REPORT AND FINANCIAL STATEMENTS AT 31 DECEMBER 2023

FINLOMBARDA S.p.A.

Sole shareholder: the Lombardy Region

Registered office and headquarters: Piazza Gae Aulenti, 1 - Tower B - 20154 Milan

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

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

Board of Directors

Chair	MASCETTI ANDREA
Directors	AGLIARDI DORINO MARIO LOMBARDI MAURIZIO LEONARDO RONCALLI ELISABETTA MARIA SPERANZA SARA ANITA

Board of Statutory Auditors

Chair	TUSCANO ANTONIO LIBERATO
Auditors	BELOTTI LUCA MOLINARI MARGHERITA

General Management

General Manager	RALLO GIOVANNI

Audit Firm

AUDIREVI S.p.A.

SUMMARY

REPORT ON OPERATIONS

Dear Shareholder,
2023 closed with a net profit after tax of Euro 7,984,119. Depreciation on property, plant and equipment and amortisation on intangible assets have been charged for a total of Euro 477,514.
The annual financial statements presented were prepared according to the IAS/IFRS international accounting standards and in compliance with the provisions relating to "The financial statements of IFRS intermediaries other than banking intermediaries", issued by the Bank of Italy with integrated provision of 17 November 2022 from the communication of 14 March 2023 concerning "The impacts of COVID-19 and the measures to support the economy".

1. THE MACROECONOMIC CONTEXT

1.1. The global macroeconomic context in 2023

On the basis of the most recent data published by the Bank of Italy[1], estimates for global GDP would show that global growth in 2023 would be 2.9%, after 2022 at 3.3% (and the 2021 exploit, recovering from pre-pandemic levels, at 5.9%); at the country level, the effect differs by country and area: while 2023 for the UK notes a collapse from the previous year's levels (from 4.3% to 0.5%), for the US and Japan 2023 would mark a recovery from the previous year. China and Russia would recover significantly in 2023 (from 3% to 5.2% and from -2.1% to 1.3%). Thus, in the US, economic activity is weakening and in China, growth would still be below pre-pandemic levels.
The reduction of core inflation in the US and the UK prompted both the Federal Reserve and the Bank of England to keep their key interest rates unchanged, and to maintain a restrictive monetary policy until their respective inflation reduction targets were reached. The downward revision of traders' expectations of official rates in the US and Europe led to an easing of interest rate conditions in international financial markets.

[1] Bank of Italy, Economic Bulletin, Number 1 / 2024 January.

GDP and world trade growth and macroeconomic scenarios (%)				
Forecasts				
	2020	2021	2022	2023
World	-3.4	5.9	3.1	2.2
		Advanced countries		
Euro area	-6.4	5.3	3.3	0.5
Japan	-4.5	2.1	1.6	1.8
United Kingdom	-9.7	7.6	4.4	-0.4
United States	-3.4	5.9	1.8	0.5
		Emerging countries		
Brazil	-3.9	5	2.8	1.2
China	2.2	8.1	3	4.6
India	-7.3	8.3	6.6	5.7
Russia	-3	4.8	-5.5	-4.5
World trade	-8.4	11.2	5.6	1.7

Source: Bank of Italy Economic Bulletin no. 1 - 2023

1.2. European Union

In 2023, stagnation continued in the Euro area due to lower domestic and foreign demand. The weakness in manufacturing and construction would also be transmitted to services, although employment growth would continue. Inflation was lower than expected in the latter part of the year. In the last quarter of 2023, the Governing Council of the ECB left key interest rates unchanged, assessing that they are sufficient, if maintained for an appropriate period, to pursue the 2% inflation target. The cost of financing for households and businesses continues to be affected by previous rate hikes, significantly lowering the demand for credit.

Yields on ten-year government bonds fell and the spreads of Italian bonds with the corresponding German bonds fell (BTP - BUND spread).

In December 2023, the EU Council reached an agreement on the reform of the Stability and Growth Pact on the basis of what the European Commission had previously proposed: centrality of the debt sustainability analysis in the medium term and negotiations with each Member State to define the budget consolidation process. However, additional numerical criteria, equal for all members, have been provided for debt and structural deficit. Negotiations are ongoing to finalise the regulatory text.

1.3. International financial markets

In the quarter just ended, IRS rates in Euro contracted significantly across the entire curve, closing the full-year comparison narrower; rates remain higher in the short than in the medium to long term, but the trend is no longer necessarily pre-recession. By contrast, there were no significant quarterly changes on the Euribor curve, apart from a decrease in the six-month tenor. Over the year as a whole, generalised yield increases are confirmed. The stock market shows positive quarterly performances on the major indices, and 2023 closes with double-digit annual performances (with the exception of Hong Kong). On the foreign exchange market, there was a slight strengthening in the last quarter of 2023 of the Euro against the USD, which was less pronounced or absent in comparison with other currencies.

After the rise in yields since 2022, Italian government bonds closed the last quarter on a downward trend, discounting positive factors such as the latest confirmation of ratings on Italian debt (S&P: BBB, Fitch: BBB, Moody's: Baa3) and expectations of upcoming ECB rate cuts. The year-on-year comparison reflects this dynamic, showing the correlation whereby the tightening is more pronounced where the duration of the security is longer.

Main 10Y bond yields	Dec 2023	YTD change (bps)	Quarterly change (bps)
Italy 10 Year	3.69%	-101	-110
Spain 10 Year	2.98%	-67	-96
Germany 10 Year	2.03%	-53	-81
UK 10 Year	3.53%	-13	-91
US 10 Year	3.87%	-1	-71

Italian bond yields	Dec 2023	YTD change (bps)	Quarterly change (bps)
Italy 2 Year	2.98%	-24	-104
Italy 5 Year	3.06%	-93	-115
Italy 6 Year	3.18%	-89	-113
Italy 10 Year	3.69%	-101	-110
BTP-Bund spread	166	-45	-26

Stock Markets	Dec 2023	Change YTD %	Quarterly change %
Ftse Mib Index	30,352	28.03%	7.47%
Euro Stoxx 50 Index	4,093	12.09%	4.43%
S&P 500 Index	4,770	24.23%	11.24%
HK Hang Seng Index	17,047	-13.82%	-4.28%
Nikkei 225	33,464	28.24%	5.04%

Main currencies	Dec 2023	Change YTD %	Quarterly change %
Euro/Us Dollar	1.10	3.12%	4.41%
Euro/British Pound	0.87	-1.99%	0.03%
Euro/Japanese Yen	155.63	10.93%	-1.43%
Euro/Swiss Franc	0.93	-6.15%	-3.99%
US Dollar/Yuan	7.13	2.92%	-2.33%

EU Rates	Dec 2023	YTD change (bps)	Quarterly change (bps)
IRS 2Y EUR	2.79%	-60	-101
IRS 5Y EUR	2.43%	-80	-97
IRS 10Y EUR	2.49%	-70	-90

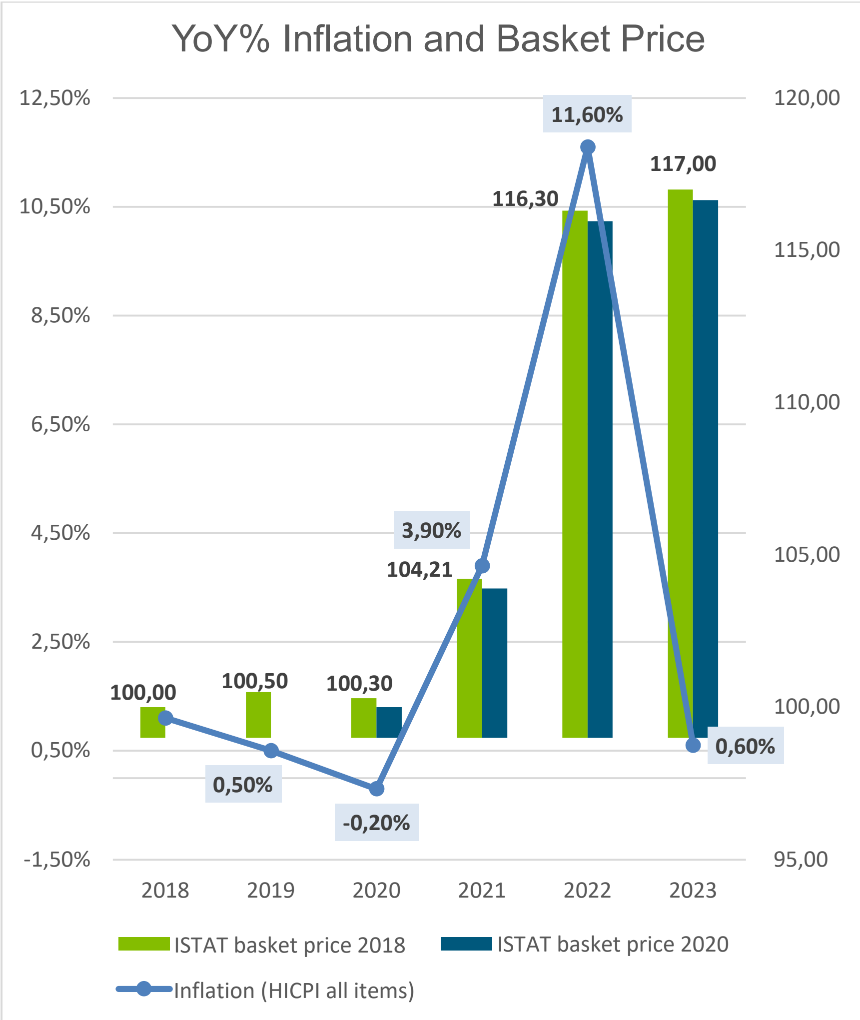
US Rates	Dec 2023	Change YTD (bpP)	Quarterly change (bps)
IRS 2Y USD	4.35%	-35	-90
IRS 5Y USD	3.81%	-21	-83
IRS 10Y USD	3.75%	-8	-78

Other	Dec 2023	Change YTD % / bps	Quarterly change % / bps
MXEU Index	160.64	12.73%	6.11%
Italy YoY inflation	0.60%	-1,103	-480

Euribor Rates	Dec 2023	Change YTD	Quarterly change
Euribor 1M	3.85%	+197	-
Euribor 3M	3.91%	+178	-4
Euribor 6M	3.86%	+117	-27

Our elaboration on Refinitiv data - 12/2023

After peaking at more than 11% at the end of 2022, inflation gradually declined until the final figure of 16 January, with retracing to 0.60% (referring to the Italian situation). At the end of 2023, the inflation observed over the last 3/5 years caused the price of the ISTAT reference basket (which also includes exogenous factors related to energy prices) to increase by more than 16%, both taking 2018 pre-Covid and 2020 post-Covid as a starting point.



Source: Our elaboration from Refinitiv data, ISTAT - 12/2023

After reaching their absolute lows since the introduction of the Euro at the beginning of 2022, at the beginning of 2023, Euribor rates marked a return to positive territory as the result of a marked reversal, and at the end of the year, doubled the levels of the previous year.

First measurement of 1-month Euribor for each year

1-month Euribor							
2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
-0.37%	-0.37%	-0.36%	-0.44%	-0.57%	-0.58%	1.88%	3.85%

1.4. The Italian economy

According to Bank of Italy estimates[2] our country's growth would be zero at the end of 2023, later revised to +0.7% by ISTAT, due to worsening credit conditions and the still high level of energy prices. Consumption stagnated and investments declined. After the growth of 2022, industrial activity declined again. Instead, services would have stabilised and construction would have grown, thanks to previous tax incentives.

Gross domestic product and main components (percentage changes over previous period and percentage points)					
ITEMS	**2022**	**2023**			**2022**
	Q4	Q1	Q2	Q3	
GDP	**-0.2**	**0.6**	**-0.4**	**0.1**	**3.7**
Imports of goods and services	-2.1	0.2	0.7	-2.0	12.4
Domestic demand	-1.4	-0.3	1.1	1.8	4.3
Domestic consumption	-1.1	0.6	-0.2	0.6	3.9
Gross fixed capital expenditure	0.9	1.0	-2.0	-0.1	9.7
Change in stocks	-0.7	0.4	0.9	-1.3	-0.7
Exports of goods and services	1.5	-1.4	-1.1	0.6	9.9
Net exports	1.2	-0.6	-0.7	1.0	-0.5

Source Bank of Italy Economic Bulletin no. 1 - 2024

Household spending increased (0.7% in Q3), due to an improvement in the employment rate and lower inflation. The consumption of services and durable goods grew, while spending on non-durable and semi-durable goods decreased. Savings increased, (still more than one percentage point below the pre-pandemic level).

Exports would increase in the autumn (0.6%). The largest contribution came from mechanical engineering and pharmaceuticals, followed by refined petroleum products and chemicals, with increased sales of goods in markets outside the Euro area. Imports decreased (-2.0% in volume).[3]

---

[2] Bank of Italy, Economic Bulletin, Number 1 / 2024 January.

[3] With reference to the possible impact of the current military crisis in the Red Sea, consider that shipping through that transit route concerns almost 16% of Italian imports of goods in value and in particular trade with China (second largest supply market after Germany), East Asia and the Persian Gulf (energy raw materials). Exports, on the other hand, account for about 7 per cent of goods leaving Italy.

The current account balance is positive, due to a reduction in the energy deficit and an increase in the surplus of non-energy goods. The net international credit position was reported to have strengthened to Euro 122.7 billion or 6.1 per cent of GDP at the end of September.

The disinflationary trend intensified, also involving non-energy industrial goods and services. During 2023, there was a fall in prices, which was affected by a decrease in prices for services (hotels and restaurants) and non-energy (durable) industrial goods. By contrast, food inflation remained high at 5.5%. In December, consumer price growth was at 0.5%, the lowest value since January 2021. Weak demand and the tightening of supply criteria, linked to monetary policy, affect loans to businesses and households. The cost of credit increased and funding decreased, while the rate of credit deterioration remained low. Since late autumn, thanks to the expectation of an easing of monetary tightening, conditions in Italian financial markets have eased and the spread with German bonds has decreased significantly. The yield on Italian government bonds on the ten-year maturity fell to 3.7%: there was less interest expenditure on government debt due to both the fall in long-term yields and the favourable ratings on Italian debt by the major rating agencies last autumn.

In Q4 2023, equity prices in Italy and the Euro area rose (by 10.7% and 7.4% respectively) and volatility remained low. Prices in the banking sector rose by 13.4% in Italy (8.1% in the Euro area).

According to the available information, the deficit and the ratio of public debt to gross domestic product would be reduced in 2023. The budget manoeuvre for the three-year period 2024-26 was approved in December; in the same month, the European Union approved the revision of the National Recovery and Resilience Plan (PNRR) and disbursed the fourth payment instalment.

1.5. Labour market

Conditions in the labour market remained favourable, and the trend of employment growth continued in the latter part of the year, settling at a lower level than in 2019 (especially for permanent employment) but at a slower pace than in the first part of the year. The participation rate would set a new high, however without yet having recovered to pre-pandemic levels, and the unemployment rate would remain stable. Wages in the non-agricultural private sector grew in the third quarter and, according to estimates, there would be sufficient profit margins, in combination with falling input costs, to allow companies to absorb additional wage costs without leading to new price increases.

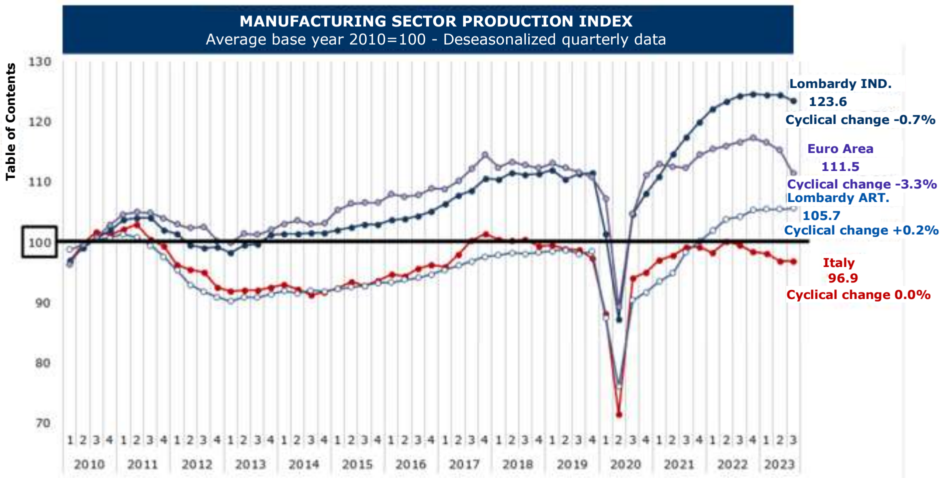
1.6. Lombardy Region

Evidence gathered by Unioncamere Lombardia[4] indicates that the region's economy slowed down in 2023, mainly due to stagnating industrial production. In the first half of the year, there was an increase in GDP of 1.3% (3.1% in 2022), and the assumed growth for the year was 0.6% (against 0.7% at national level).

Consumer inflation remains high, although gradually decreasing. The price index increase dropped to 5.3% in September, down from 11% in December 2022. The reduction would mainly depend on falling international energy commodity prices, thus exogenous factors.

The sharp slowdown in industry was caused by falling demand, both domestic and foreign.

Private non-financial services continued to grow, however less than in the previous two years, particularly accommodation and catering, due to a strong increase in tourist spending. The production index remains at a high level compared to the past, but contracted, bending downwards after months of relative stability (123.6 points, down 0.7%). The turnover figure remained substantially stable.



Source: Unioncamere Lombardia, The Economy of Lombardy.
Trends in the manufacturing sector Q3 2023, Milan 20 November 2023

The profits of companies in Lombardy were supported by better supply conditions and higher end prices. Financing to the production sector has declined since Q2 2023, due to both reduced demand and a more restricted offer. Insolvency rates would still remain low.

4 Unioncamere Lombardia, The Economy of Lombardy. Trends in the manufacturing sector Q3 2023, Milan 20 November 2023

Consumption continued to grow, but at a significantly slower pace than in 2022, due to inflation. Loans to households declined in the first half of the year, and came to a halt in the summer months (mortgages to purchase homes). Consumer credit, on the other hand, continued to grow as in 2022. The activities related to the implementation of the National Recovery and Resilience Plan (PNRR) continue, with about 37 per cent of the resources needing to be put out to tender in the Lombardy region. In total, the amounts of the PNRR and the National Complementary Plan (PNC) so far allocated to public entities for interventions in the region amount to approximately Euro 13.8 billion.

1.7. Credit market

According to the Bank of Italy's analysis, the growth rate of credit to businesses would have dropped by 6% in the period from September 2022 to September 2023 (Euro -8.5 billion) with reference to both investment expenditure and working capital. The contraction would result firstly from a drop in demand and secondly from more restrictive conditions. The average interest rates applied on loans related to liquidity needs in the first half of 2023 would have grown to 5.4% (+1.6%), those for investments to 6.0% (+1.5%).

Fixed-rate loans accounted for 13.7% of total investment loans (27.3% in 2019). Of corporate credit in mid-2023, 25% was backed by collateral (34% at the end of 2019). Loans backed by government guarantees amounted to 16% (3% in December 2019). Of loans, 12% (13% in 2019) benefited from personal guarantees issued by other operators.

The credit deterioration rate increased slightly (to 1.5% in June from 1.3 at the end of 2022), particularly with regard to industry. In June, the share of gross impaired loans in total loans was 4.1%. Net of write-downs already accounted for by banks, the incidences of impaired and non-performing loans were 2.1 and 0.5%, respectively.

In the first nine months of 2023, placements of debt securities amounted to Euro 21.6 billion, more than in the corresponding period of 2022. New deposits amounted to Euro 3.3 billion. The vast majority of the resources came from large companies (18 out of 50). Two-thirds of the companies that issued bonds would have presented a medium and low degree of risk calculated on the basis of balance sheet indicators.

Debt securities with Environmental, Social, Governance (ESG) sustainability objectives are said to have raised Euro 1.2 billion, about 6% of the total.

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

PERIODS	Public administration	Financial and insurance companies	Non-financial private sector: Total non-financial private sector (2)	Enterprises: Total enterprises	Enterprises: Medium-large	Small (3): Total small enterprises	Small (3): of which producer households (4)	Consumer households	Total
Dec. 2021	-4.8	1.2	2.9	2.3	2.4	1.4	3.6	4.1	2.5
Mar. 2022	-2.8	4.1	3.2	2.3	2.7	-0.9	0.6	4.8	3.3
Jun. 2022	-1.7	6.3	4.3	3.9	4.6	-1.1	0.2	4.9	4.5
Sept. 2022	-2.6	5.8	5.6	5.8	6.9	-1.9	-0.4	5.1	5.4
Dec. 2022	-1.5	7.3	2.6	1.6	2.3	-3.5	-2.0	4.2	3.4
Mar. 2023	-0.5	4.6	1.1	0.2	0.8	-4.7	-3.1	2.7	1.7
Jun. 2023	-2.0	1.3	-1.1	-2.3	-1.6	-7.3	-5.6	0.8	-0.7
Sept. 2023 (5)	-2.0	-0.9	-3.9	-6.0	-5.6	-9.0	-7.2	-0.2	-3.3

Source: regulatory reporting - - Regional economies - Lombardy's economy - Cyclical update - November 2023

(1) Includes non-performing loans and repurchase agreements; changes are adjusted to take into account the effect of securitisations, reclassifications, other disposals other than securitisations, exchange rate changes, write-downs and, from January 2022, revaluations. - (2) Also includes non-profit institutions serving families and unclassified or unclassifiable units - (3) Limited partnerships and general partnerships, simple partnerships, de facto corporations and sole proprietorships with fewer than 20 employees. - (4) Simple partnerships, de facto corporations and sole proprietorships up to 5 employees. – (5) Provisional data

Segments	Dec. 2021	Mar. 2022	Jun. 2022	Sept. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sept. 2023 (1)	End-of-period balances (Jun. 2023)
Manufacturing activities	0.8	3.1	7.4	6.3	4	-1.6	-5.3	-7.6	59,961
Buildings	-1	1.9	3.8	2.3	-0.6	-2.2	-4.2	-6.1	18,418
Services	3.2	1.8	2.6	6.8	2.1	2.7	-0.1	-5	110,776
Total	2.3	2.3	3.9	5.8	1.6	0.2	-2.3	-6	204,530

Source: regulatory reporting - Regional economies - Lombardy's economy - Economic update - November 2023
(1) Provisional data

1.8. Future outlook

With reference to the 2023 forecast and the growth rate acquired for 2024, Unioncamere hypothesises three possible scenarios for industrial production in Lombardy: moderate economic contraction, zero growth and moderate growth, in any case not going beyond a very weak average annual growth compared to 2022 (<= 0.5 per cent).

Scenario	Average annual growth	Acquired growth rate in 2024
Moderate concentration	0%	-1.10%
No growth	**0.30%**	**-0.40%**
Moderate growth	0.50%	0.40%

For Italy's industrial production, the Prometeia latest scenario would estimate the fourth quarter at 0.3%, a negative result at the end of the year, and "a context of substantial stagnation between

January and February (-0.2 and 0.2%) that would lead to a stalemate in the average of the first quarter [...]. By contrast, the February forecast would result in a negative, -0.8% acquired growth by 2024".[5]

Based on Bank of Italy analyses for the four-year period 2023-2026, assuming no significant new tensions in commodity and financial markets, trade could return to expansion at rates of around 3 per cent and energy prices gradually decline. On the negative side, tighter monetary and credit conditions would remain. GDP would increase by 0.6 per cent in 2024 and 1.1 per cent in 2025 and 2026.

Economic activity would grow thanks to higher disposable income and foreign demand. However, investment would be limited by financing costs and the removal of incentives for housing upgrades, as they would not be sufficiently compensated by the activation of PNRR measures. Consumer inflation would remain below 2% on average over the three-year period. Wages would accelerate over the same period (over 3 per cent per year on average).

The risks to growth would diminish and would stem from a persistently low dynamism of world trade, the weakness of the Chinese economy and the possible escalation of international tensions.

In the latest update of the International Monetary Fund (released on 30 January 2024), it forecasts GDP growth for Italy of 0.7% in 2024 and 1.1% in 2025. According to these estimates, Italy will grow more than the UK (+0.6%) and Germany (+0.5%) in 2024. In contrast, the International Monetary Fund revised its estimates for the Euro Area downwards. After plus 0.5% in 2023, Euro area GDP will grow by 0.9% this year (-0.3 points compared to the previous forecast) and in 2025 by 1.7% (-0.1).

In general, according to the International Monetary Fund, the world economy remains resilient to shocks and seems to be heading for a soft landing. The risks would in fact be balanced and there would be room for further upside in terms of growth. World GDP growth in 2024 is estimated at plus 3.1%, i.e. 0.2 percentage points higher than previous estimates. Instead for 2025, growth is expected to accelerate to 3.2%.

Inflation, according to International Monetary Fund analysts, is set to decline globally from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025, with advanced economies expected to see faster disinflation. It is also emphasised that central banks "must avoid premature loosening" of monetary

[5] https://www.prometeia.it/it/trending-topics-article/produzione-industriale-prosegue-la-caduta-a-novembre-attesa-stagnazione-nel-q1-2024

policy, which would jeopardise the credibility they have gained and could result in a recovery in inflation. "With inflation dropping towards the target, the short-term priority for central banks is a soft landing, neither lowering rates prematurely nor delaying cuts too long".

2. THE ACTIVITY CARRIED OUT IN 2023

The activity carried out by Finlombarda in 2023, 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 and 2021-2027 community programming and regional funds), and of financial intermediation products, in terms of launching new initiatives and remodulating some of the existing ones.

With regard to the financial instruments with EU resources from the 2014-2020 programming period, efforts continued to manage the interventions already started in previous years, as this programming cycle is in the conclusion phase. In particular, we mention the measures FREE (Regional Energy Efficiency Fund), Al Via, R&D Line for SMEs (FRIM ERDF 2020), R&D Line for Aggregations, Credit Fund for Agroindustry (Operation 4.2 RDP-FEASR), Intraprendo Line, Counter-guarantee Line, FRIM ERDF 2020 "Research & Development", Internationalisation Line.

With regard to financial instruments with EU resources from the 2021-2027 programming period, new tenders were launched in 2023 for the following financial instruments:

- **"Internationalisation line 2021-2027" - Projects for competitiveness in foreign markets**, which supports the internationalisation of Lombardy companies by supporting the implementation of structured development programmes aimed at starting up and/or consolidating their business in foreign markets in a structured and integrated manner. The subsidy, which may not exceed a total amount of Euro 350,000, is granted and disbursed up to 100% of eligible expenses, of which 80% in the form of subsidised loans and 20% in the form of non-repayable grants, with a minimum investment of Euro 35,000.
- **"Research and innovate"** (first and second implementing tender), which supports investment in industrial research, experimental development and process innovation (including digital) by Lombardy SMEs. The facility, which fully covers the eligible project

investment, provides for an interest-free loan combined with a non-repayable (capital) contribution from a minimum of Euro 80,000 up to a maximum of Euro 1 million.

- **"Investment Attraction Line",** which supports the attraction of new investments and the consolidation/development of existing investments related to the start-up of a new operational headquarters or the expansion of an existing operational headquarters by SMEs and MidCaps in Lombardy. The facilitation consists of a free regional guarantee on a medium-long term loan provided by the financing entities and aimed at obtaining the necessary financial resources for the investment and a non-repayable grant, for investments between Euro 200,000 and Euro 6,000,0000 (Euro 10,000,000 until 31.08.2023);
- "**Green Line**", which supports investments in energy efficiency in production facilities through the reduction of energy consumption and energy recovery and/or greenhouse gas capture by SMEs and large enterprises in Lombardy (the latter until 31.08.2023). The facilitation consists of a free regional guarantee on a medium-long term loan provided by the financing entities and aimed at obtaining the necessary financial resources for the investment and a non-repayable grant, for investments between Euro 100,000 and Euro 3,000,0000 (Euro 10,000,000 until 31.08.2023);
- "**Company Development Line**", which supports the activation of investments in the strengthening of production and organisational flexibility and the enhancement of resilience to endogenous and exogenous shocks, with particular reference to the use of new digital technologies, by Lombardy's SMEs and MidCaps. The facilitation consists of a free regional guarantee on a medium-long term loan provided by the financing entities and aimed at obtaining the necessary financial resources for the investment and a non-repayable grant, for investments between Euro 100,000 and Euro 3,000,0000.
- "**Microcredit**", which facilitates start-up or business development projects by SMEs and self-employed persons with VAT registration, through the direct involvement of microcredit operators affiliated with the Lombardy Region. The facility envisages a regional loan with a nominal interest rate of zero, combined with a loan granted on market terms by a microcredit operator with an agreement with the Lombardy Region, both covering 100% of the eligible expenses for a maximum eligible amount of between Euro 15,000 and Euro 75,000, which can be increased to Euro 100,000 if the beneficiary is a limited liability company.
- "**Lombardia Venture**", a regional initiative aimed at supporting access to venture capital by Lombardy's companies and attracting other venture capital investments in companies through a partnership approach with private investors. "Lombardia Venture" has an

endowment of Euro 40 million from the Lombardy ERDF Regional Programme 2021-2027 and provides for the subscription by a "fund of funds", managed by Finlombarda, of minority shares of venture capital funds - selected through a regional public procedure - that will invest in the venture capital of 'deep tech' start-ups and scale-ups (excluding pre-seed and seed stages) in Lombardy.

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

Finlombarda also supports the Lombardy Region by providing technical assistance in the area of social housing policies, in particular on EU regulations on Services of General Economic Interest (SIEG).

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

- "**InnovaLombardia - Innovation Line"**, 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 combines co-financing with an interest subsidy based on 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). In 2023, about Euro 1.8 million were disbursed, considering only the resources based on the co-financing portion of Finlombarda;
- **"AL VIA" initiative**, launched with the publication in the BURL S.O. no. 24 of 13 June 2017 of the Notice to Enterprises and in the BURL Series Notices and Calls no. 24 of 14 June of the Notice to Intermediaries: the measure, aimed at Lombardy SMEs for the financing of productive investments, consists of medium-term co-financing for up to 6 years (50% from the resources of Finlombarda and 50% from the resources of the participating intermediaries)

with a total value of Euro 220 million. It is combined with a capital contribution on ROP ERDF 2014-2020 resources (from 5% to 15%) and a first-demand free guarantee equal to 70% of the co-financing disbursed, again based on resources of the ROP ERDF 2014-2020. In September 2020, the Initiative was revised with the introduction of the new funding line Corporate Investments FAST, in addition to the already existing lines 'Corporate Development' and 'Relaunch of Productive Areas', which also supports investments for compliance with new health and safety protocols in the post-Covid and provides a capital contribution on resources ROP ERDF 2014-2020 equal to 15%.

The cumulative amount of disbursements in 2023 was Euro 10.2 million, considering only the resources based on the portion of co-financing of Finlombarda;

- **"Credito Adesso Evolution",** launched in April 2020 with an endowment of Euro 67 million (50% from Finlombarda, 50% from banks and the Confidi affiliated) for loans and Euro 7.35 million of regional resources for interest-rate subsidies; the measure has been refinanced to bring the funding ceiling up to Euro 389 million (50% from Finlombarda, 50% from banks and the Confidi affiliated) for loans and Euro 37.35 million of regional resources for interest-rate subsidies. In December 2020, a refinancing of Euro 270 million (50% from Finlombarda, 50% from the banks and Confidi partners) for loans and Euro 25 million of regional resources for interest subsidies was also approved, to start in 2021. Lastly, in December 2021, a new refinancing of Euro 300 million (50% from Finlombarda, 50% from the banks and Confidi partners) was approved for loans and Euro 24 million of regional resources for interest subsidies, thanks to the savings generated on previous branches and on Credito Oggi. In September 2022 and December 2022, two refinancing of the measure were approved, each amounting to Euro 160 million for loans (max 50% by Finlombarda, 50% by the banks and Confidi affiliated) and Euro 15.8 and 16 million of regional resources for interest subsidies, respectively. The measure in support of companies' working capital has the following characteristics: a) co-financing for a maximum of 72 months, of which a maximum of 24 months of pre-amortisation by Finlombarda (50%) and banks (50%); b) 3% interest rate subsidy. The amount of disbursements in 2023 was about Euro 92 million, considering only the resources based on the portion of co-financing of Finlombarda;
- **Patrimonio Impresa**, call opened on 08 July 2021 to finance capital strengthening (with a non-repayable contribution of 30%) and investments in strategic areas for economic recovery and revival (investment attraction, repatriation of production, reconversion and business development, digital and "green" transition) of SMEs and professionals in Lombardy. The

measure has a budget of Euro 100 million for loans made available by Finlombarda, Euro 30 million for non-repayable grants and Euro 10 million for guarantees on loans granted by Finlombarda, made available by the Lombardy Region. The value of disbursements for 2023 amounted to about Euro 0.954 million on the Finlombarda share of the financing; of the 350 admitted applications, 466 also received disbursements of Euro 25 million;

- "**Minibond**", alternative financing channel for Lombardy companies, aimed at supporting them - in co-financing with leading operators in the financial sector - through the subscription of bonds issued by the companies to finance their investment plans and working capital requirements, or for debt refinancing. The ceiling of financial resources made available by Finlombarda for the subscription of mini-bonds amounts to Euro 120 million, in addition to the funds made available by other financial operators co-financing. It is noted that portion of the ceiling, equal to Euro 50 million, is allocated to companies that qualify as sustainable in environmental, social and with regard to their governance model (ESG). Since the initiative was launched, 11 transactions have been approved, of which 9 subscribed for a total subscription value (Finlombarda portion) of Euro 18.78 million against a total issue value of Euro 63.5 million.
- **Basket Bond Lombardia**, the Programme aims to finance the Lombardy SMEs and Mid Caps adhering to the ELITE private market of Borsa Italiana (Euronext Group) in their medium-long term development and growth plans in Italy and abroad. The instrument (collateralised debt obligation) consists of a securitisation of bonds issued by companies initially acquired by a specially constituted vehicle company, and subsequently transformed into asset-backed notes subscribed exclusively and jointly by Finlombarda and Cassa Depositi e Prestiti. The Issuance Programme, which had a total amount of Euro 80 million and a rump-up period that ended in December 2022, saw subscriptions equal to Euro 37 million (of which Euro 18.5 million subscribed by Finlombarda);

  "**Crowdfunding Minibond**", a new initiative launched in 2023 to support the regional productive fabric through the subscription of minibonds, even of very low value (minimum Euro 150,000), placed through authorised crowdfunding platforms, issued by Lombardy companies to finance business investment plans, working capital requirements or to refinance debt. The ceiling of financial resources made available by Finlombarda for the subscription of minibonds placed through crowdfunding platforms amounts to Euro 15 million;
- **Syndicated Loans:** the product involves the intervention of the Company in pooled financing operations as Participant to support Lombardy companies that will have to carry out

investment programmes with high financial requirements. The overall ceiling made available by Finlombarda amounts to Euro 365 million, of which 200 million dedicated to operations carried out taking advantage of the guarantees issued by SACE S.p.A - CDP Group and Euro 65 million dedicated to leveraged and acquisition financing operations. Since the initiative was launched, 13 pooled transactions have been approved for a total amount of Euro 564 million (of which Euro 81.7 million the Finlombarda share);

- **"Credito PPP" - Public Private Partnership,** with a ceiling made available by Finlombarda of Euro 200 million, the objective of "Credito PPP" is to support Lombardy companies of any size that have been awarded Concessions or Public Private Partnership contracts, financing investments for the construction or restructuring of public works and services, and for the refinancing of debts previously contracted. The financing granted may be corporate or project finance;
- **Plain Vanilla,** product to support the financial needs of Lombardy companies belonging to any production sector through the disbursement of loans, unsecured or mortgage, ranging from Euro 150 thousand to 15 million and with a duration of 24 to 20 years intended to cover the costs inherent in the company's investment plan (capex) and/or operational management (opex). The ceiling made available by Finlombarda amounts to Euro 100 million. Through this initiative, 8 financing transactions were approved for a total value of Euro 27.6 million;
- **Credito F.A.C.I.L.E.**, an alternative finance product developed in collaboration with the October social lending platform, in response to the liquidity needs of Lombardy businesses during the economic recovery phase from the pandemic event. Finlombarda subscribed notes issued by the October SME IV Alternative Investment Fund managed by October Factory SGR and dedicated to the granting of loans through the October platform. The investment period ended in 2022 and the resources contributed by Finlombarda, amounting to Euro 6.4 million, were used to disburse sixty loans of up to Euro 150 thousand to SMEs in Lombardy.
- **Fondo RipreSA**, product launched in 2022 to financially support the sector of non-profit care homes (RSAs) accredited with the Regional Health System, through the granting of mortgage loans from 18 months to 10 years (which can be increased to 15 for SMEs) for amounts between Euro 100 thousand and Euro 1 million (and in any case, no more than 10% of the average turnover in the last two financial years) assisted by a free regional guarantee. Five financing transactions were approved for a total value of Euro 2.2 million.

Also in 2023, Finlombarda continued to manage three major initiatives to **finance investments by Lombardy Local Entities** (EE.LL.):

- RL (Regional Law) 9/2020 "Interventions for economic recovery", with a total expenditure of Euro 400 million, allocated to one or more public works carried out by Lombardy EE.LL. For the management of these resources, the Lombardy Region has set up a Fund, which is managed by Finlombarda;
- RL (Regional Law) 4/2021 "Interventions in support of Lombardy's economic fabric" allocated a further Euro 101 million, with similar purposes to RL 9/2020, providing for the same role for Finlombarda;
- a portion of the resources from the "programme for economic recovery" on the "Interventions for economic recovery" Fund pertaining to the interventions referred to in DGR no. XI/4525 of 07 April 2021, amounting to Euro 91 million for Lombardy's municipalities.

During 2023, the Company continued its commitment to offering **personalised services aimed at companies, focusing on competitiveness through areas such as innovation, sustainability and internationalisation**. The activities carried out contributed to the consolidation of the integration of the services provided through the **"Simpler" project** (European Network EEN - Enterprise Europe Network) and the **Open Innovation** project, the collaborative platform of the Lombardy Region that promotes the development of open innovation ecosystems.

Specifically, during the year, a total of **18 open innovation challenges** launched by national and international companies (thanks to the collaboration with the EEN network) were promoted to companies, students and start-ups in Lombardy. More than **500 collaboration proposals and partner searches** were actively disseminated to companies in Lombardy, accompanied by the corresponding expressions of interest for the development of industrial projects and activities.

The company also provided more than **200 individual consultancy services to companies**, supporting them in their participation in European calls, and in partner search and participation in b2b events during which more than 150 business-to-business meetings were managed. There was the organisation of **11 local events**, such as webinars **(2 cycles of 3 webinars each dedicated to the topic of sustainability in SMEs)**, workshops and training courses, focusing on topics related to innovation, sustainability, digitalisation, internationalisation and European funding programmes. In parallel, **17 international matchmaking events** were held to promote transnational collaborations

in the areas of business, technology and research, within the EEN network. These activities resulted in the signing of **9 international partnership agreements** between companies in Lombardy and abroad.
In addition to the offer of services, the consultancy to the Lombardy Region continued in support of strategic planning and governance in the field of research and innovation, with particular reference to the activities preparatory to the update of the so-called "**Work programmes for Research and Innovation of the Lombardy Region period 2024-2025**", "Implementation tool" of the S3 that collects the technological priorities of the territory on which to focus regional resources. In 2023, Finlombarda supported the Lombardy Region with ARIA S.p.A. in the development of the **artificial intelligence and data driven** model for the **detection of production sectors and emerging activities in Lombardy**.

As part of the activities related to **Regional Law no. 29/2016 "Lombardy is research and innovation"**, Finlombarda supported the Lombardy Region in drafting the **Evaluation Clause**, a requirement required by law to allow the Regional Council to evaluate its implementation and the results progressively obtained in promoting and supporting the development of the research system and innovation in Lombardy and in the activities for the **definition of the new Three-Year Strategic Programme for Research, Innovation and Technology Transfer 2024-2026**.

In 2023, Finlombarda was asked by the Directorate General for the Environment and Climate to participate in the **"Culture of Sustainability" Table** in which it promoted a stakeholder engagement initiative, to be carried out in 2024, with the aim of studying simplified models for companies and financial operators to select sustainable investments.

Regarding regional tenders without repayment for the development of local competitiveness, the Company provided technical assistance for a number of initiatives:

- **Fashiontech**, support for the economic valorisation of innovation in the fashion and accessory textile sector through experimentation and the adoption of innovative solutions in processes, products and organisational formulas, as well as through the financing of the industrialisation of research results;
- **Tourism and Attractiveness - second edition**, support to the competitiveness of hotel and non-hotel open-air accommodation structures;

- **International Fairs**, granting of contributions for the participation of SMEs in international fairs in Lombardy;
- **Lombardia To Stay**, realisation of territorial marketing projects by public and private entities;
- **Lombardy Region - Cariplo Foundation Joint Notice**, for the granting of contributions to support the transfer of knowledge in the Advanced Materials sector;
- **Distretti del Commercio**, concession of contributions directly to local authorities and indirectly to companies and aspiring entrepreneurs for projects of urban economic territorial reconstruction within the commercial districts of Lombardy;
- **Ripresa 2021,** granting of contributions for Lombardy SMEs that intend to invest in their own development and re-launching within the scope of interventions focused on digital and green transition and on safety at work also in the Covid-19 scope. The measure has two lines of action: Line A - Artisans 2021 and Line B - Inner Areas;
- **Brevetti 2021**, granting of contributions to support micro, small and medium-sized enterprises in Lombardy (MSMEs), including professionals, in obtaining new European or international patents or extension of the same at European or international level relating to industrial inventions;
- **Tech Fast Lombardia,** granting of contributions in favour of Lombardy SMEs that intend to carry out projects of experimental development and process innovation (including digital) related to the areas of specialisation of the Strategy of Regional Intelligent Specialisation (S3) of the Lombardy Region;
- **Recovery 2022 - Energy efficiency line of the production process of micro, small and medium manufacturing enterprises**, granting of contributions for Lombardy SMEs that intend to start investments for the energy efficiency of their production site;
- **Trade Districts 2022-2024**, granting contributions to support both direct investments by economic operators and interventions to improve the urban context and the territory carried out by local authorities, rewarding in particular the design excellence of the most innovative and structured Districts;
- **ALL - Attrattività Locale Lombardia (Local Lombardy Appeal)**, supports Lombardy's municipalities in the realisation of projects for the valorisation and redevelopment of publicly owned real estate, with the aim of enhancing the appeal of the reference territories from a tourist, economic and social point of view;
- **Social Housing**, technical assistance activities for the implementation of social housing policies;

- **Playgrounds,** for the construction and adaptation of inclusive playgrounds, accessible nature trails, renovation or upgrading of semi-residential facilities for the disabled and organisation of services in the field of sport;
- **Tourism and Attractiveness (3rd edition)** for the upgrading of hotel and non-hotel accommodation facilities managed in the legal form of a business enterprise in operation at the date of application and the construction of new hotel and non-hotel accommodation facilities managed in the legal form of a business enterprise;

In order to implement all the initiatives using its own funds and always with the aim of contributing to the consolidation and development of the Lombardy entrepreneurial fabric, the Company expanded its lending capacity by taking out new debt through the subscription of three 5-year lines for a total amount of Euro 175 million.

During the 2023 financial year, institutional relations activities were consolidated with the Lombardy Region and, through it, with other stakeholders inside and outside the region, communicating Finlombarda activities as a whole and its ability to maximise public (regional and European) resources to invest in the growth of strategic sectors for the competitiveness, attractiveness and sustainability of the Lombardy region, in line with the indications contained in the new PRS-S, in a complex economic context, particularly for SMEs.

All this has been able to happen thanks to progressive outreach to the territory, on the one hand, and to the European institutions, on the other.

By way of example, in order to consolidate the Company's positioning, which is also unique at a European level, a communication activity was launched towards the main European, national and regional stakeholders with the following strategic tools and levers:

- institutional appointments, partnerships, collaborations and agreements with key stakeholders in the area for an adequate knowledge of the regional facilitation measures, including the funds under management of the PR ERDF 21-27, and of the intermediation products using own resources (e.g. agreement with Federazione Lombarda delle Banche di Credito Cooperativo), as well as for effective support to the innovation ecosystem (e.g. agreements with Federated Innovation @MIND and InnovUP);

- success stories of financed and assisted companies related to the topic of sustainability and innovation, including social innovation, on the company's active offline and online communication channels;
- press office and media relations also in cooperation with co-funders and in close coordination with the relevant regional departments;
- institutional relations with the European Parliament and the European Commission, thanks to the networks of EAPB, European Association of Public Banks, ANFIR, National Association of Regional Financial Institutions, and GIURI, Informal Group of Italian Representative Offices for issues related to financial instruments and European funds (Structural Funds and EU Invest Programme).

The Company in 2023 also set itself the goal of enhancing corporate empowerment and talent development to foster the achievement of internal efficiency and productivity targets and employee engagement.

In 2023, work finally began on the new website with a reorganisation of the content to make it easier and more immediate for the user to navigate and search for funding opportunities of interest, as well as more attractive graphics and the possibility of mobile navigation.

3. SUMMARY OF 2023 RESULTS

3.1. Income statement

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

Reclassified income statement	31/12/2023	31/12/2022
OPERATING INCOME - OP. INCOME	**28,791,042**	**20,421,110**
PURCHASES OF GOODS AND SERVICES	-3,119,823	-2,838,616
VALUE ADDED	25,671,219	17,582,494
PERSONNEL COSTS	-13,480,875	-13,146,782
EBITDA	12,190,344	4,435,712
AMORTISATION AND DEPRECIATION	-477,514	-293,974
OPERATING PROFIT FROM OPERATIONS	11,712,830	4,141,738
OTHER INCOME/(EXPENSES)	62,306	190,850
OPERATING PROFIT - EBIT	**11,775,136**	**4,332,587**
FINANCIAL INCOME/(EXPENSES)	305,210	-504,320
PROFIT BEFORE TAXES	12,080,346	3,828,267
(TAXES)	-4,096,227	-1,259,532
NET PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS	0	0
NET PROFIT - RN	**7,984,119**	**2,568,735**

Operating income came to Euro 28,791,042, Euro 8,369,932 higher than the previous year (+41%).

In the area of net interest and other banking income, there was a significant increase in net interest income of Euro 4,844,735 (+48%), with significant growth in both interest income, deriving from loans receivable and current account balances, and interest expense, mainly due to the increase in variable-rate credit lines totalling Euro 175 million (mirroring interest income). With regard to other financial income and expenses, there was an increase in dividends and similar income equal to 21%, mainly due to the relegation of the October SME IV coupons. The net result of financial assets valued at fair value is positive for Euro 457 thousand (last year, it was negative for Euro 1,961 thousand). Finally, there is a profit on the sale or repurchase of financial assets at amortised cost/fair value with an impact on comprehensive income of Euro 220 thousand (compared to a profit of the previous year equal to Euro 69 thousand).
With regard to commission income, this amounted to Euro 13,163,758, an increase over 2022 (+8.61%), due to the increase in commissions from EU contracts, as a result of the start of activities on the new 2021-2027 EU programme. Personnel expenses amounted to Euro 13,480,875

thousand, up about Euro 334 thousand from last year. Costs for other administrative expenses recorded an increase compared to 2022 equal to approximately Euro 281 thousand, settling at Euro 3,119,823. Depreciation of tangible assets amounted to Euro 434 (in application of IFRS16 on car rental), while amortisation of intangible assets amounted to about Euro 477 thousand, up by about Euro 183 thousand compared to 2022 due to the capitalisation of evolutionary maintenance on the management system. During the year, accruals were made to the Provisions for Risks of Euro 14 thousand relating to legal expenses settled in favour of former corporate officers and charged to the Company following Court of Auditors ruling no. 2 of 11 January 2024. With regard to reversals/adjustments on assets at amortised cost and comprehensive income, these went from adjustments of Euro -450,320 to reversals of Euro +305,210, a change compared to 2022 of Euro +755,000. It should be noted that, assets at amortised cost show reversals of Euro +594,000, essentially due to the revision of the PD curves (that occurred in March 2023) of loans receivable in the portfolio classified as stage 1 and 2; with regard to financial assets at fair value with an impact on comprehensive income, value adjustments of Euro -288,000 were recorded, essentially due to the increased risk on a security classified as stage 3. In conclusion, net profit in 2023 amounted to Euro 7,984,119, a significant increase compared to Euro 2,568,735 in 2022.

3.2. *Balance sheet*

The main balance sheet changes during 2023 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	2023		2022	
	EURO	%	EURO	%
RECEIVABLES	545,634,837		521,895,662	
MISCELLANEOUS RECEIVABLES	7,794,341		6,515,673	
DEFERRED LIQUIDITY	553,429,178	87.37	528,411,335	82.27
MISCELLANEOUS PAYABLES	-6,326,447		-4,965,991	
TAX PAYABLES	-3,989,302.00		-1,037,052	
TOTAL AMOUNTS DUE	-10,315,749	-1.63	-6,003,043	-0.93
NET OPERATING WORKING CAPITAL - NOWC	**543,113,429**	**85.74**	**522,408,293**	**81.33**
INTANGIBLE ASSETS	206,195		402,794	
PROPERTY, PLANT AND EQUIPMENT	11,502,046			
FINANCIAL ASSETS	80,213,187		121,140,857	
NET FIXED ASSETS	**91,921,428**	**14.51**	**121,543,650**	**18.92**
OTHER MEDIUM/LONG-TERM NON-FINANCIAL LIABILITIES	-95,501		-127,323	
PROVISION FOR SEVERANCE INDEMNITIES	-1,493,925		-1,498,570	
ADJUSTED INVESTED CAPITAL	**633,445,432**	**100.00**	**642,326,050**	**100.00**

SOURCES OF FUNDS	2023		2022	
	EURO	%	EURO	%
SHORT-TERM FINANCIAL LIABILITIES				
IMMEDIATE LIQUIDITY	-176,570,828		-37,393,981	
SHORT-TERM FINANCIAL POSITION	**-176,570,828**	**-27.87**	**-37,393,981**	**-5.82**
MEDIUM/LONG-TERM AMOUNTS DUE TO BANKS	558,435,597		438,951,495	
OTHER FINANCIAL FUNDS				
OTHER MEDIUM/LONG-TERM LOANS				
MEDIUM/LONG-TERM FINANCIAL LIABILITIES	558,435,597	88.16	438,951,495	68.34
TOTAL MINORITY INTERESTS	**381,864,770**	**60.28**	**401,557,514**	**62.52**
SHARE CAPITAL	211,000,000		211,000,000	
RESERVES	32,596,543		27,199,801	
RESULT FOR THE YEAR:	7,984,119		2,568,735	
EQUITY	**251,580,662**	**39.72**	**240,768,537**	**37.48**
TOTAL SOURCES OF FUNDS	**633,445,432**	**100.00**	**642,326,050**	**100.00**

We highlight the figure for adjusted invested capital, which rose from Euro 642 million to Euro 633 million as a result of the increase in loans to customers for financing in 2023 and the decrease in financial assets, as well as the related change in indebtedness and liquid assets.
We also point out that tangible assets do not represent the purchase of assets, but rather the valuation in application of IFRS 16 of the rental contract for the company car and the rental contract for the building in which the company is based. It is recalled that the property in which the company is based is in free rent until 31 December 2023. The lease instalments will therefore run from 1 January 2024, as will the amortisation schedule under IFRS16.
Lastly, on the financial liabilities front, in 2023, a further three 5-year lines will be activated and signed for a total amount of Euro 175 million: the first with Cassa Depositi e Prestiti for Euro 50 million, the second with Banca Nazionale del Lavoro for Euro 60 million, and the third with a pool of banks comprising Intesa Sanpaolo, Banco BPM and BPER Banca for the remaining Euro 65 million.

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

	2023	2022
PROFITABILITY RATIOS		
ROE **(RN/MP)**	3.2%	1.1%
RONA **(EBIT/CIR)**	1.9%	0.7%
ROS **(EBIT/M. INTERM.)**	40.9%	21.2%
LIQUIDITY/SOLVENCY ANALYSIS		
PRIMARY LIQUIDITY - ACID TEST (CURR. ASS./CURR. LIAB.)	127.5%	126.8%
ANALYSIS OF FINANCIAL SOLIDITY/STRUCTURE		
GLOBAL LEVEL OF DEBT (MIN.INT./ EQUITY)	226.7%	185.5%

As for the profitability of operations, the ROE ratio increased significantly compared to 2022, driven by the substantial increase in operating profit; ROS and RONA also increased compared to 2022, thanks to the increase in EBIT.

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

In fact, capital absorption amounts to Euro 45.9 million, corresponding to 8% of weighted assets, as required by the regulations on financial intermediaries.

Core capital amounts to Euro 240.7 million (in 2022, it was Euro 236.7 million). At the end of 2023, both the Tier 1 capital ratio and the Total Capital ratio reached 41.95% (see table 4.2.1.2 of the explanatory notes, part D).

4. OTHER INFORMATION

On 30 March 2023, the sale of the subsidiary Finlombarda Gestioni SGR S.p.A. was finalised with the consequent deletion of Finlombarda S.p.A. from the Register of Financial Groups as communicated by the Bank of Italy on 19 May 2023 and the updating of the Company's Articles of Association at the Shareholders' Meeting held on 29 May 2023, with the elimination of references to the Group and the Company's status as Parent Company.

In terms of corporate governance, with the approval of the financial statements for the year ending 31 December 2022 on 29 May 2023, the mandates of both the administrative and controlling bodies expired; the new bodies were appointed by the Meeting on the same date. As for the administrative body, the composition was increased from 3 to 5 members with Andrea Mascetti as Chair and Emanuela Saccon, Sara Anita Speranza, Dorino Mario Agliardi and Maurizio Leonardo Lombardi as Directors; as for the control body, Antonio Liberato Tuscano as Chair, Luca Belotti and Margherita Molinari as Standing Auditors and Donata Colombo and Massimo Giudici as Alternate Auditors. Both bodies will remain in office for three years until the approval of the financial statements at 31 December 2025.

On 25 October 2023, the resignation of Alternate Auditor Massimo Giudici was received, and on 11 November 2023, that of Director Emanuela Saccon, both for personal reasons. The Board of Directors was reintegrated with the appointment of Director Elisabetta Maria Roncalli, which took place at the Meeting of 26 February 2024. On the other hand, the procedure for the reintegration of the Board of Statutory Auditors for the appointment of a new Alternate Auditor is still ongoing.

On 27 November 2023, an Extraordinary Shareholders' Meeting was also held, which authorised, within the framework of the already approved EMTN Programme, the issue of a bond for a maximum amount of Euro 10,000,000.00.

The Company has approximately Euro 240.7 million of own funds. Risk-weighted assets (RWA) amount to Euro 572.3 million.

In accordance with the relevant regulations (Bank of Italy Circular no. 288/2015), 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 ICAAP, 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 Company.
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 2023.
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 2023.
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 and subsequent updates 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 Company has not entered into any derivative transactions in currency other than the Euro and is exposed to exchange risk only indirectly through participation in mutual fund units. However, since the position is less than 2% with respect to regulatory capital, it is not recorded.

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 investments portfolio of Finlombarda, the composition of its receivables arising from the provision of services, almost entirely to the Lombardy Region, and the high standing of the counterparties, also confirmed by the improved revision of the PD curve in March 2023, 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 the geopolitical crisis in Europe and the Middle East, the inflationary pressures and the consequent countermeasures put in place by the Central Banks.

The operating grant represents the component of revenues recognised by the Lombardy Region to the Company for services rendered in the context of in-house providing, regulated by the Framework Agreement governing the relationship between the Company and the Sole Shareholder for the period 2022-2024.

It should also be noted that the Company has an active EMTN "Euro Medium Term Note" Programme for a total issuable amount of Euro 500 million, of which Euro 50 million issued on 22 December 2021 still outstanding. The activation of the EMTN Programme and, more broadly, the diversification of the sources of funding of Finlombarda are aimed at supporting the current and prospective growth of the Company's financial intermediation activities, generated by intense planning, development and management of various initiatives aimed at the Lombardy entrepreneurial fabric and, in particular, SMEs.

The Company has embarked on a path of alignment with supervisory expectations on climate and environmental risks that aims to adopt a sustainable growth model based on the integration of environmental, social and governance (ESG) factors. In this regard, an Action Plan is being implemented that defines the details of the planned initiatives for the following areas: governance, business model and strategy, organisational structure and company processes, risk management system, information to the market on the details of the planned initiatives.
This includes the establishment, at the end of 2023, of an ESG Committee for the management of sustainability issues, chaired by the Company Chair. The Committee is assigned the ongoing monitoring of sustainability issues, ensuring the necessary linkage with top management and between the various corporate areas, and ensuring the timely implementation of the Action Plan.
It should also be noted that the adoption of ESG principles is contained in the 2024-2026 Business Plan and is among the evolutionary pillars of the development plan: In this regard, as already in

2022, the Company continued: the activation of specific training courses aimed at the Board of Directors and management; the adoption of home-work conciliation measures through the implementation of agile working in compliance with the provisions of the sector national collective labour agreement; as well as inclusive models in its insurance policies for employees; it continued its support service activity for Lombardy companies on issues relating to ESG policies and their implementation.

It should be noted that the Company did not and does not have any role in any project financed with PNRR - National Recovery and Resilience Plan funds to date.

As of 1 July 2023, the Company's registered office was transferred to the new premises at Piazza Gae Aulenti 1 in Milan.

5. EQUITY INVESTMENTS

Finlombarda holds the following equity investments:

Investees	Equity data at	Equity value at the equity date	% ownership	Value at 31/12 (equity % ownership)	Equity value at 31/12/2023
SKIAREA VALCHIAVENNA S.P.A.	30/06/2023	10,764,390.00	0.69%	74,274.29	56,976
CENTRO TESSILE COTONIERO S.P.A.	31/12/2022	7,656,502.00	2.91%	222,804.21	31,075
BIC LA FUCINA - EUROPEAN BUSINESS AND INNOVATION CENTRE - IN LIQUIDATION	31/12/2012	- 1,303,958.00	5.26%	- 68,588.19	1
TOTAL					**88,052**

During the year, the Company continued to implement its plan to divest its investee companies; on 21 June 2023, the equity investment held in **Sistemi di Energia S.p.A.** was sold to the majority shareholder Edison S.p.A.; **Skiarea Valchiavenna S.p.A**., **Centro Tessile Cotoniero S.p.A**. remain within the scope of the investee companies, for which negotiations are underway for possible sale to interested shareholders, and BIC La Fucina, whose bankruptcy proceedings are still in progress. With reference to **Consorzio per la reindustrializzazione Area di Arese S.r.l. in liquidation**, during the first quarter of the year, the liquidation procedure was closed with an allocation of Euro 8,859.54 in favour of Finlombarda, and the Company was definitively removed from the Companies Register.

6. DATA ON SUBSIDIARIES

At 31 December 2023, the Company does not have any subsidiaries. In this regard, we note the completion of the sale of the subsidiary Finlombarda Gestioni SGR S.p.A. on 30 March 2023, with the consequent removal of Finlombarda S.p.A. from the Register of Financial Groups.

7. INTERCOMPANY DEALINGS AND RELATED PARTY TRANSACTIONS

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

8. HUMAN RESOURCES AND ORGANISATION

The number of employees of the Company at the end of 2023 was 146, while at 31 December 2022, the number of employees was 148; there were 8 temporary workers active at the end of 2023 (compared to 9 in 2022).

In relation to the health emergency resulting from the Covid-19 virus, the so-called Covid-19 Emergency Protocol ended its effectiveness with 2023, following the end of the emergency regulations as established by the WHO at the 15th Emergency Committee meeting on 4 May 2023, where it was declared that Covid-19 no longer constituted a public health emergency, and on the basis of the Ministry of Health circular of 11 August 2023, which established the end of the extraordinary measures envisaged for Covid-19 virus-positive individuals and persons who came into contact with Covid-19 cases.

As in previous years, in 2023, the Company evaluated the performance of its employees and the company bonus was defined, following agreement with the trade unions in accordance with art. 51 of the National Labour Contract for 2023. Personnel benefited from the recently signed update of the National Collective Labour Agreement (CCNL Credit) between the parties with effect from July 2023. The training courses that have been carried out for personnel are related to topics considered mandatory by industry regulations, safety at work, and subjects related to specialised needs, both individual and group; in addition, a management training programme has been launched for managers and office managers. Finally, in April 2023, a contribution of Euro 13,500 was received from Fondir as reimbursement for the business English course taken in 2022 by managers.

To date, the Company has consolidated its organisational profile, as well as its body of regulations, which are constantly and continuously updated. The tender for the selection of the Information System supplier for the period between 2024 and 2032 was concluded with the awarding of the contract to the outgoing supplier.

Between June and July, the company moved its offices to new premises, in one of the former Unicredit towers located in Piazza Gae Aulenti, which resulted in the company's registered office being updated at the Chamber of Commerce. The new premises have a high quality of space, and the furniture, cabling and services are already in place, more modern and functional, and with high sustainability and energy efficiency criteria. The predominantly open-space structure of the three floors conducted by the Company allows for the experimentation of agile and dynamic working modes even in presence, which integrates well with remote work, combining individual and team work.

9. Events after the end of the year

The first fraction of 2024 is characterised by the continuation of the geopolitical crisis in Europe (war conflict between Russia and Ukraine), to which was added the instability in the Middle East caused by the conflict between Israel and Palestine, by the substantial stability of interest rates, which at the moment confirm the levels of 2023, confirmed above all by the stability of the rates dictated by the ECB in order to continue to reduce the inflation rate.
The Company is committed to pursuing the qualitative and quantitative objectives set out in the 2024-2026 Business Plan and, in light of recent financial dynamics, is paying close attention to monitoring credit exposures and, more generally, the quality of its assets as well as to the implementation of ESG policies.
On 22 January 2024, the Company issued new bonds amounting to Euro 10 million (which are added to the Euro 50 million already issued in 2021), part of the Euro 500 million EMTN programme. The amount was paid in full to Finlombarda in January 2024.
As previously mentioned, the composition of the Board of Directors was supplemented on 26 February 2024 with the appointment of the new member Elisabetta Maria Roncalli.
Lastly, it should be noted that a former employee who resigned in 2022 filed an appeal with the Court of Milan against the Company claiming damages. The Company considers the claims to be

completely unfounded and has appointed an outside lawyer to defend it on 11 March 2024. Therefore, since an initial estimate by the appointed lawyer of the risk of losing the dispute is not yet available, the Company has not set aside any provision for risks at this time.

10. BUSINESS OUTLOOK

The Company intends to pursue its programme of development and consolidation of lending in favour of the Lombardy production fabric, known to be the driving force behind the Italian production fabric. In November 2023, the 2024-2026 three-year budget was approved, expressing the company's strategies for the next three years.

The three-year budget is based on the development of the credit offer through the integration of business lines (financial intermediation, facilities with a contribution from the Lombardy Region and business services).

It is expected to further strengthen its role of supporting the socio-economic development of the territory, with particular reference to the design and management of instruments under the Regional Operational Programmes, also through the EU 2021-2027 programming.

11. PROPOSAL FOR ALLOCATION OF PROFIT

Dear Shareholder,
We thank you for your confidence and submit for your approval the Financial Statements at 31 December 2023, which closed with a profit of Euro 7,984,119.

Before formulating the proposal for the distribution of the profit for the year, we would like to thank the General Manager, the Managers, the Middle Managers and the entire Personnel for their commitment and professionalism, as well as the Board of Directors and the Board of Auditors.

We therefore propose to allocate the net profit of Euro 7,984,119 as follows:

- 10% to Legal reserve	Euro	798,412
- 10% to Extraordinary statutory reserve	Euro	798,412
- 10% to Statutory risk reserve	Euro	798,412
- reserve pursuant to article 14, R.L. no. 33/2008	Euro	5,588,883

Milan, 28 March 2024

THE BOARD OF DIRECTORS
The Chairman
(Andrea MASCETTI)

FINANCIAL STATEMENTS

BALANCE SHEET

	Asset items	31/12/2023	31/12/2022
10.	Cash and cash equivalents	176,570,828	37,393,981
20.	Financial assets measured at fair value through profit or loss (IFRS 7 par. 8 lett. a))	17,109,668	20,837,888
	a) financial assets held for trading;		
	b) financial assets designated at fair value;		
	c) other financial assets mandatorily measured at fair value	17,109,668	20,837,888
30.	Financial assets measured at fair value through other comprehensive income (IFRS 7 par. 8 lett. h))	63,103,519	94,378,810
40.	Financial assets measured at amortised cost (IFRS 7 par. 8 lett. f))	545,634,837	528,952,080
	a) due from banks		430,381
	b) due from financial entities		4,000
	c) due from customers	545,634,837	528,517,699
50.	Hedging derivatives		
60.	Value adjustment of financial assets with generic hedges (+/-)		
70.	Equity investments		
80.	Property, plant and equipment	11,502,046	
90.	Intangible assets	206,195	402,794
	of which:		
	- goodwill		
100.	Tax assets	2,705,158	4,738,888
	a) current	1,077,359	1,756,275
	b) deferred	1,627,799	2,982,613
110.	Non-current assets and groups of assets held for sale		460,000
120.	Other assets	5,089,183	184,526
	Total assets	**821,921,434**	**687,348,967**

	Liabilities and equity items	31/12/2023	31/12/2022
10.	Financial liabilities measured at amortised cost (IFRS 7 par. 8 lett. g))	558,435,598	438,951,495
	a) payables	508,424,405	388,939,968
	c) securities issued	50,011,193	50,011,527
20.	Financial liabilities held for trading		
30.	Financial liabilities designated at fair value (IFRS 7 par. 8 lett. e))		
40.	Hedging derivatives		
50.	Value adjustment to financial liabilities with generic hedges (+/-)		
60.	Tax liabilities	3,989,302	1,037,052
	a) current	3,989,302	1,037,052
	b) deferred		
70.	Liabilities associated with assets held for sale		
80.	Other liabilities	6,326,447	4,965,991
90.	Employee severance indemnities	1,493,925	1,498,570
100.	Provisions for risks and charges:	95,501	127,323
	a) commitments and guarantees given	11,149	57,323
	b) pension and similar commitments		
	c) other provisions for risks and charges	84,352	70,000
110.	Share capital	211,000,000	211,000,000
120.	Treasury shares (-)		
130.	Equity instruments		
140.	Share premium reserve	127,823	127,823
150.	Reserves	33,655,335	30,722,661
160.	Valuation reserves	-1,186,615	-3,650,683
170.	Net profit (loss) for the year (+/-)	7,984,119	2,568,735
	Total liabilities and equity	**821,921,434**	**687,348,967**

INCOME STATEMENT

	Items	31/12/2023	31/12/2022
10.	Interest and similar income	33,101,807	13,797,263
	of which: interest income calculated using the effective interest method	33,101,807	13,797,263
20.	Interest and similar expenses	-18,267,236	-3,807,428
30.	**Net interest income**	**14,834,571**	**9,989,836**
40.	Fee and commission income	13,162,758	12,119,321
50.	Fee and commission expenses	-179,176	-40,800
60.	**Net commission income**	**12,983,582**	**12,078,522**
70.	Dividends and similar income	295,860	244,609
80.	Net trading income		
90.	Net hedging gains (losses)		
100.	Gains (losses) on disposal or repurchase of:	220,306	69,458
	a) financial assets measured at amortised cost	-7,711	-637
	b) financial assets measured at fair value through other comprehensive income	228,017	70,095
	c) financial liabilities		
110.	Net income from other assets and financial liabilities measured at fair value through profit or loss	456,723	-1,961,314
	a) financial assets and liabilities designated at fair value		
	b) other financial assets mandatorily measured at fair value	456,723	-1,961,314
120.	**Operating income**	**28,791,042**	**20,421,110**
130.	Net adjustments/writebacks for credit risk of:	305,210	-450,320
	a) financial assets measured at amortised cost	593,619	-1,008,426
	b) financial assets measured at fair value through other comprehensive income	-288,409	558,106
140.	Gains/losses from contractual amendments without cancellations		
150.	**Profit from financial management**	**29,096,252**	**19,970,790**
160.	Administrative expenses:	-16,600,698	-15,985,398
	a) personnel costs	-13,480,875	-13,146,782
	b) other administrative expenses	-3,119,823	-2,838,616
170.	Net provisions for risks and charges	-14,352	-27,272
	a) commitments and guarantees given		-27,272
	b) other net allocations	-14,352	
180.	Impairment/reversal of impairment of property, plant and equipment	-434	
190.	Impairment/reversal of impairment of intangible assets	-477,080	-293,974
200.	Other operating expenses/income	76,658	218,122
210.	**Operating costs**	**-17,015,906**	**-16,088,523**
220.	Gains (losses) on equity investments		
230.	Net result of fair value measurement of property, plant and equipment and intangible assets		
240.	Goodwill impairments		
250.	Gains (losses) on disposal of investments		
260.	**Profit (Loss) from ordinary operations before taxes**	12,080,346	3,882,267
270.	Income taxes on ordinary operations	-4,096,227	-1,259,532
280.	**Profit (Loss) from ordinary operations after taxes**	7,984,119	2,622,735
290.	Profit (loss) from discontinued operations after taxes		-54,000
300.	**Net profit (loss) for the year**	**7,984,119**	**2,568,735**

STATEMENT OF COMPREHENSIVE INCOME

	STATEMENT OF COMPREHENSIVE INCOME		
	Items	**31/12/2023**	**31/12/2022**
10	Net profit (loss) for the year	7,984,119	2,568,735
	Other comprehensive income after tax without reversal to income statement		
20	Equities designated at fair value through other comprehensive income		
30	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)		
40	Hedging of equities designated at fair value through other comprehensive income		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	-38,238	408,403
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	1,736,664	4,240,736
150	Non-current assets and groups of assets held for sale		
160	Share of valuation reserves of equity investments valued at equity		
170	**Total other comprehensive income, after tax**	1,698,426	4,649,139
180	**Comprehensive income (item 10+170)**	**9,682,545**	**7,217,874**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in equity at 31/12/2023

Description	Balances at 31.12.2022	Change opening balances*	Balances at 01.01.2023	Allocation of result from previous year		Changes in the year						Comprehensive income at 31.12.2023	Equity at 31.12.2023
							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:													
a) of profits	21,138		21,138	2,568							364		24,071
b) other	9,584		9,584										9,584
Valuation reserves	-3,651		-3,651			2,464							-1,187
Equity instruments													
Treasury shares													
Net profit (loss) for the year	2,568		2,568	-2,568								7,984	7,984
Equity	240,768	0	240,768			2,464					364	7,984	251,580

Amounts in thousands of Euro

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. On 29 May 2023, the Ordinary Shareholders' Meeting decided to allocate the net profit for the year of Euro 2,568,735 as follows: 10% to the legal reserve, Euro 256,873.54, 10% to the extraordinary statutory reserve, Euro 256,873.54; 10% to the statutory risk reserve, Euro 256,873.54, and Euro 1,798,114.81 to the equity reserve established under art. 14 of Regional Law no. 33/2008.

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 equity at 31/12/2022

Description	Balances at 31.12.2021	Change opening balances*	Balances at 01.01.2022	Allocation of result from previous year		Changes in the year						Comprehensive income at 31.12.2022	Equity at 31.12.2022
							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:													
a) of profits	35,481		35,481	297		-15,843					1,203		21,138
b) other	9,584		9,584										9,584
Valuation reserves	715		715			-4,366							-3,651
Equity instruments													
Treasury shares													
Net profit (loss) for the year	297		297	-297								2,568	2,568
Equity	257,206	0	257,206			-20,209					1,203	2,568	240,768

Amounts in thousands of Euro

CASH FLOW STATEMENT

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

A . OPERATING ACTIVITIES	31/12/2022	31/12/2022
1. Management	**8,097,394**	**5,137,494**
- Result for the year	7,984,119	2,568,735
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value	- 456,723	1,961,314
- net hedging gains/losses		
- net impairment adjustments	- 305,210	450,320
- net impairment on property, plant and equipment and intangible assets	477,514	293,974
- net provisions for risks and charges and other costs/revenues	- 62,306	- 190,850
- unpaid taxes and duties		
- net impairment adjustments on disposal groups, net of tax effect	460,000	54,000
- other adjustments		
2. Cash generated/absorbed by financing activities:	**16,139,761**	**- 129,484,389**
- financial assets held for trading		
- financial assets designated at fair value		
- financial assets mandatorily measured at fair value	4,184,944	- 3,198,500
- financial assets measured at fair value through other comprehensive income	30,986,881	- 17,811,345
- financial assets measured at amortised cost	- 16,089,138	- 106,870,904
- other assets	- 2,942,927	- 1,603,640
3. Cash generated/absorbed by financial liabilities:	**123,822,647**	**- 35,644,610**
- financial liabilities at amortised cost	119,484,103	- 34,924,511
- financial liabilities held for trading		
- financial liabilities designated at fair value		
- other liabilities	4,338,544	- 720,098
Net cash generated/absorbed by operating activities (A)	**148,059,802**	**- 159,991,505**
B. INVESTING ACTIVITIES		
1. Cash generated by:		
- 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:	**- 11,710,962**	**- 279,098**
- purchases of equity investments		
- purchases of property, plant and equipment	- 11,502,480	
- purchases of intangible assets	- 208,482	- 279,098
- purchases of business divisions		
Net cash generated/absorbed by investing activities (B)	**- 11,710,962**	**- 279,098**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- change in equity	2,828,007	**- 19,006,086**
- distribution of dividends and other uses		
Net cash generated/absorbed by financing activities (C)	**2,828,007**	**- 19,006,086**
NET CASH GENERATED/ABSORBED IN THE YEAR (D=A+/B+/-C)	**139,176,846**	**- 179,276,689**

RECONCILIATION	31/12/2023	31/12/2022
Cash and cash equivalents at beginning of year	37,393,981	216,670,669
Total net cash generated/absorbed in the year	139,176,846	- 179,276,689
Cash and cash equivalents at end of year	176,570,828	37,393,981

EXPLANATORY NOTES

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

SECTION 1: DECLARATION OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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. In the current year, two contracts were recognised that required the application of the standard, i.e. a contract for the rental of a company car and a contract for the lease of the company headquarters. In the first case, the asset was recorded on the basis of future cash flows and the depreciation schedule was developed, whereas in the case of the lease, the asset was recorded on the basis of expected contractual flows, however with a free rent period until 31/12/2023, the amortisation schedule will run from 1 January 2024.

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 17 November 2022 entitled "IFRS financial statements of financial intermediaries other than banks", supplemented by the communication of 14 March 2023 concerning "the impacts of COVID-19 and measures to support the economy".

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

- The new documents issued by the IASB and endorsed by the EU to be compulsorily adopted from the financial statements for financial years beginning on 1 January 2023:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
IFRS 17 - Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19/11/2021	(EU) 2021/2036 23 November 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	1 January 2023	02/03/2022	(EU) 2022/357 03/03/2022
Disclosure of accounting standards (Amendments to IAS 1)	February 2021	1 January 2023	02/03/2022	(EU) 2022/357 03/03/2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	11/08/2022	(EU) 2022/1392 12/08/2022
First-time application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	December 2021	1 January 2023	08/09/2022	(EU) 2022/1491 09/09/2022

- IAS/IFRS and related IFRIC interpretations applicable to financial statements for periods beginning after 1 January 2024 - Documents endorsed by the EU on 20 November 2023 - with respect to which there may be material impacts on the Company's accounting policies.

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Lease liabilities in a sale and leaseback transaction - Amendments to IFRS 16	May 2020	1 January 2024	20/11/2023	(EU) 2023/2579 20/11/2023
Classification of Liabilities as current or non-current (Amendments to IAS 1)	January 2021	1 January 2024	**n.a.**	**n.a.**
Current liabilities with covenants (Amendments to IAS 1)	October 2022	1 January 2024	**n.a.**	**n.a.**
Supplier Finance Arrangements, amending IAS	May 2023	1 January 2024	**n.a.**	**n.a.**

7 Statement of Cash Flows and IFRS 9				

It should be noted that, receiving provisions of said documents has not resulted in substantial amendments to the Company's accounting policies.

SECTION 2: GENERAL POLICIES

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

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

In accordance with Art. 5 of Legislative Decree no. 38 of 28 February 2005 the Financial Statements are prepared using the Euro as reporting currency. All amounts in this document are expressed in Euro, unless otherwise specified.

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

If the information required by international accounting standards and the provisions contained in the Provision of 17 November 2022 "The financial statements of IFRS intermediaries other than banking intermediaries" integrated by the communication of 14 March 2023 concerning "the impacts of COVID-19 and measures to support the economy", are not sufficient to give a true and fair view, additional information necessary for this purpose is provided in the explanatory notes.
In application of IAS 1, reclassifications have been made where necessary on the data of the previous year (2022), giving appropriate evidence with a note at the bottom of the reference table; all for the purpose of better comparability between the data.

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

- EBA notice of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures";
- ESMA notice of 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- IFRS Foundation document of 27 March 2020 "IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic";
- ECB letter of 1 April 2020 "IFRS 9 in the context of the Coronavirus (COVID 19) pandemic" addressed to all significant entities;
- EBA Guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in light of the COVID-19 crisis";
- ESMA notice of 20 May 2020 "Implications of the COVID 19 outbreak on the half-yearly financial reports";
- EBA Guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis";
- ESMA notice of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- EBA Guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- ECB letter of 4 December 2020 "Identification and measurement of credit risk in the context of the Coronavirus (COVID-19) pandemic" addressed to all significant institutions;
- ESMA notice of 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

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

SECTION 3: EVENTS AFTER THE CLOSING DATE

The first fraction of 2024 is characterised by the continuation of the geopolitical crisis in Europe (war conflict between Russia and Ukraine), to which was added the instability in the Middle East caused by the conflict between Israel and Palestine, by the substantial stability of interest rates, which at the moment confirm the levels of 2023, confirmed above all by the stability of the rates dictated by the ECB in order to continue to reduce the inflation rate.
The Company is committed to pursuing the qualitative and quantitative objectives set out in the 2024-2026 Business Plan and, in light of recent financial dynamics, is paying close attention to monitoring credit exposures and, more generally, the quality of its assets as well as to the implementation of ESG policies.
On 22 January 2024, the Company issued new bonds amounting to Euro 10 million (which are added to the Euro 50 million already issued in 2021), part of the Euro 500 million EMTN programme. The amount was paid in full to Finlombarda in January 2024.
Lastly, it should be noted that a former employee who resigned in 2022 filed an appeal with the Court of Milan against the Company claiming damages. The Company considers the claims to be completely unfounded and has appointed an outside lawyer to defend it on 11 March 2024. Therefore, since an initial estimate by the appointed lawyer of the risk of losing the dispute is not yet available, the Company has not set aside any provision for risks at this time.

SECTION 4: OTHER ASPECTS

Impacts of the COVID-19 epidemic, risks and uncertainties

With the communication of 14 March 2023 concerning "the impacts of COVID-19 and measures to support the economy", the Bank of Italy supplemented the provisions governing the financial statements of intermediaries contained in the Provision "The financial statements of IFRS intermediaries other than banking intermediaries" of 17 November 2022 in order to provide information on the effects that COVID-19 and measures to support the economy have had on the strategies, objectives and policies for risk management, as well as on the economic and capital position of intermediaries.
In relation to the health emergency resulting from the spread of the Covid-19 virus, the state of emergency came to an end on 31 March 2022, although some regulations remained to protect, for

example, fragile workers (currently in force until 31 March 2024); therefore, the Company continued to use the simplified agile work tool, provided for by the emergency regulations, until 31 March 2024, providing for a rotation of employees in the workplace.
With regard to loans receivable subject to a Covid-19 moratorium, it should be noted that as at 31 December 2023, there were no loans receivable subject to such measures; therefore, the relevant tables were not compiled.

Concerning the impacts on the application of IFRS16, the company identified 2 contracts with application of the standard with impacts on 2023: the lease contract for the company headquarters and the rental contract for the company car. The lease contract for the property will have no economic effect on the 2023 financial statements, as the lease payments will take effect on 1 January 2024. Therefore, only the financial assets and liabilities related to it have been recognised. While the company car rental contract shows an insignificant impact on the 2023 financial statements.
With regard to the impact on employee benefits, reference should be made to the specific paragraph in section B on the application and assumptions underlying IAS 19.
With regard to the adjustments made to the models for calculating expected losses in accordance with IFRS 9, more detailed information is provided in Part D – Section 3 – Information on risks and related hedging policies.
There are no effects on the income statement of the COVID-19 impacts on the value adjustments of financial assets at amortised cost. Therefore, table 8.1 a) of Part C "Information on the income statement" in section 8 of these notes has not been compiled.

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

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

Cash and cash equivalents

Legal tender currencies, including banknotes and foreign divisional coins, as well as "demand" credits (current accounts and demand deposits) to banks are included in this item. The asset account for item 10 is illustrated in this item.

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);

• debt securities, loans and units in UCITS whose contractual terms do not exclusively provide for principal repayments and interest payments on the principal amount to be repaid, i.e., financial assets that do not meet the requirements for classification at amortised cost or fair value with an impact on comprehensive income, as they do not pass the test for verification of contractual cash flow characteristics (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.

Measurement criteria

Assets measured at fair value through profit or loss are recognised at the settlement date at fair value, which normally corresponds to the consideration paid, with the exception of transaction costs and revenues that are recognised directly in profit or loss. In the case of loans on demand or maturing in the short term, the book value is considered a good approximation of fair value.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

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" of the assets side of the balance sheet are classified the following financial assets (debt securities, equity securities and loans) classified in the portfolio measured at fair value through other comprehensive income, distinguishing between those that will subsequently be reclassified to the income statement (debt securities and loans) and that will not (equity securities).

This item includes:

- 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

Assets included in this item are recognised at the settlement date at fair value, which normally corresponds to the consideration paid to acquire them. 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. Minor investments, compared to other financial instruments, are posted at cost (recorded on first-time adoption of IFRS 9).

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 on the basis of a calculation framework similar to that defined for financial instruments measured at "amortised cost".

With regard to minor equity investments (equities), at each reporting date the share of shareholders' equity is checked and if it is lower than the book value it is adjusted with a contra-entry to the shareholders' equity reserve (item "160. Valuation reserves”).

As regards equity securities classified in the item "Financial assets measured at fair value through other comprehensive income", they are not subject to impairment and changes in value, also due to deterioration in creditworthiness, are recognised in an equity reserve.

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

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

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

Derecognition criteria

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

- the contractual rights on the cash flows deriving therefrom have expired; or
- the financial asset is sold with substantial transfer of all risks and benefits deriving from ownership thereof; or

- the financial asset is written off or when there no longer is any reasonable expectation to recover the financial asset, including the cases of giving up the asset; or
- the entity maintains the contractual right to receive the financial flows deriving therefrom, but it concurrently assumes the contractual obligation to pay the flows to a third party;
- contractual amendments to the agreement configure “substantial” changes.

The result of the derecognition of these assets is recognised:

- for financial instruments associated with the Hold to Collect & Sell Business Model in the Income Statement under item "100. B) Gains (losses) from disposal or repurchase of: financial assets measured at fair value through other comprehensive income" on disposal. Otherwise, in all other cases, it is recognised under item “130. Net impairment/reversals of impairment for credit risk”;
- for equity instruments for which the “OCI election” was adopted, under shareholders’ equity, in item “110. Valuation reserves”. Following the derecognition of these assets, the balance recognised in item “160. Valuation reserves” is reclassified in item “150. 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:

- loans and advances to banks (e.g. time deposits, security deposits, debt securities) other than 'on demand' loans and advances included under 'Cash and cash equivalents'.
- receivables from financial institutions, debt securities;
- receivables from customers (e.g.: other loans, service activities towards the Lombardy region, 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.

Any changes in business model due to inconsistency between the management of the portfolio and the model chosen, or to significant changes in the strategic choices made, will be decided by the Board of Directors, which will determine if, in rare circumstances, reclassification is needed.

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 using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. To determine the effective interest rate, it is necessary to assess the cash flows taking into consideration all contractual terms of the financial instrument (e.g., early payment, a buy option or the like), but future losses on receivables are not considered. The calculation includes all expenses or basis points paid or received between the parties of an agreement

that are integral parts of the effective interest rate, transaction costs, and all other premiums or discounts.

- At every closing date of the Financial Statements or reporting date the impairment losses of these activities is estimated, in accordance with the impairment rules of IFRS 9.
- Detected impairments are immediately recognised in the Income Statement under item "130. Net impairment/reversals of impairment for credit risk", as are partial or total recoveries of previously impaired amounts. Reversals of impairment are recognised in relation to an improved quality of the exposure, such as to entail a decrease in the overall impairment recognised previously.
- In the Income Statement, under item "10. Interest and similar income", is recognised the amount represented by the progressive release of the present value calculated at the time of recognition of the adjustment.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights to the cash flows from the assets expire or are extinguished or when the financial asset is sold.

IFRS 9 also includes the following provisions on:

- Write-off of financial assets: when an entity does not reasonably expect to fully or partly recover contractual cash flows from a financial asset, it must directly reduce the gross carrying amount of the financial asset. This write-down constitutes partial or total derecognition of the asset.
- Change in contractual cash flows: when a change in contractual cash flows occurs,
  the entity must assess whether the original asset should continue to be recognised in the financial statements or whether the original instrument should be derecognised and a new financial instrument recognised. When the modification of contractual cash flows of a financial asset is substantial, the procedure is to derecognise the existing financial asset and subsequently recognise the modified financial asset.

Equity investments

Definition and classification

The portfolio of equity investments comprises holdings in subsidiary companies, associated companies and companies under joint control, other than those classified as «financial assets measured at fair value through other comprehensive income». Control is presumed to exist when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is therefore deemed to exist in the following circumstances:

a) availability of actual and potential voting rights at a shareholders' meeting and/or other contractual rights, relations or other elements that guarantee influence over the relevant activities of the investment;

b) exposure to the variability of results, for example in terms of an overall economic interest in the investment;

c) with regard to the above points, existence of an ability to influence the economic results of the investment by the power exercised over it.

A company is associated if the Company exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

a) representation on the Board of Directors, or equivalent body, of the investee company;

b) participation in decision-making, including participation in dividend decisions;

c) occurrence of significant transactions between the investor and the investee; d) interchange of management personnel;

e) provision of essential technical information.

Joint control exists when control over the investment is shared equally with others, is agreed contractually and only exists if the decisions about relevant activities require the unanimous consent of the parties sharing control.

Recognition criteria

Equity investments are initially recognised at cost on the acquisition date, whereby cost normally coincides with the amount paid, including transaction costs.

Measurement criteria

Equity investments are subsequently valued at cost. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value.

Any subsequent write-backs cannot exceed the impairment losses recorded previously.

Criteria for the recognition and measurement of income components

Dividends are accounted for in the year they are collected and shown under "dividends and similar income". Impairment losses, as well as profit/losses on disposal, are booked to the income statement under "net gains (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

At 31 December 2023, the company had no investments.

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. 27°):

- 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, the valuation process involves the use of a DCF (Discounted Cash Flow) model based on the discounting of cash flows on the basis of the interest rate curve to which is added a constant mark-up representing the issuer's credit spread.

In the case of investments in securities subject to credit approval (Minibond and Basket Bond), staging is determined by analysing the creditworthiness of the counterparties, while the fair value hierarchy is determined by the state of substantial illiquidity, which places them at level 2.

Categ. Financial Instruments	**Product**	**Measurement model**	**Input of the measurement model**
Debt securities	Corporate bonds	ASW (Asset Swap Valuation) function of the Bloomberg system	Interest rate curves, credit spreads from comparables plus an illiquidity premium
Unlisted equities	Shareholdings (**Minority equity investments**)	Income measurement model	Latest available financial statements
Investments in mutual funds	PE Funds (NEXT Fund share) and October II	NAV communicated by management company	N/A
Investments in Securities subject to credit approval	Corporate bonds of Lombard Enterprises	Discounted Cash Flow	Curves of future interest rates and credit spreads (PD’s) excerpted from Refinitiv (where available).

Property, plant and equipment

Classification criteria

This item includes tangible assets held for investment purposes and those for functional use.
Real estate held (either as property or under a finance lease) for the purpose of earning lease income and/or capital appreciation is classified as an investment.

Functional real estate is classified as real estate held (either as property or through a finance lease) for business use and expected to be used for more than one financial year.

Tangible assets for functional use include:

- land;
- properties;
- furniture and accessories;
- electronic office machines;
- various machines and equipment;
- vehicles;
- improvements on third-party property.

These are assets with physical substance held to be used in the provision of goods and services or for administrative purposes and expected to be used for more than one financial year. This item also includes the rights of use acquired through leasing and relating to the use of a tangible asset.
Under IFRS 16, a lease is a contract, or part of a contract, that, in exchange for a fee, transfers the right to use an asset (the underlying asset) for a period of time. Leasehold improvements are improvements and incremental expenses related to identifiable and separable tangible assets. They are incurred to make leased real estate suitable for its intended use.

Recognition criteria

Tangible assets are initially recorded at cost including directly attributable ancillary expenses incurred to bring the asset to the location and conditions necessary for operation based on company needs.
Repair costs and ordinary maintenance costs are recorded in the income statement in the year in which they are incurred, while extraordinary maintenance costs that result in an increase in the future economic benefits to be derived from the asset are capitalised and then depreciated in relation to the residual possibility of use of the asset to which they refer.
Leasehold improvements are added to the carrying amount of the asset or allocated to the relevant category based on the nature of the cost incurred if it is probable that there will be future economic benefits, otherwise they are recognised in the income statement.
This classification includes assets for which the international accounting standard IFRS 16 "Leases" is applied, which was published by the IASB on 13 January 2016 and its endorsement at EU level was through the publication in the Official Journal of the European Union of Regulation (EU) no.

2017/1986 of 9 November 2017. Effective 1 January 2019, the standard replaces the previous accounting standards and interpretations regarding lease contracts. According to IFRS 16, leases are accounted for on the basis of the right of use model, so that, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for his right to use the underlying asset for the duration of the lease.

When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

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 following contracts fall under the application of IFRS 16, specifically the lease contract of the company HQ and the rental agreement of the car for company use:

Table 1. Contracts

Contracts	Category
1 Sublease contract	Offices - Warehouses - Parking spaces
2 Rental contract	Cars

Table 2 - Characteristics of the contract

Asset category	Offices - Warehouses - Parking spaces	Cars
Start date	31/12/2023	01/10/2023
Maturity date	31/12/2030	30/09/2027
Periodicity of instalments	Quarterly	Monthly
Type of instalment	Advance	Advance

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 3 - Balance Sheet values at first recognition			
	Offices - Warehouses - Parking spaces	Cars	Total
Contract start asset value	11,495,537	6,943	11,502,480
(+) Advance fee			
(-) Incentives			
(+) Initial costs of the lessee			
(+) Restoration costs			
Total asset value	11,495,537	6,943	11,502,480
Contract liability value	12,869,990	7,440	12,877,430
(+) Residual value not guaranteed			
Discount rate applied	3.4759%	3.6349%	
Fair value of the discounted underlying asset	11,495,537	6,943	11,502,480
(+) Initial costs of the lessor			
Total liability value	11,495,537	6,943	11,502,480

The tables represent a financial and asset 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.

- Value of assets and liabilities at 31/12/2023 and related accounting entries:

Table 4 - Opening entries			
Description	Description	Pay	Receive
Right of use company car	Payables Right of use company car	6,943	6,943
Right of use property	Payables Right of use property	11,495,537	11,495,537
Total entries		**11,502,480**	**11,502,480**

Table 5 - Balance Sheet			
	Offices - Warehouses - Parking spaces	Cars	Total
Assets			
Asset value at the stipulation date	11,495,537	6,943	11,502,480
(-) Amortisation and Depreciation		434	434
Asset value at 31.12.2023	11,495,537	6,509	11,502,046
Liabilities			
Liability value at the stipulation date	11,495,537	6,943	11,502,480
(+) Period interest		40	40
(-) Instalment payment as per plan		465	465
Liability value at 31.12.2023	11,495,537	6,518	11,502,055
of which short-term		1,654	
of which medium-long term		4,865	

Table 5 - Entries			
Description	Description	Pay	Receive
Amortisation Right of use company car	Right of use company car	434	434
Int. expense Right of use company car	Payables Right of use company car	40	40
Payables Right of use company car	Car rental	465	465
Total entries		**939**	**939**

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.

Measurement criteria

Subsequent to initial recognition, tangible assets, including real estate held for investment purposes, are measured at acquisition cost less any depreciation and impairment losses.

Tangible assets with definite useful life are systematically depreciated in accordance with IAS 16; in this case, the asset is depreciated on a straight-line basis over the life of the contract. 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.

As regards lease contracts, 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. 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.

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.

Derecognition criteria

A tangible asset is derecognised from the balance sheet at the time of disposal or when the asset has exhausted its functionality and no future economic benefits are expected. The right of use deriving from lease contracts is eliminated from the financial statements at the end of the contract term.

Criteria for recognising income components

Periodic depreciation, impairment losses and write-backs are recorded in the item "net value adjustments on tangible assets" of the income statement. With regard to lease contracts, the amortisation of the Right of Use of the asset is recognised under the item "Net value Adjustments/reversals on tangible assets", while the interest expense recognised on the financial liability related to the contract is included under the item "Interest and similar expense".

Intangible assets

Classification criteria

Intangible assets are non-monetary, identifiable, intangible assets. They mainly include goodwill and software. 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.

Recognition criteria

Intangible assets are recorded at cost, represented by the purchase price and any direct costs incurred in preparing the asset for use.

Measurement criteria

For assets with definite useful life, after initial recognition, intangible assets are recorded at cost less amortisation and accumulated impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. 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.

Derecognition criteria

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

Criteria for recognising income components

Periodic depreciation, impairment losses and write-backs are recorded in the item "Net value adjustments on tangible assets" of the income statement.

Current and deferred taxes

Current and deferred taxes, calculated in accordance with national tax laws, are recognised in the income statement, except for those relating to items debited or credited directly to equity. Receivables and payables of a tax nature are accounted for in the balance sheet with open balances and without offsets, the former classified under item "100. Tax assets" and the latter under item "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. The liability for current taxes is shown in the financial statements gross of the related advances paid for the current year. 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

If there are deductible or taxable temporary differences between the value of assets and liabilities for tax purposes and the related carrying amounts, the corresponding deferred tax assets and liabilities are recognised using the liability method.
For all taxable temporary differences, a deferred tax liability is recognised, with the following exceptions:

- deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination; and at the time of the transaction affects neither accounting profit nor taxable profit.
- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures can be controlled, and it is probable that it will not occur in the foreseeable future.

Deferred tax liabilities are recognised in the Balance Sheet item “60. b) Deferred tax liabilities”. Deductible temporary differences, unused tax credits and unused tax loss carry-forwards are recognised as a deferred tax asset to the extent that there is a probability of their recovery, except where:

- the deferred tax assets associated with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that did not represent a business combination and that, at the time, did not influence the results reported for statutory and tax purposes;
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is

probable that they will reverse in the foreseeable future and that there will be sufficient taxable income to allow for the recovery of such temporary differences.

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. Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in those cases, they are recognised respectively in the statement of comprehensive income or in equity, consistent with the element to which they relate.

Derecognition criteria

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

This includes all the various forms of interbank funding and securities in issue (bond issues). Within it, the item is divided into:

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

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

Recognition criteria

These liabilities are recognised in the financial statements at the time the sums raised are received or the debt securities are issued (settlement date principle). 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 when the underlying obligations expire or are settled, cancelled or satisfied. 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 160°), as specified in Section 9 of Part C of the explanatory notes.

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

Recognition of actuarial gains and losses

IAS 19 requires that all actuarial gains and losses accrued at the reporting date are recognised immediately in the Statement of Other Comprehensive Income (OCI).
There is no longer the possibility of deferral through the corridor method (which has been eliminated), as well as their possible recognition in the income statement. Consequently, the standard allows the recognition of actuarial gains/losses exclusively in OCI. The Company opted for early application of the amended standard in the financial statements for the year ended 31 December 2012.

Provisions for risks and charges

Definition

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

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

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

Recognition and measurement criteria

Provisions for Risks and Charges include:

- allocations pertaining to the commitments and to the financial guarantees issued, subject to the impairment rules of IFRS 9;

- Sub-item "Pensions and similar obligations" only includes the supplementary defined benefit and defined contributions pension plans classified as internal funds pursuant to current pension legislation, as well as the other "external" supplementary pension funds, if the return of the principal and/or the yield to the beneficiaries has been guaranteed;
- provisions for liabilities of uncertain amount or maturity, including litigation, recognised in the financial statements when the following conditions are met:
    a) there is a (legal or constructive) obligation as a result of a past event;
    b) it is not probable that fulfilling the obligation will require the use of resources able to produce economic benefits;
    c) the amount deriving from fulfilling the obligation may be reliably estimated.

If all these conditions are not met, no liability is recognised. Provisions are periodically reviewed and, if necessary, adjusted to reflect the best current estimate.

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.

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 items of the financial statements already mentioned, 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

In compliance with the provisions of IFRS 15, revenue arises from the transfer of goods or services to the customer and is recognised at an amount that reflects the consideration that the Group deems it is entitled to in exchange for the above goods or services using a 5-step model (identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations; recognise revenue when the entity satisfies a performance obligation). 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

The preparation of the financial statements also requires the use of estimates and assumptions that may have a significant impact on the items recognised in the Balance Sheet and Income Statement, as well as on disclosure relating to contingent assets and liabilities recognised in the financial statements. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. Due to their nature, the estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in subsequent years, the values recorded in the financial statements may also vary significantly as a result of changes in the subjective valuations used. In the presence of more significant uncertainties and/or assets subject to measurement of particular materiality, the valuation is supported, with the use of external experts/appraisers, by specific fairness opinions.

Other information

Impairment of financial instruments

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

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

General approach

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

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

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

- in the presence of a significant increase in credit risk relative to the initial recognition, the financial instrument is associated with stage 2, or with stage 3 if the financial instrument is impaired, and an adjustment is recognised in the Financial Statements, equal to the expected lifetime loss (i.e. the expected loss resulting from default events on the financial asset that are deemed possible throughout the entire lifetime of the financial asset).

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

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

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

The general approach to estimating expected losses is determined by the application of regulatory risk parameters, adjusted to make them compliant with the requirements of IFRS 9. The losses expected in the 12 following months are a fraction of the losses expected throughout the lifetime of the receivable, and they represent the losses that would be determined in case of non-compliance in the 12 months following the reference date of the Financial Statements, weighted according to the probabilities of non-compliance.

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

The criteria for estimating the write-downs to be applied to impaired receivables are based on the discounting of the expected cash flows taking into account any guarantees supporting the positions and any advances received. For the purposes of determining the present value of the flows, the fundamental elements are represented by the identification of the estimated collections, of the related due dates and of the discount rate to be applied. The size of the adjustment is equal to the difference between the book value of the asset and the present value of expected future cash flows, discounted at the original effective interest rate, appropriately revised for instruments with floating interest rate, or, in case of positions classified as non-performing, at the effective interest rate prevailing at the date of classification as non-performing.

Simplified approach

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

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

Repurchase agreements, securities lending and contangos

Repurchase agreements or contangos, whereby the Company sells securities to third parties with the obligation to repurchase them at the maturity date of the transactions at a predetermined price, are recorded under payables to banks.

The difference between the spot and forward prices of these transactions is accounted for as interest and recorded on an accrual basis over the life of the transaction. Securities lending transactions in which the collateral is cash that is fully available to the lender are recognised in the financial statements in the same way as the aforementioned repurchase agreements. In the case of securities lending transactions with collateral in the form of other securities, or without collateral, the lender and borrower continue to recognise in the assets side of the balance sheet, respectively, the security lent and the security given as collateral. The remuneration for such operations is recognised by the lender under item "40. Fee and commission income" and by the borrower under item "50. Fee and commission expense".

The numbering of the sections, as well as the numbering of the tables, follows the scheme set out in the Notice of 17 November 2022 "The Financial Statements of IFRS Intermediaries other than Banking Intermediaries" supplemented by the Notice of 14 March 2023 on "The impacts of COVID-19 and measures to support the economy". Sections with zero are therefore not included.

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

A.3.1 Reclassified financial assets: change in business model, book value and interest income

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

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

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

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

There have been no transfers of financial assets.

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

QUALITATIVE INFORMATION

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

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

For assets and liabilities measured at fair value on a recurring basis in the financial statements, in the absence of active market prices, valuation methods are used in line with those generally accepted and used by the market.
The valuation models for level 2 financial instruments for securities classified as HTC&S in stage 1 and stage 2, the valuation process envisage, as a valuation method, the DCF (Discounted Cash Flow) based on the discounting of the cash flows on the basis of the interest rate curve to which a constant mark-up is added, which represents the issuer's credit spread. For securities classified according to the HTC business model, valuation is at amortised cost. Note that the only items that are measured at fair value in the financial statements at 31/12/2023 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 2 of the fair value hierarchy; according to that test we determine certain potential changes in fair value, by type of instrument, attributable to plausible changes in unobservable inputs.

A.4.3 Fair value hierarchy

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

A.4.4 Other information

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

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2023			31/12/2022		
	L1	L 2	L 3	L1	L 2	L 3
1. Financial assets measured at fair value through profit or loss	**13,302,848**		**3,806,820**	**14,564,328**		**6,273,561**
a) financial assets held for trading						
b) financial assets designated at fair value						
c) other financial assets mandatorily measured at fair value	13,302,848		3,806,820	14,564,328		6,273,561
2. Financial assets measured at fair value through other comprehensive income	52,623,215	10,392,252	88,052	67,183,023	26,362,814	832,973
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	**65,926,063**	**10,392,252**	**3,894,872**	**81,747,350**	**26,362,814**	**7,106,534**
1. Financial liabilities held for trading						
2. Financial liabilities designated at fair value						
3. Hedging derivatives						
Total						

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

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	**7,106,534**			**6,273,561**	**832,973**			
2. Increases	**363,939**				**363,939**			
2.1 Purchases								
2.2 Profits allocated to:	363,939				363,939			
2.2.1 Income statement								
of which: capital gains								
2.2.2 Equity	363,939				363,939			
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases	**-3,575,601**			**-2,466,741**	**-1,108,860**			
3.1 Sales	-1,108,860				-1,108,860			
3.2 Reimbursements	-2,033,553			-2,033,553				
3.3 Losses allocated to:	-433,188			-433,188				
3.3.1 Income statement								
of which: capital losses	-433,188			-433,188				
3.3.2 Equity								
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing inventories	**3,894,872**			**3,806,820**	**88,052**			

Changes in the financial instruments classified at Level 3 concern: the valorisation of the reimbursements relating to October SME IV, the valorisation of the closed-end securities fund "NEXT" and the sale of the "Sistemi di Energia" investment classified in the HTCS portfolio.

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	31/12/2023				31/12/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	545,634,837			568,039,295	528,952,080	5,033,029		550,870,661
2. Investment properties								
3. Non-current assets and groups of assets held for sale								
Total	**545,634,837**			**568,039,295**	**528,952,080**	**5,033,029**		**550,870,661**
1. Financial liabilities measured at amortised cost	558,435,597	50,011,193		508,424,405	438,951,494	50,011,527		388,939,967
2. Liabilities associated with assets held for sale								
Total	**558,435,597**	**50,011,193**		**508,424,405**	**438,951,494**	**50,011,527**		**388,939,967**

The financial assets represented in Level 3 consist of amounts due from customers for loans and receivables from the Lombardy Region. Financial liabilities shown in Level 3 consist of bank loans payable, repurchase agreements payable, and rights-of-use liabilities in accordance with IFRS16.

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

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

As regards the information required on the day one profit/loss, for the financial instruments in the financial statements at 31/12/2023, we can report that there are no significant differences between the fair value at the time of their initial recognition and the amount determined on the same date using the measurement technique adopted by the Company.

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

SECTION 1 – CASH AND CASH EQUIVALENTS

This section illustrates item 10.

1. Cash and cash equivalents: breakdown

	31/12/2023	31/12/2022
a) Cash	1,290	2,086
b) Demand deposits at Central Banks		
c) Current accounts and deposits with banks	176,569,538	37,391,895
Total	**176,570,828**	**37,393,981**

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

This section illustrates item 20.

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

Items/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equities						
3. Mutual fund units	13,302,848		3,806,820	14,564,328		6,273,561
4. Financing						
4.1 Repurchase agreements						
4.2 Other						
Total	13,302,848		3,806,820	14,564,328		6,273,561

The item "UCITS units" is represented, in level 1 of the fair value hierarchy, by the investment funds Anima SGR and Azimut Investments SA, while in level 3 of the fair value hierarchy by the Next and October SME IV Funds.

The UCITS units consisted of Euro 9,821 thousand in funds managed by Anima SGR, Euro 3,481 thousand in funds managed by Azimut Investments SA, Euro 328 thousand relating to Next and Euro 3,478 thousand relating to October SME IV.

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

Items/Amounts	31/12/2023	31/12/2022
1. Equities		
of which: banks		
of which: other financial companies		
of which: non financial companies		
2. Debt securities		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
3. Mutual fund units	**17,109,668**	**20,837,888**
4. Financing		
a) Central banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**17,109,668**	**20,837,888**

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

This section illustrates item 30.

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

The debt securities item, in level 1 of the fair value hierarchy, is represented by debt securities relating to primary banking institutions, including Intesa San Paolo, Unicredit Banca and other corporate companies such as Enel, Rai, Telecom and other issuers, in level 2 by the bonds relating to the Minibond and Lombardia Basket bond product, while in level 3 the smaller investments present in the HTCS portfolio. The securities in Level 2 are tested for credit stage at the reporting date.

Items/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**52,623,215**	**10,392,252**		**67,183,023**	**26,362,814**	
1.1 Structured securities						
1.2 Other debt securities	52,623,215	10,392,252		67,183,023	26,362,814	
2. Equities			88,052			832,973
3. Financing						
Total	**52,623,215**	**10,392,252**	**88,052**	**67,183,023**	**26,362,814**	**832,973**

Equities, equal to Euro 88 thousand, 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

Items/Amounts	31/12/2023	31/12/2022
1. Debt securities	**63,015,467**	**93,545,837**
b) Public administrations	14,686,299	19,289,580
c) Banks	15,010,024	18,669,436
d) Other financial companies	7,405,949	25,528,706
of which: insurance companies		
e) Non-financial companies	25,913,194	30,058,114
2. Equities	**88,052**	**832,973**
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance compani		
d) Non-financial companies	88,052	832,973
3. Financing		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total	**63,103,519**	**94,378,810**

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

	Gross value				Adjustments						
	First stage	of which instruments with low credit risk	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	Total partial write-offs (*)	Total partial write-offs (*)
Debt securities	56,720,515		6,058,256	1,008,000		80,935	186,369	504,000			
Financing											
Total 31/12/2023	**56,720,515**		**6,058,256**	**1,008,000**		**80,935**	**186,369**	**504,000**			
Total 31/12/2022	**69,671,383**		**23,774,439**	**882,000**		**128,283**	**359,702**	**294,000**			

In the second stage, securities that have shown a deterioration in their rating during the year are classified.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

This section illustrates item 40.

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

Type of transactions/Amounts	31/12/2023						31/12/2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3
1. Term deposits							430,381					430,381
2. Current accounts												
3. Financing												
3.1. Repurchase agreements												
3.2 Finance lease												
3.3 Factoring												
- with recourse												
- without recourse												
3.4 Other loans												
4. Debt securities												
4.1 Structured securities												
4.2 Other debt securities												
5. Other assets												
Total							430,381					430,381

The balance as at 31/12/2022 referred to the Margin Call on repurchase agreements.

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

Type of transactions/Amounts	31/12/2023						31/12/2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3
1. Financing												
1.1. Repurchase agreements												
1.2 Finance lease												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets							4,000					4,000
Total							4,000					4,000

The item "Other assets", in level 3 of the fair value hierarchy, consisted of the receivable from Finlombarda SGR.

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

Type of transactions/Amounts	31/12/2023						31/12/2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	Impaired acquired or originated	L1	L2	L3
1. Financing	**538,669,760**	**4,915,152**				**543,584,913**	**516,627,593**	**5,213,464**				**521,841,056**
1.1 Finance lease												
of which: without final purchase												
1.2 Factoring												
- with recourse												
- without recourse												
1.3 Consumer credit												
1.4 Credit cards												
1.5 Pledged loans												
1.6 Loans granted in connection with payment services provided												
1.7 Other loans	538,669,760	4,915,152				543,584,913	516,627,593	5,213,464				521,841,056
of which: from enforcement of guarantees												
2. Debt securities							**5,033,029**			**5,033,029**		
- Structured securities												
- Other debt securities							5,033,029			5,033,029		
3. Other assets	**2,046,630**	**3,294**				**2,049,924**	**1,612,351**	31,262				**1,870,211**
Total	**540,716,390**	**4,918,447**				**545,634,837**	**523,272,973**	**5,244,726**		**5,033,029**		**523,711,268**

The item "Other Loans" is represented, in Level 3 of the Fair Value Hierarchy, by 10 loan products “Made in Lombardy”, “Credito Adesso”, “Credito Adesso Evolution”, “Al Via”, “Linea Innovazione”, “Syndicated loans”, “Patrimonio Impresa”, “Plain Vanilla”, "RipreSA" and “Turnaround”, disbursed to companies in the Lombardy region essentially SMEs and MICAPs.

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	31/12/2023			31/12/2022		
	First and second stage	Third stage	Impaired acquired or originated	First and second stage	Third stage	Impaired acquired or originated
1. Debt securities				**5,033,029**		
a) Public administrations				5,033,029		
b) Non-financial companies						
2. Loans to:	**538,669,760**	**4,915,152**		**516,627,592**	**5,213,464**	
a) Public administrations	13,730,504			**10,441,681**		
b) Non-financial companies	521,407,915	4,914,197		503,680,109	5,178,137	
c) Households	3,531,341	955		2,505,802	35,327	
3. Other assets	**2,046,630**	**3,294**		**1,612,351**	**31,262**	
Total	**540,716,390**	**4,918,447**		**523,272,973**	**5,244,726**	

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

	Gross value					Total adjustments				Total partial write-offs (*)
	First stage		Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
		of which instruments with low credit risk								
Debt securities										
Financing	487,191,948		55,828,952	10,864,542		3,344,291	1,006,849	5,949,390		
Other Assets	2,046,630			3,294						
Total 31/12/2023	**489,238,578**		**55,828,952**	**10,867,836**		**3,344,291**	**1,006,849**	**5,949,390**		
Total 31/12/2022	**506,299,268**		**23,124,478**	**11,063,716**		**5,133,468**	**582,925**	**5,818,991**		

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2023						31/12/2022					
	Due from banks		Receivables from financial entities		Due from customers		Due from banks		Receivables from financial entities		Due from customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Guaranteed performing assets:					**396,405,106**	**351,902,612**					**373,981,371**	**331,877,900**
- Assets under finance lease												
- Receivables for factoring												
- Mortgages					17,018,216	11,159,150					12,734,412	6,869,150
- Pledges					20,980,017	20,689,377					3,845,547	3,558,147
- Unsecured guarantees					358,406,873	320,054,085					357,401,412	321,450,603
- Credit derivatives												
2. Non-performing assets guaranteed by:					**4,742,401**	**4,742,401**					**4,965,753**	**4,965,753**
- Assets under finance lease												
- Receivables for factoring												
- Mortgages												
- Pledges											50,000	50,000
- Unsecured guarantees					4,742,401	4,742,401					4,915,753	4,915,753
- Credit derivatives												
Total					**401,147,507**	**356,645,013**					**378,947,124**	**336,843,653**

Total guarantees received on own funds amounted to Euro 356,645 thousand, compared to a total of Euro 401,148 thousand in guaranteed assets.

SECTION 7 – EQUITY INVESTMENTS

7.1 Equity investments: information about shareholdings

In 2023 the equity investments item 70 shows a zero balance.

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	31/12/2023	31/12/2022
1 Property assets		
a) land		
b) buildings		
c) furniture		
d) IT equipment		
e) other		
2 Purchased under finance leases	11,502,046	
a) land		
b) buildings	11,495,537	
c) furniture	6,509	
d) IT equipment		
e) other		
Total	**11,502,046**	

The items have been recognised in application of IFRS 16, which recognises the fixed asset net of depreciation of the company car rental contract and the fixed asset of the office property lease, as set out in Part A - Financial Statement Policies (A.2 - Main Financial Statement Items)

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

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

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

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount						
A.1 Total net reductions in value						
A.2 Opening net amount						
B. Increases:		**11,495,537**	**6,943.46**			**11,502,480**
B.1 Purchases		11,495,537	6,943			11,502,480
B.2 Capitalised improvement expenditures						
B.3 Writebacks						
B.4 Increases in fair value booked to						
a) equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Reclassified from property held for investment						
B.7 Other changes						
C. Decreases:			**-434**			**-434**
C.1 Sales						
C.2 Depreciation			-434			-434
C.3 Impairment adjustments booked to						
a) equity						
b) income statement						
C.4 Negative changes in fair value booked to:						
a) equity						
b) income statement						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) property, plant and equipment held for investment purposes						
b) non-current assets and groups of assets held for sale						
C.7 Other changes						
D. Closing net amount						
D.1 Total net reductions in value						
D.2 Closing gross amount						
E. Valuation at cost		**11,495,536**	**6,509**			**11,502,046**

SECTION 9 – INTANGIBLE ASSETS

This section illustrates item 90.

9.1 Intangible assets: breakdown

Assets/Amounts	31/12/2023		31/12/2022	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets				
of which: software	**206,195**		**402,794**	
2.1 owned	206,195		402,794	
- generated internally				
- other	**206,195**			
2.2 acquired under financial lease				
Total 2	**206,195**		**402,794**	
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	**206,195**		**402,794**	

The balance consists entirely of the capitalisation of multi-year costs arising from evolutionary maintenance on the management system.

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**402,794**
B. Increases	**280,481**
B.1 Purchases	280,481
B.2 Writebacks	
B.3 Increases in fair value:	
- to equity	
- to income statement	
B.4 Other changes	
C. Decreases	**477,080**
C.1 Sales	
C.2 Depreciation	477,080
C.3 Impairment:	
- equity	
- income statement	
C.4 Decreases in fair value:	
- to equity	
- to income statement	
C.5 Other changes	
D. Closing balance	**206,195**

SECTION 10 – TAX ASSETS AND TAX LIABILITIES

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

10.1 "Tax assets: current and deferred": breakdown

Tax assets amount to Euro 2,705 thousand (Euro 4,739 thousand at 31/12/2022) of which Euro 1,077 thousand for current tax assets, as detailed in the table below, and Euro 1,628 thousand for deferred tax assets.

Item description	31/12/2023	31/12/2022
Advance payments of income tax	**507,839**	**202,777**
- *IRES*	208,622	
- *IRAP*	299,217	202,777
Other tax receivables	**569,520**	**1,553,498**
- *IRES*	568,483	1,552,461
- *IRAP*	1,037	1,037
Deferred taxes	**1,627,799**	**2,982,613**
Total current taxes	**2,705,158**	**4,738,888**

10.2 “Tax liabilities: current and deferred”: breakdown

Tax liabilities amounted to Euro 3,989 thousand (Euro 1,037 thousand at 31/12/2022); they consist entirely of current taxes.

Item description	31/12/2023	31/12/2022
Provisions for income taxes	**3,989,302**	**1,037,052**
- *IRES*	3,197,839	767,230
- *IRAP*	791,463	269,822
Other tax liabilities		
Deferred tax liabilities		
Total current and deferred taxes	**3,989,302**	**1,037,052**

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

Description	31/12/2023	31/12/2022
1. Opening balance	**734,877**	**1,007,595**
2. **Increases**	**0**	**0**
2.1. Deferred tax assets arising during the year	0	0
a) relating to prior years	0	0
c) reversals of impairment	0	
d) other	0	0
2.2 New taxes or increases in tax rates	0	
2.3 Other increases	0	0
3. Decreases	**-113,151**	**-272,718**
3.1 Deferred tax assets eliminated during the year		
a) reversals		
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	-113,151	-272,718
a) transformation into tax credits as per Law 214/2011		
b) other		
4. Closing balance	**621,726**	**734,877**

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

There were no deferred taxes with an impact on the income statement in the reporting period.

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

Description	31/12/2023	31/12/2022
1. **Opening balance**	**2,247,735**	**198,692**
2. **Increases**	**1,006,073**	**2,247,735**
2.1. Deferred tax assets arising during the year		
a) relating to prior years		
b) due to changes in accounting policies		
c) other	1,006,073	2,247,735
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-2,247,735**	**-198,692**
3.1 Deferred tax assets eliminated during the year	-2,247,735	-198,692
a) reversals	-2,247,735	-198,692
b) written down as no longer recoverable		
c) due to changes in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,006,073**	**2,247,735**

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

There were no deferred taxes with an impact on shareholders' equity in the reporting period.

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

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

	31/12/2023	31/12/2022
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		460,000
A.3 Tangible assets		
of which: obtained through enforcement of guarantees		
A.4 Intangible assets		
A.5 Other non-current assets		
Total A		**460,000**
of which measured at cost		460,000
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss		
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2 Financial assets measured at fair value through other comprehensive income		
B.3 Financial assets measured at amortised cost		
B.4 Equity investments		
B.5 Tangible assets		
of which: obtained through enforcement of guarantees		
B.6 Intangible assets		
B.7 Other assets		
Total B		
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C		
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost:		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Funds		
D.5 Other liabilities		
Total D		
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		

11.2 Liabilities associated with assets held for sale: breakdown

There are no liabilities associated with discontinued operations.

SECTION 12 – OTHER ASSETS

This section illustrates item 120.

This item amounts to Euro 5,089 thousand (Euro 185 thousand in the previous year) and is made up of:

Description	31/12/2023	31/12/2022
Fees for services		
Other assets	5,089,183	184,526
Total	**5,089,183**	**184,526**

Receivables for other assets mainly refer to deferred assets, receivables from personnel, social security institutions, recognition of coupon redemption maturation, withholding taxes on interest income accrued during the year on current accounts and securities. Compared to last year, there was a substantial increase in this item, mainly due to the accrual of coupons in the amount of Euro 3,893 thousand, the collection of which took place on 2 January 2024, and withholding taxes on current accounts in the amount of Euro 777 thousand.

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

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This section illustrates item 10.

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

Type of transactions/Amounts	31/12/2023			31/12/2022		
	Banks	Financial companies	Customers	Banks	Financial companies	Customers
1. Financing	446,922,049	50,000,301		388,939,967		
1.1 Repurchase agreements	21,028,592			33,997,073		
1.2 Other loans	425,893,457	50,000,301		354,942,894		
2. Lease payables		11,502,055				
3. Other payables						
Total	**446,922,049**	**61,502,356**		**388,939,967**		
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	446,922,049	61,502,356		388,939,967		
Total Fair value	**446,922,049**	**61,502,356**		**388,939,967**		

This item consists of loan facilities with the European Investment Bank (EIB), Banca Popolare di Sondrio, Cassa Depositi e Prestiti, BNL and Intesa San Paolo, respectively.

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

The second loan agreement, called "Finlombarda SMEs, Mid-Caps & Other priorities" was signed on 24 September 2015 for an amount of Euro 242 million, and is destined to finance small to medium enterprises (SMEs) and/or medium size companies (MID-CAP) with registered or operating offices in Lombardy. It has been fully utilised. 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. It has been fully utilised.

The book value of amounts due to the EIB is Euro 185,691 thousand.

The loan with Banca Popolare di Sondrio, has a residual life of about three years for a total of Euro 150 million, fully utilised, with a balance of Euro 112,666 thousand. The same entered into amortisation in the course of 2023. In the course of the year 2023, three further loans totalling Euro 175 million were taken out with Cassa Depositi e Prestiti, BNL and Intesa San Paolo, respectively, which are still in the pre-amortisation phase.

Repurchase agreements were entered into in 2023 and amounted to Euro 21,028 thousand at 31 December 2023, with maturity in January 2024.

The remainder of the balance is comprised of lease contracts for the company headquarters property and the rental of the company car, as required by IFRS16, in the amount of Euro 11,502 thousand.

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

Type of transactions/Amounts	31/12/2023				31/12/2022			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	**50,011,193**	**50,011,193**			**50,011,527**	**50,011,527**		
1.1 structured								
1.2 others	50,011,193	50,011,193			50,011,527	50,011,527		
2. other securities								
2.1 structured								
2.2 other								
Total	**50,011,193**	**50,011,193**			**50,011,527**	**50,011,527**		

The balance consists of a bond issue with a nominal value of Euro 50 million made by the Company on 22 December 2021 at a fixed rate of 0.967% for a term of 4 years in a single payment at maturity.

SECTION 6 – TAX LIABILITIES

See Assets, section 10.

SECTION 7 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

There are no liabilities associated with assets held for sale.

SECTION 8 – OTHER LIABILITIES

This section illustrates item 80.

8.1 Other Liabilities: breakdown

This item amounts to Euro 6,326 thousand (Euro 4,966 thousand in the previous year) and is made up of:

Component	31/12/2023	31/12/2022
Due to suppliers	1,992,215	1,642,992
Other payables	4,334,232	3,322,999
Total	**6,326,447**	**4,965,991**

The item “due to suppliers” includes payables to suppliers for Euro 480 thousand, invoices to be received amounting to Euro 859 thousand, payables to Financial Entities of Euro 625 thousand relating to fee and commission expenses.
"Other payables" include "Accrued and deferred liabilities" for Euro 366 thousand, "other payables" for Euro 541 thousand, "payables to the tax authorities" for Euro 211 thousand, "payables to social security institutions and withholdings" for Euro 1,494 thousand, payables to personnel and collaborators for Euro 1,717 thousand, mainly for the allocation of untaken holidays, bonuses and incentives.

With regard to suppliers, a total of Euro 885 thousand is reported, referring to guarantees received on existing contracts with suppliers, as required by the Tenders Code. These amounts are recorded in the memorandum accounts.

SECTION 9 – EMPLOYEE SEVERANCE INDEMNITIES

This section illustrates item 90.

9.1 Employee severance indemnities

	31/12/2023	31/12/2022
A. Opening balance	**1,498,570**	**1,787,058**
B. Increases	**123,565**	**91,556**
B.1 Provision for the year	85,327	91,556
B.2 Other increases	38,238	
C. Decreases	**-128,211**	**-380,044**
C.1 Payments made	-128,211	-57,536
C.2 Other decreases		-322,508
D. Closing balance	**1,493,925**	**1,498,570**

Periodic cost	31/12/2023	31/12/2022
Total service cost	63,418	91,556
Interest cost	48,427	17,407
Actuarial gains (losses)	15,510	- 339,915
Total periodic cost	**127,354**	**-230,952**

9.2 Other information

As regards the actuarial valuations for the purposes of determining the severance indemnities at 31/12/2023 according to IAS/IFRS, the economic-financial were considered:

Dynamic Hypothesis Parameters

Parameters	Dynamic hypothesis
Rate of increase in severance indemnities	3.00%
Inflation rate	2.00%
Discount rate	2.85%

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

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

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

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total (T)	Total (T-1)
1. Provisions for credit risk relating to commitments and financial guarantees given	11,149	57,323
2. Provisions on other commitments and other guarantees given		
3. Company severance entitlements		
4. Other provisions for risks and charges	84,352	70,000
4.1 legal and tax disputes	14,352	
4.2 personnel costs		
4.3 other	70,000	70,000
Total	**95,501**	**127,323**

Provisions for risks decreased by a total of Euro 32 thousand compared to the previous year. This decrease is due to the release of certain provisions made in previous years of Euro 46 thousand for commitments and guarantees in application of the IFRS9 standard. On the other hand, additional accruals were recorded in relation to legal expenses settled in favour of former corporate officers and charged to the Company following Court of Auditors' ruling no. 2 of 11 January 2024, amounting to Euro 14 thousand.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Severance entitlements	Other provisions for risks and charges	Total
A. Opening balance			**70,000**	**70,000**
B. Increases			**14,352**	**14,352**
B.1 Provision for the year			14,352	14,352
B.2 Changes due to the passage of time				
B.3 Changes due to changes to the discount rate				
B.4 Other changes				
C. Decreases				
C.1 Used in the year				
C.2 Changes due to changes to the discount rate				
C.3 Other changes				
D. Closing balance			**84,352**	**84,352**

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

	Provisions for credit risk relating to commitments and financial guarantees given				*Total*
	First stage	Second stage	Third stage	Impaired acquired or originated	
Commitments to disburse funds	11,101	48			**11,149**
Financial guarantees provided					
Total	**11,101**	**48**			**11,149**

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

This section explains liabilities items 110.120, 130,140,150, 160 and 170.

Equity: Breakdown

Description	31/12/2023	31/12/2022
1. Share capital	211,000,000	211,000,000
2. Share premium reserve	127,823	127,823
3. Reserves	33,655,335	30,722,661
4. (Treasury shares)		
5. Valuation reserves	-1,186,615	-3,650,683
6. Equity instruments		
7. Net profit (loss) for the year	7,984,119	2,568,735
Total	**251,580,662**	**240,768,537**

11.1 Share capital: breakdown

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

Type	Amount
1. Share capital	211,000,000
1.1 Ordinary shares	211,000,000
1.2 Other shares (to be specified)	

11.4 Share premium reserve: breakdown

Description	31/12/2023	31/12/2022
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	**7,137,120**		**23,585,541**	**30,722,661**
B. Increases	**256,874**		**2,675,800**	**2,932,674**
B.1 Allocation of profits	256,874		2,311,862	2,568,735
B.2 Other changes			363,939	363,939
C. Decreases			-	-
C.1 Uses				
- coverage of losses				
- distribution				
- transfer to capital				
C.2 Other changes				
D. Closing balance	**7,393,994**	**-**	**26,261,341**	**33,655,335**

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

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

- the legal reserve amounts to Euro 7,393,994;
- The reserve “as per Art. 14 R.L. no. 33/2008” amounts to Euro 2,006,161;
- The statutory reserve of Euro 5,263,950;
- The statutory risk reserve of Euro 7,388,245;
- The Reserves for first time adoption of Euro 1,347,771;
- The reserve arising from the merger of the former Cestec of Euro 8,687,527;

Proposal for the allocation of the profit for the year

We propose to allocate the profit for the year in accordance with article 2427, paragraph 22- septies of the Italian Civil Code.

Description	31/12/2022
Net profit for the year	**7,984,119**
10% to Legal reserve	798,412
10% to Extraordinary statutory reserve	798,412
10% to Statutory risk reserve	798,412
Reserve ex Art. 14 R.L. no. 33/2008	5,588,883

a.i.1 Other information

1. Commitments and financial guarantees provided other than those at fair value

	Nominal value on commitments and financial guarantees issued				31/12/2023	31/12/2022
	First stage	Second stage	Third stage	Impaired acquired or originated		
Commitments to disburse funds	**2,657,310**	**18,469**			**2,675,779**	**15,834,636**
a) Central banks						
b) Public administrations						
c) Banks						
d) Other financial companies						
e) Non-financial companies	2,657,310	18,469			2,675,779	15,810,317
f) Households						24,319
Financial guarantees provided						
a) Central banks						
b) Public administrations						
c) Banks						
d) Other financial companies						
e) Non-financial companies						
f) Households						

They represent commitments for loans approved but not yet disbursed in application of IFRS 9.

2. Other commitments and other guarantees given

	Nominal value	
	31/12/2023	31/12/2022
Other guarantees issued		
of which: impaired		
b) Public administrations		
c) Banks		
d) Other financial companies		
e) Non-financial companies		
f) Households		
Other commitments	1,000,000	
of which: impaired		
b) Public administrations		
c) Banks	1,000,000	
d) Other financial companies		
e) Non-financial companies		
f) Households		

The amount refers to the credit line related to the surety on the lease contract for the property housing the Company's headquarters, activated in 2023.

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	Financing	Other transactions	Total 31/12/2023	Total 31/12/2022
1. Financial assets measured at fair value through profit or loss					
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value					
2. Financial assets measured at fair value through other comprehensive income	1,611,362			1,611,362	1,898,048
3. Financial assets measured at amortised cost:	85,383	31,405,062		31,490,445	11,899,215
3.1 Due from banks	6,264	2,987,361		2,993,625	13,962
3.2 Receivables from financial companies					
3.3 Due from customers	79,119	28,417,700		28,496,820	11,885,253
4. Hedging derivatives					
5. Other assets					
6. Financial liabilities					
Total	**1,696,745**	**31,405,062**		**33,101,807**	**13,797,263**
of which: interest income on impaired assets					
of which: interest income on financial lease					

Interest and similar income totalled Euro 33,101 thousand; there was an increase in interest amounting to Euro 19,304 thousand (Euro 13,797 thousand at 31 December 2022).

We also note the significant increase in interest rates, which also affected the outstanding portfolio, being mostly composed of variable-rate loans.

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other	31/12/2023	31/12/2022
1. Financial liabilities measured at amortised cost	-17,033,870	-483,166		-17,517,036	-3,807,388
1.1 Payables to central banks					
1.2 Payables to banks	-17,033,870			-17,033,870	-2,746,939
1.3 Payables to financial companies					
1.4 Payables to customers					
1.5 Securities issued		-483,166		-483,166	-1,060,449
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions			-750,200	-750,200	-40
5. Hedging derivatives					
6. Financial assets					
Total	**-17,033,870**	**-483,166**	**-750,200**	**-18,267,236**	**-3,807,428**

Interest payable to banks refers to the interest accrued for loans received respectively from the European Investment Bank, Banca Popolare di Sondrio, Cassa Depositi e Prestiti, BNL and Intesa; while the interest on outstanding securities relates to the bond outstanding at 31 December 2023. The column "other" indicates the amount of interest payable on the repurchase agreement and on the Right of Use envisaged by IFRS16.

1.4 Interest and similar expense: other information

Interest expense on financial lease transactions

Items/Amounts	31/12/2023	31/12/2022
1.4.2 Interest expense on financial lease transactions	40	

This represents the interest expense component in application of IFRS16 on the company car rental.

SECTION 2 – COMMISSIONS

This section illustrates items 40 and 50.

2.1 Fee and commission income: breakdown

Detail	31/12/2023	31/12/2022
1. financial lease transactions		
2. factoring transactions		
3. consumer credit		
4. guarantees issued		
5. services of:	12,000,913	11,239,357
- management of funds on behalf of third parties	12,000,913	11,239,357
- exchange rate intermediation		
- product distribution		
- other		
6. collection and payment services		
7. servicing for securitisations		
8. other commissions	1,161,845	879,965
Total	**13,162,758**	**12,119,321**

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 2023, Finlombarda collected Euro 12,431,279 from the Lombardy Region as fees for the technical assistance and management of regional and European funds (for invoices related to the reference year and previous years)[6].

2.2 Fee and commission expenses: breakdown

Detail/Sectors	31/12/2023	31/12/2022
1. guarantees received	-162,504	
2. distribution of services from third parties		
3. collection and payment services		
4. other fees and commissions	-16,671	-40,800
Total	**-179,176**	**-40,800**

Item d "other commissions", amounting to Euro 179 thousand (Euro 41 thousand as of 31/12/2022), consists mainly of commission expenses for COSME and Medio Credito Centrale guarantees equal to Euro 162 thousand, bank commissions for Euro 14 thousand and surety commission for Euro 3 thousand.

[6] This amount is in addition to Euro 710,286 for grants (Finlombarda share) received from the European Commission for specific projects.

SECTION 3 – DIVIDEND AND SIMILAR INCOME

This section illustrates item 70.

3.1 Dividends and similar income: breakdown

Items/Income	Total 31/12/2023		Total 31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		295,860		244,609
C. Financial assets measured at fair value through other comprehensive income				
D. Equity investments				
Total		**295,860**		**244,609**

The above table includes income (Euro 245 thousand) from coupons accrued on ANIMA UCITS funds amounting to Euro 48 thousand and for distributions from October SME IV amounting to Euro 197 thousand.

SECTION 6 – GAINS (LOSSES) FROM SALE OR REPURCHASE

This section illustrates item 100.

6.1 Gains (Losses) from sale/repurchase: breakdown

Items/Income items	31/12/2023			31/12/2022		
	Gains	Losses	Net profit for the year	Gains	Losses	Net profit for the year
A. Financial assets						
1. Financial assets measured at amortised cost:	352	-8,063	-7,711	3,572	-4,208	-636
1.1 Due from banks	352		352	3,572	-19	3,552
1.2 Due from financial entities						
1.3 Due from customers		-8,063	-8,063		-4,189	-4,189
2. Financial assets measured at fair value through other comprehensive income	1,394,597	-1,166,580	228,017	389,416	-319,321	70,095
2.1 Debt securities	1,394,597	-1,166,580	228,017	389,416	-319,321	70,095
2.4 Loans						
Total assets	**1,394,949**	**-1,174,643**	**220,306**	**392,987**	**-323,529**	**69,459**
B. Financial liabilities measured at amortised cost						
1. Bank loans and borrowings						
2. Due to financial entities						
3. Due to customers						
4. Securities issued						
Total liabilities						

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

Transactions/Income components	Gains (A)	Realized gains (B)	Losses (C)	Realized losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**843,897**	**46,015**	**-433,188**		
1.1 Debt securities					
1.2 Equities					
1.3 Mutual fund units	843,897	46,015	-433,188		
1.4 Financing					
2. Financial assets in currency: exchange differences					
Total	**843,897**	**46,015**	**-433,188**		

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

This section illustrates item 130.

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

Transactions/Income components	Adjustments						Writebacks				31/12/2023	31/12/2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			Write-offs	Other	Write-offs	Other						
A. Receivables from banks	**-153,824**										**-153,824**	**503,338**
- for leases												
- for factoring												
- other receivables	-153,824										-153,824	503,338
B. Receivables from financial companies												
- for leases												
- for factoring												
- other receivables												
C. Receivables from customers	**-601,188**	**-894,302**		**-1,266,953**			**2,683,478**	**176,912**	**649,496**		**747,444**	**-1,511,763**
- for leases												
- for factoring												
- for consumer credit												
- loans on pledge												
- other receivables	-601,188	-894,302		-1,266,953			2,683,478	176,912	649,496		747,444	-1,511,763
Total	**-755,013**	**-894,302**		**-1,266,953**			**2,683,478**	**176,912**	**649,496**		**593,619**	**-1,008,425**

Value adjustments/reversals on financial assets at amortised cost amounted to Euro 747 thousand, of which: Euro -154 thousand of provisions in application of IFRS 9 on bank current accounts, Euro -1,495 thousand of 'lump-sum' stage 1 and stage 2 (performing) adjustments on loans receivable, Euro 1,267 thousand of analytical value adjustments on loans receivable, Euro 2,860 thousand of stage 1 and stage 2 reversals on loans receivable, and Euro 649 thousand of analytical (stage 3) reversals on loans receivable. Despite the increase in outstanding amounts (+3.4%), the revision of the PD curves in 2023 generated an overall recovery effect in respect of stages 1 and 2, while the increase in current account balances (increased by Euro 139 million) generated a considerable provision due to the increased credit risk thereof.

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

Transactions/Income components	Adjustments						Writebacks				31/12/2023	31/12/2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	-78,409			-210,000							-288,409	
B. Loans												
- Due to customers												
- Due to financial companies												
- Due to banks												
Total	-78,409			-210,000							-288,409	

SECTION 10 – ADMINISTRATIVE EXPENSES

This section illustrates item 160.

10.1 Personnel costs: breakdown

Type of expense/Values	31/12/2023	31/12/2022
1) Employees	-12,864,827	-12,507,429
a) wages and salaries	-8,990,007	-8,741,659
b) social contributions	-2,573,222	-2,494,879
c) termination indemnities		
d) pension expenses		
e) provision for employee severance indemnity	-94,238	-201,601
f) provision for pension and similar commitments:		
- defined contribution		
- defined benefits		
g) payments to external supplementary pension funds:	-622,808	-577,713
- defined contribution	-622,808	-577,713
- defined benefits		
h) expenses in connection with equity-settled share-based payment agreements		
i) other employee benefits	-584,552	-491,576
2) Other serving personnel	-444,852	-419,724
3) Directors and Statutory Auditors	-203,596	-242,249
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	32,401	22,620
6) Reimbursement of expenses for seconded third-party employees at the company		
Total	**-13,480,875**	**-13,146,782**

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	31/12/2023	31/12/2022	Average number
Managers	9	10	9.5
Middle managers	61	60	60.5
White collars	76	78	77
Total	**146**	**148**	**147**

10.3 Other administrative expenses: breakdown

Description	31/12/2022	31/12/2021
General services	-343,616	-251,527
Development services	-111,509	-152,314
Technical assistance and professional services	-622,676	-625,301
Supervisory Authorities	-15,600	-15,600
Leases and rentals	-665,474	-639,235
Indirect taxes	-455,807	-340,581
Sundry services	-905,142	-814,058
Total	**-3,119,823**	**-2,838,616**

Pursuant to art. 2427, para. 16-bis of the Italian Civil Code, we would point out that the amount due to the Independent Auditors came to Euro 29,832 in 2023, while tax advisory costs amounted to Euro 16,813.

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	31/12/2023	31/12/2022
Commitments and guarantees given		-27,272
Other net allocations	-14,352	
Total	**-14,352**	**-27,272**

The amount relates to accruals were recorded in relation to legal expenses settled in favour of former corporate officers and charged to the Company following Court of Auditors' ruling no. 2 of 11 January 2024, amounting to Euro 14 thousand.

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

This section illustrates item 180.

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

Assets/income items	Amortisation and Depreciation (a)	Impairment adjustments (b)	Reversal of impairment (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Held for use	**-434**			**-434**
- owned				
- rights of use acquired through leasing	-434			-434
2. Held for investment purposes				
- owned				
- rights of use acquired through leasing				
3. Inventories				
Total	**-434**			**-434**

SECTION 13 – IMPAIRMENT/REVERSAL OF IMPAIRMENT OF INTANGIBLE ASSETS

This section illustrates item 190.

13.1 Impairment/reversal of impairment of intangible assets: breakdown

Assets/income items	Amortisation and Depreciation (a)	Impairment adjustments (b)	Reversal of impairment (c)	Net result (a + b - c)
1. Intangible assets				
1.1 Owned	-477,080			-477,080
1.2 Acquired under finance lease				
2. Assets relating to finance lease				
3. Assets granted under operating leases				
Total	**-477,080**			**-477,080**

SECTION 14 – OTHER OPERATING INCOME AND EXPENSES

This section illustrates item 200.

14.1 Other operating expenses: breakdown

Items/Amounts	31/12/2023	31/12/2022
Other operating expenses	-42,385	-11,038

This item is mainly composed of the purchase of subscriptions on behalf of employees for Euro 15 thousand, commission for the provision of a guarantee issued by Sace in favour of a client company for Euro 20 thousand as intermediary for the payment due by the client.

14.2 Other operating income: breakdown

Items/Amounts	31/12/2023	31/12/2022
Other income	119,043	229,159

The amount is mainly attributable to: compensation received for Euro 17 thousand, release of the provision for risks on sureties for Euro 46 thousand, charge-back of the purchase of employee subscriptions for Euro 15 thousand, charge-back of the commission for the provision of a guarantee issued by Sace for Euro 20 thousand, and reimbursement of the contribution for the training plan (Fondir) for Euro 13.5 thousand.

SECTION 19 – TAXES ON INCOME FROM ORDINARY OPERATIONS

19.1 Income taxes on ordinary operations: breakdown

		31/12/2023	31/12/2022
1.	Current taxes (-)	-3,989,302	-1,037,052
2.	Changes in current taxes of previous years (+/-)	6,226	50,238
3.	Decrease in current taxes for the year (+)		
3.bis	Reduction in current taxes for the year for tax credits under Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	-113,151	-272,718
5.	Change in deferred tax liabilities (+/-)		
6.	Income tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	-4,096,227	-1,259,532

19.2 Reconciliation between the theoretical and current tax burden

	Ires taxable income	% theoretical	Ires tax	Rate	Irap taxable amount	% theoretical	Irap tax	Rate	Total taxable amount	Total Tax
Profit before taxes	12,086,572	27.5%	3,323,807		26,293,897	5.57%	1,464,570		38,380,469	4,788,377
Theoretical tax burden	27.50%			27.50%	5.57%			5.57%		
Decrease in taxable amount	(1,072,862)	27.5%	(295,037)	-2.44%	(12,084,500)	5.57%	(673,107)	-2.53%	(13,005,802)	(968,144)
Increase in taxable amount	614,793	27.5%	169,068	1.40%	0	5.57%	0	-0.03%	614,793	169,068
Taxable amount	11,628,503	27.5%	3,197,839		14,209,397	5.57%	791,463		25,837,900	3,989,302
Total actual current taxes in the financial statements	3,197,839	27.5%		26.46%	791,463	5.57%		3.01%	3,989,302	

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

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

Income components/Values	31/12/2023	31/12/2022
1. Income		
2. Expenses		-54,000
3. Result of valuations of groups of assets and associated liabilities		
4. Realised gains (losses)		
5. Taxes and duties		
Profit (Loss)		**-54,000**

PART D – OTHER INFORMATION

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

SECTION 1 - SPECIFIC REFERENCES ON ACTIVITIES CARRIED OUT

D. Guarantees issued and commitments

Transactions	31/12/2023	31/12/2022
1) Guarantees given of a financial nature at first demand		
a) Banks		
b) Financial entities		
b) Customers		
2) Other guarantees given of a financial nature		
a) Banks		
b) Financial entities		
b) Customers		
3) Commercial guarantees issued		
a) Banks		
b) Financial entities		
b) Customers		
4) Commitments to disburse funds	2,675,779	15,834,636
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	2,675,779	15,834,636
i) certain to be used		
ii) uncertain to be used	2,675,779	15,834,636
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	**2,675,779**	**15,834,636**

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	31/12/2023 Public funds	31/12/2023 of which at own risk	31/12/2022 Public funds	31/12/2022 of which at own risk
1. Performing assets				
- finance lease				
- factoring				
- other loans	137,085,822		153,049,866	
of which: for enforcement of guarantees and commitments				
- equity investments				
- guarantees and commitments	191,640,741		143,300,325	
2. Non-performing assets				
2.1 Non-performing				
- finance lease				
- factoring				
- other loans	21,592,803		25,202,001	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.2 Unlikely-to-pay				
- finance lease				
- factoring				
- other loans	3,034,438		1,749,180	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
2.3 Past due non-performing exposures				
- finance lease				
- factoring				
- other loans	2,122,504		4,678,736	
of which: for enforcement of guarantees and commitments				
- guarantees and commitments				
Total	**355,476,308**		**327,980,108**	

F.3 – Other information

F.3.1 – Operations using third party funds

Third-party funds are represented substantially by funds from the Lombardy Region (99.6%), for a residual portion of funds provided by the European Community and by a fund on behalf of FLA foundation belonging to the Regional system. These funds are used for financing activities, giving guarantees, capital grants or interest subsidies; the fund managed on behalf of FLA foundation concern cash management. The management of each fund is regulated by agreements with the granting entity, which establish the ways in which Finlombarda is to intervene (also depending on specific tenders or regulations), the remuneration for the service, the procedures for using existing liquidity and the operating procedures for the technical-financial approval process. Some funds are disbursed with the participation of credit institutions with which there is an agreement regulating the relationships and methods of delivery.

F.3.2 – Third-party funds

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

STATEMENT OF THIRD-PARTY FUNDS	31/12/2023	31/12/2022
Total under management	**684,916,328**	**653,814,446**

Details are shown below:

Funds on behalf of Lombardy Region	31/12/2023	31/12/2022
- Deposits in c/a and securities under Regional Laws	515,167,140	462,822,147
- Loans, finance lease transactions		
outstanding under Regional Laws	163,499,263	183,892,425
- Due from customers on accrued instalments	336,303	2,941,410
- Sundry receivables	3,119,885	1,469,373
- enforced guarantees	*1,469,373*	
Total Lombardy Region*	**682,122,592**	**651,125,355**

FLA Management	31/12/2023	31/12/2022
- Deposits in c/a and securities	2,790,189	2,685,490
Total FLA Management	**2,790,189**	**2,685,490**

JOP Management	31/12/2023	31/12/2022
- Deposits in c/a and securities	3,547	3,601
Total Jop Management	**3,547**	**3,601**

* representation for information purposes only

** net of memorandum accounts

Table 1/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
SINGLE FUND 598/94 LAW 1329/65	120,087	0	0	78,526	(78,526)	(319)	0	0	119,768	0	119,768
Mis. 1.1. F	0										53,755
FUND LAW 1329/65	(368)	546	0	0	(74)	(104)	0	0	(0)	0	(0)
Pia (Law 1329/65-Law 36/88)	0										0
Development Fund	100,094	0	0	0	0	(67)	0	0	100,026	0	100,026
Industrial districts	0										0
R.L. 22/2006 former 1/99 and 1/99 PIA	4,034,059	(3,520,305)	0	760,992	(629,372)	15,393	(1,055)	(500)	659,212	3,594,650	4,253,862
	4,355,954										12,026
R.L. 68/86	34,215	(1,873)	0	69,190	(61,571)	(250)	59	(5,141)	34,630	103,216	137,846
	170,904										4,829
FRIM BUSINESS START-UP LINE 8	2,694,465	(365,184)	0	435,209	(43,306)	539	81	0	2,721,804	565,476	3,287,281
	996,694										5,046
FRIM COOPERATION	7,038,127	(1,498,360)	0	3,705,218	(172,324)	(298)	19,038	0	9,091,400	13,996,212	23,087,612
	17,699,064										14,292
R.L. 16/93	33,708	0	0	0	(579)	(68)	0	0	33,061	304,010	337,072
	304,010										49,836
Guarantee Fund - R.L. 16/93	1,422,986	0	0	0	0	(107)	0	0	1,422,879	0	1,422,879
	0										0
FONCOOPER	325,597	(15,904)	0	72,929	16,584	(89)	2,049	0	401,166	182,688	583,855
	254,887										6,364
R.L. 21/2003	4,294,833	(17,342)	0	191,507	(120,563)	(183)	12,305	0	4,360,557	294,962	4,655,519
Revolving fund	485,684										450
R.L. 21/2003	494,774	0	0	0	0	(106)	0	0	494,668	0	494,668
Abb. Fund Rates	0										0
R.L. 21/2003	1,397,407	0	0	0	0	(184)	0	0	1,397,223	0	1,397,223
Guarantee fund	0										0
R.L. 34/96	924,300	(4,591)	0	83,777	(72,040)	(110)	158	0	931,493	714,714	1,646,208
	797,440										6,081
R.L. 34/96 red. Rates	1,171,515	0	0	0	0	(10)	0	0	1,171,505	0	1,171,505
	0										0
Guarantee	7,184,303	0	33,367	0	0	(173)	0	0	7,217,498	0	7,217,498
Fund 34/96	0										0
	1,428,816										*1,428,816*
Guar. Fund Institutes	3,084,016	0	0	0	0	0	0	0	3,084,016	0	3,084,016
	0										

Table 2/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
OB2 Craftsmen	276,640	0	0	0	(2,222)	(250)	0	0	274,168	73,580	347,748
enterprises	73,580										0
OB2 Imp.art.	206,883	0	0	0	0	(103)	0	0	206,780	0	206,780
Guarantee fund	0										0
R.L. 1/2007	121,778	0	0	109,375	(31,208)	(217)	5,179	0	204,907	688,702	893,609
(former R.L. 34/96)	797,542										4,117
R.L. 1/2007 MEASURES A) B)-C)	6,621,504	(6,038,617)	0	578,290	(511,232)	69	3,482	0	653,497	1,398,943	2,052,440
	1,956,640										78,413
FRIM TENDER RGD 1988 OF 2011	3,357,277	(2,740,171)	(11,904)	2,830,342	(442,631)	(205)	18,079	0	3,010,787	2,574,161	5,584,949
	5,400,217										10,577
Revolving Fund and Innovation Guarantee	96,832	(1,098)	0	1,464	0	(77)	0	0	97,120	5,947	103,067
Craftsmen	7,411								0		0
	40,557							0		0	*40,557*
R.L. 1/2007 INDUSTRY	600,833	(8,359)	0	15,932	(5,573)	(72)	1,798	0	604,560	152,069	756,628
	168,787										1,945
R.L. 35/96	7,892,332	(1,687)	0	294,015	(277,408)	1,923	1	0	7,909,177	1,179,594	9,088,771
	1,447,254										10,930
R.L. 35/96 art. 8bis.(NEXT FUND)	13,280,108	0	0	0	0	(107)	0	0	13,280,001	0	13,280,001
	0										0
NEXT II FUND	42,197	0	0	0	0	(104)	0	0	42,093	0	42,093
	0										0
FRIM-FESR	3,486,985	0	0	1,767,053	(596,969)	56,085	14,504	0	4,727,658	2,847,048	7,574,707
	4,607,194										22,352
RL 35/96 Meas. D2	173,442	(173,155)	0	0	(42)	(245)	0	0	0	0	0
	0										0
Rent Support Fund Tender	(520)	(3,802)	0	0	4,428	(106)	0	0	0	0	0
	0										0
FUND FOR ACCESS TO	2,035,310	(878,120)	0	1,823	0	(115)	0	0	1,158,899	0	1,158,899
FIRST HOME	0										0
ALER TENDER	1,891,193	0	0	0	0	(109)	0	0	1,891,084	0	1,891,084
	0										0
CONTRIBUTION ALER HOMES	1,541,784	(1,541,605)	0	0	(72)	(107)	0	0	(0)	0	(0)
	0										0
R.L. 36/88 - 2001 criteria	11,915	(11,662)	0	21,247	(21,343)	(157)	0	0	0	0	0
and PIA RL 36	0										0

![FINLOMBARDA]

Table 3/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
R.L. 9/91	49,615	(3,442)	0	5,161	500	(78)	2	0	51,758	9,359	61,116
	14,519										285
R.L. 31/96	(538)	716	0	0	(74)	(104)	0	0	(0)	0	(0)
	0										0
R.L. 23/1999	612,770	0	0	0	0	(104)	0	0	612,666	0	612,666
	0										0
R.L. 23/1999 Guarantee Fund	437,822	0	0	0	0	(104)	0	0	437,718	0	x
	0										0
Infrastructure Fund	(3,956,654)	(4,784,178)	0	6,148,652	647,487	(190)	9,019	0	(1,935,864)	27,159,030	25,223,166
Docup Ob. 2	33,307,682										0
Revolving Fund	8,508,743	(98,520)	0	1,193,252	(64,412)	(1,058)	2,533	0	9,540,537	11,710,083	21,250,619
Infrastructure	12,903,334										0
R.L. 26/2002	764,549	(51,697)	0	131,687	(26,251)	17,641	2,120	0	838,051	89,740	927,792
	220,918										657
R.L. 35/96 art. 6 p. 1	(795)	973	0	0	(74)	(104)	0	0	0	0	0
VOUCHER	0										0
MEZZANINE	(731)	909	0	0	(74)	(104)	0	0	0	0	0
	0										0
R.L. 35/86 PIA	(248,296)	248,754	0	0	32	(490)	0	0	(0)	0	(0)
INTEC 3	0										0
R.L. 35/86 PIA	11,046	(10,948)	0	0	(98)	0	0	0	0	0	0
INTEC 4	0										0
R.L. 35/86	242,337	(242,271)	0	0	(69)	3	0	0	(0)	0	(0)
INTEC 3 and 4	0										0
L. 215 - V Tender	59,906	0	0	5,419	0	(124)	0	0	65,201	0	65,201
Add. Resources	0										37,449
R.L. 13/2000 P.I.C.	111,685	1,010	0	29,801	(30,385)	(73)	0	0	112,037	53,386	165,423
	53,386										25,211
R.L. 13/2000	22,921	0	0	70,267	(69,627)	(70)	0	0	23,492	25,340	48,832
TENDER 2006	40,467										29,777
R.L. 19/2004-R.L. 35/95	1,416,604	(120,545)	0	379,556	3,179	(380)	398	0	1,678,812	199,671	1,878,483
Revolving Fund	579,165										185
R.L. 19/2004-R.L. 35/95	113,981	0	0	0	0	(104)	0	0	113,877	0	113,877
Guarantee fund	0										0

Table 4/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
R.L. 35/95	6,770,026	(635,486)	0	1,419,583	(100,778)	(472)	0	0	7,452,872	2,932,939	10,385,812
CULTURE 2008	4,352,380										6,297
FSE SUBSIDY	(742)	920	0	0	(74)	(104)	0	0	(0)	0	(0)
GLOBAL	0										0
FUND LAW 598/94	(407,813)	0	0	0	0	(104)	0	0	(407,917)	0	(407,917)
Pia (Law 140/97 - Law 598/94)	0										0
FUND LAW 598/94	1,041	(863)	0	0	(74)	(104)	0	0	0	0	0
Pia New Economy	0										0
FUND LAW 598/94	(882)	1,060	0	0	(74)	(104)	0	0	0	0	0
Pia Intec 4	0										0
R.L. 13/00	240,164	0	0	241	(687)	(71)	0	0	239,646	521	240,167
TENDER FOR SMALL MUNICIPALITIES	761										8
FRI - INTERNATIONALISATION	1,678,509	(104,770)	0	225,446	4,729	(255)	1,993	0	1,805,652	471,180	2,276,832
FUND	696,059										1,342
Social Health Fund	153,075	(153,179)	0	0	0	501	0	0	397	0	397
	0										0
FIMSER	(6,609,962)	(62,892)	0	62,892	0	(104)	0	0	(6,610,066)	0	(6,610,066)
	62,500										0
TENDER FOR SERVICES	(336)	486	0	0	(83)	(67)	0	0	0	0	0
R.L. 1/07	0										0
AXIS 1 INNOVATION MEAS. 1.5	(1,088)	(20,443)	0	20,443	0	(221)	0	0	(1,309)	89,844	88,535
	110,136										1,076
LR35/96 PIA New Econ. And New Economy	(916)	0	0	19,340	(19,340)	(275)	0	0	(1,191)	0	(1,191)
	0										0
ADP AXIS 1 MEASURE A-B	83	(81)	0	0	0	(2)	0	0	(0)	0	(0)
	0										0
P.I.P. TENDER	7,588	0	0	0	0	(67)	0	0	7,521	14,050	21,570
	14,050										42
P.I.C.S. Integrated plans fund	45,003	0	0	5,219	0	(68)	0	0	50,154	24,976	75,130
for competitiveness	30,164										63
START-UP RESTART DIRECT LOANS TENDER	5,433,554	(4,660,459)	0	1,486,807	(376,779)	(729)	(7,277)	0	1,875,117	3,403,524	5,278,640
	4,907,733										94,987
START-UP RESTART CONTRIB. TUTOR TENDER	963,078	(87,370)	0	175,370	(88,000)	(104)	0	0	962,974	0	962,974
	0										282,190

Table 5/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
LR13/2000 Tender	3,805	(3,627)	0	0	(74)	(104)	0	0	0	0	0
INNOVA RETAIL (2010)	0										0
SEED FUND	298,507	(298,505)	0	0	0	(2)	0	0	(0)	0	(0)
	0										0
TRADE DISTRICTS 1	(1,022)	1,200	0	0	(74)	(104)	0	0	0	0	0
	0										0
TRADE DISTRICTS 2	43,020	(42,869)	0	0	(83)	(67)	0	0	0	0	0
	0										0
TRADE DISTRICTS 3	99,722	(99,544)	0	0	(74)	(104)	0	0	0	0	0
	0										0
TRADE DISTRICTS 4	27,753	(27,575)	0	0	(74)	(104)	0	0	0	0	0
	0										0
R.L. 21/2008 cinemas and theatres	3,982,652	(102,268)	(2,297)	225,944	(15,947)	62	98	0	4,088,244	302,385	4,390,628
	528,172										17
R.L. 21/08 Theatre Guarantee Fund	418,567	0	0	0	0	(67)	0	0	418,499	0	418,499
	0										0
Skypass Lombardy	37,350	0	0	184,687	(184,687)	(104)	0	0	37,246	0	37,246
	0										0
R.L. 14/2007 AT. 3	12,535,866	(9,861,944)	0	0	0	(116)	0	0	2,673,806	0	2,673,806
	0										0
JEREMIE FESR FUND	16,930,174	(16,000,000)	0	0	0	1,488,714	0	0	2,418,888	0	2,418,888
	0										0
JEREMIE FSE FUND	4,290,878	0	1,000	0	0	16,485	0	0	4,308,363	0	4,308,363
	0										0
JEREMIE FSE 2010 FUND	391,292	0	0	0	0	4,028	0	0	395,320	0	395,320
	0										0
JEREMIE FSE 2010 FUND	509,125	0	0	0	0	6,316	0	0	515,441	0	515,441
Guarantee	0										0
RGD 7025/08 EXPRESSIONS OF	435,544	(435,392)	0	1,471	(1,554)	(69)	0	0	(0)	0	(0)
INTEREST	0										0
Guarantee Fund MIL	1,164,249	0	652,400	0	0	15,101	0	0	1,831,750	0	1,831,750
	0										0
Operating Credit Fund	(183,081)	3,052,692	(2,174,260)	57,235	9,446	(612)	3,428	0	764,849	0	764,849
agriculture	0										3,147

Table 6/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
Tourism Meas. A-B	110,775	(2,347)	0	95,499	(81,323)	(244)	(2,836)	0	119,525	75,000	194,525
	153,134										75,376
Tourism Meas. C	266,446	(266,174)	0	214	(229)	(257)	0	0	(0)	0	(0)
	163										0
MIUR TENDER	7,731,040	(1,052,502)	0	251,569	(242,140)	27,626	0	0	6,715,592	0	6,715,592
EXPRESSIONS OF INTEREST	250,317										0
MIUR TENDER	33,602,911	(14,597,785)	0	113,261	(1,989)	352,553	20,402	0	19,489,352	563,751	20,053,102
FRIM FESR	676,322										1,349
MIUR TENDER	18,448,939	0	0	60,599	5,600	66,560	222	0	18,581,920	946,126	19,528,046
FAR FIN	1,006,609										5,232
2011 THEATER DIGITALISATION TENDER	512,611	(1,751)	0	3,394	0	(129)	108	0	514,233	20,671	534,904
	24,057										52
FINTER	688,591	(2,834)	0	11,937	(4,060)	(110)	216	0	693,740	75,880	769,620
	87,794										380
GREEN AREAS FUND TENDER	1,172,416	197,115	(171,568)	0	0	(134)	0	0	1,197,828	0	1,197,828
	0										0
BIOMEDICA NERVIANO	(381)	481	0	0	(100)	0	0	0	(0)	0	(0)
	0										0
2012 THEATER DIGITALISATION TENDER	596,561	(6,232)	0	12,421	0	(177)	43	0	602,616	6,931	609,548
	19,336										17
ANTI-USURY FUND	804	128	(1,336)	0	512	(108)	0	0	(0)	0	(0)
	0										0
FUND FOR RED. INTEREST = EIB	674,970	(24,664)	(6,172)	61,412	(3,871)	(155)	0	0	701,520	0	701,520
	0										343,202
R&D TENDER FOR BUSINESS COMBINATIONS	18,488,177	(178,152)	0	5,898,894	(244,768)	(149,635)	7,354	(116,105)	23,705,764	4,266,698	27,972,462
	10,166,579										1,344
DIGITALISATION FUND	304,020	(303,842)	0	0	(74)	(104)	0	0	0	0	0
	0										0
INSTITUTIONAL AGREEMENTS FUND	3,697,752	3,558,290	(2,282,348)	0	4,772	(162)	0	0	4,978,304	0	4,978,304
	0										0
INTERNATIONALISATION VOUCHER FUND	15,105	(14,967)	0	0	(34)	(104)	0	0	(0)	0	(0)
	0										0
DRIADE FUND	205,416	(205,238)	0	0	(74)	(104)	0	0	0	0	0
	0										0

Table 7/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
SKI COMPLEX 2015 TENDER	1,873,630	(259,683)	0	251,887	(12,166)	(282)	857	0	1,854,244	105,573	1,959,817
	356,808										353
CTS TENDER	396,369	(3,666)	0	28,919	(17,707)	(209)	20	0	403,727	13,060	416,787
	41,769										74
INFRASTRUCTURES AND MOBILITY TENDER	47,399	0	0	0	0	(104)	0	0	47,295	0	47,295
	0										0
LOMBARDIA CONCRETA RISK COVERAGE	1,064,549	0	0	0	0	(104)	0	0	1,064,445	0	1,064,445
	0										0
ERGON FUND	99,977	(99,721)	0	0	(48)	(208)	0	0	(0)	0	(0)
	0										0
TOURISM	267,325	(267,058)	0	0	(21)	(246)	0	0	0	0	0
EXCELLENCE PROJECT	0										0
LOMBARDIA CONCRETA - FUND FOR RED. OF RATES	(1,897,014)	0	0	0	0	(104)	0	0	(1,897,118)	0	(1,897,118)
	0										0
FRIM	195,715	0	0	0	0	175	0	0	195,891	131,582	327,473
FIERE	131,582										988
FUND TO SAFEGUARD	2,939,477	(73,335)	0	150,197	0	(329)	0	0	3,016,010	855,520	3,871,530
LOCAL CULT. SISMA MN	1,005,717										0
TENDER FOR	415,258	(10,645)	0	21,209	0	161	238	0	426,222	185,617	611,839
SKI LIFTS	206,774										175,231
DIGITALISATION 2013 FUND RL. 21/08 ART. 5	265,264	(70,658)	0	180,906	89	(367)	160	0	375,393	67,753	443,146
	248,458										108
MIUR FAR	10,817,906	1,052,502	0	90,894	(90,894)	320,633	0	0	12,191,042	0	12,191,042
CONTRIBUTIONS	0										201,275
START-UP RESTART FUND	71,773	(44,000)	0	69,517	(22,212)	(124)	0	0	74,954	0	74,954
CONTRIB. B.P.	0										172,434
SCHOOL CONSTRUCTION FUND	13,845,375	(365,428)	0	753,615	(17,950)	669	0	0	14,216,281	5,594,557	19,810,838
	6,348,172										0
CASH CREDIT	292,185	0	0	0	0	(104)	0	0	292,081	0	292,081
RATES REDUCTION	0										0
MAINTENANCE SUPPORT FUND	(194,244)	194,422	0	0	(74)	(104)	0	0	0	0	0
OF RENTED HOME	0										0
CULTURE 2013 TENDER	1,538,440	(199,465)	0	393,515	817	(440)	0	0	1,732,867	2,697,445	4,430,312
	3,090,960										0

Table 8/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
TAXI 2013 TENDER	2,914	(2,340)	0	0	(548)	(26)	0	0	0	0	0
	0										0
LOMBARDIA CONCRETA RED. COMMERCE RATES	1,149,963	0	0	39,787	(22,319)	(118)	2,047	0	1,169,360	0	1,169,360
	0										7,485
SOCIAL ANTICIPATION	862,537	(862,359)	48	0	(122)	(104)	0	0	0	0	0
	0										0
FRIM FESR 2020	17,641,858	0	0	2,732,301	(432,270)	245,721	28,326	(45,595)	20,170,340	3,707,874	23,878,214
	6,426,069										43,154
ASAM ANTICIPATION	142,370	(142,192)	0	0	(74)	(104)	0	0	0	0	0
	0										0
DAT - TOURISM ATTRACTIVENESS DISTRICTS	(132)	310	0	0	(74)	(104)	0	0	0	0	0
	0										0
NEWS STAND TENDER	219,498	(219,320)	0	0	(74)	(104)	0	0	(0)	0	(0)
	0										0
MINIBOND PROJECT	(216)	394	0	0	(74)	(104)	0	0	(0)	0	(0)
	0										0
COUNTER-GUARANTEE FUND	17,052,480	0	(439,393)	0	(0)	376,321	0	(240,138)	16,749,270	0	16,749,270
	0										0
MUSICAL INSTRUMENTS FUND	34,015	(33,837)	0	0	(74)	(104)	0	0	(0)	0	(0)
	0										0
LINEA INTRAPRENDO TENDER	3,684,560	(1,000,000)	0	772,194	(1,868)	8,001	3,808	0	3,466,696	1,639,932	5,106,627
	2,409,204										6,868
NATURAL CALAMITIES FUND	(520)	698	0	0	(74)	(104)	0	0	0	0	0
	0										0
FOPPOLO ANTICIPATION	6,366	(6,188)	0	0	(74)	(104)	0	0	0	0	0
	0										0
2016 CULTURE FUND PRIVATES-CHURCH ENTITIES	1,915,742	(162,007)	(38,500)	302,814	0	(890)	0	0	2,017,158	2,764,141	4,781,300
	3,038,080										0
2015 PUBLIC ENTITIES CULTURE FUND	800,475	(49,747)	0	104,145	(7,848)	(124)	0	0	846,901	1,502,367	2,349,268
	1,606,512										0
FREE FUND	7,619,400	0	(608,571)	360,351	59,237	157,022	0	(32,387)	7,555,052	8,958,520	16,513,572
	8,710,300										0
REVOLVING FUND RL 21/08 YEAR 2016	(10,923)	0	(172,664)	150,377	8,822	(151)	0	0	(24,540)	585,999	561,459
	650,044										0

FINLOMBARDA

Table 9/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
Fund for Agricultural Enterprises	4,541,215	0	(2,932,116)	3,216,583	83,845	15,777	132,234	(31,029)	5,026,510	20,517,851	25,544,360
	20,799,422										49,065
Al Via Guarantee Fund	74,805,898	195,354	(96,188)	0	0	3,216,498	0	(195,354)	77,926,208	0	77,926,208
	0										0
Research and Innovation Fund	200,665	(200,487)	0	0	(74)	(104)	0	0	(0)	0	(0)
	0										0
Stoa Tender	104,175	(104,019)	0	0	(82)	(74)	0	0	0	0	0
	0										0
Public Sports Facilities Tender	(114,243)	114,393	0	0	(83)	(67)	0	0	(0)	0	(0)
	0										0
Scholastic Construction Tender	(8,596,783)	(192,963)	0	385,926	10,692	(153)	0	0	(8,393,281)	1,510,431	(6,882,850)
	1,896,357										0
Store Revolution	(716)	868	0	0	(83)	(68)	0	0	0	0	0
	0										0
Faber Tender	37,912	(26,753)	(11,000)	0	(82)	(77)	0	0	0	0	0
	0										0
Credit Support Fund (New Frim Coop)	3,172,283	(229,829)	(1,142,132)	394,142	438	(761)	24,486	0	2,218,626	4,876,407	7,095,033
	4,146,302										21,047
Lombardy to Stay Tender	(398)	703,988	(703,415)	0	(82)	(93)	0	0	0	0	0
	0										0
Frim Fesr II Research and Development	3,074,181	71,194	(626,657)	440,094	(267,441)	42,140	37,616	(71,194)	2,699,933	2,867,705	5,567,638
	2,681,313										6,907
Line for Internationalisation Fund	4,100,558	55,871	(1,693,707)	1,336,556	(43,824)	79,298	2,397	(55,871)	3,781,278	5,939,862	9,721,140
	5,582,786										213
Bei Interest Rate Reduction Fund/Evolution Loan	13,392,902	12,345,251	(11,899,453)	135,086	73,231	(841)	0	0	14,046,176	0	14,046,176
	0										92,762
Tender Faber 2020	(712)	(41,597)	0	0	42,391	(82)	0	0	(0)	0	(0)
	0										0
Tender Trade Districts for Territorial Reconstruction	7,510,257	0	(6,232,235)	94,363	0	(634)	0	0	1,371,751	0	1,371,751
	0										101,991
Reactive against Covid	(269)	(182,865)	0	0	183,213	(79)	0	0	(0)	0	(0)
	0										0
ARCHE' 2020	178,759	1,200,181	(1,378,966)	0	22	3	0	0	0	0	0
	0										0

FINLOMBARDA

Table 10/10 Changes during the year 01/01/2023 – 31/12/2023 and balance sheet amounts at 31/12/2023

Laws	Balances available at 31.12.2022	Increase and/or decrease of the Provision for debits or credits and/or transfers between Funds	Disbursements to Enterprises and others	in capital, On-call and other receivables	Fund Assets and Liabilities and management fees (Legal Fees, etc.)	Interest, charges and Income on current account and securities (*)	Interest on Loans (**)	Reimbursements Lombardy Region	Balances available at 31.12.2023 (**)	Loans Existing at 31.12.2023	Balance of third party provisions
	Existing loans										receivables on demand
											memorandum accounts c/guarantees (****)
Fund for the recovery of local entities	10,450,434	33,932,782	(41,628,559)	0	(0)	(1,046)	0	0	2,753,610	0	2,753,610
	0										0
AL VIA - Contribution	4,581,476	5,336,691	(9,003,588)	0	0	(200)	0	0	914,379	0	914,379
	0										0
Social advance 2020	(117)	267	0	0	(83)	(67)	0	0	(0)	0	(0)
	0										0
Bei Reduction Rates Credit Evolution (FSC Resources)	757,235	(484,575)	(342,433)	196,683	(485)	(91)	159	0	126,493	0	126,493
	0										104,831
Fund for the capitalisation of Lombardy co-operatives	4,203,348	(38,654)	(3,350,632)	162,075	73	(1,421)	35,638	0	1,010,428	6,782,710	7,793,138
	4,786,799										47,205
Infrastructure Programme	22,407,673	11,064,643	(17,874,412)	0	0	(376)	0	0	15,597,528	0	15,597,528
	0										0
Fund for Intervention to support the Economic Fabric of Local Entities	5,751,709	29,311,335	(25,643,941)	0	0	(1,105)	0	0	9,417,998	0	9,417,998
	0										0
Capitalisation Measure	5,135,985	1,500,000	(6,405,929)	865,488	(423,000)	(258)	0	0	672,285	0	672,285
	0										1,233,497
Research & Innovation Measure	0	12,816,000	(8,037,734)	(0)	(0)	88,829	0	0	4,867,095	8,037,734	12,904,829
	0										0
Lombardy Venture	0	39,178,000	0	0	0	291,256	0	0	39,469,256	0	39,469,256
	0										0
Measure Internationalisation Line 21-27	0	3,122,184	(3,039,564)	0	0	7,125	0	0	89,745	3,039,564	3,129,310
	0										0
Investment Attraction Line	0	7,953,011	0	0	0	(44)	0	0	7,952,967	0	7,952,967
	0										0
Green Line	0	18,720,000	0	0	0	(44)	0	0	18,719,956	0	18,719,956
	0										0
Bei Reduction Rates Credit Evolution (SME Regional Resources 2023)	0	16,000,000	(9,721,141)	40,397	0	(539)	0	0	6,318,717	0	6,318,717
	0										0
Investments - Business Development Line	0	33,150,000	0	0	0	350,193	0	0	33,500,193	0	33,500,193
	0										0
Microcredit Measure	0	0	0	0	0	0	0	0	0	0	0
	0										0
Treasury Management	4,062,442	0	0	0	1,949	6,104,755	0	0	10,169,146	0	10,169,146
	0										0
TOTAL	462,822,147	158,325,039	(156,986,000)	43,044,582	(4,825,032)	13,198,232	381,485	(793,313)	515,167,140	163,499,263	678,666,403
	183,892,425										3,456,189
	1,469,373										*1,469,373*

(*) includes the fair value delta and accrued income

(**) the column interest on loans also includes interest on late payments of withdrawn grants

(***) the cash balances column at 31/12/2023 includes cash pooling receivables of Euro 162,782,278.50

(****) representation for information purposes only

4.5. - Management of JOP and Fondazione Lombardia per L'Ambiente (FLA)

Changes in the Year 01/01/2023 - 31/12/2023

Laws	Cash Balances at 31.12.2022	Decrease and/or Increase provision	Disbursements to Enterprises Loans	Repayments	Interest Income on current account and securities and management expenses	Reimbursement made	Compensation Finlombarda paid	Balances available at 31.12.2023	Loans existing at 31.12.2023	Balance sheet balances
JOP	3,601	0	0	0	(54)	0	0	3,547	0	3,547
Environment	2,685,490	(88,500)	0	0	193,199	0	0	2,790,189	0	2,790,189
TOTAL	2,689,091	(88,500)	0	0	193,145	0	0	2,793,736	0	2,793,736

SECTION 3 - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

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

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

3.1 – CREDIT RISK

Qualitative information

1. General aspects

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

2. Credit risk management policies

2.1. Organisational aspects

Finlombarda uses the standardised approach in the determination of its credit risk.
Application of this methodology involves splitting exposures in classes according to the type of counterparty and underlying asset, subsequently applying different weightings related to the risk degree exposures are risk-weighted, net of any specific provisions.
As we collect money from the general public, the absorption of capital is measured by applying a 6% 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 creditworthiness 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.

Risk mitigation techniques include those elements that contribute to reducing the loss that the Company would incur in the event of a counterparty default. The Company pursues the objective of containing credit risk not only through an adequate assessment of creditworthiness but also through the acquisition of guarantees, in particular of public nature. Specifically, the proportion of performing loans guaranteed by the Central Fund was 36.6%, in line with the previous year. In addition, recourse is also made to other forms of public guarantees such as the regional guarantee, whose recourse at 31/12/2023 covers about 9.7% of performing loans, and to a much lesser extent the Sace Italia guarantees (1.5% of performing loans at 31/12/2023) and Cosme (0.34% of performing loans at 31/12/2023).

The valuation of loans granted is carried out in accordance with IFRS 9. Performing loans, in particular, loans are classified as "stage 2", i.e., loans that present a significant increase in risk with respect to the date of granting and for which the impairment is therefore determined on a lifetime basis, loans that present a series of risk indicators specifically codified on the basis, in particular, of the monitoring rating trend, the regularity of the relationship, the information available from the Risks Central Office and the Chamber of Commerce, exposure to high energy costs, as well as some financial statements indicators. For greater risks, the classification is determined by a more complete and accurate analysis. Finally, each position is associated with a provision based on the specific level of risk attributed to it according to the monitoring rating and with a calibration of the marginal PD curves on the basis of historically measured default rates. For the 2023 provisions, as was already done in the previous three-year period, it was prudently deemed appropriate to calibrate the marginal PD curves using values higher than the particularly low default rate recorded in the last three years as a result of moratoria, using rates determined as a weighted average of a historical series also including default rates recorded in the pre-Covid period.

3. Impaired credit exposures

Impaired credit exposures are identified through the systematic monitoring of loans by the Management and Monitoring Office of the Credit function within the Credit Department, with the support of the integrated information system. Monitoring makes it possible to promptly detect any anomalous situations and therefore to correctly classify credit positions into different management statuses, with an increasing probability of insolvency based on the risk signals detected. Impaired positions are also reviewed on an annual basis in order to update their classification, determine the amount of the impairment loss, assess the basis for the recognition of a loss and monitor the progress of credit recovery actions carried out directly or through affiliated financial intermediaries.
On a monthly basis, the Credit Department prepares a report in which it represents to the Board of Directors the credit performance of loans containing the risk profile (classification) of the credit positions, the main information on the composition of the loan portfolio and the changes noted over time. With particular reference to impaired exposures, the report also shows their performance by breaking down the changes in total value into the various components: changes due to new impaired positions, changes due to positions returned to performing status or settled and reductions due to collections from recovery initiatives implemented (enforcement of guarantees, repayment plans, distributions from bankruptcy proceedings or out-of-court settlements).

Quantitative Information

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

Portfolios/quality	Non-performing	Unlikely-to-pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	3,885,145	914,331	118,970	172,322	540,544,068	545,634,837
2. Financial assets measured at fair value through other comprehensive income		504,000			62,511,467	63,015,467
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value						
5. Financial assets held for sale						
Total 31/12/2023	**3,885,145**	**1,418,331**	**118,970**	**172,322**	**603,055,535**	**608,650,303**
Total 31/12/2022	**858,039**	**4,974,686**		**294,495**	**616,370,696**	**622,497,616**

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	10,867,836	5,949,390	4,918,447		545,067,530	4,351,140	540,716,390	545,634,837
2. Financial assets measured at fair value through other comprehensive income	1,008,000	504,000	504,000		62,778,771	267,304	62,511,467	63,015,467
3. Financial assets designated at fair value								
4. Other financial assets mandatorily measured at fair value								
5. Financial assets held for sale								
Total 31/12/2023	**11,875,836**	**6,453,390**	**5,422,447**		**607,846,301**	**4,618,444**	**603,227,857**	**608,650,303**
Total 31/12/2022	**11,945,716**	**6,112,991**	**5,832,726**		**622,869,568**	**6,204,377**	**616,665,191**	**622,497,916**

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

Portfolios/risk stages	First stage			Second stage			Third stage			Impaired acquired or originated		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days	Up to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost		44,806	127,516			30,358		8,756	4,796,131			
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
TOTAL 31/12/2023		**44,806**	**127,516**			**30,358**		**8,756**	**4,796,131**			
TOTAL 31/12/2022					**52,944**	**241,550**		**10,500**	**5,133,098**			

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

Reasons/risk stages	Assets included in the first stage						Assets included in the second stage						Assets included in the third stage						Financial assets impaired acquired or originated					Total allocations on commitments to disburse funds and financial guarantees given				Total
	Due from banks and central banks on demand Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	Due from banks and central banks on demand Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	Due from banks and central banks on demand Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairments	of which: collective impairments	First stage	Second stage	Third stage	Commitments to disburse funds and fin. guarantees issued impaired acquired or originated	
Initial total impairment	**36,315**	**5,133,468**	**128,283**		**128,283**	**5,169,782**		**582,925**	**359,702**		**359,702**	**582,925**		**5,818,991**	**294,000**		**6,112,991**							**54,908**	**2,414**			**12,411,005**
Increases from financial assets acquired or originated Cancellations other than write-off Net impairment/reversal of impairments for credit risk (+/-) Contractual amendments without cancellations Changes in estimation method Write-offs not recognised directly in the income statement Other changes	153,824	-1,789,177	-47,348		-47,348	-1,635,352		423,924	-173,333		-173,333	423,924		130,399	210,000		340,399							-43,807	-2,366			-1,137,883
Final total inventories	**190,139**	**3,344,291**	**80,935**		**80,935**	**3,534,430**		**1,006,849**	**186,369**		**186,369**	**1,006,849**		**5,949,390**	**504,000**		**6,453,390**							**11,101**	**48**			**11,273,122**
Recoveries from collection on financial assets written off Write-offs recognised directly in the income statement																												

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

Portfolios/risk stages	Gross values / nominal value					
	Transfers between first and second stage		Transfers between second and third stage		Transfers between first and third stage	
	First stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	First stage to third stage	Third stage to first stage
1. Financial assets measured at amortised cost	42,262,020	6,371,756	1,037,847		1,157,415	
2. Financial assets measured at fair value through other comprehensive income	408,235	981,560				
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees provided						
TOTAL 31/12/2023	**42,670,255**	**7,353,316**	**1,037,847**		**1,157,415**	
TOTAL 31/12/2022	**16,618,607**	**2,951,284**	**364,792**		**4,730,362**	

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

At 31 December 2023, there were no outstanding Covid-19 support measures still active.

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

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

Type of exposure/amounts	Gross exposure					Total impairment and provisions					Net Exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**176,759,677**	**176,759,677**				**190,139**	**190,139**				**176,569,538**	
a) Non-performing												
b) Performing	**176,759,677**	**176,759,677**				**190,139**	**190,139**				**176,569,538**	
A.2 ALTRE	**22,606,109**	**17,972,012**	**4,634,097**			**190,136**	**21,287**	**168,848**			**22,415,974**	
a) Doubtful loans												
- of which: forbearance exposures												
b) Unlikely-to-pay												
- 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	22,606,109	17,972,012	4,634,097			190,136	21,287	168,848			22,415,974	
- of which: forbearance exposures												
TOTAL A	**199,365,786**	**194,731,690**	**4,634,097**			**380,275**	**211,427**	**168,848**			**198,985,512**	
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing												
a) Performing												
TOTAL B												
TOTAL A+B	**199,365,786**	**194,731,690**	**4,634,097**			**380,275**	**211,427**	**168,848**			**198,985,512**	

6.2 On-balance sheet credit exposures to banks and financial companies: analysis of gross impaired exposures

No impaired credit exposure to banks or financial companies.

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

No impaired credit exposure to banks or financial companies.

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

Type of exposure/amounts	Gross exposure					Total impairment and provisions					Net Exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Doubtful loans	9,321,214			9,321,214		5,436,069			5,436,069		3,885,145	
- of which: forbearance exposures	553,292			553,292		509,066			509,066		44,226	
b) Unlikely-to-pay	2,407,655			2,407,655		989,323			989,323		1,418,331	
- of which: forbearance exposures	250,173			250,173		181,563			181,563		68,610	
c) Non-performing past due exposures	146,967			146,967		27,997			27,997		118,970	
- of which: forbearance exposures												
d) Performing past due exposures	205,290	174,698	30,592			2,610	2,377	234			202,679	
- of which: forbearance exposures	30,592		30,592			234		234			30,358	
e) Other performing exposures	585,034,901	527,812,382	57,222,520			4,425,698	3,401,562	1,024,136			580,609,203	
- of which: forbearance exposures	1,490,708		1,490,708			10,486		10,486			1,480,222	
TOTAL A	**597,116,028**	**527,987,080**	**57,253,111**	**11,875,836**		**10,881,698**	**3,403,939**	**1,024,370**	**6,453,390**		**586,234,329**	
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing												
a) Performing	2,675,779	2,657,310	18,469			11,149	11,101	48			2,664,630	
TOTAL B	**2,675,779**	**2,657,310**	**18,469**			**11,149**	**11,101**	**48**			**2,664,630**	
TOTAL A+B	**599,791,807**	**530,644,390**	**57,271,581**	**11,875,836**		**10,892,847**	**3,415,040**	**1,024,417**	**6,453,390**		**588,898,960**	

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

Reasons/Category	Non-performing	Unlikely-to-pay	Non-performing past due exposures
A. Initial gross exposure	**5,629,030**	**6,316,686**	
- of which: exposures granted not derecognised			
B. Increases	**4,509,369**	**1,137,399**	**146,967**
B.1 reclassified from performing exposures	910,896	1,137,399	146,967
B.2 reclassified from financial assets impaired acquired or originated			
B.3 reclassified from other categories of non-performing exposures	3,598,473		
B.4 contractual amendments without derecognition			
B.5 other increases			
C. Decreases	**817,185**	**5,046,430**	
C.1 reclassified to performing exposures			
C.2 write-offs	512,353	136,793	
C.3 collections	304,832	1,311,164	
C.4 proceeds from sale			
C.5 losses from disposals			
C.6 reclassified to other non-performing exposure categories		3,598,473	
C.7 contractual amendments without derecognition			
C.8 other decreases			
D. Final gross exposure	**9,321,214**	**2,407,655**	**146,967**
- of which: exposures granted not derecognised			

6.5bis On-balance sheet credit exposures to customers: analysis of gross forbearance exposures by credit quality

Reasons/Quality	Non-performing forbearance exposures	Other forbearance exposures
A. Initial gross exposure	**891,340**	**2,549,138**
- of which: exposures granted not derecognised		
B. Increases	**68,406**	
B.1 reclassified from performing loans not subject to forbearance	68,406	
B.2 reclassified from performing loans subject to forbearance		
B.3 reclassified from non-performing exposures subject to forbearance		
B.4 reclassified from non-performing exposures not subject to forbearance		
B.5 other increases		
C. Decreases	**156,281**	**1,027,839**
C.1 reclassified to performing exposures not subject to forbearance		
C.2 reclassified to performing exposures subject to forbearance		
C.3 reclassified to non-performing exposures subject to forbearance		
C.4 write-offs		
C.5 collections	156,281	1,027,839
C.6 proceeds from sale		
C.7 losses from sale		
C.8 other decreases		
D. Final gross exposure	**803,465**	**1,521,299**
- of which: exposures granted not derecognised		

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

Reasons/Category	Non-performing		Unlikely-to-pay		Non-performing past due exposures	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Initial total impairment	**4,770,991**	**423,498**	**1,342,000**	**261,435**		
- of which: exposures granted not derecognised						
B. Increases	**951,212**	**27,286**	**277,373**	**7,393**	**27,997**	
B.1 impairment of financial assets impaired acquired or originated						
B.2 other impairment						
B.3 losses from sale						
B.4 reclassified from other non-performing loan categories	951,212	27,286	277,373	7,393	27,997	
B.5 contractual amendments without derecognition						
B.6 other increases						
C. Decreases	**-286,134**	**58,282**	**-630,050**	**-87,265**		
C.1 reversal of impairment from valuation						
C.2 reversal of impairment from collection	-286,134	58,282	-630,050	-87,265		
C.3 gains from sale						
C.4 write-offs						
C.5 reclassified to other non-performing exposure categories						
C.6 contractual amendments without derecognition						
C.7 other decreases						
D. Final total impairment	**5,436,069**	**509,066**	**989,323**	**181,563**	**27,997**	
- of which: exposures granted not derecognised						

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 with operational headquarters in the Lombardy region belonging to the manufacturing, business services, wholesale and construction industries, in line with the company's mission.

Exposures/Counterparties	Public administration		Financial companies		Non-financial companies		Households		Banks	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing					3,884,190	5,339,165	955	96,904		
of which: forbearance exposures					44,226	509,066				
A.2 Unlikely-to-pay loans					1,418,331	989,323				
of which: forbearance exposures					68,610	181,563				
A.3 Past due non-performing exposures					118,970	27,997				
of which: forbearance exposures										
A.4 Other performing exposures	30,022,846	653,744	7,405,949	173,298	547,257,696	3,742,927	3,531,341	31,637	191,579,562	206,977
of which: forbearance exposures					1,510,579	10,720				
Total (A)	**30,022,846**	**653,744**	**7,405,949**	**173,298**	**552,679,187**	**10,099,413**	**3,532,296**	**128,541**	**191,579,562**	**206,977**
B. Off-balance sheet exposures										
B.1 Non-performing										
B.2 Other performing exposures					2,664,630	11,149				
Total B					**2,664,630**	**11,149**				
Total (A+B) 31/12/2023	**30,022,846**	**653,744**	**7,405,949**	**173,298**	**555,343,818**	**10,110,562**	**3,532,296**	**128,541**	**191,579,562**	**206,977**
Total (A+B) 31/12/2022	**36,352,382**	**13,697**	**25,532,706**	**351,800**	**554,724,972**	**11,890,246**	**2,565,353**	**92,166**	**56,491,713**	**63,096**

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

Exposures/Geographical areas	Italy		Other EU countries	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet credit exposures				
A.1 Non-performing	3,885,145	5,436,069		
A.2 Unlikely-to-pay loans	1,418,331	989,323		
A.3 Past due non-performing exposures	118,970	27,997		
A.4 Other performing exposures	764,279,891	4,801,767	15,517,503	6,817
Total (A)	**769,702,338**	**11,255,156**	**15,517,503**	**6,817**
B. Off-balance sheet exposures				
B.1 Non-performing				
B.2 Other performing exposures	2,664,630	11,149		
Total B	**2,664,630**	**11,149**		
Total (A+B) 31/12/2023	**772,366,968**	**11,266,305**	**15,517,503**	**6,817**
Total (A+B) 31/12/2022	**657,555,452**	**12,385,067**	**18,111,673**	**25,938**

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

Exposures/Geographical areas	North West Italy		North East Italy		Central Italy		Italy South and Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures								
A.1 Non-performing	3,803,066	5,125,831		238,411	17,055	29,022	65,024	42,805
A.2 Unlikely-to-pay loans	1,418,331	989,323						
A.3 Past due non-performing exposures	118,970	27,997						
A.4 Other performing exposures	610,405,747	4,205,292	110,380,958	556,937	43,266,451	38,920	226,736	617
Total (A)	**615,746,115**	**10,348,443**	**110,380,958**	**795,349**	**43,283,506**	**67,942**	**291,760**	**43,422**
B. Off-balance sheet exposures								
B.1 Non-performing								
B.2 Other performing exposures	2,664,630	11,149						
Total B	**2,664,630**	**11,149**						
Total (A+B) 31/12/2023	**618,410,745**	**10,359,592**	**110,380,958**	**795,349**	**43,283,506**	**67,942**	**291,760**	**43,422**
Total (A+B) 31/12/2022	**585,428,586**	**11,044,328**	**39,455,493**	**1,300,495**	**32,359,251**	**35,587**	**312,123**	**4,657**

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

9.3 Large Exposures

Large exposures at 31 December 2023 were as follows:

a) Amount (gross exposure): Euro 168,703,869;
b) Amount (weighted value): Euro 159,105,425;
c) Number of counterparties: 4, namely Unicredit, BPER, Credit Agricole and Banca Nazionale del Lavoro.

With reference to exposures to credit institutions, it should be noted that the amount is mainly due to the liquidity in the company's current accounts.

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 and mutual funds is monitored through the method envisaged by Circular no. 288/2015 and subsequent updates (Title IV, Chapter 14, Annex C).

The Company has two lines of credit with the European Investment Bank: one for Euro 200 million that is no longer usable and another for Euro 242 million also fully utilised. At the end of 2023, the two lines have an outstanding amount of Euro 185.7 million (book value). Financing line of Euro 150 million with Banca Popolare di Sondrio, with a book balance of Euro 112.7 million, which initiated amortisation 2023. In the course of the year 2023, three further loans totalling Euro 175 million were taken out with Cassa Depositi e Prestiti, BNL and Intesa San Paolo, respectively, which are still in the pre-amortisation phase. The Company has bonds for Euro 63.1 million, current accounts for Euro 176.6 million, loans to businesses stipulated for Euro 544 million, of which floating-rate for Euro 488.9 million (89.9%) exposed to interest rate risk and Euro 55.1 million at fixed rate (including net non-performing loans for Euro 3.9 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.

The company has an EMTN programme for 500 million, for which a new bond issue is active for a nominal value of Euro 50 million in December 2021, at a fixed rate for a duration of 4 years.

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

Type/Residual maturity	On demand	up to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	over 5 years to 10 years	over 10 years	Undefined maturity
1. Assets	**192,056,266**	**490,600,426**	**12,944,066**	**24,284,844**	**48,485,160**	**13,006,287**	**2,233,229**	
1.1 Debt securities	504,000	18,214,576	121,925	15,523,832	25,139,792	3,511,342		
1.2 Receivables	191,552,266	472,385,849	12,822,141	8,761,012	23,345,369	9,494,946	2,233,229	
1.3 Other assets								
2. Liabilities	**25,394,873**	**62,833,800**	**173,760,965**	**236,509,526**	**56,397,281**	**3,539,152**		
2.1 Payables	25,383,680	62,833,800	173,760,965	236,509,526	6,397,281	3,539,152		
2.3 Debt securities	11,193				50,000,000			
2.4 Other liabilities								
3. Financial derivatives								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								

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

For a detailed analysis of the significant items exposed to interest rate risk, it is necessary to highlight the line of credit used by the European Investment Bank for approximately Euro 205 million, as well as the line of Euro 150 million (book value Euro 112.7 million) of Banca Popolare di Sondrio fully used (residual duration 3 years). In the course of the year 2023, three further loans totalling Euro 175 million were taken out with Cassa Depositi e Prestiti, BNL and Intesa San Paolo, respectively, which are still in the pre-amortisation phase. Repurchase transactions were carried out, with a remaining book balance at 31 December 2023 of Euro 21 million maturing in January 2024. Liabilities also include the bond issue, with a nominal value of Euro 50 million, at fixed rate. The average residual duration of the funding sources is just over 6 years (duration 3.2 years). About 7.7% of the asset items consists of investments in bonds issued by supervised financial institutions and leading corporate companies, government securities and Minibond and Basket bond for a total of Euro 63.1 million, the rest being cash balances on the Company's current accounts, i.e. Euro 176.6 million. Loans to customers other than bonds, amounting to a total of around Euro 545.6 million, of which around 89.9% (Euro 488.9 million) at floating rates, have a residual average duration of between 3 and 4 years (duration 4 years). With regard to other significant items, the receivables from customers 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 for mutual funds, the price risk is already observed as part of credit risk.

3.2.3 – Exchange rate risk

Quantitative Information

With reference to exchange rate risk, the methodology explained in art. 351 and 352 of the CRR was used. The Company has performed the full look through of the underlying portfolio of mutual funds held in portfolio at 31 December 2023 compared to units held until 24 December 2020, highlighting the total (unweighted) exposure to exchange rate risk if the overall exchange rate exposure is above 2% compared to regulatory capital. We highlight that the foreign exchange exposure of the UCITS held is currently below 2% of regulatory capital (Art. 351 CRR).

For UCITS units purchased after 24 December 2020, in accordance with Regulation 2019/876 (which defines rules for calculating Own Funds Requirements for exposures in the form of units or shares in CIUs), the MBA (Mandate Based Approach) method is used.

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

Quantitative Information

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

3.4 – Liquidity risk

Qualitative information

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

Liquidity risk means the risk of not being able to meet payment commitments due to the inability to obtain funds on the market (funding liquidity risk) or to sell assets (market liquidity risk). The liquidity planning process begins every year with the preparation of a Business Plan, making forecasts of monthly liquidity consumption over a period of three years. During the course of the year, to determine the funding needs and their coverage, the Asset Management and Treasury Service uses a maturity ladder, built on the basis of forecasts of expected cash inflows and outflows month by month, the positive and negative imbalances split by time bands, including both the inflows and the outflows. For the construction of the schedule, the Asset Management and Treasury Service requires the organisational units in charge of core operations to prepare prospective data on payroll, suppliers, taxes and fees, payments from the Lombardy Region, while on financial intermediation it takes the figures from the management systems, completing the prospective part based on the forecasts contained in the Business Plan. The maturity ladder, produced on a monthly basis, highlights the differences between income and expense and the monthly cash balance that the Company can rely on prospectively over a twelve-month horizon and allows the Asset Management and Treasury Office to adjust its investment/disinvestment policy by identifying the more cost-effective financial strategy for the Company, as well as an analysis of variances caused by the actual cash flows recorded. For each investment made, the Asset Management and Treasury Office 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. In addition, following the bond issue, in a prudential logic, the Liability Management Office in conjunction with the Asset Management and Treasury Office draws up and updates the Contingency Funding Plan. 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 2023, the Company has liquid assets, mainly current accounts for about Euro 176.6 million to partially mitigate the Funding liquidity risk, which could also be addressed through the divestment of part of the assets, starting from the most liquid items such as, for example, the sale of UCITS and class 1 bonds. Should the Company find itself in a situation of greater need, it could proceed with a new bond issue using the EMTN programme for up to Euro 500 million; at 31 December 2023, the Company has issued bonds for Euro 50 million, to which was added a new issue of Euro 10 million at variable rate on 22 January 2024. In addition, a credit line for a total of Euro 25 million was opened with Banca Sella Patrimoni in 2023, which can be activated in the event of liquidity needs, and the activation of a new credit line with the EIB is under negotiation. Repurchase transactions of Euro 21 million were entered into, maturing in January 2024.

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	from over 15 days to 1 month	over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 3 years	over 3 years to 5 years	Over 5 years of age	undefined maturity
Cash assets	**181,759,472**			**1,000,000**	**24,318,264**	**59,198,638**	**97,006,622**	**269,784,744**	**137,942,514**	**44,639,819**	**17,197,720**
A.1 Government securities							5,000,000	10,000,000			
A.2 Other Debt securities	879,000			1,000,000	1,000,000	1,000,000	10,700,000	9,480,415	17,914,985	8,797,484	
A.3 Loans	2,511,232				23,318,264	58,198,638	81,306,622	250,304,329	120,027,528	35,842,335	
A.4 Other assets	178,369,240										17,197,720
On-balance sheet liabilities				**24,260,958**	**459,915**	**8,105,379**	**14,324,111**	**166,424,543**	**178,306,750**	**183,675,143**	
B.1 Payables											
- Banks				24,260,822	459,643	7,080,676	13,427,022	116,421,053	128,305,376	183,675,143	
- Financial companies				136	272	1,024,703	897,090	3,490	50,001,374		
- Customers											
B.2 Debt securities								50,000,000			
B.3 Other liabilities											
Off-balance sheet transactions	**18,469**						**14,935**	**1,223,601**	**1,418,774**		
C.1 Financial derivatives with capital exchange											
- long positions											
- short positions											
C.2 Financial Institution derivatives without capital exchange											
- positive differentials											
- negative differentials											
C.3 Loans to be received											
- long positions											
- short positions											
C.4 Irrevocable commitments to disburse funds											
- long positions	18,469						14,935	1,223,601	1,418,774		
- short positions											
C.5 Financial Institution guarantees given											
C.6 Financial Institution guarantees received											

SECTION 4 – INFORMATION ON EQUITY

4.1 – The Capital of the Company

4.1.1 - Qualitative information

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

4.1.2 - Quantitative information

4.1.2.1 - Capital of the company: breakdown

Items/Amounts	31/12/2023	31/12/2022
1. Share capital	211,000,000	211,000,000
2. Share premium reserve	127,823	127,823
3. Reserves	33,655,335	30,722,661
- of profits	33,203,123	30,270,449
a) legal	7,393,994	7,137,120
b) statutory	12,652,195	12,138,448
c) treasury shares		
d) others	13,156,935	10,994,881
- other	452,212	452,212
4. (Treasury shares)		
5. Valuation reserves	-1,186,615	-3,650,683
- Equities designated at fair value through other comprehensive income:		
- Hedging of equities designated at fair value through other comprehensive income		
- Financial assets (other than equities) measured at fair value through other comprehensive income	-1,264,876	-3,767,182
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Hedges (non designated elements)		
- Exchange differences		
- Non-current assets and groups of assets held for sale		
- Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness)		
- Special write-back laws		
- Actuarial gains/losses relating to pension plans on defined benefit plans	78,261	116,499
- Share of valuation reserves relating to equity investments valued at equity		
6. Equity instruments		
7. Net profit (loss) for the year	7,984,119	2,568,735
Total	**251,580,662**	**240,768,537**

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

Assets/Amounts	31/12/2023		31/12/2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	771,304	2,036,180	781,985	4,549,167
2. Equities				
3. Financing				
Total	**771,304**	**2,036,180**	**781,985**	**4,549,167**

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

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

	Debt securities	Equities	Financing
1. Opening balance	**-3,767,182**		
2. Positive changes	**5,402,056**		
2.1 Increases in fair value	4,924,751		
2.2 Impairment for credit risk	477,304		
2.3 Reversal to income statement of negative realisation reserves			
2.4 Transfers to other equity components (equities)			
2.5 Other changes			
3. Negative changes	**-2,899,749**		
3.1 Decreases in fair value	-2,411,764		
3.2 Reversal of impairment for credit risk	-487,985		
3.3 Reversal to income statement of positive reserves: realisation			
3.4 Transfers to other equity components (equities)			
3.5 Other changes			
4. Closing inventories	**-1,264,876**		

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

4.2 – Own funds and capital ratios

4.2.1 – Own funds

4.2.1.1 - Qualitative information

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

Finlombarda does not make use of the deduction of deferred tax assets from TIER1, as it is below the exemption threshold provided for in the Bank of Italy's Circular no. 288 of 3 April 2015 and subsequent updates, thus applying the weighting of 250% on the value. The elements to be deducted from TIER 1 include the OCI reserve (IFRS 9). Finlombarda did not apply the transitional arrangements provided by IFRS9.

4.2.1.2 - Quantitative information

Items/Amounts	31/12/2023	31/12/2022
A. Core capital before the application of prudential filters	**240,955,971**	**237,095,465**
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)** D. Elements to be deducted from the core capital	**240,955,971** - 206,195	**237,095,465** - 402,794
E. Total core capital (TIER 1) (C-D)	**240,749,776**	**236,692,671**
F. Tier 2 capital before application of prudential filters		
G. Tier 2 prudential filters: G.1 Positive IAS/IFRS prudential filters (+) G.2 Negative IAS/IFRS prudential filters (-) **H. Tier 2 capital before elements to be deducted (F+G)** I. Elements to be deducted from the Tier 2 capital		
L. Total Tier 2 capital (H-I)		
M. Elements to be deducted from the core capital and tier 2 capital		
B. Regulatory capital (E+L-M)	**240,749,776**	**236,692,671**

4.2.2 - Capital adequacy

4.2.2.1 - Qualitative information

The current absorption of Own Funds is quite low indeed: compared with a total of about Euro 45.9 million of capital requirements imposed by the first pillar, the Company holds regulatory capital equal to Euro 240.7 million and therefore has a surplus of Euro 194.8 million. Tier 1 Capital Ratio is 41.95% and Total Capital Ratio amounts to 41.95%.

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.

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

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

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

4.2.2.2 - Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. RISK ASSETS				
A.1 Credit and counterparty risk	856,312,192	765,600,780	530,101,773	524,419,366
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			42,408,142	41,953,549
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			45,916,013	44,942,945
C. RISK ASSETS AND RATIOS				
C.1 Risk-weighted assets			573,950,162	561,786,818
C.2 Core capital/Risk-weighted assets (Tier 1 capital ratio)			41.95%	42.13%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			41.95%	42.13%

SECTION 5 – STATEMENT OF COMPREHENSIVE INCOME

Items	Gross Value	Income tax	Net Value
Net profit (loss) for the year	12,080,346	-4,096,227	7,984,119
Other comprehensive income without reversal to income statement			
Equities designated at fair value through other comprehensive income:			
a) change in fair value			
b) transfers to other equity components			
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			
Hedging of equities designated at fair value through other comprehensive income			
a) change in fair value (hedged instrument)			
b) change in fair value (hedging instrument)			
Property, plant and equipment			
Intangible assets			
Defined benefit plans	-38,238		-38,238
Non-current assets and groups of assets held for sale			
Share of valuation reserves of equity investments valued at equity			
Income tax relating to other comprehensive income without reversal to income statement			
Other comprehensive income with reversal to income statement			
Foreign investment hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Exchange differences:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Cash flow hedges:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
of which: result of net positions			
Hedges (non designated elements):			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Financial assets (other than equities) measured at fair value through other comprehensive income			
a) changes in fair value	2,594,746	-858,083	1,736,664
b) reversal to income statement			
- impairment adjustments			
- gains/losses on disposal			
c) other changes			
Non-current assets and groups of assets held for sale:			
a) changes in fair value			
b) reversal to income statement			
c) other changes			
Share of valuation reserves of equity investments valued at equity:			
a) changes in fair value			
b) reversal to income statement			
- impairment adjustments			
- gains/losses on disposal			
c) other changes			
Income tax relating to other comprehensive income with reversal to income statement			
Total other income components	2,556,508	-858,083	1,698,426
Comprehensive income (item 10+190)	**14,636,854**	**-4,954,310**	**9,682,545**

SECTION 6 – TRANSACTIONS WITH RELATED PARTIES

6.1 - Information on remuneration of managers with strategic responsibilities

	31/12/2023	31/12/2022
Board Directors*	150,836	185,128
Board of Statutory Auditors	46,800	46,800
Supervisory body	15,600	15,600

Fees, where paid to persons enrolled in Professional Associations, are inclusive of charges relating to the Social Security Fund to which they belong and, in the case of a fee on a pay slip, are inclusive of welfare and assistance charges (INPS and INAIL).

The remuneration and social security charges for the year 2023 are detailed below:

Directors' and Statutory Auditors' fees including social security charges	Fee	Welfare and Assistance Fund	Separate management Inps	Inail
Board Directors*	141,312	4,726	4,742	57
Board of Statutory Auditors	45,000	1,800		

*the cost items of statutory fees and charges are shown.

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

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

6.3 - Information about related party transactions

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

At 31/12/2023, there were the following with Aria S.p.a and the Sole Shareholder Lombardy Region:

ARIA S.p.A.	Revenues		Costs	480,497
	Receivables		Payables*	32,520
LOMBARDY REGION	Revenues	12,451,786	Costs	20,740
	Receivables	1,606,043	Payables	16,712

6.4 – Information on the audit firm

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

Type of services	Counterparty	31/12/2023	31/12/2022
Audit	Audirevi SPA	29,832	29,832
Other services	Audirevi SPA	26,103	26,103

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

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

Nexia
Audirevi
Audit & Assurance

FINLOBARDA S.p.A.

Independent Auditor's Report

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

Independent Auditor's Report

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

To the shareholder of
Finlombarda S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Finlombarda S.p.A. (the Group), which comprise the statement of financial position as at December 31, 2023, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 Company'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 Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Finlombarda S.p.A. as at December 31, 2023, including their consistency with the 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 financial statements of Finlombarda S.p.A. as at December 31, 2023 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 financial statements of Finlombarda S.p.A. as at December 31, 2023 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, 12 April 2024

Audirevi S.p.A.

(signed in the original)

Gian Mauro Calligari
Partner