REPORT ON OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2019

FINLOMBARDA S.p.A.

Sole shareholder: the Lombardy Region

Registered office and headquarters: Via Fabio Filzi 25/A, – 20124 Milan, Italy

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 Decree Law 385/93 - CBA - Company subject to direction and coordination by the Lombardy Region.

BOARD OF DIRECTORS

Chairman	Michele Giuseppe VIETTI
Directors	Maria Carla GIORGETTI Giuseppe PEZZULLI

BOARD OF STATUTORY AUDITORS

Chairman	Luigi JEMOLI
Auditors	Davide ARANCIO Antonella CHIAMETTI

MANAGEMENT

General Manager	Giovanni RALLO

AUDIT FIRM

AUDIREVI S.p.A.

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REPORT ON OPERATIONS

Dear Shareholder,

The Group closed 2019 with a net profit after tax of Euro 1,551,531. Depreciation on property, plant and equipment and amortisation on intangible assets have been charged for a total of Euro 1,756,027.

The financial statements presented here have been prepared according to international accounting standards (IAS/IFRS).

The financial statements have been prepared in accordance with the instructions for the preparation of "IFRS financial statements of financial intermediaries other than banks", issued by the Bank of Italy on 30 November 2018.

For the first time, the accounting standards set out in International Financial Reporting Standard 16 - Leases (IFRS 16) were applied.

THE MACROECONOMIC ENVIRONMENT

The global macroeconomic context in 2019

Based on the most recent data published by Bank of Italy[1], in 2019 world GDP grew by 2.9% relative to 2018 (when it had been 3.6%), the lowest growth rate recorded since the 2008/2009 economic crisis. The slowdown in growth was overall and in all the major global economies. The United States achieved a growth of 2.3% in 2019 (2.9% in 2018). The United Kingdom went from a growth rate of 1.4% to 1.2%. The Euro area went from 1.9% to 1.2%.

Emerging economies also recorded significant slowdowns: India went from 6.8% to 5.8% growth, China from 6.6% to 6.2%, Brazil and Russia went from 1.1% and 2.3% to 0.8% and 1.1% respectively.

The main reason for the slowdown is the reduction in global trade, the growth rate of which was 0.6% in 2019, down significantly from 4.2% in 2018. The trade tensions between the United States and China, Canada, Mexico and the European Union have been partially resolved thanks to the reaching of an initial agreement between the United States and China and the stipulation of the agreement for the circulation of goods in the North American area (USMCA treaty) and the postponement of the application of duties on certain European products.

[1] Quarterly Economic Bulletin 1 – 2020

The level of inflation remained fairly contained in all the major world economies: in the United States in December 2019, it rose above the 2% threshold, while in the United Kingdom and the European Union it fell below 2% to 1.3% at the end of 2019.
In Japan, on the other hand, inflation was below 1% for all of 2019, standing at around 0.5% in December 2019.

European Union

In 2019, the economies of European Union countries grew by 1.2%, with a downward trend compared to 2018 (1.9%) and 2017 (2.5%).
During 2019, the growth of European economies was affected by the weakness shown by the industrial sector especially in Germany and Italy. The growth rate of the economy was supported by the steady growth of the services sector, which, however, could slow down in the long run due to the stagnation of the industrial sector.
GDP growth was affected by the trend in world trade and was sustained by domestic demand and consumption, which were supported by the good performance of employment. The figures for the last quarter of 2019 showed an easing of the decline in German industrial production, which could encourage and drive growth in the industrial sector in other countries in the area as well.
Average inflation in the European Union amounted to 1.2% in 2019, down relative to 1.7% in 2018 and still lower than the ECB target level of 2% per annum. Price growth was different in the main European countries, higher in France and Germany (1.6% and 1.5% respectively) and lower in Spain and Italy (0.8% and 0.5%).
The increase in the price level, especially in the second half of the year, was penalised by the prices of energy products and supported by the dynamics of core inflation and the prices of services.
In light of the GDP growth dynamics described and the economic data and indications that emerged during the last four quarters of 2019, the European Central Bank implemented an accommodative monetary policy during 2019 and confirmed, prior to the emergence of the Covid-19 pandemic, during the last meetings of 2019 that monetary policy will not change until the level of Eurozone inflation is stably at the target level of 2%.
In particular, it was confirmed that the ECB would purchase Euro 20 billion of financial assets per month and that the reinvestment of capital repaid on maturing securities would continue for an extended period of time in order to maintain a high degree of monetary accommodation.

The Italian economy

On the basis of the actual figures for the first three quarters of 2019 and statistical computations by the Bank of Italy for the fourth quarter, Italy's GDP in 2019 appears to have increased by 0.2%. The result was affected by a significant slowdown in investments in both construction and capital goods. Gross domestic product was supported by the dynamics of domestic demand sustained by household consumption and in the third quarter, by the reintegration of inventories. Tensions in international trade contributed to lower exports of goods to foreign countries, while imports increased.

Based on the latest available information, GDP also grew by 0.1% in the fourth quarter of 2019, mainly due to continued weakness in the industrial sector.

Gross domestic product and its components					
	2018 4th qtr	2018	2019 1st qtr	2019 2nd qtr	2019 3rd qtr
GDP	**0,1%**	**0,8%**	**0,1%**	**0,1%**	**0,1%**
Total imports	1,6%	3,0%	-2,4%	1,1%	1,3%
Domestic demand	*0,3%*	*1,1%*	*0,1%*	*0,5%*	*1,1%*
household spending	*0,3%*	*0,8%*	*0,1%*	*0,0%*	*-0,1%*
other expenses	*0,0%*	*-0,1%*	*0,0%*	*0,4%*	*0,8%*
Gross fixed capitalexpend	*0,1%*	*3,2%*	*2,4%*		
buildings	*0,7%*	*2,9%*	*3,0%*		
other capital assets	*-0,4%*	*3,4%*	*1,9%*		
change in stocks	0,1%	-0,1%	-1%	-0,1%	0,3%
total exports	-0,2%	-0,3%	-0,6%	0,0%	0,4%

Source: Bank of italy Economic Bulletin no.12020

Business confidence in the final months of 2019 had cautiously improved, with companies indicating modest growth in orders especially in the industrial sector and from abroad, and expecting a possible increase in their investments in 2020. Obviously, the current health emergency is generating an evident reversal of the expected scenarios.

In 2019, industrial production recorded a significant decline starting in the second quarter that continued the following two quarters due mainly to the sharp decline in the energy sector.

According to the Bank of Italy, in 2019, as in 2018, Italian companies obtained a lower profit rate compared to the previous year due to the further growth of labour costs; this dynamic affected the self-financing capacity of companies. The indebtedness of Italian companies has remained stable in relation to GDP (at a level of 69%), a lower level than the average for companies in other European countries.

The construction sector remained stable during the first three quarters of 2019, while in the fourth quarter, the figures indicate a slight improvement. The real estate sector recorded an increase in the number of transactions in the first three quarters, while the dynamics of real prices declined further.

Inflation in Italy in 2019 averaged 0.6%; in particular, starting in April, the price index slowed and was partially mitigated only in December. The weakness of the price trend was generated mainly by the price trend in the energy sector.

In addition, based on data collected by the Bank of Italy for November 2019, credit to the non-financial private sector contracted by 1.9% compared to 2018 mainly due to weak demand for credit from businesses.

Among non-financial companies in particular, the largest contractions were related to the construction sector (-4.5%), services (-1.7%) and manufacturing (-0.5%). Overall, credit granted to the non-financial private sector remained in line with as recorded in November 2018, as a result of the growth in loans granted to households for both home purchases (+2.5%) and consumer credit (+8.2%).

Labour market

In 2019, the number of employed people grew compared to 2018, reaching 25.5 million at the end of the third quarter of 2019 (of which 11.3 million in services, 4.3 million in industry and 1.5 million in construction). The growth was more marked in the first quarter, while more contained in the rest of the year, above all with regard to employees, especially on permanent contracts, which amounted to 19.4 million while the self-employed were 6 million people. The employment rate during the year rose to 59.2%, while the unemployment rate fell below 10% (9.8%). Youth participation in the labour market is increasing: the youth unemployment rate fell from 32% at the beginning of the year to 27% in the third quarter.

On the other hand, the wage growth level fell to 0.7%, mainly due to the non-renewal of the civil service contract.

The annual report published in September 2019 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 129 thousand guarantee applications accepted in the period analysed for an amount of guaranteed loans exceeding Euro 19.2 billion.

Excluding the central guarantee fund, in the last period analysed by the MISE report on subsidies for businesses, both regional and state public aid grants amounted to Euro 6.5 billion (+38%), subsidies disbursed amounted to Euro 2.5 billion (+26%) and subsidised investments amounted to Euro 23.1 billion (-0.7%).

Central and northern regions account for 54% of the approved applications for Euro 3 billion (47% of the total, of which Euro 1.2 billion disbursed), corresponding to Euro 19.1 billion of subsidised investments (82% of the total). The number of subsidised applications increased by 82%, while the value of overall subsidised investments fell by Euro 1 billion, mainly due to the granting and disbursement of smaller subsidies (including, for example, the voucher for the digitalisation of SMEs).

An analysis of the total subsidies granted shows a prevalence of national contributions amounting to Euro 3.6 billion (60% of the total) compared to regional contributions, which amounted to Euro 2.3 billion. Overall, the resources allocated to businesses from the two financing channels amounted to approximately Euro 6 billion. In the regions of the centre-north, the incidence of subsidies granted by national contributions is higher than the national average and stands at 64%.

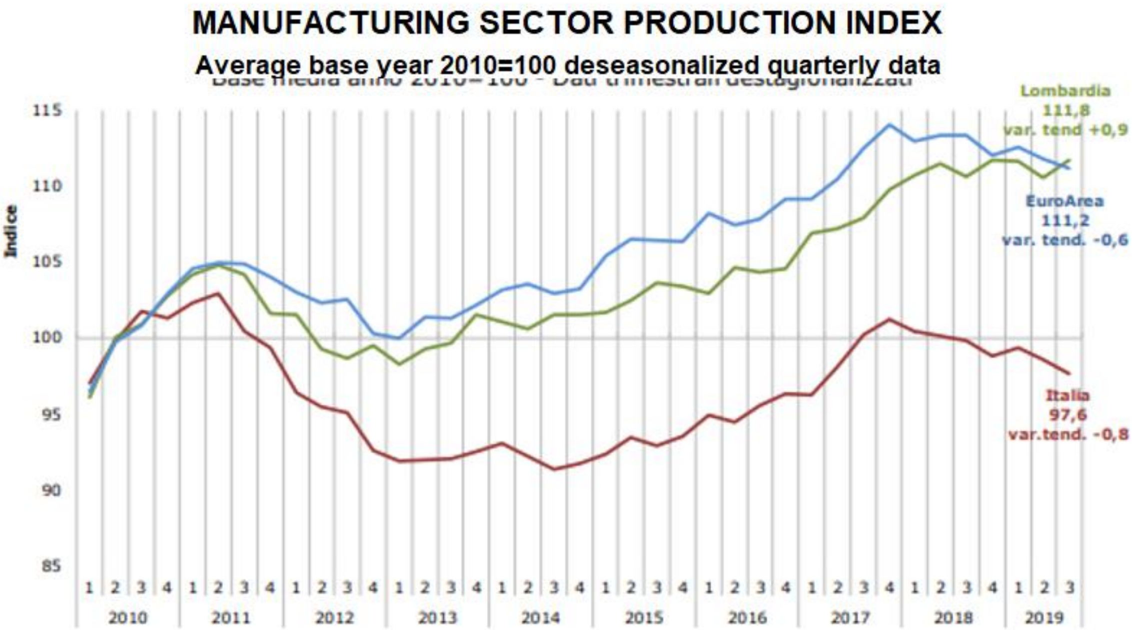
Both national and regional incentives have mainly supported productive and territorial development by increasing subsidies compared to the previous period and dedicating Euro 2.3 billion (35% of resources) to these interventions. Both administrations ranked research, innovation and development as the second most important issue to be promoted, with funds amounting to Euro 1.8 billion (27% of the total). The central administration then supported the internationalisation of businesses, while the administrations gave more support to new entrepreneurship.

Lombardy Region

According to the Bank of Italy economic survey published in November 2019, the growth of manufacturing production in Lombardy, which had grown at a rate of 3% in 2018, came to a halt over the past year. Growth in the manufacturing sector as a whole was almost nil (+0.3%). The production level is slightly lower than in 2007, i.e. before the onset of the economic crisis, due to the production level of small enterprises (with less than 50 employees), which is still significantly lower than the pre-financial crisis level, while the production level of larger enterprises (from 50 to 200 employees and over 200 employees) have finally exceeded the production levels of 2007.

According to data made available by Unioncamere Lombardia, the production index in the Lombard manufacturing sector in the third quarter of 2019, reached a value of 111.8, further approaching, but not yet reaching the pre-crisis highs (113.2 in 2007). The 2019 figure confirms a trend more similar to that of the Eurozone (111.2) than the Italian one (97.6).

Industrial production in Lombardy



Source: Unioncamere Lombardia, Congiuntura economica T3-2019

The different sectors of industrial production had a differentiated trend: economic activity grew for the food sector (+2.8%) and for non-metallic minerals (+2.3%) and to a lesser extent for chemicals (+1.1%) while the difficulties experienced also in 2019, persist for the clothing sector (-2.2%), textiles (-1.4%) and means of transport (-1.1%).

Manufacturing companies in Lombardy recorded a plant utilisation level of 75.1%, down from 76.2% recorded at the end of the third quarter of 2018. During the year, companies' planned investment programmes were 70% adhered to. However, companies included in Bank of Italy surveys were already reporting a reduction in their investment programmes for 2020 compared to 2019 before the pandemic struck.

The construction sector at regional level continued the positive trend undertaken in 2018. The growth in turnover of companies in the sector was on average 6.9% (5.4% in 2018). This dynamic was accompanied by a similar expansion in both the number of transactions in the residential sector, up 7% compared to 2018, and average sales prices, which grew by 0.9%. However, both indicators remain at values that are still lower than those recorded in 2007 pre-crisis.

The services sector showed a rather differentiated trend with companies operating in the retail sector showing substantial stability compared to 2018 (+0.1%). Other services on the other hand experienced a positive dynamic with turnover growth in tourism-related activities (accommodation and catering) of 2.6% compared to 2019, while business services on the other hand grew by 2%.

According to the Bank of Italy survey, 80% of Lombardy companies operating in the industrial and services sectors expected to make profits during 2019.

The regional labour market remained expansive: in 2019, the employment rate (15-64 years old) in Lombardy grew further to 68.4% (67.7% in 2018). During the same period, the unemployment rate (15-74 years old) continued its downward trend, coming in at 5.7%, down 0.6% compared to 2018. In contrast to the other indicators, the number of authorised hours of layoff compensation (CIG) in Lombardy grew by 0.6% compared to 2018. The number of hours of CIG had been steadily decreasing since 2014.

Credit market

According to the Bank of Italy findings, 2019 saw a reduction in loans granted to Lombardy businesses linked mainly to the slowdown in the global economy and a reduction in demand for credit by businesses for both working capital requirements and investment financing.

The reduction in 2019 was 2.3% and was seen for both larger and smaller companies.

At sector level, manufacturing was the sector for which the reduction in credit was least marked, while the decline was more significant in the services and construction sectors. The contraction in credit to the corporate sector was offset by the 3.1% growth in loans granted by the banking sector to households.

The collection of finance from Lombardy companies also took place during 2019 through the issuance of bonds, which amounted to Euro 7 billion (Euro 2 billion net of redemptions), a significant growth compared to 2018.

Regarding the cost of credit: the costs applied to businesses remained essentially stable compared to those applied in 2018. The slight contraction in average spreads was accompanied by an increase in the ancillary costs of financing.

In the first half of 2019, the incidence of new non-performing loans on total loans was 0.9%, continuing the reduction trend in place since 2018 and on the levels before the financial crisis. The decrease is due to the lower number of non-performing loans referred to companies especially in the services and manufacturing sector, while in the construction sector the rate of non-performing loans compared to disbursed grew by 3.8%. The ratio of gross non-performing loans to total loans to companies was 8.6% in June 2019 (11.9% in June 2018); the proportion of insolvency positions was 4.3%.

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 2019 are shown below.

Bank loan by economic sector (1) (percentage over 12 months)

			Private sector						
				Enterprises					
						Small(1)			
PERIOD	Pubblic administration	Financial and insurance companies	total private sector	total enterprises	Medium-large	Total small entrerprises	of which producer households (2)	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	-3,49%	5,40%	1,40%	0,60%	1,00%	-2,00%	-1,30%	3,10%	2,10%
Mar. 2019	-3,50%	1,20%	0,40%	-1,00%	-0,70%	-3,10%	-2%	3,10%	0,40%
Jun. 2019	-9,00%	-4,70%	0,20%	-1,30%	-1,00%	-3,50%	-2,80%	3,10%	-1,00%
Period end amounts in millions of euro									
Jun. 2019	8.545	89.129	340.259	219.096	191.346	27.750	15.813	118.780	437.935

Source: regulatory reporting Regional Economies-Lombardy's economiy- Economic update- November 2019

(1) Limited partnerships and general partnerships, simple partnerships, de facto corporations and sole proprieirtorships with fewer that 20 employees. (2) Simple partnerships, de facto corporatons and sole proprieirtorships up to 5 employees. (3) the total also includes non-profit istitutions serving families and unclassified or unclassificable units

Banks from loans and financial entries to enterprises by bank of economic activity (percentage changes over 12 months)

ITEMS	**Dec. 2017**	**Jun. 2018**	**Dec. 2018**	**Jun. 2019**
Branches				
Manufacturing activities	4,20%	3,80%	2,70%	0,70%
Buildings	-5,10%	-3,30%	-1,00%	-3,00%
Services	3,10%	1,40%	0,50%	-1,20%
Items	**1,60%**	**0,90%**	**0,60%**	**-1,30%**

Source: Regulatory reporting -Regional Economies-Lombardy's economy-Economic update-November 2019

Future outlook

The dramatic spread of the Coronavirus in Italy and the rest of the world represents an unprecedented shock, which has systemic implications not only in terms of health, but also social, political, economic and geopolitical.

In this global scenario of crisis, our country is unfortunately currently among the countries most affected by the emergency.

The outbreak of the COVID-19 pandemic is putting a strain on financial markets and the entire credit industry.

At present, given the unpredictable evolution of the health crisis, there are no reliable estimates available on its impact on the socio-economic fabric, both at global and European level and in Italy.

The spread of the COVID-19 and the resulting halt in economic activity produced tensions in financial markets and downward estimates of expected global growth rates.

With the rapid expansion of the virus, analysts have adjusted their estimates of global GDP growth for 2020, marking a negative reversal in economic growth.

According to a recent report by KPMG (Covid-19: Impacts on the banking sector), financial markets have entered a phase of radical risk aversion. Since the virus spread on a global scale, the world's major stock indices have fallen alarmingly. On the stock market front, the response was violent.

Economic growth is expected to pick up in 2021, thanks to targeted political and economic interventions

in the most exposed countries.

In the Italian context, the prospects of recession implied by the quarantine measures adopted (lockdown obligation) have significantly altered estimates of domestic GDP growth.

The International Monetary Fund recently estimated (World Economic Outlook: The Great Lockdown) in a drop of about 3% in the global GDP trend, with an impact of - 6.6% in Europe and - 9.1% in Italy. The year 2021 will instead mark a return to positive, with Italy expected to grow more than the European average (+4.8% vs +4.5%).

THE ACTIVITY CARRIED OUT BY THE PARENT COMPANY IN 2019

The activity carried out by the parent company in 2019, 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 in detail, among the **financial instruments with Community resources**, the following new calls have been activated: Linea Internazionalizzazione, to support complex internationalisation projects of Lombardy's SMEs; FRIM FESR 2020 “RICERCA & SVILUPPO”, for investments in research and development aimed at innovation by SMEs and freelance professionals; Controgaranzie 2, a free counter-guarantee instrument issued to Consorzi di Garanzia Collettiva Fidi (Confidi) for access to credit by SMEs and freelance professionals operating in Lombardy. In addition, work continued in the management of the initiatives already started in the previous year, both with regard to those already open in 2019, 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 PMI (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.
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-2020 programming cycle. With reference to the new programming period, Finlombarda 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 following new calls have been launched: the Fund for credit support for cooperative enterprises, aimed at supporting the creation and competitiveness of Lombardy's cooperative enterprises, as well as social cooperatives and their consortia, with particular attention to

initiatives undertaken by workers from enterprises subject to bankruptcy procedures or in a condition of “working disadvantage”; the Fund for financial subsidies to agricultural enterprises for operating credit, to support the need for liquidity necessary for the operation of agricultural enterprises, through the granting of interest contributions.
Next to the activities more closely related to structuring, implementation and management of financial instruments and facilitating measures, Finlombarda 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 the parent company'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). The cumulative amount of disbursements in 2019 was Euro 15.4 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 2019, about Euro 5.7 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. A total of 715 applications have been received since the launch of the product, while the cumulative amount of disbursements in 2019 was Euro 42.4 million, 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, 4 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. No new subscriptions were resolved during 2019. In 2019, the Company considered re-launching the product with the approval of certain changes and the updated product will be activated in the first half of 2020.
- **"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.
  The 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), are 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. To date, 3 applications for funding are being assessed.
- **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 by a vehicle, set up specifically for this purpose, which issues notes subscribed 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).

- **New Corporate and Investment banking products**: in 2019, the Company's Board of Directors approved a new product to support companies that need to make types of investments characterised by high financial requirements: "*Syndicated Loans*". With this new product, Finlombarda will participate with its own resources in pooled financing transactions as a Participant. The ceiling is Euro 100 million plus a further Euro 30 million for the three-year period 2020-2022.

  During the year, the company also started developing two further products, Leveraged & Acquisition Finance and Turnaround Financing. Leveraged & Acquisition Finance is intended 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. With this new product, Finlombarda will use its own resources to grant medium/long-term loans, in co-financing with financial intermediaries, to SMEs (excluding Micro-enterprises) and Mid Caps. The Turnaround Financing product is intended to support, on an experimental basis, companies in Lombardy that have already started a restructuring process and that show significant potential for business growth, enabling them to successfully complete the restructuring and relaunch of the company. Finlombarda will use its own resources to grant medium/long-term loans backed by a regional guarantee of up to 80% for each individual loan. The ceiling made available by Finlombarda for loans amounts to Euro 15 million, while the ceiling made available by the Lombardy Region for guarantees amounts to Euro 10 million.

During 2019, the parent company continued its commitment to offering personalised services directed at companies in the area of competitiveness (innovation and internationalisation), through the **"Simpler"** project (European EEN Network) and through the **Open Innovation** project (the collaborative platform of the Lombardy Region), which supports the development of open innovation ecosystems and which launched a new service in 2020, the "Challenges", i.e. a context where companies can share their competitive challenges to engage the best skills and receive innovative solutions from the territory.

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 implementation of Regional Law no. 29/2016 "Lombardy is 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:

- **ARCHE**': new MPMI - support for Lombardy start-ups in the start-up and consolidation phase;
- **FABER**: 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 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 ATTRACTIONS**: redevelopment of hotels, non-hotel structures and public establishments
- **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

On the **communication and promotion** front, during 2019, the promotion of the products and services under management continued through a series of tools:

- organisation of presentation meetings on the territory in collaboration with trade associations and technical seminars;
- constant updating of the pages dedicated to financing and services on the institutional portal; there were a total of 1.8 million pages viewed (+8.56% compared to the previous period);

- sending of the newsletter 'Finlombarda Informa' conveyed to about 19 thousand users (+200 contacts compared to the previous year) and constant updating of the company page on LinkedIn, with over 2,440 followers, about 80 thousand views and almost 4 thousand organic clicks (not sponsored) in 2019;
- the inauguration of a corporate 'storytelling' with the aim of highlighting the positive cases of companies financed and assisted by Finlombarda, through four video interviews with as many companies benefiting from management funding published on LinkedIn and on the company's YouTube channel, and the promotion of two cases of companies assisted under Simpler and the Lombardy Region participatory platform, Open Innovation, in Il Sole24ore Lombardia (a monthly magazine that resumed publication in November 2019);
- communication activities specifically aimed at the media;
- organisation of events in collaboration with trade associations at national (Anfir) and European (EAPB) level.

THE ACTIVITY CARRIED OUT BY THE FINLOMBARDA GESTIONI SGR IN 2019

The financial statements as at 31 December 2019 closed with a net negative result of Euro 292 thousand, in substantial continuity with 2018.

The following table shows the key economic figures for 2019.

Finlombarda Gestioni SGR S.p.A.			
thousands of Euro	31/12/2019	31/12/2018	19 vs 18
Net commission income	78,0	100,0	(22,0)
EBITDA	78,8	101,4	(22,6)
Operating results (A)	(292,0)	(284,5)	(7,5)
Net result	(292,0)	(296,3)	4,3
Net invested capital (B+C)	2.799,0	5.498,0	(2.699,0)
Net financial position (B)	1.470,0	2.877,0	(1.407,0)
Equity (C)	1.329,0	2.621,0	(1.292,0)

Financial and management indicators			
	31/12/2019	31/12/2018	18 vs 17
ROI (A/B+C)	-10,4%	-5,2%	-5,5%
Debt/Equity (B/C)	(1,1)	(1,1)	(0,04)
Employees	1,0	1,0	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.

SUMMARY OF 2019 RESULTS

Income statement

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

Reclassified income statement	31/12/2019	31/12/2018
OPERATING INCOME	**19.742.208**	**19.131.637**
PURCHASES OF GOODS AND SERVICES	(2.037.261)	(3.725.120)
VALUE ADDED	17.704.947	15.406.517
PERSONNEL COSTS	(12.702.526)	(12.481.591)
EBITDA	5.002.422	2.924.926
AMORTISATION AND DEPRECIATION	(1.756.027)	(177.654)
OPERATING PROFIT FROM OPERATIONS	3.246.395	2.747.272
OTHER INCOME/(EXPENSES)	181.339	(284.797)
OPERATING PROFIT - **EBIT**	**3.427.733**	**2.462.475**
INVEST.	(299.214)	(1.612.569)
PROFIT BEFORE TAXES	3.128.519	849.906
(TAXES)	(1.576.989)	122.871
NET PROFIT - **RN**	**1.551.531**	**972.777**

Operating income came to Euro 19,742 thousand, 611 thousand higher than the previous year (+3.2%).

Within the operating income, net interest income decreased by Euro 1,650 thousand (20.7%). There was a decrease in interest income, an even greater increase in interest expense and an increase in net income from financial assets measured at fair value.

Fee and commission income amounted to Euro 11,245 thousand, a decrease compared with 2018.

Costs for the acquisition of goods and services recorded a decrease compared to 2018 of approximately Euro 1,681 thousand, amounting to Euro 2,057 thousand, while net value adjustments of tangible and intangible assets, worsened due to the effects related to the entry into force of IFRS 16. Depreciation and amortisation amounted to Euro 1,756 thousand.

Personnel costs amounted to Euro 12,702 thousand on Euro 12,481 thousand in 2018.

No allocations have been made to Provisions for risks. Reference is made to the section “Equity Investments”.

In conclusion, net profit in 2019 amounted to Euro 1,551 thousand, versus Euro 972 thousand in 2018.

Balance sheet

The main balance sheet changes during 2019 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	2019		2018	
	EURO	%	EURO	%
RECEIVABLES	143.326.086		109.918.151	
MISCELLANEOUS RECEIVABLES	11.376.454		12.130.659	
DEFERRED LIQUIDITY	154.702.540	32,5	122.048.810	28,4
MISCELLANEOUS PAYABLES	(4.912.669)		(5.008.183)	
TAX PAYABLES	(2.194.547)		(1.554.552)	
TOTAL AMOUNTS DUE	(7.107.216)	(1,5)	(6.562.736)	(1,5)
NET OPERATING WORKING CAPITAL - NOWC	**147.595.324**	**31,1**	**115.486.074**	**26,9**
INTANGIBLE ASSETS	462.510,8		290.532	
PROPERTY, PLANT AND EQUIPMENT	637.805,8		45.927	
FINANCIAL ASSETS	328.906.588,6		315.984.397	
NET FIXED ASSETS	**330.006.905**	**69,4**	**316.320.857**	**73,7**
OTHER MEDIUM/LONG-TERM NON-FINANCIAL LIABILITIES	(626.116)		(836.172)	
PROVISION FOR SEVERANCE INDEMNITIES	(1.689.721)		(1.594.170)	
ADJUSTED INVESTED CAPITAL	**475.286.393**	**100,0**	**429.376.588**	**100,0**

SOURCES OF FUNDS	2019		2018	
	EURO	%	EURO	%
SHORT-TERM FINANCIAL LIABILITIES	0		0	
IMMEDIATE LIQUIDITY	(3.489)		(2.571)	
SHORT-TERM FINANCIAL POSITION	**(3.489)**	**(0,0)**	**(2.571)**	**(0,0)**
MEDIUM/LONG-TERM AMOUNTS DUE TO BANKS	216.919.265		174.848.666	
OTHER FINANCIAL FUNDS	0		0	
OTHER MEDIUM/LONG-TERM LOANS	0		0	
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	216.919.265	45,6	174.848.666	40,7
TOTAL MINORITY INTERESTS	**216.915.776**	**45,6**	**174.846.094**	**40,7**
SHARE CAPITAL	211.000.000		211.000.000	
RESERVES	45.819.085		42.557.717	
RESULT FOR THE YEAR:	1.551.531		972.777	
EQUITY	**258.370.616**	**54,4**	**254.530.494**	**59,3**
TOTAL SOURCES OF FUNDS	**475.286.393**	**100,0**	**429.376.588**	**100,0**

Note that the adjusted invested capital went from Euro 429 million to Euro 475 million. This significant increase was brought about mainly by the rise in receivables and financial assets.

On the front of financial liabilities, lastly, in 2019 there was an increase of the EIB loan, as a consequence of additional drawdowns of approximately Euro 41 million (net of repayments).

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

	2019	2018
PROFITABILITY RATIOS		
ROE **(RN/MP)**	0,6%	0,5%
RONA **(EBIT/CIR)**	0,7%	0,6%
ROS **(EBIT/M. INTERM.)**	17,4%	12,9%
LIQUIDITY/SOLVENCY ANALYSIS		
PRIMARY LIQUIDITY - ACID TEST (CURR. ASS./CURR. LIAB.)	65,4%	62,6%
ANALYSIS OF FINANCIAL SOLIDITY/STRUCTURE		
GLOBAL LEVEL OF DEBT (MIN.INT./ EQUITY)	87,5%	72,6%

As regards the profitability of operations, ROE has increased slightly, while ROS has increased compared with 2018, as has RONA.

On the financial front, the Company maintains a high degree of solvency.
In fact, capital absorption amounts to Euro 29.5 million, corresponding to 8% of weighted assets, as required by the regulations on financial intermediaries.
Core capital amounts to Euro 240.2 million (in 2018 it was Euro 237.2 million). At the end of 2019 the Tier 1 capital ratio reached 65.04%, whereas the Total Capital ratio came at 65.04% (see table 4.2.1.2 of the explanatory notes, part D).

OTHER INFORMATION

It should first be noted that in September 2019, the Shareholders' Meeting of the parent company appointed Audirevi S.p.A. as the new company responsible for the statutory audit, following a public procedure; the appointment has a duration of nine years.

In March 2019, the parent company activated the new integrated information system and is currently proceeding with the constant implementation of the new functionalities envisaged; at the same time, the activity of revising internal processes and the related legislation (regulations and procedures) is continuing.
The periodic reports to the Supervisory Authority have been filed in substantial compliance with the timing defined by the reference legislation.

In detail, the parent company has approximately Euro 240.2 million of own funds. Risk-weighted assets (RWA) amount to Euro 368.7 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, Finlombarda 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 notes.

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 2019.

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 2019.

The parent company has adopted an organisation, management and control Model. The parent company has adapted its website for the publication of all data and information required by the regulations on transparency (Italian Law 190/2012 and Legislative Decree 33/2013), currently applicable to public companies, also as a result of ANAC interpretations.

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.

EQUITY INVESTMENTS

Finlombarda holds the following equity investments.

INVESTEES	EQUITY DATE AT	EQUITY VALUE AT THE EQUITY DATE	% POSSESSION	VALUE AT 31.12. (EQUITY X % OWNERSHIP)	VALUE OF EQUITY INV. AT 31.12. 2019
SISTEMI DI ENERGIA S.P.A.	31/12/2019	19.139.743	11,25%	2.153.221	744.920
SKIAREA VALCHIAVENNA S.P.A.	30/06/2018	10.180.361	0,69%	70.244	56.976
AGENZIA PER LA CINA S.R.L.	31/12/2018	119.761	3,56%	4.263	23.008
CENTRO TESSILE COTONIERO S.P.A.	31/12/2018	3.211.809	2,90%	93.142	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					919.224
FINLOMBARDA SGR	31/12/2019	1.329.263	100,00%	1.329.263	514.000
TOTAL					514.000

During the year, the Company implemented its plan to dispose of its investee companies through repeated attempts to sell them on the market. The public procedures carried out were unsuccessful. The procedure for the sale of the subsidiary Finlombarda Gestioni SGR S.p.A. is currently in progress. In detail:

- Sistemi di Energia S.p.A.: the investee was not included in 2019 in the divestment plan, as in view of the powers assigned to the Region in the field of hydroelectric concessions, the latter deemed it appropriate to conduct in-depth studies on maintaining the investment. Only recently did the Region announce that it was proceeding with the sale, including the subsidiary in the divestment plan;
- Skiarea Valchiavenna S.p.A.: the expression of interest in the purchase was not followed by any response from market operators, despite the deadline for submitting expressions of interest being postponed to 5 April 2019;
- Agenzia per la Cina S.r.l.: the company has been in liquidation since December 2018; on 22 May 2019, an initial report on the liquidation procedure was provided during the company's shareholders' meeting, the closure of which is expected within the year. We look forward to the 2020 AGM for an update;
- Centro Tessile Cotoniero S.p.A.: the expression of interest in the purchase was not followed by any response from market operators, despite the deadlines being postponed until 5 April 2019;
- Consorzio per la reindustrializzazione Area di Arese S.r.l. in liquidation: liquidation procedure in progress;
- Fiumicino Energia S.r.l.: only one application was submitted in response to the expression of interest in the purchase, which was not followed by any offer by the deadline of 15 April 2019. After this deadline, a new expression of interest was made outside the procedure;
- 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.: during 2019, the reduction of the share capital of the subsidiary Finlombarda Gestioni SGR S.p.A., approved by the extraordinary shareholders' meeting held on 14 December 2018, was finalised, resulting in the repayment of Euro 1,000,005, as the portion to be reimbursed to the sole shareholder Finlombarda S.p.A. A new sales process is currently underway and was initiated at the end of the financial year. As a result of the emergency context in which the procedure was fully carried out and on the basis of as permitted by national provisions, the deadlines for the submission of offers were extended during the second quarter of 2020; the outcome of the procedure cannot be predicted at the moment.

Finally, with reference to the investments Sistemi di Energia, Skiarea Valchiavenna, Centro Tessile Cotoniero and Fiumicino Energia, the Company intends to launch a procedure in 2020 to identify an external expert to value the investments for the purposes of the desired sale.

During 2019, the reduction of the share capital of the subsidiary Finlombarda Gestioni SGR S.p.A., approved by the extraordinary shareholders' meeting held on 14 December 2018, was finalised, resulting in the repayment of Euro 1,000,005, as the portion to be reimbursed to the sole shareholder Finlombarda S.p.A.

During the year, an appraisal was carried out by Deloitte S.p.A. that determined, in the worst-case scenario, a value of Euro 514,000, with a consequent write-down of Euro 446,000 compared to the book value of the previous year (Euro 960,000).

INTERCOMPANY DEALINGS AND RELATED PARTY TRANSACTIONS

In 2019, the parent company obtained revenues of Euro 20,000 thousand from recharging the expenses of managing Palazzo Sistema.

Transactions with related parties are shown in the relevant sections of the notes.

HUMAN RESOURCES AND ORGANISATION

The number of the Company employees at the end of 2019 was 151, substantially in line with the number of employees at the end of 2018 of 150.

With shareholders' meeting resolution of 24 December 2018, Mr. Michele Camisasca was appointed as the new General Manager of the Company, with effect from 1 January 2019, to replace Mr. Filippo Bongiovanni, who took another appointment within the regional system. Finally, effective 1 July 2019, Giovanni Rallo replaced Michele Camisasca, who was appointed to the top management of another public entity of national importance.

As in previous years, in 2019, the Company evaluated the performance of all its employees and the company bonus was agreed with the trade unions on 5/12/2018 in accordance with art. 48 of the National Labour Contract also for 2019.

Lastly, staff training continued in order to support the development of skills needed to fulfil the corporate strategic objectives, both in terms of specialist training and in terms of mandatory training. In particular, an articulated training plan for middle managers and professional areas was carried out, approved on 31/01/2019 by the inter-professional fund Fondo Banche

Assicurazioni; by virtue of this, the Company will benefit from a reimbursement from the fund for costs incurred and correctly reported within a maximum of Euro 56,070, considered as state aid.

The organisational structure of the parent company, approved by the Board of Directors on 17 December 2017 with effect from 1 January 2018, was not subject to changes in 2019. However, by resolution of the shareholders' meeting of 20 October 2019, however effective 1 January 2020, the function of Head of Prevention of Corruption and Transparency was placed in the Compliance Function.

The parent company updated the Organisation, Management and Control Model in 2018. In the first few months of 2019, it also updated the Code of Ethics to take into account both the changes made to the aforementioned model and those introduced by the Lombardy Region to the regional Code of Conduct on which it is based.

EVENTS AFTER THE END OF THE YEAR

The first part of 2020 was characterised by the health emergency resulting from the Covid-19 pandemic, which the parent company faced since the first days of March with a series of measures aimed at ensuring safety of its employees and collaborators, without jeopardising operations. These include the use of remote work for 100% of employees, while maintaining IT security and monitoring of activities.

From the end of November 2019 to February 2020, the Supervisory Authority, Bank of Italy, carried out inspections at the parent company.

In April, the rating agency, Fitch, released its annual assessment of the parent company's creditworthiness, improving its long-term rating by one notch, from BBB- to BBB with negative outlook, the same level as the Lombardy Region and the Italian Republic. The short-term rating also increased from F3 to F2. Finlombarda is classified by the agency as a GRE (Italian Government-Related Entities).

Finally, the transfer is currently being finalised of the Company's headquarters and offices to the spaces previously used at the regional complex “Palazzo Sistema” located in Via Taramelli 12, Milan.

BUSINESS OUTLOOK

In March, the parent company approved the “Company's Technical, Financial and Organisational Planning Document - 2020/2022” with which it outlined its strategy along two distinct, but nevertheless integrated, lines:

- **strengthening of the intermediary's distinctive expertise**, to be implemented through a series of actions aimed at reinforcing credit expertise, developing new products, strengthening partnerships with the banking system, and creating and developing the commercial structure;
- **strengthening of the distinctive expertise of in-house entity**, with the development of technical assistance activities, specific consultancy on issues of regional interest, provision of services to businesses.

At the same time, a new corporate organisational chart was launched and is currently being implemented.

The current socio-economic context generated by the pandemic could lead to the need to review during the year, within the scope of the approved strategy, the market targets set to date. However, it is believed that the nature and mission of the parent company are such as to enable it to play a primary role in this phase of necessary economic recovery, without therefore having a significant impact on its objectives.

RECONCILIATION TABLE BETWEEN SHAREHOLDERS' EQUITY AND THE PROFIT OF THE PARENT COMPANY AND THE CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT

Description	31/12/2019		31/12/2018	
	Shareholders' equity	of which: Net profit for the year	Shareholders' 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 st	257.555	2.398	252.869	1.269
Effect of consolidation of Finlombarda Gestioni SGR S.p.A.	815	-846	1.661	-296
Offsetting of equity investment				
Balances as per consolidated financial statem	258.370	1.552	254.530	973

Milan, 12 May 2020

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 AT 31 DECEMBER 2019

The representation of the figures relating to assets held for sale has been analysed under item 11 of the assets side of the balance sheet.

It should be noted that the balance sheet and income statement balances for the previous year have not been restated for the application of IFRS 16, as the company has chosen the modified retrospective method and therefore, the reference figures for the previous year to which IFRS 16 was applied are not comparable.

BALANCE SHEET

Amounts in Euro

	BALANCE SHEET - ASSETS		
	Asset items	**31/12/2019**	**31/12/2018**
10	Cash and cash equivalents	3.489	2.571
20	Financial assets measured at fair value through profit or loss	48.572.079	51.776.338
	a) financial assets held for trading	-	0
	b) financial assets designated at fair value	10.908.197	10.744.563
	c) other financial assets mandatorily measured at fair value	37.663.882	41.031.776
30	Financial assets measured at fair value through other comprehensive income	140.771.464	115.076.591
40	Financial assets measured at amortised cost	288.216.762	263.265.015
	a) due from banks	100.886.871	106.971.253
	b) due from financial entities	8.926.178	12.058.765
	c) due from customers	178.403.713	144.234.998
50	Hedging derivatives	-	0
60	Value adjustment of financial assets with generic hedges (+/-)	-	0
70	Equity investments	-	0
80	Property, plant and equipment	637.806	45.927
90	Intangible assets	462.511	290.532
	of which:	-	0
	- goodwill	-	0
100	Tax assets	3.023.746	3.437.499
	a) current	1.171.225	848.026
	b) deferred	1.852.521	2.589.473
110	Non-current assets and groups of assets held for sale	1.561.488	2.915.985
120	Other assets	1.463.590	1.561.778
	TOTAL ASSETS	**484.712.934**	**438.372.237**

	BALANCE SHEET - LIABILITIES AND EQUITY		
	Liabilities and equity items	**31/12/2019**	**31/12/2018**
10	Financial liabilities measured at amortised cost	216.919.265	174.848.666
	a) payables	166.782.118	124.734.901
	b) securities issued	50.137.147	50.113.765
20	Financial liabilities held for trading	-	0
30	Financial liabilities designated at fair value	-	0
40	Hedging derivatives	-	0
50	Value adjustment to financial liabilities with generic hedges (+/-)	-	0
60	Tax liabilities	2.194.547	1.554.553
	a) current	926.932	1.190.344
	b) deferred	1.267.615	364.208
70	Liabilities associated with assets held for sale	193.909	276.369
80	Other liabilities	4.718.760	4.731.814
90	Employee severance indemnities	1.689.721	1.594.170
100	Provisions for risks and charges	626.116	836.172
	a) commitments and guarantees given	245.936	334.992
	b) pension and similar commitments	-	0
	c) other provisions for risks and charges	380.180	501.180
110	Share capital	211.000.000	211.000.000
120	Treasury shares (-)	-	0
130	Equity instruments	-	0
140	Share premium reserve	127.823	127.823
150	Reserves	43.993.152	43.020.374
160	Valuation reserves	1.698.110	-590.480
170	Net profit (loss) for the year	1.551.531	972.777
180	Minority interests	-	0
	TOTAL LIABILITIES AND EQUITY	**484.712.934**	**438.372.237**

INCOME STATEMENT

Amounts in Euro

INCOME STATEMENT			
	Income Statement items	**31/12/2019**	**31/12/2018**
10	Interest and similar income	7.400.120	8.961.673
	of which: interest income with the effective interest method	0	-
20	Interest and similar expenses	(1.073.040)	(984.265)
30	**Net interest income**	**6.327.080**	**7.977.408**
40	Fee and commission income	11.245.605	12.851.810
50	Fee and commission expenses	(40.985)	(149.228)
60	**Net commission income**	**11.204.620**	**12.702.582**
70	Dividends and similar income	313.096	237.242
80	Net trading income	0	0
90	Net hedging gains (losses)	0	-
100	Gains/losses on disposal or repurchase of:	(381.437)	(30.730)
	a) financial assets measured at amortised cost	(401.920)	(30.730)
	b) financial assets measured at fair value through other comprehensive income	214.625	0
	c) financial liabilities	(194.142)	0
110	Net income from other assets and financial liabilities measured at fair value through profit or lo	2.278.850	(1.754.865)
	a) financial assets and liabilities designated at fair value	0	0
	b) other financial assets mandatorily measured at fair value	2.278.850	(1.754.865)
120	**Operating income**	**19.742.208**	**19.131.637**
130	Net adjustments/writebacks for credit risk of:	(7.182)	(1.316.248)
	a) financial assets measured at amortised cost	502.641	(1.135.602)
	b) financial assets measured at fair value through other comprehensive income	(509.823)	(180.646)
140	gains/losses from contractual amendments without cancellations	0	-
150	**PROFIT FROM FINANCIAL MANAGEMENT**	**19.735.026**	**17.815.389**
160	Administrative expenses:	(14.739.786)	(16.206.711)
	a) personnel costs	(12.702.526)	*(12.481.591)*
	b) other administrative expenses	(2.037.261)	*(3.725.120)*
170	Net provisions for risks and charges	0	*(589.942)*
	a) commitments and guarantees given	0	*(332.475)*
	b) other net allocations	0	*(257.467)*
180	Adjustments/writebacks to property, plant and equipment	(1.510.911)	(31.617)
190	Adjustments/writebacks to intangible assets	(245.116)	(146.037)
200	Other operating income and expenses	181.339	305.145
210	**OPERATING COSTS**	**(16.314.475)**	**(16.669.162)**
220	Gains (losses) on equity investments	0	
230	Net result of fair value measurement of property, plant and equipment and intangible assets	0	
240	Goodwill impairments	0	
250	Gains (losses) on disposal of investments	0	-
260	**PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE TAXES**	**3.420.552**	**1.146.227**
270	Income taxes on ordinary operations	(1.576.989)	122.871
280	**PROFIT (LOSS) FROM ORDINARY OPERATIONS AFTER TAXES**	**1.843.563**	**1.269.098**
290	Profit (loss) from discontinued operations after taxes	(292.032)	(296.321)
300	**NET PROFIT (LOSS) FOR THE YEAR**	**1.551.531**	**972.777**
310	Net profit (loss) pertaining to minority interests	0	
320	Net profit (loss) pertaining to the Parent Company	1.551.531	972.777

STATEMENT OF COMPREHENSIVE INCOME

	STATEMENT OF COMPREHENSIVE INCOME		
	Items	**31/12/2019**	**31/12/2018**
10	Net profit (loss) for the year	1.551.531	972.777
	Other comprehensive income after tax without reversal to income statement		
20	Equities designated at fair value through other comprehensive income	(12.546)	
30	Financial liabilities designated at fair value through profit or loss (changes of own credit rating)		
40	Hedging of equities designated at fair value through other comprehensive income		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	(31.417)	(1.134)
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	2.332.553	(2.299.709)
150	Non-current assets and groups of assets held for sale	0	
160	Share of valuation reserves of equity investments valued at equity		
170	**Total other comprehensive income, after tax**	2.288.590	(2.300.844)
180	**Comprehensive income (item 10+170)**	**3.840.121**	**(1.328.067)**

(*) Balances resulting from the financial statements at 31 December 2017 approved by the Board of Directors

Finlombarda

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in Shareholders' Equity at 31 December 2019

Amounts in thousands of Euro

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
							Transactions on equity						
				Reserves	Dividends and other destinations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other Changes		
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						0	1.698
Equity instruments			0										
Treasury shares			0										
Net profit (loss) for the year	972		972	(972)								1.552	1.552
Equity	254.530	0	254.530			2.289						1.552	258.370

The share capital, 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.

All equity reserves can be used to cover any losses and should the Company deem it necessary, they can be used to increase the share capital. Among the reserves there is one that was established under art. 14 of Regional Law no. 33/2008, with which Finlombarda 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 2018

Amounts in thousands of Euro

Description	Balances at 31.12.2017	Change opening balances*	Balances at 01.01.2018	Allocation of result from previous year		Changes in the year						Comprehensive income at 31.12.2018	Equity at 31.12.2018
							Transactions on equity						
				Reserves	Dividends and other destinations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other Changes		
Share capital	211.000		211.000										211.000
Share premium reserve	128		128										128
Reserves:			0										
a) of profits	27.217		27.217	4.143									31.360
b) other	10.765	896	11.661										11.661
Valuation reserves	2.606	(1.527)	1.079			(1.669)						0	(590)
Equity instruments			0										
Treasury shares			0										
Net profit (loss) for the year	4.143		4.143	(4.143)								972	972
Equity	255.859	(631)	255.228			(1.669)						972	254.530

CASH FLOW STATEMENT

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

A . OPERATING ACTIVITIES	31/12/2019	31/12/2018	31/12/2018
1. Management	**1.035.890**	**4.479.011**	**4.775.332**
- Result for the year	1.551.531	972.777	1.269.098
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value	(2.278.850)	1.754.865	1.754.865
- net hedging gains/losses	0	0	0
- net impairment adjustments	7.182	1.316.248	1.316.248
- net impairment adjustments on property, plant and equipment and intangible assets	1.756.027	177.654	177.654
- net provisions for risks and charges and other costs/revenues	0	257.467	257.467
- unpaid taxes and duties			
- net impairment adjustments on disposal groups, net of tax effect		0	0
- other adjustments			
2. Cash generated/absorbed by financing activities:	**(45.399.862)**	**(181.852.131)**	**(432.788.995)**
- financial assets held for trading	0	0	0
- financial assets designated at fair value	2.115.215	(12.499.428)	(12.499.428)
- financial assets mandatorily measured at fair value	3.367.894	(41.031.776)	(41.031.776)
- financial assets measured at fair value through other comprehensive income	(25.694.873)	(115.076.591)	(115.076.591)
- financial assets measured at amortised cost	(24.951.747)	(12.825.957)	(264.599.579)
- other assets	(236.351)	(418.379)	418.379
3. Cash generated/absorbed by financial liabilities:	**42.500.575**	**179.374.977**	**183.374.977**
- financial liabilities at amortised cost	**42.070.599**	**174.848.666**	**178.848.666**
- financial liabilities held for trading	**0**		
- financial liabilities designated at fair value	**0**		
- other liabilities	**429.975**	**4.526.311**	**4.526.311**
Net cash generated/absorbed by operating activities (A)	**(1.863.398)**	**2.001.857**	**(244.638.686)**
B. INVESTING ACTIVITIES			
1. Cash generated by:	**0**	**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:	**(417.095)**	**0**	**0**
- purchases of equity investments			
- purchases of property, plant and equipment		0	0
- purchases of intangible assets	(417.095)		
- purchases of business divisions			
Net cash generated/absorbed by investing activities (B)	**(417.095)**	**0**	**0**
C. FINANCING ACTIVITIES			
- issue/purchase of treasury shares			
- issue/purchase of equity instruments			
- change in equity	2.288.591	**(2.004.523)**	**(2.300.844)**
- distribution of dividends and other uses			
Net cash generated/absorbed by financing activities (C)	**2.288.591**	**(2.004.523)**	**(2.300.844)**
NET CASH GENERATED/ABSORBED IN THE YEAR (D=A+/B+/-C)	**8.098**	**(2.666)**	**(246.939.530)**

RECONCILIATION	31/12/2019	31/12/2018	31/12/2018
Cash and cash equivalents at beginning of year	2.571	5.237	5.237
Total net cash generated/absorbed in the year	8.098	(2.666)	(2.666)
Cash and cash equivalents at end of year	3.489	2.571	2.571

EXPLANATORY NOTES

PART A – ACCOUNTING 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 09 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”.

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 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 by the “Bank of Italy's Provision of 30 November 2018” are not sufficient to give a true and fair view, the explanatory notes provide the additional information necessary for the purpose.

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 notes explain the reasons for any exceptions and their impact on how the assets and liabilities, financial position and results are presented.

With regard to IFRS 16, Finlombarda has recognised the cumulative effect of applying the standard at the date of first-time adoption and without presenting comparative figures for the financial statements for first-time adoption of IFRS 16. As a result, the balance sheet and income statement figures at 31 December 2019, with respect to the items for which application of the standard was required, are not comparable with those reported for the prior year.

Transition to the new accounting standard IFRS 16

The international accounting standard IFRS 16 “Leases” 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, Finlombarda 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, IFRS 16 is applicable to only one contract concerning the lease of the property for office use.

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, 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.

Below are the results of the calculations performed:

Value of the asset and liability at the beginning of the contract and related accounting entries

Table 1: Balance Sheet values at first recognition

Contract liability value	2.125.000
(+) Residual value not guaranteed	0
Discount rate applied (a)	1,4124%
Fair value of the discounted underlying asset	2.102.790
(+) Initial costs of the lessor	0
Total liability value	2.102.790
Of which short-term	1.397.925
Of which medium-long term	704.866
Contract start asset value	2.102.790
(+) Advance fee	0
(-) Incentives received	0
(+) Initial costs of the lessee	0
(+) Restoration costs	0
Total asset value	2.102.790

Table 2. Opening entries

Description		**Description**	**Pay**	Receive
Leased buildings	a		2.102.790	
		Payables to other leased lenders		
				2.102.790
Total entries			2.102.790	2.102.790

The tables represent a Balance sheet - financial situation: higher non-current assets due to the recognition of the “right to use the leased asset” as a balancing entry for higher financial liabilities and consequently the recognition of a Lease payable during transition;

With reference to the Income statement based on the different nature, qualification and classification of the expenses, was the recognition of the “Amortisation of the right of use of the asset” and of “Interest expense”, instead of “Rental expenses - operating lease payments” as per IFRS 16.

Below are the results of the calculations performed:

Value of assets and liabilities at 31/12/2019 and related accounting entries

Table 1. Balance Sheet values at 31.12.2019

Assets	
Asset value at 01.01.2019	2.102.790
(-) Period amount	1.484.323
(-) Impairment	0
(+/-) Write-ups/Write-downs of liabilities	0
Asset value at 31.12.2019	618.468
Liabilities	
Liability value at 01.01.2019	2.102.790
(+/-) Increases/decreases for rate changes	0
(+) Period interest	18.742
(-) Instalment payments as per plan	1.416.667
Liability value at 31.12.2019	704.866
Of which short-term	704.866
Of which medium-long term	0

Table 2. Entries at 31.12.2019

Description		Description	Pay	Receive
Depreciation leased buildings	a		1.484.323	
		Leased buildings		1.484.323
Interest expenses on leased loan	a		18.742	
		Payables to other leased lenders		18.472
Payables to other leased lenders	a		1.416.667	
		Costs for services		1.416.667
Total entries			2.919.731	2.919.731

SECTION 3

EVENTS AFTER THE CLOSING DATE OF THE FINANCIAL STATEMENTS

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.

A.2 - PART PERTAINING TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

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. "Net impairment adjustments/writebacks for credit risk", balancing entry to the item "160. Valuation reserves", as are partial or total recoveries of previously impaired amounts. Writebacks 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 adjustments/writebacks 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 adjustments/writebacks for credit risk", as are partial or total recoveries of previously impaired amounts. Writebacks 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 investments in subsidiaries, joint ventures and companies subject to significant influence, other than minority interests placed under "assets held for sale".

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 2019, the 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, whereas for level 3 financial instruments 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.

Categ. Financial Instruments	Product	Measurement model	Input of the measurement model
Debt securities	Corporate bonds (**Ferrovie Nord Milano**)	ASW (Asset Swap Valuation) function of the Bloomberg system	Interest rate curves, credit spreads from comparables plus an illiquidity premium
Unlisted equities	Shareholdings (**Minority shareholdings**)	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

With reference to the Ferrovie Nord Milano bonds with maturity on 21/07/2020 (ISIN IT0005121972) with floating rate Euribor + 150 bps, reference was made to the bond issued by Ferrovie dello Stato with maturity 21/07/2020 (ISIN XS095428729) 4%, to which a spread was added as an illiquidity premium.

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 tangible assets. 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.

A tangible asset is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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:
  - 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 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 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.
The Finlombarda Group 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, the Group did not opt to use this method for those cases in which the application if 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 and of the tables follows the model provided in the Bank of Italy's Instructions of 30 November 2018. Sections with zero are therefore not included.

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 have been no reclassifications of financial assets.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income before transfer

There have been no reclassifications of financial assets.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

There have been no transfers of financial assets.

A.4. INFORMATION 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 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, whereas for level 3 financial instruments 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 31/12/2019 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 items".

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

	31/12/2019			31/12/2018		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	**37.227.627**	**10.908.197**	**436.255**	**40.586.544**	**10.744.563**	**445.232**
a) financial assets held for trading						
b) assets designated at fair value	-	10.908.197	-	-	10.744.563	-
c) other financial assets mandatorily measured at fair value	37.227.627	-	436.255	40.586.544	-	445.232
2. Financial assets measured at fair value through other comprehensive income	66.806.509	58.661.171	15.303.784	47.955.338	58.138.023	8.983.231
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	**104.034.136**	**69.569.368**	**15.740.038**	**88.541.882**	**68.882.585**	**9.428.462**
1. Financial liabilities held for trading						
2. Financial liabilities measured at fair value						
3. hedging derivatives						
Total						

The securities in level 2 refer to bonds issued by Ferrovie Nord. While those indicated in level 3 are represented by 4 minibonds and basket bonds.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
Changes	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		**-**	**-**	**445.232**	**8.983.231**			
2. Increases		**-**	**0**	**0**	**8.616.777**			
2.1 Purchases			0		8.500.000			
2.2 Profits allocated to:			0	0	116.777			
2.2.1 Income statement			0	0	0			
of which: capital gains								
2.2.2 Equity				0	116.777			
2.3 Transfers from other levels			0	0	0			
2.4 Other increases			0	0	0			
3. Decreases		**-**	**0**	**(8.977)**	**(2.296.224)**			
3.1 Sales			0	0	0			
3.2 Reimbursements			0		(2.121.600)			
3.3 Losses allocated to:			0	(8.977)	(162.020)			
3.3.1 Income statement				(8.977)	0			
of which: capital losses								
3.3.2 Equity					(162.020)			
3.4 Transfers to other levels		-	0	0	0			
3.5 Other decreases		-	0	0	(12.604)			
4. Closing inventories		**-**	**-**	**436.255**	**15.303.784**	**-**	**-**	**-**

Changes in the financial instruments classified in Level 3 concern the Next fund managed by its subsidiary Finlombarda Gestioni SGR, as well as the minibonds issued in favour of the companies financed.

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	31/12/2019				31/12/2018			
	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Financial assets measured at amortised cost	288.216.762	60.708.621		227.508.142	263.283.331	127.351.788		135.931.543
2. Investment properties	0			0	0			0
3. Non-current assets and groups of assets held for sale	1.561.488			1.561.488	2.915.985			2.915.985
Total	**289.778.250**	**60.708.621**		**229.069.630**	**266.199.316**	**127.351.788**		**138.847.528**
1. financial liabilities measured at amortised cost	216.919.265	52.112.808		166.077.253	174.848.666	49.456.500		124.734.901
2. Liabilities associated with assets held for sale	-				0			
Total	**216.919.265**	**52.112.808**		**166.077.253**	**174.848.666**	**49.456.500**		**124.734.901**

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 as of 31/12/2019, 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

ASSETS

SECTION 1
CASH AND CASH EQUIVALENTS

This section illustrates item 10.

Breakdown	31/12/2019	31/12/2018
a) Cash	3.489	2.571
Total	**3.489**	**2.571**

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

Change/Type	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured securities						
1.2 Other debt securities		0			0	
2. Loans		**10.908.197**			**10.744.563**	
2.1 Structured						
2.2 Other		10.908.197			10.744.563	
Total	0	**10.908.197**	0	0	**10.744.563**	0

The securities in this table are constituted by the capitalisation policy subscribed with Intesa San Paolo Vita.

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

Items/Amounts	31/12/2019	31/12/2018
1. Debt securities	**0**	0
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies	0	0
d) Financial companies		
2. Loans	**10.908.197**	**10.744.563**
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies	10.908.197	10.744.563
d) Financial companies		
e) Households		
Total	**10.908.197**	**10.744.563**

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

Items/Amounts	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured securities						
1.2 Other debt securities						
2. Equities						
3. Mutual fund units	37.227.627		436.255	40.586.544		445.232
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total	**37.227.627**	**0**	**436.255**	**40.586.544**	**0**	**445.232**

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 includes the Next Fund.

Mutual fund units consist of Euro 30,878,541 of the funds managed by Anima SGR, Euro 4,203,131 of the funds managed by Aximut Consulenza SIM SPA and Euro 2,145,954 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	31/12/2019	31/12/2018
1. Equities		
of which: banks		
of which: other financial companies		
of which: non financial companies		
2. Debt securities		
a) Public administrations		
b) banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
3. Mutual fund units	**37.663.882**	**41.031.776**
4. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Financial companies		
e) Households		
Total	**37.663.882**	**41.031.776**

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

Items/Amounts	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
- structured securities						
- other debt securities	66.806.509	58.661.171	14.403.304	47.955.338	58.138.023	8.064.007
2. Equities			900.480			919.224
3. Loans						
Total	**66.806.509**	**58.661.171**	**15.303.784**	**47.955.338**	**58.138.023**	**8.983.231**

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 Ferrovie Nord Milano, while Level 3 represents the minibonds and Lombardy Basket bond. The securities are tested for credit stage at the reporting date.

Equities, for a total of Euro 900,480, are represented by minor 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

	31/12/2019	31/12/2018
1. Debt securities	**139.870.984**	**114.157.367**
a) Public administrations	10.185.442	10.569.285
b) Banks	25.051.825	18.974.324
c) other financial companies	11.619.326	
of which: insurance companies		
d) Non-financial companies	93.014.391	84.613.759
2. Equities	**900.480**	**919.224**
a) Public administrations		
b) Banks		
c) other financial companies		
of which: insurance companies		
d) Non-financial companies	900.480	919.224
3. Loans	**0**	0
a) Public administrations		
b) Banks		
c) other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total	**140.771.464**	**115.076.591**

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

Change/Type	Gross value				Total adjustments			total partial write - offs*
	First stage	of which: Instruments with	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	55.989.657		81.695.914	2.185.413	32.225	390.347	514.400	0
Loans								
Total 31/12/2019	**55.989.657**	**0**	**81.695.914**	**2.185.413**	**32.225**	**390.347**	**514.400**	**0**
Total 31/12/2018	**43.409.152**	**0**	**70.748.215**	**0**	**77.388**	**349.761**	**0**	
of which impaired financial assets acquired or originated								0

The securities classified in the second stage pertain to securities without a direct rating on the market. 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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Deposits and current accounts	**77.292.937**					**77.292.937**	**16.742.816**					**16.742.816**
2. Loans												
2.1 Repurchase agreements												
2.2 Finance lease												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities	**23.593.934**			**23.593.934**			**90.228.436**			**90.228.436**		
3.1 Structured securities												
3.2 other debt securities	23.593.934			23.593.934			90.228.436			90.228.436		
4. Other assets												
Total	**100.886.871**	**-**	**-**	**23.593.934**	**-**	**77.292.937**	**106.971.253**	**-**	**-**	**90.228.436**	**-**	**16.742.816**

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 and other issuers.

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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans												
1.1 Repurchase agreements												
1.2 Finance lease												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans												
2. Debt securities	8.926.179			8.926.179			12.058.765			12.058.765		
3. Other assets						-						
Total	**8.926.179**	**-**	**-**	**8.926.179**	**-**	**-**	**12.058.765**	**-**	**-**	**12.058.765**	**-**	**-**

The item “Debt securities” is represented, in Level 1 of the Fair Value Hierarchy, by obligations issued by Unipol Gruppo SPA, while the item “Other assets”, in level 3 of the Fair Value Hierarchy, is represented by the receivable from Finlombarda SGR.

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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	141.629.588	1.696.499				143.326.086	109.667.116	2.390.229				
1.1 Finance lease												
of which: without final purchase option												
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 of which:	141.629.588	1.696.499				143.326.086	109.667.116	2.390.229				112.057.345
from enforcement of guarantees and commitments												
2. Debt securities	28.188.508	-					25.064.587	-				
2.1 structured securities												
2.2 other debt securities	28.188.508	-		28.188.508			25.064.587	-		25.064.587		
3. Other assets	6.889.118	-				6.889.118	7.113.065	-				7.113.065
Total	**176.707.214**	**1.696.499**	**-**	**28.188.508**	**-**	**150.215.205**	**141.844.769**	**2.390.229**	**-**	**25.064.587**	**-**	**119.170.411**

“Other loans” is represented, in Level 3 of the Fair Value Hierarchy, by 4 financing products, “Made in Lombardy”, “Credito Adesso”, “Al Via” and “Linea Innovazione” granted essentially to SMEs and MICAP in Lombardy and a loan granted to Milano Serravalle – Milano Tangenziale S.p.A.

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

Type of transactions/Amounts	31/12/2019			31/12/2018		
	First and second stage	Third stage	of which assets: impaired acquired or originated	First and second stage	Third stage	of which: impaired acquired or originated
1. Debt securities						
a) Public administrations	4.980.477			4.949.099		
b) Other financial companies						
of which: insurance companies						
c) non-financial companies	23.208.032			20.115.488		
2. Loans to:						
a) Public administrations						
b) Other financial companies						
c) of which: insurance companies						
d) Non-financial companies	141.629.588	1.696.499		109.667.116	2.390.229	
e) Households						
3. Other assets	6.889.118			7.131.381		
Total	**176.707.214**	**1.696.499**	**-**	**141.863.085**	**2.390.229**	**-**

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

Type of transactions/Amounts	Gross value				Total adjustments			Total partial write-offs*
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	45.099.652		15.693.404		37.753	46.682		
Loans	141.230.602		1.199.537	8.661.645	779.243	21.309	6.965.147	
Other assets	6.889.118							
Total 31/12/2019	**193.219.372**	-	**16.892.941**	**8.661.645**	**816.996**	**67.990**	**6.965.147**	-
Total 31/12/2018	**227.753.902**		**17.389.163**	**9.892.972**	**857.930**	**134.850**	**7.502.743**	
of which: impaired financial assets acquired or originated								

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2019						31/12/2018					
	Due from banks		Due from financial entities		Due from customers		Due from banks		Due from financial entities		Due from customers	
	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Performing assets secured by					**141.629.588**	**80.862.819**					**109.667.116**	**13.062.388**
- Assets under finance lease												
- Receivables from factoring												
- Mortgages												
- Pledges												
- Unsecured guarantees					141.629.588	80.862.819					109.667.116	13.062.388
-Credit derivatives												
2. Non-performing assets guaranteed by:					**1.696.499**	**6.625.781**					**2.390.229**	**5.154.479**
- Assets under finance lease												
- Receivables from factoring												
- Mortgages												
- Pledges												
- Unsecured guarantees					1.696.499	6.625.781					2.390.229	5.154.479
-Credit derivatives												
Total	-	-	-	-	**143.326.086**	**87.488.600**	-	-	-	-	**112.057.345**	**18.216.868**

SECTION 7
EQUITY INVESTMENTS

7.1 Equity investments: information about shareholdings

In 2019 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	31/12/2019	31/12/2018
1. Owned		
a) land		
b) buildings		
c) furniture	18.312	42.527
d) IT equipment	-	
e) other	1.027	3.400
2. Assets acquired under finance leases		
a) land		
b) buildings	618.467	
c) furniture		
d) IT equipment		
e) other		
Total	**637.806**	**45.927**
of which: obtained through enforcement of guarantees received		

The application of the new accounting standard IFRS 16 recognises fixed assets net of amortisation on the lease of the property for office use, as explained in section 2 General Policies.

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

The Company has no tangible assets held for investment purposes.

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

Assets/amounts	Land	Buildings	Furniture	IT equipment	securities	Total
A. Opening gross amount		**0**	**42.527**	**0**	**3.400**	**45.927**
A.1 Total net reductions in value						
A.2 opening net amount						
B. Increases		**2.102.790**				**2.102.790**
B.1 Purchases						
B.2 Capitalised improvement expenditures						
B.3 writebacks						
B.4 Positive changes in fair value						
allocated to						
a) equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Transfer from properties held						
for investment purposes						
B.7 Other changes		2.102.790				2.102.790
C. Decreases		**(1.484.323)**	**(24.215)**	**0**	**(2.373)**	**(1.510.911)**
C.1 Sales						
C.2 Depreciation		(1.484.323)	(24.215)		(2.373)	(1.510.911)
C.3 impairment						
adjustments 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	**0**	**618.467**	**18.312**	**0**	**1.027**	**637.806**

SECTION 9
INTANGIBLE ASSETS

This section illustrates item 90.

9.1 Intangible assets: breakdown

Items/Valuation	31/12/2019		31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
A1. Goodwill				
2. Other intangible assets	462.511		290.532	
2.1 owned				
- generated internally				
- other	462.511		290.532	
2.2 Acquired under finance lease				
Total 2	462.511		290.532	
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 (1+2+3+4)	462.511		290.532	
Total 31/12/2018	290.532		23.935	

9.2 Intangible assets: annual changes

	31/12/2019	31/12/2018
A. Opening balance	290.532	23.935
B. Increases	417.095	412.634
B.1 Purchases	417.095	412.634
B.2 Writebacks		
B.3 positive changes in fair value		
- to equity		
- to income statement		
B.4 Other changes		
C. Decreases	-245.116	-146.037
C.1 Sales		
C.2 Depreciation and Amortisation	-245.116	-146.037
C.3 Adjustments		
- to equity		
- to income statement		
C.4 negative changes in fair value		
- to equity		
- to income statement		
C.5 Other changes		
D. Closing balance	462.511	290.532

Starting from the current year, the item fixed assets includes the purchase of the new company ERP system.

SECTION 10
TAX ASSETS AND 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 3,023,746 (Euro 3,437,499 at 31.12.2018) of which Euro 1,171,225 are current tax assets, as detailed in the following table, while Euro 1,851,521 are deferred tax assets.

Item description	31/12/2019	31/12/2018
Advance payments of income tax	**1.171.225**	**848.026**
- *IRES*	810.814	540.511
- *IRAP*	360.411	307.515
Deferred tax assets	**1.852.521**	**2.589.473**
Total current taxes	**3.023.746**	**3.437.499**

10.2 "Tax liabilities: current and deferred": breakdown

Tax liabilities amount to Euro 2,194,547 (Euro 1,554,552 at 31.12.2018); they consist of current tax liabilities for Euro 926,932 and deferred tax liabilities for Euro 1,267,615.

Item description	31/12/2019	31/12/2018
Provisions for income taxes	**926.932**	**1.190.344**
- *IRES*	646.783	829.933
- *IRAP*	280.149	360.411
Deferred tax liabilities	**1.267.615**	**364.208**
Total current and deferred taxes	**2.194.547**	**1.554.552**

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

Description	31/12/2019	31/12/2018
1. **Opening balance**	**1.196.732**	**929.457**
2. **Increases**	1.067.893	1.196.733
2.1. Deferred tax assets arising during the year	1.067.893	1.196.733
a) relating to prior years		
c) writebacks		
other	1.067.893	1.196.733
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	(1.356.248)	(929.458)
3.1 Deferred tax assets eliminated during the year	(1.196.732)	(929.458)
a) reversals	(1.196.732)	(929.458)
b) written down as no longer recoverable		
c) due to changes in accounting policies		
other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation into tax credits as per Law 214/2011		
b) other	(159.516)	
4. Closing balance	**908.377**	**1.196.732**

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

Description	31/12/2019	31/12/2018
1. Opening balance	**88.557**	**88.557**
2. Increases	361.702	0
2.1. Deferred tax liabilities arising during the year	361.702	0
a) relating to prior years	361.702	
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	0	0
3.1 Deferred tax liabilities eliminated during the year	0	0
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**450.259**	**88.557**

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

Description	31/12/2019	31/12/2018
1. **Opening balance**	**1.392.741**	**603.836**
2. **Increases**	**900.565**	**788.905**
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	784.628	788.905
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**(1.349.162)**	**0**
3.1 Deferred tax assets eliminated during the year	(1.349.162)	0
a) reversals	(1.349.162)	
b) written down as no longer recoverable		
c) due to changes in accounting policies		
other	0	0
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**944.144**	**1.392.741**

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

Description	31/12/2019	31/12/2018
1. Opening balance	**275.652**	**1.579.593**
2. Increases	**1.383.552**	**134.663**
2.1. Deferred tax liabilities arising during the year	1.383.552	134.663
a) relating to prior years	115.937	
b) due to changes in accounting policies		
c) other	1.267.616	134.663
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**(841.848)**	**-1.438.605**
3.1 Deferred tax liabilities eliminated during the year	(841.848)	(1.438.605)
a) reversals	(841.848)	0
b) due to changes in accounting policies		
c) other		(1.438.605)
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**817.356**	**275.652**

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 AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES

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

	Asset items	31.12.2019 IAS FL S.p.A.	31.12.2019 IAS Finlombarda SGR	31.12.2019 IAS AGGREGATE	Consolidation entries	31.12.2019 Consolidated IAS
10	Cash and cash equivalents	3.489		3.489		3.489
20	Financial assets measured at fair value through profit or loss	48.572.079		48.572.079		48.572.079
	a) financial assets held for trading	0		0		0
	b) financial assets designated at fair value	10.908.197		10.908.197		10.908.197
	c) other financial assets mandatorily measured at fair value	37.663.882		37.663.882		37.663.882
30	Financial assets measured at fair value through other comprehensive income	140.771.464		140.771.464		140.771.464
40	Financial assets measured at amortised cost	288.255.078		288.255.078	(38.316)	288.216.762
	a) due from banks	100.886.871		100.886.871		100.886.871
	b) due from financial entities	8.964.494		8.964.494	(38.316)	8.926.178
	c) due from customers	178.403.713		178.403.713		178.403.713
50	Hedging derivatives	0		0		0
60	Value adjustment of financial assets with generic hedges (+/-)	0		0		0
70	Equity investments	0		0		0
80	Property, plant and equipment	637.806		637.806		637.806
90	Intangible assets	462.511		462.511		462.511
	of which:			0		0
	- goodwill			0		0
100	Tax assets	3.023.746		3.023.746		3.023.746
	a) current	1.171.225		1.171.225		1.171.225
	b) deferred	1.852.521		1.852.521		1.852.521
110	Non-current assets and groups of assets held for sale	514.000	1.561.488	2.075.488	(514.000)	1.561.488
120	Other assets	1.463.590		1.463.590		1.463.590
	TOTAL ASSETS	**483.703.762**	**1.561.488**	**485.265.250**	- **552.316**	**484.712.934**

11.2 Liabilities associated with assets held for sale: breakdown

	Liabilities and equity items	31.12.2019 IAS FL S.p.A.	31.12.2019 IAS Finlombard a SGR	31.12.2019 IAS AGGREGATE	Consolidation entries	31.12.2019 Consolidated IAS
10	Financial liabilities measured at amortised cost	216.919.265		216.919.265		216.919.265
	a) payables	166.782.118		166.782.118		166.782.118
	b) securities issued	50.137.147		50.137.147		50.137.147
20	Financial liabilities held for trading	0		0		-
30	Financial liabilities designated at fair value	0		0		-
40	Hedging derivatives	0		0		-
50	Value adjustment to financial liabilities with generic hedges (+/-)	0		0		-
60	Tax liabilities	2.194.547		2.194.547		2.194.547
	a) current	926.932		926.932		926.932
	b) deferred	1.267.615		1.267.615		1.267.615
70	Liabilities associated with assets held for sale	0	232.225	232.225	(38.316)	193.909
80	Other liabilities	4.718.760		4.718.760		4.718.760
90	Employee severance indemnities	1.689.721		1.689.721		1.689.721
100	Provisions for risks and charges	626.116		626.116		626.116
	a) commitments and guarantees given	245.936		245.936		245.936
	b) pension and similar commitments	0		0		-
	c) other provisions for risks and charges	380.180		380.180		380.180
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	42.331.852	(250.135)	42.081.717	1.911.435	43.993.152
160	Valuation reserves	1.698.110		1.698.110		1.698.110
170	Net profit (loss) for the year	2.397.568	(292.032)	2.105.536	(554.005)	1.551.531
180	Minority interests			0		-
	TOTAL LIABILITIES AND EQUITY	**483.703.762**	**1.561.488**	**485.265.250**	- **552.316**	**484.712.934**

SECTION 12
OTHER ASSETS

This section illustrates item 120.

This item amounts to Euro 1,463,590 (Euro 1,561,778 in the previous year) and is made up of:

Description	31/12/2019	31/12/2018
Fees for services		
Other assets	1.463.590	1.561.778
Total	**1.463.590**	**1.561.778**

Receivables for other assets refer mainly to receivables from personnel, social security agencies, withholding taxes on interest income accrued during the year on current accounts and securities, to the VAT receivable for the period, the security deposit relating to the lease agreement for the via Filzi offices and prepaid expenses.

PART B – INFORMATION ON THE BALANCE SHEET

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

Items	31/12/2019			31/12/2018		
	due to banks	due to financial entities	due to customers	due to banks	due to financial entities	due to customers
1. Loans						
1.1 Repurchase agreements						
1.2 other loans	166.077.253			124.734.901		
2. other payables	-			-		
Total	**166.077.253**	**0**		**124.734.901**	**0**	
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	**166.077.253**			**124.734.901**		
Total Fair value	**166.077.253**	**0**		**124.734.901**	**0**	

This item consists of three 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 “Ferrovie Nord Rolling Stock” was signed on 23 February 2015 for an amount of Euro 58 million and a term of 5 years. The aim of the funding is to equip Finlombarda with the resources necessary to allow it to sign the bonds issued by FNM SpA on the ExtraMOT Pro Market organised and run by Borsa Italiana SpA in Milan. The money raised by FNM was then allocated to rolling stock investments for the development of the regional transport system.

The EIB loan “Ferrovie Nord Rolling Stock” was paid out in full on 21 July 2015; it generates semi-annual interest at 6-month Euribor plus a spread communicated by the EIB on payment and will be refunded in a lump sum on 21 July 2020.

The third 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 96.9 million 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

Items	Total 31/12/2019				Total 31/12/2018			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Securities								
- bonds								
- structured								
- other	50.137.147	52.112.808			50.113.765	49.456.500		
- other securities								
- structured								
- other								
Total	**50.137.147**	**52.112.808**	**0**	**0**	**50.113.765**	**49.456.500**		

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; it falls within the Company's EMTN Programme totalling Euro 200 million.

1.5 Lease payables

Items	31/12/2019	31/12/2018
Lease payables	704.865	
Total	**704.865**	

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 4,718,760 (Euro 4,731,814 in the previous year) and is made up of:

Description	31/12/2019	31/12/2018
Due to suppliers	1.643.762	1.668.462
Other payables	3.074.999	3.063.352
Total	**4.718.760**	**4.731.814**

The item "due to suppliers" includes payables to suppliers for invoices to be received amounting to Euro 1,191,251, payables to Financial Entities of Euro 452,511 relating to fee and commission expenses.

"Other payables" include "due to Others" for Euro 70,914, "due to Partners" amounting to Euro 159,831, "due to parent company" of Euro 76,189, "due to social security agencies and withholdings" of Euro 1,131,466, amounts due to personnel and contractors of Euro 1,636,598, mainly for untaken holidays, bonuses and incentives.

SECTION 9
EMPLOYEE SEVERANCE INDEMNITIES

This section illustrates item 90.

9.1 Employee severance indemnities

Description	31/12/2019	31/12/2018
A. Opening balance	**1.594.170**	**1.569.995**
B. Increases	**112.722**	**86.437**
B.1 Provision for the year	81.306	85.302
B.2 Other increases	31.417	1.134
C. Decreases	**(17.171)**	**(62.262)**
C.1 Payments made	(17.171)	(62.262)
C.2 Other decreases		
D. Closing balance	**1.689.721**	**1.594.170**

Periodic cost	31/12/2019	31/12/2018
Total service cost	68.777	69.873
Interest cost	17.630	19.380
Actuarial gains (losses)	29.433	(6.374)
Total periodic cost	**115.840**	**82.880**

9.2 Other information

As regards the actuarial valuations for the purposes of determining the severance indemnities at 31.12.2019 according to IAS/IFRS, we considered the following demographic, economic and financial assumptions:

<u>DEMOGRAPHIC ASSUMPTIONS</u>

- 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	2,40%
Inflation rate	1,20%
Discount rate	0,75%

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

Description	31/12/2019	31/12/2018
1. Provisions for credit risk relating to commitments and financial guarantees given	245.936	334.992
2. Provisions on other commitments and other guarantees given	41.180	41.180
3. Corporate pension funds		
4. Other provisions for risks and charges	339.000	460.000
4.1 legal and tax disputes	225.000	225.000
4.2 personnel costs	44.000	165.000
4.3 other	70.000	70.000
Total	**626.116**	**836.172**

The provision for risks decreased by Euro 210,056 compared with the previous year. This decrease is due to allocations for write-downs for commitments and guarantees in accordance with IFRS 9 and liquidations/reductions due to (total or partial) resolution of commercial and labour law disputes. The provision 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	Pension funds	Other provisions for risks	Total
A. Opening balance	**41.180**	**0**	**460.000**	**501.180**
B. Increases			**0**	**0**
B.1 Provision for the year				0
B.2 Changes due to the passage of time				
B.3 Changes due to changes to the discount rate				
B.4 Other changes				0
C. Decreases			**(121.000)**	**(121.000)**
C.1 Utilisation during the year			(57.784)	(57.784)
C.2 Changes due to changes to the discount rate				
C.3 Other changes			(63.216)	(63.216)
D. Closing balance	**41.180**	**0**	**339.000**	**380.180**

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
1. Commitments to disburse funds	244.067	1.869		245.936
2. Financial guarantees given				

SECTION 11
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	31/12/2019	31/12/2018
1. Share capital	211.000.000	211.000.000
2. Share premium reserve	127.823	127.823
3. Reserves	43.993.152	43.020.374
4. (Treasury shares)	0	0
5. Valuation reserves	1.698.110	(590.480)
6. Equity instruments	0	0
7. Net profit (loss) for the year	1.551.531	972.777
Total	**258.370.616**	**254.530.494**

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	31/12/2019
1. Share capital	211.000.000
1.1. Ordinary shares	211.000.000
1.2. Other shares	0

11.4 Share premium reserve: breakdown

Description	31/12/2019	31/12/2018
A. Opening balance	**127.823**	**127.823**
B. Increases		
C. Decreases		
D. Closing balance	**127.823**	**127.823**

11.5 Other information

<u>Breakdown of reserves:</u>

Description	Legal	Retained earnings	Other reserves	Total
A. Opening balance	**6.707.165**	**-**	**36.313.209**	**43.020.374**
B. Increases	**126.910**	**0**	**1.696.194**	**1.823.104**
B.1 Allocation of profits	126.910	0	0	126.910
B.2 Other changes			1.696.194	1.696.194
C. Decreases		**0**	**(850.326)**	**(850.326)**
C.1 Uses		0	(296.326)	(296.326)
- coverage of losses			(296.326)	(296.326)
- distribution				0
- transfer to capital				
C.2 Other changes			(554.000)	- 554.000
D. Closing balance	**6.834.075**	**-**	**37.159.077**	**43.993.152**

All of the reserves, except for the Art. 14 R.L. no. 33/2008 reserve and the AFS 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 6,834,075;
- The reserve “ex Art. 14 R.L. no. 33/2008” amounts to Euro 13,930,121.
- The statutory reserve of Euro 4,704,031;
- The statutory risk reserve of Euro 6,828,327;
- 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 1,661,300.

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	31/12/2019	31/12/2018
1. Financial assets measured at fair value through profit or loss	**-**	**163.635**	**-**	**163.635**	**148.400**
1.1 Financial assets held for trading				-	-
1.2 Financial assets designated at fair value		163.635		- 163.635	- 148.400
1.3 Other financial assets mandatorily measured at fair value				-	-
2. Financial assets measured at fair value through comprehensive income	**2.078.009**			**2.078.009**	**2.431.975**
3. Financial assets measured at amortised cost:	**2.610.556**	**2.547.920**	**-**	**5.158.476**	**6.381.298**
3.1 Due from banks	1.095.490			1.095.490	2.973.981
3.2 Due from financial entities	354.428			354.428	409.375
3.3 Due from customers	1.160.638	2.547.920		3.708.558	2.997.941
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	**4.688.565**	**2.711.555**	**-**	**7.400.120**	**8.961.673**
of which: interest income on impaired financial assets					

Interest and similar income totalled Euro 7,400,120; there was a decline in interest amounting to Euro 1,561,553 (Euro 8,961,673 at 31 December 2018).

From the numbers reported, the composition of the financial investment portfolio experienced a decrease in investments in 2019 in favour of an increase in cash and uses of loans receivable.

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2019	31/12/2018
1. Financial liabilities measured at amortised cost	**(265.912)**	**(788.386)**	-	**(1.054.298)**	**(984.265)**
1.1 Due from banks	(265.912)			(265.912)	(195.377)
1.2 Due from financial entities				0	-
1.3 Due from customers	0			0	-
1.4 securities issued		(788.386)		(788.386)	- 788.888
				0	-
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value				-	-
4. Other liabilities			(18.742)	**(18.742)**	
5. Hedging derivatives				-	-
6. Financial assets					
Total	**(265.912)**	**(788.386)**	**(18.742)**	**(1.073.040)**	**(984.265)**

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

SECTION 2
FEES AND COMMISSIONS

This section illustrates items 40 and 50.

2.1 Fee and commission income: breakdown

Detail	31/12/2019	31/12/2018
a) finance lease transactions		
b) factoring transactions		
c) consumer credit		
d) guarantees given		
e) services of:		
	8.593.071	9.498.214
management of funds on behalf of third parties	8.593.071	9.498.214
exchange rate intermediation		
product distribution		
other		
f) collection and payment services		
g) servicing in securitisations		
h) other fees and commissions	2.652.534	3.353.596
Total	**11.245.605**	**12.851.810**

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 2019, Finlombarda collected Euro 10,703,649 from the Lombardy Region as fees for the technical assistance and management of regional funds.

2.2 Fee and commission expenses: breakdown

Detail	31/12/2019	31/12/2018
a) guarantees received	-	-
b) distribution of services from third parties		
c) collection and payment services		
d) other fees and commissions	40.985	149.228
Total	**40.985**	**149.228**

Item d "other fees and commissions", amounting to Euro 40,985 (Euro 149,228 at 31.12.2018), consists mainly of Euro 27,333 relating to fee and commission expenses recognised to credit Institutions to be paid to the affiliated banks for placement of "Credito Adesso" loans, Euro 3,165 for the placement on the market of the bond issue and Euro 10,486 for bank fees.

SECTION 3
DIVIDENDS AND SIMILAR INCOME

This section illustrates item 70.

3.1 Dividends and similar income: breakdown

ITEMS / INCOME	31/12/2019		31/12/2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value	-	313.096	-	237.242
C. Financial assets measured at fair value through comprehensive income				
D. Equity investments				
Total	**0**	**313.096**	**0**	**237.242**

The table above includes income deriving from coupons accrued on the ANIMA UCIT funds included in balance sheet assets for Euro 192,526.82 and dividends from investee companies for Euro 120,568.72, of which dividends from Sistemi di Energia for Euro 112,476.48 and from the investee C.R.A.A. SRL for Euro 8,092.24.

SECTION 6
GAINS/LOSSES ON DISPOSAL OR REPURCHASE

This section illustrates item 100.

6.1 Gains (Losses) from sale/repurchase: breakdown

Items/Income items	Total 31/12/2019			Total 31/12/2018		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**
1. Financial assets measured at amortised cost	3.061	(404.981)	(401.920)	15.940	(46.670)	(30.730)
1.1 Due from banks	3.061	(4.864)	(1.803)			
1.2 Due from financial entities						
1.3 Due from customers		(400.117)	(400.117)	15.940	(46.670)	(30.730)
2. Financial assets measured at fair value through comprehensive income	214.625	(194.142)	20.483	0		
2.1 Debt securities	214.625	(194.142)	20.483			
2.2 Loans						
Total assets (A)	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**
B. Financial liabilities	0	0	**0**			
1. Due to banks	0		0			
2. Due to financial entities						
3. Due to customers						
3. Securities issued						
Total liabilities (B)	0	0	0	0	0	0
Total	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**

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

	Capital gains	Gains from dispos	Capital losses	Losses from disposals	Net result
1. Financial assets	**2.261.551**	**26.276**	**(8.977)**	**0**	**2.278.850**
1.1 Debt securities					
1.2 Loans					
1.3 Mutual fund units	2.261.551	26.276	(8.977)		**2.278.850**
1.4 Loans					
2. Financial assets in foreign currency: exchange differences					
Total	**2.261.551**	**26.276**	**(8.977)**	**0**	**2.278.850**

SECTION 8
NET ADJUSTMENTS/WRITEBACKS FOR CREDIT RISK

This section illustrates item 130.

8.1 Net adjustments/writebacks for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Adjustments			Writebacks		31/12/2019	31/12/2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-Offs	Other				
1. Due from banks	**65.253**	**0**	**0**	**103.660**	**0**	**38.407**	**16.270**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	65.253			103.660		38.407	16.270
2. Receivables from financial companies	**21.160**	**0**	**0**	**0**	**0**	**-21.160**	**26**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	21.160			0		21.160	26
3. Due from customers	**403.959**	**0**	**197.853**	**429.253**	**657.955**	**485.395**	**1.119.306**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	403.959		197.853	429.253	657.955	485.395	1.119.306
Total	**490.372**	**0**	**197.853**	**532.912**	**657.955**	**502.641**	**1.135.602**

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

Transactions/Income components	Adjustments			Writebacks		31/12/2019	31/12/2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-Offs	Other				
A. debt securities	130.874		514.400	135.451		**509.823**	**180.646**
B. Loans							
- Due to customers							
- Due to banks							
of which: financial assets impaired acquired or originated							
Total	**130.874**	**0**	**514.400**	**135.451**	**0**	**509.823**	**180.646**

SECTION 10
ADMINISTRATIVE EXPENSES

This section illustrates item 160.

10.1 Personnel costs: breakdown

Types of expenses/values	31/12/2019	31/12/2018
1. Employees	**12.034.212**	**11.858.064**
a) wages and salaries	8.410.185	8.310.372
b) social contributions	2.408.325	2.403.405
c) termination indemnities		
d) pension expenses		
e) provision for termination indemnities	88.643	91.018
f) provision for pension and similar commitments:		
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:		
- defined contribution	551.695	560.881
- defined benefits		
h) other benefits to employees	575.365	492.388
2. Other serving personnel	**358.065**	**412.774**
3. Directors and Statutory Auditors	**236.754**	**223.837**
4. Retired personnel		
5. Recovery of expenses for personnel on secondment to other companies	10.649	(292.768)
6. Reimbursement of expenses for personnel on secondment to other companies	62.845	279.684
Total	**12.702.526**	**12.481.591**

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	31/12/2019		31/12/2018		Average number
Managers	13	a)	13		13
Middle managers	55	b)	56		55,5
Employees	82	c)	82		82
Total	**150**		**151**		**150,5**

a) of which 1 General Manager: temporary assignment of Regional Council staff of Lombardy Region pursuant to art. 23 bis of Legislative Decree 165/2001
b) of which 2 persons part time
a) of which 10 persons part time

10.3 Other administrative expenses: breakdown

Description	31/12/2019	31/12/2018
General services	227.044	102.466
Development services	113.342	123.917
Consultancy	262.765	603.541
Supervisory Authorities	31.200	33.925
Leases and rentals	479.229	1.865.657
Indirect taxes	173.769	176.974
Other services	749.911	818.641
Total	**2.037.261**	**3.725.120**

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 35,718 in 2019, while tax advisory costs amounted to Euro 22,800. During the year, the auditing firm BDO S.p.A. terminated its mandate and was replaced by Audirevi S.p.A.

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	31/12/2019	31/12/2018
Commitments and guarantees given	-	332.475
Other net allocations	-	257.467
Total	**0**	**589.942**

SECTION 12

NET ADJUSTMENTS/WRITEBACKS TO PROPERTY, PLANT AND EQUIPMENT

This section illustrates item 180.

12.1 Adjustments/writebacks to property, plant and equipment: breakdown

Assets/income items	Amortisation and Depreciation	Impairment adjustments	Write backs	Net result
A. Property, plant and equipment				
A.1 used for business purposes	**1.510.911**	**0**	**0**	**1.510.911**
- owned	26.588			
- Rights of use acquired through leasing	1.484.323			
A.2 Held for investment purposes				
- owned				
- Rights of use acquired through leasing				
A.3 Inventories				
Total	**1.510.911**	**0**	**0**	**1.510.911**

SECTION 13

NET ADJUSTMENTS/WRITEBACKS TO INTANGIBLE ASSETS

This section illustrates item 190.

13.1 Net adjustments/writebacks to intangible assets: breakdown

Assets income component	Amortisation and Depreciation	Impairment adjustments	Write backs	Net result
1. Intangible assets other than goodwill	**245.116**	**0**	**0**	**245.116**
1.1 owned	245.116	0	0	245.116
1.2 rights of use acquired through leasing	-			
2. Assets relating to finance lease				
3. Assets granted under operating leases				
Total	**245.116**	**0**	**0**	**245.116**

SECTION 14

OTHER OPERATING INCOME AND EXPENSES

This section illustrates item 200.

14.1 Other operating expenses: breakdown

Item description	31/12/2019	31/12/2018
Other charges	77.223	(29.991)
Total	**77.223**	**(29.991)**

14.2 Other operating income: breakdown

Item description	31/12/2019	31/12/2018
Other income	258.561	335.136
Total	**258.561**	**335.136**

The change relates to the writeback of previous allocations to risk provisions on legal disputes with personnel.

SECTION 19

INCOME TAXES ON ORDINARY OPERATIONS

19.1 Income taxes on ordinary operations: breakdown

Items	31/12/2019	31/12/2018
1. Current taxes	926.932	1.190.344
2. Changes in current taxes of previous years		13.520
3. Reduction 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	(267.275)
5. Change in deferred tax liabilities	361.702	(1.059.460)
Income taxes for the year	**1.576.989**	**(122.871)**

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	3.974.557	27,5%	1.093.003	16.489.336	5,57%	918.456	20.463.893	2.011.459
Theoretical tax burden	27,50%			5,57%				
Decrease in taxable amount	(2.169.669)	27,5%	(596.659)	(11.461.458)	5,57%	(638.403)	(13.631.127)	(1.235.062)
Increase in taxable amount	547.050	27,5%	150.439	1.725	5,57%	96	548.776	150.535
Taxable amount	2.351.938	27,5%	646.783	5.029.604	5,57%	280.149	7.381.542	926.932
Total actual current taxes in the financial stat	**646.783**	**27,5%**		**280.149**	**5,57%**		**926.932**	

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 292,032.

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 THE ACTIVITIES CARRIED OUT

D. GUARANTEES ISSUED AND COMMITMENTS

Transactions	31/12/2019	31/12/2018
1) Guarantees given of a financial nature at first demand		
a) Banks		
b) Financial entities		
c) Customers		
2) Other guarantees given of a financial nature		
a) Banks		
b) Financial entities		
c) Customers		
3) Guarantees given of a commercial nature		
a) Banks		
b) Financial entities		
c) Customers		
4) Irrevocable commitments to disburse funds		
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		
i) certain to be used		
ii) uncertain to be used	49.295.557,00	
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	**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	31/12/2019		31/12/2018	
	Public funds		Public funds	
		of which at own risk		of which at own risk
1. Performing assets				
- finance lease				
- factoring				
- other loans	241.954.766		308.908.977	
of which: for enforcement of guarantees and commitments				
- equity investments				
- guarantees and commitments	142.526.663		124.381.994	
2. Non-performing assets				
2.1 Non-performing				
- finance lease				
- factoring				
- other loans	41.614.371		41.968.810	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.2 Unlikely-to-pay				
- finance lease				
- factoring				
- other loans	6.566.295		9.162.231	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.3 Past due non-performing exposures				
- finance lease				
- factoring				
- other loans	9.114.265		4.106.427	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
Total	**441.776.359**		**488.528.438**	

F.3 – Other information

F.3.1 – Operations using third party funds

Third-party funds are represented substantially by funds from the Lombardy Region (94%), 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, lastly, by a fund on behalf FNM S.p.A., a company belonging to the Regional system. These funds are used for financing activities, giving guarantees, capital grants or interest subsidies; the funds managed on behalf of FNM S.p.A. and 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	31/12/2019	31/12/2018
Total under management	**955.653.801**	**1.027.545.757**

Details are shown below:

Funds on behalf of Lombardy Region	31/12/2019	31/12/2018
- Deposits in c/a and securities under Regional Laws	595,947,210	604.918.938
- Loans, finance lease transactions		
outstanding under Regional Laws	298.364.558	312.471.776
- Due from customers on accrued instalments	2.408.334	51.707.697
- Payments on warranty account	1,469,373	1.469.373
Total Lombardy Region	**898.189.476**	**970.567.783**

FNM management	31/12/2019	31/12/2018
- Deposits in c/a and securities	48,764,662	48.593.098
Total FNM management	**48.764.662**	**48.593.098**

FLA Management	31/12/2019	31/12/2018
- Deposits in c/a and securities	8,699,663	8.384.875
Total FLA Management	**8.699.663**	**8.384.875**

Table 1/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
SINGLE FUND 598/94 LAW 1329/65	115.492	0	(14.615)	1.174	120	(377)	0	0	101.795	0	101.795
Mis. 1.1. F	0										147.776
FUND LAW 1329/65	48	0	0	0	0	(104)	0	0	(56)	0	(56)
Pia (Law 1329/65-Law 36/88)	0										0
Development Fund	100.362	0	0	0	0	(67)	0	0	100.295	0	100.295
Industrial districts	0										0
R.L. 22/2006 former 1/99 and 1/99 PIA	2.362.289	(277.686)	0	1.141.452	91.772	(849)	7.736	0	3.324.714	10.118.023	13.442.737
	1.508.602										28.207
R.L. 68/86	8.979	0	0	(10.325)	15.445	(248)	4.331	0	18.181	636.567	654.748
	20.904										20.611
FRIM BUSINESS START-UP LINE 8	2.845.609	(1.040.047)	0	1.216.804	58.655	(453)	6.481	0	3.087.048	1.964.560	5.051.608
	1.284.894										18.764
FRIM COOPERATION	7.846.134	(4.443.068)	(1.724.465)	4.201.232	1.020.926	812	33.342	0	6.934.914	27.017.872	33.952.786
	27.490.998										18.859
R.L. 16/93	18.602	0	0	7.645	(281)	(98)	50	0	25.918	573.369	599.287
	13.541										50.287
R.L. 2/99	1.423.434	0	0	0	0	(112)	0	0	1.423.322	0	1.423.322
Guarantee Fund - R.L. 16/93	0										0
FONCOOPER	1.003.168	(621.648)	0	465.949	(20)	(110)	15.050	0	862.389	716.122	1.578.512
	898.383										14.212
R.L. 21/2003	9.479.906	(489.666)	0	833.969	33.527	(164)	1.784	0	9.859.354	2.751.929	12.611.283
Revolving fund	1.129.681										7.590
R.L. 21/2003	495.216	0	0	0	0	(130)	0	0	495.086	0	495.086
Abb. Fund Rates	0										0
R.L. 21/2003	1.398.080	0	0	0	0	(168)	0	0	1.397.912	0	1.397.912
Guarantee fund	0										0
R.L. 34/96	118.647	0	0	217.376	147.155	(155)	7.475	0	490.499	4.463.181	4.953.680
	37.810										37.674
R.L. 34/96 red. Rates	876.193	0	0	0	39.806	(191)	0	0	915.808	0	915.808
	0										0
Guarantee	8.148.742	0	(318.765)	0	(28.328)	(112)	0	0	7.801.537	0	7.801.537
Fund 34/96											
	1.428.816										1.428.816

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Table 2/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Guar. Fund Institutes	3.270.772	0	0	0	(66.113)	(78)	0	0	3.204.581	0	3.204.581
	0										
OB2 Craftsmen	278.057	0	0	0	9.514	(1.101)	0	0	286.470	73.580	360.049
enterprises	0										0
OB2 Imp.art.	215.208	0	0	0	(9.514)	794	0	0	206.488	0	206.488
Guarantee fund	0										0
R.L. 1/2007	44.916	0	0	142.646	(108.256)	(178)	110	0	79.238	1.300.305	1.379.543
(former R.L. 34/96)	17.986										8.829
R.L. 1/2007 MEASURES A) B)-C)	9.208.589	(42.864)	(154.476)	299.401	(50.993)	(660)	6.135	0	9.265.131	4.191.775	13.456.906
	229.101										117.046
FRIM TENDER RGD 1988 OF 2011	54.418.694	(42.057.161)	(890.558)	30.417.219	936.654	(2.371)	383.749	0	43.206.225	44.661.436	87.867.661
	74.489.644										67.129
Revolving Fund and Innovation Guarantee	80.180	0	0	1.342	122	(77)	0	0	81.568	18.599	100.166
Craftsmen	0								0		172
	40.557							0		0	40.557
R.L. 1/2007 INDUSTRY	540.754	(79.373)	0	184.508	(0)	(70)	11.176	0	656.995	195.425	852.420
	(0)										842
R.L. 35/96	15.061.450	0	0	(16.796)	15.527	(393)	14.601	0	15.074.388	2.382.908	17.457.296
	194.898										67.004
R.L. 35/96 art. 8bis.(NEXT FUND)	13.280.556	0	0	0	0	(112)	0	0	13.280.444	0	13.280.444
	0										0
NEXT II FUND	42.613	0	0	0	0	(104)	0	0	42.509	0	42.509
	0										0
FRIM-FESR	43.659.356	(1.190.564)	0	6.946.419	1.486.081	815.748	90.775	0	51.807.815	16.514.137	68.321.952
	19.193.782										54.757
RL 35/96 Meas. D2	130.769	0	0	18.596	(19.742)	(381)	4.070	0	133.313	184.250	317.564
	18.011										1.423
Rent Support Fund Tender	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
FUND FOR ACCESS TO	3.402.493	0	0	9.244	0	(108)	0	0	3.411.629	0	3.411.629
FIRST HOME	0										(277)

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Table 3/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
ALER TENDER	21.902.140	(4.869.298)	0	0	0	(251)	0	0	17.032.592	0	17.032.592
	0										0
CONTRIBUTION ALER HOMES	1.794.713	(187.921)	0	0	0	(115)	0	0	1.606.678	0	1.606.678
	0										0
R.L. 36/88 - 2001 criteria	1.163.283	0	0	0	0	(216)	0	0	1.163.067	0	1.163.067
and PIA RL 36	0										21.247
R.L. 9/91	22.388	0	0	6.541	574	(78)	342	0	29.768	36.587	66.355
	(342)										530
R.L. 31/96	(112)	0	0	0	0	(112)	0	0	(224)	0	(224)
	0										0
R.L. 23/1999	613.195	0	0	0	0	(104)	0	0	613.091	0	613.091
	0										0
R.L. 23/1999 Guarantee Fund	438.229	0	0	0	0	(104)	0	0	438.125	0	438.125
	0										0
Infrastructure Fund	148.978	(9.063.247)	0	4.838.617	238.308	(71)	(1)	0	(3.837.417)	52.830.908	48.993.491
Docup Ob. 2	57.400.765										0
Revolving Fund	13.363.467	(1.836.753)	0	854.498	2.554.430	36.301	0	0	14.971.944	16.173.626	31.145.570
Infrastructure	16.967.685										0
R.L. 26/2002	374.161	0	0	315.433	102.409	(870)	11.108	0	802.241	1.003.055	1.805.296
	1.228.457										3.129
R.L. 35/96 art. 6 p. 1	(379)	0	0	0	0	(104)	0	0	(483)	0	(483)
VOUCHER	0										0
MEZZANINE	(315)	0	0	0	0	(104)	0	0	(419)	0	(419)
	0										0
Bioiniziativa	(385)	0	0	0	0	385	0	0	(0)	0	(0)
	0										0
R.L. 35/86 PIA	(478)	0	0	0	(2.657)	(432)	0	0	(3.566)	0	(3.566)
INTEC 3	0										0
R.L. 35/86 PIA	(126)	0	0	0	10.177	0	0	0	10.051	0	10.051
INTEC 4	0										0

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Table 4/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
R.L. 35/86	7.396	0	0	28	(7.548)	(2)	0	0	(126)	0	(126)
INTEC 3 and 4	0										(28)
L. 215 - V Tender	384.397	0	0	0	0	(104)	0	0	384.293	0	384.293
Add. Resources	0										0
R.L. 13/2000 P.I.C.	77.743	9.208	0	4.700	310	(94)	0	0	91.867	124.850	216.717
	(0)										55.499
R.L. 13/2000	568.516	0	0	1.569	0	(77)	0	0	570.008	83.142	653.150
TENDER 2006	0										85.051
R.L. 19/2004-R.L. 35/95	793.456	(592.277)	0	516.471	115.179	(847)	528	0	832.510	2.018.316	2.850.825
Revolving Fund	2.519.009										(27)
R.L. 19/2004-R.L. 35/95	114.399	0	0	0	0	(106)	0	0	114.293	0	114.293
Guarantee fund	0										0
R.L. 35/95	7.224.328	(1.728.011)	(42.163)	1.620.233	334.100	(2.015)	2.430	0	7.408.902	8.876.132	16.285.035
CULTURE 2008	10.338.064										6.232
FSE SUBSIDY	(326)	0	0	0	0	(104)	0	0	(430)	0	(430)
GLOBAL	0										0
FUND LAW 598/94	(164)	(407.231)	0	0	0	(105)	0	0	(407.499)	0	(407.499)
Pia (Law 140/97 - Law 598/94)	0										0
FUND LAW 598/94	1.457	0	0	0	0	(104)	0	0	1.353	0	1.353
Pia New Economy	0										0
FUND LAW 598/94	(466)	0	0	0	0	(104)	0	0	(570)	0	(570)
Pia Intec 4	0										0
R.L. 13/00	240.433	0	0	0	0	(67)	0	0	240.365	6.543	246.908
TENDER FOR SMALL MUNICIPALITIES	(0)										46
FRI - INTERNATIONALISATION	1.816.318	(613.534)	0	588.552	67.810	(2.824)	12.197	0	1.868.520	2.321.378	4.189.897
FUND	2.659.866										3.010
Social Health Fund	153.216	0	0	0	0	58	0	0	153.274	0	153.274
	0										0
FIMSER	2.342.233	(235.173)	(6.346.550)	0	4.689	(511)	0	0	(4.235.312)	275.515	(3.959.796)
	(0)										1.267

Table 5/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TENDER FOR SERVICES	(67)	0	0	(0)	0	(67)	0	0	(134)	24.195	24.061
R.L. 1/07	0										122
DECO' DESIGN AND COMPETITIVITY	(208)	0	0	0	0	208	0	0	(0)	0	(0)
PROJECT	0										0
AXIS 1 INNOVATION MEASURE 1.5 1.5	(214)	0	0	(29)	(135)	(226)	164	0	(440)	110.136	109.696
	(57)										1.198
Logistics Tender	(106)	0	0	0	0	106	0	0	0	0	0
	0										0
LR35/96 PIA New Econ. And New Economy	185	0	0	0	0	(275)	0	0	(90)	69.340	69.249
	(0)										20.166
ADP AXIS 1 MEASURE A-B	(99)	0	0	0	0	(104)	0	0	(203)	0	(203)
	0										0
P.I.P. TENDER	1.808	0	0	3.096	0	(74)	41	0	4.870	123.376	128.246
	5.172										818
P.I.C.S. Integrated plans fund	45.272	0	0	(0)	0	(67)	0	0	45.205	50.149	95.354
for competitiveness	(0)										268
START-UP RESTART DIRECT LOANS TEN	5.053.520	(1.196.663)	(88.519)	1.275.822	293.654	(1.411)	29.854	0	5.366.258	8.286.353	13.652.611
	7.734.229										33.932
START-UP RESTART CONTRIB. TUTOR T	938.091	0	(24.000)	11.097	(640)	(129)	0	0	924.420	0	924.420
	0										74.503
LR13/2000 Tender	4.221	0	0	0	0	(104)	0	0	4.117	0	4.117
INNOVA RETAIL (2010)	0										0
SEED FUND	104.298	(320)	0	195.178	(4.899)	(82)	3.400	0	297.575	3.517.595	3.815.170
	(0)			0							250.264
TENDER FASHION 2008	1.636.018	0	0	0	0	(140)	0	0	1.635.878	0	1.635.878
	0										78.112
TENDER FASHION 2009	1.155.264	0	0	4.500	0	(141)	0	0	1.159.622	4.065	1.163.687
	0										0
FASHION START-UP-YOUNG AND/OR FEI	198.472	0	0	0	0	(104)	0	0	198.368	0	198.368
	0										0
ACCOMPANYING VOUCHER	718	(667)	0	0	0	(51)	0	0	(0)	0	(0)
SME ABROAD	0										0

Table 6/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TRADE DISTRICTS 1	(318)	0	0	28	(28)	(226)	0	0	(543)	0	(543)
	0										(28)
TRADE DISTRICTS 2	43.292	0	0	0	0	(69)	0	0	43.223	0	43.223
	0										0
TRADE DISTRICTS 3	100.140	0	0	1.000	(1.000)	(106)	0	0	100.034	0	100.034
	0										(1.372)
TRADE DISTRICTS 4	1.090	0	0	0	0	(106)	0	0	984	0	984
	0										0
TRADE DISTRICTS 5	27.449	0	0	0	0	(106)	0	0	27.343	0	27.343
	0										0
R.L. 21/2008 cinemas and theatres	4.427.287	(2.162.383)	0	421.352	126.749	(861)	3.033	0	2.815.177	1.660.604	4.475.780
	2.055.691										1.160
R.L. 21/08 Theatre Guarantee Fund	418.835	0	0	0	0	(67)	0	0	418.768	0	418.768
	0										0
Skypass Lombardy	22	0	0	0	0	(527)	0	0	(505)	0	(505)
	0										217.217
R.L. 14/2007 AT. 3	13.054.071	0	0	0	(9.600)	(113)	0	0	13.044.359	0	13.044.359
	0										0
JEREMIE FESR FUND	17.974.528	0	0	0	42.876	101.349	0	0	18.118.753	0	18.118.753
	0										0
JEREMIE FSE FUND	4.219.102	0	10.000	0	5.863	34.027	0	0	4.268.992	0	4.268.992
	0										0
JEREMIE FSE 2010 FUND	385.544	0	6.000	0	0	34	0	0	391.578	0	391.578
	0										0
JEREMIE FSE 2010 FUND	509.431	0	0	0	0	(31)	0	0	509.400	0	509.400
Guarantee	0										0
RGD 7025/08 EXPRESSIONS OF	295.731	(20.801)	0	69.411	5.910	(214)	0	0	350.037	403.020	753.057
INTEREST	23.642										0
MIL Guarantee Fund	1.399.755	0	(3.387.740)	0	2.977.400	42.918	0	0	1.032.333	0	1.032.333
	0										0
Operating Credit Fund	1.182.795	0	(353.326)	9.285	(3.544)	(862)	484	0	834.832	0	834.832
agriculture	0										11.711
Tourism Meas. A-B	94.663	(9.577)	0	25.157	375	(256)	62	0	110.423	177.835	288.258
	25.157										90.900

Table 7/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Tourism Meas. C	455.311	(283.337)	0	156.093	26.273	(349)	487	0	354.477	39.850	394.327
	101.299										215
MIUR TENDER	6.806.687	0	0	798.927	44.759	53.070	2.050	0	7.705.492	655.797	8.361.289
EXPRESSIONS OF INTEREST	728.719										3.449
MIUR TENDER	24.390.319	0	0	4.426.663	678.709	388.400	29.080	0	29.913.171	4.771.987	34.685.158
FRIM FESR	7.381.669										13.027
MIUR TENDER	14.736.653	0	0	2.144.857	530.868	(130.058)	26.974	0	17.309.294	3.454.732	20.764.026
FAR FIN	3.774.034										15.733
2011 THEATER DIGITALISATION TENDEI	670.061	(168.632)	(36.567)	84.490	6.005	(424)	255	0	555.188	98.764	653.952
	134.624										19
FINTER	917.075	(364.244)	0	264.448	10.535	(460)	753	0	828.107	172.076	1.000.183
	234.868										723
GREEN AREAS FUND TENDER	4.559.191	90.351	(760.005)	0	0	(120)	0	0	3.889.416	0	3.889.416
	0										0
MOVIE PROD. FUND	257.209	0	0	112	(112)	(104)	0	0	257.105	0	257.105
	112										0
MOVIE FUND	193.726	(5.617)	0	6.573	(31)	(255)	8	0	194.405	0	194.405
	3.267										(31)
BIOMEDICA NERVIANO	(381)	0	0	0	0	0	0	0	(381)	0	(381)
	0										0
2012 THEATER DIGITALISATION TENDEI	733.709	0	(66.064)	20.236	6.563	(267)	56	0	694.234	58.806	753.040
	17.113										7
ANTI-USURY FUND	9.723	0	0	0	0	(104)	0	0	9.619	0	9.619
	0										0
FUND FOR RED. INTEREST = EIB	5.603.749	0	(1.128.198)	60.619	(1.088)	(520)	358	0	4.534.920	0	4.534.920
	0										338.213
R&D TENDER FOR BUSINESS COMBINAT	18.338.867	0	0	2.140.570	(99.883)	1.233.125	0	0	21.612.679	17.428.376	39.041.055
	19.568.946										0
DIGITALISATION FUND	278.895	25.544	0	0	0	(104)	0	0	304.334	0	304.334
	0										0
MACHINERY TENDER	100	0	0	0	(100)	0	0	0	0	0	0
	0										0

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Table 8/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
INSTITUTIONAL AGREEMENTS FUND	20.267.126	(2.214.483)	(7.077.769)	0	(90.434)	(187)	0	0	10.884.254	0	10.884.254
	0										0
INTERNATIONALISATION VOUCHER FU	14.856	667	0	0	0	(106)	0	0	15.417	0	15.417
	0										0
DRIADE FUND	486.110	(261.167)	(15.265)	0	0	(106)	0	0	209.572	0	209.572
	0										0
SKI COMPLEX 2015 TENDER	846.175	398.772	(179.999)	478.809	55.833	(427)	10.460	0	1.609.623	1.874.614	3.484.237
	2.234.360										2.157
CTS TENDER	299.346	0	0	191.477	4.274	(1.906)	1.583	0	494.775	240.429	735.204
	370.786										893
INFRASTRUCTURES AND MOBILITY TEN	21.052.596	(4.768.770)	0	0	0	(113)	0	0	16.283.713	0	16.283.713
	0										0
SIMPLIFICATION FUND	(104)	130	0	0	0	(26)	0	0	(0)	0	(0)
	0										0
LOMBARDIA CONCRETA RISK COVERA	1.064.949	0	0	0	0	(104)	0	0	1.064.845	0	1.064.845
	0										0
ERGON FUND	100.809	0	0	0	0	(208)	0	0	100.601	0	100.601
	0										0
TOURISM	420.235	0	0	27	(27)	(2.270)	0	0	417.965	0	417.965
EXCELLENCE PROJECT	0										(27)
LOMBARDIA CONCRETA - FUND FOR RE	(1.784.517)	0	(140.034)	11.992	387	(158)	28	0	(1.912.301)	0	(1.912.301)
	0										13.492
SIMEST FUND	(262)	0	0	0	0	262	0	0	(0)	0	(0)
	0										0
ASTER ATTRACTIVENESS FUND	10.999.887	(11.000.000)	0	0	0	113	0	0	0	0	0
	0										0
DECO-TER	(104)	0	0	0	0	104	0	0	0	0	0
	0										0
FRIM	469.894	(374.779)	0	338.491	39.302	(360)	2.706	0	475.253	450.472	925.725
FIERE	651.136										2.116
FUND TO SAFEGUARD	725.794	(362.600)	0	2.946.521	25.866	(343)	0	0	3.335.237	1.398.693	4.733.930
LOCAL CULT. SISMA MN	4.301.636										0

Table 9/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TENDER FOR	374.435	0	0	300.095	42.403	(404)	2.267	0	718.796	431.777	1.150.572
SKI LIFTS	536.472										175.513
DIGITALISATION 2013 FUND RL. 21/08 AR	532.363	(486.395)	0	558.072	123.510	(1.199)	1.438	0	727.790	1.384.873	2.112.663
	1.868.876										951
MIUR FAR	10.863.877	0	0	0	23.043	278.684	0	0	11.165.604	0	11.165.604
CONTRIBUTIONS	0										90.894
START-UP RESTART FUND	50.795	0	0	8.540	84	(186)	313	0	59.546	0	59.546
CONTRIB. B.P.	0										78.611
SCHOOL CONSTRUCTION FUND	14.055.992	173.581	(528.603)	354.560	158.129	(350)	0	0	14.213.309	7.171.040	21.384.349
	6.965.396										0
CASH CREDIT	292.601	0	0	0	(0)	(104)	0	0	292.497	0	292.497
RATES REDUCTION	0										0
MAINTENANCE SUPPORT FUND	2.660.168	(2.217.014)	(121.675)	603.349	0	(284)	0	0	924.544	0	924.544
OF RENTED HOME	0										1
VOUCHER PATENTS MEASURE E 2013	403.803	0	(6.000)	0	0	(109)	0	0	397.694	0	397.694
	0										0
CULTURE 2013 TENDER	798.866	0	(357.967)	324.528	58.884	(564)	0	0	823.747	3.864.393	4.688.140
	3.905.330										0
TAXI 2013 TENDER	3.332	0	0	0	0	(104)	0	0	3.228	0	3.228
	0										0
LOMBARDIA CONCRETA RED. COMMER	1.330.835	0	(97.032)	0	(2.382)	(158)	(474)	0	1.230.789	0	1.230.789
	0										31.648
SOCIAL ANTICIPATION	872.962	(10.000)	0	0	0	(109)	0	0	862.853	0	862.853
	0										0
VOUCHER PATENTS MEAS. F 2014	2.134.703	0	0	0	0	(104)	0	0	2.134.599	0	2.134.599
	0										0
FRIM FESR 2020	22.147.774	(7.500.000)	(1.790.348)	3.426.716	889.976	186.721	101.808	0	17.462.647	14.988.419	32.451.066
	15.657.496										24.896
ASAM ANTICIPATION	142.786	0	0	0	0	(104)	0	0	142.682	0	142.682
	(0)										0

Table 10/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
DONNA MODA DESIGN	100	0	0	0	(100)	0	0	0	(0)	0	(0)
	0										0
DESIGN COMPETITION FUND	6.207	0	0	0	0	(104)	0	0	6.103	0	6.103
	0										0
DAT - TOURISM ATTRACTIVENESS DISTI	(271.351)	0	0	0	0	(104)	0	0	(271.455)	0	(271.455)
	0										0
EARLY RETIREE SUPPORT FUND	(104)	0	0	0	0	104	0	0	0	0	0
	0										0
FASHION DIGITAL TENDER	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
TEMPORARY MANAGER FUND	100	0	0	0	(100)	0	0	0	0	0	0
	0										0
FUND HISTORIC SHOPS	100	0	0	0	(100)	0	0	0	0	0	0
	0										0
VIDEOSURVEILLANCE TENDER	100	0	0	0	(100)	0	0	0	(0)	0	(0)
	0										0
NEWS STAND TENDER	229.923	0	(10.000)	0	0	(113)	0	0	219.810	0	219.810
	0										0
MINIBOND PROJECT	1.347.204	0	0	0	0	(106)	0	0	1.347.098	0	1.347.098
	0										0
COUNTER-GUARANTEE FUND	28.789.238	0	(221.326)	0	75.230	1.925.473	0	0	30.568.615	0	30.568.615
	0										0
MUSICAL INSTRUMENTS FUND	58.598	0	(23.827)	0	(316)	(126)	0	0	34.329	0	34.329
	0										0
LINEA INTRAPRENDO TENDER	11.895.164	0	(1.203.128)	374.906	55.053	500.149	5.293	(184.660)	11.442.777	3.454.954	14.897.731
	2.626.733										0
NATURAL CALAMITIES FUND	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
FOPPOLO ANTICIPATION	6.782	0	0	0	0	(104)	0	0	6.678	0	6.678
	0										0

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Table 11/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
2016 CULTURE FUND PRIVATES-CHURCH	3.659.721	0	(1.398.486)	97.149	0	(215)	0	0	2.358.170	2.854.301	5.212.471
	1.901.830										0
2015 PUBLIC ENTITIES CULTURE FUND	2.596.682	0	(489.886)	0	0	(116)	0	0	2.106.680	625.064	2.731.744
	257.649										0
FREE FUND	16.372.169	0	(2.225.676)	0	9.299	737.266	0	(7.724)	14.885.333	5.021.701	19.907.034
	2.796.025										0
JOP	3.870	0	0	0	0	(67)	0	0	3.803	0	3.803
	0										0
REVOLVING FUND RL 21/08 YEAR 2016	1.580.565	(66.258)	(727.004)	0	0	(153)	0	0	787.150	717.326	1.504.476
	353.824										0
Fund for Agricultural Enterprises	10.038.566	0	(2.744.451)	630.560	(175)	17.631	43.774	(78.799)	7.907.106	8.647.513	16.554.619
	6.533.622										0
Al Via Guarantee Fund	41.506.351	15.990.487	0	0	130.432	1.306.646	0	(240.487)	58.693.428	0	58.693.428
	0										0
Research and Innovation Fund	1.999.894	0	(1.537.256)	0	0	(129)	0	0	462.508	0	462.508
	0										0
Stoa Tender	100.826	(550.000)	0	0	(1)	(72)	0	0	(449.246)	0	(449.246)
	0										0
Public Sports Facilities Tender	246.742	(125.000)	(110.700)	0	0	(73)	0	0	10.968	0	10.968
	0										0
Scholastic Construction Tender	(8.665.948)	0	(383.782)	54.236	19.530	(118)	0	0	(8.976.081)	2.366.659	(6.609.422)
	2.080.385										0
Simpler Fund	279.581	0	0	0	(216.601)	(238)	0	0	62.741	0	62.741
	0										0
Store Revolution	0	0	0	0	0	(81)	0	0	(81)	0	(81)
	0										0
Faber Tender	0	0	0	0	0	(50)	0	0	(50)	0	(50)
	0										0
Credit Support Fund (New Frim Coop)	0	880.279	0	0	0	(50)	0	0	880.229	0	880.229
	0										0

Table 12/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Lombardy to Stay Tender	0	2.000.000	0	0	0	0	0	0	2.000.000	0	2.000.000
	0										0
Frim Fesr II Research and Development	0	7.500.000	0	0	0	(130)	0	0	7.499.870	0	7.499.870
	0										0
Line for Internationalisation Fund	0	1.750.000	(251.184)	0	(3)	(84)	0	0	1.498.729	251.184	1.749.913
	0										0
Treasury Management	16.871.603	(7.189.517)	0	(2.816)	(552.180)	12.311.156	0	0	21.438.245	0	21.438.245
	0										0
TOTAL	604.918.938	(82.294.727)	(36.961.410)	77.641.194	12.474.033	19.801.130	879.723	(511.671)	595.947.210	298.364.558	894.311.768
	312.471.776										2.408.334
	1.469.373										1.469.373

4.5. - Management of Ferrovie Nord Milano and Fondazione Lombardia per L'Ambiente (FLA)
Changes in the Year 01.01.2019 - 31.12.2019

FERROVIE NORD	Of Cash Balances at 31.12.2018	Disbursement Decrease and/or Increase provision	Disbursements to Enterprises Loans	Repayments	Interest and Income	Reimbursement made to EU	Compensation Finlombarda paid	Balances available at 31.12.2019	Loans existing at 31.12.2019	Balance sheet balances
Amounts in euro	48.593.098	0	0	0	171.564	0	0	48.764.662	0	48.764.662
Amounts in euro	8.384.875	(1.200.000)	0	0	1.514.787	0	0	8.699.663	0	8.699.663
TOTAL	56.977.974	(1.200.000)	0	0	1.686.351	0	0	57.464.325	0	57.464.325

SECTION 3
INFORMATION ON RISKS AND RELATED HEDGING POLICY

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, insurance policies 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, and the classification of credit positions and the organisational structure;
- specific limits envisaged in the internal regulations.

Finlombarda's decision-making powers concerning the underwriting of risks and determination of the related conditions are the sole prerogative of the governing bodies, the Board of Directors and General Management and Head of the Credit and Pre-litigation Area (together with the Administration and Control Management), the Finance and Equity Investment Management, within the limit of the autonomy granted in conformity with the company's rules.

3. Non-performing credit exposures

Outstanding loans in the funding category are monitored periodically by a special function within the Credit Area in order to have a timely snapshot of any situation that may be deteriorating.
The internal procedure involves submitting a monthly report to the General Management and the Board of Directors. The same procedure regulates the methods used in the classification, management, control and recovery of the positions.
In the monthly report we present the trends and changes in credit quality. The report focuses on doubtful and “unlikely to pay” positions and past due loans. The positions at the moment are not numerous but at the end of the year an analytical review is carried out for positions that are doubtful, for those involving forbearance (on all types of credit status) and those that are “unlikely to pay”. For other performing positions we carry out a collective write-down, taking into account the probability of

default for similar products and the percentage of expected loss, as well as the impact on credit risk on the basis of the provisions of IFRS 9 for stages 1 and 2.

The loans granted get repaid according to an amortisation plan; monitoring repayments (six-monthly instalments), also with the support of co-financing banks, enables the Company to follow credit performance by determining any changes in the credit status up to write-off of the balance, after having exhausted all attempts at recovery from the customers.

Quantitative Information

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

Portfolios/quality	Doubtful loans	Unlikely-to-pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.379.165	285.534	31.800	1.565.253	284.955.012	288.216.764
2. Financial assets measured at fair value through comprehensive income					140.771.464	140.771.464
3. Financial assets designated at fair value					10.908.197	10.908.197
4. Other financial assets mandatorily measured at fair value					37.663.882	37.663.882
5. financial assets held for sale						
Total 2019	**1.379.165**	**285.534**	**31.800**	**1.565.253**	**474.298.555**	**477.560.307**
Total 2018	**1.640.971**	**605.194**	**144.064**	**246.691**	**427.481.025**	**430.117.945**

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 adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total adjustments	Net exposure	
1. Financial assets measured at amortised cost	8.661.645	(6.965.147)	1.696.499		287.470.504	(950.239)	286.520.265	288.216.764
2. Financial assets measured at fair value through comprehensive income					140.771.464		140.771.464	140.771.464
3. Financial assets designated at fair value					10.908.197		10.908.197	10.908.197
4. Other financial assets mandatorily measured at fair value					37.663.882		37.663.882	37.663.882
5. financial assets held for sale								
Total 2019	**8.661.645**	**-6.965.147**	**1.696.499**	**0**	**476.814.047**	**-950.239**	**475.863.808**	**477.560.307**
Total 2018	**9.892.972**	**-7.502.743**	**2.390.229**		**428.720.495**	**-992.779**	**427.727.716**	**430.117.945**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			
2. Hedging derivatives			
Total 2018	**0**	**-**	**-**
Total 2017	**0**	**0**	**0**

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

Portfolios/quality	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	1.521.273			43.980					1.696.499
2. Financial assets measured at fair value through comprehensive income									
Total 2019	**1.521.273**	**0**	**0**	**43.980**	**0**	**0**	**0**	**0**	**1.696.499**
Total 2018	**230.426**			**16.264**					**2.390.229**

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

Risk stage reasons	Total adjustments													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: impaired financial assets acquired or originated				
Types of exposure/amounts	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments		First Stage	Second Stage	Third Stage	
Opening balance	**857.930**	**77.388**			**134.850**	**349.760**			**7.502.743**	**-**				**334.569**	**423**		**9.257.663**
Increases from financial assets acquired or originated																	-
Cancellations other than write-off																	-
Net adjustments/writebacks for credit risk (+/-)	24.320	(45.163)			(66.860)	40.587			(537.596)	514.400				(90.501)	1.445		- 159.369
Contractual amendments without cancellations																	-
Changes in estimation method																	-
Write-Offs																	-
Other changes *																	-
Closing inventories	**882.249**	**32.225**	**-**	**-**	**67.990**	**390.347**	**-**	**-**	**6.965.147**	**514.400**	**-**	**-**	**-**	**244.067**	**1.869**	**-**	**9.098.294**
Recoveries from collection on financial assets written off																	0
Write-offs recognised directly in the income statement																	0

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

Types of exposure/amounts	Gross Exposure		Total adjustments and total allocations to	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. Cash exposures					
a) Doubtful loans					
of which: forbearance exposures					
b) Unlikely-to-pay loans					
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		195.153.491	(97.211)	195.056.280	
of which: forbearance exposures					
TOTAL A	0	195.153.491	(97.211)	195.570.280	-
B. Off-balance sheet exposures:					
a) Impaired					
b) Performing					
TOTAL B	0	-	0	-	0
TOTAL A+B	0	195.153.491	(97.211)	195.570.280	0

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

Types of exposure/amounts	Gross Exposure		Total adjustments and total allocations to	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. Cash exposures					
a) Doubtful loans	8.031.104		(6.651.939)	1.379.165	
of which: forbearance exposures	846.229		(674.005)	172.223	
b) Unlikely-to-pay loans	574.843		(289.189)	285.654	
of which: forbearance exposures	202.459		(91.558)	110.902	
c) Non-performing past due exposures	55.698		(24.019)	31.679	
of which: forbearance exposures				-	
d) Performing past due exposures		1.588.428	(23.175)	1.565.253	
of which: forbearance exposures		88.041	(1.076)	86.966	
e) Other performing exposures		280.072.129	(829.854)	279.242.275	
of which: forbearance exposures		123.106	(1.623)	121.483	
TOTAL A	8.661.645	281.660.557	(7.818.175)	282.504.027	-
B. Off-balance sheet exposures:					
a) Impaired					
b) Performing					
TOTAL B					
TOTAL A+B	8.661.645	281.660.557	(7.818.175)	282.504.027	-

9 Credit concentration

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

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

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

The loans were granted to companies with registered offices in Lombardy.

9.3 Large Exposures

a) Amount (gross exposure): Euro 207,438,256;
b) Amount (weighted value): Euro 103,038,256;
c) Number: 6 positions, namely Gruppo Intesa (Intesa San Paolo and Intesa Vita), Credit Agricole, Ferrovie Nord Milano and Milano Serravalle (both connected with Lombardy Region).

Note that, Ferrovie Nord Milano (100% guaranteed by Lombardy Region) and Milano Serravalle are connected as belonging to the regional system.

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 288/2015 (Title IV, Chapter 14, Attachment C).

The Company has two credit lines of Euro 258 million, and a new line of Euro 242 million, with the European Investment Bank that at the end of 2019 had been drawn down for Euro 166.1 million (book value). The Company has bonds for Euro 200.6 million, current accounts for Euro 77.3 million, loans to businesses stipulated for Euro 143.3 million, of which floating-rate for Euro 64.3 million exposed to interest rate risk and Euro 79 million at fixed rate, as well as insurance policies amounting to Euro 10.9 million. Note that the old credit line of Euro 200 million no longer allows any drawdowns, having been used for Euro 19.8 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. Lastly, insurance policies return a yield based on the amount collected for coupons and dividends, and having both fixed income and variable rate bonds, these have an interest rate risk that is mitigated thanks to the guaranteed minimum.

In 2017, the 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)

Item/residual duration	On demand	up to 3 months	from over 3 months to 6 months	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	**77.292.937**	**97.823.182**	**85.156.955**	**16.221.295**	**139.334.217**	**7.770.052**	**8.508.188**	-
1.1 Debt securities		87.233.277	15.772.790	6.974.525	81.010.405	1.080.421	8.508.188	
Deposit certificates								
1.2 Receivables	77.292.937	10.589.905	58.475.967	9.246.770	58.323.812	6.689.631		
1.3 Other assets			10.908.197					
2. Liabilities	-	**58.000.000**	**108.077.253**	-	**50.137.147**	-	-	-
2.1 Payables		58.000.000	108.077.253	-	-	-	-	
2.2 Debt securities					50.137.147			
2.3 Other liabilities								
3 Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

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 166.1 million credit line of the European Investment Bank. Less than half of the asset items consist of investments in bonds issued by supervised financial institutions and leading corporate companies, for a total of Euro 200.6 million, the rest being cash balances on the Company's current accounts, i.e. Euro 77.3 million. Insurance policies, of Euro 10.9 million. It should be noted, however, that the insurance policies have a guaranteed minimum return. 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.

QUANTITATIVE INFORMATION

3.2.3 - EXCHANGE RISK

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 2019, highlighting in table 1, the total (unweighted) exposure to exchange rate risk.

1. Breakdown by currency of assets, liabilities and derivatives

Items	CURRENCIES					
	US Dollars	GB Pounds	Yen	Canadian dollars	Swiss Francs	Other currencies
1. Financial assets	4.560.203	23.364	1.082.227	70.698	261.665	1.128.078
1.1 Debt securities						
1.2 Equities						
1.3 Receivables						
1.4 Other financial assets	4.560.203	23.364	1.082.227	70.698	261.665	1.128.078
2. Other assets						
3. Financial liabilities	0	0	0	0	0	0
3.1. Payables						
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives	0	0	0	0	0	0
5.1. Long positions						
5.2 Short positions						
Total Assets	4.560.203	597.282	994.040	163.731	-	1.770.043
Total Liabilities						
Imbalance (+/-)	4.190.251	597.282	994.040	163.731	-	1.770.043

The capital requirement for the exchange rate risk amounts to Euro 570,099.

3.3 – OPERATIONAL RISK

Qualitative information

1. General aspects, management and measurement of operational risk

The 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 and Anti-Money Laundering function 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, and monitoring mitigation activities with six-month periodicity.

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 company's funding needs and their coverage, the Finance Department 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 Finance Department 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 Finance Department 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 Finance Department 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, once a year the Finance and Equity Investment Department 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 2019, the Company has cash balances, mainly current accounts for about Euro 77.3 million and this makes it possible to exclude the risks of liquidity mismatch and liquidity contingency, as well as the presence of liquid assets. At the same time, the Company received the drawdowns of the loans stipulated with the EIB for about Euro 166.1 million and cash deriving from the issue of the bond of Euro 50 million. Investments maturing within six months amounted to Euro 42.3 million and the securities portfolio is easily negotiable on the market by means of sales or *repos*.

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	over 3 months to 6 months	over 6 months to 1 year	over 1 year to 3 years	over 3 years to 5 years	over 5 years	undefined maturity
Cash assets	**77.729.192**	**-**	**-**	**-**	**50.173.222**	**53.736.179**	**73.947.007**	**87.180.632**	**60.418.223**	**18.450.428**	**55.925.423**
A.1 Government securities					8.180.056	2.005.386			4.980.477		
A.2 Other Debt securities					15.790.828	16.274.980	63.563.096	50.634.044	27.489.529	11.661.209	
A.3 Loans					26.202.337	35.455.813	10.383.912	36.546.588	27.948.217	6.789.219	
A.4 Other assets	77.729.192	-	-	-	-	-	-	-	-	-	55.925.423
On-balance sheet liabili	**-**	**-**	**-**	**-**	**-**	**5.278.783**	**63.193.970**	**70.608.247**	**21.080.656**	**56.052.745**	**-**
B.1 Payables to:	-	-	-	-	-	5.278.783	63.193.970	20.471.100	21.080.656	56.052.745	-
- Banks				-		5.278.783	63.193.970	20.471.100	21.080.656	56.052.745	
- Financial entities											
- Customers											
B.2 Debt securities								50.137.147			
B.3 Other liabilities											
Off-balance sheet transactions											
C.1 Financial derivatives with capital exchange											
- long positions											
- short positions											
C.2 Financial 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											
- short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received											

SECTION 4
INFORMATION ABOUT THE CAPITAL

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	31/12/2019	31/12/2018
1. Share capital	**211.000.000**	**211.000.000**
2. Share premium reserve	**127.823**	**127.823**
3. Reserves	**43.993.152**	**42.124.815**
- *of profits*	43.993.152	42.124.815
a) legal	6.834.075	6.707.165
b) statutory	4.704.031	4.577.121
c) treasury shares		
other	32.455.045	30.840.528
- *other*		
4. (Treasury shares)		
5. Valuation reserves	**1.698.110**	**305.079**
Equities designated at fair value through other comprehensive income	1.914.485	490.038
Hedging of equities designated at fair value through other comprehensive income		
Financial assets (other than equities) measured at fair value through other comprehensive income		
Property, plant and equipment		
Intangible assets		
Foreign investment hedges		
Cash flow hedges		
Hedges (non designated elements)		
Exchange differences	(216.375)	(184.959)
Non-current assets and groups of assets held for sale		
in credit rating)		
Special write-back laws		
Actuarial gains/losses relating to pension plans on defined benefit plans		
Share of valuation reserves relating to equity investments valued at equity		
6. Equity instruments		
7. Net profit (loss) for the year	**1.551.531**	**972.777**
Total	**258.370.616**	**254.530.494**

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

Assets/Amounts	31/12/2019		31/12/2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		1.927.031	405.522	
2. Equities		(12.546)	- 0	
3. Loans		0		0
Total	**0**	**1.914.485**	**405.522**	**0**

The aforesaid valuation reserve increases and decreases according to the valuation at fair value of the HTCS funds, of the bonds, of receivables and of commitments and guarantees according to the new 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	Total
1. Opening balance	**(405.522)**	**0**	**0**	**(405.522)**
2. Positive changes	**3.284.466**	**0**	**0**	**3.284.466**
2.1 Increase in fair value	2.347.494	0		**2.347.494**
2.2 Adjustments for credit risk	936.972			**936.972**
2.3 Reversal to income statement of negative realisation reserves				**0**
2.4 Transfers to other equity components (equities)				**0**
2.5 Other changes				**0**
				0
3. Negative changes	**(951.913)**	**(12.546)**		**(964.459)**
3.1 Decrease in fair value	(951.913)	(12.546)		**(964.459)**
3.2 Writebacks for credit risk				**0**
3.3 Reversal to income statement of positive reserves: realisation				**0**
3.4 Transfers to other equity components (equities)				**0**
3.5 Other changes				**0**
4. Closing inventories	**1.927.031**	**(12.546)**	**0**	**1.914.485**

The OCI reserve and the FTA Reserve in accordance with IFRS 9 has changed because of the increases and decreases in fair value relating to debt securities, receivables, commitments and guarantees. In particular, of note is the decrease in the fair value for equities.

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.

Finlombarda does not make use of the deduction of deferred tax assets from TIER1 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, 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.

We also highlight that as of 1 January 2019, the Finlombarda Group fell under the regime of exemption from sending consolidated supervision, since the subsidiary Finlombarda Gestioni SGR S.p.A., is below the minimum parameters provided for by Circular no. 288 of 3 April 2015. The 2019 values expressed by the tables in Chapter 4.2 therefore represent only the values in the individual financial statements of the parent company Finlombarda S.p.A.

4.2.1.2 - Quantitative information

Items/Amounts	31/12/2019	31/12/2018
A. Core capital before the application of prudential filters	**240.898.222**	**239.665.645**
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)	**240.898.222**	**239.665.645**
D. Elements to be deducted from the core capital	678.886	475.489
E. Total core capital (TIER 1) (C-D)	**240.219.336**	**239.190.156**
F. Tier 2 capital before application of prudential filters	**0**	**0**
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)	**240.219.336**	**239.190.156**

4.2.2 - Capital adequacy

4.2.2.1 - Qualitative information

The current absorption of Own Funds regarding Finlombarda S.p.A. is very low indeed: compared with a total of about Euro 25.9 million of capital requirements imposed by the first pillar, the Company holds regulatory capital equal to Euro 240.2 million and therefore has a surplus of Euro 210.7 million. Tier 1 Capital Ratio is 65.04% and Total Capital Ratio amounts to 65.04%.

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.

Finlombarda 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.

It should also be noted that the implementation of the new ERP system and the consequent "enrichment" of the customer database has made it possible to correctly divide corporate and retail customers, as well as to use the "support factor" provided for SMEs, as envisaged by the CRR. The refinement of the database made it possible to use weighting factors that are more appropriate to the Company's customers, oriented as policy to support local SMEs.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. RISK ASSETS				
A.1 Credit and counterparty risk	532.536.808	438.081.705	324.335.712	358.919.017
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			25.946.857	28.713.521
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			25.946.857	28.713.521
C. RISK ASSETS AND RATIOS				
C.1 Risk-weighted assets			369.364.695	409.261.899
C.2 Core capital/Risk-weighted assets (Tier 1 capital ratio)			65,04%	58,44%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			65,04%	58,44%

SECTION 5

STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross Value	Income tax	Net Value
10	**Net profit (loss) for the year**	3.128.519	(1.576.989)	1.551.531
	Other comprehensive income after tax without reversal to income statement			
20	Equities designated at fair value through other comprehensive income:			
	a) change in fair value	(12.546)		(12.546)
	b) transfers to other equity components			
30	Financial liabilities at fair value through profit or loss (change of own credit rating):			
	a) change in fair value			
	b) transfers to other equity components			
40	Hedging of equities designated at fair value through other comprehensive income			**0**
	a) change in fair value (hedged instrument)			
	b) change in fair value (hedging instrument)			
50	Property, plant and equipment			
60	Intangible assets			
70	Defined benefit plans	(31.417)		(31.417)
80	Non-current assets and groups of assets held for sale			
90	Share of valuation reserves of equity investments valued at equity			
100	Income tax relating to other comprehensive income without reversal to income statement			**0**
	Other comprehensive income with reversal to income statement			
110	Foreign investment hedges:			
	a) changes in fair value			**0**
	b) reversal to income statement			
	c) other changes			
120	Exchange differences:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
130	Cash flow hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
	of which: result of net positions			
140	Hedges (non designated elements):			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
150	Financial assets (other than equities) measured at fair value through other comprehensive income			
	a) changes in fair value	2.332.553		2.332.553
	b) reversal to income statement			
	- impairment adjustments			
	- gains/losses on disposal			
	c) other changes			
160	Non-current assets and groups of assets held for sale:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
170	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			
180	Income tax relating to other comprehensive income with reversal to income statement			
190	**Total other income components**	2.288.590		2.288.590
200	**Comprehensive income (item 10+190)**	**5.429.656**	(1.576.989)	3.840.121

As described in Table 4.1.2.3 of Section 4, significant changes are to be found in the changes in fair value of the mutual funds, offset by the tax effect.

SECTION 6

RELATED PARTY TRANSACTIONS

6.1 - Information on remuneration of managers with strategic responsibilities

	31/12/2019	31/12/2018
Members of the Board of Directors	176.678	176.678
Board of Statutory Auditors	46.800	46.800
Supervisory body	31.200	33.925

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

The Group's transactions with related parties are mainly with the Lombardy Region.

In addition, for greater exposure, we also report intercompany transactions at 31/12/2019 with the subsidiary Finlombarda Gestioni SGR:

FINLOMBARDA SGR	Revenues	20.000	**Costs**	-
	Receivables	38.315	**Payables**	-
LOMBARDY REGION	Revenues	10.583.820	**Costs**	64.895
	Receivables	6.248.880	**Payables**	78.240

6.4 – Information on the audit firm

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

Type of services	Counterparty	31/12/2019	31/12/2018
Audit	BDO Italia S.p.A	5.886	30.710
Other services	BDO Italia S.p.A		31.500
Audit	Audirevi SPA	29.832	
Other services	Audirevi SPA	26.103	

With reference to Audirevi S.p.A., identified as the new statutory auditor by resolution of the shareholders' meeting of 10/09/2019, to replace BDO Italia S.p.A. whose nine-year mandate has expired, the fees indicated relate to the annual contractual maximum.

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.

REPORT ON OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

AT 31 December 2019

FINLOMBARDA S.p.A.

Sole shareholder: the Lombardy Region

Registered office and headquarters: Via Fabio Filzi 25/A, – 20124 Milan, Italy

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 Decree Law 385/93 - CBA - Company subject to direction and coordination by the Lombardy Region.

BOARD OF DIRECTORS

Chairman	Michele Giuseppe VIETTI
Directors	Maria Carla GIORGETTI Giuseppe PEZZULLI

BOARD OF STATUTORY AUDITORS

Chairman	Luigi JEMOLI
Auditors	Davide ARANCIO Antonella CHIAMETTI

MANAGEMENT

General Manager	Giovanni RALLO

AUDIT FIRM

AUDIREVI S.p.A.

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REPORT ON OPERATIONS

Dear Shareholder,

The Group closed 2019 with a net profit after tax of Euro 1,551,531. Depreciation on property, plant and equipment and amortisation on intangible assets have been charged for a total of Euro 1,756,027.

The financial statements presented here have been prepared according to international accounting standards (IAS/IFRS).

The financial statements have been prepared in accordance with the instructions for the preparation of "IFRS financial statements of financial intermediaries other than banks", issued by the Bank of Italy on 30 November 2018.

For the first time, the accounting standards set out in International Financial Reporting Standard 16 - Leases (IFRS 16) were applied.

THE MACROECONOMIC ENVIRONMENT

The global macroeconomic context in 2019

Based on the most recent data published by Bank of Italy[1], in 2019 world GDP grew by 2.9% relative to 2018 (when it had been 3.6%), the lowest growth rate recorded since the 2008/2009 economic crisis. The slowdown in growth was overall and in all the major global economies. The United States achieved a growth of 2.3% in 2019 (2.9% in 2018). The United Kingdom went from a growth rate of 1.4% to 1.2%. The Euro area went from 1.9% to 1.2%.

Emerging economies also recorded significant slowdowns: India went from 6.8% to 5.8% growth, China from 6.6% to 6.2%, Brazil and Russia went from 1.1% and 2.3% to 0.8% and 1.1% respectively.

The main reason for the slowdown is the reduction in global trade, the growth rate of which was 0.6% in 2019, down significantly from 4.2% in 2018. The trade tensions between the United States and China, Canada, Mexico and the European Union have been partially resolved thanks to the reaching of an initial agreement between the United States and China and the stipulation of the agreement for the circulation of goods in the North American area (USMCA treaty) and the postponement of the application of duties on certain European products.

[1] Quarterly Economic Bulletin 1 – 2020

The level of inflation remained fairly contained in all the major world economies: in the United States in December 2019, it rose above the 2% threshold, while in the United Kingdom and the European Union it fell below 2% to 1.3% at the end of 2019.
In Japan, on the other hand, inflation was below 1% for all of 2019, standing at around 0.5% in December 2019.

European Union

In 2019, the economies of European Union countries grew by 1.2%, with a downward trend compared to 2018 (1.9%) and 2017 (2.5%).
During 2019, the growth of European economies was affected by the weakness shown by the industrial sector especially in Germany and Italy. The growth rate of the economy was supported by the steady growth of the services sector, which, however, could slow down in the long run due to the stagnation of the industrial sector.
GDP growth was affected by the trend in world trade and was sustained by domestic demand and consumption, which were supported by the good performance of employment. The figures for the last quarter of 2019 showed an easing of the decline in German industrial production, which could encourage and drive growth in the industrial sector in other countries in the area as well.
Average inflation in the European Union amounted to 1.2% in 2019, down relative to 1.7% in 2018 and still lower than the ECB target level of 2% per annum. Price growth was different in the main European countries, higher in France and Germany (1.6% and 1.5% respectively) and lower in Spain and Italy (0.8% and 0.5%).
The increase in the price level, especially in the second half of the year, was penalised by the prices of energy products and supported by the dynamics of core inflation and the prices of services.
In light of the GDP growth dynamics described and the economic data and indications that emerged during the last four quarters of 2019, the European Central Bank implemented an accommodative monetary policy during 2019 and confirmed, prior to the emergence of the Covid-19 pandemic, during the last meetings of 2019 that monetary policy will not change until the level of Eurozone inflation is stably at the target level of 2%.
In particular, it was confirmed that the ECB would purchase Euro 20 billion of financial assets per month and that the reinvestment of capital repaid on maturing securities would continue for an extended period of time in order to maintain a high degree of monetary accommodation.

The Italian economy

On the basis of the actual figures for the first three quarters of 2019 and statistical computations by the Bank of Italy for the fourth quarter, Italy's GDP in 2019 appears to have increased by 0.2%. The result was affected by a significant slowdown in investments in both construction and capital goods. Gross domestic product was supported by the dynamics of domestic demand sustained by household consumption and in the third quarter, by the reintegration of inventories. Tensions in international trade contributed to lower exports of goods to foreign countries, while imports increased.

Based on the latest available information, GDP also grew by 0.1% in the fourth quarter of 2019, mainly due to continued weakness in the industrial sector.

Gross domestic product and its components					
	2018	2018		2019	
	4th qtr		1st qtr	2nd qtr	3rd qtr
GDP	**0,1%**	**0,8%**	**0,1%**	**0,1%**	**0,1%**
Total imports	1,6%	3,0%	-2,4%	1,1%	1,3%
Domestic demand	*0,3%*	*1,1%*	*0,1%*	*0,5%*	*1,1%*
household spending	*0,3%*	*0,8%*	*0,1%*	*0,0%*	*-0,1%*
other expenses	*0,0%*	*-0,1%*	*0,0%*	*0,4%*	*0,8%*
Gross fixed capitalexpend	*0,1%*	*3,2%*	*2,4%*		
buildings	*0,7%*	*2,9%*	*3,0%*		
other capital assets	*-0,4%*	*3,4%*	*1,9%*		
change in stocks	0,1%	-0,1%	-1%	-0,1%	0,3%
total exports	-0,2%	-0,3%	-0,6%	0,0%	0,4%

Source: Bank of italy Economic Bulletin no.12020

Business confidence in the final months of 2019 had cautiously improved, with companies indicating modest growth in orders especially in the industrial sector and from abroad, and expecting a possible increase in their investments in 2020. Obviously, the current health emergency is generating an evident reversal of the expected scenarios.

In 2019, industrial production recorded a significant decline starting in the second quarter that continued the following two quarters due mainly to the sharp decline in the energy sector.

According to the Bank of Italy, in 2019, as in 2018, Italian companies obtained a lower profit rate compared to the previous year due to the further growth of labour costs; this dynamic affected the self-financing capacity of companies. The indebtedness of Italian companies has remained stable in relation to GDP (at a level of 69%), a lower level than the average for companies in other European countries.

The construction sector remained stable during the first three quarters of 2019, while in the fourth quarter, the figures indicate a slight improvement. The real estate sector recorded an increase in the number of transactions in the first three quarters, while the dynamics of real prices declined further.

Inflation in Italy in 2019 averaged 0.6%; in particular, starting in April, the price index slowed and was partially mitigated only in December. The weakness of the price trend was generated mainly by the price trend in the energy sector.

In addition, based on data collected by the Bank of Italy for November 2019, credit to the non-financial private sector contracted by 1.9% compared to 2018 mainly due to weak demand for credit from businesses.

Among non-financial companies in particular, the largest contractions were related to the construction sector (-4.5%), services (-1.7%) and manufacturing (-0.5%). Overall, credit granted to the non-financial private sector remained in line with as recorded in November 2018, as a result of the growth in loans granted to households for both home purchases (+2.5%) and consumer credit (+8.2%).

Labour market

In 2019, the number of employed people grew compared to 2018, reaching 25.5 million at the end of the third quarter of 2019 (of which 11.3 million in services, 4.3 million in industry and 1.5 million in construction). The growth was more marked in the first quarter, while more contained in the rest of the year, above all with regard to employees, especially on permanent contracts, which amounted to 19.4 million while the self-employed were 6 million people. The employment rate during the year rose to 59.2%, while the unemployment rate fell below 10% (9.8%). Youth participation in the labour market is increasing: the youth unemployment rate fell from 32% at the beginning of the year to 27% in the third quarter.

On the other hand, the wage growth level fell to 0.7%, mainly due to the non-renewal of the civil service contract.

The annual report published in September 2019 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 129 thousand guarantee applications accepted in the period analysed for an amount of guaranteed loans exceeding Euro 19.2 billion.

Excluding the central guarantee fund, in the last period analysed by the MISE report on subsidies for businesses, both regional and state public aid grants amounted to Euro 6.5 billion (+38%), subsidies disbursed amounted to Euro 2.5 billion (+26%) and subsidised investments amounted to Euro 23.1 billion (-0.7%).

Central and northern regions account for 54% of the approved applications for Euro 3 billion (47% of the total, of which Euro 1.2 billion disbursed), corresponding to Euro 19.1 billion of subsidised investments (82% of the total). The number of subsidised applications increased by 82%, while the value of overall subsidised investments fell by Euro 1 billion, mainly due to the granting and disbursement of smaller subsidies (including, for example, the voucher for the digitalisation of SMEs).

An analysis of the total subsidies granted shows a prevalence of national contributions amounting to Euro 3.6 billion (60% of the total) compared to regional contributions, which amounted to Euro 2.3 billion. Overall, the resources allocated to businesses from the two financing channels amounted to approximately Euro 6 billion. In the regions of the centre-north, the incidence of subsidies granted by national contributions is higher than the national average and stands at 64%.

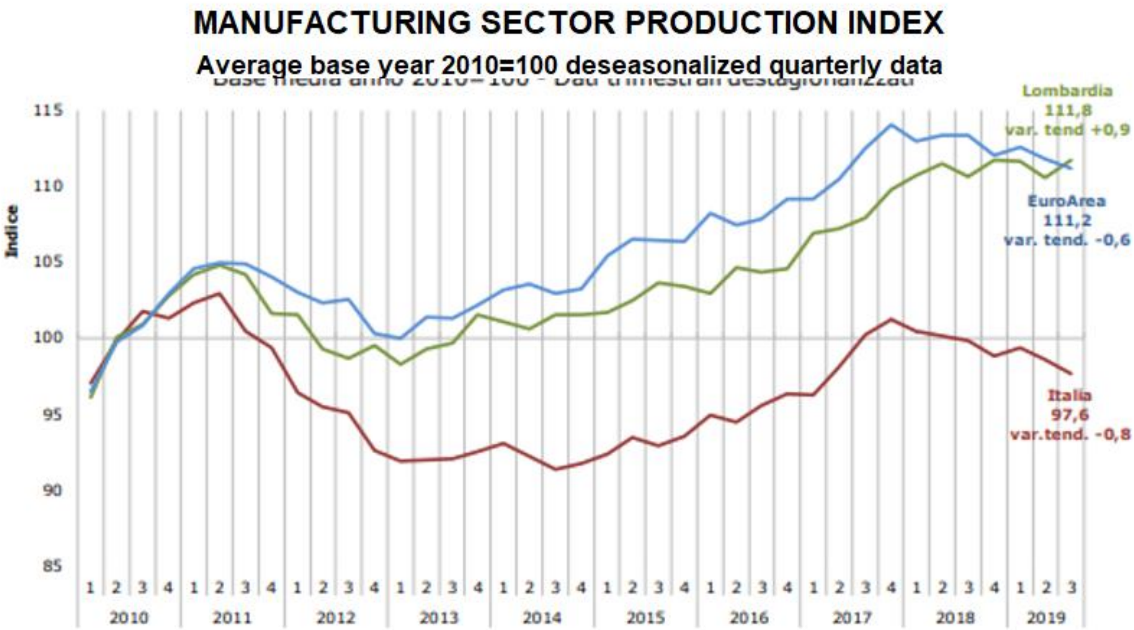
Both national and regional incentives have mainly supported productive and territorial development by increasing subsidies compared to the previous period and dedicating Euro 2.3 billion (35% of resources) to these interventions. Both administrations ranked research, innovation and development as the second most important issue to be promoted, with funds amounting to Euro 1.8 billion (27% of the total). The central administration then supported the internationalisation of businesses, while the administrations gave more support to new entrepreneurship.

Lombardy Region

According to the Bank of Italy economic survey published in November 2019, the growth of manufacturing production in Lombardy, which had grown at a rate of 3% in 2018, came to a halt over the past year. Growth in the manufacturing sector as a whole was almost nil (+0.3%). The production level is slightly lower than in 2007, i.e. before the onset of the economic crisis, due to the production level of small enterprises (with less than 50 employees), which is still significantly lower than the pre-financial crisis level, while the production level of larger enterprises (from 50 to 200 employees and over 200 employees) have finally exceeded the production levels of 2007.

According to data made available by Unioncamere Lombardia, the production index in the Lombard manufacturing sector in the third quarter of 2019, reached a value of 111.8, further approaching, but not yet reaching the pre-crisis highs (113.2 in 2007). The 2019 figure confirms a trend more similar to that of the Eurozone (111.2) than the Italian one (97.6).

Industrial production in Lombardy



Source: Unioncamere Lombardia, Congiuntura economica T3-2019

The different sectors of industrial production had a differentiated trend: economic activity grew for the food sector (+2.8%) and for non-metallic minerals (+2.3%) and to a lesser extent for chemicals (+1.1%) while the difficulties experienced also in 2019, persist for the clothing sector (-2.2%), textiles (-1.4%) and means of transport (-1.1%).

Manufacturing companies in Lombardy recorded a plant utilisation level of 75.1%, down from 76.2% recorded at the end of the third quarter of 2018. During the year, companies' planned investment programmes were 70% adhered to. However, companies included in Bank of Italy surveys were already reporting a reduction in their investment programmes for 2020 compared to 2019 before the pandemic struck.

The construction sector at regional level continued the positive trend undertaken in 2018. The growth in turnover of companies in the sector was on average 6.9% (5.4% in 2018). This dynamic was accompanied by a similar expansion in both the number of transactions in the residential sector, up 7% compared to 2018, and average sales prices, which grew by 0.9%. However, both indicators remain at values that are still lower than those recorded in 2007 pre-crisis.

The services sector showed a rather differentiated trend with companies operating in the retail sector showing substantial stability compared to 2018 (+0.1%). Other services on the other hand experienced a positive dynamic with turnover growth in tourism-related activities (accommodation and catering) of 2.6% compared to 2019, while business services on the other hand grew by 2%.

According to the Bank of Italy survey, 80% of Lombardy companies operating in the industrial and services sectors expected to make profits during 2019.

The regional labour market remained expansive: in 2019, the employment rate (15-64 years old) in Lombardy grew further to 68.4% (67.7% in 2018). During the same period, the unemployment rate (15-74 years old) continued its downward trend, coming in at 5.7%, down 0.6% compared to 2018. In contrast to the other indicators, the number of authorised hours of layoff compensation (CIG) in Lombardy grew by 0.6% compared to 2018. The number of hours of CIG had been steadily decreasing since 2014.

Credit market

According to the Bank of Italy findings, 2019 saw a reduction in loans granted to Lombardy businesses linked mainly to the slowdown in the global economy and a reduction in demand for credit by businesses for both working capital requirements and investment financing.

The reduction in 2019 was 2.3% and was seen for both larger and smaller companies.

At sector level, manufacturing was the sector for which the reduction in credit was least marked, while the decline was more significant in the services and construction sectors. The contraction in credit to the corporate sector was offset by the 3.1% growth in loans granted by the banking sector to households.

The collection of finance from Lombardy companies also took place during 2019 through the issuance of bonds, which amounted to Euro 7 billion (Euro 2 billion net of redemptions), a significant growth compared to 2018.

Regarding the cost of credit: the costs applied to businesses remained essentially stable compared to those applied in 2018. The slight contraction in average spreads was accompanied by an increase in the ancillary costs of financing.

In the first half of 2019, the incidence of new non-performing loans on total loans was 0.9%, continuing the reduction trend in place since 2018 and on the levels before the financial crisis. The decrease is due to the lower number of non-performing loans referred to companies especially in the services and manufacturing sector, while in the construction sector the rate of non-performing loans compared to disbursed grew by 3.8%. The ratio of gross non-performing loans to total loans to companies was 8.6% in June 2019 (11.9% in June 2018); the proportion of insolvency positions was 4.3%.

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 2019 are shown below.

Bank loan by economic sector (1) (percentage over 12 months)

			Private sector						
				Enterprises					
						Small(1)			
PERIOD	Pubblic administration	Financial and insurance companies	total private sector	total enterprises	Medium-large	Total small entrerprises	of which producer households (2)	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	-3,49%	5,40%	1,40%	0,60%	1,00%	-2,00%	-1,30%	3,10%	2,10%
Mar. 2019	-3,50%	1,20%	0,40%	-1,00%	-0,70%	-3,10%	-2%	3,10%	0,40%
Jun. 2019	-9,00%	-4,70%	0,20%	-1,30%	-1,00%	-3,50%	-2,80%	3,10%	-1,00%
Period end amounts in millions of euro									
Jun. 2019	8.545	89.129	340.259	219.096	191.346	27.750	15.813	118.780	437.935

Source: regulatory reporting Regional Economies-Lombardy's economiy- Economic update- November 2019

(1) Limited partnerships and general partnerships, simple partnerships, de facto corporations and sole propriertorships with fewer that 20 employees. (2) Simple partnerships, de facto corporatons and sole propriertorships up to 5 employees. (3) the total also includes non-profit istitutions serving families and unclassified or unclassificable units

Banks from loans and financial entries to enterprises by bank of economic activity (percentage changes over 12 months)

ITEMS	**Dec. 2017**	**Jun. 2018**	**Dec. 2018**	**Jun. 2019**
Branches				
Manufacturing activities	4,20%	3,80%	2,70%	0,70%
Buildings	-5,10%	-3,30%	-1,00%	-3,00%
Services	3,10%	1,40%	0,50%	-1,20%
Items	**1,60%**	**0,90%**	**0,60%**	**-1,30%**

Source: Regulatory reporting -Regional Economies-Lombardy's economy-Economic update-November 2019

Future outlook

The dramatic spread of the Coronavirus in Italy and the rest of the world represents an unprecedented shock, which has systemic implications not only in terms of health, but also social, political, economic and geopolitical.

In this global scenario of crisis, our country is unfortunately currently among the countries most affected by the emergency.

The outbreak of the COVID-19 pandemic is putting a strain on financial markets and the entire credit industry.

At present, given the unpredictable evolution of the health crisis, there are no reliable estimates available on its impact on the socio-economic fabric, both at global and European level and in Italy.

The spread of the COVID-19 and the resulting halt in economic activity produced tensions in financial markets and downward estimates of expected global growth rates.

With the rapid expansion of the virus, analysts have adjusted their estimates of global GDP growth for 2020, marking a negative reversal in economic growth.

According to a recent report by KPMG (Covid-19: Impacts on the banking sector), financial markets have entered a phase of radical risk aversion. Since the virus spread on a global scale, the world's major stock indices have fallen alarmingly. On the stock market front, the response was violent.

Economic growth is expected to pick up in 2021, thanks to targeted political and economic interventions

in the most exposed countries.

In the Italian context, the prospects of recession implied by the quarantine measures adopted (lockdown obligation) have significantly altered estimates of domestic GDP growth.

The International Monetary Fund recently estimated (World Economic Outlook: The Great Lockdown) in a drop of about 3% in the global GDP trend, with an impact of - 6.6% in Europe and - 9.1% in Italy. The year 2021 will instead mark a return to positive, with Italy expected to grow more than the European average (+4.8% vs +4.5%).

THE ACTIVITY CARRIED OUT BY THE PARENT COMPANY IN 2019

The activity carried out by the parent company in 2019, 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 in detail, among the **financial instruments with Community resources**, the following new calls have been activated: Linea Internazionalizzazione, to support complex internationalisation projects of Lombardy's SMEs; FRIM FESR 2020 “RICERCA & SVILUPPO”, for investments in research and development aimed at innovation by SMEs and freelance professionals; Controgaranzie 2, a free counter-guarantee instrument issued to Consorzi di Garanzia Collettiva Fidi (Confidi) for access to credit by SMEs and freelance professionals operating in Lombardy. In addition, work continued in the management of the initiatives already started in the previous year, both with regard to those already open in 2019, 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 PMI (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.
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-2020 programming cycle. With reference to the new programming period, Finlombarda 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 following new calls have been launched: the Fund for credit support for cooperative enterprises, aimed at supporting the creation and competitiveness of Lombardy's cooperative enterprises, as well as social cooperatives and their consortia, with particular attention to

initiatives undertaken by workers from enterprises subject to bankruptcy procedures or in a condition of "working disadvantage"; the Fund for financial subsidies to agricultural enterprises for operating credit, to support the need for liquidity necessary for the operation of agricultural enterprises, through the granting of interest contributions.
Next to the activities more closely related to structuring, implementation and management of financial instruments and facilitating measures, Finlombarda 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 the parent company'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). The cumulative amount of disbursements in 2019 was Euro 15.4 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 2019, about Euro 5.7 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. A total of 715 applications have been received since the launch of the product, while the cumulative amount of disbursements in 2019 was Euro 42.4 million, 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, 4 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. No new subscriptions were resolved during 2019. In 2019, the Company considered re-launching the product with the approval of certain changes and the updated product will be activated in the first half of 2020.
- **"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.
  The 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), are 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. To date, 3 applications for funding are being assessed.
- **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 by a vehicle, set up specifically for this purpose, which issues notes subscribed 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).

- **New Corporate and Investment banking products**: in 2019, the Company's Board of Directors approved a new product to support companies that need to make types of investments characterised by high financial requirements: "*Syndicated Loans*". With this new product, Finlombarda will participate with its own resources in pooled financing transactions as a Participant. The ceiling is Euro 100 million plus a further Euro 30 million for the three-year period 2020-2022.

  During the year, the company also started developing two further products, Leveraged & Acquisition Finance and Turnaround Financing. Leveraged & Acquisition Finance is intended 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. With this new product, Finlombarda will use its own resources to grant medium/long-term loans, in co-financing with financial intermediaries, to SMEs (excluding Micro-enterprises) and Mid Caps. The Turnaround Financing product is intended to support, on an experimental basis, companies in Lombardy that have already started a restructuring process and that show significant potential for business growth, enabling them to successfully complete the restructuring and relaunch of the company. Finlombarda will use its own resources to grant medium/long-term loans backed by a regional guarantee of up to 80% for each individual loan. The ceiling made available by Finlombarda for loans amounts to Euro 15 million, while the ceiling made available by the Lombardy Region for guarantees amounts to Euro 10 million.

During 2019, the parent company continued its commitment to offering personalised services directed at companies in the area of competitiveness (innovation and internationalisation), through the **"Simpler"** project (European EEN Network) and through the **Open Innovation** project (the collaborative platform of the Lombardy Region), which supports the development of open innovation ecosystems and which launched a new service in 2020, the "Challenges", i.e. a context where companies can share their competitive challenges to engage the best skills and receive innovative solutions from the territory.

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 implementation of Regional Law no. 29/2016 "Lombardy is 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:

- **ARCHE**': new MPMI - support for Lombardy start-ups in the start-up and consolidation phase;
- **FABER**: 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 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 ATTRACTIONS**: redevelopment of hotels, non-hotel structures and public establishments
- **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

On the **communication and promotion** front, during 2019, the promotion of the products and services under management continued through a series of tools:

- organisation of presentation meetings on the territory in collaboration with trade associations and technical seminars;
- constant updating of the pages dedicated to financing and services on the institutional portal; there were a total of 1.8 million pages viewed (+8.56% compared to the previous period);

- sending of the newsletter 'Finlombarda Informa' conveyed to about 19 thousand users (+200 contacts compared to the previous year) and constant updating of the company page on LinkedIn, with over 2,440 followers, about 80 thousand views and almost 4 thousand organic clicks (not sponsored) in 2019;
- the inauguration of a corporate 'storytelling' with the aim of highlighting the positive cases of companies financed and assisted by Finlombarda, through four video interviews with as many companies benefiting from management funding published on LinkedIn and on the company's YouTube channel, and the promotion of two cases of companies assisted under Simpler and the Lombardy Region participatory platform, Open Innovation, in Il Sole24ore Lombardia (a monthly magazine that resumed publication in November 2019);
- communication activities specifically aimed at the media;
- organisation of events in collaboration with trade associations at national (Anfir) and European (EAPB) level.

THE ACTIVITY CARRIED OUT BY THE FINLOMBARDA GESTIONI SGR IN 2019

The financial statements as at 31 December 2019 closed with a net negative result of Euro 292 thousand, in substantial continuity with 2018.

The following table shows the key economic figures for 2019.

Finlombarda Gestioni SGR S.p.A.

thousands of Euro	31/12/2019	31/12/2018	19 vs 18
Net commission income	78,0	100,0	(22,0)
EBITDA	78,8	101,4	(22,6)
Operating results (A)	(292,0)	(284,5)	(7,5)
Net result	(292,0)	(296,3)	4,3
Net invested capital (B+C)	2.799,0	5.498,0	(2.699,0)
Net financial position (B)	1.470,0	2.877,0	(1.407,0)
Equity (C)	1.329,0	2.621,0	(1.292,0)

Financial and management indicators

	31/12/2019	31/12/2018	18 vs 17
ROI (A/B+C)	-10,4%	-5,2%	-5,5%
Debt/Equity (B/C)	(1,1)	(1,1)	(0,04)
Employees	1,0	1,0	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.

SUMMARY OF 2019 RESULTS

Income statement

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

Reclassified income statement	31/12/2019	31/12/2018
OPERATING INCOME	**19.742.208**	**19.131.637**
PURCHASES OF GOODS AND SERVICES	(2.037.261)	(3.725.120)
VALUE ADDED	17.704.947	15.406.517
PERSONNEL COSTS	(12.702.526)	(12.481.591)
EBITDA	5.002.422	2.924.926
AMORTISATION AND DEPRECIATION	(1.756.027)	(177.654)
OPERATING PROFIT FROM OPERATIONS	3.246.395	2.747.272
OTHER INCOME/(EXPENSES)	181.339	(284.797)
OPERATING PROFIT - **EBIT**	**3.427.733**	**2.462.475**
INVEST.	(299.214)	(1.612.569)
PROFIT BEFORE TAXES	3.128.519	849.906
(TAXES)	(1.576.989)	122.871
NET PROFIT - **RN**	**1.551.531**	**972.777**

Operating income came to Euro 19,742 thousand, 611 thousand higher than the previous year (+3.2%).

Within the operating income, net interest income decreased by Euro 1,650 thousand (20.7%). There was a decrease in interest income, an even greater increase in interest expense and an increase in net income from financial assets measured at fair value.

Fee and commission income amounted to Euro 11,245 thousand, a decrease compared with 2018.

Costs for the acquisition of goods and services recorded a decrease compared to 2018 of approximately Euro 1,681 thousand, amounting to Euro 2,057 thousand, while net value adjustments of tangible and intangible assets, worsened due to the effects related to the entry into force of IFRS 16. Depreciation and amortisation amounted to Euro 1,756 thousand.

Personnel costs amounted to Euro 12,702 thousand on Euro 12,481 thousand in 2018.

No allocations have been made to Provisions for risks. Reference is made to the section "Equity Investments".

In conclusion, net profit in 2019 amounted to Euro 1,551 thousand, versus Euro 972 thousand in 2018.

Balance sheet

The main balance sheet changes during 2019 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	2019		2018	
	EURO	%	EURO	%
RECEIVABLES	143.326.086		109.918.151	
MISCELLANEOUS RECEIVABLES	11.376.454		12.130.659	
DEFERRED LIQUIDITY	154.702.540	32,5	122.048.810	28,4
MISCELLANEOUS PAYABLES	(4.912.669)		(5.008.183)	
TAX PAYABLES	(2.194.547)		(1.554.552)	
TOTAL AMOUNTS DUE	(7.107.216)	(1,5)	(6.562.736)	(1,5)
NET OPERATING WORKING CAPITAL - NOWC	**147.595.324**	**31,1**	**115.486.074**	**26,9**
INTANGIBLE ASSETS	462.510,8		290.532	
PROPERTY, PLANT AND EQUIPMENT	637.805,8		45.927	
FINANCIAL ASSETS	328.906.588,6		315.984.397	
NET FIXED ASSETS	**330.006.905**	**69,4**	**316.320.857**	**73,7**
OTHER MEDIUM/LONG-TERM NON-FINANCIAL LIABILITIES	(626.116)		(836.172)	
PROVISION FOR SEVERANCE INDEMNITIES	(1.689.721)		(1.594.170)	
ADJUSTED INVESTED CAPITAL	**475.286.393**	**100,0**	**429.376.588**	**100,0**

SOURCES OF FUNDS	2019		2018	
	EURO	%	EURO	%
SHORT-TERM FINANCIAL LIABILITIES	0		0	
IMMEDIATE LIQUIDITY	(3.489)		(2.571)	
SHORT-TERM FINANCIAL POSITION	**(3.489)**	**(0,0)**	**(2.571)**	**(0,0)**
MEDIUM/LONG-TERM AMOUNTS DUE TO BANKS	216.919.265		174.848.666	
OTHER FINANCIAL FUNDS	0		0	
OTHER MEDIUM/LONG-TERM LOANS	0		0	
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	216.919.265	45,6	174.848.666	40,7
TOTAL MINORITY INTERESTS	**216.915.776**	**45,6**	**174.846.094**	**40,7**
SHARE CAPITAL	211.000.000		211.000.000	
RESERVES	45.819.085		42.557.717	
RESULT FOR THE YEAR:	1.551.531		972.777	
EQUITY	**258.370.616**	**54,4**	**254.530.494**	**59,3**
TOTAL SOURCES OF FUNDS	**475.286.393**	**100,0**	**429.376.588**	**100,0**

Note that the adjusted invested capital went from Euro 429 million to Euro 475 million. This significant increase was brought about mainly by the rise in receivables and financial assets.

On the front of financial liabilities, lastly, in 2019 there was an increase of the EIB loan, as a consequence of additional drawdowns of approximately Euro 41 million (net of repayments).

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

	2019	2018
PROFITABILITY RATIOS		
ROE **(RN/MP)**	0,6%	0,5%
RONA **(EBIT/CIR)**	0,7%	0,6%
ROS **(EBIT/M. INTERM.)**	17,4%	12,9%
LIQUIDITY/SOLVENCY ANALYSIS		
PRIMARY LIQUIDITY - ACID TEST (CURR. ASS./CURR. LIAB.)	65,4%	62,6%
ANALYSIS OF FINANCIAL SOLIDITY/STRUCTURE		
GLOBAL LEVEL OF DEBT (MIN.INT./ EQUITY)	87,5%	72,6%

As regards the profitability of operations, ROE has increased slightly, while ROS has increased compared with 2018, as has RONA.

On the financial front, the Company maintains a high degree of solvency.
In fact, capital absorption amounts to Euro 29.5 million, corresponding to 8% of weighted assets, as required by the regulations on financial intermediaries.
Core capital amounts to Euro 240.2 million (in 2018 it was Euro 237.2 million). At the end of 2019 the Tier 1 capital ratio reached 65.04%, whereas the Total Capital ratio came at 65.04% (see table 4.2.1.2 of the explanatory notes, part D).

OTHER INFORMATION

It should first be noted that in September 2019, the Shareholders' Meeting of the parent company appointed Audirevi S.p.A. as the new company responsible for the statutory audit, following a public procedure; the appointment has a duration of nine years.

In March 2019, the parent company activated the new integrated information system and is currently proceeding with the constant implementation of the new functionalities envisaged; at the same time, the activity of revising internal processes and the related legislation (regulations and procedures) is continuing.
The periodic reports to the Supervisory Authority have been filed in substantial compliance with the timing defined by the reference legislation.

In detail, the parent company has approximately Euro 240.2 million of own funds. Risk-weighted assets (RWA) amount to Euro 368.7 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, Finlombarda 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 notes.

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 2019.

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 2019.

The parent company has adopted an organisation, management and control Model. The parent company has adapted its website for the publication of all data and information required by the regulations on transparency (Italian Law 190/2012 and Legislative Decree 33/2013), currently applicable to public companies, also as a result of ANAC interpretations.

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.

EQUITY INVESTMENTS

Finlombarda holds the following equity investments.

INVESTEES	EQUITY DATE AT	EQUITY VALUE AT THE EQUITY DATE	% POSSESSION	VALUE AT 31.12. (EQUITY X % OWNERSHIP)	VALUE OF EQUITY INV. AT 31.12. 2019
SISTEMI DI ENERGIA S.P.A.	31/12/2019	19.139.743	11,25%	2.153.221	744.920
SKIAREA VALCHIAVENNA S.P.A.	30/06/2018	10.180.361	0,69%	70.244	56.976
AGENZIA PER LA CINA S.R.L.	31/12/2018	119.761	3,56%	4.263	23.008
CENTRO TESSILE COTONIERO S.P.A.	31/12/2018	3.211.809	2,90%	93.142	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					919.224
FINLOMBARDA SGR	31/12/2019	1.329.263	100,00%	1.329.263	514.000
TOTAL					514.000

During the year, the Company implemented its plan to dispose of its investee companies through repeated attempts to sell them on the market. The public procedures carried out were unsuccessful. The procedure for the sale of the subsidiary Finlombarda Gestioni SGR S.p.A. is currently in progress. In detail:

- Sistemi di Energia S.p.A.: the investee was not included in 2019 in the divestment plan, as in view of the powers assigned to the Region in the field of hydroelectric concessions, the latter deemed it appropriate to conduct in-depth studies on maintaining the investment. Only recently did the Region announce that it was proceeding with the sale, including the subsidiary in the divestment plan;
- Skiarea Valchiavenna S.p.A.: the expression of interest in the purchase was not followed by any response from market operators, despite the deadline for submitting expressions of interest being postponed to 5 April 2019;
- Agenzia per la Cina S.r.l.: the company has been in liquidation since December 2018; on 22 May 2019, an initial report on the liquidation procedure was provided during the company's shareholders' meeting, the closure of which is expected within the year. We look forward to the 2020 AGM for an update;
- Centro Tessile Cotoniero S.p.A.: the expression of interest in the purchase was not followed by any response from market operators, despite the deadlines being postponed until 5 April 2019;
- Consorzio per la reindustrializzazione Area di Arese S.r.l. in liquidation: liquidation procedure in progress;
- Fiumicino Energia S.r.l.: only one application was submitted in response to the expression of interest in the purchase, which was not followed by any offer by the deadline of 15 April 2019. After this deadline, a new expression of interest was made outside the procedure;
- 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.: during 2019, the reduction of the share capital of the subsidiary Finlombarda Gestioni SGR S.p.A., approved by the extraordinary shareholders' meeting held on 14 December 2018, was finalised, resulting in the repayment of Euro 1,000,005, as the portion to be reimbursed to the sole shareholder Finlombarda S.p.A. A new sales process is currently underway and was initiated at the end of the financial year. As a result of the emergency context in which the procedure was fully carried out and on the basis of as permitted by national provisions, the deadlines for the submission of offers were extended during the second quarter of 2020; the outcome of the procedure cannot be predicted at the moment.

Finally, with reference to the investments Sistemi di Energia, Skiarea Valchiavenna, Centro Tessile Cotoniero and Fiumicino Energia, the Company intends to launch a procedure in 2020 to identify an external expert to value the investments for the purposes of the desired sale.
During 2019, the reduction of the share capital of the subsidiary Finlombarda Gestioni SGR S.p.A., approved by the extraordinary shareholders' meeting held on 14 December 2018, was finalised, resulting in the repayment of Euro 1,000,005, as the portion to be reimbursed to the sole shareholder Finlombarda S.p.A.
During the year, an appraisal was carried out by Deloitte S.p.A. that determined, in the worst-case scenario, a value of Euro 514,000, with a consequent write-down of Euro 446,000 compared to the book value of the previous year (Euro 960,000).

INTERCOMPANY DEALINGS AND RELATED PARTY TRANSACTIONS

In 2019, the parent company obtained revenues of Euro 20,000 thousand from recharging the expenses of managing Palazzo Sistema.
Transactions with related parties are shown in the relevant sections of the notes.

HUMAN RESOURCES AND ORGANISATION

The number of the Company employees at the end of 2019 was 151, substantially in line with the number of employees at the end of 2018 of 150.
With shareholders' meeting resolution of 24 December 2018, Mr. Michele Camisasca was appointed as the new General Manager of the Company, with effect from 1 January 2019, to replace Mr. Filippo Bongiovanni, who took another appointment within the regional system. Finally, effective 1 July 2019, Giovanni Rallo replaced Michele Camisasca, who was appointed to the top management of another public entity of national importance.

As in previous years, in 2019, the Company evaluated the performance of all its employees and the company bonus was agreed with the trade unions on 5/12/2018 in accordance with art. 48 of the National Labour Contract also for 2019.

Lastly, staff training continued in order to support the development of skills needed to fulfil the corporate strategic objectives, both in terms of specialist training and in terms of mandatory training. In particular, an articulated training plan for middle managers and professional areas was carried out, approved on 31/01/2019 by the inter-professional fund Fondo Banche

Assicurazioni; by virtue of this, the Company will benefit from a reimbursement from the fund for costs incurred and correctly reported within a maximum of Euro 56,070, considered as state aid.

The organisational structure of the parent company, approved by the Board of Directors on 17 December 2017 with effect from 1 January 2018, was not subject to changes in 2019. However, by resolution of the shareholders' meeting of 20 October 2019, however effective 1 January 2020, the function of Head of Prevention of Corruption and Transparency was placed in the Compliance Function.

The parent company updated the Organisation, Management and Control Model in 2018. In the first few months of 2019, it also updated the Code of Ethics to take into account both the changes made to the aforementioned model and those introduced by the Lombardy Region to the regional Code of Conduct on which it is based.

EVENTS AFTER THE END OF THE YEAR

The first part of 2020 was characterised by the health emergency resulting from the Covid-19 pandemic, which the parent company faced since the first days of March with a series of measures aimed at ensuring safety of its employees and collaborators, without jeopardising operations. These include the use of remote work for 100% of employees, while maintaining IT security and monitoring of activities.

From the end of November 2019 to February 2020, the Supervisory Authority, Bank of Italy, carried out inspections at the parent company.

In April, the rating agency, Fitch, released its annual assessment of the parent company's creditworthiness, improving its long-term rating by one notch, from BBB- to BBB with negative outlook, the same level as the Lombardy Region and the Italian Republic. The short-term rating also increased from F3 to F2. Finlombarda is classified by the agency as a GRE (Italian Government-Related Entities).

Finally, the transfer is currently being finalised of the Company's headquarters and offices to the spaces previously used at the regional complex “Palazzo Sistema” located in Via Taramelli 12, Milan.

BUSINESS OUTLOOK

In March, the parent company approved the "Company's Technical, Financial and Organisational Planning Document - 2020/2022" with which it outlined its strategy along two distinct, but nevertheless integrated, lines:

- **strengthening of the intermediary's distinctive expertise**, to be implemented through a series of actions aimed at reinforcing credit expertise, developing new products, strengthening partnerships with the banking system, and creating and developing the commercial structure;
- **strengthening of the distinctive expertise of in-house entity**, with the development of technical assistance activities, specific consultancy on issues of regional interest, provision of services to businesses.

At the same time, a new corporate organisational chart was launched and is currently being implemented.

The current socio-economic context generated by the pandemic could lead to the need to review during the year, within the scope of the approved strategy, the market targets set to date. However, it is believed that the nature and mission of the parent company are such as to enable it to play a primary role in this phase of necessary economic recovery, without therefore having a significant impact on its objectives.

RECONCILIATION TABLE BETWEEN SHAREHOLDERS' EQUITY AND THE PROFIT OF THE PARENT COMPANY AND THE CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT

Description	31/12/2019		31/12/2018	
	Shareholders' equity	of which: Net profit for the year	Shareholders' 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 st	257.555	2.398	252.869	1.269
Effect of consolidation of Finlombarda Gestioni SGR S.p.A.	815	-846	1.661	-296
Offsetting of equity investment				
Balances as per consolidated financial statem	258.370	1.552	254.530	973

Milan, 12 May 2020

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 AT 31 DECEMBER 2019

The representation of the figures relating to assets held for sale has been analysed under item 11 of the assets side of the balance sheet.

It should be noted that the balance sheet and income statement balances for the previous year have not been restated for the application of IFRS 16, as the company has chosen the modified retrospective method and therefore, the reference figures for the previous year to which IFRS 16 was applied are not comparable.

BALANCE SHEET

Amounts in Euro

	BALANCE SHEET - ASSETS		
	Asset items	**31/12/2019**	**31/12/2018**
10	Cash and cash equivalents	3.489	2.571
20	Financial assets measured at fair value through profit or loss	48.572.079	51.776.338
	a) financial assets held for trading	-	0
	b) financial assets designated at fair value	10.908.197	10.744.563
	c) other financial assets mandatorily measured at fair value	37.663.882	41.031.776
30	Financial assets measured at fair value through other comprehensive income	140.771.464	115.076.591
40	Financial assets measured at amortised cost	288.216.762	263.265.015
	a) due from banks	100.886.871	106.971.253
	b) due from financial entities	8.926.178	12.058.765
	c) due from customers	178.403.713	144.234.998
50	Hedging derivatives	-	0
60	Value adjustment of financial assets with generic hedges (+/-)	-	0
70	Equity investments	-	0
80	Property, plant and equipment	637.806	45.927
90	Intangible assets	462.511	290.532
	of which:	-	0
	- goodwill	-	0
100	Tax assets	3.023.746	3.437.499
	a) current	1.171.225	848.026
	b) deferred	1.852.521	2.589.473
110	Non-current assets and groups of assets held for sale	1.561.488	2.915.985
120	Other assets	1.463.590	1.561.778
	TOTAL ASSETS	**484.712.934**	**438.372.237**

	BALANCE SHEET - LIABILITIES AND EQUITY		
	Liabilities and equity items	**31/12/2019**	**31/12/2018**
10	Financial liabilities measured at amortised cost	216.919.265	174.848.666
	a) payables	166.782.118	124.734.901
	b) securities issued	50.137.147	50.113.765
20	Financial liabilities held for trading	-	0
30	Financial liabilities designated at fair value	-	0
40	Hedging derivatives	-	0
50	Value adjustment to financial liabilities with generic hedges (+/-)	-	0
60	Tax liabilities	2.194.547	1.554.553
	a) current	926.932	1.190.344
	b) deferred	1.267.615	364.208
70	Liabilities associated with assets held for sale	193.909	276.369
80	Other liabilities	4.718.760	4.731.814
90	Employee severance indemnities	1.689.721	1.594.170
100	Provisions for risks and charges	626.116	836.172
	a) commitments and guarantees given	245.936	334.992
	b) pension and similar commitments	-	0
	c) other provisions for risks and charges	380.180	501.180
110	Share capital	211.000.000	211.000.000
120	Treasury shares (-)	-	0
130	Equity instruments	-	0
140	Share premium reserve	127.823	127.823
150	Reserves	43.993.152	43.020.374
160	Valuation reserves	1.698.110	-590.480
170	Net profit (loss) for the year	1.551.531	972.777
180	Minority interests	-	0
	TOTAL LIABILITIES AND EQUITY	**484.712.934**	**438.372.237**

INCOME STATEMENT

Amounts in Euro

	INCOME STATEMENT		
	Income Statement items	**31/12/2019**	**31/12/2018**
10	Interest and similar income	7.400.120	8.961.673
	of which: interest income with the effective interest method	0	-
20	Interest and similar expenses	(1.073.040)	(984.265)
30	**Net interest income**	**6.327.080**	**7.977.408**
40	Fee and commission income	11.245.605	12.851.810
50	Fee and commission expenses	(40.985)	(149.228)
60	**Net commission income**	**11.204.620**	**12.702.582**
70	Dividends and similar income	313.096	237.242
80	Net trading income	0	0
90	Net hedging gains (losses)	0	-
100	Gains/losses on disposal or repurchase of:	(381.437)	(30.730)
	a) financial assets measured at amortised cost	(401.920)	(30.730)
	b) financial assets measured at fair value through other comprehensive income	214.625	0
	c) financial liabilities	(194.142)	0
110	Net income from other assets and financial liabilities measured at fair value through profit or lo	2.278.850	(1.754.865)
	a) financial assets and liabilities designated at fair value	0	0
	b) other financial assets mandatorily measured at fair value	2.278.850	(1.754.865)
120	**Operating income**	**19.742.208**	**19.131.637**
130	Net adjustments/writebacks for credit risk of:	(7.182)	(1.316.248)
	a) financial assets measured at amortised cost	502.641	(1.135.602)
	b) financial assets measured at fair value through other comprehensive income	(509.823)	(180.646)
140	gains/losses from contractual amendments without cancellations	0	-
150	**PROFIT FROM FINANCIAL MANAGEMENT**	**19.735.026**	**17.815.389**
160	Administrative expenses:	(14.739.786)	(16.206.711)
	a) personnel costs	(12.702.526)	*(12.481.591)*
	b) other administrative expenses	(2.037.261)	*(3.725.120)*
170	Net provisions for risks and charges	0	*(589.942)*
	a) commitments and guarantees given	0	*(332.475)*
	b) other net allocations	0	*(257.467)*
180	Adjustments/writebacks to property, plant and equipment	(1.510.911)	(31.617)
190	Adjustments/writebacks to intangible assets	(245.116)	(146.037)
200	Other operating income and expenses	181.339	305.145
210	**OPERATING COSTS**	**(16.314.475)**	**(16.669.162)**
220	Gains (losses) on equity investments	0	
230	Net result of fair value measurement of property, plant and equipment and intangible assets	0	
240	Goodwill impairments	0	
250	Gains (losses) on disposal of investments	0	-
260	**PROFIT (LOSS) FROM ORDINARY OPERATIONS BEFORE TAXES**	**3.420.552**	**1.146.227**
270	Income taxes on ordinary operations	(1.576.989)	122.871
280	**PROFIT (LOSS) FROM ORDINARY OPERATIONS AFTER TAXES**	**1.843.563**	**1.269.098**
290	Profit (loss) from discontinued operations after taxes	(292.032)	(296.321)
300	**NET PROFIT (LOSS) FOR THE YEAR**	**1.551.531**	**972.777**
310	Net profit (loss) pertaining to minority interests	0	
320	Net profit (loss) pertaining to the Parent Company	1.551.531	972.777

STATEMENT OF COMPREHENSIVE INCOME

	STATEMENT OF COMPREHENSIVE INCOME		
	Items	**31/12/2019**	**31/12/2018**
10	Net profit (loss) for the year	1.551.531	972.777
	Other comprehensive income after tax without reversal to income statement		
20	Equities designated at fair value through other comprehensive income	(12.546)	
30	Financial liabilities designated at fair value through profit or loss (changes of own credit rating)		
40	Hedging of equities designated at fair value through other comprehensive income		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	(31.417)	(1.134)
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	2.332.553	(2.299.709)
150	Non-current assets and groups of assets held for sale	0	
160	Share of valuation reserves of equity investments valued at equity		
170	**Total other comprehensive income, after tax**	2.288.590	(2.300.844)
180	**Comprehensive income (item 10+170)**	**3.840.121**	**(1.328.067)**

(*) Balances resulting from the financial statements at 31 December 2017 approved by the Board of Directors

Finlombarda

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in Shareholders' Equity at 31 December 2019

Amounts in thousands of Euro

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	Other Changes		
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						0	1.698
Equity instruments			0										
Treasury shares			0										
Net profit (loss) for the year	972		972	(972)								1.552	1.552
Equity	254.530	0	254.530			2.289						1.552	258.370

The share capital, 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.

All equity reserves can be used to cover any losses and should the Company deem it necessary, they can be used to increase the share capital. Among the reserves there is one that was established under art. 14 of Regional Law no. 33/2008, with which Finlombarda 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 2018

Amounts in thousands of Euro

Description	Balances at 31.12.2017	Change opening balances*	Balances at 01.01.2018	Allocation of result from previous year		Changes in the year						Comprehensive income at 31.12.2018	Equity at 31.12.2018
							Transactions on equity						
				Reserves	Dividends and other destinations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other Changes		
Share capital	211.000		211.000										211.000
Share premium reserve	128		128										128
Reserves:			0										
a) of profits	27.217		27.217	4.143									31.360
b) other	10.765	896	11.661										11.661
Valuation reserves	2.606	(1.527)	1.079			(1.669)						0	(590)
Equity instruments			0										
Treasury shares			0										
Net profit (loss) for the year	4.143		4.143	(4.143)								972	972
Equity	255.859	(631)	255.228			(1.669)						972	254.530

CASH FLOW STATEMENT

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

A . OPERATING ACTIVITIES	31/12/2019	31/12/2018	31/12/2018
1. Management	**1.035.890**	**4.479.011**	**4.775.332**
- Result for the year	1.551.531	972.777	1.269.098
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value	(2.278.850)	1.754.865	1.754.865
- net hedging gains/losses	0	0	0
- net impairment adjustments	7.182	1.316.248	1.316.248
- net impairment adjustments on property, plant and equipment and intangible assets	1.756.027	177.654	177.654
- net provisions for risks and charges and other costs/revenues	0	257.467	257.467
- unpaid taxes and duties			
- net impairment adjustments on disposal groups, net of tax effect		0	0
- other adjustments			
2. Cash generated/absorbed by financing activities:	**(45.399.862)**	**(181.852.131)**	**(432.788.995)**
- financial assets held for trading	0	0	0
- financial assets designated at fair value	2.115.215	(12.499.428)	(12.499.428)
- financial assets mandatorily measured at fair value	3.367.894	(41.031.776)	(41.031.776)
- financial assets measured at fair value through other comprehensive income	(25.694.873)	(115.076.591)	(115.076.591)
- financial assets measured at amortised cost	(24.951.747)	(12.825.957)	(264.599.579)
- other assets	(236.351)	(418.379)	418.379
3. Cash generated/absorbed by financial liabilities:	**42.500.575**	**179.374.977**	**183.374.977**
- financial liabilities at amortised cost	**42.070.599**	**174.848.666**	**178.848.666**
- financial liabilities held for trading	**0**		
- financial liabilities designated at fair value	**0**		
- other liabilities	**429.975**	**4.526.311**	**4.526.311**
Net cash generated/absorbed by operating activities (A)	**(1.863.398)**	**2.001.857**	**(244.638.686)**
B. INVESTING ACTIVITIES			
1. Cash generated by:	**0**	**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:	**(417.095)**	**0**	**0**
- purchases of equity investments			
- purchases of property, plant and equipment		0	0
- purchases of intangible assets	(417.095)		
- purchases of business divisions			
Net cash generated/absorbed by investing activities (B)	**(417.095)**	**0**	**0**
C. FINANCING ACTIVITIES			
- issue/purchase of treasury shares			
- issue/purchase of equity instruments			
- change in equity	2.288.591	**(2.004.523)**	**(2.300.844)**
- distribution of dividends and other uses			
Net cash generated/absorbed by financing activities (C)	**2.288.591**	**(2.004.523)**	**(2.300.844)**
NET CASH GENERATED/ABSORBED IN THE YEAR (D=A+/B+/-C)	**8.098**	**(2.666)**	**(246.939.530)**

RECONCILIATION	31/12/2019	31/12/2018	31/12/2018
Cash and cash equivalents at beginning of year	2.571	5.237	5.237
Total net cash generated/absorbed in the year	8.098	(2.666)	(2.666)
Cash and cash equivalents at end of year	3.489	2.571	2.571

EXPLANATORY NOTES

PART A – ACCOUNTING 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 09 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”.

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 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 by the “Bank of Italy's Provision of 30 November 2018” are not sufficient to give a true and fair view, the explanatory notes provide the additional information necessary for the purpose.

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 notes explain the reasons for any exceptions and their impact on how the assets and liabilities, financial position and results are presented.

With regard to IFRS 16, Finlombarda has recognised the cumulative effect of applying the standard at the date of first-time adoption and without presenting comparative figures for the financial statements for first-time adoption of IFRS 16. As a result, the balance sheet and income statement figures at 31 December 2019, with respect to the items for which application of the standard was required, are not comparable with those reported for the prior year.

Transition to the new accounting standard IFRS 16

The international accounting standard IFRS 16 “Leases” 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, Finlombarda 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, IFRS 16 is applicable to only one contract concerning the lease of the property for office use.
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, 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.

Below are the results of the calculations performed:

Value of the asset and liability at the beginning of the contract and related accounting entries

Table 1: Balance Sheet values at first recognition

Contract liability value	2.125.000
(+) Residual value not guaranteed	0
Discount rate applied (a)	1,4124%
Fair value of the discounted underlying asset	2.102.790
(+) Initial costs of the lessor	0
Total liability value	2.102.790
Of which short-term	1.397.925
Of which medium-long term	704.866
Contract start asset value	2.102.790
(+) Advance fee	0
(-) Incentives received	0
(+) Initial costs of the lessee	0
(+) Restoration costs	0
Total asset value	2.102.790

Table 2. Opening entries

Description		Description	Pay	Receive
Leased buildings	a		2.102.790	
		Payables to other leased lenders		
				2.102.790
Total entries			2.102.790	2.102.790

The tables represent a Balance sheet - financial situation: higher non-current assets due to the recognition of the “right to use the leased asset” as a balancing entry for higher financial liabilities and consequently the recognition of a Lease payable during transition;

With reference to the Income statement based on the different nature, qualification and classification of the expenses, was the recognition of the “Amortisation of the right of use of the asset” and of “Interest expense”, instead of “Rental expenses - operating lease payments” as per IFRS 16.

Below are the results of the calculations performed:

Value of assets and liabilities at 31/12/2019 and related accounting entries

Table 1. Balance Sheet values at 31.12.2019

Assets	
Asset value at 01.01.2019	2.102.790
(-) Period amount	1.484.323
(-) Impairment	0
(+/-) Write-ups/Write-downs of liabilities	0
Asset value at 31.12.2019	618.468
Liabilities	
Liability value at 01.01.2019	2.102.790
(+/-) Increases/decreases for rate changes	0
(+) Period interest	18.742
(-) Instalment payments as per plan	1.416.667
Liability value at 31.12.2019	704.866
Of which short-term	704.866
Of which medium-long term	0

Table 2. Entries at 31.12.2019

Description		Description	Pay	Receive
Depreciation leased buildings	a		1.484.323	
		Leased buildings		1.484.323
Interest expenses on leased loan	a		18.742	
		Payables to other leased lenders		18.472
Payables to other leased lenders	a		1.416.667	
		Costs for services		1.416.667
Total entries			2.919.731	2.919.731

SECTION 3

EVENTS AFTER THE CLOSING DATE OF THE FINANCIAL STATEMENTS

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.

A.2 - PART PERTAINING TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

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. “Net impairment adjustments/writebacks for credit risk”, balancing entry to the item “160. Valuation reserves”, as are partial or total recoveries of previously impaired amounts. Writebacks 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 adjustments/writebacks 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 adjustments/writebacks for credit risk", as are partial or total recoveries of previously impaired amounts. Writebacks 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 investments in subsidiaries, joint ventures and companies subject to significant influence, other than minority interests placed under "assets held for sale".

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 2019, the 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, whereas for level 3 financial instruments 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.

Categ. Financial Instruments	Product	Measurement model	Input of the measurement model
Debt securities	Corporate bonds (**Ferrovie Nord Milano**)	ASW (Asset Swap Valuation) function of the Bloomberg system	Interest rate curves, credit spreads from comparables plus an illiquidity premium
Unlisted equities	Shareholdings (**Minority shareholdings**)	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

With reference to the Ferrovie Nord Milano bonds with maturity on 21/07/2020 (ISIN IT0005121972) with floating rate Euribor + 150 bps, reference was made to the bond issued by Ferrovie dello Stato with maturity 21/07/2020 (ISIN XS095428729) 4%, to which a spread was added as an illiquidity premium.

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 tangible assets. 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.

A tangible asset is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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:
  - 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 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 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.
The Finlombarda Group 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, the Group did not opt to use this method for those cases in which the application if 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 and of the tables follows the model provided in the Bank of Italy's Instructions of 30 November 2018. Sections with zero are therefore not included.

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 have been no reclassifications of financial assets.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income before transfer

There have been no reclassifications of financial assets.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

There have been no transfers of financial assets.

A.4. INFORMATION 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 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, whereas for level 3 financial instruments 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 31/12/2019 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 items”.

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

	31/12/2019			31/12/2018		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	**37.227.627**	**10.908.197**	**436.255**	**40.586.544**	**10.744.563**	**445.232**
a) financial assets held for trading						
b) assets designated at fair value	-	10.908.197	-	-	10.744.563	-
c) other financial assets mandatorily measured at fair value	37.227.627	-	436.255	40.586.544	-	445.232
2. Financial assets measured at fair value through other comprehensive income	66.806.509	58.661.171	15.303.784	47.955.338	58.138.023	8.983.231
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	**104.034.136**	**69.569.368**	**15.740.038**	**88.541.882**	**68.882.585**	**9.428.462**
1. Financial liabilities held for trading						
2. Financial liabilities measured at fair value						
3. hedging derivatives						
Total						

The securities in level 2 refer to bonds issued by Ferrovie Nord. While those indicated in level 3 are represented by 4 minibonds and basket bonds.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible Assets
Changes	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		**-**	**-**	**445.232**	**8.983.231**			
2. Increases		**-**	**0**	**0**	**8.616.777**			
2.1 Purchases			0		8.500.000			
2.2 Profits allocated to:			0	0	116.777			
2.2.1 Income statement			0	0	0			
of which: capital gains								
2.2.2 Equity				0	116.777			
2.3 Transfers from other levels			0	0	0			
2.4 Other increases			0	0	0			
3. Decreases		**-**	**0**	**(8.977)**	**(2.296.224)**			
3.1 Sales			0	0	0			
3.2 Reimbursements			0		(2.121.600)			
3.3 Losses allocated to:			0	(8.977)	(162.020)			
3.3.1 Income statement				(8.977)	0			
of which: capital losses								
3.3.2 Equity					(162.020)			
3.4 Transfers to other levels		-	0	0	0			
3.5 Other decreases		-	0	0	(12.604)			
4. Closing inventories		**-**	**-**	**436.255**	**15.303.784**	**-**	**-**	**-**

Changes in the financial instruments classified in Level 3 concern the Next fund managed by its subsidiary Finlombarda Gestioni SGR, as well as the minibonds issued in favour of the companies financed.

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	31/12/2019				31/12/2018			
	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Financial assets measured at amortised cost	288.216.762	60.708.621		227.508.142	263.283.331	127.351.788		135.931.543
2. Investment properties	0			0	0			0
3. Non-current assets and groups of assets held for sale	1.561.488			1.561.488	2.915.985			2.915.985
Total	**289.778.250**	**60.708.621**		**229.069.630**	**266.199.316**	**127.351.788**		**138.847.528**
1. financial liabilities measured at amortised cost	216.919.265	52.112.808		166.077.253	174.848.666	49.456.500		124.734.901
2. Liabilities associated with assets held for sale	-				0			
Total	**216.919.265**	**52.112.808**		**166.077.253**	**174.848.666**	**49.456.500**		**124.734.901**

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 as of 31/12/2019, 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

ASSETS

SECTION 1
CASH AND CASH EQUIVALENTS

This section illustrates item 10.

Breakdown	31/12/2019	31/12/2018
a) Cash	3.489	2.571
Total	**3.489**	**2.571**

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

Change/Type	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured securities						
1.2 Other debt securities		0			0	
2. Loans		**10.908.197**			**10.744.563**	
2.1 Structured						
2.2 Other		10.908.197			10.744.563	
Total	0	**10.908.197**	0	0	**10.744.563**	0

The securities in this table are constituted by the capitalisation policy subscribed with Intesa San Paolo Vita.

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

Items/Amounts	31/12/2019	31/12/2018
1. Debt securities	**0**	0
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies	0	0
d) Financial companies		
2. Loans	**10.908.197**	**10.744.563**
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies	10.908.197	10.744.563
d) Financial companies		
e) Households		
Total	**10.908.197**	**10.744.563**

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

Items/Amounts	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**0**	**0**	**0**	**0**	**0**	**0**
1.1 Structured securities						
1.2 Other debt securities						
2. Equities						
3. Mutual fund units	37.227.627		436.255	40.586.544		445.232
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total	**37.227.627**	**0**	**436.255**	**40.586.544**	**0**	**445.232**

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 includes the Next Fund.

Mutual fund units consist of Euro 30,878,541 of the funds managed by Anima SGR, Euro 4,203,131 of the funds managed by Aximut Consulenza SIM SPA and Euro 2,145,954 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	31/12/2019	31/12/2018
1. Equities		
of which: banks		
of which: other financial companies		
of which: non financial companies		
2. Debt securities		
a) Public administrations		
b) banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
3. Mutual fund units	**37.663.882**	**41.031.776**
4. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Financial companies		
e) Households		
Total	**37.663.882**	**41.031.776**

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

Items/Amounts	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
- structured securities						
- other debt securities	66.806.509	58.661.171	14.403.304	47.955.338	58.138.023	8.064.007
2. Equities			900.480			919.224
3. Loans						
Total	**66.806.509**	**58.661.171**	**15.303.784**	**47.955.338**	**58.138.023**	**8.983.231**

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 Ferrovie Nord Milano, while Level 3 represents the minibonds and Lombardy Basket bond. The securities are tested for credit stage at the reporting date.

Equities, for a total of Euro 900,480, are represented by minor 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

	31/12/2019	31/12/2018
1. Debt securities	**139.870.984**	**114.157.367**
a) Public administrations	10.185.442	10.569.285
b) Banks	25.051.825	18.974.324
c) other financial companies	11.619.326	
of which: insurance companies		
d) Non-financial companies	93.014.391	84.613.759
2. Equities	**900.480**	**919.224**
a) Public administrations		
b) Banks		
c) other financial companies		
of which: insurance companies		
d) Non-financial companies	900.480	919.224
3. Loans	**0**	0
a) Public administrations		
b) Banks		
c) other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total	**140.771.464**	**115.076.591**

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

Change/Type	Gross value				Total adjustments			total partial write - offs*
	First stage	of which: Instruments with	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	55.989.657		81.695.914	2.185.413	32.225	390.347	514.400	0
Loans								
Total 31/12/2019	**55.989.657**	**0**	**81.695.914**	**2.185.413**	**32.225**	**390.347**	**514.400**	**0**
Total 31/12/2018	**43.409.152**	**0**	**70.748.215**	**0**	**77.388**	**349.761**	**0**	
of which impaired financial assets acquired or originated								0

The securities classified in the second stage pertain to securities without a direct rating on the market. 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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Deposits and current accounts	**77.292.937**					**77.292.937**	**16.742.816**					**16.742.816**
2. Loans												
2.1 Repurchase agreements												
2.2 Finance lease												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities	**23.593.934**			**23.593.934**			**90.228.436**			**90.228.436**		
3.1 Structured securities												
3.2 other debt securities	23.593.934			23.593.934			90.228.436			90.228.436		
4. Other assets												
Total	**100.886.871**	**-**	**-**	**23.593.934**	**-**	**77.292.937**	**106.971.253**	**-**	**-**	**90.228.436**	**-**	**16.742.816**

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 and other issuers.

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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans												
1.1 Repurchase agreements												
1.2 Finance lease												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans												
2. Debt securities	8.926.179			8.926.179			12.058.765			12.058.765		
3. Other assets						-						
Total	**8.926.179**	**-**	**-**	**8.926.179**	**-**	**-**	**12.058.765**	**-**	**-**	**12.058.765**	**-**	**-**

The item “Debt securities” is represented, in Level 1 of the Fair Value Hierarchy, by obligations issued by Unipol Gruppo SPA, while the item “Other assets”, in level 3 of the Fair Value Hierarchy, is represented by the receivable from Finlombarda SGR.

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

Breakdown	31/12/2019						31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	141.629.588	1.696.499				143.326.086	109.667.116	2.390.229				
1.1 Finance lease												
of which: without final purchase option												
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 of which:	141.629.588	1.696.499				143.326.086	109.667.116	2.390.229				112.057.345
from enforcement of guarantees and commitments												
2. Debt securities	28.188.508	-					25.064.587	-				
2.1 structured securities												
2.2 other debt securities	28.188.508	-		28.188.508			25.064.587	-		25.064.587		
3. Other assets	6.889.118	-				6.889.118	7.113.065	-				7.113.065
Total	**176.707.214**	**1.696.499**	**-**	**28.188.508**	**-**	**150.215.205**	**141.844.769**	**2.390.229**	**-**	**25.064.587**	**-**	**119.170.411**

“Other loans” is represented, in Level 3 of the Fair Value Hierarchy, by 4 financing products, “Made in Lombardy”, “Credito Adesso”, “Al Via” and “Linea Innovazione” granted essentially to SMEs and MICAP in Lombardy and a loan granted to Milano Serravalle – Milano Tangenziale S.p.A.

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

Type of transactions/Amounts	31/12/2019			31/12/2018		
	First and second stage	Third stage	of which assets: impaired acquired or originated	First and second stage	Third stage	of which: impaired acquired or originated
1. Debt securities						
a) Public administrations	4.980.477			4.949.099		
b) Other financial companies						
of which: insurance companies						
c) non-financial companies	23.208.032			20.115.488		
2. Loans to:						
a) Public administrations						
b) Other financial companies						
c) of which: insurance companies						
d) Non-financial companies	141.629.588	1.696.499		109.667.116	2.390.229	
e) Households						
3. Other assets	6.889.118			7.131.381		
Total	**176.707.214**	**1.696.499**	**-**	**141.863.085**	**2.390.229**	**-**

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

Type of transactions/Amounts	Gross value				Total adjustments			Total partial write-offs*
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	45.099.652		15.693.404		37.753	46.682		
Loans	141.230.602		1.199.537	8.661.645	779.243	21.309	6.965.147	
Other assets	6.889.118							
Total 31/12/2019	**193.219.372**	-	**16.892.941**	**8.661.645**	**816.996**	**67.990**	**6.965.147**	-
Total 31/12/2018	**227.753.902**		**17.389.163**	**9.892.972**	**857.930**	**134.850**	**7.502.743**	
of which: impaired financial assets acquired or originated								

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2019						31/12/2018					
	Due from banks		Due from financial entities		Due from customers		Due from banks		Due from financial entities		Due from customers	
	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Performing assets secured by					**141.629.588**	**80.862.819**					**109.667.116**	**13.062.388**
- Assets under finance lease												
- Receivables from factoring												
- Mortgages												
- Pledges												
- Unsecured guarantees					141.629.588	80.862.819					109.667.116	13.062.388
-Credit derivatives												
2. Non-performing assets guaranteed by:					**1.696.499**	**6.625.781**					**2.390.229**	**5.154.479**
- Assets under finance lease												
- Receivables from factoring												
- Mortgages												
- Pledges												
- Unsecured guarantees					1.696.499	6.625.781					2.390.229	5.154.479
-Credit derivatives												
Total	-	-	-	-	**143.326.086**	**87.488.600**	-	-	-	-	**112.057.345**	**18.216.868**

SECTION 7
EQUITY INVESTMENTS

7.1 Equity investments: information about shareholdings

In 2019 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	31/12/2019	31/12/2018
1. Owned		
a) land		
b) buildings		
c) furniture	18.312	42.527
d) IT equipment	-	
e) other	1.027	3.400
2. Assets acquired under finance leases		
a) land		
b) buildings	618.467	
c) furniture		
d) IT equipment		
e) other		
Total	**637.806**	**45.927**
of which: obtained through enforcement of guarantees received		

The application of the new accounting standard IFRS 16 recognises fixed assets net of amortisation on the lease of the property for office use, as explained in section 2 General Policies.

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

The Company has no tangible assets held for investment purposes.

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

Assets/amounts	Land	Buildings	Furniture	IT equipment	securities	Total
A. Opening gross amount		**0**	**42.527**	**0**	**3.400**	**45.927**
A.1 Total net reductions in value						
A.2 opening net amount						
B. Increases		**2.102.790**				**2.102.790**
B.1 Purchases						
B.2 Capitalised improvement expenditures						
B.3 writebacks						
B.4 Positive changes in fair value						
allocated to						
a) equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Transfer from properties held						
for investment purposes						
B.7 Other changes		2.102.790				2.102.790
C. Decreases		**(1.484.323)**	**(24.215)**	**0**	**(2.373)**	**(1.510.911)**
C.1 Sales						
C.2 Depreciation		(1.484.323)	(24.215)		(2.373)	(1.510.911)
C.3 impairment						
adjustments 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	**0**	**618.467**	**18.312**	**0**	**1.027**	**637.806**

SECTION 9
INTANGIBLE ASSETS

This section illustrates item 90.

9.1 Intangible assets: breakdown

Items/Valuation	31/12/2019		31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
A1. Goodwill				
2. Other intangible assets	462.511		290.532	
2.1 owned				
- generated internally				
- other	462.511		290.532	
2.2 Acquired under finance lease				
Total 2	462.511		290.532	
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 (1+2+3+4)	462.511		290.532	
Total 31/12/2018	290.532		23.935	

9.2 Intangible assets: annual changes

	31/12/2019	31/12/2018
A. Opening balance	290.532	23.935
B. Increases	417.095	412.634
B.1 Purchases	417.095	412.634
B.2 Writebacks		
B.3 positive changes in fair value		
- to equity		
- to income statement		
B.4 Other changes		
C. Decreases	-245.116	-146.037
C.1 Sales		
C.2 Depreciation and Amortisation	-245.116	-146.037
C.3 Adjustments		
- to equity		
- to income statement		
C.4 negative changes in fair value		
- to equity		
- to income statement		
C.5 Other changes		
D. Closing balance	462.511	290.532

Starting from the current year, the item fixed assets includes the purchase of the new company ERP system.

SECTION 10
TAX ASSETS AND 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 3,023,746 (Euro 3,437,499 at 31.12.2018) of which Euro 1,171,225 are current tax assets, as detailed in the following table, while Euro 1,851,521 are deferred tax assets.

Item description	31/12/2019	31/12/2018
Advance payments of income tax	**1.171.225**	**848.026**
- *IRES*	810.814	540.511
- *IRAP*	360.411	307.515
Deferred tax assets	**1.852.521**	**2.589.473**
Total current taxes	**3.023.746**	**3.437.499**

10.2 "Tax liabilities: current and deferred": breakdown

Tax liabilities amount to Euro 2,194,547 (Euro 1,554,552 at 31.12.2018); they consist of current tax liabilities for Euro 926,932 and deferred tax liabilities for Euro 1,267,615.

Item description	31/12/2019	31/12/2018
Provisions for income taxes	**926.932**	**1.190.344**
- *IRES*	646.783	829.933
- *IRAP*	280.149	360.411
Deferred tax liabilities	**1.267.615**	**364.208**
Total current and deferred taxes	**2.194.547**	**1.554.552**

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

Description	31/12/2019	31/12/2018
1. **Opening balance**	**1.196.732**	**929.457**
2. **Increases**	1.067.893	1.196.733
2.1. Deferred tax assets arising during the year	1.067.893	1.196.733
a) relating to prior years		
c) writebacks		
other	1.067.893	1.196.733
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	(1.356.248)	(929.458)
3.1 Deferred tax assets eliminated during the year	(1.196.732)	(929.458)
a) reversals	(1.196.732)	(929.458)
b) written down as no longer recoverable		
c) due to changes in accounting policies		
other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation into tax credits as per Law 214/2011		
b) other	(159.516)	
4. Closing balance	**908.377**	**1.196.732**

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

Description	31/12/2019	31/12/2018
1. Opening balance	**88.557**	**88.557**
2. Increases	361.702	0
2.1. Deferred tax liabilities arising during the year	361.702	0
a) relating to prior years	361.702	
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	0	0
3.1 Deferred tax liabilities eliminated during the year	0	0
a) reversals		
b) due to changes in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**450.259**	**88.557**

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

Description	31/12/2019	31/12/2018
1. **Opening balance**	**1.392.741**	**603.836**
2. **Increases**	**900.565**	**788.905**
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	784.628	788.905
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**(1.349.162)**	**0**
3.1 Deferred tax assets eliminated during the year	(1.349.162)	0
a) reversals	(1.349.162)	
b) written down as no longer recoverable		
c) due to changes in accounting policies		
other	0	0
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**944.144**	**1.392.741**

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

Description	31/12/2019	31/12/2018
1. Opening balance	**275.652**	**1.579.593**
2. Increases	**1.383.552**	**134.663**
2.1. Deferred tax liabilities arising during the year	1.383.552	134.663
a) relating to prior years	115.937	
b) due to changes in accounting policies		
c) other	1.267.616	134.663
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**(841.848)**	**-1.438.605**
3.1 Deferred tax liabilities eliminated during the year	(841.848)	(1.438.605)
a) reversals	(841.848)	0
b) due to changes in accounting policies		
c) other		(1.438.605)
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**817.356**	**275.652**

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 AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES

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

	Asset items	31.12.2019 IAS FL S.p.A.	31.12.2019 IAS Finlombarda SGR	31.12.2019 IAS AGGREGATE	Consolidation entries	31.12.2019 Consolidated IAS
10	Cash and cash equivalents	3.489		3.489		3.489
20	Financial assets measured at fair value through profit or loss	48.572.079		48.572.079		48.572.079
	a) financial assets held for trading	0		0		0
	b) financial assets designated at fair value	10.908.197		10.908.197		10.908.197
	c) other financial assets mandatorily measured at fair value	37.663.882		37.663.882		37.663.882
30	Financial assets measured at fair value through other comprehensive income	140.771.464		140.771.464		140.771.464
40	Financial assets measured at amortised cost	288.255.078		288.255.078	(38.316)	288.216.762
	a) due from banks	100.886.871		100.886.871		100.886.871
	b) due from financial entities	8.964.494		8.964.494	(38.316)	8.926.178
	c) due from customers	178.403.713		178.403.713		178.403.713
50	Hedging derivatives	0		0		0
60	Value adjustment of financial assets with generic hedges (+/-)	0		0		0
70	Equity investments	0		0		0
80	Property, plant and equipment	637.806		637.806		637.806
90	Intangible assets	462.511		462.511		462.511
	of which:			0		0
	- goodwill			0		0
100	Tax assets	3.023.746		3.023.746		3.023.746
	a) current	1.171.225		1.171.225		1.171.225
	b) deferred	1.852.521		1.852.521		1.852.521
110	Non-current assets and groups of assets held for sale	514.000	1.561.488	2.075.488	(514.000)	1.561.488
120	Other assets	1.463.590		1.463.590		1.463.590
	TOTAL ASSETS	**483.703.762**	**1.561.488**	**485.265.250**	- **552.316**	**484.712.934**

11.2 Liabilities associated with assets held for sale: breakdown

	Liabilities and equity items	31.12.2019 IAS FL S.p.A.	31.12.2019 IAS Finlombard a SGR	31.12.2019 IAS AGGREGATE	Consolidation entries	31.12.2019 Consolidated IAS
10	Financial liabilities measured at amortised cost	216.919.265		216.919.265		216.919.265
	a) payables	166.782.118		166.782.118		166.782.118
	b) securities issued	50.137.147		50.137.147		50.137.147
20	Financial liabilities held for trading	0		0		-
30	Financial liabilities designated at fair value	0		0		-
40	Hedging derivatives	0		0		-
50	Value adjustment to financial liabilities with generic hedges (+/-)	0		0		-
60	Tax liabilities	2.194.547		2.194.547		2.194.547
	a) current	926.932		926.932		926.932
	b) deferred	1.267.615		1.267.615		1.267.615
70	Liabilities associated with assets held for sale	0	232.225	232.225	(38.316)	193.909
80	Other liabilities	4.718.760		4.718.760		4.718.760
90	Employee severance indemnities	1.689.721		1.689.721		1.689.721
100	Provisions for risks and charges	626.116		626.116		626.116
	a) commitments and guarantees given	245.936		245.936		245.936
	b) pension and similar commitments	0		0		-
	c) other provisions for risks and charges	380.180		380.180		380.180
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	42.331.852	(250.135)	42.081.717	1.911.435	43.993.152
160	Valuation reserves	1.698.110		1.698.110		1.698.110
170	Net profit (loss) for the year	2.397.568	(292.032)	2.105.536	(554.005)	1.551.531
180	Minority interests			0		-
	TOTAL LIABILITIES AND EQUITY	**483.703.762**	**1.561.488**	**485.265.250**	**- 552.316**	**484.712.934**

SECTION 12
OTHER ASSETS

This section illustrates item 120.

This item amounts to Euro 1,463,590 (Euro 1,561,778 in the previous year) and is made up of:

Description	31/12/2019	31/12/2018
Fees for services		
Other assets	1.463.590	1.561.778
Total	**1.463.590**	**1.561.778**

Receivables for other assets refer mainly to receivables from personnel, social security agencies, withholding taxes on interest income accrued during the year on current accounts and securities, to the VAT receivable for the period, the security deposit relating to the lease agreement for the via Filzi offices and prepaid expenses.

PART B – INFORMATION ON THE BALANCE SHEET

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

Items	31/12/2019			31/12/2018		
	due to banks	due to financial entities	due to customers	due to banks	due to financial entities	due to customers
1. Loans						
1.1 Repurchase agreements						
1.2 other loans	166.077.253			124.734.901		
2. other payables	-			-		
Total	**166.077.253**	**0**		**124.734.901**	**0**	
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	**166.077.253**			**124.734.901**		
Total Fair value	**166.077.253**	**0**		**124.734.901**	**0**	

This item consists of three 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 "Ferrovie Nord Rolling Stock" was signed on 23 February 2015 for an amount of Euro 58 million and a term of 5 years. The aim of the funding is to equip Finlombarda with the resources necessary to allow it to sign the bonds issued by FNM SpA on the ExtraMOT Pro Market organised and run by Borsa Italiana SpA in Milan. The money raised by FNM was then allocated to rolling stock investments for the development of the regional transport system.

The EIB loan "Ferrovie Nord Rolling Stock" was paid out in full on 21 July 2015; it generates semi-annual interest at 6-month Euribor plus a spread communicated by the EIB on payment and will be refunded in a lump sum on 21 July 2020.

The third 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 96.9 million 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

Items	Total				Total			
	31/12/2019				31/12/2018			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Securities								
- bonds								
- structured								
- other	50.137.147	52.112.808			50.113.765	49.456.500		
- other securities								
- structured								
- other								
Total	**50.137.147**	**52.112.808**	**0**	**0**	**50.113.765**	**49.456.500**		

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; it falls within the Company's EMTN Programme totalling Euro 200 million.

1.5 Lease payables

Items	31/12/2019	31/12/2018
Lease payables	704.865	
Total	**704.865**	

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 4,718,760 (Euro 4,731,814 in the previous year) and is made up of:

Description	31/12/2019	31/12/2018
Due to suppliers	1.643.762	1.668.462
Other payables	3.074.999	3.063.352
Total	**4.718.760**	**4.731.814**

The item "due to suppliers" includes payables to suppliers for invoices to be received amounting to Euro 1,191,251, payables to Financial Entities of Euro 452,511 relating to fee and commission expenses.

"Other payables" include "due to Others" for Euro 70,914, "due to Partners" amounting to Euro 159,831, "due to parent company" of Euro 76,189, "due to social security agencies and withholdings" of Euro 1,131,466, amounts due to personnel and contractors of Euro 1,636,598, mainly for untaken holidays, bonuses and incentives.

SECTION 9
EMPLOYEE SEVERANCE INDEMNITIES

This section illustrates item 90.

9.1 Employee severance indemnities

Description	31/12/2019	31/12/2018
A. Opening balance	**1.594.170**	**1.569.995**
B. Increases	**112.722**	**86.437**
B.1 Provision for the year	81.306	85.302
B.2 Other increases	31.417	1.134
C. Decreases	**(17.171)**	**(62.262)**
C.1 Payments made	(17.171)	(62.262)
C.2 Other decreases		
D. Closing balance	**1.689.721**	**1.594.170**

Periodic cost	31/12/2019	31/12/2018
Total service cost	68.777	69.873
Interest cost	17.630	19.380
Actuarial gains (losses)	29.433	(6.374)
Total periodic cost	**115.840**	**82.880**

9.2 Other information

As regards the actuarial valuations for the purposes of determining the severance indemnities at 31.12.2019 according to IAS/IFRS, we considered the following demographic, economic and financial assumptions:

<u>DEMOGRAPHIC ASSUMPTIONS</u>

- 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	2,40%
Inflation rate	1,20%
Discount rate	0,75%

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

Description	31/12/2019	31/12/2018
1. Provisions for credit risk relating to commitments and financial guarantees given	245.936	334.992
2. Provisions on other commitments and other guarantees given	41.180	41.180
3. Corporate pension funds		
4. Other provisions for risks and charges	339.000	460.000
4.1 legal and tax disputes	225.000	225.000
4.2 personnel costs	44.000	165.000
4.3 other	70.000	70.000
Total	**626.116**	**836.172**

The provision for risks decreased by Euro 210,056 compared with the previous year. This decrease is due to allocations for write-downs for commitments and guarantees in accordance with IFRS 9 and liquidations/reductions due to (total or partial) resolution of commercial and labour law disputes. The provision 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	Pension funds	Other provisions for risks	Total
A. Opening balance	**41.180**	**0**	**460.000**	**501.180**
B. Increases			**0**	**0**
B.1 Provision for the year				0
B.2 Changes due to the passage of time				
B.3 Changes due to changes to the discount rate				
B.4 Other changes				0
C. Decreases			**(121.000)**	**(121.000)**
C.1 Utilisation during the year			(57.784)	(57.784)
C.2 Changes due to changes to the discount rate				
C.3 Other changes			(63.216)	(63.216)
D. Closing balance	**41.180**	**0**	**339.000**	**380.180**

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
1. Commitments to disburse funds	244.067	1.869		245.936
2. Financial guarantees given				

SECTION 11
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	31/12/2019	31/12/2018
1. Share capital	211.000.000	211.000.000
2. Share premium reserve	127.823	127.823
3. Reserves	43.993.152	43.020.374
4. (Treasury shares)	0	0
5. Valuation reserves	1.698.110	(590.480)
6. Equity instruments	0	0
7. Net profit (loss) for the year	1.551.531	972.777
Total	**258.370.616**	**254.530.494**

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	31/12/2019
1. Share capital	211.000.000
1.1. Ordinary shares	211.000.000
1.2. Other shares	0

11.4 Share premium reserve: breakdown

Description	31/12/2019	31/12/2018
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	**6.707.165**	**-**	**36.313.209**	**43.020.374**
B. Increases	**126.910**	**0**	**1.696.194**	**1.823.104**
B.1 Allocation of profits	126.910	0	0	126.910
B.2 Other changes			1.696.194	1.696.194
C. Decreases		**0**	**(850.326)**	**(850.326)**
C.1 Uses		0	(296.326)	(296.326)
- coverage of losses			(296.326)	(296.326)
- distribution				0
- transfer to capital				
C.2 Other changes			(554.000)	- 554.000
D. Closing balance	**6.834.075**	**-**	**37.159.077**	**43.993.152**

All of the reserves, except for the Art. 14 R.L. no. 33/2008 reserve and the AFS 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 6,834,075;
- The reserve “ex Art. 14 R.L. no. 33/2008” amounts to Euro 13,930,121.
- The statutory reserve of Euro 4,704,031;
- The statutory risk reserve of Euro 6,828,327;
- 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 1,661,300.

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	31/12/2019	31/12/2018
1. Financial assets measured at fair value through profit or loss	**-**	**163.635**	**-**	**163.635**	**148.400**
1.1 Financial assets held for trading				-	-
1.2 Financial assets				-	-
designated at fair value		163.635		163.635	148.400
1.3 Other financial assets mandatorily measured at fair value				-	-
2. Financial assets measured at fair value through comprehensive income	**2.078.009**			**2.078.009**	**2.431.975**
3. Financial assets measured at amortised cost:	**2.610.556**	**2.547.920**	**-**	**5.158.476**	**6.381.298**
3.1 Due from banks	1.095.490			1.095.490	2.973.981
3.2 Due from financial entities	354.428			354.428	409.375
3.3 Due from customers	1.160.638	2.547.920		3.708.558	2.997.941
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	**4.688.565**	**2.711.555**	**-**	**7.400.120**	**8.961.673**
of which: interest income on impaired financial assets					

Interest and similar income totalled Euro 7,400,120; there was a decline in interest amounting to Euro 1,561,553 (Euro 8,961,673 at 31 December 2018).

From the numbers reported, the composition of the financial investment portfolio experienced a decrease in investments in 2019 in favour of an increase in cash and uses of loans receivable.

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2019	31/12/2018
1. Financial liabilities measured at amortised cost	**(265.912)**	**(788.386)**	-	**(1.054.298)**	**(984.265)**
1.1 Due from banks	(265.912)			(265.912)	(195.377)
1.2 Due from financial entities				0	-
1.3 Due from customers	0			0	-
1.4 securities issued		(788.386)		(788.386)	- 788.888
				0	-
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value				-	-
4. Other liabilities			(18.742)	**(18.742)**	
5. Hedging derivatives				-	-
6. Financial assets					
Total	**(265.912)**	**(788.386)**	**(18.742)**	**(1.073.040)**	**(984.265)**

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

SECTION 2
FEES AND COMMISSIONS

This section illustrates items 40 and 50.

2.1 Fee and commission income: breakdown

Detail	31/12/2019	31/12/2018
a) finance lease transactions		
b) factoring transactions		
c) consumer credit		
d) guarantees given		
e) services of:		
	8.593.071	9.498.214
management of funds on behalf of third parties	8.593.071	9.498.214
exchange rate intermediation		
product distribution		
other		
f) collection and payment services		
g) servicing in securitisations		
h) other fees and commissions	2.652.534	3.353.596
Total	**11.245.605**	**12.851.810**

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 2019, Finlombarda collected Euro 10,703,649 from the Lombardy Region as fees for the technical assistance and management of regional funds.

2.2 Fee and commission expenses: breakdown

Detail	31/12/2019	31/12/2018
a) guarantees received	-	-
b) distribution of services from third parties		
c) collection and payment services		
d) other fees and commissions	40.985	149.228
Total	**40.985**	**149.228**

Item d "other fees and commissions", amounting to Euro 40,985 (Euro 149,228 at 31.12.2018), consists mainly of Euro 27,333 relating to fee and commission expenses recognised to credit Institutions to be paid to the affiliated banks for placement of "Credito Adesso" loans, Euro 3,165 for the placement on the market of the bond issue and Euro 10,486 for bank fees.

SECTION 3
DIVIDENDS AND SIMILAR INCOME

This section illustrates item 70.

3.1 Dividends and similar income: breakdown

ITEMS / INCOME	31/12/2019		31/12/2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value	-	313.096	-	237.242
C. Financial assets measured at fair value through comprehensive income				
D. Equity investments				
Total	**0**	**313.096**	**0**	**237.242**

The table above includes income deriving from coupons accrued on the ANIMA UCIT funds included in balance sheet assets for Euro 192,526.82 and dividends from investee companies for Euro 120,568.72, of which dividends from Sistemi di Energia for Euro 112,476.48 and from the investee C.R.A.A. SRL for Euro 8,092.24.

SECTION 6
GAINS/LOSSES ON DISPOSAL OR REPURCHASE

This section illustrates item 100.

6.1 Gains (Losses) from sale/repurchase: breakdown

Items/Income items	Total 31/12/2019			Total 31/12/2018		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**
1. Financial assets measured at amortised cost	3.061	(404.981)	(401.920)	15.940	(46.670)	(30.730)
1.1 Due from banks	3.061	(4.864)	(1.803)			
1.2 Due from financial entities						
1.3 Due from customers		(400.117)	(400.117)	15.940	(46.670)	(30.730)
2. Financial assets measured at fair value through comprehensive income	214.625	(194.142)	20.483	0		
2.1 Debt securities	214.625	(194.142)	20.483			
2.2 Loans						
Total assets (A)	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**
B. Financial liabilities	0	0	**0**			
1. Due to banks	0		0			
2. Due to financial entities						
3. Due to customers						
3. Securities issued						
Total liabilities (B)	0	0	0	0	0	0
Total	**217.686**	**(599.123)**	**(381.437)**	**15.940**	**(46.670)**	**(30.730)**

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

	Capital gains	Gains from dispos	Capital losses	Losses from disposals	Net result
1. Financial assets	**2.261.551**	**26.276**	**(8.977)**	**0**	**2.278.850**
1.1 Debt securities					
1.2 Loans					
1.3 Mutual fund units	2.261.551	26.276	(8.977)		**2.278.850**
1.4 Loans					
2. Financial assets in foreign currency: exchange differences					
Total	**2.261.551**	**26.276**	**(8.977)**	**0**	**2.278.850**

SECTION 8
NET ADJUSTMENTS/WRITEBACKS FOR CREDIT RISK

This section illustrates item 130.

8.1 Net adjustments/writebacks for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Adjustments			Writebacks		31/12/2019	31/12/2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-Offs	Other				
1. Due from banks	**65.253**	**0**	**0**	**103.660**	**0**	**38.407**	**16.270**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	65.253			103.660		38.407	16.270
2. Receivables from financial companies	**21.160**	**0**	**0**	**0**	**0**	**-21.160**	**26**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	21.160			0		21.160	26
3. Due from customers	**403.959**	**0**	**197.853**	**429.253**	**657.955**	**485.395**	**1.119.306**
Impaired receivables and purchases or originated							
- for leases							
- for factoring							
- other receivables							
Other receivables							
- for leases							
- for factoring							
- other receivables	403.959		197.853	429.253	657.955	485.395	1.119.306
Total	**490.372**	**0**	**197.853**	**532.912**	**657.955**	**502.641**	**1.135.602**

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

Transactions/Income components	Adjustments			Writebacks		31/12/2019	31/12/2018
	First and second stage	Third stage		First and second stage	Third stage		
		Write-Offs	Other				
A. debt securities	130.874		514.400	135.451		**509.823**	**180.646**
B. Loans							
- Due to customers							
- Due to banks							
of which: financial assets impaired acquired or originated							
Total	**130.874**	**0**	**514.400**	**135.451**	**0**	**509.823**	**180.646**

SECTION 10
ADMINISTRATIVE EXPENSES

This section illustrates item 160.

10.1 Personnel costs: breakdown

Types of expenses/values	31/12/2019	31/12/2018
1. Employees	**12.034.212**	**11.858.064**
a) wages and salaries	8.410.185	8.310.372
b) social contributions	2.408.325	2.403.405
c) termination indemnities		
d) pension expenses		
e) provision for termination indemnities	88.643	91.018
f) provision for pension and similar commitments:		
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:		
- defined contribution	551.695	560.881
- defined benefits		
h) other benefits to employees	575.365	492.388
2. Other serving personnel	**358.065**	**412.774**
3. Directors and Statutory Auditors	**236.754**	**223.837**
4. Retired personnel		
5. Recovery of expenses for personnel on secondment to other companies	10.649	(292.768)
6. Reimbursement of expenses for personnel on secondment to other companies	62.845	279.684
Total	**12.702.526**	**12.481.591**

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	31/12/2019		31/12/2018		Average number
Managers	13	a)	13		13
Middle managers	55	b)	56		55,5
Employees	82	c)	82		82
Total	**150**		**151**		**150,5**

a) of which 1 General Manager: temporary assignment of Regional Council staff of Lombardy Region pursuant to art. 23 bis of Legislative Decree 165/2001
b) of which 2 persons part time
a) of which 10 persons part time

10.3 Other administrative expenses: breakdown

Description	31/12/2019	31/12/2018
General services	227.044	102.466
Development services	113.342	123.917
Consultancy	262.765	603.541
Supervisory Authorities	31.200	33.925
Leases and rentals	479.229	1.865.657
Indirect taxes	173.769	176.974
Other services	749.911	818.641
Total	**2.037.261**	**3.725.120**

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 35,718 in 2019, while tax advisory costs amounted to Euro 22,800. During the year, the auditing firm BDO S.p.A. terminated its mandate and was replaced by Audirevi S.p.A.

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	31/12/2019	31/12/2018
Commitments and guarantees given	-	332.475
Other net allocations	-	257.467
Total	**0**	**589.942**

SECTION 12

NET ADJUSTMENTS/WRITEBACKS TO PROPERTY, PLANT AND EQUIPMENT

This section illustrates item 180.

12.1 Adjustments/writebacks to property, plant and equipment: breakdown

Assets/income items	Amortisation and Depreciation	Impairment adjustments	Write backs	Net result
A. Property, plant and equipment				
A.1 used for business purposes	**1.510.911**	**0**	**0**	**1.510.911**
- owned	26.588			
- Rights of use acquired through leasing	1.484.323			
A.2 Held for investment purposes				
- owned				
- Rights of use acquired through leasing				
A.3 Inventories				
Total	**1.510.911**	**0**	**0**	**1.510.911**

SECTION 13

NET ADJUSTMENTS/WRITEBACKS TO INTANGIBLE ASSETS

This section illustrates item 190.

13.1 Net adjustments/writebacks to intangible assets: breakdown

Assets income component	Amortisation and Depreciation	Impairment adjustments	Write backs	Net result
1. Intangible assets other than goodwill	**245.116**	**0**	**0**	**245.116**
1.1 owned	245.116	0	0	245.116
1.2 rights of use acquired through leasing	-			
2. Assets relating to finance lease				
3. Assets granted under operating leases				
Total	**245.116**	**0**	**0**	**245.116**

SECTION 14

OTHER OPERATING INCOME AND EXPENSES

This section illustrates item 200.

14.1 Other operating expenses: breakdown

Item description	31/12/2019	31/12/2018
Other charges	77.223	(29.991)
Total	**77.223**	**(29.991)**

14.2 Other operating income: breakdown

Item description	31/12/2019	31/12/2018
Other income	258.561	335.136
Total	**258.561**	**335.136**

The change relates to the writeback of previous allocations to risk provisions on legal disputes with personnel.

SECTION 19

INCOME TAXES ON ORDINARY OPERATIONS

19.1 Income taxes on ordinary operations: breakdown

Items	31/12/2019	31/12/2018
1. Current taxes	926.932	1.190.344
2. Changes in current taxes of previous years		13.520
3. Reduction 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	(267.275)
5. Change in deferred tax liabilities	361.702	(1.059.460)
Income taxes for the year	**1.576.989**	**(122.871)**

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	3.974.557	27,5%	1.093.003	16.489.336	5,57%	918.456	20.463.893	2.011.459
Theoretical tax burden	27,50%			5,57%				
Decrease in taxable amount	(2.169.669)	27,5%	(596.659)	(11.461.458)	5,57%	(638.403)	(13.631.127)	(1.235.062)
Increase in taxable amount	547.050	27,5%	150.439	1.725	5,57%	96	548.776	150.535
Taxable amount	2.351.938	27,5%	646.783	5.029.604	5,57%	280.149	7.381.542	926.932
Total actual current taxes in the financial stat	646.783	27,5%		280.149	5,57%		926.932	

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 292,032.

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 THE ACTIVITIES CARRIED OUT

D. GUARANTEES ISSUED AND COMMITMENTS

Transactions	31/12/2019	31/12/2018
1) Guarantees given of a financial nature at first demand		
a) Banks		
b) Financial entities		
c) Customers		
2) Other guarantees given of a financial nature		
a) Banks		
b) Financial entities		
c) Customers		
3) Guarantees given of a commercial nature		
a) Banks		
b) Financial entities		
c) Customers		
4) Irrevocable commitments to disburse funds		
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		
i) certain to be used		
ii) uncertain to be used	49.295.557,00	
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	**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	31/12/2019		31/12/2018	
	Public funds		Public funds	
		of which at own risk		of which at own risk
1. Performing assets				
- finance lease				
- factoring				
- other loans	241.954.766		308.908.977	
of which: for enforcement of guarantees and commitments				
- equity investments				
- guarantees and commitments	142.526.663		124.381.994	
2. Non-performing assets				
2.1 Non-performing				
- finance lease				
- factoring				
- other loans	41.614.371		41.968.810	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.2 Unlikely-to-pay				
- finance lease				
- factoring				
- other loans	6.566.295		9.162.231	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.3 Past due non-performing exposures				
- finance lease				
- factoring				
- other loans	9.114.265		4.106.427	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
Total	**441.776.359**		**488.528.438**	

F.3 – Other information

F.3.1 – Operations using third party funds

Third-party funds are represented substantially by funds from the Lombardy Region (94%), 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, lastly, by a fund on behalf FNM S.p.A., a company belonging to the Regional system. These funds are used for financing activities, giving guarantees, capital grants or interest subsidies; the funds managed on behalf of FNM S.p.A. and 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	31/12/2019	31/12/2018
Total under management	**955.653.801**	**1.027.545.757**

Details are shown below:

Funds on behalf of Lombardy Region	31/12/2019	31/12/2018
- Deposits in c/a and securities under Regional Laws	595,947,210	604.918.938
- Loans, finance lease transactions		
outstanding under Regional Laws	298.364.558	312.471.776
- Due from customers on accrued instalments	2.408.334	51.707.697
- Payments on warranty account	1,469,373	1.469.373
Total Lombardy Region	**898.189.476**	**970.567.783**

FNM management	31/12/2019	31/12/2018
- Deposits in c/a and securities	48,764,662	48.593.098
Total FNM management	**48.764.662**	**48.593.098**

FLA Management	31/12/2019	31/12/2018
- Deposits in c/a and securities	8,699,663	8.384.875
Total FLA Management	**8.699.663**	**8.384.875**

Finlombarda

Table 1/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
SINGLE FUND 598/94 LAW 1329/65	115.492	0	(14.615)	1.174	120	(377)	0	0	101.795	0	101.795
Mis. 1.1. F	0										147.776
FUND LAW 1329/65	48	0	0	0	0	(104)	0	0	(56)	0	(56)
Pia (Law 1329/65-Law 36/88)	0										0
Development Fund	100.362	0	0	0	0	(67)	0	0	100.295	0	100.295
Industrial districts	0										0
R.L. 22/2006 former 1/99 and 1/99 PIA	2.362.289	(277.686)	0	1.141.452	91.772	(849)	7.736	0	3.324.714	10.118.023	13.442.737
	1.508.602										28.207
R.L. 68/86	8.979	0	0	(10.325)	15.445	(248)	4.331	0	18.181	636.567	654.748
	20.904										20.611
FRIM BUSINESS START-UP LINE 8	2.845.609	(1.040.047)	0	1.216.804	58.655	(453)	6.481	0	3.087.048	1.964.560	5.051.608
	1.284.894										18.764
FRIM COOPERATION	7.846.134	(4.443.068)	(1.724.465)	4.201.232	1.020.926	812	33.342	0	6.934.914	27.017.872	33.952.786
	27.490.998										18.859
R.L. 16/93	18.602	0	0	7.645	(281)	(98)	50	0	25.918	573.369	599.287
	13.541										50.287
R.L. 2/99	1.423.434	0	0	0	0	(112)	0	0	1.423.322	0	1.423.322
Guarantee Fund - R.L. 16/93	0										0
FONCOOPER	1.003.168	(621.648)	0	465.949	(20)	(110)	15.050	0	862.389	716.122	1.578.512
	898.383										14.212
R.L. 21/2003	9.479.906	(489.666)	0	833.969	33.527	(164)	1.784	0	9.859.354	2.751.929	12.611.283
Revolving fund	1.129.681										7.590
R.L. 21/2003	495.216	0	0	0	0	(130)	0	0	495.086	0	495.086
Abb. Fund Rates	0										0
R.L. 21/2003	1.398.080	0	0	0	0	(168)	0	0	1.397.912	0	1.397.912
Guarantee fund	0										0
R.L. 34/96	118.647	0	0	217.376	147.155	(155)	7.475	0	490.499	4.463.181	4.953.680
	37.810										37.674
R.L. 34/96 red. Rates	876.193	0	0	0	39.806	(191)	0	0	915.808	0	915.808
	0										0
Guarantee	8.148.742	0	(318.765)	0	(28.328)	(112)	0	0	7.801.537	0	7.801.537
Fund 34/96											
	1.428.816										1.428.816

Table 2/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Guar. Fund Institutes	3.270.772	0	0	0	(66.113)	(78)	0	0	3.204.581	0	3.204.581
	0										
OB2 Craftsmen	278.057	0	0	0	9.514	(1.101)	0	0	286.470	73.580	360.049
enterprises	0										0
OB2 Imp.art.	215.208	0	0	0	(9.514)	794	0	0	206.488	0	206.488
Guarantee fund	0										0
R.L. 1/2007	44.916	0	0	142.646	(108.256)	(178)	110	0	79.238	1.300.305	1.379.543
(former R.L. 34/96)	17.986										8.829
R.L. 1/2007 MEASURES A) B)-C)	9.208.589	(42.864)	(154.476)	299.401	(50.993)	(660)	6.135	0	9.265.131	4.191.775	13.456.906
	229.101										117.046
FRIM TENDER RGD 1988 OF 2011	54.418.694	(42.057.161)	(890.558)	30.417.219	936.654	(2.371)	383.749	0	43.206.225	44.661.436	87.867.661
	74.489.644										67.129
Revolving Fund and Innovation Guarantee	80.180	0	0	1.342	122	(77)	0	0	81.568	18.599	100.166
Craftsmen	0								0		172
	40.557							0		0	40.557
R.L. 1/2007 INDUSTRY	540.754	(79.373)	0	184.508	(0)	(70)	11.176	0	656.995	195.425	852.420
	(0)										842
R.L. 35/96	15.061.450	0	0	(16.796)	15.527	(393)	14.601	0	15.074.388	2.382.908	17.457.296
	194.898										67.004
R.L. 35/96 art. 8bis.(NEXT FUND)	13.280.556	0	0	0	0	(112)	0	0	13.280.444	0	13.280.444
	0										0
NEXT II FUND	42.613	0	0	0	0	(104)	0	0	42.509	0	42.509
	0										0
FRIM-FESR	43.659.356	(1.190.564)	0	6.946.419	1.486.081	815.748	90.775	0	51.807.815	16.514.137	68.321.952
	19.193.782										54.757
RL 35/96 Meas. D2	130.769	0	0	18.596	(19.742)	(381)	4.070	0	133.313	184.250	317.564
	18.011										1.423
Rent Support Fund Tender	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
FUND FOR ACCESS TO	3.402.493	0	0	9.244	0	(108)	0	0	3.411.629	0	3.411.629
FIRST HOME	0										(277)

Table 3/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
ALER TENDER	21.902.140	(4.869.298)	0	0	0	(251)	0	0	17.032.592	0	17.032.592
	0										0
CONTRIBUTION ALER HOMES	1.794.713	(187.921)	0	0	0	(115)	0	0	1.606.678	0	1.606.678
	0										0
R.L. 36/88 - 2001 criteria	1.163.283	0	0	0	0	(216)	0	0	1.163.067	0	1.163.067
and PIA RL 36	0										21.247
R.L. 9/91	22.388	0	0	6.541	574	(78)	342	0	29.768	36.587	66.355
	(342)										530
R.L. 31/96	(112)	0	0	0	0	(112)	0	0	(224)	0	(224)
	0										0
R.L. 23/1999	613.195	0	0	0	0	(104)	0	0	613.091	0	613.091
	0										0
R.L. 23/1999 Guarantee Fund	438.229	0	0	0	0	(104)	0	0	438.125	0	438.125
	0										0
Infrastructure Fund	148.978	(9.063.247)	0	4.838.617	238.308	(71)	(1)	0	(3.837.417)	52.830.908	48.993.491
Docup Ob. 2	57.400.765										0
Revolving Fund	13.363.467	(1.836.753)	0	854.498	2.554.430	36.301	0	0	14.971.944	16.173.626	31.145.570
Infrastructure	16.967.685										0
R.L. 26/2002	374.161	0	0	315.433	102.409	(870)	11.108	0	802.241	1.003.055	1.805.296
	1.228.457										3.129
R.L. 35/96 art. 6 p. 1	(379)	0	0	0	0	(104)	0	0	(483)	0	(483)
VOUCHER	0										0
MEZZANINE	(315)	0	0	0	0	(104)	0	0	(419)	0	(419)
	0										0
Bioiniziativa	(385)	0	0	0	0	385	0	0	(0)	0	(0)
	0										0
R.L. 35/86 PIA	(478)	0	0	0	(2.657)	(432)	0	0	(3.566)	0	(3.566)
INTEC 3	0										0
R.L. 35/86 PIA	(126)	0	0	0	10.177	0	0	0	10.051	0	10.051
INTEC 4	0										0

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Table 4/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
R.L. 35/86	7.396	0	0	28	(7.548)	(2)	0	0	(126)	0	(126)
INTEC 3 and 4	0										(28)
L. 215 - V Tender	384.397	0	0	0	0	(104)	0	0	384.293	0	384.293
Add. Resources	0										0
R.L. 13/2000 P.I.C.	77.743	9.208	0	4.700	310	(94)	0	0	91.867	124.850	216.717
	(0)										55.499
R.L. 13/2000	568.516	0	0	1.569	0	(77)	0	0	570.008	83.142	653.150
TENDER 2006	0										85.051
R.L. 19/2004-R.L. 35/95	793.456	(592.277)	0	516.471	115.179	(847)	528	0	832.510	2.018.316	2.850.825
Revolving Fund	2.519.009										(27)
R.L. 19/2004-R.L. 35/95	114.399	0	0	0	0	(106)	0	0	114.293	0	114.293
Guarantee fund	0										0
R.L. 35/95	7.224.328	(1.728.011)	(42.163)	1.620.233	334.100	(2.015)	2.430	0	7.408.902	8.876.132	16.285.035
CULTURE 2008	10.338.064										6.232
FSE SUBSIDY	(326)	0	0	0	0	(104)	0	0	(430)	0	(430)
GLOBAL	0										0
FUND LAW 598/94	(164)	(407.231)	0	0	0	(105)	0	0	(407.499)	0	(407.499)
Pia (Law 140/97 - Law 598/94)	0										0
FUND LAW 598/94	1.457	0	0	0	0	(104)	0	0	1.353	0	1.353
Pia New Economy	0										0
FUND LAW 598/94	(466)	0	0	0	0	(104)	0	0	(570)	0	(570)
Pia Intec 4	0										0
R.L. 13/00	240.433	0	0	0	0	(67)	0	0	240.365	6.543	246.908
TENDER FOR SMALL MUNICIPALITIES	(0)										46
FRI - INTERNATIONALISATION	1.816.318	(613.534)	0	588.552	67.810	(2.824)	12.197	0	1.868.520	2.321.378	4.189.897
FUND	2.659.866										3.010
Social Health Fund	153.216	0	0	0	0	58	0	0	153.274	0	153.274
	0										0
FIMSER	2.342.233	(235.173)	(6.346.550)	0	4.689	(511)	0	0	(4.235.312)	275.515	(3.959.796)
	(0)										1.267

Table 5/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TENDER FOR SERVICES	(67)	0	0	(0)	0	(67)	0	0	(134)	24.195	24.061
R.L. 1/07	0										122
DECO' DESIGN AND COMPETITIVITY	(208)	0	0	0	0	208	0	0	(0)	0	(0)
PROJECT	0										0
AXIS 1 INNOVATION MEASURE 1.5 1.5	(214)	0	0	(29)	(135)	(226)	164	0	(440)	110.136	109.696
	(57)										1.198
Logistics Tender	(106)	0	0	0	0	106	0	0	0	0	0
	0										0
LR35/96 PIA New Econ. And New Economy	185	0	0	0	0	(275)	0	0	(90)	69.340	69.249
	(0)										20.166
ADP AXIS 1 MEASURE A-B	(99)	0	0	0	0	(104)	0	0	(203)	0	(203)
	0										0
P.I.P. TENDER	1.808	0	0	3.096	0	(74)	41	0	4.870	123.376	128.246
	5.172										818
P.I.C.S. Integrated plans fund	45.272	0	0	(0)	0	(67)	0	0	45.205	50.149	95.354
for competitiveness	(0)										268
START-UP RESTART DIRECT LOANS TEN	5.053.520	(1.196.663)	(88.519)	1.275.822	293.654	(1.411)	29.854	0	5.366.258	8.286.353	13.652.611
	7.734.229										33.932
START-UP RESTART CONTRIB. TUTOR T	938.091	0	(24.000)	11.097	(640)	(129)	0	0	924.420	0	924.420
	0										74.503
LR13/2000 Tender	4.221	0	0	0	0	(104)	0	0	4.117	0	4.117
INNOVA RETAIL (2010)	0										0
SEED FUND	104.298	(320)	0	195.178	(4.899)	(82)	3.400	0	297.575	3.517.595	3.815.170
	(0)			0							250.264
TENDER FASHION 2008	1.636.018	0	0	0	0	(140)	0	0	1.635.878	0	1.635.878
	0										78.112
TENDER FASHION 2009	1.155.264	0	0	4.500	0	(141)	0	0	1.159.622	4.065	1.163.687
	0										0
FASHION START-UP-YOUNG AND/OR FEI	198.472	0	0	0	0	(104)	0	0	198.368	0	198.368
	0										0
ACCOMPANYING VOUCHER	718	(667)	0	0	0	(51)	0	0	(0)	0	(0)
SME ABROAD	0										0

Table 6/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TRADE DISTRICTS 1	(318)	0	0	28	(28)	(226)	0	0	(543)	0	(543)
	0										(28)
TRADE DISTRICTS 2	43.292	0	0	0	0	(69)	0	0	43.223	0	43.223
	0										0
TRADE DISTRICTS 3	100.140	0	0	1.000	(1.000)	(106)	0	0	100.034	0	100.034
	0										(1.372)
TRADE DISTRICTS 4	1.090	0	0	0	0	(106)	0	0	984	0	984
	0										0
TRADE DISTRICTS 5	27.449	0	0	0	0	(106)	0	0	27.343	0	27.343
	0										0
R.L. 21/2008 cinemas and theatres	4.427.287	(2.162.383)	0	421.352	126.749	(861)	3.033	0	2.815.177	1.660.604	4.475.780
	2.055.691										1.160
R.L. 21/08 Theatre Guarantee Fund	418.835	0	0	0	0	(67)	0	0	418.768	0	418.768
	0										0
Skypass Lombardy	22	0	0	0	0	(527)	0	0	(505)	0	(505)
	0										217.217
R.L. 14/2007 AT. 3	13.054.071	0	0	0	(9.600)	(113)	0	0	13.044.359	0	13.044.359
	0										0
JEREMIE FESR FUND	17.974.528	0	0	0	42.876	101.349	0	0	18.118.753	0	18.118.753
	0										0
JEREMIE FSE FUND	4.219.102	0	10.000	0	5.863	34.027	0	0	4.268.992	0	4.268.992
	0										0
JEREMIE FSE 2010 FUND	385.544	0	6.000	0	0	34	0	0	391.578	0	391.578
	0										0
JEREMIE FSE 2010 FUND	509.431	0	0	0	0	(31)	0	0	509.400	0	509.400
Guarantee	0										0
RGD 7025/08 EXPRESSIONS OF	295.731	(20.801)	0	69.411	5.910	(214)	0	0	350.037	403.020	753.057
INTEREST	23.642										0
MIL Guarantee Fund	1.399.755	0	(3.387.740)	0	2.977.400	42.918	0	0	1.032.333	0	1.032.333
	0										0
Operating Credit Fund	1.182.795	0	(353.326)	9.285	(3.544)	(862)	484	0	834.832	0	834.832
agriculture	0										11.711
Tourism Meas. A-B	94.663	(9.577)	0	25.157	375	(256)	62	0	110.423	177.835	288.258
	25.157										90.900

Table 7/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Tourism Meas. C	455.311	(283.337)	0	156.093	26.273	(349)	487	0	354.477	39.850	394.327
	101.299										215
MIUR TENDER	6.806.687	0	0	798.927	44.759	53.070	2.050	0	7.705.492	655.797	8.361.289
EXPRESSIONS OF INTEREST	728.719										3.449
MIUR TENDER	24.390.319	0	0	4.426.663	678.709	388.400	29.080	0	29.913.171	4.771.987	34.685.158
FRIM FESR	7.381.669										13.027
MIUR TENDER	14.736.653	0	0	2.144.857	530.868	(130.058)	26.974	0	17.309.294	3.454.732	20.764.026
FAR FIN	3.774.034										15.733
2011 THEATER DIGITALISATION TENDEI	670.061	(168.632)	(36.567)	84.490	6.005	(424)	255	0	555.188	98.764	653.952
	134.624										19
FINTER	917.075	(364.244)	0	264.448	10.535	(460)	753	0	828.107	172.076	1.000.183
	234.868										723
GREEN AREAS FUND TENDER	4.559.191	90.351	(760.005)	0	0	(120)	0	0	3.889.416	0	3.889.416
	0										0
MOVIE PROD. FUND	257.209	0	0	112	(112)	(104)	0	0	257.105	0	257.105
	112										0
MOVIE FUND	193.726	(5.617)	0	6.573	(31)	(255)	8	0	194.405	0	194.405
	3.267										(31)
BIOMEDICA NERVIANO	(381)	0	0	0	0	0	0	0	(381)	0	(381)
	0										0
2012 THEATER DIGITALISATION TENDEI	733.709	0	(66.064)	20.236	6.563	(267)	56	0	694.234	58.806	753.040
	17.113										7
ANTI-USURY FUND	9.723	0	0	0	0	(104)	0	0	9.619	0	9.619
	0										0
FUND FOR RED. INTEREST = EIB	5.603.749	0	(1.128.198)	60.619	(1.088)	(520)	358	0	4.534.920	0	4.534.920
	0										338.213
R&D TENDER FOR BUSINESS COMBINAT	18.338.867	0	0	2.140.570	(99.883)	1.233.125	0	0	21.612.679	17.428.376	39.041.055
	19.568.946										0
DIGITALISATION FUND	278.895	25.544	0	0	0	(104)	0	0	304.334	0	304.334
	0										0
MACHINERY TENDER	100	0	0	0	(100)	0	0	0	0	0	0
	0										0

Table 8/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
INSTITUTIONAL AGREEMENTS FUND	20.267.126	(2.214.483)	(7.077.769)	0	(90.434)	(187)	0	0	10.884.254	0	10.884.254
	0										0
INTERNATIONALISATION VOUCHER FUI	14.856	667	0	0	0	(106)	0	0	15.417	0	15.417
	0										0
DRIADE FUND	486.110	(261.167)	(15.265)	0	0	(106)	0	0	209.572	0	209.572
	0										0
SKI COMPLEX 2015 TENDER	846.175	398.772	(179.999)	478.809	55.833	(427)	10.460	0	1.609.623	1.874.614	3.484.237
	2.234.360										2.157
CTS TENDER	299.346	0	0	191.477	4.274	(1.906)	1.583	0	494.775	240.429	735.204
	370.786										893
INFRASTRUCTURES AND MOBILITY TEN	21.052.596	(4.768.770)	0	0	0	(113)	0	0	16.283.713	0	16.283.713
	0										0
SIMPLIFICATION FUND	(104)	130	0	0	0	(26)	0	0	(0)	0	(0)
	0										0
LOMBARDIA CONCRETA RISK COVERA	1.064.949	0	0	0	0	(104)	0	0	1.064.845	0	1.064.845
	0										0
ERGON FUND	100.809	0	0	0	0	(208)	0	0	100.601	0	100.601
	0										0
TOURISM	420.235	0	0	27	(27)	(2.270)	0	0	417.965	0	417.965
EXCELLENCE PROJECT	0										(27)
LOMBARDIA CONCRETA - FUND FOR RE	(1.784.517)	0	(140.034)	11.992	387	(158)	28	0	(1.912.301)	0	(1.912.301)
	0										13.492
SIMEST FUND	(262)	0	0	0	0	262	0	0	(0)	0	(0)
	0										0
ASTER ATTRACTIVENESS FUND	10.999.887	(11.000.000)	0	0	0	113	0	0	0	0	0
	0										0
DECO-TER	(104)	0	0	0	0	104	0	0	0	0	0
	0										0
FRIM	469.894	(374.779)	0	338.491	39.302	(360)	2.706	0	475.253	450.472	925.725
FIERE	651.136										2.116
FUND TO SAFEGUARD	725.794	(362.600)	0	2.946.521	25.866	(343)	0	0	3.335.237	1.398.693	4.733.930
LOCAL CULT. SISMA MN	4.301.636										0

Table 9/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
TENDER FOR	374.435	0	0	300.095	42.403	(404)	2.267	0	718.796	431.777	1.150.572
SKI LIFTS	536.472										175.513
DIGITALISATION 2013 FUND RL. 21/08 AR	532.363	(486.395)	0	558.072	123.510	(1.199)	1.438	0	727.790	1.384.873	2.112.663
	1.868.876										951
MIUR FAR	10.863.877	0	0	0	23.043	278.684	0	0	11.165.604	0	11.165.604
CONTRIBUTIONS	0										90.894
START-UP RESTART FUND	50.795	0	0	8.540	84	(186)	313	0	59.546	0	59.546
CONTRIB. B.P.	0										78.611
SCHOOL CONSTRUCTION FUND	14.055.992	173.581	(528.603)	354.560	158.129	(350)	0	0	14.213.309	7.171.040	21.384.349
	6.965.396										0
CASH CREDIT	292.601	0	0	0	(0)	(104)	0	0	292.497	0	292.497
RATES REDUCTION	0										0
MAINTENANCE SUPPORT FUND	2.660.168	(2.217.014)	(121.675)	603.349	0	(284)	0	0	924.544	0	924.544
OF RENTED HOME	0										1
VOUCHER PATENTS MEASURE E 2013	403.803	0	(6.000)	0	0	(109)	0	0	397.694	0	397.694
	0										0
CULTURE 2013 TENDER	798.866	0	(357.967)	324.528	58.884	(564)	0	0	823.747	3.864.393	4.688.140
	3.905.330										0
TAXI 2013 TENDER	3.332	0	0	0	0	(104)	0	0	3.228	0	3.228
	0										0
LOMBARDIA CONCRETA RED. COMMER	1.330.835	0	(97.032)	0	(2.382)	(158)	(474)	0	1.230.789	0	1.230.789
	0										31.648
SOCIAL ANTICIPATION	872.962	(10.000)	0	0	0	(109)	0	0	862.853	0	862.853
	0										0
VOUCHER PATENTS MEAS. F 2014	2.134.703	0	0	0	0	(104)	0	0	2.134.599	0	2.134.599
	0										0
FRIM FESR 2020	22.147.774	(7.500.000)	(1.790.348)	3.426.716	889.976	186.721	101.808	0	17.462.647	14.988.419	32.451.066
	15.657.496										24.896
ASAM ANTICIPATION	142.786	0	0	0	0	(104)	0	0	142.682	0	142.682
	(0)										0

Table 10/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
DONNA MODA DESIGN	100	0	0	0	(100)	0	0	0	(0)	0	(0)
	0										0
DESIGN COMPETITION FUND	6.207	0	0	0	0	(104)	0	0	6.103	0	6.103
	0										0
DAT - TOURISM ATTRACTIVENESS DISTI	(271.351)	0	0	0	0	(104)	0	0	(271.455)	0	(271.455)
	0										0
EARLY RETIREE SUPPORT FUND	(104)	0	0	0	0	104	0	0	0	0	0
	0										0
FASHION DIGITAL TENDER	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
TEMPORARY MANAGER FUND	100	0	0	0	(100)	0	0	0	0	0	0
	0										0
FUND HISTORIC SHOPS	100	0	0	0	(100)	0	0	0	0	0	0
	0										0
VIDEOSURVEILLANCE TENDER	100	0	0	0	(100)	0	0	0	(0)	0	(0)
	0										0
NEWS STAND TENDER	229.923	0	(10.000)	0	0	(113)	0	0	219.810	0	219.810
	0										0
MINIBOND PROJECT	1.347.204	0	0	0	0	(106)	0	0	1.347.098	0	1.347.098
	0										0
COUNTER-GUARANTEE FUND	28.789.238	0	(221.326)	0	75.230	1.925.473	0	0	30.568.615	0	30.568.615
	0										0
MUSICAL INSTRUMENTS FUND	58.598	0	(23.827)	0	(316)	(126)	0	0	34.329	0	34.329
	0										0
LINEA INTRAPRENDO TENDER	11.895.164	0	(1.203.128)	374.906	55.053	500.149	5.293	(184.660)	11.442.777	3.454.954	14.897.731
	2.626.733										0
NATURAL CALAMITIES FUND	(104)	0	0	0	0	(104)	0	0	(208)	0	(208)
	0										0
FOPPOLO ANTICIPATION	6.782	0	0	0	0	(104)	0	0	6.678	0	6.678
	0										0

Table 11/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
2016 CULTURE FUND PRIVATES-CHURCH	3.659.721	0	(1.398.486)	97.149	0	(215)	0	0	2.358.170	2.854.301	5.212.471
	1.901.830										0
2015 PUBLIC ENTITIES CULTURE FUND	2.596.682	0	(489.886)	0	0	(116)	0	0	2.106.680	625.064	2.731.744
	257.649										0
FREE FUND	16.372.169	0	(2.225.676)	0	9.299	737.266	0	(7.724)	14.885.333	5.021.701	19.907.034
	2.796.025										0
JOP	3.870	0	0	0	0	(67)	0	0	3.803	0	3.803
	0										0
REVOLVING FUND RL 21/08 YEAR 2016	1.580.565	(66.258)	(727.004)	0	0	(153)	0	0	787.150	717.326	1.504.476
	353.824										0
Fund for Agricultural Enterprises	10.038.566	0	(2.744.451)	630.560	(175)	17.631	43.774	(78.799)	7.907.106	8.647.513	16.554.619
	6.533.622										0
Al Via Guarantee Fund	41.506.351	15.990.487	0	0	130.432	1.306.646	0	(240.487)	58.693.428	0	58.693.428
	0										0
Research and Innovation Fund	1.999.894	0	(1.537.256)	0	0	(129)	0	0	462.508	0	462.508
	0										0
Stoa Tender	100.826	(550.000)	0	0	(1)	(72)	0	0	(449.246)	0	(449.246)
	0										0
Public Sports Facilities Tender	246.742	(125.000)	(110.700)	0	0	(73)	0	0	10.968	0	10.968
	0										0
Scholastic Construction Tender	(8.665.948)	0	(383.782)	54.236	19.530	(118)	0	0	(8.976.081)	2.366.659	(6.609.422)
	2.080.385										0
Simpler Fund	279.581	0	0	0	(216.601)	(238)	0	0	62.741	0	62.741
	0										0
Store Revolution	0	0	0	0	0	(81)	0	0	(81)	0	(81)
	0										0
Faber Tender	0	0	0	0	0	(50)	0	0	(50)	0	(50)
	0										0
Credit Support Fund (New Frim Coop)	0	880.279	0	0	0	(50)	0	0	880.229	0	880.229
	0										0

Table 12/12 Changes during the year 1.1.2019-31.12.2019 and balance sheet amounts at 31.12.2019

Laws	Balances available at 31.12.2018	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 and Income on current account and securities (*)	Interest on Loans	Reimbursements Lombardy Region Accrued in the Year	Balances available at 31.12.2019 (**)	Loans Existing at 31.12.2019	Balance of third party provisions
	Existing loans										on-call receivables
											guarantee deposit
Lombardy to Stay Tender	0	2.000.000	0	0	0	0	0	0	2.000.000	0	2.000.000
	0										0
Frim Fesr II Research and Development	0	7.500.000	0	0	0	(130)	0	0	7.499.870	0	7.499.870
	0										0
Line for Internationalisation Fund	0	1.750.000	(251.184)	0	(3)	(84)	0	0	1.498.729	251.184	1.749.913
	0										0
Treasury Management	16.871.603	(7.189.517)	0	(2.816)	(552.180)	12.311.156	0	0	21.438.245	0	21.438.245
	0										0
TOTAL	604.918.938	(82.294.727)	(36.961.410)	77.641.194	12.474.033	19.801.130	879.723	(511.671)	595.947.210	298.364.558	894.311.768
	312.471.776										2.408.334
	1.469.373										1.469.373

4.5. - Management of Ferrovie Nord Milano and Fondazione Lombardia per L'Ambiente (FLA)
Changes in the Year 01.01.2019 - 31.12.2019

FERROVIE NORD	Of Cash Balances at 31.12.2018	Disbursement Decrease and/or Increase provision	Disbursements to Enterprises Loans	Repayments	Interest and Income	Reimbursement made to EU	Compensation Finlombarda paid	Balances available at 31.12.2019	Loans existing at 31.12.2019	Balance sheet balances
Amounts in euro	48.593.098	0	0	0	171.564	0	0	48.764.662	0	48.764.662
Amounts in euro	8.384.875	(1.200.000)	0	0	1.514.787	0	0	8.699.663	0	8.699.663
TOTAL	56.977.974	(1.200.000)	0	0	1.686.351	0	0	57.464.325	0	57.464.325

SECTION 3
INFORMATION ON RISKS AND RELATED HEDGING POLICY

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

<u>Qualitative information</u>

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, insurance policies 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, and the classification of credit positions and the organisational structure;
- specific limits envisaged in the internal regulations.

Finlombarda's decision-making powers concerning the underwriting of risks and determination of the related conditions are the sole prerogative of the governing bodies, the Board of Directors and General Management and Head of the Credit and Pre-litigation Area (together with the Administration and Control Management), the Finance and Equity Investment Management, within the limit of the autonomy granted in conformity with the company's rules.

3. Non-performing credit exposures

Outstanding loans in the funding category are monitored periodically by a special function within the Credit Area in order to have a timely snapshot of any situation that may be deteriorating.

The internal procedure involves submitting a monthly report to the General Management and the Board of Directors. The same procedure regulates the methods used in the classification, management, control and recovery of the positions.

In the monthly report we present the trends and changes in credit quality. The report focuses on doubtful and “unlikely to pay” positions and past due loans. The positions at the moment are not numerous but at the end of the year an analytical review is carried out for positions that are doubtful, for those involving forbearance (on all types of credit status) and those that are “unlikely to pay”. For other performing positions we carry out a collective write-down, taking into account the probability of default for similar products and the percentage of expected loss, as well as the impact on credit risk on the basis of the provisions of IFRS 9 for stages 1 and 2.

The loans granted get repaid according to an amortisation plan; monitoring repayments (six-monthly instalments), also with the support of co-financing banks, enables the Company to follow credit performance by determining any changes in the credit status up to write-off of the balance, after having exhausted all attempts at recovery from the customers.

Quantitative Information

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

Portfolios/quality	Doubtful loans	Unlikely-to-pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	1.379.165	285.534	31.800	1.565.253	284.955.012	288.216.764
2. Financial assets measured at fair value through comprehensive income					140.771.464	140.771.464
3. Financial assets designated at fair value					10.908.197	10.908.197
4. Other financial assets mandatorily measured at fair value					37.663.882	37.663.882
5. financial assets held for sale						
Total 2019	**1.379.165**	**285.534**	**31.800**	**1.565.253**	**474.298.555**	**477.560.307**
Total 2018	**1.640.971**	**605.194**	**144.064**	**246.691**	**427.481.025**	**430.117.945**

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 adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total adjustments	Net exposure	
1. Financial assets measured at amortised cost	8.661.645	(6.965.147)	1.696.499		287.470.504	(950.239)	286.520.265	288.216.764
2. Financial assets measured at fair value through comprehensive income					140.771.464		140.771.464	140.771.464
3. Financial assets designated at fair value					10.908.197		10.908.197	10.908.197
4. Other financial assets mandatorily measured at fair value					37.663.882		37.663.882	37.663.882
5. financial assets held for sale								
Total 2019	**8.661.645**	**-6.965.147**	**1.696.499**	**0**	**476.814.047**	**-950.239**	**475.863.808**	**477.560.307**
Total 2018	**9.892.972**	**-7.502.743**	**2.390.229**		**428.720.495**	**-992.779**	**427.727.716**	**430.117.945**

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			
2. Hedging derivatives			
Total 2018	**0**	**-**	**-**
Total 2017	**0**	**0**	**0**

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

Portfolios/quality	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	1.521.273			43.980					1.696.499
2. Financial assets measured at fair value through comprehensive income									
Total 2019	**1.521.273**	**0**	**0**	**43.980**	**0**	**0**	**0**	**0**	**1.696.499**
Total 2018	**230.426**			**16.264**					**2.390.229**

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

Risk stage reasons	Total adjustments																
	Assets included in the first stage				Assets included in the second stage				Assets included in the third stage				of which: impaired financial assets acquired or originated	Total allocations on commitments to disburse funds and financial guarantees given			Total
Types of exposure/amounts	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments		First Stage	Second Stage	Third Stage	
Opening balance	**857.930**	**77.388**			**134.850**	**349.760**			**7.502.743**	**-**				**334.569**	**423**		**9.257.663**
Increases from financial assets acquired or originated																	-
Cancellations other than write-off																	-
Net adjustments/writebacks for credit risk (+/-)	24.320	(45.163)			(66.860)	40.587			(537.596)	514.400				(90.501)	1.445		- 159.369
Contractual amendments without cancellations																	-
Changes in estimation method																	-
Write-Offs																	-
Other changes *																	-
Closing inventories	**882.249**	**32.225**	**-**	**-**	**67.990**	**390.347**	**-**	**-**	**6.965.147**	**514.400**	**-**	**-**	**-**	**244.067**	**1.869**	**-**	**9.098.294**
Recoveries from collection on financial assets written off																	0
Write-offs recognised directly in the income statement																	0

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

Types of exposure/amounts	Gross Exposure		Total adjustments and total allocations to	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. Cash exposures					
a) Doubtful loans					
of which: forbearance exposures					
b) Unlikely-to-pay loans					
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		195.153.491	(97.211)	195.056.280	
of which: forbearance exposures					
TOTAL A	0	195.153.491	(97.211)	195.570.280	-
B. Off-balance sheet exposures:					
a) Impaired					
b) Performing					
TOTAL B	0	-	0	-	0
TOTAL A+B	0	195.153.491	(97.211)	195.570.280	0

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

Types of exposure/amounts	Gross Exposure		Total adjustments and total allocations to	Net Exposure	Total partial write-offs*
	Non-performing	Performing			
A. Cash exposures					
a) Doubtful loans	8.031.104		(6.651.939)	1.379.165	
of which: forbearance exposures	846.229		(674.005)	172.223	
b) Unlikely-to-pay loans	574.843		(289.189)	285.654	
of which: forbearance exposures	202.459		(91.558)	110.902	
c) Non-performing past due exposures	55.698		(24.019)	31.679	
of which: forbearance exposures				-	
d) Performing past due exposures		1.588.428	(23.175)	1.565.253	
of which: forbearance exposures		88.041	(1.076)	86.966	
e) Other performing exposures		280.072.129	(829.854)	279.242.275	
of which: forbearance exposures		123.106	(1.623)	121.483	
TOTAL A	8.661.645	281.660.557	(7.818.175)	282.504.027	-
B. Off-balance sheet exposures:					
a) Impaired					
b) Performing					
TOTAL B					
TOTAL A+B	8.661.645	281.660.557	(7.818.175)	282.504.027	-

9 Credit concentration

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

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

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

The loans were granted to companies with registered offices in Lombardy.

9.3 Large Exposures

a) Amount (gross exposure): Euro 207,438,256;
b) Amount (weighted value): Euro 103,038,256;
c) Number: 6 positions, namely Gruppo Intesa (Intesa San Paolo and Intesa Vita), Credit Agricole, Ferrovie Nord Milano and Milano Serravalle (both connected with Lombardy Region).

Note that, Ferrovie Nord Milano (100% guaranteed by Lombardy Region) and Milano Serravalle are connected as belonging to the regional system.

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 288/2015 (Title IV, Chapter 14, Attachment C).

The Company has two credit lines of Euro 258 million, and a new line of Euro 242 million, with the European Investment Bank that at the end of 2019 had been drawn down for Euro 166.1 million (book value). The Company has bonds for Euro 200.6 million, current accounts for Euro 77.3 million, loans to businesses stipulated for Euro 143.3 million, of which floating-rate for Euro 64.3 million exposed to interest rate risk and Euro 79 million at fixed rate, as well as insurance policies amounting to Euro 10.9 million. Note that the old credit line of Euro 200 million no longer allows any drawdowns, having been used for Euro 19.8 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. Lastly, insurance policies return a yield based on the amount collected for coupons and dividends, and having both fixed income and variable rate bonds, these have an interest rate risk that is mitigated thanks to the guaranteed minimum.

In 2017, the 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)

Item/residual duration	On demand	up to 3 months	from over 3 months to 6 months	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	**77.292.937**	**97.823.182**	**85.156.955**	**16.221.295**	**139.334.217**	**7.770.052**	**8.508.188**	-
1.1 Debt securities		87.233.277	15.772.790	6.974.525	81.010.405	1.080.421	8.508.188	
Deposit certificates								
1.2 Receivables	77.292.937	10.589.905	58.475.967	9.246.770	58.323.812	6.689.631		
1.3 Other assets			10.908.197					
2. Liabilities	-	**58.000.000**	**108.077.253**	-	**50.137.147**	-	-	-
2.1 Payables		58.000.000	108.077.253	-	-	-	-	
2.2 Debt securities					50.137.147			
2.3 Other liabilities								
3 Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

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 166.1 million credit line of the European Investment Bank. Less than half of the asset items consist of investments in bonds issued by supervised financial institutions and leading corporate companies, for a total of Euro 200.6 million, the rest being cash balances on the Company's current accounts, i.e. Euro 77.3 million. Insurance policies, of Euro 10.9 million. It should be noted, however, that the insurance policies have a guaranteed minimum return. 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.

QUANTITATIVE INFORMATION

3.2.3 - EXCHANGE RISK

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 2019, highlighting in table 1, the total (unweighted) exposure to exchange rate risk.

1. Breakdown by currency of assets, liabilities and derivatives

Items	CURRENCIES					
	US Dollars	GB Pounds	Yen	Canadian dollars	Swiss Francs	Other currencies
1. Financial assets	4.560.203	23.364	1.082.227	70.698	261.665	1.128.078
1.1 Debt securities						
1.2 Equities						
1.3 Receivables						
1.4 Other financial assets	4.560.203	23.364	1.082.227	70.698	261.665	1.128.078
2. Other assets						
3. Financial liabilities	0	0	0	0	0	0
3.1. Payables						
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives	0	0	0	0	0	0
5.1. Long positions						
5.2 Short positions						
Total Assets	4.560.203	597.282	994.040	163.731	-	1.770.043
Total Liabilities						
Imbalance (+/-)	4.190.251	597.282	994.040	163.731	-	1.770.043

The capital requirement for the exchange rate risk amounts to Euro 570,099.

3.3 – OPERATIONAL RISK

Qualitative information

1. ***General aspects, management and measurement of operational risk***

The 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 and Anti-Money Laundering function 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, and monitoring mitigation activities with six-month periodicity.

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 company's funding needs and their coverage, the Finance Department 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 Finance Department 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 Finance Department 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 Finance Department 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, once a year the Finance and Equity Investment Department 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 2019, the Company has cash balances, mainly current accounts for about Euro 77.3 million and this makes it possible to exclude the risks of liquidity mismatch and liquidity contingency, as well as the presence of liquid assets. At the same time, the Company received the drawdowns of the loans stipulated with the EIB for about Euro 166.1 million and cash deriving from the issue of the bond of Euro 50 million. Investments maturing within six months amounted to Euro 42.3 million and the securities portfolio is easily negotiable on the market by means of sales or *repos*.

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	over 3 months to 6 months	over 6 months to 1 year	over 1 year to 3 years	over 3 years to 5 years	over 5 years	undefined maturity
Cash assets	**77.729.192**	**-**	**-**	**-**	**50.173.222**	**53.736.179**	**73.947.007**	**87.180.632**	**60.418.223**	**18.450.428**	**55.925.423**
A.1 Government securities					8.180.056	2.005.386			4.980.477		
A.2 Other Debt securities					15.790.828	16.274.980	63.563.096	50.634.044	27.489.529	11.661.209	
A.3 Loans					26.202.337	35.455.813	10.383.912	36.546.588	27.948.217	6.789.219	
A.4 Other assets	77.729.192	-	-	-	-	-	-	-	-	-	55.925.423
On-balance sheet liabili	**-**	**-**	**-**	**-**	**-**	**5.278.783**	**63.193.970**	**70.608.247**	**21.080.656**	**56.052.745**	**-**
B.1 Payables to:	-	-	-	-	-	5.278.783	63.193.970	20.471.100	21.080.656	56.052.745	-
- Banks				-		5.278.783	63.193.970	20.471.100	21.080.656	56.052.745	
- Financial entities											
- Customers											
B.2 Debt securities								50.137.147			
B.3 Other liabilities											
Off-balance sheet transactions											
C.1 Financial derivatives with capital exchange											
- long positions											
- short positions											
C.2 Financial 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											
- short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received											

SECTION 4

INFORMATION ABOUT THE CAPITAL

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	31/12/2019	31/12/2018
1. Share capital	**211.000.000**	**211.000.000**
2. Share premium reserve	**127.823**	**127.823**
3. Reserves	**43.993.152**	**42.124.815**
- of profits	43.993.152	42.124.815
a) legal	6.834.075	6.707.165
b) statutory	4.704.031	4.577.121
c) treasury shares		
other	32.455.045	30.840.528
- other		
4. (Treasury shares)		
5. Valuation reserves	**1.698.110**	**305.079**
Equities designated at fair value through other comprehensive income	1.914.485	490.038
Hedging of equities designated at fair value through other comprehensive income		
Financial assets (other than equities) measured at fair value through other comprehensive income		
Property, plant and equipment		
Intangible assets		
Foreign investment hedges		
Cash flow hedges		
Hedges (non designated elements)		
Exchange differences	(216.375)	(184.959)
Non-current assets and groups of assets held for sale		
in credit rating)		
Special write-back laws		
Actuarial gains/losses relating to pension plans on defined benefit plans		
Share of valuation reserves relating to equity investments valued at equity		
6. Equity instruments		
7. Net profit (loss) for the year	**1.551.531**	**972.777**
Total	**258.370.616**	**254.530.494**

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

Assets/Amounts	31/12/2019		31/12/2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		1.927.031	405.522	
2. Equities		(12.546)	- 0	
3. Loans		0		0
Total	**0**	**1.914.485**	**405.522**	**0**

The aforesaid valuation reserve increases and decreases according to the valuation at fair value of the HTCS funds, of the bonds, of receivables and of commitments and guarantees according to the new 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	Total
1. Opening balance	**(405.522)**	**0**	**0**	**(405.522)**
2. Positive changes	**3.284.466**	**0**	**0**	**3.284.466**
2.1 Increase in fair value	2.347.494	0		**2.347.494**
2.2 Adjustments for credit risk	936.972			**936.972**
2.3 Reversal to income statement of negative realisation reserves				**0**
2.4 Transfers to other equity components (equities)				**0**
2.5 Other changes				**0**
				0
3. Negative changes	**(951.913)**	**(12.546)**		**(964.459)**
3.1 Decrease in fair value	(951.913)	(12.546)		**(964.459)**
3.2 Writebacks for credit risk				**0**
3.3 Reversal to income statement of positive reserves: realisation				**0**
3.4 Transfers to other equity components (equities)				**0**
3.5 Other changes				**0**
4. Closing inventories	**1.927.031**	**(12.546)**	**0**	**1.914.485**

The OCI reserve and the FTA Reserve in accordance with IFRS 9 has changed because of the increases and decreases in fair value relating to debt securities, receivables, commitments and guarantees. In particular, of note is the decrease in the fair value for equities.

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.

Finlombarda does not make use of the deduction of deferred tax assets from TIER1 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, 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.

We also highlight that as of 1 January 2019, the Finlombarda Group fell under the regime of exemption from sending consolidated supervision, since the subsidiary Finlombarda Gestioni SGR S.p.A., is below the minimum parameters provided for by Circular no. 288 of 3 April 2015. The 2019 values expressed by the tables in Chapter 4.2 therefore represent only the values in the individual financial statements of the parent company Finlombarda S.p.A.

4.2.1.2 - Quantitative information

Items/Amounts	31/12/2019	31/12/2018
A. Core capital before the application of prudential filters	**240.898.222**	**239.665.645**
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)	**240.898.222**	**239.665.645**
D. Elements to be deducted from the core capital	678.886	475.489
E. Total core capital (TIER 1) (C-D)	**240.219.336**	**239.190.156**
F. Tier 2 capital before application of prudential filters	**0**	**0**
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)	**240.219.336**	**239.190.156**

4.2.2 - Capital adequacy

4.2.2.1 - Qualitative information

The current absorption of Own Funds regarding Finlombarda S.p.A. is very low indeed: compared with a total of about Euro 25.9 million of capital requirements imposed by the first pillar, the Company holds regulatory capital equal to Euro 240.2 million and therefore has a surplus of Euro 210.7 million. Tier 1 Capital Ratio is 65.04% and Total Capital Ratio amounts to 65.04%.

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.

Finlombarda 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.

It should also be noted that the implementation of the new ERP system and the consequent "enrichment" of the customer database has made it possible to correctly divide corporate and retail customers, as well as to use the "support factor" provided for SMEs, as envisaged by the CRR. The refinement of the database made it possible to use weighting factors that are more appropriate to the Company's customers, oriented as policy to support local SMEs.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. RISK ASSETS				
A.1 Credit and counterparty risk	532.536.808	438.081.705	324.335.712	358.919.017
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			25.946.857	28.713.521
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			25.946.857	28.713.521
C. RISK ASSETS AND RATIOS				
C.1 Risk-weighted assets			369.364.695	409.261.899
C.2 Core capital/Risk-weighted assets (Tier 1 capital ratio)			65,04%	58,44%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			65,04%	58,44%

SECTION 5

STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross Value	Income tax	Net Value
10	**Net profit (loss) for the year**	3.128.519	(1.576.989)	1.551.531
	Other comprehensive income after tax without reversal to income statement			
20	Equities designated at fair value through other comprehensive income:			
	a) change in fair value	(12.546)		(12.546)
	b) transfers to other equity components			
30	Financial liabilities at fair value through profit or loss (change of own credit rating):			
	a) change in fair value			
	b) transfers to other equity components			
40	Hedging of equities designated at fair value through other comprehensive income			0
	a) change in fair value (hedged instrument)			
	b) change in fair value (hedging instrument)			
50	Property, plant and equipment			
60	Intangible assets			
70	Defined benefit plans	(31.417)		(31.417)
80	Non-current assets and groups of assets held for sale			
90	Share of valuation reserves of equity investments valued at equity			
100	Income tax relating to other comprehensive income without reversal to income statement			0
	Other comprehensive income with reversal to income statement			
110	Foreign investment hedges:			
	a) changes in fair value			0
	b) reversal to income statement			
	c) other changes			
120	Exchange differences:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
130	Cash flow hedges:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
	of which: result of net positions			
140	Hedges (non designated elements):			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
150	Financial assets (other than equities) measured at fair value through other comprehensive income			
	a) changes in fair value	2.332.553		2.332.553
	b) reversal to income statement			
	- impairment adjustments			
	- gains/losses on disposal			
	c) other changes			
160	Non-current assets and groups of assets held for sale:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
170	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			
180	Income tax relating to other comprehensive income with reversal to income statement			
190	**Total other income components**	2.288.590		2.288.590
200	**Comprehensive income (item 10+190)**	**5.429.656**	(1.576.989)	3.840.121

As described in Table 4.1.2.3 of Section 4, significant changes are to be found in the changes in fair value of the mutual funds, offset by the tax effect.

SECTION 6

RELATED PARTY TRANSACTIONS

6.1 - Information on remuneration of managers with strategic responsibilities

	31/12/2019	31/12/2018
Members of the Board of Directors	176.678	176.678
Board of Statutory Auditors	46.800	46.800
Supervisory body	31.200	33.925

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

The Group's transactions with related parties are mainly with the Lombardy Region.
In addition, for greater exposure, we also report intercompany transactions at 31/12/2019 with the subsidiary Finlombarda Gestioni SGR:

FINLOMBARDA SGR	Revenues	20.000	**Costs**	-
	Receivables	38.315	**Payables**	-
LOMBARDY REGION	Revenues	10.583.820	**Costs**	64.895
	Receivables	6.248.880	**Payables**	78.240

6.4 – Information on the audit firm

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

Type of services	Counterparty	31/12/2019	31/12/2018
Audit	BDO Italia S.p.A	5.886	30.710
Other services	BDO Italia S.p.A		31.500
Audit	Audirevi SPA	29.832	
Other services	Audirevi SPA	26.103	

With reference to Audirevi S.p.A., identified as the new statutory auditor by resolution of the shareholders' meeting of 10/09/2019, to replace BDO Italia S.p.A. whose nine-year mandate has expired, the fees indicated relate to the annual contractual maximum.

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.

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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, 2019, 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, 2019 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.

Matters of emphasis

We draw attention to the paragraph "subsequent events" of note to the Consolidated Financial Statements which describes the considerations regarding the Covid-19 emergency. Our opinion is not modified in respect of this matter.

Other aspects

Finlombarda's consolidated financial statements as of 31 December 2018 has been audited by another Auditor that on April 19, 2019 iussed an unquilified opinion on the financial statements.

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 Responsabilities 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, 2019, 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, 2019 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, 2019 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, 26 May 2020

Audirevi S.p.A.
(signed in the original)

Gian Mauro Calligari
Partner