

## **RATING ACTION COMMENTARY**

# **Fitch Affirms Finlombarda at 'BBB'; Outlook Stable**

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Fitch Ratings - Milan - 24 Oct 2025: Fitch Ratings has affirmed Finlombarda S.p.A.'s (FL) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'BBB' with Stable Outlooks and Short-Term Foreign-Currency IDR at 'F2'. A full list of rating actions is below.

The affirmation reflects Fitch's unchanged expectations that FL's financial performance and ratios will remain aligned with a 'bb' Standalone Credit Profile (SCP). It also reflects Fitch's unchanged view that the Region of Lombardy will 'Extremely Likely' extend extraordinary support to FL, considering FL's policy role and the region's broad control over it. This, combined with FL's 'bb' SCP, leads to a 'BBB' IDR.

## **KEY RATING DRIVERS**

### **Support Score Assessment 'Extremely likely'**

Our expectations of 'Extremely Likely' extraordinary support from Lombardy to FL are underlined in a support score of 40, out of a maximum 60, under Fitch's Government-Related Entities (GRE) Criteria. This reflects a combination of responsibility-to-support and incentive-to-support factors assessment as below.

### **Responsibility to Support**

#### **Decision Making and Oversight 'Very Strong'**

FL is a public-sector entity and in-house provider of developmental financial services for the Region of Lombardy, supporting the local economy. Lombardy fully owns FL, monitors its adherence to regional guidelines, and has extensive control over the company, from appointing its board of directors, approving annual reports, to more specific decisions, such as the approval of new borrowing.

## **Precedents of Support 'Very Strong'**

FL receives calibrated fee revenue from the region to ensure minimum profitability; we therefore expect equity support to enhance FL's balance-sheet expansion. Our assessment also considers guarantees from the region to facilitate borrowing from the European Investment Bank (EIB; AAA/Stable/F1+), which represented 35% of FL's financial debt at end-2024. The new EUR250 million credit facility signed in 2025 with the EIB is backed by the region's commitment to recapitalisation, if required, to ensure timely debt repayments, according to the maturity schedule.

## **Incentives to Support**

### **Preservation of Government Policy Role 'Strong'**

FL has a key public policy mandate from Lombardy. Its gross loan portfolio has totalled about EUR500 million since 2022. FL has around 3,000 borrowers and while its lending activity could ultimately be carried out by other financial intermediaries that are largely present in Lombardy, reputational repercussions for the region from an FL default would be severe by casting doubt over the region's ability to control its GREs.

A default could also disrupt the functioning of some regional roles, as FL is responsible for consultancy and screening services for the disbursement of EU funds to SMEs. At end-2024, FL managed about EUR763 million of EU and regional funds (EUR685 million in 2023).

## **Contagion Risk 'Strong'**

FL's default would have negative repercussions, especially for other regional GREs' market borrowing capacity, but the impact on the region would be partly mitigated by the availability of Cassa Depositi e Prestiti SpA (CDP; BBB+/Stable/F1), lender of last resort for Italian local and regional governments. Support from the region could easily be channelled via advances on future grants or equity injections to avoid acceleration of the repayment of FL's outstanding debt that may be triggered by guarantees on EIB loans and cross-default clauses on loans and listed bonds.

FL's 'bb' SCP reflects our expectation of stable financial performance over the next 12-to-18 months. It also reflects our expectation that the impaired loans ratio will remain around 2% in the medium term (2021-2024 average: 1.7%) and that gross debt/tangible equity ratio will remain around 2x (end-2024: 1.9x). This is based on FL's record of limited growth,

moderately granular loan portfolio and stable non-loan assets. We assign FL's SCP using our Non-Bank Financial Institutions Rating Criteria. It is constrained by FL's small franchise and narrow business model.

Fitch expects FL's gross loan portfolio to remain stable and its profitability to remain weak in 2025. The latter is mainly due to FL's cost-plus and non-profit-maximising business model. Access to funding is underpinned by available credit lines from the EIB, but Fitch's assessment is constrained by a limited, albeit growing, record of accessing debt markets.

### **Short-Term Ratings**

FL's 'F2' Short-Term IDR is derived from our internal short-term assessment of Lombardy.

### **Debt Ratings**

Fitch rates FL's long- and short-term senior unsecured debt at 'BBB' and 'F2', respectively.

### **PEER ANALYSIS**

FL's closest Italian peers include FNM S.p.A., Lombardy's transport GRE, which has a lower support score of 30 due to more diluted links with Lombardy, and CDP, the state-owned national promotional institution and lender of last resort for Italian LRGs. CDP's higher support score of 55 reflects its role as a core government entity with very high relevance to national economic development and a lack of viable substitutes, resulting in 'Very Strong' incentives for Italy to support it, compared with 'Strong' incentives for Lombardy to support FL.

Internationally, Institut Catala de Finances (ICF) is the most comparable peer, given its similar mission to promote Catalonia's economic development through financing solutions such as loans, guarantees, and venture capital, and its ownership by the Autonomous Community of Catalonia. ICF's support score is in line with FL's, but its ratings are equalised with that of Catalonia, which guarantees all its debt.

### **Issuer Profile**

FL has been Lombardy's in-house provider of development finance since 1971.

### **KEY ASSUMPTIONS**

We expect FL's debt to be about EUR0.5 billion in 2025, of which nearly 40% is guaranteed by Lombardy. We expect the share of debt with the EIB to rise to 60%-70% as the newly contracted EUR250 million EIB line will be depleted by 2027. However, the share of

government-guaranteed debt will remain below 75%, in our view, since borrowing from market sources will complement EIB loans more than in the past to support FL's loan portfolio growth. We expect FL's loan portfolio to reach EUR600 million by 2026.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

FL's ratings would be downgraded on a dilution of its links with Lombardy, for example, if its willingness to provide support weakened, leading to a lower support score at 32.5 or below.

Deterioration of FL's SCP, provided Fitch's internal credit assessment of Lombardy was also revised lower, would lead to a downgrade of FL's IDRs. FL's SCP could be revised down if it fails to sustain its corporate and SME lending franchise in Lombardy, or if its impaired loans ratio and leverage increase materially. However, this is not Fitch's base case over the next 12-18 months.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upward revision of Fitch's internal credit assessment of Lombardy could lead to an upgrade of FL's ratings, all else being equal.

The ratings could also be upgraded if FL's links with Lombardy strengthen, leading to a higher support assessment at 45 points or above.

An upgrade could result from an improvement in FL's SCP. A wider product offering and increased scale would be prerequisites for an upward revision of its SCP.

## **ESG Considerations**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

FL's ratings are linked to Fitch's internal credit assessment of Lombardy.

## References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

### RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Finlombarda S.p.A.	LT IDR	BBB Rating Outlook Stable		BBB Rating Outlook Stable
	Affirmed			
	ST IDR	F2	Affirmed	F2
	LC LT IDR	BBB Rating Outlook Stable		BBB Rating Outlook Stable
	Affirmed			
senior unsecured	LT	BBB	Affirmed	BBB
senior unsecured	ST	F2	Affirmed	F2

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[Non-Bank Financial Institutions Rating Criteria \(pub. 31 Jan 2025\) \(including rating assumption sensitivity\)](#)

[Government-Related Entities Rating Criteria \(pub. 18 Jul 2025\)](#)

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Finlombarda S.p.A.

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