12.193
739-1	R.L. 21/2003	9.859.354	-4.162.868	0	494.074	-1.876	-182	468	0	6.188.970	2.258.318	8.447.288
739-2	Revolving fund	2.751.929										7.126
739-1a	R.L. 21/2003	495.086	0	0	0	0	-104	0	0	494.982	0	494.982
739-2a	Abb. Fund Rates	0										0
739-1b	R.L. 21/2003	1.397.912	0	0	0	0	-163	0	0	1.397.749	0	1.397.749
739-2b	Guarantee fund	0										0
720-1	R.L. 34/96	490.499	-75.641	0	113.980	225.203	-155	8	0	753.894	4.350.344	5.104.238
720-2		4.463.181										36.531
720-1a	R.L. 34/96 red. Rates	915.808	0	0	0	256.275	-192	0	0	1.171.891	0	1.171.891
720-2a		0										0
720-1b	Guarantee	7.801.537	0	-161.353	0	-392.135	-174	0	0	7.247.875	0	7.247.875
720-2b	Fund 34/96											
720-3		1.428.816										1.428.816
720-1c	Guar. Fund Institutes	3.204.581	0	0	0	-120.539	-26	0	0	3.084.016	0	3.084.016
720-2c		0										

Table 2/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
731-1	OB2 Craftsmen enterprises	286.470	0	0	0	0	459	0	0	286.929	73.580	360.508	0
731-2		73.580											
731-1a	OB2 Imp.art.	206.488	0	0	0	0	429	0	0	206.917	0	206.917	0
731-2a	Guarantee fund	0											
764-1	R.L. 1/2007	79.238	0	0	-102.827	111.411	-250	-30	0	87.542	1.403.171	1.490.713	0
764-2	(former R.L. 34/96)	1.300.305											8.791
765-771-1	R.L. 1/2007 MEASURES A) B)-C)	9.265.131	-2.982.868	0	96.406	66.517	-569	2.229	0	6.446.846	4.104.467	10.551.313	0
765-771-2		4.191.775											115.944
817-1	FRIM TENDER RGD 1988 OF 2011	43.206.225	-53.414.529	-218.700	21.623.207	-637.492	-1.775	138.829	0	10.695.764	23.291.424	33.987.188	0
817-2		44.661.436											32.634
714-1a	Revolving Fund and Innovation Guarantee	81.568	0	0	1.586	-122	-77	0	0	82.955	17.069	100.024	0
714-2	Craftsmen	18.599								0	0	115	0
714-3		40.557								0	0	40.557	0
763-1	R.L. 1/2007 INDUSTRY	656.995	-27.333	0	27.333	0	-69	0	0	656.926	168.370	825.296	0
763-2		195.425											564
719-1	R.L. 35/96	15.074.388	-7.266.406	0	8.820	-429	-360	6.238	0	7.822.250	2.368.055	10.190.306	0
719-2		2.382.908											73.037
727-1	R.L. 35/96 art. 8bis.(NEXT FUND)	13.280.444	0	0	0	0	-112	0	0	13.280.332	0	13.280.332	0
727-2		0											0
801-1	NEXT II FUND	42.509	0	0	0	0	-104	0	0	42.405	0	42.405	0
801-2		0											0
782-1	FRIM-FESR	51.807.815	-17.194.455	0	5.022.650	-594.448	229.009	93.671	-635.007	38.729.235	11.454.984	50.184.220	0
782-2		16.514.137											91.260
734-1	RL 35/96 Meas. D2	133.313	0	0	0	19.742	-362	0	0	152.693	184.250	336.944	0
734-2		184.250											1.423
785-1	Rent Support Fund Tender	-208	0	0	0	0	-104	0	0	-312	0	-312	0
785-2		0											0
821-1	FUND FOR ACCESS TO	3.411.629	0	0	0	0	-106	0	0	3.411.523	0	3.411.523	0
821-2	FIRST HOME	0											0

Table 3/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
822-1	ALER TENDER	17.032.592	-558.470	0	0	0	-251	0	0	16.473.871	0	16.473.871	0
822-2		0											0
850-1	CONTRIBUTION ALER HOMES	1.606.678	0	0	0	0	-108	0	0	1.606.570	0	1.606.570	0
850-2		0											0
712/B-1	R.L. 36/88 - 2001 criteria	1.163.067	-1.150.504	0	0	0	-216	0	0	12.347	0	12.347	0
712/B-2	and PIA RL 36	0											21.247
715-1	R.L. 9/91	29.768	0	0	6.884	0	-77	0	0	36.575	29.870	66.445	0
715-2		36.587											363
724-1	R.L. 31/96	-224	0	0	0	0	-106	0	0	-330	0	-330	0
724-2		0											0
730-1	R.L. 23/1999	613.091	0	0	0	-9	-104	0	0	612.978	0	612.978	0
730-2		0											0
730-1a	R.L. 23/1999 Guarantee Fund	438.125	0	0	0	9	-104	0	0	438.030	0	438.030	0
730-2a		0											0
732-1	Infrastructure Fund	-3.837.417	-9.102.778	0	6.280.813	-305.783	-82	1.359	0	-6.963.887	46.569.907	39.606.020	0
732-2	Docup Ob. 2	52.830.908											1.261
749-1	Revolving Fund	14.971.944	-3.998.915	0	1.010.539	-821.592	-1.262	0	0	11.160.714	15.163.087	26.323.802	0
749-2	Infrastructure	16.173.626											0
735-1	R.L. 26/2002	802.241	-776.121	0	305.368	47.284	-834	8.096	0	386.034	698.537	1.084.571	0
735-2		1.003.055											2.279
743-1	R.L. 35/96 art. 6 p. 1	-483	0	0	0	0	-104	0	0	-587	0	-587	0
743-2	VOUCHER	0											0
741-1	MEZZANINE	-419	0	0	0	0	-104	0	0	-523	0	-523	0
741-2		0											0
737-1	R.L. 35/86 PIA	-3.566	0	0	0	-243.458	-405	0	0	-247.429	0	-247.429	0
737-2	INTEC 3	0											0
737-1a	R.L. 35/86 PIA	10.051	0	0	0	995	0	0	0	11.046	0	11.046	0
737-2	INTEC 4	0											0
737-1b	R.L. 35/86	-126	0	0	-28	242.491	0	0	0	242.337	0	242.337	0
737-2	INTEC 3 and 4	0											0

Table 4/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
740-1	L. 215 - V Tender	384.293	-384.633	0	394	0	-107	0	0	-53	0	-53	
740-2	Add. Resources	0											318.156
750-1	R.L. 13/2000 P.I.C.	91.867	-8.267	0	13.319	-310	-84	0	0	96.525	111.614	208.139	55.415
750-2		124.850											
759-1	R.L. 13/2000	570.008	-550.000	0	1.040	0	-70	0	0	20.979	82.102	103.081	
759-2	TENDER 2006	83.142											85.051
746-1	R.L. 19/2004-R.L. 35/95	832.510	-774.860	0	548.099	-670	-1.199	0	0	603.880	1.471.190	2.075.070	
746-2	Revolving Fund	2.018.316											0
747-1	R.L. 19/2004-R.L. 35/95	114.293	0	0	0	0	-104	0	0	114.189	0	114.189	
747-2	Guarantee fund	0											0
776-1	R.L. 35/95	7.408.902	-5.009.770	0	1.825.061	-187.899	-1.557	1.083	0	4.035.820	7.053.903	11.089.722	
776-2	CULTURE 2008	8.876.132											6.297
753-1	FSE SUBSIDY	-430	0	0	0	0	-104	0	0	-534	0	-534	
753-2	GLOBAL	0											0
745-1	FUND LAW 598/94	-407.499	0	0	0	0	-106	0	0	-407.605	0	-407.605	
745-2	Pia (Law 140/97 - Law 598/94)	0											0
755-1	FUND LAW 598/94	1.353	0	0	0	0	-104	0	0	1.249	0	1.249	
755-2	Pia New Economy	0											0
756-1	FUND LAW 598/94	-570	0	0	0	0	-104	0	0	-674	0	-674	
756-2	Pia Intec 4	0											0
786-1	R.L. 13/00	240.365	0	0	0	0	-67	0	0	240.298	6.543	246.841	
786-2	TENDER FOR SMALL MUNICIPALITIES	6.543											46
773-1	FRI - INTERNATIONALISATION	1.868.520	-1.626.137	0	694.195	-38.092	-373	8.742	0	906.854	1.627.626	2.534.480	
773-2	FUND	2.321.378											2.567
760-1	Social Health Fund	153.274	0	0	0	0	-65	0	0	153.209	0	153.209	
760-2		0											0
789-1	FIMSER	-4.235.312	4.149.981	-13.094.704	0	-8.762	-640	0	0	-13.189.436	275.515	-12.913.921	
789-2		275.515											1.267
770-1	TENDER FOR SERVICES	-134	0	0	0	0	-67	0	0	-202	24.195	23.993	
770-2	R.L. 1/07	24.195											122

Table 5/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debts or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
793-1	AXIS 1 INNOVATION MEASURE 1.5	-440	0	0	-28	28	-197	0	0	-637	110.136	109.499	
793-2		110.136										1.227	
736-1	LR35/96 PIA New Econ. And New Economy	-90	0	0	0	0	-275	0	0	-366	69.340	68.974	
736-2		69.340										20.166	
761-1	ADP AXIS 1 MEASURE A-B	-203	0	0	0	0	-104	0	0	-307	0	-307	
761-2		0										0	
768-1	P.I.P. TENDER	4.870	0	0	4.096	-1.811	-74	15	0	7.097	121.093	128.190	
768-2		123.376										817	
762-1	P.I.C.S. Integrated plans fund for competitiveness	45.205	0	0	0	0	-67	0	0	45.137	50.149	95.287	
762-2		50.149										268	
832-1	START-UP RESTART DIRECT LOANS TENDER	5.366.258	-3.151.288	0	1.193.926	-150.369	-1.260	38.672	0	3.295.938	7.081.977	10.377.915	
832-2		8.286.353										44.383	
834-1	START-UP RESTART CONTRIB. TUTOR TENDER	924.420	0	0	36.106	0	-128	1.887	0	962.285	0	962.285	
834-2		0										180.548	
798-1	LR13/2000 Tender	4.117	0	0	0	0	-104	0	0	4.013	0	4.013	
798-2	INNOVA RETAIL (2010)	0										0	
766-1	SEED FUND	297.575	-2.828.569	0	3.468.474	-638.766	-71	0	0	298.643	277.600	576.243	
766-2		3.517.595										21.786	
779-1	TENDER FASHION 2008	1.635.878	0	0	0	0	-141	0	0	1.635.738	0	1.635.738	
779-2		0										78.112	
794-1	TENDER FASHION 2009	1.159.622	0	0	0	0	-143	0	0	1.159.480	4.065	1.163.545	
794-2		4.065										0	
823-1	FASHION START-UP-YOUNG AND/OR FEMALE TALENT	198.368	0	0	0	0	-104	0	0	198.264	0	198.264	
823-2		0										0	
780-1	TRADE DISTRICTS 1	-543	0	0	-28	28	-197	0	0	-740	0	-740	
780-2		0										0	
787-1	TRADE DISTRICTS 2	43.223	0	0	0	4.470	-67	0	0	47.626	0	47.626	
787-2		0										0	
792-1	TRADE DISTRICTS 3	100.034	0	0	0	0	-104	0	0	99.930	0	99.930	
792-2		0										0	

Table 6/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions
		Existing loans										on-call receivables
803-1	TRADE DISTRICTS 4	984	0	0	0	0	-104	0	0	880	0	880
803-2		0										0
825-1	TRADE DISTRICTS 5	27.343	0	0	0	0	-104	0	0	27.239	0	27.239
825-2		0										0
775-1	R.L. 21/2008 cinemas and theatres	2.815.177	0	9.843	486.990	-26.194	-645	1.857	0	3.287.028	1.176.646	4.463.674
775-2		1.660.604										990
796-1	R.L. 21/08 Theatre Guarantee Fund	418.768	0	0	0	0	-67	0	0	418.701	0	418.701
796-2		0										0
777-1	Skypass Lombardy	-505	0	0	32.530	0	-426	6.081	0	37.680	0	37.680
777-2		0										184.687
778-1	R.L. 14/2007 AT. 3	13.044.359	-268.178	0	0	0	-104	0	0	12.776.077	0	12.776.077
778-2		0										0
774-1	JEREMIE FESR FUND	18.118.753	0	63.430	0	-42.876	138.529	0	0	18.277.837	0	18.277.837
774-2		0										0
772-1	JEREMIE FSE FUND	4.268.992	0	6.000	0	-5.863	4.502	0	0	4.273.631	0	4.273.631
772-2		0										0
807-1	JEREMIE FSE 2010 FUND	391.578	0	0	0	0	-16	0	0	391.562	0	391.562
807-2		0										0
808-1	JEREMIE FSE 2010 FUND	509.400	0	0	0	0	-86	0	0	509.314	0	509.314
808-2	Guarantee	0										0
781-1	RGD 7025/08 EXPRESSIONS OF	350.037	-6.385	0	11.821	0	-211	0	0	355.262	391.199	746.461
781-2	INTEREST	403.020										0
00001-1	MIL Guarantee Fund	1.032.333	0	122.834	0	-6.415	4.558	0	0	1.153.309	0	1.153.309
00001-2		0										0
797-1	Operating Credit Fund	834.832	2.199.253	-2.648.992	9.643	-4.985	-1.021	591	0	389.322	0	389.322
797-2	agriculture	0										11.990
800-1	Tourism Meas. A-B	110.423	0	0	1.816	-668	-269	0	0	111.303	176.019	287.321
800-2		177.835										90.900
791-1	Tourism Meas. C	354.477	-100.466	0	39.527	-26.264	-342	33	0	266.966	488	267.454
791-2		39.850										51

Table 7/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debts or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions
		Existing loans										on-call receivables guarantee deposit
814-1	MIUR TENDER	7.705.492	0	0	178.657	-44.759	2.438	165	0	7.841.994	477.587	8.319.581
814-2	EXPRESSIONS OF INTEREST	655.797										3.002
811-1	MIUR TENDER	29.913.171	-185.621	0	2.651.710	-621.524	1.146.009	6.779	0	32.910.523	2.127.748	35.038.270
811-2	FRIM FESR	4.771.987										5.557
813-1	MIUR TENDER	17.309.294	-374.868	0	1.314.976	-472.766	45.084	5.407	0	17.827.128	2.144.683	19.971.811
813-2	FAR FIN	3.454.732										10.805
818-1	2011 THEATER DIGITALISATION TENDER	555.188	-111.255	0	29.984	-10.821	-188	220	0	463.128	68.799	531.927
818-2		98.764										0
819-1	FINTER	828.107	-213.059	0	43.899	-10.535	-305	96	0	648.204	128.247	776.450
819-2		172.076										654
799-1	GREEN AREAS FUND TENDER	3.889.416	363.654	-1.689.884	0	0	-141	0	-7.304	2.555.741	0	2.555.741
799-2		0										0
802-1	MOVIE PROD. FUND	257.105	0	0	0	0	-104	0	0	257.001	0	257.001
802-2		0										0
805-1	MOVIE FUND	194.405	-2.808	0	-31	31	-220	0	0	191.376	0	191.376
805-2		0										0
820-1	BIOMEDICA NERVIANO	-381	0	0	0	0	0	0	0	-381	0	-381
820-2		0										0
824-1	2012 THEATER DIGITALISATION TENDER	694.234	-130.062	0	9.575	-3.811	-311	138	0	569.764	49.231	618.995
824-2		58.806										7
826-1	ANTI-USURY FUND	9.619	0	0	0	0	-104	0	0	9.515	0	9.515
826-2		0										0
815-1	FUND FOR RED. INTEREST = EIB	4.534.920	2.800.000	-3.839.467	27.531	702	-981	0	0	3.522.705	0	3.522.705
815-2		0										325.954
860-1	R&D TENDER FOR BUSINESS COMBINATIONS	21.612.679	-7.248.170	-6.067.020	4.218.239	90.442	67.714	0	-269.064	12.404.820	19.277.157	31.681.977
860-2		17.428.376										0
503-1	DIGITALISATION FUND	304.334	0	0	0	0	-106	0	0	304.228	0	304.228
503-2		0										0

Table 8/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
505-1	INSTITUTIONAL AGREEMENTS FUND	10.884.254	3.421.349	-14.473.453	0	65.998	-253	0	0	-102.105	0	-102.105	
505-2		0											0
506-1	INTERNATIONALISATION VOUCHER FUND	15.417	0	0	0	0	-104	0	0	15.313	0	15.313	
506-2		0											0
507-1	DRIADE FUND	209.572	259.489	-259.489	0	6.537	-105	0	0	216.004	0	216.004	
507-2		0											0
861-1	SKI COMPLEX 2015 TENDER	1.609.623	-1.237.214	0	511.864	-27.172	-1.024	7.795	0	863.871	1.362.360	2.226.231	
861-2		1.874.614											2.548
509-1	CTS TENDER	494.775	-275.145	-22.017	175.250	-2.352	-3.217	495	0	367.789	78.547	446.336	
509-2		240.429											453
859-1	INFRASTRUCTURES AND MOBILITY TENDER	16.283.713	-6.439.229	0	0	0	-106	0	0	9.844.378	0	9.844.378	
859-2		0											0
837-1	LOMBARDIA CONCRETA RISK COVERAGE	1.064.845	0	0	0	0	-88	0	0	1.064.757	0	1.064.757	
837-2		0											0
513-1	ERGON FUND	100.601	0	0	0	0	-208	0	0	100.393	0	100.393	
513-2		0											0
514-1	TOURISM	417.965	0	0	-27	27	-193	0	0	417.772	0	417.772	
514-2	EXCELLENCE PROJECT	0											0
838-1	LOMBARDIA CONCRETA - FUND FOR RED. OF RATES	-1.912.301	0	0	6.062	-387	-130	0	0	-1.906.755	0	-1.906.755	
838-2		0											7.430
828-1	FRIM	475.253	-517.867	0	215.303	-39.302	-418	491	0	133.461	235.362	368.824	
828-2	FIERE	450.472											1.923
829-1	FUND TO SAFEGUARD	3.335.237	-781.997	0	128.559	-17.924	-510	0	0	2.663.365	1.270.135	3.933.500	
829-2	LOCAL CULT. SISMA MN	1.398.693											0
830-1	TENDER FOR	718.796	-497.146	0	173.845	-36.319	-542	523	0	359.158	258.238	617.396	
830-2	SKI LIFTS	431.777											175.206
831-1	DIGITALISATION 2013 FUND RL. 21/08 ART. 5	727.790	-1.326.917	-52.000	564.286	-114.202	-593	673	0	-200.964	820.781	619.817	
831-2		1.384.873											758

Table 9/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions	
		Existing loans										on-call receivables	guarantee deposit
812-1	MIUR FAR	11.165.604	0	0	0	-23.043	28.372	0	0	11.170.933	0	11.170.933	
812-2	CONTRIBUTIONS	0											90.894
833-1	START-UP RESTART FUND	59.546	0	0	12.719	0	-149	2.918	0	75.035	0	75.035	
833-2	CONTRIB. B.P.	0											105.892
839-1	SCHOOL CONSTRUCTION FUND	14.213.309	-895.666	-932.178	673.126	-60.596	-414	0	0	12.997.581	7.220.182	20.217.763	
839-2		7.171.040											0
835-1	CASH CREDIT	292.497	0	0	0	0	-104	0	0	292.393	0	292.393	
835-2	RATES REDUCTION	0											0
840-1	MAINTENANCE SUPPORT FUND	924.544	-1.118.249	0	0	0	-252	0	0	-193.957	0	-193.957	
840-2	OF RENTED HOME	0											1
841-1	VOUCHER PATENTS MEASURE E 2013	397.694	0	0	0	0	-104	0	0	397.590	0	397.590	
841-2		0											0
842-1	CULTURE 2013 TENDER	823.747	0	-47.055	304.276	-4.993	-448	20	0	1.075.546	3.595.409	4.670.955	
842-2		3.864.393											0
843-1	TAXI 2013 TENDER	3.228	-3.176	0	0	0	-104	0	0	-52	0	-52	
843-2		0											0
844-1	LOMBARDIA CONCRETA RED. COMMERCE RATES	1.230.789	0	-8.099	0	0	-119	0	0	1.222.571	0	1.222.571	
844-2		0											35.978
845-1	SOCIAL ANTICIPATION	862.853	10.000	0	0	0	-106	0	0	872.747	0	872.747	
845-2		0											0
847-1	VOUCHER PATENTS MEAS. F 2014	2.134.599	0	0	0	0	-106	0	-47.445	2.087.047	0	2.087.047	
847-2		0											0
848-1	FRIM FESR 2020	17.462.647	-5.000.000	-40.532	3.293.355	-529.727	302.253	84.356	-278.701	15.293.651	11.738.453	27.032.104	
848-2		14.988.419											22.040
849-1	ASAM ANTICIPATION	142.682	0	0	0	0	-104	0	0	142.578	0	142.578	
849-2		0											0
852-1	DESIGN COMPETITION FUND	6.103	0	0	0	0	-104	0	0	5.999	0	5.999	
852-2		0											0
853-1	DAT - TOURISM ATTRACTIVENESS DISTRICTS	-271.455	0	0	0	0	-104	0	0	-271.559	0	-271.559	
853-2		0											0

Table 10/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions
		Existing loans										on-call receivables
855-1	FASHION DIGITAL TENDER	-208	0	0	0	0	-104	0	0	-312	0	-312
855-2		0										0
862-1	NEWS STAND TENDER	219.810	0	0	0	0	-104	0	0	219.706	0	219.706
862-2		0										0
863-1	MINIBOND PROJECT	1.347.098	-1.347.000	0	0	0	-106	0	0	-8	0	-8
863-2		0										0
864-1	COUNTER-GUARANTEE FUND	30.568.615	0	-76.903	0	-71.995	658.761	0	-314.440	30.764.039	0	30.764.039
864-2		0										0
865-1	MUSICAL INSTRUMENTS FUND	34.329	0	0	0	0	-106	0	0	34.223	0	34.223
865-2		0										0
866-1	LINEA INTRAPRENDO TENDER	11.442.777	-1.000.000	-796.068	708.115	14.327	86.083	75.723	-121.925	10.409.032	3.507.162	13.916.193
866-2		3.454.954										35.746
867-1	NATURAL CALAMITIES FUND	-208	0	0	0	0	-104	0	0	-312	0	-312
867-2		0										0
868-1	FOPPOLO ANTICIPATION	6.678	0	0	0	0	-104	0	0	6.574	0	6.574
868-2		0										0
869-1	2016 CULTURE FUND PRIVATES-CHURCH ENTITIES	2.358.170	-10.201	-747.672	11.484	0	-195	0	0	1.611.587	3.403.570	5.015.157
869-2		2.854.301										0
870-1	2015 PUBLIC ENTITIES CULTURE FUND	2.106.680	0	-681.689	5.010	0	-127	0	0	1.429.873	1.131.322	2.561.195
870-2		625.064										0
871-1	FREE FUND	14.885.333	0	-2.739.303	17.421	52.482	199.682	0	-144.482	12.271.132	7.743.583	20.014.715
871-2		5.021.701										0
754-1	JOP	3.803	0	0	0	0	-67	0	0	3.736	0	3.736
754-2		0										0
878-1	REVOLVING FUND RL 21/08 YEAR 2016	787.150	0	-316.039	86.974	5.815	-127	0	0	563.773	788.372	1.352.145
878-2		717.326										0
872-1	Fund for Agricultural Enterprises	7.907.106	0	-7.264.194	-682	-2.328	-13.415	46.541	-44.066	628.961	15.911.708	16.540.669
872-2		8.647.513										682
873-1	Al Via Guarantee Fund	58.693.428	6.237.112	17.934	0	-130.432	753.146	0	-237.112	65.334.077	0	65.334.077
873-2		0										0

Table 11/11 Changes during the year 1.1.2020 – 31.12.2020 and balance sheet amounts at 31.12.2020

Management	Laws	Balances available at 31.12.2019	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2020 (**)	Loans Existing at 31.12.2020	Balance of third party provisions
		Existing loans										on-call receivables
874-1	Research and Innovation Fund	462.508	0	0	0	0	-106	0	0	462.402	0	462.402
874-2		0										0
875-1	Stoa Tender	-449.246	1.012.870	-462.870	0	100.001	-132	0	0	200.623	0	200.623
875-2		0										30.295
876-1	Public Sports Facilities Tender	10.968	0	0	0	0	-72	0	0	10.896	0	10.896
876-2		0										0
877-1	Scholastic Construction Tender	-8.976.081	-178.858	-327.835	121.099	12.101	-134	0	0	-9.349.709	2.572.732	-6.776.977
877-2		2.366.659										0
880-1	Store Revolution	-81	1.689.698	-1.335.961	0	3.639	-172	0	0	357.124	0	357.124
880-2		0										0
881-1	Faber Tender	-50	22.683.907	-22.367.500	0	1.133	-1.475	0	0	316.015	0	316.015
881-2		0										0
882-1	Credit Support Fund (New Frim Coop)	880.229	1.216.330	-2.116.779	-358	13.630	-591	1.967	0	-5.571	2.116.779	2.111.208
882-2		0										358
883-1	Lombardy to Stay Tender	2.000.000	1.083.930	-3.402.552	70.000	-97.259	-134	0	0	-346.015	0	-346.015
883-2		0										0
283-1	Frim Fesr II Research and Development	7.499.870	37.500	-2.445.962	-17	-138	-188	1.885	-37.500	5.055.449	2.445.962	7.501.411
283-2		0										17
284-1	Line for Internationalisation Fund	1.498.729	1.505.268	-2.139.046	57.842	3	-137	0	-5.268	917.391	2.332.388	3.249.779
284-2		251.184										0
884-1	Bei Interest Rate Reduction Fund/Evolution Loan	0	6.447.000	-2.696.007	0	17.466	-90	0	0	3.768.370	0	3.768.370
884-2		0										0
885-1	Tender Faber 2020	0	0	0	0	0	-16	0	0	-16	0	-16
885-2		0										0
886-1	Tender Trade Districts for Territorial Reconstruction	0	10.600.000	-8.160.300	0	0	-80	0	0	2.439.621	0	2.439.621
886-2		0										0
887-1	Reactive against Covid	0	4.231.643	0	0	0	0	0	0	4.231.643	0	4.231.643
887-2		0										0
888-1	ARCHE' 2020	0	0	0	0	0	0	0	0	0	0	0
888-2		0										0
889-1	Fund for the recovery of local entities	0	81.990.242	-64.421.105	0	0	-1.467	0	0	17.567.670	0	17.567.670
889-2		0										0
289-1	AL VIA - Contribution	0	0	0	0	0	0	0	0	0	0	0
289-2		0										0
1003	Treasury Management	21.438.245	0	0	2.816	552.180	1.725.696	0	0	23.718.938	0	23.718.938
1003-2		0										0
TOTAL		595.884.468	885.854	-166.353.044	63.818.118	-5.426.198	5.336.633	587.848	-2.142.316	492.591.363	261.664.165	754.255.528
		298.364.558										2.641.142
		1.469.373										1.469.373

(*) includes the fair value delta and accrued income (**) The cash balances column at 31.12.2020 includes cash pooling receivables of Euro 163,734,263.44

The column interest on loans also includes interest on late payments of withdrawn grants.

4.5. - Management of Ferrovie Nord Milano and Fondazione Lombardia per L'Ambiente (FLA) and Simpler

Changes in the Year 01.01.2020 - 31.12.2020

MANAGEMENT OF FERROVIE NORD MILANO , FONDAZIONE LOMBARDIA PER L'AMBIENTE AND SIMPLER	Availab. Balances at 31.12.2019	Decrease and/or Increase provision	Disbursements to Enterprises Loans	Repayments	Interest, charges and Income on current account and securities	Reimbursement made	Compensation Finlombarda paid	Balances available at 31.12.2020	Loans existing at 31.12.2020	Balance sheet balances
FNM	48.764.662	-48.764.662	0	0	0	0	0	0	0	0
Environment	8.699.663	-200.000	0	0	679.751	0	0	9.179.414	0	9.179.414
Simpler	62.741	233.752	0	0	-233	0	0	296.261	0	296.261
TOTAL	57.527.066	-48.730.910	-	-	679.519	-	-	9.475.675	-	9.475.675

SECTION 3 - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

The main financial assets of Finlombarda S.p.A. include bank deposits on demand, bank loans, receivables for services, investment in securities and loans granted. The Company has not entered into any derivative transactions and is not directly exposed to exchange risk as it does not work in foreign currencies.

The main risks generated by these activities are credit risk, operational risk, interest rate risk, liquidity risk and concentration risk.

3.1 – Credit risk

Qualitative information

1. General aspects

Credit risk is the possibility that a change in the creditworthiness of a counterparty, with which the Company has an exposure, could result in a corresponding change in the value of the receivable.

2. Credit risk management policies

2.1. Organisational aspects

Finlombarda uses the standardised approach in the determination of its credit risk.

Application of this methodology involves splitting exposures in classes according to the type of counterparty and underlying asset, subsequently applying different weightings related to the risk degree exposures are risk-weighted, net of any specific provisions.

As we collect money from the general public, the absorption of capital is measured by applying a 8% percentage to total risk-weighted assets, as required by the legislation on financial intermediation.

2.2 Systems for managing, measuring and monitoring

Finlombarda monitors credit risk through organisational measures involving board level officials and the various corporate divisions.

Finlombarda monitors risks associated with the loan portfolio both with reference to the individual positions recorded in the financial statements, and with reference to the portfolio as a whole.

In view of Finlombarda's strategic objectives and operations, the general strategy to manage the risk generated by investment activities is the following:

- investing excess cash in deposits on demand, bonds, government securities, and mutual funds;
- sufficient diversification of investment of deposits.

2.3 Credit risk mitigation techniques

With regard to funding, the individual disbursements are preceded by a series of measures designed to contain, prevent and mitigate credit risk through:

- careful assessment of the credit rating of loan applicants;
- careful assessment of the purposes of the requested loans;
- control of credit risk concentration by counterparty;
- formalisation of credit policies, of guiding principles underlying the granting of credit, rules for the granting of credit and credit management, the classification of credit positions and the organisational structure;
- specific limits envisaged in the internal regulations.

Risk mitigation techniques include those elements that contribute to reducing the loss that the Company would incur in the event of a counterparty default. The Company pursues the objective of containing credit risk not only through an adequate assessment of creditworthiness but also through the acquisition of guarantees.

With reference to the particular economic situation linked to the COVID-19 emergency, which characterised 2020, there was a sharp increase in the use of the Central Guarantee Fund pursuant to Law no. 662/96, due to the higher risk identified in the assessment activities aimed at granting new loans. Specifically, the incidence of loans guaranteed by the Central Fund increased from 2.3% at the end of 2019 to 11.6% at the end of 2020, increasing further for loan disbursements in early 2021.

With reference to the initiatives taken to deal with the particular situation, the financed companies were able to benefit from two different forms of moratorium:

- ABI regional moratorium;
- Cura Italia moratorium.

More specifically, they were granted during 2020 and have been active since 31 December 2020:

ABI regional moratorium on 29 loans for a total gross amount at amortised cost of Euro 4,196 thousand;

Cura Italia moratorium on 326 loans for a total gross amount at amortised cost of Euro 38,894 thousand.

At 31 December 2020, the amount of the moratorium still active was Euro 43,090 thousand.

The valuation of loans granted is carried out in accordance with IFRS 9. Performing loans, in particular, loans are classified as "stage 2", i.e., loans that present a significant increase in risk with respect to the date of granting and for which the impairment is therefore determined on a lifetime basis, loans that present a series of risk indicators specifically codified on the basis, in particular, of the monitoring rating trend, the regularity of the relationship and the information available from the Risks Central Office and the Chamber of Commerce. For greater risks, the classification is determined by a more complete and accurate analysis. Finally, each position is associated with a provision based on the specific level of risk attributed to it according to the monitoring rating and with a calibration of the marginal PD curves on the basis of historically measured default rates. For the 2020 provisions, given the highly discontinuous economic situation compared to previous years, it was considered prudent to calibrate the marginal PD curves exclusively on the highest values of the historical series of default rates of the company in recent years, a choice that led to an estimate of expected defaults and therefore of provisions on performing loans that were significantly higher than in the previous year.

3. Impaired credit exposures

Impaired credit exposures are identified through the systematic monitoring of loans by a specific function within the Credit Department, with the support of the integrated information system. Monitoring makes it possible to promptly detect any anomalous situations and therefore to correctly classify credit positions into different management statuses, with an increasing probability of insolvency based on the risk signals detected. Impaired positions are also reviewed on an annual basis in order to update their classification, determine the amount of the impairment loss, assess the basis for the recognition of a loss and monitor the progress of credit recovery actions carried out directly or through affiliated financial intermediaries.

On a monthly basis, the Credit Department prepares a report in which it represents to the Board of Directors the credit performance of loans containing the risk profile (classification) of the credit positions, the main information on the composition of the loan portfolio and the changes noted over time. With particular reference to impaired exposures, the report also shows their performance by

breaking down the changes in total value into the various components: changes due to new impaired positions, changes due to positions returned to performing status or settled and reductions due to collections from recovery initiatives implemented (enforcement of guarantees, repayment plans, distributions from bankruptcy proceedings or out-of-court settlements).

Quantitative Information

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

Portfolios/quality	Non-performing	Unlikely-to-pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.256.667	236.238	7.406	153.044	298.959.285	300.612.640
2. Financial assets measured at fair value through other comprehensive income		726.994			84.499.237	85.226.231
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					35.538.957	35.538.957
5. Financial assets held for sale					0	0
Total 31/12/2020	1.256.667	963.232	7.406	153.044	418.997.479	421.377.828
Total 31/12/2019	1.379.165	285.534	1.800	1.565.253	474.850.870	478.112.622

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

Portfolios/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment	Net exposure	Total partial write-offs (*)	Gross exposure	Total impairment	Net exposure	
1. Financial assets measured at amortised cost	7.864.240	6.363.928	1.500.311	5.579	302.936.231	3.823.903	299.112.329	300.612.640
2. Financial assets measured at fair value through other comprehensive income	726.994	4.000	722.994		84.499.237	331.102	84.168.134	84.891.128
3. Financial assets designated at fair value								
4. Other financial assets mandatorily measured at fair value							35.538.957	35.538.957
5. Financial assets held for sale							0	0
Total 31/12/2020	8.591.234	6.367.928	2.223.306	5.579	387.435.468	4.155.005	418.819.420	421.042.726
Total 31/12/2019	8.661.645	6.965.147	1.696.499		477.366.362	950.239	476.416.123	478.112.622

3. Distribution of financial assets by maturity ranges (book values)

Portfolios/risk stages	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	76.055	0		76.989	0				1.500.311
2. Financial assets measured at fair value through other comprehensive income							726.994		
3. Financial assets held for sale									
Total 31/12/2020	76.055			76.989			726.994		1.500.311
Total 31/12/2019	1.521.273			43.980					1.696.499

4. Financial assets, commitments to disburse funds and financial guarantees given: evolution of total adjustments and of total allocations

Reasons/risk stages	Total impairment															Total allocations on commitments to disburse funds and financial guarantees given			Total	
	Assets included in the first stage					Assets included in the second stage					Assets included in the third stage					Of which: financial assets impaired acquired or originated	First stage	Second stage		Third stage
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments					
Initial total impairment	882.249	32.225				67.990	390.347				6.965.147	514.400					244.067	1.869		
Increases from financial assets acquired or originated																				
Cancellations other than write-off																				
Net impairment/reversal of impairments for credit risk (+/-)	2.711.597	215.309				162.066	-306.778				-601.218	-510.400					-90.420	-1.869		
Contractual amendments without cancellations																				
Changes in estimation method																				
Write-offs not recognised directly in the income statement																				
Other changes	29.946					-29.946														
Final total inventories	3.623.793	247.534				200.110	83.569				6.363.928	4.000					153.647			10.676.581
Recoveries from collection on financial assets written off																				
Write-offs recognised directly in the income statement																				

5. Financial assets, commitments to disburse funds and financial guarantees provided: transfers between the various stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers between first and second stage		Transfers between second and third stage		Transfers between first and third stage	
	First stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	First stage to third stage	Third stage to first stage
1. Financial assets measured at amortised cost	5.149.771	10.786.203	40.563		239.589	9.052
2. Financial assets measured at fair value through other comprehensive income		10.100.000				
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees provided						
TOTAL 31/12/2020	5.149.771	20.886.203	40.563		239.589	9.052
TOTAL 31/12/2019	1.033.859	823.749	2.137.701		55.819	

5a. Loans subject to Covid-19 support measures: transfers between the various stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers between first and second stage		Transfers between second and third stage		Transfers between first and third stage	
	First stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	First stage to third stage	Third stage to first stage
A. Loans measured at amortised cost	4.250.337	6.482.758				
A.1 granted in accordance with GL	959.504	6.482.758				
A.2 granted in accordance with other measures	3.290.833					
A.3 new loans						
B. Financial assets measured at fair value through other comprehensive income						
B.1 granted in accordance with GL						
B.2 granted in accordance with other measures						
B.3 new loans						
Total 31/12/2020	4.250.337	6.482.758				
Total 31/12/2019						

6. Credit exposures to customers, to banks and to financial companies

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

Type of exposure/amounts	Gross exposure		Total impairment and provisions	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Doubtful loans					
- of which: forbearance exposures					
b) Unlikely-to-pay	726.994		4.000	722.994	
- of which: forbearance exposures					
c) Non-performing past due exposures					
- of which: forbearance exposures					
d) Performing past due exposures					
- of which: forbearance exposures					
e) Other performing exposures		128.746.237	267.670	128.478.567	
- of which: forbearance exposures					
TOTAL A	726.994	128.746.237	271.670	129.201.561	
B. OFF-BALANCE SHEET EXPOSURES					
a) Non-performing					
a) Performing					
TOTAL B					
TOTAL A+B	726.994	128.746.237	271.670	129.201.561	

6.3 Impaired on-balance sheet credit exposures to banks and financial companies: analysis of total impairment

Reasons/Category	Non-performing		Unlikely-to-pay		Non-performing past due exposures	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Initial total impairment - of which: exposures granted not derecognised			514.400			
B. Increases B.1 impairment of assets impaired acquired or originated B.2 other impairment B.3 losses from sale B.4 reclassified from other non-performing loan categories B.5 contractual amendments without derecognition B.6 other increases						
C. Decreases C.1 reversal of impairment from C.2 reversal of impairment from C.3 gains from sale C.4 write-offs C.5 reclassified to other non-performing exposure categories C.6 contractual amendments without derecognition C.7 other decreases			-510.400 -510.400			
D. Final total impairment - of which: exposures granted not derecognised			4.000			

6.4 Credit and “off-balance sheet” exposures to customers: gross and net amounts

Type of exposure/amounts	Gross exposure		Total impairment and provisions	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Doubtful loans	7.158.594		5.901.926	1.256.667	5.579
- of which: forbearance exposures	840.737		658.578	182.159	
b) Unlikely-to-pay	697.417		461.180	236.238	
- of which: forbearance exposures	153.587		101.458	52.129	
c) Non-performing past due exposures	8.229		823	7.406	
- of which: forbearance exposures					
d) Performing past due exposures		159.022	5.978	153.044	
- of which: forbearance exposures					
e) Other performing exposures		294.069.167	3.881.357	290.187.809	
- of which: forbearance exposures		92.092	3.524	88.568	
TOTAL A	7.864.240	294.228.189	10.251.265	291.841.165	5.579
B. OFF-BALANCE SHEET EXPOSURES					
a) Non-performing					
a) Performing		196.145.601	153.647	195.991.954	
TOTAL B		196.145.601	153.647	195.991.954	
TOTAL A+B	7.864.240	490.373.790	10.404.912	487.833.119	5.579

6.4a Loans subject to Covid-19 support measures: gross and net values

Type of exposure/amounts	Gross exposure	Total impairment and provisions	Net Exposure	Total partial write-offs*
A. NON-PERFORMING LOANS				
a) Granted in accordance with GL				
b) Forbearance in accordance with other measures				
c) New loans				
B. UNLIKELY-TO-PAY LOANS				
a) Granted in accordance with GL				
b) Forbearance in accordance with other measures				
c) New loans				
C) NON-PERFORMING PAST DUE LOANS				
a) Granted in accordance with GL				
b) Forbearance in accordance with other measures				
c) New loans				
D) PERFORMING PAST DUE LOANS	129.490	5.896	123.594	
a) Granted in accordance with GL	48.663	2.059	46.605	
b) Forbearance in accordance with other measures	80.827	3.837	76.989	
c) New loans				
E) OTHER PERFORMING LOANS	42.960.552	1.097.844	41.862.708	
a) Granted in accordance with GL	38.845.402	984.421	37.860.982	
b) Forbearance in accordance with other measures	4.115.150	113.423	4.001.727	
c) New loans				
TOTAL (A+B+C+D+E)	43.090.043	1.103.740	41.986.302	

6.5 On-balance sheet credit exposures to customers: analysis of gross impaired exposures

Reasons/Category	Non-performing	Unlikely-to-pay	Non-performing past due exposures
A. Initial gross exposure - of which: exposures granted not derecognised	7.184.875	372.384	55.698
B. Increases		171.446	
B.1 reclassified from performing exposures		171.446	
B.2 reclassified from financial assets impaired acquired or originated			
B.3 reclassified from other categories of non-performing exposures			
B.4 contractual amendments without derecognition			
B.5 other increases			
C. Decreases	-867.019		-47.469
C.1 reclassified to performing exposures			
C.2 write-offs			
C.3 collections	-867.019		-47.469
C.4 proceeds from sale			
C.5 losses from disposals			
C.6 reclassified to other non-performing exposure categories			
C.7 contractual amendments without derecognition			
C.8 other decreases			
D. Final gross exposure - of which: exposures granted not derecognised	6.317.856	543.830	8.229

6.5bis On-balance sheet credit exposures to customers: changes in gross exposures granted by credit quality

Reasons/Quality	Non-performing forbearance exposures	Other forbearance exposures
A. Initial gross exposure - of which: exposures granted not derecognised	1.048.688	123.106
B. Increases B.1 reclassified from performing loans not subject to forbearance B.2 reclassified from performing loans subject to forbearance B.3 reclassified from non-performing exposures subject to forbearance B.4 reclassified from non-performing exposures not subject to forbearance B.5 other increases		
C. Decreases C.1 reclassified to performing exposures not subject to forbearance C.2 reclassified to performing exposures subject to forbearance C.3 reclassified to non-performing exposures subject to forbearance C.4 write-offs C.5 collections C.6 proceeds from sale C.7 losses from sale C.8 other decreases	-54.364 -54.364	-31.014 -31.014
D. Final gross exposure - of which: exposures granted not derecognised	994.324	92.092

6.6 Impaired on-balance sheet credit exposures to customers: analysis of total impairment

Reasons/Category	Non-performing		Unlikely-to-pay		Non-performing past due exposures	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Initial total impairment - of which: exposures granted not derecognised	6.651.939	674.005	289.189	91.558	24.019	
B. Increases			171.990	9.900		
B.1 impairment of financial assets impaired acquired or originated						
B.2 other impairment			171.990	9.900		
B.3 losses from sale						
B.4 reclassified from other non-performing loan categories						
B.5 contractual amendments without derecognition						
B.6 other increases						
C. Decreases	-750.013	-15.427			-23.196	
C.1 reversal of impairment from valuation						
C.2 reversal of impairment from collection	-750.013	-15.427			-23.196	
C.3 gains from sale						
C.4 write-offs						
C.5 reclassified to other non-performing exposure categories						
C.6 contractual amendments without derecognition						
C.7 other decreases						
D. Final total impairment - of which: exposures granted not derecognised	5.901.926	658.578	461.179	101.458	823	

9 Credit concentration

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

The loans granted by the Parent Company are mainly aimed at micro, small and medium-sized enterprises with operational headquarters in the Lombardy region belonging to the manufacturing, business services, wholesale and construction industries, in line with the company's mission.

Exposures/Counterparties	Public administration		Financial companies		Non-financial companies		Households		Banks	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing of which: forbearance exposures					1.204.986	5.828.231	51.681	73.695		
A.2 Unlikely-to-pay loans of which: forbearance exposures			726.994	4.000	236.238	461.180				
A.3 Past due non-performing exposures of which: forbearance exposures					52.129	101.458				
A.4 Performing exposures of which: forbearance exposures	17.899.624	34.773	42.044.012	194.733	269.704.382	3.817.903	1.707.925	24.652	51.107.134	72.937
Total (A)	17.899.624	34.773	42.771.007	198.733	271.528.001	10.118.156	1.759.606	98.348	51.107.134	72.937
B. Off-balance sheet exposures										
B.1 Non-performing										
B.2 Other performing exposures	181.122.280				14.582.891	152.212	286.783	1.435		
Total B	181.122.280				14.582.891	152.212	286.783	1.435		
Total (A + B)	199.021.904	34.773	42.771.007	198.733	286.110.892	10.270.368	2.046.389	99.783	51.107.134	72.937

9.2 Geographical distribution of on- and off-balance sheet credit exposures

Exposures/Geographical areas	Italy		Other EU countries	
	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures				
A.1 Non-performing	1.256.667	5.901.926		
A.2 Unlikely-to-pay loans	963.232	465.180		
A.3 Past due non-performing exposures	382.395	10.842		
A.4 Performing exposures	374.450.841	4.135.230	8.012.236	9.768
Total (A)	377.053.135	10.513.178	8.012.236	9.768
B. Off-balance sheet exposures				
B.1 Non-performing				
B.2 Other performing exposures	195.991.954	153.647		
Total B	195.991.954	153.647		
Total (A+B)	573.045.090	10.666.825	8.012.236	9.768

9.2bis Distribution of cash and off-balance sheet exposures by geographical area of the counterparty

Exposures/Geographical areas	North West Italy		North East Italy		Central Italy		Italy South and Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures								
A.1 Non-performing	1.256.667	5.607.327		294.599				
A.2 Unlikely-to-pay loans	234.171	460.491			2.067	689	726.994	4.000
A.3 Past due non-performing exposures	382.395	10.842						
A.4 Performing exposures	315.354.794	3.886.154	24.444.652	202.829	34.433.821	42.482	217.574	3.765
Total (A)	317.228.027	9.964.814	24.444.652	497.429	34.435.888	43.171	944.568	7.765
B. Off-balance sheet exposures								
B.1 Non-performing								
B.2 Other performing exposures	195.991.954	153.647						
Total B	195.991.954	153.647						
Total (A+B)	513.219.981	10.118.461	24.444.652	497.429	34.435.888	43.171	944.568	7.765

It is specified that the loans receivable were granted to companies with registered offices in Lombardy.

9.3 Large Exposures

- Amount (gross exposure): Euro 234,968,087;
- Amount (weighted value): Euro 79,792,437;
- Number: 3 positions, namely Gruppo Intesa, Lombardy Region and Milano Serravalle (connected with Lombardy Region).

10 Models and other methods for measuring and managing credit risk

The Company measures its credit risk exposure in compliance with the regulations set by the Bank of Italy in accordance with the weightings of the standardised approach.

11 Other quantitative information

There are no disclosures to be made under to IFRS 7, para. 36, letter b) and 38.

3.2 – Market risk

Market risk, i.e. the risk of incurring possible losses in value resulting from changes in market parameters such as credit spreads, interest rates, prices of financial instruments traded on financial markets due to market evolution or issuers' specific situation, is monitored through a sensitivity

analysis, subject to approval by the Supervisory Authorities. The market risk calculation method used by Finlombarda for determining its capital requirement is the Standardised Approach.

3.2.1 – Interest rate risk

Quantitative Information

1. General aspects

Interest rate risk is limited to financial instruments related to such variables as deposits on demand, bonds of issuers of high standing in portfolio, mutual funds and insurance policies, with a prevalence of bonds, and is monitored through the method envisaged by Circular no. 288/2015 (Title IV, Chapter 14, Attachment C).

The Parent Company has two lines of credit with the European Investment Bank: one for Euro 200 million that is no longer usable and another for Euro 242 million that is still usable for about Euro 130 million. At the end of 2020, the two lines have an outstanding amount of Euro 111.9 million (book value). The Company has bonds for Euro 120.8 million, current accounts for Euro 20.2 million, loans to businesses stipulated for Euro 238.4 million, of which floating-rate for Euro 152.3 million exposed to interest rate risk and Euro 86.1 million at fixed rate. Note that the old credit line of Euro 200 million no longer allows any drawdowns, having been used for Euro 16 million.

The mutual funds have a variable return linked to the performance of the underlining portfolio, which contains fixed income securities as well as floating rate securities that are subject to changes in interest rates; interest rate risk management is carried out directly by the management company.

In 2017, the Parent Company issued a Bond listed on the Luxembourg Stock Exchange of Euro 50 million. The reference rate is fixed.

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

Type/Residual maturity	On demand	up to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 years to 10 years	over 10 years	Undefined maturity
1. Assets	20.961.006	193.815.480	6.873.107	13.504.657	127.712.671	1.650.554	14.910.931	
1.1 Debt securities	726.994	35.689.259	4.902.095	5.047.638	59.537.264		14.910.931	
1.2 Receivables	20.234.011	158.126.221	1.971.012	8.457.019	68.175.407	1.650.554		
1.3 Other assets								
2. Liabilities	1.041		111.935.402		50.163.237			
2.1 Payables			111.935.402					
2.3 Debt securities					50.163.237			
2.4 Other liabilities	1.041							
3. Financial derivatives								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

2. Models and other methods for measuring and managing interest rate risk

For a detailed analysis of significant items exposed to interest rate risk, we have to mention the Euro 111.9 million credit line of the European Investment Bank. About a quarter of the asset items consist of investments in bonds issued by supervised financial institutions and leading corporate companies, for a total of Euro 120.8 million, the rest being cash balances on the Company's current accounts, i.e. Euro 20.2 million. With regard to other significant items, the receivables due from the Lombardy Region are not financial in nature, but are due for services rendered and have an average residual life of about six months. The mutual funds are similar to equities, despite having a variable return linked to the performance of the underlying portfolio, so are not included in assets subject to interest rate risk.

3.2.2 – Price risk

Qualitative information

1. General aspects

This risk is absorbed by the assessments of market risk, while mutual funds and capitalisation policies the price risk is already observed as part of credit risk.

3.2.3 – Exchange rate risk

Quantitative Information

With reference to exchange rate risk, the methodology explained in art. 351 and 352 of the CRR was used.

The Company has performed the look through of the underlying portfolio of mutual funds held in portfolio at 31 December 2020, highlighting in table 1, the total (unweighted) exposure to exchange rate risk.

1. Breakdown by currency of assets, liabilities and derivatives

Items	CURRENCIES					
	USA Dollars	GB Pounds	Yen	Canadian dollars	Swiss Francs	Other currencies
A. Financial assets	3.591.115	92.051	534.778	66.443	168.448	723.997
A.1 Debt securities						
A.2 Equities						
A.3 Receivables						
A.5 Other financial assets	3.591.115	92.051	534.778	66.443	168.448	723.997
- other assets						
B. Financial Institution liabilities						
C.1 Payables						
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
+ long positions						
+ short positions						
Total assets	3.591.115	92.051	534.778	66.443	168.448	723.997
Total liabilities						
Imbalance (+/-)	3.591.115	92.051	534.778	66.443	168.448	723.997

The capital requirement for the exchange rate risk amounts to Euro 414,147.

3.3 – Operational risk

Qualitative information

1. General aspects, management and measurement of operational risk

The Parent Company manages the various factors of operational risk through a variety of organisational, procedural and IT safeguards and controls appropriately adopted and evaluated regularly in order to verify their validity over time.

The first one is aimed at mitigating internal operational risk and is the system of procedures and regulations. All key processes of the Company are, in fact, mapped and, for the significant steps, the Company has always separated the functions that deal with the phase control from those that are responsible for their implementation.

Operational risks are managed through the application of logical and physical security measures to ensure the integrity and authenticity of the data processing process.

In order to monitor the operational risks to which the Company is exposed, the Risk Management Office coordinates the process of drafting and updating the Corporate Risk Map, in which it analyses all relevant business processes and identifies the related operational risks and mitigation activities of those with a "High" and "Medium High" net rating, submitting them to the Corporate Bodies for decisions.

Quantitative Information

In relation to the "Basic" approach indicated by the Supervisory Authorities, the driver used for the sensitivity analysis on operational risk is the relevant indicator.

3.4 – Liquidity risk

Qualitative information

1. General aspects, management and measurement of operational risk

Liquidity risk means the risk of not being able to meet payment commitments due to the inability to obtain funds on the market (funding liquidity risk) or to sell assets (market liquidity risk). The liquidity planning process begins every year with the preparation of a Business Plan, making forecasts of monthly liquidity consumption over a period of three years. During the course of the year, to determine the funding needs and their coverage, the Asset Management and Treasury Service uses a maturity ladder, built on the basis of forecasts of expected cash inflows and outflows month by

month, the positive and negative imbalances split by time bands, including both the inflows and the outflows. For the construction of the schedule, the Asset Management and Treasury Service requires the organisational units in charge of core operations to prepare prospective data on payroll, suppliers, taxes and fees, payments from the Lombardy Region, while on financial intermediation it takes the figures from the management systems, completing the prospective part based on the forecasts contained in the Business Plan. The maturity ladder, produced on a monthly basis, highlights the differences between income and expense and the monthly cash balance that the Company can rely on prospectively over a twelve-month horizon and allows the Asset Management and Treasury Service to adjust its investment/disinvestment policy by identifying the more cost-effective financial strategy for the Company, as well as an analysis of variances caused by the actual cash flows recorded. For each investment made, the Asset Management and Treasury Service updates a schedule containing the maturities by coupons, interest and capital of the investments made to update the maturity ladder in a continuous and timely manner. Furthermore, as a result of the bond issue, the Asset Management and Treasury Service prepares and updates the Contingency Funding Plan required by the Bank of Italy from those taking deposits from the general public. This document lists the various types of liquidity stress, also under high stress conditions, identifying the sources of funding to cope with them. At the end of 2020, the Company has liquid assets, mainly current accounts for about Euro 20.3 million to partially mitigate the Funding liquidity risk, which could also be addressed through the divestment of part of the assets, starting from the most liquid items such as, for example, the sale of class 1 bonds and UCITS. If the Company were to face a situation of greater need, it could accelerate the use of the EIB lines dedicated to this purpose, with a residual usable space of Euro 130 million. If these are exhausted, new credit lines will be opened with the EIB or other institutions.

Quantitative Information

1. Distribution of financial assets and liabilities by residual maturity

Items/Time bands	on demand	over 1 day to 7 days	over 7 days to 15 days	over 15 days to 1 month	over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 3 years	from over 3 years to 5 years	Over 5 years	undefined maturity
Cash assets	21.376.259			20.621.795	24.853.356	24.646.705	32.384.846	170.134.620	60.364.559	25.461.520	41.534.168
A.1 Government securities								5.004.907			
A.2 Other Debt securities	726.994			20.621.795	12.469.876	4.902.095	6.142.087	41.942.402	14.093.094	14.910.931	
A.3 Loans					12.383.480	19.744.610	26.242.760	123.187.311	46.271.464	10.550.589	
A.4 Other assets	20.649.265										41.534.168
On-balance sheet liabilities	1.041					5.771.575	5.703.351	72.671.862	19.471.866	58.479.984	
B.1 Payables											
- Banks	1.041					5.771.575	5.703.351	22.508.626	19.471.866	58.479.984	
- Financial companies											
- Customers											
B.2 Debt securities								50.163.237			
B.3 Other liabilities											
Off-balance sheet transactions	3.273.289						181.122.280	8.564.999	3.185.034		
C.1 Financial Institution derivatives with capital exchange											
- long positions											
- short positions											
C.2 Financial Institution derivatives without capital exchange											
- positive differentials											
- negative differentials											
C.3 Loans to be received											
- long positions											
- short positions											
C.4 Irrevocable commitments to disburse funds											
- long positions	3.273.289						181.122.280	8.564.999	3.185.034		
- short positions											
C.5 Financial Institution guarantees given											
C.6 Financial Institution guarantees received											

SECTION 4 – INFORMATION ON EQUITY

4.1 – The Capital of the Company

4.1.1 - Qualitative information

Capital management is entrusted to the Board of Directors on the recommendation of the sole shareholder, the Lombardy Region. All equity reserves can be used to cover any losses, with the exception of the legal reserve, and when the Company deems it necessary, they can be used to increase the share capital. Excluding the legal reserve and the share premium reserve, all of the other reserves are distributable.

4.1.2 - Qualitative information

4.1.2.1 - Capital of the company: breakdown

Items/Amounts	31/12/2020	31/12/2019
1. Share capital	211.000.000	211.000.000
2. Share premium reserve	127.823	127.823
3. Reserves	45.544.683	43.993.152
- of profits	45.544.683	43.993.152
a) legal	7.073.832	6.834.075
b) statutory	4.943.788	4.704.031
c) treasury shares		
d) others	33.527.062	32.455.045
- other		
4. (Treasury shares)		
5. Valuation reserves	-149.581	1.698.110
- Equities designated at fair value through other comprehensive income:		-12.546
- Hedging of equities designated at fair value through other comprehensive income		
- Financial assets (other than equities) measured at fair value through other comprehensive income	220.979	1.927.031
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Hedges (non designated elements)		
- Exchange differences		
- Non-current assets and groups of assets held for sale		
- Financial liabilities designated at fair value through profit or loss (changes of own credit rating)		
- Special write-back laws		
- Actuarial gains/losses relating to pension plans on defined benefit plans	-370.560	-216.375
- Share of valuation reserves relating to equity investments valued at equity		
6. Equity instruments		
7. Net profit (loss) for the year	0	2.397.568
Total	256.522.925	259.216.653

4.1.2.2 - Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	31/12/2020		31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		236.378		1.927.031
2. Equities	15.399		12.546	
3. Loans				
Total	15.399	236.378	12.546	1.927.031

The aforementioned valuation reserve shows the increases and decreases in value deriving from the fair value and credit risk valuations of the financial assets of the HTCS portfolio, in accordance with the provisions of IFRS 9.

4.1.2.3 - Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. Opening balance	1.927.031	-12.546	
2. Positive changes	917.356		
2.1 Increases in fair value			
2.2 Impairment for credit risk			
2.3 Reversal to income statement of negative realisation reserves	917.356		
2.4 Transfers to other equity components (equities)			
2.5 Other changes			
3. Negative changes	-2.608.009	-2.853	
3.1 Decreases in fair value	-1.215.391	-2.853	
3.2 Reversal of impairment for credit risk	-601.870		
3.3 Reversal to income statement of positive reserves: realisation	-790.748		
3.4 Transfers to other equity components (equities)			
3.5 Other changes			
4. Closing inventories	236.378	-15.399	

The OCI reserve in accordance with IFRS 9 has changed due to increases and decreases in the fair value of debt securities, as well as the increase/decrease in the associated credit risk.

4.2 – Own funds and capital ratios

4.2.1 – Own funds

4.2.1.1 - Qualitative information

This section lists the main contractual characteristics of the instruments included in the calculation of TIER 1 capital, of TIER 2 capital and of regulatory capital.

It should be noted that Finlombarda does not calculate consolidated regulatory capital since the subsidiary Finlombarda Gestioni SGR is below the threshold envisaged by Bank of Italy Circular 288. In individual regulatory capital, the Parent Company does not make use of the deduction of deferred tax assets from TIER 1 of the investment in Finlombarda SGR, as it is below the exemption threshold provided for in the Bank of Italy's Circular no. 288 of 3 April 2015 and subsequent updates, applying a weighting of 250% on the value of both assets. The elements to be deducted from TIER 1 include the OCI reserve (IFRS 9) and the assets of defined benefit pension fund (IAS 19). Finlombarda did not apply the transitional arrangements provided by IFRS9.

4.2.1.2 - Quantitative information

Items/Amounts	31/12/2020	31/12/2019
A. Core capital before the application of prudential filters	240.043.432	240.898.222
B. Core capital prudential filters:		
B.1 Positive IAS/IFRS prudential filters (+)		
B.2 Negative IAS/IFRS prudential filters (-)		
C. Core capital before elements to be deducted (A+/- B)	240.043.432	240.898.222
D. Elements to be deducted from the core capital	783.844	678.886
E. Total core capital (TIER 1) (C-D)	239.259.588	240.219.336
F. Tier 2 capital before application of prudential filters		
G. Tier 2 prudential filters:		
G.1 Positive IAS/IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)		
H. Tier 2 capital before elements to be deducted (F+G)		
I. Elements to be deducted from the Tier 2 capital		
L. Total Tier 2 capital (H-I)		
M. Elements to be deducted from the core capital and tier 2 capital		
B. Regulatory capital (E+L-M)	239.259.588	240.219.336

4.2.2 - Capital adequacy

4.2.2.1 - Qualitative information

The current absorption of Own Funds is very low indeed: compared with a total of about Euro 31.4 million of capital requirements imposed by the first pillar, the Parent Company holds regulatory capital equal to Euro 239.3 million and therefore has a surplus of Euro 207.9 million. Tier 1 Capital Ratio is 61.00% and Total Capital Ratio amounts to 60.94%.

The Company uses the methods of calculating regulatory capital requirements for Pillar I risks (standardised method for credit and marked risks, and the Basic Indicator Approach for operational risk) and measures the risks not included in the first pillar providing monitoring and mitigation systems such as adequate procedures, policies, frameworks and analytical documents.

The Parent Company has analysed its business and prospectively evaluated its activities, separating the significant risks.

Finlombarda's goal and mission are not to maximise profits, but to facilitate and support the socio-economic development of the local area, encouraging interaction with the production system and private funding. In concrete terms, the Company's current situation features a high level of capitalisation.

In light of its specific activity, Finlombarda believes that its Own Funds are sufficient to deal with any adverse scenarios in relation to the risks assumed compared with the regulatory requirements imposed by the first pillar.

In compliance with Bank of Italy Circular no. 288 of 3 April 2015, the Company monitors its capital adequacy by preparing an ICAAP report (Internal Capital Adequacy Assessment Process), which it publishes on its website, www.finlombarda.it, "Disclosure to the general public" ("third pillar").

4.2.2.2 - Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	669.333.533	532.536.808	350.665.886	324.335.712
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			28.053.271	25.946.857
B.2 Requirement for the performance of payment services				
B.3 Requirement for the issue of e-money				
B.4 Specific prudential requirements				
B.5 Total prudential requirements			31.377.208	29.549.176
C. RISK ASSETS AND RATIOS				
C.1 Risk-weighted assets			392.215.101	369.364.695
C.2 Core capital/Risk-weighted assets (Tier 1 capital ratio)			61,00%	65,04%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			61,00%	65,04%

SECTION 5 – STATEMENT OF COMPREHENSIVE INCOME

Items	Gross Value	Income tax	Net Value
Net profit (loss) for the year	209.729	-209.729	0
Other comprehensive income after tax without reversal to income statement			
Equities designated at fair value through other comprehensive income:			
a) change in fair value	-2.853		-2.853
b) transfers to other equity components			
Financial liabilities designated at fair value through profit or loss (change in own creditworthiness):			
a) change in fair value			
b) transfers to other equity components			
Hedging of equities designated at fair value through other comprehensive income			
a) change in fair value (hedged instrument)			
b) change in fair value (hedging instrument)			
Property, plant and equipment			
Intangible assets			
Defined benefit plans			
Non-current assets and groups of assets held for sale			
Share of valuation reserves of equity investments valued at equity			
Income tax relating to other comprehensive income without reversal to income statement			
Other comprehensive income with reversal to income statement			
Foreign investment hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Exchange differences:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Cash flow hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
of which: result of net positions			
Hedges (non designated elements):			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Financial assets (other than equities) measured at fair value through other comprehensive income			
a) changes in fair value			
b) reversal to income statement			
- impairment adjustments			
- gains/losses on disposal			
c) other changes			
Non-current assets and groups of assets held for sale:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Share of valuation reserves of equity investments valued at equity:			
a) changes in fair value			
b) reversal to income statement			
- impairment adjustments			
- gains/losses on disposal			
c) other changes			
Income tax relating to other comprehensive income with reversal to income statement			
Total other income components	-1.047.504	0	-1.047.504
Comprehensive income (item 10+190)	-837.775	-209.729	-1.047.504
Consolidated comprehensive income of minority interest			
Consolidated comprehensive income of the parent company	-837.775	-209.729	-1.047.504

SECTION 6 – TRANSACTIONS WITH RELATED PARTIES

6.1 - Information on remuneration of managers with strategic responsibilities

Finlombarda S.p.A.

	31/12/2020	31/12/2019
Members of the Board of Directors	159.558	176.678
Board of Statutory Auditors	46.800	46.800
Supervisory body	31.200	31.200

Finlombarda Gestioni SGR S.p.A.

	31/12/2020	31/12/2019
Members of the Board of Directors	44.408	98.332
Board of Statutory Auditors	38.064	38.064

6.2 - Loans and guarantees given in favour of directors and statutory auditors

No loans were granted nor guarantees given in favour of any member of the Corporate Bodies.

6.3 - Information about related party transactions

Transactions with related parties, mainly the Lombardy Region, are traded at market conditions.

At 31/12/2020, the amounts due to the Sole Shareholder Lombardy Region are as follows:

LOMBARDY REGION	Revenues	12.143.319	Costs	7.197
	Receivables	5.484.058	Payables	76.189

6.4 – Information on the audit firm

Pursuant to art. 2427 of the Italian Civil Code, para. 16-bis, the audit fees for the year were as follows:

Type of services	Counterparty	31/12/2020	31/12/2019
Audit	BDO Italia S.p.A		5.886
Audit	Audirevi SPA	29.832	29.832
Other services	Audirevi SPA	26.103	26.103

6.5 – Management and coordination as per art. 2497 bis of the Italian Civil Code

The Company is subject to management and coordination by the Lombardy Region in accordance with art. 2497 bis of the Civil Code. The system of corporate governance adopted is the traditional one with the presence of a Board of Directors and Board of Statutory Auditors.

FINLOBARDA S.p.A.

Independent Auditor's Report
pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated January 27, 2010

Independent Auditor's Report

pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated January 27, 2010

To the shareholder of
Finlombarda S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Finlombarda S.p.A. (the Group), which comprise the statement of financial position as at December 31, 2020, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 43 of Legislative Decree NO. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 43 of Legislative Decree NO. 136/15 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the holding Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10

The directors of Finlombarda S.p.A. are responsible for the preparation of the report on operations of the Group as at December 31, 2020, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

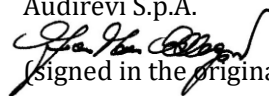
We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of the Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Group as at December 31, 2020 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 27 May 2021

Audirevi S.p.A.



(signed in the original)

Gian Mauro Calligari

Partner