Alba Leasing S.p.A.
Annual Report
2019

(Translation from the Italian original which remains the definitive version)

Alba Leasing S.p.A.

Registered office and head office: Via Sile, 18 – 20139 Milan
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Included in the List of Financial Intermediaries as per article 106 of the Consolidated Banking Act as no. 32
Tax code, VAT number and Milano-Monza-Brianza-Lodi Chamber of Commerce company registration no. 06707270960
Fully paid-up share capital €357,953,058.13
Member of Assilea, the Italian Association of Lease Companies

Corporate bodies

Board of directors

Chairman	Luigi Roth
Managing director	Massimo Mazzega
Directors	Giorgio Pellagatti Matteo Bigarelli Fabio Cereghini Vittorio Pellegatta Maurizio Riccadonna

Board of statutory auditors

Chairman	Ezio Maria Simonelli
Standing statutory auditors	Gabriele Camillo Erba Bruno Garbellini
Alternate statutory auditors	Matteo Tiezzi Nicola Fiameni

Shareholders

Alba Leasing's shareholders are:

Banco BPM S.p.A.	39.19%
BPER Banca S.p.A.	33.50%
Banca Popolare di Sondrio S.c.p.a.	19.26%
Credito Valtellinese S.p.A.	8.05%

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Directors' report

Introduction

As described in more detail in the notes to the consolidated financial statements, the annual report includes the financial statements of the securitisation vehicles Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l., together with a different presentation of the effects of the agreement on securitised loans entered into with Banca Italease on 24 December 2009 (the “risks and benefits agreement”).
Consequently, given the specific features of the consolidation scope, the facts and events described below relate to Alba Leasing S.p.A. (the “parent”).

Macroeconomic scenario and lease market

Uncertainty prevails about the current phase of Europe’s economic cycle although some timid signals of an about-turn in the slowdown commenced in 2018 and continued in 2019 have been seen.

Despite the industrial sector’s difficulties, the growth rate has picked up in Italy and Germany although the gap between them and France and Spain continues to be wide.
The Italian economy remained lethargic throughout the year and this situation looks set to continue, triggering another deceleration in growth and worsened public accounts.

The following table shows percentage variations in GDP:
Forecasts for the year at December 2019 include a downturn in the GDP growth rate from 0.7% in 2018 to 0.2% in 2019.

Italy - macroeconomic situation - annual variations

	2018	2019
GDP	0.7	0.2
Imports of goods and services	2.4	1.0
Spending of households and non-profit institutions serving households (ISP)	0.8	0.6
Public administration expenditure	0.4	0.5
Investments in machinery, equipment, means of transport	3.4	1.6
Investments in construction	2.5	3.3
Exports of goods and services	1.3	1.7
Total internal demand	1.0	0.0
Consumer price index	1.1	0.6

Source: Prometeia December 2019 outlook

New leases amounted to €27.9 billion in 2019, down 3.30% on 2018 (€28.9 billion). The number of leases also decreased, from 709,857 to 697,571 at the end of 2019 (-1.73%).
New leases agreed in the plant and machinery and maritime and aviation sectors increased by 1.99% and 12.25%, respectively. Conversely, the real estate and automotive sectors both performed badly, decreasing by 6.6% and 5.91% respectively (more than half the new leases related to the automotive sector, which saw an increase in long-term leases despite the continued slowdown in total new car registrations). The renewable energy sector, whose contribution to the group’s total results is marginal, saw a steep slide in its new leases of 51.04%.
The plant and machinery sector continues to make use of the finance lease incentives under the “New Sabatini” measure, as shown by the prevalence of normal “New Sabatini” measure and “Tecno Sabatini 4.0” measure leases (over two thirds) over other types of financing from March to December 2018.

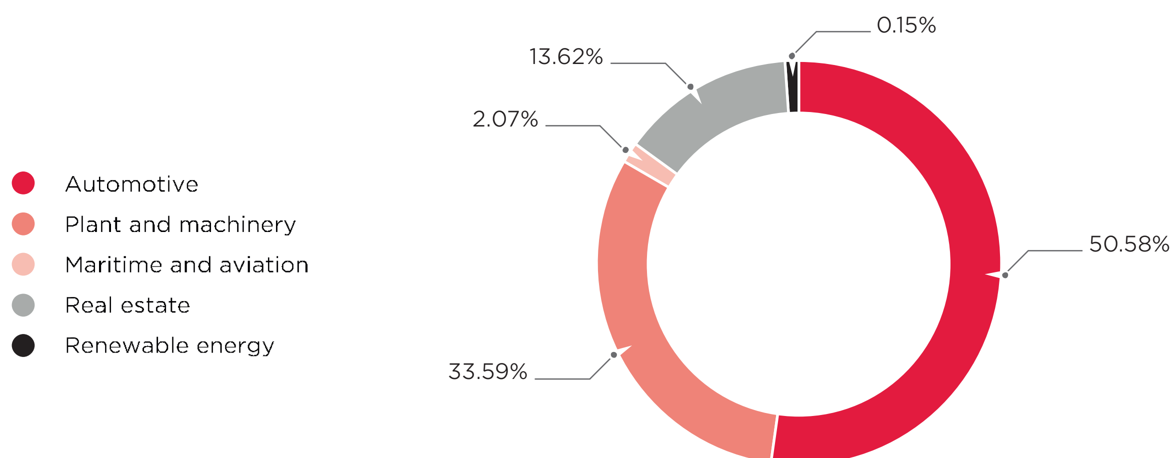
New leases: no. of contracts, amounts in thousands of Euro and percentage variation

	No. of contracts			Amount			
	2019	2018	Var. %	2019	2018	Variation	Var. %
Automotive	471,363	488,295	-3.47%	14,131,870	15,020,308	-888,438	-5.91%
Plant and machinery	221,731	216,435	2.45%	9,384,830	9,201,589	183,241	1.99%
Maritime and aviation	362	435	-16.78%	578,844	515,670	63,174	12.25%
Real estate	4,007	4,558	-12.09%	3,805,260	4,074,143	-268,883	-6.60%
Renewable energy	108	134	-19.40%	40,912	83,561	-42,649	-51.04%
Total	**697,571**	**709,857**	**-1.73%**	**27,941,716**	**28,895,271**	**-953,555**	**-3.30%**

Source: Assilea

97.78% of the leases were agreed in plant and machinery, automotive and real estate sectors. The maritime and aviation, railway and renewable energy sector contributed immaterial amounts, equal to 2.07% and 0.15%, respectively.

New leases in 2019: % by product



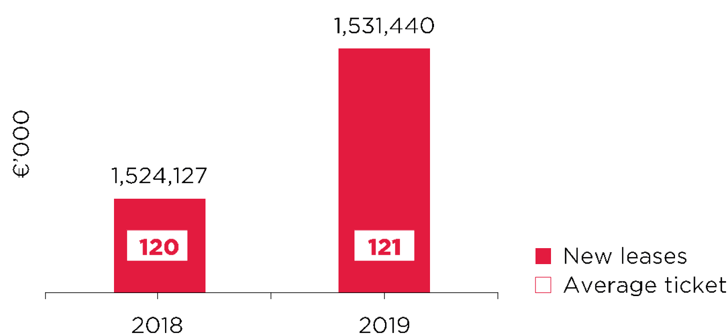
Business performance and market positioning

Despite the negative market situation (-3.30%), the parent grew its volumes, albeit by a modest percentage (+0.48%). New leases increased by €7.31 million from €1,524.13 million in 2018 to €1,531.44 million in 2019.
Its core segment is that of plant and machinery which is the biggest contributor to the total new leases at 51.19%, although this is a slight decrease on the previous year (-1.18%). The real estate products show a modest increase of 0.13%, equal to 28.66% of the total. The automotive segment's performance went against the market, increasing its number of new leases by 1.73% (mainly for industrial vehicles).
The number of leases agreed by the parent is essentially unchanged (12,651 in 2018 and 12,650 in 2019) while the average ticket did not vary significantly, going from €120 thousand in 2018 to €121 thousand in 2019.

New leases: no. of contracts, amounts in thousands of Euro and variations

	No. of contracts			Amount			
	2019	2018	Var%	2019	2018	Variation	Var%
Automotive	4,621	4,422	4.50%	285,590	257,817	27,773	10.77%
Plant and machinery	7,477	7,673	-2.55%	784,007	798,187	-14,179	-1.78%
Maritime and aviation	45	53	-15.09%	22,680	33,106	-10,426	-31.49%
Real estate	507	503	0.80%	439,163	435,018	4,145	0.95%
Total	**12,650**	**12,651**	**-0.01%**	**1,531,440**	**1,524,127**	**7,312**	**0.48%**

Source: Alba Leasing



The product mix confirms the plant and machinery's role as the core product contributing 51.2% to the total volume, slightly below 2018, followed by the real estate products (28.7%) and automotive products (18.7%). The contribution of the maritime and aviation sector and the railway products made a marginal contribution of 1.5%.

New leases: breakdown by product (%)

	2019	2018	Var. %
Automotive	18.65%	16.92%	1.73%
Plant and machinery	51.19%	52.37%	-1.18%
Maritime and aviation	1.48%	2.17%	-0.69%
Real estate	28.68%	28.54%	0.13%

Source: Alba Leasing S.p.A.

New leases by sales channel (and % variations)

	2019	2018	Var. %	Volume variation %
Partner banks	70.22%	63.46%	6.76%	11.19%
Affiliated banks	9.67%	14.28%	-4.61%	-31.99%
Total banks	**79.89%**	**77.74%**	**2.15%**	**3.26%**
Other channels (vendors/suppliers/direct sales/intermediaries/agents)	20.11%	22.26%	-2.15%	-9.22%
Total	**100.00%**	**100.00%**		**0.48%**

Source: Alba Leasing

The partner banks channel increased by 6.76% from 63.46% in 2018 to 70.22% in 2019 while the contribution of both the other affiliated banks and other channels decreased by 4.61% and 2.15%, respectively.
Overall, volumes have increased by 0.48%. The partner banks channel saw an 11.19% rise in volumes while the other distribution channels saw a contraction in new leases (-31.99% and -9.22%, respectively for the affiliated banks and other channels).

The partner banks channel's better performance, offset by that of the affiliated banks channel, is due to the transfer of leases from Unipol Banca to the Banca Popolare dell'Emilia Romagna Group following its inclusion in this latter group (approximately €66.1 million agreed up to November 2019).

Classification by product and market share in 2019

New leases	Assilea	Market share
Automotive	n.a.	n.a.
Plant and machinery	3	8.26%
Maritime and aviation	7	3.92%
Real estate	3	11.54%
Renewable energy	2	22.15%
Total	5	**7.43%**

Source: Assilea - data processed by Alba Leasing S.p.A.

In 2019, Alba Leasing S.p.A. was ranked fifth in the market, with a share of 7.43% (excluding long-term leases).
The parent is third in the national rankings for plant and machinery and real estate, with a market share of 8.26% and 11.54%, respectively.

At 31 December 2019, there were 4,954 bank branches that distributed Alba Leasing products, of which 3,418 were partner banks' branches and 1,536 other affiliated banks' branches (smaller banks strongly concentrated at local level), including 1,279 affiliated under premium and 257 under standard agreements.

Organisational structure

With the aim of matching the parent's organisational structure to its business development and growth, on 21 October 2019, the board of directors approved the following organisational changes, effective from 1 November 2019:

- the set up of a new unit within the loans department for the disbursements to the intermediaries and other channels (the intermediaries and other channels lending unit);
- the transfer of the restructuring unit from the lending department to the problem loans department;
- the set up of a unit to monitor outsourced services in the risk and control department (the outsourcing monitoring unit);
- the division of the existing legal and compliance unit into two separate units: legal and compliance.

These changes were reflected in the parent's new organisational chart.

Specifically, the main organisational changes carried out at general management level may be summarised as follows:

- Lending department
  In order to speed up the lease approval procedures, shorten the authorisation times and better monitor credit risk, the lending department was reorganised to include a new unit in charge of disbursements to intermediaries and other channels (the intermediaries and other channels disbursement unit) while the existing disbursement unit will focus on the banks channel. The two units review lease applications, assess and authorise loans within the limits assigned to them and/or proposed by them to the competent higher internal level.
- Problem loans department
  The restructuring unit has been transferred from the lending department to the problem loans department (as per the board of directors' resolution of 12 March

2019) to avoid possible risks of conflicts of interest between the units that authorise the loans and those that restructure them.

- Risk and control department
  In order to comply with the EBA's new Guidelines on outsourcing arrangements, the parent set up a unit to monitor the outsourced services (the outsourcing monitoring unit) within the risk and control department. This unit replaced the previous outsourcing assistance unit, which was part of the operating service department. The new control unit will ensure the standardisation of reporting and monitoring activities.
- Legal, compliance and anti-money laundering department
  The legal and compliance unit was split into two separate units: legal and compliance, to ensure the segregation of their duties, a more efficient monitoring of compliance with the regulations and management of legal risks.

Research and development

Alba4Future Project

In 2019, the parent launched its new Alba4Future project to complete the digital transformation commenced with the previous Alba 2.0 and Alba Next projects. This will conclude the pathway designed to "consolidate efficiency" and "improve the positioning" of the parent as a fully digital business.
The project has been carried out in compliance with the established timeline and costs in line with the budget (non-recurring actual extraordinary administrative expenses of €2.5 million and amortisation of €0.1 million against investments of €0.26 million).

New management controls model project

In 2019, the parent rolled out its new management controls model project to introduce new systems to monitor its management accounts using value-based parameters, unbundle the figures in order to assess the contributions of the complex key contributors (business lines, sales channels, products, customer segments, etc.) and deploy risk-adjusted pricing and measuring systems. The end goal is to minimise the manual management of data and to automate the process as far as possible.
Most of the project consisted of modifications to the information system to maximise the efficient processing of the data available and their quality.

Key events of the year

Transfer of non-performing exposures (NPE)

As part of the measures to optimise the parent's management of NPE and to continue to reduce the impaired exposures in portfolio, the parent finalised the transfer of a non-performing portfolio with an initial gross carrying amount of roughly €40 million to Guber Banca in November 2019. The portfolio included more than 1,000 leases of plant and machinery to around 600 customers.
The parent thus improved its management of NPE again, decreasing them as a percentage of its total loans and receivables.

Funding transactions

Alba Leasing is the only large lease company that is not part of a banking group. In addition to the obvious and constructive support from its shareholder banks, therefore, it continues to procure funds on the financial markets thanks to the experience it has

acquired over the years, also carrying out innovative funding transactions in order to diversify its forms of funding and support its growth path.

During the year, the parent continued to cultivate its relations with the Italian and international financial system in order to raise new funds and enable it to bolster its independence of its shareholder banks. The following fundraising transactions were completed during the year:

- in January, the parent entered into three repo transactions with two banks for €158 million (the junior notes of the Alba7 securitisation and the class C mezzanine notes of the Alba9 and Alba10 securitisations were the underlying);
- in April and May, it applied to Cassa Depositi e Prestiti (CDP) for new three, four and five year loans totalling €62 million, used subsequently for the leases that qualify for the “new Sabatini” incentives;
- in July, the parent sold the European Investment Bank (EIB) a mezzanine tranche of the Alba10 securitisation for €75 million as part of the master agreement signed with the EIB, which provides for a ceiling of €75 million for soft leases for SMEs and mid cap businesses. The EIB had already purchased senior notes of the same securitisation for €200 million, increasing the ceiling for SME and mid cap businesses to €275 million;
- in July, the parent sold the European Investment Fund (EIF) class B notes of the Alba10 securitisation for €40 million;
- again in July, it entered into two repo transactions with a major bank for €82 million (the junior notes of the Alba9 and Alba10 securitisations were the underlying);
- in the second half of the year, the parent signed agreements for the transfer of loans and receivables and to issue notes for a new securitisation, Alba11. This transaction will comprise two separate stages: the first warehousing stage with privately rated and unlisted notes and the second to be completed in 2020 when the notes will be rated and listed as “take out”;
- in October, during the warehousing stage, the parent sold the vehicle a loans portfolio of roughly €952 million issuing junior and senior notes. It received cash for the senior notes through repurchase agreements of approximately €625 million net of the reserves.

Dispute with the tax authorities

The parent opted for the benefits provided for by article 6 of Decree law no. 119 of 23 October 2018, as subsequently amended, to settle its disputes regarding the 2009 and 2010 IRES (corporate income tax) assessed by the tax authorities after completion of its audit on 20 December 2013 and the registration tax paid related to the alleged omission of the statement of compliance with the condition precedent provided for in the transfer deed signed by Banca Italease and the parent on 24 December 2009.

Accordingly, it made the following payments on 27 May 2019:

- €14.4 thousand for assessment notice no. T9B03BS02813 (assessed IRES for 2009) whereby the tax authorities requested payment of €622.3 thousand (taxes, interest, fines and other costs) following the favourable first and second level rulings and the pending Supreme Court ruling;
- €124.5 thousand for assessment notice no. TMB037M00596 (assessed IRES for 2010) whereby the tax authorities requested payment of €738.7 thousand (taxes, interest, fines and other costs) following the favourable first level ruling (the second level ruling, also in the parent’s favour, was handed down after the settlement period);
- €43.6 thousand for assessment notice no. 20101T001264000 (assessed registration tax) whereby the tax authorities requested payment of €1,962.4 thousand (taxes, interest, fines and other costs) following the favourable first and second level rulings and the pending Supreme Court ruling.

Within the legal timeline, the parent subsequently presented its application for the settlement of the pending tax disputes to the tax authorities and filed it with the competent tax court body.
With respect to the 2003 VAT dispute with the tax authorities and the alleged incorrect invoicing of finance lease payments to SACMI COOPERATIVA MECCANICA IMOLA S.C., the lessee under the real estate lease no. 818677 (assessed amount of €237.1 thousand, including taxes, interest, fines and other costs), the Lombardy Provincial Tax Commission filed its ruling on 14 October 2019, rejecting the parent's appeal which, therefore, filed a counter-appeal. In the meantime, it has paid €164.4 thousand.

On 30 September 2019, the tax authorities served the parent with assessment notices nos TMB036Z00188, TMB036Z00191 and TMB066Z00203 for 2014, 2015 and 2016, respectively, assessing higher taxes, fines and interest of €810.7 thousand. The tax authorities alleged the incorrect invoicing of finance lease payments to SACMI COOPERATIVA MECCANICI IMOLA S.C. (similarly to that for 2013) and the incorrect application of the VAT rate (10% rather than 22%) to the finance lease payments to VINCENZO MUTUO S.r.l. for an MRI machine. The parent has appealed against the assessment notices to defend its interests.

On the same date, the tax authorities sent the parent assessment notice no. TMBCO6Z00034 for 2014, which imposed fines of €70 thousand. It alleged the incorrectness of the invoice issued by PARAMED S.r.l., which supplied the MRI machine leased to VINCENZO MUTUO S.r.l. with a finance lease. The parent has appealed against the assessment notices to defend its interests.

Dispute with the Lombardy Regional Authorities

With respect to the dispute with the Lombardy Regional Authorities about the regional vehicle excise duty, the Provincial Tax Commission's rulings on 2010 (disputed amount of €115 thousand), 2011 (disputed amount of €334 thousand), 2013 (disputed amount of €381 thousand) and 2014 (disputed amount of €309 thousand) became final, with the regional authorities losing the case and having to pay the legal fees of approximately €90 thousand.
The Lombardy Regional Tax Commission handed down two rulings on the vehicle excise duty for 2012 (disputed amount of €92 thousand). The first ruling in favour of the parent cancelled the assessment notice (€96) while the second found in the regional authority's favour, accepting its appeal (€91,827), and ordered the parent to pay the court and legal fees of €5 thousand. The parent's lawyers have presented an appeal to the Supreme Court to defent its interests.

IFRS 16

On 1 January 2019, the parent applied IFRS 16 "Leases" issued by the IASB in January 2016 and endorsed by the European Commission with Regulation (EU) no. 2017/1986 of 31 October 2017.
The changes introduced by the new standard affect the presentation of leases in the financial statements of lessees, as it removes the distinction between operating and finance leases. The new standard requires the recognition of assets and liabilities arising from a lease in the statement of financial position. Specifically, a lessee shall recognise a lease liability based on the present value of the future lease payments against the recognition of the right-of-use asset.
The initial application of the standard using the modified retrospective approach led to an increase in assets (due to recognition of the new right-of-use assets) and financial liabilities (lease liabilities) of the same amount in the opening statement of financial position. Equity was not affected as the carrying amounts of the assets and liabilities match due to application of the modified retrospective approach (option B).
More information is available in the notes to the consolidated financial statements.

Other events

Distribution agreements

Financial services agreements

In 2019, the parent signed and activated seven new agreements with credit brokers and one with a new intermediary. It also entered into agreements with sub-agents to develop the agents channel, set up in 2018.

Affiliated banks

In order to expand and build up the other affiliated banks channel, the parent signed four new agreements with Sparkasse, Banca Reale, Banca Gallileo and Banca d'Alba during the year for a total of roughly 190 new affiliated branches.

Operating lease vendors

The parent entered into 15 new agreements with suppliers of plant and machinery to create and develop the new operating lease product.

Termination of securitisations

During the year, the parent did not terminate any of the securitisations that fall within the scope of the banking sub-portfolio covered by the agreement on securitised loans.

Key performance indicators

		2018	2019
Income statement	Interest margin / average capital employed	2.14%	2.01%
	Total income / average capital employed [(a)]	2.17%	1.97%
	Gross operating profit / average capital employed	0.34%	0.17%
	ROE	2.79%	1.19%
Efficiency	Operating costs / Total income [(b)]	51.09%	56.40%
	Personnel expense / Operating costs [(c)]	52.35%	52.81%
Productivity	Average number of employees (FTE)	279	280
	Average cost / Average number of employees (FTE) [(d)]	92.20	95.15
	New leases / Average number of employees (FTE)	5.46	5.47
Risks and capital	Cost of risk [(e)]	0.50%	0.46%
	Cost of risk / Total income	32.61%	34.62%
	RWA	4,373	4,615
	Total capital ratio	9.17%	8.92%
	RORAC	5.76%	2.76%
Notes :			
a) total income includes other operating income/expense related to fees and commissions on the risks and benefits portfolio,			
b) net of non-recurring items, the ratio is		45.73%	50.22%
c) net of non-recurring items, the ratio is		52.69%	52.52%
d) net of non-recurring items, the ratio is		83.07	84.25

Statement of financial position and income statement highlights - consolidated financial statements

The following pages include tables and comments on the statement of financial position and income statement highlights.

Statement of financial position

Assets *(€'000)*	31/12/2019	31/12/2018 (*)	Variation
10 Cash and cash equivalents	9	15	(7)
40 Financial assets at amortised cost	5,101,743	4,947,474	154,269
a) loans and receivables with banks	228,835	167,831	61,005
b) loans and receivables with financial companies	90,120	91,211	(1,091)
c) loans and receivables with customers	4,782,787	4,688,432	94,355
80 Property, equipment and investment property	21,865	10,863	11,002
90 Intangible assets	5,332	6,801	(1,469)
100 Tax assets	57,356	56,620	736
a) current	1,621	566	1,054
b) deferred	55,735	56,054	(319)
120 Other assets	101,788	110,459	(8,671)
Total assets	**5,288,092**	**5,132,233**	**155,859**

Liabilities and equity *(€'000)*	31/12/2019	31/12/2018 (*)	Variation
10 Financial liabilities at amortised cost	4,693,725	4,519,405	174,320
a) amounts due	3,361,687	2,551,208	810,479
b) securities issued	1,332,038	1,968,197	(636,159)
60 Tax liabilities	-	493	(493)
a) current	-	493	(493)
80 Other liabilities	181,429	203,819	(22,390)
90 Post-employment benefits	2,599	2,513	86
100 Provisions for risks and charges:	2,894	3,307	(413)
a) loan commitments and financial guarantees given	1,091	916	174
c) other provisions	1,803	2,391	(588)
110 Share capital	357,953	357,953	-
140 Share premium	105,000	105,000	-
150 Reserves	(60,007)	(71,330)	11,323
160 Valuation reserves	(325)	(251)	(75)
170 Profit for the year	4,825	11,323	(6,499)
Total liabilities and equity	**5,288,092**	**5,132,233**	**155,859**

(*) The parent adopted the modified retrospective approach when applying IFRS 16 for the first time on 1 January 2019 and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

Financial assets at amortised cost increased by €154.3 million to €5,101.7 million at 31 December 2019 from €4,947.5 million at the end of 2018. Depreciation for the year is offset by the new leases of the year.
Section 3 - Risks and related hedging policies of the notes to the consolidated financial statements provides information about credit quality.
Property, equipment and investment property include the underlying assets of finance leases which the parent has withdrawn after the termination of the lease and the exposure to the former lessees. They amount to €21.9 million and the increase of €11 million over 31 December 2018 is due to the initial application of IFRS 16 and the related recognition of

right-of-use assets of €11.4 million (buildings) and €0.6 million (company cars). The decrease of approximately €1 million is due to variations in the assets under finance leases returned to the parent.

Intangible assets of €5.3 million include rights-of-use assets of €1.4 million (software), mainly related to the investments for the Alba 2.0, Alba Next, Alba IFRS 9 and Alba 4Future projects, and the customer relationships of €3.8 million, net of amortisation, identified as part of the purchase price allocation after the parent acquired the lease business unit from Credito Valtellinese ("Creval").
The parent tested the customer relationships for impairment but as Creval met the new lease objectives (volumes and net spread) set in its 2019 budget, it was not found to be impaired.

Tax assets amount to €57.4 million and mostly comprise deferred tax assets of €55.7 million arising on the impairment of loans and receivables and the current IRES/IRAP assets.

Other assets of €101.8 million mainly consist of the VAT asset of €39.8 million, advances to suppliers of €40.9 million and suspense items/other assets of €15 million. The decrease compared to 31 December 2018 is principally due to the reimbursement of the 2017 VAT asset (€9.9 million) and the reduction in the suspense items/other assets (€5 million), offset by the increase in advances to suppliers (€9.6 million).

Financial liabilities at amortised cost increased by 3.9% from €4,519.4 million at 31 December 2018 to €4,693.7 million at the reporting date. They include amounts due of €3,361.7 million and securities issued of €1,332.0 million.

Amounts due are mostly due to banks of €2,968.7 million (including repurchase agreements of €586.1 million for the exposures underlying the group's securitisations), customers of €222.3 million for repurchase agreements and other financial companies of €73.6 million.

Securities issued of €1,332 million decreased by 32.32% compared to 31 December 2018 and mostly comprise the notes issued by the securitisation vehicles (€1,314 million – è giusto il numero); the notes underlying the risks and benefits agreement have nearly all been redeemed.

Other liabilities comprise trade payables of €89 million and sundry liabilities of €64.4 million. They decreased by 11% from €203.8 million at 31 December 2018 to €181.4 million at the reporting date, mostly due to the reduction in trade payables.

Provisions for risks and charges of €2.9 million decreased by 12.5% over 31 December 2018, mostly as a result of the utilisation of the provision for disputes.

Equity of €407.4 million comprises:

(€'000)		31/12/2019
110	Share capital	357,953
140	Share premium	105,000
150	Reserves	(60,007)
160	Valuation reserves	(325)
170	Profit for the year	4,825

Reclassified income statement

(€'000)		2019	IFRS 16 FTA	2019 adj.	2018 (*)	Variation
10	Interest and similar income	112,003	-	112,003	114,171	(2,168)
	including: interest calculated using the effective interest method	101,379		101,379	104,756	(3,376)
20	Interest and similar expense	(21,117)	247	(20,869)	(19,292)	(1,577)
30	**NET INTEREST INCOME**	**90,886**	**247**	**91,134**	**94,878**	**(3,745)**
40	Fee and commission income	23,188		23,188	22,853	335
50	Fee and commission expense	(19,177)		(19,177)	(17,969)	(1,208)
60	**NET FEE AND COMMISSION INCOME**	**4,011**	**-**	**4,011**	**4,884**	**(873)**
80	Net trading expense	-		-	(1)	1
120	**TOTAL INCOME**	**94,898**	**247**	**95,145**	**99,761**	**(4,617)**
130	Net impairment losses for credit risk associated with:	(30,968)	-	(30,968)	(31,368)	400
	a) financial assets at amortised cost	(30,968)	-	(30,968)	(31,368)	400
140	Net modification losses	(58)		(58)	(226)	168
150	**NET FINANCIAL INCOME**	**63,872**	**247**	**64,119**	**68,167**	**(4,048)**
160	Administrative expenses:	(46,315)	(1,770)	(48,085)	(46,934)	(1,150)
	a) personnel expense	(27,814)		(27,814)	(26,639)	(1,175)
	b) other administrative expenses	(18,501)	(1,770)	(20,271)	(20,296)	25
170	Net accruals to provisions for risks and charges	(327)	-	(327)	(328)	1
	a) loan commitments and financial guarantees given	(174)		(174)	(285)	111
	b) other	(153)		(153)	(42)	(110)
180	Depreciation and net impairment losses on property, equipment and investment property	(2,069)	1,522	(547)	(416)	(131)
190	Amortisation and net impairment losses on intangible assets	(1,817)		(1,817)	(1,792)	(26)
200	Other operating expense, net	(5,692)		(5,692)	(3,574)	(2,118)
210	**OPERATING COSTS**	**(56,220)**	**(247)**	**(56,468)**	**(53,043)**	**(3,425)**
250	Net losses on sales of investments	(17)		(17)	1	(17)
260	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**	**7,635**	**0**	**7,635**	**15,125**	**(7,490)**
270	Income taxes	(3,159)		(3,159)	(4,254)	1,095
280	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**	**4,475**	**0**	**4,475**	**10,871**	**(6,395)**
290	Post-tax profit from discontinued operations	349		349	453	(103)
300	**PROFIT FOR THE YEAR**	**4,825**	**0**	**4,825**	**11,323**	**(6,499)**
310	Profit for the year attributable to non-controlling interests	-		-		-
320	Profit for the year attributable to the owners of the parent	4,825		4,825	11,323	(6,499)

(*) The parent adopted the modified retrospective approach when applying IFRS 16 for the first time on 1 January 2019 and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

Net interest income, including discounting gains and interest accrued on impaired exposures net of the effect of impairment (€8.9 million) decreased by 3.9% or €3.7 million on 2018. This reduction is due to the higher cost of funding of €3.6 million and the negative index effect of €1 million, partly countered by the larger contribution of the loans portfolio of €0.3 million and other items of €0.6 million, mostly due to the discounting and transaction costs and revenue.

Net fee and commission income of €4.0 million decreased by €0.9 million compared to 2018. It is the balance of higher net fee and commission income on leases (€0.6 million), due to the increase in lease management fees, and smaller collection cost recoveries (€1.6 million) due to discontinuation of the service in accordance with the new e-payment directive. Insurance fees and commissions increased slightly (€0.1 million).

As a result, total income amounts to €95.1 million, down 4.8% on the previous year.

Net impairment losses on exposures, net of discounting and interest accrued on non-performing exposures net of the effect of impairment (€8.9 million), amount to €22.1 million for 2019 with a cost of risk of 0.46%, which is better than that for the previous year (0.50%). The balance reflects the current need to hedge the portfolio which continues to benefit from the improvements arising from the policies to manage non-performing exposures, already seen in 2018. No particularly critical issues were identified during the year.

Administrative expenses, net of the IFRS 16 FRA effect (€1.8 million), amount to €48.1 million and include personnel expense of €27.8 million and other administrative expenses of €20.2 million. The €1.2 million increase in this caption (2.5%) is mostly due to the higher personnel expense.

Personnel expense increased from €26.6 million for 2018 to €27.8 million for 2019, chiefly as a result of the larger accruals for variable remuneration (€0.5 million) and higher training costs and other personnel expenses (€0.5 million).

Other administrative expenses adjusted for the FTA of IFRS 16 (recognition of right-of-use assets for leased buildings and company cars, which entailed the recognition of depreciation of €1.6 million and interest expense of €0.2 million) did not change compared to 2018.

Depreciation and net impairment losses on property, equipment and investment property of €2.1 million are in line with the previous year, net of the FTA of IFRS 16 which entailed the recognition of depreciation of €1.5 million on right-of-use assets recognised for leased buildings and company cars.

Net accruals to provisions for risks and charges are also substantially unchanged from the previous year. The increase in accruals for disputes in which the parent is a defendant is offset by the reduction in accruals for loan commitments and financial guarantees given.

Other operating expense, net (which includes reclassifications of fees and commissions on the securitised exposures and those factored without recourse) increased by €2.1 million (59.3%), mostly due to the higher costs to manage and re-lease assets returned from finance leases (€1.6 million), higher net contract management costs (€0.2 million) and the fact that the parent recognised non-recurring income of €0.5 million in 2018. These increases are partly offset by the smaller net expense on the risks and benefits agreement and the non-recourse factoring of exposures (€0.2 million).

The profit from discontinued operations is net of income taxes of €0.2 million.

Profit for the year

The pre-tax profit for the year is €8.2 million and the profit for the year amounts to €4.8 million.

Risk management

Section 3 - Risks and related hedging policies in Part D of the notes to the consolidated financial statements provides a detailed description of the risks the group is exposed to and its related hedging policies.

Related party transactions

Section 6 - Related party transactions in the notes to the consolidated financial statements provides information about transactions undertaken by the group with related parties.

Main risks and uncertainties

The relevant section of the notes to the consolidated financial statements provides information about the risks affecting the group's financial solidity, the going concern assumption and financial and operating risks.
The directors deemed it appropriate to use the going concern assumption in preparing these consolidated financial statements as there are no significant uncertainties about the group's ability to continue to operate in the foreseeable future. This is confirmed by its main capital and financial ratios at year end.
There is no uncertainty about the group's access to funding, also given that its shareholders are banks which have confirmed their strategic commitment to the group.

Other information

The following should be noted:

- Alba Leasing S.p.A. is not managed and coordinated by another party;
- the parent does not hold and has not held treasury shares during the year.

Moreover:

Share capital

The parent's fully paid-up and subscribed share capital of €357,953,058.13 comprises 353,450,000 shares without a par value as follows:

Shareholder	Number of shares	Euro	% of share capital
Banco BPM S.p.A.	138,515,000	138,515,000.00	39.19%
BPER Banca S.p.A.	118,397,500	118,397,500.00	33.50%
Banca Popolare di Sondrio	68,087,500	68,087,500.00	19.26%
Credito Valtellinese S.p.A.	28,450,000	32,953,058.13	8.05%

Consolidation scope

The consolidated financial statements include the financial statements of the securitisation vehicles Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l..
Section 5 - Basis of consolidation in Part A - Accounting policies of the notes to the consolidated financial statements provides more information about the consolidation scope.

Outlook

In a global macroeconomic scenario affected by the recent pandemic that broke out at the start of 2020, generating an extremely tense situation that has led to a period of severe disruption, the parent immediately launched a remote work programme in order for its employees to be able to carry out their work safely while ensuring a high quality service to its customers and high operating effectiveness and sustainability.

Events after the reporting date

In February 2020, the tax authorities reimbursed €21.8 million (including interest of €0.133 million) of the 2018 VAT asset claimed for reimbursement by the parent on 30 April 2019 with the fast-track procedure in the VAT return. It still has an asset of €1.1 million, the reimbursement of which is suspended until the related disputes have been settled with the tax authorities.
The outbreak of the Coronavirus (COVID-19) epidemic at the start of January 2020 in continental China, which subsequently spread to other countries, including Italy, causing the slowdown or discontinuation of certain economic and commercial activities, is considered to be a non-adjusting event and, as such, does not require adjustments to be made to the consolidated financial statements at 31 December 2019.

Proposals to the shareholders

Dear shareholders
We would ask you to acknowledge the consolidated financial statements of the Alba Leasing Group as at and for the year ended 31 December 2019 and this report.

On behalf of the board of directors
Chairman

Consolidated **financial statements**

Statement of financial position

(€)

Assets	31/12/2019	31/12/2018*
10. Cash and cash equivalents	8,610	15,496
40. Financial assets at amortised cost	5,101,742,686	4,947,473,794
a) loans and receivables with banks	228,835,028	167,830,506
b) loans and receivables with financial companies	90,120,186	91,211,017
c) loans and receivables with customers	4,782,787,472	4,688,432,271
80. Property, equipment and investment property	21,865,200	10,863,450
90. Intangible assets	5,331,996	6,801,398
100. Tax assets	57,355,925	56,620,185
a) current	1,620,901	566,441
b) deferred	55,735,024	56,053,744
120. Other assets	101,787,739	110,458,922
Total assets	5,288,092,156	5,132,233,245

* The group adopted the modified retrospective approach when applying IFRS 16 for the first time on 1 January 2019 and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

Liabilities and equity	31/12/2019	31/12/2018*
10. Financial liabilities at amortised cost	4,693,725,193	4,519,405,390
a) amounts due	3,361,687,032	2,551,208,058
b) securities issued	1,332,038,161	1,968,197,332
60. Tax liabilities	-	493,498
a) current	-	493,498
80. Other liabilities	181,428,930	203,818,998
90. Post-employment benefits	2,598,633	2,512,615
100. Provisions for risks and charges:	2,893,905	3,307,390
a) loan commitments and financial guarantees given	1,090,563	916,369
c) other provisions	1,803,342	2,391,021
110. Share capital	357,953,058	357,953,058
140. Share premium	105,000,000	105,000,000
150. Reserves	(60,006,999)	(71,330,173)
160. Valuation reserves	(325,210)	(250,705)
170. Profit for the year	4,824,646	11,323,174
180. Equity attributable to non-controlling interests	-	-
Total liabilities and equity	5,288,092,156	5,132,233,245

* The group adopted the modified retrospective approach when applying IFRS 16 for the first time on 1 January 2019 and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

Income statement

(€)

	2019	2018*
10. Interest and similar income	112,003,102	114,170,725
including: interest calculated using the effective interest method	101,379,385	104,755,570
20. Interest and similar expense	(21,116,764)	(19,292,264)
30. Net interest income	**90,886,338**	**94,878,461**
40. Fee and commission income	23,187,727	22,852,618
50. Fee and commission expense	(19,176,538)	(17,968,565)
60. Net fee and commission income	**4,011,189**	**4,884,053**
80. Net trading expense	-	(1,030)
120. Total income	**94,897,527**	**99,761,484**
130. Net impairment losses for credit risk associated with:	(30,968,390)	(31,368,318)
a) financial assets at amortised cost	(30,968,390)	(31,368,318)
140. Net modification losses	(57,630)	(225,994)
150. Net financial income	**63,871,507**	**68,167,172**
160. Administrative expenses:	(46,314,760)	(46,934,214)
a) personnel expense	(27,813,693)	(26,638,555)
b) other administrative expenses	(18,501,067)	(20,295,659)
170. Net accruals to provisions for risks and charges	(326,744)	(327,723)
a) loan commitments and financial guarantees given	(174,194)	(285,247)
b) other	(152,550)	(42,476)
180. Depreciation and net impairment losses on property, equipment and investment property	(2,069,448)	(415,710)
190. Amortisation and net impairment losses on intangible assets	(1,817,357)	(1,791,783)
200. Other operating expense, net	(5,691,832)	(3,573,521)
210. Operating costs	**(56,220,141)**	**(53,042,951)**
250. Net gains (losses) on sales of investments	(16,770)	502
260. Pre-tax profit from continuing operations	**7,634,596**	**15,124,723**
270. Income taxes	(3,159,165)	(4,254,154)
280. Post-tax profit from continuing operations	**4,475,431**	**10,870,569**
290. Post-tax profit from discontinued operations	349,215	452,605
300. Profit for the year	**4,824,646**	**11,323,174**
310. Profit for the year attributable to non-controlling interests	-	-
320. Profit for the year attributable to the owners of the parent	**4,824,646**	**11,323,174**

* The group adopted the modified retrospective approach when applying IFRS 16 for the first time on 1 January 2019 and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

Statement of comprehensive income

(€)

		2019	2018
10.	**Profit for the year**	**4,824,646**	**11,323,174**
	Items, net of tax, that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(74,505)	2,060
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
	Items, net of tax, that will be reclassified to profit or loss		
100.	Hedges of investments in foreign operations	-	-
110.	Exchange gains (losses)	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
150.	Non-current assets held for sale and disposal groups	-	-
160.	Share of valuation reserves of equity-accounted investees	-	-
170.	**Other comprehensive income (expense), net of tax**	**(74,505)**	**2,060**
180.	**Comprehensive income (captions 10+170)**	**4,750,141**	**11,325,234**
190.	Comprehensive income attributable to non-controlling interests	-	-
200.	**Comprehensive income attributable to the owners of the parent**	**4,750,141**	**11,325,234**

Statement of changes in equity

2019

(€)

	31.12.2018	Change to opening balances	1.1.2019	Allocation of prior year profit		Changes for the year							2019 comprehensive income	Equity attributable to the owners of the parent at 31.12.2019	Equity attributable to non-controlling interests at 31.12.2019
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Other changes				
Share capital	357,953,058	-	357,953,058	-	-	-	-	-	-	-	-	-	357,953,058	-
Share premium	105,000,000	-	105,000,000	-	-	-	-	-	-	-	-	-	105,000,000	-
Reserves:														
a) income-related	(71,908,659)		(71,908,659)	10,757,015	-	-	-	-	-	-	-	-	(61,151,644)	-
b) other	578,486	-	578,486	566,159	-	-	-	-	-	-	-	-	1,144,645	-
Valuation reserves	(250,705)	-	(250,705)	-	-	-	-	-	-	-	-	(74,505)	(325,210)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	11,323,174	-	11,323,174	(11,323,174)	-	-	-	-	-	-	-	4,824,646	4,824,646	-
Equity attributable to the owners of the parent	402,695,354	-	402,695,353	-	-	-	-	-	-	-	-	4,750,141	407,445,495	-
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2018

(€)

	31.12.2017	Change to opening balances	1.1.2018	Allocation of prior year profit		Changes for the year						2018 comprehensive income	Equity attributable to the owners of the parent at 31.12.2018	Equity attributable to non-controlling interests at 31.12.2018
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Other changes			
Share capital	357,953,058	-	357,953,058	-	-	-	-	-	-	-	-	-	357,953,058	-
Share premium	105,000,000	-	105,000,000	-	-	-	-	-	-	-	-	-	105,000,000	-
Reserves:														
a) income-related	(56,103,411)	(17,356,529)	(73,459,940)	1,551,281	-	-	-	-	-	-	-	-	(71,908,659)	-
b) other	496,840	-	496,840	81,646	-	-	-	-	-	-	-	-	578,486	-
Valuation reserves	(252,765)	-	(252,765)	-	-	-	-	-	-	-	-	2,060	(250,705)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	1,632,927	-	1,632,927	(1,632,927)	-	-	-	-	-	-	-	11,323,174	11,323,174	-
Equity attributable to the owners of the parent	408,726,648	(17,356,529)	391,370,119	-	-	-	-	-	-	-	-	11,325,234	402,695,354	-
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Statement of cash flows (indirect method)

(€)

A. OPERATING ACTIVITIES	2019	2018
1. Operations	40,006,585	45,743,980
- profit for the year (+/-)	4,824,646	11,323,174
- net impairment losses for credit risk (+/-)	30,968,390	31,368,318
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	3,886,805	2,207,493
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	326,744	348,021
- unpaid taxes and duties (+/-)	-	496,974
2. CASH FLOWS USED FOR FINANCIAL ASSETS	(116,328,247)	(34,179,708)
- financial assets at amortised cost	(124,464,796)	(55,633,879)
- other assets	8,136,549	21,454,171
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	(186,030,665)	(116,476,128)
- due to banks	305,298,264	(6,864,242)
- due to financial companies	(687,575,811)	(114,085,642)
- due to customers	220,212,342	(5,787,910)
- other liabilities	(23,965,460)	10,261,666
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(262,352,327)	(104,911,856)
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	(2,150,000)	-
- sales of property, equipment and investment property	(2,150,000)	-
2. CASH FLOWS USED TO ACQUIRE	498,597	1,249,399
- property, equipment and investment property	150,642	62,799
- intangible assets	347,955	1,186,600
NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES	(1,651,403)	1,249,399
C. FINANCING ACTIVITIES	-	-
NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES	-	-
NET CASH FLOWS FOR THE YEAR	(264,003,730)	(103,662,457)

RECONCILIATION	2019	2018
Opening cash and cash equivalents	(2,000,136,784)	(1,896,474,327)
Net cash flows for the year	(264,003,730)	(103,662,457)
Closing cash and cash equivalents	(2,264,140,514)	(2,000,136,784)

KEY
(+) generated
(-) used

Reconciliation with financial statements captions	31/12/2019	31/12/2018
Statement of financial position - Assets		
10. Cash and cash equivalents	8,610	15,496
80. Financial assets at amortised cost	5,101,742,686	4,947,473,794
a) loans and receivables with banks	238,835,028	23,073,663
including current accounts	4,952,299	5,499,750
Statement of financial position - Liabilities		
10. Financial liabilities at amortised cost	4,693,725,193	4,519,405,390
a) due to banks	2,993,894,618	2,426,119,917
including current accounts	2,269,101,423	2,005,652,030
Total cash and cash equivalents	(2,264,140,514)	(2,000,136,784)

Disclosures required by IAS 7.44

	31/12/2019	Cash flows	Non-cash changes	31/12/2018
Liabilities arising from financing activities	3,264,598,645	800,025,027	-	2,464,573,618

The table does not include liabilities related to IFRS 16.

	31/12/2018	Cash flows	Non-cash changes	31/12/2017
Liabilities arising from financing activities	2,464,573,618	56,339,074	-	2,408,234,544

Notes to the consolidated financial statements

Part A - Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with the IFRS

The consolidated financial statements of Alba Leasing S.p.A. as at and for the year ended 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with Regulation (EC) no. 1606 of 19 July 2002.

Despite not being endorsed by the European Commission, the group made reference to the following documents when interpreting and applying the IFRS:

- Conceptual framework for financial reporting;
- Implementation guidance, Basis for conclusions and all other documents issued by the IASB or the IFRIC that complement the issue standards.

The standards (including SIC and IFRIC) applied in the preparation of these consolidated financial statements are those applicable at 31 December 2019.

Reference should be made to Section 2 - Basis of preparation for details of the standards endorsed during 2019 and previous years that will become applicable after the reporting date and their impacts on the group's consolidated financial statements.

Section 2 – Basis of presentation

The consolidated financial statements comprise the statement of financial position, the income statement and the statements of comprehensive income, changes in equity and cash flows and these notes; they are accompanied by the directors' report.

The statement of financial position, the income statement and the statements of comprehensive income and changes in equity have been prepared on the basis of the guidelines laid down in Bank of Italy's measure of 30 November 2018 "The financial statements of IFRS intermediaries other than banks" (the "measure"), pursuant to article 43 of Legislative decree no. 136/2015.

Following the entry into force of the new measure, the parent deemed it appropriate for comparative purposes to present, if appropriate, the tables of the notes to the consolidated financial statements at 31 December 2018 that had been prepared in accordance with the provisions of Bank of Italy's measure of 22 December 2017 "The financial statements of IFRS intermediaries other than banks".

Where the disclosure introduced by the new measured was not required by the previous measure of 22 December 2017, the parent elected not to present any comparative figures.

Unless otherwise required by Bank of Italy's special regulations, the disclosures provided in the notes to the consolidated financial statements have been adjusted and supplemented to comply with the changes to the Italian Civil Code provisions enacted following the coming into force of the company law reform (Legislative decree no. 6 of 17 January 2003 and delegated measures amending Law no. 366 of 3 October 2001).

Captions with a zero balance in the current and previous years have been omitted.

In accordance with article 5.2 of Legislative decree no. 38 of 28 February 2005, the consolidated financial statements' reporting currency is the Euro and they have been prepared on the basis of the following principles:

Going concern: assets, liabilities and off-statement of financial position transactions are measured assuming their use over a long period of time;

Accruals basis of accounting: regardless of when they are paid/collected, costs and revenue are recognised when they are incurred or earned and under the matching principle;

Consistency of presentation: the presentation and classification of captions are kept constant over time in order to ensure that information is comparable unless changes are required by a standard or interpretation, or would provide more relevant and reliable disclosures. If a presentation or classification policy is changed, the new policy is applied retrospectively where possible; in such cases the nature of and the reason for the change and the captions affected are disclosed;

Materiality and aggregation: all significant aggregation of items with a similar nature or function are reported separately. Items with different nature or function are presented separately, if material;

Substance over form: transactions and other events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form;

Offsetting: assets and liabilities and income and expenses are not offset against each other, except when offsetting is required or allowed by a standard or interpretation or Bank of Italy's instructions for drafting the financial statements of IFRS intermediaries other than banks;

Comparative information: for each caption of the statement of financial position and income statement, comparative information for at least one preceding reporting period is presented, unless a standard or interpretation allows or requires otherwise. Where necessary, the prior period corresponding figures are adjusted for comparative purposes. When the corresponding figures are not comparable or adjusted or are non-adjustable, this fact is disclosed and suitably commented on in the notes.
To facilitate comparability after the transition to IFRS 16 on 1 January 2019, the group has prepared a bridging table attached hereto as Annex A.

Pursuant to the measure, figures in the statement of financial position as at 31 December 2019 and the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended are shown in Euro, whereas these notes present figures in thousands of Euro.

New standards and amendments to existing standards endorsed by the European Commission

The accounting policies applied in the preparation of the consolidated financial statements at 31 December 2019 are the same as those adopted for the classification, recognition, measurement and derecognition of assets and liabilities and the recognition of revenue and costs in the consolidated financial statements at 31 December 2018, to which reference is made.

In addition, these consolidated financial statements reflect the coming into force of the following regulations as of 1 January 2019:

Commission Regulation (EU) no. 2017/1986 of 31 October 2017 - IFRS 16 "Leases"

IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission with Commission Regulation no. 2017/1986, superseded IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases – Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease" and sets out the accounting treatment of leases.
It defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.
The changes introduced by the new standard affect the presentation of leases in the financial statements of lessees, as it removes the distinction between operating and finance leases. The new standard requires the recognition of assets and liabilities arising from a lease in the statement of financial position. Specifically, a lessee shall recognise a lease liability based n the present value of the future lease payments against the recognition of the right-of-use asset.
After the commencement date, the right-of-use asset is depreciated over the asset's useful life and the lease liability is reduced by the lease payments and increased to reflect interest to be taken to profit or loss. The standard provides for certain exemptions upon first-time adoption to reduce the expense relating to short-term leases (with a term of twelve months or less) and leases for which the underlying asset is of low value.
From the lessor perspective, the accounting for leases is substantially unchanged, differentiating between operating and finance leases. Accordingly, the assets leased by the group have not been significantly impacted as the accounting rules of IAS 17 are substantially carried forward.
Based on IFRS 16 and the clarifications provided by the IFRIC in the "Cloud computing arrangements" document issued in September 2018, software falls outside the scope of IFRS 16 and is accounted for in accordance with IAS 38.
As of 1 January 2019, for a lessee, the effects of the application of IFRS 16, at constant profitability and closing cash flows, are an increase in assets (right-of-use assets), an increase in liabilities (lease liabilities), a decrease in administrative expenses (lease payments) and a concurrent increase in financial expense (interest on lease liabilities) and depreciation (on right-of-use assets). Considering the entire lease term, the effect of applying IAS 17 or IFRS 16 on profit or loss is unchanged, although its allocation over time is different.

In the second half of 2018, the parent commenced a project to assess the impact of the new standard, by identifying the affected assets, their treatment based on the underlying contract and the necessary IT upgrades.
Based on the above analysis, the main impacts relate to the rights to use properties and company cars.

Commission Regulation (EU) no. 2018/498 of 22 March 2018 – "Amendments to IFRS 9 Financial instruments – Prepayment features with negative compensation"

The amendments clarify the classification of certain financial assets with prepayment options when an entity applies IFRS 9. Specifically:

- They enable entities to measure some prepayable financial assets with negative compensation at amortised cost.
- Moreover, the amendments confirm that modifications of financial liabilities that do not entail their derecognition result in immediate recognition of a gain or loss in profit or loss.

Commission Regulation (EU) no. 2018/1595 of 23 October 2018 – IFRIC 23 "Uncertainty over income tax treatments"

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Commission Regulation (EU) no. 2019/237 of 8 February 2019 – "Amendments to IAS 28 Investments in associates and joint ventures - Long-term interests in associates and joint ventures"

The amendments clarify that an entity applies the impairment rules of IFRS 9 "Financial instruments" to long-term interests in an associate or joint venture.

Commission Regulation (EU) no. 2019/402 of 13 March 2019 – "Amendments to IAS 19 Employee benefits – Plan amendment, curtailment or settlement "

The amendments require an entity to use updated assumptions for the remainder of the reporting period after a plan amendment, curtailment or settlement starting from when the net defined benefit liability (asset) is re-measured.

Commission Regulation (EU) no. 2019/412 of 14 March 2019 – "Annual improvements to IFRS 2015–2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23"

The annual improvements provide clarifications on how to resolve certain inconsistencies in the standards or about terminology.
The above amendments and interpretations did not affect the group's consolidated financial statements.

Endorsed standards and interpretations that will become applicable in the coming years

The standards, interpretations or amendments thereto issued by the IASB and the IFRIC and endorsed by the European Commission, whose application will become mandatory after 2019, are as follows:

Commission Regulation (EU) 2020/34 of 15 January 2020 – Amendments to IAS 39 "Financial instruments: Recognition and measurement", IFRS 7 "Financial instruments: disclosures" and IFRS 9 "Financial instruments"

Regulation (EU) 2016/1011 of the European Parliament and of the Council introduced a common framework to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union.
On 26 September 2019, the IASB published the "Interest rate benchmark reform. Amendments to IFRS 9, IAS 39 and IFRS 7" in order to take into account the pre-replacement issues, i.e., issues affecting financial reporting in the period before when an existing interest rate benchmark is replaced an alternative benchmark rate.

The amendments provide temporary exceptions from applying specific hedge accounting requirements of IAS 39 “Financial instruments: Recognition and measurement” and IFRS 9 “Financial instruments” so that an entity may continue to comply with the IFRS requirements assuming that the existing interest rate benchmarks have not changed as a result of the interbank offered rates.

Application of Commission Regulation (EU) no. 2020/34, which was endorsed on 15 January 2020, is mandatory as from 1 January 2020. Earlier application is allowed.

Commission Regulation (EU) no. 2019/2075 of 29 November 2019 – “Amendments to References to the Conceptual Framework in IFRS Standards”

This regulation endorsed certain amendments to references to the conceptual framework in IFRS, which replaced the references to the previous version of the conceptual framework in the various standards and interpretations with those of the revised version of March 2018. Since the conceptual framework is not a standard, it is not subject to endorsement, while these amendments are to be endorsed as they changed the standards and interpretations.
The following standards and interpretations are affected by the amendments: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

Commission Regulation (EU) no. 2019/2104 of 29 November 2019 – IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”

The amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors” were introduced to align the definition of “material” across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality depends on the nature or magnitude of information. An entity needs to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Standards and interpretations issued by the IASB and the IFRIC but not yet endorsed

A list of the unendorsed standards and interpretations issued by the IASB and the IFRIC that, despite being of potential interest for the group, are not believed will significantly affect its consolidated financial statements, is set out below for informational purposes:

- IFRS 17 “Insurance contracts”, published by the IASB in May 2017 and not yet endorsed by the European Commission.
  Once endorsed by the European Commission, this standard will supersede IFRS 4 which, since its original issue, has always been considered to be an interim standard and, as such, does not include a single method to present insurance contracts. The new standard resolves this issue and results in an improved disclosure of the performance of insurance entities, which will therefore be impacted by its application depending on how similar their current accounting policies, in each jurisdiction, are to the requirements of the new standard. In any case, entities operating in the non-life insurance business will be impacted the most.
  IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. However, considering its complexity, the IASB has recently proposed to defer its application to 1 January 2022, with the concurrent possibility to extend the term for the application of the IFRS 9 deferral approach available for insurance entities by one year - therefore again to 2022 - so as to bring it into line with the application of IFRS 17. The deferral is proposed through Exposure draft ED/2019/4 published on 26 June 2019, which proposes certain changes to IFRS 17 without substantially altering its requirements but rather providing a significant support to the standard’s first-time adopters.

- IFRS 3 “Business combinations”: the amendments to IFRS 3 “Business combinations” are yet to be endorsed. They provide clarifications about the definition of business, which is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The amendments include an optional concentration test that may help entities in determining whether an acquisition is a business combination or an asset acquisition.

Preparation of consolidated financial statements on a going concern basis

Also having regard to the provisions of the joint Bank of Italy, CONSOB (Italian Commission for listed companies and the stock exchange) and ISVAP (the Italian Private insurance supervisory authority) Document no. 2 of 6 February 2009 on disclosures about an entity’s ability to continue as a going concern and in accordance with IAS 1 (revised), it is noted that the directors have not identified any uncertainties that may give rise to doubts as to the group’s ability to continue as a going concern in the foreseeable future and have prepared these consolidated financial statements accordingly.
This is also confirmed by the group’s capital and financial ratios for the year. Moreover, there is no uncertainty about the group’s access to funding, also given that its shareholders are banks which have confirmed their strategic commitment to the group.

Use of estimates and assumptions in the preparation of the consolidated financial statements

The preparation of these consolidated financial statements required the use of estimates and assumptions that may significantly affect the reported amounts of assets, liabilities, income and expenses. Estimation involves available information and judgements, which are also based on past experience when formulating reasonable assumptions about an entity’s operations. Actual results may nonetheless differ as estimation is, by its very nature, an uncertain process. Accordingly, future carrying amounts may differ, including significantly, due to a change in judgements.
Examples of the main cases for which management is required to make estimates are as follows:

- testing loans and receivables for impairment;
- measuring the fair value of financial instruments;
- making estimates and assumptions about taxes and the recoverability of deferred tax assets;
- determining provisions for risks and charges;
- measuring certain assets and liabilities and issues related to the agreement on securitised loans described later on.

Transition to IFRS 16

As mentioned earlier, as of 1 January 2019, for a lessee, the effects of the application of IFRS 16, at constant profitability and closing cash flows, are an increase in assets (right-of-use assets), an increase in liabilities (lease liabilities), a decrease in administrative expenses (lease payments) and a concurrent increase in financial expense (interest on lease liabilities) and depreciation (on right-of-use assets). Considering the entire lease term, the effect of applying IAS 17 or IFRS 16 on profit or loss is unchanged, although its allocation over time is different.

In the second half of 2018, the parent commenced a project to assess the impact of the new standard, by identifying the affected assets, their treatment based on the underlying contract and the necessary IT upgrades.

Based on the above analysis, the main impacts relate to the rights to use properties and company cars.

The effect of the initial application of the standard on the 2019 consolidated financial statements is as follows:

- assets - caption 80. Property, equipment and investment property: right-of-use assets of €11,433 thousands (buildings) and €624 thousand (company cars);
- liabilities - caption 10. Financial assets at amortised cost: a) lease liabilities: €12,212 thousand;
- income statement – caption 20. Interest and similar expense: €246 thousand;
- income statement – caption 180. Depreciation and net impairment losses on property, equipment and investment property: €1,508 thousand.

The average term of the building leases is four years, except for the lease for Alba Lease S.p.A.'s registered office which is six years.
The average term of the company car leases is four years.
All leases have been discounted at the benchmark rate (3-month Euribor), calculated as the average daily rate of the previous month plus the average spread used for granting leases of the specific product in the previous month.

The group adopted the modified retrospective approach when applying IFRS 16 for the first time and did not restate its comparative figures. Reference should be made to the bridging table attached hereto as Annex A.

First-time adoption (FTA) of IFRS 16

The IFRS 16 FTA adjustments to the opening balances using the modified retrospective approach led to an increase in assets, following the recognition of the new right-of use assets, and in financial liabilities (lease liabilities) of the same amount. Accordingly, the FTA did not impact opening equity since, following the group's decision to apply the modified retrospective approach (option B), upon initial application the carrying amount of assets and liabilities did not change.

Specifically, upon FTA, the group used the practical expedient set out in IFRS 16.C3 and, for all its leases previously classified as operating leases under IAS 17, it recognised a lease liability calculated as the discounted future lease payments and a right-of-use asset of the same amount (modified B).
In accordance with IFRS 16.C11, at the date of initial application, the group recognised the right-of-use assets and lease liabilities arising from its leases, as lessee, that were classified as finance leases under IAS 17 at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying IAS 17, i.e., at 31 December 2018.
The differences in the scope of IAS 17 and that of IFRS 16 are reconciled in Annex A, as required by IFRS 16.C2.

Section 3 – Events after the reporting date

The draft consolidated financial statements at 31 December 2019 were approved by the board of directors on 23 March 2020 and will be subject to the shareholders' approval at the meeting called for 27 April 2020.

While reference is made to the directors' report for a general discussion of the group's outlook, it is noted that no events have taken place after the reporting date and up to the approval date that would have required an adjustment to these consolidated financial statements.

The ITA 11 transaction (Italfinance Securitisation Vehicle 2 S.r.l.), which was included in the consolidation scope, was terminated in advance of its original expiry date in January 2020.

As part of the Alba 6 transaction's restructuring, in November 2019, the group repurchased non-performing exposures (as contractually defined) totalling €23.7 million.
In February 2020, the group restructured the Alba 6 securitisation by supplementing the portfolio sold.
This restructuring (using Alba 6 SPV S.r.l.) involved the full redemption of the notes issued on 27 February 2020 (see Part D - Other information, Section 2 - Securitisations, information on unconsolidated structured entities (other than securitisation vehicles) and transfers of assets for more information). The vehicle concurrently issued new senior notes (A) with a nominal amount of €400 million (of which €331.2 million subscribed) and new junior notes (B) with a nominal amount of €126.4 million (of which €104.7 million subscribed).
The senior notes (A) were sold while the junior notes (B) were subscribed by the parent.
The new transaction includes a warehousing phase until 26 April 2021 and a revolving phase until 26 April 2022. It has a call option on the notes at the first interest payment date of 25 July 2022.

In February 2020, the tax authorities reimbursed VAT assets and related accrued interest totalling €21.78 million, which the parent has claimed for reimbursement in April 2019.

The outbreak of the Coronavirus (COVID-19) epidemic at the start of January 2020 in continental China, which subsequently spread to other countries, including Italy, causing the slowdown or discontinuation of certain economic and commercial activities, is considered to be a non-adjusting event and, as such, does not require adjustments to be made to the consolidated financial statements at 31 December 2019.

At any rate, the parent immediately launched a remote work programme, in order for its employees to be able to carry out their work safely while ensuring a high quality service level to its customers and high operating effectiveness.
On 3 April 2020, the rating agency Scope confirmed its rating for the notes securitised by Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l..

Section 4 – Other aspects

Non-financial statement

In accordance with the recent legal non-financial reporting requirements introduced by Legislative decree no. 254 of 30 December 2016, the parent has prepared its first non-financial statement on a voluntary basis in 2018. This is a first step of a roadmap in which sustainability can support the group's strategy and create value in the medium-long term for all stakeholders. It highlights the policies adopted and the results achieved on specific aspects:

- social dimension;
- respect for human rights;
- employment
- environment;
- anti-corruption.

Manager in charge of financial reporting

On 16 May 2018, the board of directors appointed the head of the "Administration, financial reporting, finance and planning department" as manager in charge of financial reporting, after having checked they met the necessary requirements and considering their first level manager position within the parent's organisational chart.

Despite the fact that Law no. 262 of 28 December 2005 (on savings) is addressed to listed issuers with Italy as their member state of residence and although it is not a listed issuer under the above law, in line with corporate governance and risk management best practices, Alba Leasing S.p.A. decided to appoint a manager in charge of financial reporting on a voluntary basis and to assign to them the duties and responsibilities provided for by the above law starting from the 2018 consolidated financial statements.
The manager in charge of financial reporting works with the corporate governance department as they are responsible for:

- truthfulness of published documents;
- design of specific controls;
- adequate application of controls.

Implementing the above required the introduction of specific projects, which were a significant opportunity to raise the efficiency of corporate processes.

These consolidated financial statements are available at the "Documenti societari" section of the parent's website (www.albaleasing.eu)

Agreement on securitised loans

As part of the agreements signed by Banco Popolare, Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio and Banca Popolare di Milano on 15 March 2019, governing the reorganisation of the Banca Italease Group, on 24 December 2009, Banca Italease and Alba Leasing S.p.A. signed an agreement (the "agreement") whereby Alba Leasing S.p.A. assumed all risks and rewards relating to the loans granted and securitised by Banca Italease's banking channel as of 31 March 2009 (the "banking sub-portfolio"). problematici

After a necessary phase in which the agreed contractual mechanisms were examined and analysed and the amounts to be settled by the parties were calculated in order to ensure that the effects of the agreement were calculated as of 31 March 2009, the parties signed a supplementary agreement on 2 July 2010 whose purpose was to interpret and clarify some of the arrangements in the agreement itself.

In view of the complexity of the treatment of this transaction for accounting and financial reporting purposes, in preparing the 2009 consolidated financial statements, the parent had already took steps to examine its accounting implications, also obtaining an opinion from a reputable external advisor.

These analyses and valuations pointed to the need to prepare two different sets of financial statements. Accordingly, for the sake of completeness and to maintain continuity of presentation, both in relation to the specific provisions laid down in IAS 27 and in SIC 12 "Consolidation - Special purpose entities" which were then applicable, since then, the parent has prepared not only a separate financial statements, but also consolidated financial statements that include its subsidiaries in accordance with the applicable standards, as well as proportionately consolidate the asset, liabilities, revenue and expenses of the segregated assets managed by each securitisation SPV of the banking sub-portfolio, whose risks and rewards had been transferred to Alba Leasing S.p.A. under the agreement.
This approach is deemed correct as a result of the entry into force of IFRS 10 "Consolidated financial statements", which has partially replaced IAS 27 "Consolidated and separate financial statements" and fully replaced SIC 12 "Consolidation – Special purpose entities".
In this case, the agreement is deemed to have given rise to a clear separation between the non-banking and the banking sub-portfolios in terms of both allocation of risks and rewards and control as defined in the new IFRS 10.

Three elements have been considered in the assessment of control as prescribed by IFRS 10, viewed both with reference to the risk and reward portfolio, in its capacity as an entity and with reference to its specific sector, or also as a "deemed separate entity" relating to each securitisation transaction.

Indeed, the parent believes that the agreement implies the existence of separate entities, or "silos", since each securitisation constitutes a segregated set of assets for the beneficiaries of the corresponding portfolio. Specifically the conditions laid down in Appendix B to IFRS 10 have been satisfied.

The following are the portfolios that have been consolidated, showing the securitisations which originated the segregated assets involved in the consolidation process and related securitisation SPVs that manage them:

Transaction	Vehicle
ITA 8	Italfinance Securitisation Vehicle S.r.l.
ITA 11	Italfinance Securitisation Vehicle 2 S.r.l.

The ITA 6 transaction, involving securitised assets that fell within the consolidation scope, was terminated in April 2014 in advance of its original expiry date. In December 2015, the ITA 7 transaction was also terminated in advance of its original expiry date. In 2016, the ITA 10 and Quicksilver transactions were terminated in advance of their original expiry dates (in October and December, respectively). In 2017, the Leasimpresa Finance S.r.l. (LSMP) transaction was terminated in advance of its original expiry date, while the ITA 9 BEI - Erice Finance S.r.l. and ITA 9 – Italfinance Securitisation Vehicle 2 S.r.l. transactions were terminated in advance of their original expiry dates in June and October 2018, respectively.

Specifically, the consolidated financial statements at 31 December 2019 include the following banking sub-portfolio's assets and liabilities:

- the carrying amount of in-scope financial assets under assets;
- the closing cash balance relating to the sub-portfolio's segregated assets under assets;
- the pro rata (including unpaid accrued interest) portion of the in-scope senior, mezzanine and junior notes based on the contractually-defined amounts under liabilities;
- the deferred purchase price accrued at 31 March 2009 and still unpaid at the reporting date based on the contractual arrangements under liabilities;
- other assets and liabilities calculated as contractually defined when not specifically attributable to the banking sub-portfolio under assets and liabilities, respectively.

The banking sub-portfolio assets and liabilities have been adjusted, where necessary, for consistency with the IFRS. Moreover, any intragroup items have been eliminated.

Lastly, upon preparation of the consolidated financial statements at 31 December 2009, financial assets and liabilities recognised as a result of the consolidation of the banking sub-portfolio were measured at their fair values at 31 December 2019 (date of initial recognition) as required by the applicable standards.

Accordingly, any resulting gains and losses of the banking sub-portfolio are recognised in the group's profit or loss.

Moreover, the financial assets and rights to cash flows arising from the proportionate consolidation of the banking sub-portfolio's assets are classified as "lease payments receivable" even though some of their characteristics mainly depend on how they were originally securitised by another operator.

Specifically, under the substance over form principle, their classification was decided on the following basis:

- the technical-legal form in which the financial assets and rights to cash flows were originated;
- their risk and return profiles, which are those of finance leases. In particular, this classification best reflects the underlying risk, and specifically credit risk, which is attributable to the assets' users, i.e. those that signed the related leases;
- this approach ensures continuity of information about the financial assets;

- the ultimate objective of the agreement and its contractual terms is to transfer the risks and rewards of contracts previously originated from another operator to Alba Leasing S.p.A., albeit in a “synthetic” manner.

With specific reference to the above, the ultimate effects of the agreement are that Alba Leasing S.p.A.:

- is the effective recipient of the lease payments for the use of the asset and, consequently, assumes all the risks arising from the lessees’ default;
- has full power over the management of the underlying leases and credit management;
- can take credit collection actions, giving instructions for the repossession of the leased asset and its subsequent sale.

As mentioned earlier, upon initial recognition of the effects of the agreement, certain related assets and liabilities have been estimated on the basis of the assumptions made on the commencement of the lease and, hence, the effects have been considered as a whole in line with the arrangements initially negotiated and formalised.
Consequently, any changes to these estimates made as a result of events regarding single transactions underlying the agreement may only be finally appraised when all the securitisation transactions involved in the agreement have been effectively terminated.

Auditing

The consolidated financial statements at 31 December 2019 have been audited by KPMG S.p.A., with registered office in Milan, via Vittor Pisani 25, included in the certified auditors’ register held by the Minstry of Economy and Finance, under the engagement for the 2019-2027 statutory audit assigned in accordance with articles 14 and 16 of Legislative decree no. 39/2010.

A2 – ACCOUNTING POLICIES

The consolidated financial statements at 31 December 2019 have been prepared using the same accounting policies as those adopted in the preparation of the consolidated financial statements of the previous year, except for IFRS 16, which came into force on 1 January 2019.

For each caption of the statement of financial position and, where applicable, of the income statement, the following criteria are presented below:
(a) recognition;
(b) classification;
(c) measurement;
(c) derecognition;
(c) recognition of costs and revenue.

ASSETS

<u>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</u>

Classification

This category includes financial assets other than those classified under “Financial assets at fair value through other comprehensive income” and “Financial assets at amortised cost”.
It comprises financial assets that are not managed under a business model whose objective is achieved by collecting contractual cash flows (hold to collect model) or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell model), i.e., that do not pass the SPPI test.
The captions comprised in this category are detailed below:

a) financial assets held for trading: a financial asset (debt instruments, equity instruments, loans and OEIC units) is classified as held for trading if it is managed with the objective of collecting cash flows through its sale since: it is acquired in order to be sold in the short term; it forms part of a portfolio of financial instruments that are managed jointly and for which there is a proven strategy for achieving profits in the short term;
   They also include derivatives with a positive fair value which are not designated as hedging instruments.
   Derivatives include those embedded in complex financial instruments, whose host contract is a financial liability, which have been recognised separately.
   A derivative is a financial instrument or other contract with the following characteristics: its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (the “underlying”);
b) financial assets designated at fair value: a financial asset (debt instruments and loans) may be designated at fair value though profit or loss at initial recognition, if doing so enhance its disclosure as it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases;
c) other financial assets mandatorily measured at fair value: these assets are a residual category and comprise financial instrument that do not meet the requirements, in terms of business model or cash flow characteristics, for their classification under financial assets at amortised cost or fair value through other comprehensive income (i.e., they do not pass the SPPI test).

Recognition

Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, which is usually equal to the consideration paid, without considering directly attributable transaction costs or revenue, which are recognised in profit or loss.

Recognition of costs and revenue

After initial recognition, these assets continue to be measured at fair value through profit or loss. If the fair value of a derivative becomes negative, it is reclassified under financial liabilities held for trading.The reporting-date market prices are used to determine the fair value of financial instruments listed on active markets. If an active market does not exist, estimation/valuation models that consider all risk factors relating to the instruments and that use data from observable markets, such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions are used.
Trading and fair value gains and losses on financial assets held for trading, including the derivatives related to the financial assets/liabilities designated at fair value, are recognised in caption 80 “Net trading income (loss)” of the income statement. Those on financial assets designated at fair value and those mandatorily measured at fair value are recognised in caption 110 “Net gain (loss) on other financial assets and liabilities at fair value through profit or loss” of the income statement.

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Lastly, the group derecognises a financial asset when it retains the contractual rights to receive the cash flows but it concurrently acquires a contractual obligation to pay those cash flows to a third party without material delay and to the extent of the cash flows collected. Financial assets other than equity instruments may be derecognised when they are reclassified to financial assets at fair value through other comprehensive income or financial assets at amortised cost.
This reclassification may also occur in the rare circumstance when an entity decides to modify the business model used to manage a financial assets. The transferred asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from that date. The effective interest rate is determined on the basis of the fair value of the asset at the reclassification date, which is treated as the date of initial recognition for its assignment to the various risk stages for impairment purposes.

<u>FINANCIAL ASSETS AT AMORTISED COST</u>

Classification

This category includes financial assets (loans and debt instruments) if both of the following conditions are met:

- they are held under a business model whose objective is achieved by collecting contractual cash flows (hold to collect model);
- their contractual cash flows are solely payments of principal and interest on the principal amount outstanding (i.e., they passed the SPPI test).

Specifically, it includes loans granted to customers, financial companies and banks and debt instruments that meet the requirements described above.

It also includes financial assets originated from finance leases recognised using the financial method, including assets waiting to be leased under finance leases, comprising buildings under construction.
Under the applicable standard, a finance lease is a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The lease is a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset (examples are losses from idle capacity, technological obsolescence, variations in return, expected profitable utilisation during the asset's useful life or gains from appreciation in value or realisation of residual value).
Financial assets at amortised cost include, in particular, financial assets originated from finance leases recognised using the financial method, including assets waiting to be leased under finance leases, comprising buildings under construction, when the lessor does not retain the related risks (i.e., when the risks are transferred to the lessee).
Finally, this category includes trade receivables from the provision of financial services as defined in the Consolidated Banking Act and in the Consolidated Finance Act.

Recognition

Financial assets are initially recognised at the settlement date (debt instruments) and disbursement date (loans). At initial recognition, financial assets classified in this category are recognised at fair value, which is normally equal to the consideration paid, including any directly attributable transaction costs and revenue.
Specifically, loans are initially recognised at the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed, or the subscription price, including transaction costs or revenue attributable to the individual loan and determinable from the transaction start date, even when they are disbursed subsequently. Costs that fall under the above description but which will be repaid by the debtor are excluded as are internal administrative costs. If the loan agreement signing date does not match the disbursement date, the group recognises a loan commitment that will be reversed when the loan is actually disbursed.

Recognition of costs and revenue

These assets are subsequently measured at amortised cost, which is their initial carrying amount less principal repayments, decreased or increased by amortisation, calculated using the effective interest method, of the difference between the amount disbursed and that repayable at maturity. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the disbursed amount, including directly attributable costs and revenue. The estimated cash flows shall consider all contractual terms that may impact their amount and due dates, but not expected credit losses. This accounting method allows the distribution of the transaction costs and revenue, fees and commissions, premiums or discount, which are an integral part of the effective interest rate, directly attributable to a financial asset over its expected residual life.
Assets waiting to be leased are measured at cost on the basis of the invoices received from suppliers and/or advances paid out.
At each reporting date, these assets are tested for impairment to identify the expected credit losses ("ECL").
Any impairment losses are recognised in caption 130 "Net impairment losses/gains for credit risk" of the income statement. The impairment model provides for the classification of assets into three different stages based on the debtor's credit rating trend, which provide for a different measurement of expected credit losses:

- stage 1: this includes performing exposures, whose credit risk has not significantly increased since initial recognition or with a low credit risk at the reporting date. They are tested for impairment on the basis of the 12-month expected credit losses (i.e., expected losses from a default event occurring within one year of the reporting date);
- stage 2: this includes performing exposures, whose credit risk has increased significantly since initial recognition. They are tested for impairment on the basis of their lifetime expected credit losses;

- stage 3: non-performing exposures (100% probability of default). They are tested for impairment on the basis of their lifetime expected credit losses.

Expected losses on performing exposures are calculated on a collective basis based on some risk parameters, i.e., the probability of default (PD), the loss rate in the event of default (LGD) and the exposure value (EAD), deriving from internal models that are used to calculate the regulatory credit risk and that are appropriately adjusted to take account of the specific requirements of the IFRS.
With reference to non-performing exposures, i.e., assets for which, in addition to a significant increase in credit risk, objective evidence of impairment has been identified, impairment losses are measure by discounting the expected future cash flows using the original effective interest rate. Impaired assets include exposures classified as bad, unlikely to pay or past due/overdrawn by more than 90 days according to the definitions of the applicable supervisory legislation (Bank of Italy's circular no. 217 "Manual for supervisory reporting for financial intermediaries, payment institutions and electronic money institutions") and referred to in Bank of Italy's circular concerning "The financial statements of IFRS intermediaries other than banks", as they are deemed to be consistent with the impairment rules prescribed by IFRS 9.
The expected cash flows take account of the expected recovery times and net realisable value of guarantees (if any). As regards fixed-rate exposures, the original effective rate used to discount the expected cash flows, determined as described above, remains unchanged over time, even if there is a change in the contractual rate attributable to the borrower 's financial difficulties. As regards variable-rate exposures, the rate used to discount the cash flows is updated in relation to indexation parameters (e.g., EURIBOR), while keeping the original spread unchanged. The original carrying amount of the financial assets is reinstated in subsequent years, as a result of an improvement in the credit quality of the exposure compared to that which led to its previous impairment.
The impairment gain is recognised in profit or loss in the same caption and, in any case, cannot exceed the amortised cost the assets would have had in the absence of impairment losses.
At each reporting date, the loans and debt instruments classified as financial assets at amortised cost or at fair value through comprehensive income - as well as off-statement of financial position items consisting of loan commitments and financial guarantees given - are tested for impairment to estimate the expected credit losses.
Under the ECL model, impairment losses are recognised by making reference not only to any objective evidence of impairment that has been identified at the assessment date, but also on the basis of expected future losses that have not yet occurred.
In particular, the ECL model provides that the above financial instruments shall be classified into three distinct stages, according to their absolute or relative credit risk performance from their initial disbursement, to which different criteria for measuring expected credit losses apply.
Interest for the year on non-performing exposures is calculated using the amortised cost method, i.e., based on their carrying amount calculated using the effective interest rate, net of any expected credit losses. With reference to non-performing exposures that do not bear contractual interest, such interest is equal to the impairment gains arising from discounting the expected cash flows merely as a result of the passage of time.
The impairment losses on each non-performing exposures are calculated as the difference between their recoverable amount and amortised cost. The recoverable amount is the present value of the expected cash flows (principal and interest) from each exposure, calculated on the basis of:

a) the contractual cash flows net of expected credit losses, considering the borrower's ability to meet its debt obligations, the realisable value of the underlying leased assets and any personal guarantees and collateral received;
b) expected recovery time, which also considers ongoing credit recovery actions;
c) the internal rate of return of each exposure.

Specifically:

- the following parameters are used for bad exposures:
  a) the cash flows forecast by the customer relations managers;
  b) the recovery times estimated on the basis of historical/statistical figures and monitored by the account managers;
  c) the discount rates, i.e., the contractual interest rates when the exposure became non-performing;

- the following parameters are used for unlikely to pay exposures:
  a) the cash flows forecast by the customer relations managers;
  b) the recovery times estimated on the basis of historical/statistical figures;
  c) the discount rates, i.e., the contractual interest rates when the exposure became non-performing;

- the following parameters are used for credit-impaired past due exposures:
  a) probability of the past due/overdrawn exposure becoming unlikely to pay/bad, estimated on the basis of historical/statistical figures using the transferor's database, which include more information than that of the parent;
  b) loss in the case of the counterparty's default (estimated on the basis of historical/statistical figures using the bad exposure database);
  c) the recovery times estimated on the basis of historical/statistical figures;
  d) the discount rates, i.e., the contractual interest rates when the exposure became non-performing.

The above exposures may be classified as forborne, i.e., when the group agrees to modify the contractual terms with borrowers facing or expected to be facing difficulties in satisfying their debt commitments. The key element is the borrower's financial difficulty, regardless of the exposure's classification as non-performing or the counterparty's default. Performing and non-performing exposures which are forborne are classified as performing forborne and non-performing forborne exposures, respectively.

Derecognition

The group derecognises a financial asset at amortised cost when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Lastly, the group derecognises a financial asset when it retains the contractual rights to receive the cash flows but it concurrently acquires a contractual obligation to pay those cash flows to a third party without material delay and to the extent of the cash flows collected.
Non-performing exposures may be derecognised when they become irrecoverable and the credit collection process has been completed (final derecognition). This entails a reduction in the exposure's nominal amount and gross carrying amount and occurs when the group enters into settlement agreements with the debtor that entail a debt reduction (settlement and write-off agreements) or when specific situations arise, such as, for example:

- a final judgement declaring the extinguishment of a part or the entire financial asset;
- the completion of insolvency or enforcement proceedings against the principal borrower and the guarantors;
- the completion of any possible in-court and out-of-court actions for the collection of the debt.

These specific situations may result in a total or partial derecognition of the exposure but do not necessarily imply a waiver of the legal right to collect the debt. In addition, non-performing financial assets may be derecognised following their write-off, after having acknowledged that there is no reasonable expectation of recovery, although continuing with the actions aimed at their collection.

This write-off is made in the year in which the financial asset becomes no longer recoverable, either in whole or in part - even though the legal case is still ongoing - and may take place before the legal proceedings brought against the borrower and the guarantors are definitively concluded. It does not imply a waiver of the legal right to recover the financial asset and is carried out when the credit documentation provides reasonable financial information showing that the borrower is unable to repay its debt. In this case, the gross nominal amount of the asset remains unchanged, but the gross carrying amount is reduced by a sum equal to the amount subject to write-off, which may be the entire exposure or to a portion thereof.
The amount written-off may not be reversed as a result of an improvement in the recovery forecasts, but only following actual collections.
Finally, these financial assets may also be derecognised following their reclassification to the "Financial assets at fair value through comprehensive income" or "Financial assets at fair value through profit or loss" measurement categories.
This reclassification may take place in the very rare circumstances in which an entity decides to change its business model for the management of its financial assets.
The reclassified asset is measured at its fair value at the reclassification date and the entity shall apply the reclassification prospectively from the reclassification date.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

Recognition and derecognition

These assets are recognised at purchase cost including any directly attributable cost of purchasing and preparing the assets for their intended use, increased by any subsequent costs that enhance their value or initial production capacity. They are derecognised when they are disposed of or when no future economic benefits are expected therefrom. They include leasehold improvement costs when they relate to identifiable and separable items of property, plant and equipment.
They also include the underlying assets of finance leases of which the group has regained possession after the termination of the lease, which are recognised as investment property.
The group has recognised the repossessed assets under this category as it believes that the following conditions are met:

a) it is probable that the future economic benefits that are associated with the investment property will flow to the group;
b) the cost of the investment property can be measured reliably.

Under IFRS 16, leases are recognised using the right-of-use model, whereby, at the commencement date, a lessee incurs an obligation for the lease payments due to the lessor for its right to use the underlying asset over the lease term.
When the asset is made available for use to the lessee (commencement date), the lessor shall recognise a lease liability and a right-of-use asset.

Classification

Property, equipment and investment property include assets used in operations (buildings, technical systems, furniture, furnishings and any type of equipment) for more than one year.
They include:

a) leasehold improvement costs, if they can be separated from the related assets (if these costs do not have an independent useful life and cannot be used separately, but future economic benefits are expected therefrom, they are recognised among "other assets" and depreciated over the shorter of the improvements' useful life and residual lease term);
b) assets withdrawn following termination of the finance lease and of the loan to the original lessee. Upon initial recognition, they are measured at cost, including transaction costs.

The initial recognition of these assets as items of property, equipment and investment property is their reclassification from caption 40 “Financial assets at amortised cost” to caption 80 “Property, equipment and investment property”: the reclassified asset is measured at the carrying amount of the previously-recognised non-performing exposure.

Lastly, the caption includes the right-of-use assets (for lessees) and the underlying assets of operating leases (for lessors).

Measurement

Property and equipment are recognised at cost, less accumulated depreciation and any impairment losses in accordance with IAS 16. Depreciation is recognised over the assets' useful life on a straight-line basis. Should there be objective evidence that an asset may be impaired, its recoverable amount, which is the higher of value in use (i.e., the present value of estimated future cash flows expected to arise from the continuing use of an asset) and fair value less costs to sell, is compared to their carrying amount less accumulated depreciation (impairment test). Any resulting impairment losses are recognised in profit or loss. If the reasons for impairment cease to exist, the impairment losses are reversed up to the carrying amount the assets would have, less accumulated depreciation, had such impairment losses not been recognised.
After initial recognition, these assets are measured at cost in accordance with IAS 16 “Property, plant and equipment”. At each reporting date, the group tests the assets for impairment, where possible, by comparing their carrying amount to their fair value. Any resulting impairment losses are recognised in caption 180 “Depreciation and net impairment losses on property, equipment and investment property” of the income statement.
Under IAS 40, after initial recognition, investment property shall be measured either at fair value or at cost. An entity shall apply the same model to all its investment property. The group elected to use the cost model. Accordingly, after initial recognition, it measures all its assets classified as investment property in accordance with the requirements of IAS 16 at cost, net of accumulated depreciation and any accumulated impairment losses. If, at the reporting date, an asset shows objective evidence of impairment based on an independent expert's appraisal, the group compares its carrying amount to its fair value. Any resulting impairment losses are recognised in caption 180 “Depreciation and net impairment losses on property, equipment and investment property” of the income statement.
Right-of-use assets recognised in accordance with IFRS 16 are measured using the cost model of IAS 16 “Property, plant and equipment”. They are subsequently depreciated and tested for impairment whenever an indicator of impairment is identified.

Recognition of costs and revenue

Gains and losses are allocated to the relevant income statement captions as follows:

a) scheduled depreciation, impairment losses and reversals of impairment losses are recognised in caption 180 “Depreciation and net impairment losses on property, equipment and investment property”;
b) gains and losses on sales are recognised in caption 250 “Net gains (losses) on sales of investments”.

The assets are depreciated on the basis of the following annual rates:

- furnishings, depending on their characteristics, at 12% or 15%;
- systems at 15%, telecommunication systems at 20% anti-intrusion systems at 25%;
- electronic and IT equipment at 20%;
- equipment, depending on its characteristics, at 15% or 20%;

Low-value assets (i.e., worth less than €516) are fully depreciated when initially recognised.

INTANGIBLE ASSETS

Recognition and derecognition

Intangible assets are recognised at acquisition cost including any directly attributable transaction costs, increased by any subsequent costs that enhance their value or initial production capacity. They are derecognised when they are disposed of or when no future economic benefits are expected therefrom.
Goodwill arising from business combinations is the difference between the purchase cost and the acquisition-date fair value of the acquiree's or acquired business unit's assets and liabilities.
Intangible assets with a finite useful life recognised in accordance with IFRS 3 "Business combinations" and identified as part of the purchase price allocation are comprised of customer relationships and are amortised on a straight-line basis over their estimated useful life (nine years maximum), while their assumed residual value is nil.

Classification

An intangible asset is an identifiable non-monetary asset without physical substance which is controlled by the group and it is probable that its future economic benefits will flow to the group.

Goodwill is recognised as an asset as it is the price paid by an acquirer for the expected future economic benefits arising from assets that cannot be individually and separately identified. Any negative goodwill is recognised directly in profit or loss.

The caption includes the right-of-use assets (for lessees) and the underlying assets of operating leases (for lessors).

Measurement

Intangible assets with a finite useful life are recognised at cost, less accumulated amortisation and any impairment losses. Amortisation is recognised over the assets' useful life on a straight-line basis.
Should there be objective evidence that an asset may be impaired, its recoverable amount, which is the higher of value in use (i.e., the present value of estimated future cash flows expected to arise from the continuing use of an asset) and fair value less costs to sell, is compared to their carrying amount less accumulated amortisation (impairment test). Any resulting impairment losses are recognised in profit or loss. If the reasons for impairment cease to exist, the impairment losses are reversed up to the carrying amount the assets would have, less accumulated amortisation, had such impairment losses not been recognised.

Recognition of costs and revenue

Gains and losses are allocated to the relevant income statement captions as follows:

a) scheduled amortisation, impairment losses and reversals of impairment losses are recognised in caption 190 "Amortisation and net impairment losses on intangible assets";
b) gains and losses on sales are recognised in caption 250 "Net gains (losses) on sales of investments".

Intangible assets are comprised of application and proprietary software, which is amortised at 20% and 33.3%, respectively.
Reference should be made to Section 9 - Intangible assets - Caption 90 for information on specific transactions.

TAX ASSETS AND LIABILITIES

Recognition, classification, measurement, derecognition and recognition of costs and revenue

Current taxes are calculated using the applicable tax rates and legislation and, if unpaid, are recognised as tax liabilities.
Income taxes are recognised in profit or loss except for those related to captions recognised directly in equity.
Income taxes are provided for based on a prudent estimate of the current and deferred taxes.
Deferred taxes are calculated using the liability method.
Specifically, deferred taxes are determined considering the temporary differences (without time limits) between the carrying amount of assets and liabilities and their tax bases.

Deferred tax assets are recognised when it is probable that they will be recovered, based on the group's ability to steadily generate taxable profits and considering the opportunities offered by specific applicable tax legislation which may allow their realisation even when an entity does not produce taxable profits.
The recoverability of deferred tax assets on the impairment of loans and receivables has been assessed also considering the changes and opportunities introduced by Law no. 214/2011.
Deferred tax liabilities are calculated as the tax expense arising on all taxable temporary differences existing at the reporting date.
Deferred tax assets and liabilities are monitored on a regular basis. They are recognised using the tax rates enacted or substantively enacted when a deferred tax asset will be realised or a deferred tax liability will be settled, based on the tax rates and legislation established by measures currently in force.

The balancing entry of current and deferred tax assets and liabilities is normally made in profit or loss.

Tax provisions are adjusted for liabilities that may be incurred as a result of tax assessments already served or pending tax disputes.

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Recognition, classification, measurement, derecognition and recognition of costs and revenue

Non-current assets/liabilities or groups of assets/liabilities that are in the process of being disposed of and their sale is highly probable are classified in this caption.

They are measured at the lower of their carrying amount and fair value less costs of disposal. Amortisation and depreciation on any assets reclassified as non-current assets held for sale are discontinued upon their reclassification.
Any profit or loss from discontinued operations is recognised in a separate caption of the income statement, net of taxes. In this case, the corresponding figures presented for comparative purposes are reclassified accordingly.

LIABILITIES

FINANCIAL LIABILITIES AT AMORTISED COST

Classification

Financial liabilities at amortised cost include amounts due and securities issued. They comprise the group’s various forms of funding (interbank and with customers) and outstanding bonds.
They also include lease liabilities when the group is the lessee in a finance lease and repurchase agreements, as well as trade payables from the use of financial services as defined in the Consolidated Banking Act and in the Consolidated Finance Act.

Recognition

Financial liabilities are initially recognised upon the collection of funds or settlement of securities issued at their fair value, which usually corresponds to the amount collected or issue price, increased by and transaction costs or revenue directly attributable to the individual funding or issue transaction that will not be repaid to the lending counterparty.
Internal administrative costs are excluded. Reverse repurchase agreements are recognised as funding transactions at the spot price collected.

Recognition of costs and revenue

After initial recognition, financial liabilities, net of any repayments and/or repurchases, are measured at amortised cost using the effective interest rate. The amortised cost model is not applied to current liabilities, when the time value of money is immaterial, that are kept at their original fair value and whose costs, if any, are recognised in profit or loss over their contractual term on a straight-line basis.
Lease liabilities are remeasured in the case of a lease modification (e.g., a change in the contract scope), which does not give rise to the recognition of a separate lease.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

FINANCIAL LIABILITIES HELD FOR TRADING

Recognition and derecognition

The same criteria, appropriately adjusted, as those applicable to financial assets held for trading are applied (see Section 2 – Assets – “Financial assets at fair value through profit or loss”).

Classification

Financial liabilities held for trading include non-hedging financial instruments (including derivatives) with a negative fair value.

Measurement

The same criteria, appropriately adjusted, as those applicable to financial assets held for trading are applied (see Section 2 – Assets – “Financial assets at fair value through profit or loss”).

Recognition of costs and revenue

The same criteria, appropriately adjusted, as those applicable to financial assets held for trading are applied (see Section 2 – Assets – “Financial assets at fair value through profit or loss”).

POST-EMPLOYMENT BENEFITS

Recognition, classification, measurement, derecognition and recognition of costs and revenue

As a result of the reform introduced by the Legislative decree of 5 December 2005, the Italian post-employment benefits (TFR) vested up until 31 December 2006 are determined using the procedure for defined benefit plans and the projected unit credit method, whereby future payments are projected using historical series, statistical and probability analyses and demographical trends and discounted using a market rate. This calculation is made by independent actuaries.

Plan service costs are recognised under personnel expense at the net amount of the benefits paid, past service costs not yet accounted for, accrued interest, expected returns on plan assets and actuarial gains/losses.

Actuarial gains and losses due to changes in previous assumptions, based on actual figures or modified actuarial assumptions, entail the remeasurement of the net liability, are recognised as a balancing entry in an equity reserve and are presented in the statement of comprehensive income.

The benefits accrued after 1 January 2007 are treated as defined contribution plans and are, therefore, recognised immediately in profit or loss.

PROVISIONS FOR RISKS AND CHARGES

Recognition, derecognition and measurement

The amount recognised as a provision is the best estimate of the expenditure required to settle an obligation. The related risks and uncertainties are considered. If the time value of money is material, the provision is discounted using market rates. Accruals to provisions are recognised in profit or loss. The amount of an existing provision is reviewed regularly and adjusted to reflect the current best estimate. When it is no longer probable that the expense will be incurred, the provision is reversed.

Classification

The provisions for risks and charges are recognised when the group has a present obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits is required for its settlement and the amount of the obligation can be reliably estimated.

Recognition of costs and revenue

Accruals to and reversals of provisions for risks and charges are recognised in caption 170 “Net accruals to provisions for risks and charges”, which includes increases in provisions due to discounting and excludes any reclassifications to profit or loss.

The provisions for risks and charges include the following items:

- Loan commitments and financial guarantees given:
    - this provision covers the risk for loan commitments and financial guarantees given which are tested for impairment in accordance with IFRS 9, in line with the requirements for the financial assets at amortised cost and at fair value through other comprehensive income;
    - reference should be made to the section on the measurement of financial assets at amortised cost for further information on the impairment model;
- pension and similar provisions:
    - these provisions includes accruals for defined benefit plans and pension funds with capital repayment and/or return guarantees given to the beneficiaries. In accordance with IAS 19, the benefits to be paid in future years are calculated by an independent actuary using the projected unit credit method. Any actuarial gains and losses, i.e., the difference between the liability's carrying amount and the present value of the obligations at the reporting date, are recognised directly in equity under the "Valuation reserves";
- other provisions:
    - the other provisions comprise accruals for estimated outflows for legal or constructive obligations arising from past events, which may have a contractual nature.

INCOME STATEMENT

REVENUE AND EXPENSES

Revenue is recognised when received or, in any case, when it is probable that future economic benefits will flow to the group and these benefits can be measured reliably. Specifically:

- interest is recognised on an accruals basis using the contractual interest rate or the effective interest rate when the amortised cost model is applied;
- default interest is recognised on an accruals basis in profit or loss and fully provided for on a prudent basis and it is reclassified to profit or loss only when actually collected.
- revenue from the provision of services is recognised at the fair value of the consideration received when the services are rendered.

Expenses are recognised in profit or loss when the matching revenue is recognised. If they cannot be matched to any revenue, they are immediately recognised in profit or loss. Specifically, fee and commission expense is recognised when incurred, as long as their future benefits are believed to be reliable. Fee and commission expense included in the calculation of the effective interest rate under the amortised cost method is excluded as it is recognised as interest expense.

OTHER DISCLOSURES

FOREIGN CURRENCY TRANSACTIONS

Classification

They comprise all assets and liabilities expressed in a currency other than the Euro.

Recognition and derecognition

These assets and liabilities are initially translated into Euro using the spot exchange rate at the transaction date.

Measurement

At the reporting date, foreign currency assets and liabilities are re-translated at the closing rate.

Recognition of costs and revenue

Exchange gains (losses) on foreign currency transactions are recognised in caption 80 “Net trading income (loss)” of the income statement.

ORIGINATED SECURITISATIONS

The financial assets transferred in securitisations carried out by the group are not derecognised unless all the risks and rewards of ownership asset are substantially transferred, even when they are formally assigned without recourse to a special purpose vehicle. This is the case, for example, when the parent subscribes junior notes or similar exposures, as it bears the risk of first losses and, similarly, benefits from the return on the transaction.

In this case, the exposures underlying the transactions are not derecognised and the overall amount of the notes issued by the SPV, net of the junior notes subscribed by the assignor, is recognised under liabilities. When self-securitisations are carried out, since the assignor subscribes all classes of securities issued by the SPV, the group does not recognise any notes.
Similar presentation criteria based on the transaction's substance over form apply to revenue and costs.

Section 5 – Basis of consolidation

The consolidated financial statements include the financial statements of the securitisation vehicles Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l. and the figures of the banking sub-portfolio already described in "Section 4 – Other aspects - Agreement on securitised loans".
The consolidation scope is identified in accordance with IFRS 10 "Consolidated financial statements", whereby consolidation is based on control, which exists when an investor has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Under IFRS 10, an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e., the activities that significantly affect the investee's returns.

Generally, when an entity is directed through the exercise of voting rights, control is derived from the possession of more than half of these rights. In other cases, particularly that of structured entities, assessment of control is more complex and involves greater recourse to judgements, since it requires all the factors and circumstances to be taken into account which may establish whether an investor has control over the entity. A number of elements have to be considered for this purpose, such as, but not limited to, the purpose and design of the entity, any right held under contractual arrangement, any potential voting rights and the nature and dispersion of any rights held by other investors.
Although it does not have any voting rights, after thorough consideration of each securitisation transaction carried out, the parent consolidated its vehicles as including both their own assets and liabilities and the segregated assets attributable to the transactions.

Subsidiaries are consolidated the date on which Alba Leasing S.p.A. obtains control and cease to be consolidated from when control no longer exists. The existence of control is reassessed should facts and circumstances indicate a change in the underlying conditions.
Considering the particular nature of the parent's control over the vehicles, their quota capital is shown under caption 80 "Other liabilities" in the statement of financial position.

1. Investments in subsidiaries:

	Operating office	Relationship (1)	Investment		Available votes
			Held by	%	
A. Companies					
A1. Consolidated companies					
Alba 6 SPV S.r.l.	Conegliano	4			
Alba 8 SPV S.r.l.	Conegliano	4			
Alba 9 SPV S.r.l.	Conegliano	4			
Alba 10 SPV S.r.l.	Conegliano	4			

Key:
(1) Type of relationship
4 = Other forms of control

5. Other information

For more details on securitisations, reference should be made to "Part B – Notes to the statement of financial position – Assets - Section 4 – Financial assets at amortised cost" and "Part D – Other information – Section 2 – Securitisations, unconsolidated structured entities (other than securitisation vehicles) and transfers of assets".
The SPVs' financial statements used for consolidation purposes are those as at and for the year ended 31 December 2019 and are presented in Euro.

A3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

None during the year.

A4 - FAIR VALUE

QUALITATIVE DISCLOSURE

IFRS 13 "Fair value measurement" became effective on 1 January 2013. This standard sets out a framework for measuring fair value previously laid down in various standards. IFRS 13 maintains the concept of fair value substantially unchanged, but provides new guidelines for its application and requires further disclosures in the financial statements.
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. For the purposes of fair value measurement, IFRS 13 defines a three-level fair value hierarchy, based on the observability, or otherwise, of market inputs:

1) quoted prices in active markets (level 1):
   measurement is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities;
2) observable market inputs (level 2):
   the financial instrument is measured on the basis of prices observable from quoted prices for similar assets or by means of valuation techniques in which all the significant factors, including credit spreads and liquidity, are taken from inputs observable from the market. In this level, fewer discretionary elements are required in order to measure the instrument since all the inputs used are taken from the market (for the same instrument or similar instruments) and the method of calculation enables quoted prices in active markets to be replicated;

3) unobservable market inputs (level 3):
   the fair value is measured mostly on the basis of significant inputs which are not observable from the market and, therefore, management is required to make estimates and assumptions.

No transfers between financial asset portfolios were made during the year.

The fair value of other financial instruments measured at fair value on a non-recurring basis is measured for the disclosure purposes of IFRS 7. Specifically:

- the fair value of non-current loans is measured according to a risk appetite approach: expected cash flows, suitably adjusted for expected losses (PD and LGD) are discounted using a risk-free market rate, plus a component representing the group's risk appetite (risk premium), in order to consider additional factors to be included in the expected loss. Fair value measured in this way is categorised in level 3 in the fair value hierarchy;
- the carrying amount on initial recognition of other assets and liabilities, particularly those on demand or with a short contractual term, is considered to be a good approximation of fair value. The fair value determined in this manner is conventionally classified at level 3 in the fair value hierarchy;
- the fair value of investment property is the amount regularly appraised by the group.

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

The fair value of financial instruments quoted on active markets is normally the prices observable in the market (quoted prices readily and regularly available in a pirce list) while the fair value of instruments not quoted on an active market is measured by using prices provided by specialist information providers.
If the above techniques cannot be resorted to, the group uses estimates and valuation models which refer to data observable in the market, if available. These models are in line with those generally accepted and market practice and are based, for example, on the price of quoted instruments with similar characteristics, including their risk profile, discounted cash flows and option price calculation models, also taking the issuer's credit risk into account. Methods similar to the above are also used for financial instruments for which no observable market inputs are available, or for which such inputs are not reliable.

A.4.2 Measurement processes and sensitivity

No financial assets or liabilities measured at fair value on a recurring basis are categorised in level 3. Therefore, no quantitative sensitivity analyses of fair value were carried out.

A.4.3 Fair value hierarchy

IFRS 13 refers to the concept of a hierarchy of valuation techniques, which was introduced in an amendment to IFRS 7, endorsed with Commission Regulation (EC) no. 2009/1165 of 27 November 2009, requiring an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. This provides the reliability level of the measured fair values according to the level of discretion used by entities, giving the highest priority to the use of observable inputs which mirrors the assumptions that market participants would make in pricing assets and liabilities. The fair value hierarchy shall have the following levels:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- level 3 inputs are inputs for the asset or liability that are not based on observable market data. In this case fair value is measured using valuation techniques consistently based on the adoption of relevant estimates and assumptions.

The method is not optional but chosen hierarchically, priority being given to quoted prices in active markets; if these inputs are not available, other methods are adopted which in any case refer to observable inputs; should this not be possible either, valuation techniques which use non-observable inputs are used.

A.4.4. Other disclosures

Nothing to disclose pursuant to IFRS 13.51.93.(i)/96.

QUANTITATIVE DISCLOSURE

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 level

None.

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

None during the year.

A.4.5.3 Changes in liabilities measured at fair value on a recurring basis (level 3)

None during the year.

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

(€'000)	31/12/2019				31/12/2018			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	5,101,743	5,043	-	5,405,026	4,947,474	5,018	-	5,193,359
2. Investment property	9,571	-	-	27,469	10,642	-	-	22,228
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	5,111,314	5,043	-	5,432,495	4,958,116	5,018	-	5,215,587
1. Financial liabilities at amortised cost	4,693,725	-	-	4,693,725	4,519,405	-	-	4,519,405
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
Total	4,693,725	-	-	4,693,725	4,519,405	-	-	4,519,405

Key

CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Reference should be made to the "Qualitative disclosure" section hereof for more information on the measurement of fair value and the levels of financial assets and liabilities measured at cost whose fair value is required to be disclosed.

A.5 - DAY ONE PROFIT/LOSS

Not applicable.

Part B – Notes to the statement of financial position

(€'000)

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

Breakdown of caption 10 "Cash and cash equivalents"

(€'000)	31/12/2019	31/12/2018
a) Cash	9	15
Total	9	15

Section 4 – Financial assets at amortised cost - Caption 40

4.1 Financial assets at amortised cost: breakdown of loans and receivables with banks by product

(€'000)	31/12/2019						31/12/2018					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3
1. Deposits and current accounts	4,952	-	-	-	-	4,952	5,500	-	-	-	-	5,500
2. Financing	154	-	-	-	-	154	216	-	-	-	-	217
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Finance leases	154	-	-	-	-	-	216	-	-	-	-	-
2.3 Factoring			-	-	-	-			-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other financing	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt instruments				-	-	-				-	-	-
3.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	223,729	-	-	-	-	223,729	162,115	-	-	-	-	162,115
Total	228,835	-	-	-	-	228,835	167,831	-	-	-	-	167,832

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3

“Other assets” mainly comprise:

- amounts due from Banco BPM S.p.A. (after its merger with Banca Italease) and/or recognised as a result of the agreement for the deferred price not paid by the securitisation vehicles for the period from 31 March to 31 December 2009 and the interest of €323 thousand on the junior notes of the banking sub-portfolio which is due to the parent under the terms of the agreement on securitised loans;
- assets of €199,863 thousand included in the segregated assets of the consolidated vehicles, mostly consisting of liquidity investments.

The group does not have non-performing exposures with banks.

Financing for finance leases includes “financial assets transferred and not derecognised” (more information is available at the foot of table 4.3 “Financial assets at amortised cost: breakdown of loans and receivables with customers by product”).

4.2 Financial assets at amortised cost: breakdown of loans and receivables with financial companies by product

(€'000)	31/12/2019						31/12/2018					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3
1. Financing	72,315	16,700	-	-	-	94,518	85,106	4,886	-	-	-	91,622
1.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Finance leases	71,814	16,700	-	-	-	94,518	84,441	4,886	-	-	-	91,622
1.3 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Other financing	501	-	-	-	-	-	665	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	1,105	-	-	-	-	1,105	1,219	-	-	-	-	1,219
Total	**73,420**	**16,700**	**-**	**-**	**-**	**95,623**	**86,325**	**4,886**	**-**	**-**	**-**	**92,841**

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3

Financing for finance leases includes “financial assets transferred and not derecognised” (more information is available at the foot of table 4.3 “Financial assets at amortised cost: breakdown of loans and receivables customers by product”).

“Other financing” includes performing mortgage loans of €501 thousand.

4.3 Financial assets at amortised cost: breakdown of loans and receivables with customers by product

(€'000)	31/12/2019						31/12/2018					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3	Stages 1 and 2	Stage 3	including: purchased or originated credit-impaired financial assets	L1	L2	L3
1. Financing	4,352,322	422,753	-	-	-	5,077,864	4,210,065	471,572	-	-	-	4,930,896
1.1 Finance leases	4,196,305	411,948	-	-	-	-	4,024,263	460,997	-	-	-	-
including: without purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Loans against pledges	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Financing as part of payment services	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other financing	156,017	10,805	-	-	-	-	185,802	10,575	-	-	-	-
including: from enforced loan commitments and financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	5,009	-	-	5,043	-	-	5,005	-	5,018	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	5,009	-	-	5,043	-	-	5,005	-	5,018	-	-	-
3. Other assets	806	1,898	-	-	-	2,704	1,790	-	-	-	-	1,790
Total	**4,358,137**	**424,651**	**-**	**5,043**	**-**	**5,080,568**	**4,216,860**	**471,572**	**5,018**	**-**	**-**	**4,932,686**

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3

“Other financing” mostly consists of:
as performing:

- finance leases of €132,844 thousand not yet activated;
- mortgage loans of €10,045 thousand;
- unsecured loans of €13,128 thousand;

as non-performing:

- finance leases of €5,977 thousand not yet activated;
- mortgage loans of €4,828 thousand.

“Debt instruments” include T-bonds (BTP) purchased in 2015 and maturing on 1 November 2020.
The bonds were purchased in accordance with the ruling regulations about the maximum amounts of soft loans under the Sabatini Law that can be obtained from Cassa Depositi e Prestiti.
They have been pledged as collateral to CDP against an increase in the group’s original financing.

Financing (for finance leases) includes “financial assets transferred and not derecognised” of €2,954,244 thousand (including non-performing exposures of €49,391 thousand). The balance also comprises loans and receivables with financial companies (€14,119 thousand). The above figures include the financial assets transferred and not derecognised (self-securitisation) as part of the Alba 11WH securitisation.

During the year, the group structured a new securitisation, Alba 11WH, by transferring loans to a new SPV.

The securitisation performed through the vehicle Alba 11WH SPV S.r.l. entailed the issue of senior (A1) and junior (J) notes of €666.6 million and €295.2 million, respectively, subscribed by the parent.

Securitisation vehicle name:		ALBA 11 WH SPV S.r.l.
Type of transaction:		Alba 11 WH S.r.l.
Originator:		Alba Leasing S.p.A.
Issuer:		Alba 11 WH S.r.l.
Servicer:		Alba Leasing S.p.A.
Status of the securitised assets:		Performing
Closing date:		2 October 2019
Portfolio's nominal amount:		995,558,035
Portfolio's transfer price:		952,320,113
Other significant information:		Revolving and ramp-up
Rating agencies:		Private scope
Tranching amount and conditions:		
ISIN	IT0005387854	IT0005387862
ISIN		
Type	Senior	Junior
Class	A1	J
Rating (at issue)		
Private scope	AAA	unrated
Year-end rating		
Private scope	AAA	unrated
Listing market	EXTRAMOT	Unlisted
Issue date	17/10/2019	17/10/2019
Legal maturity	July 2039	July 2039
Call option	-	-
Interest rate	Euribor 3 m + 65 b.p.	Euribor 3 m + 175 b.p.
Subordination level		Sub A1
Nominal amount at issue	666,624,084	295,219,237
Closing amount	666,624,084	295,219,237
Note subscribers	Alba Leasing S.p.A.	Alba Leasing S.p.A.

4.4 Financial assets at amortised cost: breakdown of loans and receivables with customers by debtor/issuer

(€'000)	31/12/2019		
	Stages 1 and 2	Stage 3	of which: purchased or originated credit-impaired financial assets
1. Debt instruments	5,009	-	-
a) Public administrations	5,009	-	-
b) Financial companies	-	-	-
2. Financing to:	4,352,322	422,753	-
a) Public administrations	14,214	821	-
b) Financial companies	4,167,028	412,511	-
c) Households	171,080	9,421	-
3. Other assets	806	1,898	-
Total	**4,358,137**	**424,651**	**-**

For comparative purposes, the table prepared in accordance with Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks) is provided below.

(€'000)	31/12/2018		
	Stages 1 and 2	Stage 3	of which: purchased or originated credit-impaired financial assets
1. Debt instruments	5,005	-	-
a) Public administrations	5,005	-	-
b) Financial companies	-	-	-
including: insurance companies	-	-	-
c) Non-financial companies	-	-	-
2. Financing to:	4,210,065	471,572	-
a) Public administrations	21,684	169	-
b) Other financial companies	92,639	5,055	-
including: insurance companies	6,679	164	-
c) Non-financial companies	3,823,426	449,204	-
d) Households	272,316	17,144	-
3. Other assets	1,790	-	-
Total	**4,216,860**	**471,572**	**-**

4.5 Financial assets at amortised cost: gross amount and total impairment losses

(€'000)	Gross amount				Total impairment losses			Partial/total write-offs*
	Stage 1	including: instruments with a low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt instruments	5,009	-	-	-	-	-	-	-
Financing	3,623,735	3,304,543	838,765	667,196	10,182	27,527	227,743	1,545
Other assets	230,877	-	-	2,233	285	-	335	-
Total 31/12/2019	**3,859,621**	**3,304,543**	**838,765**	**669,429**	**10,467**	**27,527**	**228,078**	**1,545**
Total 31/12/2018	**3,472,362**	**2,977,256**	**1,038,388**	**736,812**	**7,326**	**32,736**	**260,026**	**1,389**
of which: purchased or originated credit-impaired financial assets	X	X	-	-	X	-	-	-

** Presented for disclosure purposes.*

4.6 Financial assets at amortised cost: secured assets

€'000	31/12/2019						31/12/2018					
	Loans and receivables with banks		Loans and receivables with financial companies		Loans and receivables with customers		Loans and receivables with banks		Loans and receivables with financial companies		Loans and receivables with customers	
	ECA	GFV	ECA	GFV	ECA	GFV	ECA	GFV	ECA	GFV	ECA	GFV
1. Performing assets secured by:	154	-	72,315	1,061	4,206,350	801,143	216	-	85,106	922	4,040,977	772,844
- Finance leases	154	-	71,814	560	4,193,276	790,848	216	-	84,441	257	4,023,008	756,900
- Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	501	501	10,045	10,045	-	-	665	665	16,714	15,564
- Liens	-	-	-	-	3,029	250	-	-	-	-	1,255	380
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-performing assets secured by:	-	-	16,700	2	416,776	56,382	-	-	4,886	5	466,254	57,533
- Finance lease	-	-	16,700	2	411,948	52,234	-	-	4,886	5	459,787	52,038
- Factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	-	-	4,828	4,148	-	-	-	-	5,257	5,257
- Liens	-	-	-	-	-	-	-	-	-	-	1,210	238
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	154	-	89,015	1,063	4,623,126	857,525	216	-	89,992	927	4,507,231	830,377

Key

ECA = Carrying amount of the exposures
FV = Fair value of the guarantees

The table shows the guarantees received for the group's financing at their nominal amount and fair value. They include bank sureties, guarantees issued by Medio Credito Centrale (MCC) and the European Investment Fund, liens for finance leases and mortgages for loans.

The table does not include:

- performing exposures for finance leases not yet activated of €132,844 thousand (including €33,989 thousand secured) and non-performing exposures of €5,977 thousand (including €501 thousand secured);
- unsecured financing.

Section 8 – Property and equipment - Caption 80

8.1 Property and equipment: breakdown of assets measured at cost

(€'000)	31/12/2019
1. Owned	215
a) land	-
b) buildings	-
c) furniture	-
d) electronic systems	66
e) other	149
2. Right-of-use assets	12,079
a) land	-
b) buildings	11,433
c) furniture	-
d) electronic systems	-
e) other	646
Total	12,294
including: obtained by enforcing the guarantees received	-

For comparative purposes, the table prepared in accordance with Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks) is provided below.

(€'000)	31/12/2018
1. Owned	185
a) land	-
b) buildings	-
c) furniture	-
d) electronic systems	31
e) other	154
2. Finance leases	36
a) land	-
b) buildings	-
c) furniture	-
d) electronic systems	-
e) other	36
Total	221
including: obtained by enforcing the guarantees received	-

8.2 Investment property: breakdown of assets measured at cost

(€'000)	31/12/2019			
	Carrying amount	Fair value		
		L1	L2	L3
1. Owned	9,571	-	-	27,469
a) land	-	-	-	-
b) buildings	9,571	-	-	27,469
2. Right-of-use assets	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
Total	9,571	-	-	27,469
including: *obtained by enforcing the guarantees received*	-	-	-	-

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3

Based on that set out in the 2018 consolidated financial statements, the increase is due to buildings returned after termination of the related finance leases during the year against cancellation of a receivable of the same amount as part of a settlement agreement with the former lessees.
These buildings are classified as investment property in line with the policy described in A.2 - Accounting policies.

For comparative purposes, the table prepared in accordance with Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks) is provided below.

(€'000)	31/12/2018			
	Carrying amount	Fair value		
		L1	L2	L3
1. Owned	10,642	-	-	22,228
a) land	-	-	-	-
b) buildings	10,642	-	-	22,228
2. Finance lease	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
Total	10,642	-	-	22,228
including: *obtained by enforcing the guarantees received*	-	-	-	-

8.3 Property and equipment: breakdown of revalued assets

None.

8.4 Investment property: breakdown of assets measured at fair value

None.

8.5 Inventories of property, equipment and investment property that fall under the scope of IAS 2: breakdown

None.

8.6 Property and equipment: changes

(€'000)	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	-	-	-	31	190	221
A.1 Accumulated depreciation and net impairment losses	-	-	-	-	-	-
A.2 Net opening balance	-	-	-	31	190	221
B. Increases:	-	-	-	54	13,661	13,715
B.1 Purchases	-	-	-	54	96	150
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:						
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other increases	-	-	-	-	13,565	13,565
C. Decreases	-	-	-	(19)	(1,623)	(1,642)
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	-	(19)	(1,623)	(1,642)
C.3 Impairment losses recognised in:						
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:						
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	-	-	-	66	12,228	12,294
D.1 Accumulated depreciation and net impairment losses	-	-	-	-	-	-
D.2 Gross closing balance	-	-	-	66	12,228	12,294
E. Measurement at cost	-	-	-	66	12,228	12,294

8.7 Investment property: changes

(€'000)	Total	
	Land	Buildings
A. Opening balance	-	10,642
B. Increases:	-	1,544
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange gains	-	-
B.6 Transfers from buildings used in operations	-	-
B.7 Other increases	-	1,544
C. Decreases	-	(2,615)
C.1 Sales	-	(2,150)
C.2 Depreciation	-	(427)
C.4 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) buildings used in operations	-	-
b) non-current assets held for sale and disposal groups	-	-
C.7 Other decreases	-	(38)
D. Closing balance	-	9,571
E. Measurement at fair value	-	27,469

8.8 Inventories of property, equipment and investment property that fall under the scope of IAS 2: changes

None.

8.9 Commitments to purchase property, equipment and investment property

None.

Section 9 - Intangible assets - Caption 90

9.1 Intangible assets: breakdown

(€'000)	31/12/2019		31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets:	5,332	-	6,801	-
2.1 owned	5,332	-	6,801	-
- internally generated	-	-	-	-
- other	5,332	-	6,801	-
2.2 right-of-use assets	-	-	-	-
Total 2	5,332	-	6,801	-
3. Assets under finance lease:	-	-	-	-
3.1 assets for which the purchase option has not been exercised	-	-	-	-
3.2 assets withdrawn after lease termination	-	-	-	-
3.3 other assets	-	-	-	-
Total 3	-	-	-	-
Total (1+2+3)	5,332	-	-	-
Total 31/12/2018	-	-	6,801	-

Intangible assets include:

- the customer relationships of Credito Valtellinese recognised as part of the purchase price allocation. This asset has a finite useful life, an original amount of €9,530 thousand and is amortised over nine years.
  At the reporting date, the asset's carrying amount is €3,789 thousand.
  As there were no indicators of impairment of this intangible asset, the group did not perform the related test;
- software.

The group carried out all the checks required by IAS 38 in order to recognise the software under intangible assets.

9.2 Intangible assets: changes

(€'000)	Total
A. Opening balance	6,801
B. Increases:	348
B.1 Purchases	348
B.2 Reversals of impairment losses	-
B.3 Fair value gains recognised in:	-
- equity	-
- profit or loss	-
B.4 Other increases	-
C. Decreases	(1,817)
C.1 Sales	-
C.2 Amortisation	(1,817)
C.3 Impairment losses recognised in:	-
- equity	-
- profit or loss	-
C4 Fair value losses recognised in:	-
- equity	-
- profit or loss	-
C.5 Other decreases	-
D. Closing balance	5,332

9.3 Intangible assets: other disclosures

None.

Section 10 - Tax assets and liabilities - Caption 100 of assets and Caption 60 of liabilities

The average rates used to calculate deferred tax assets and liabilities are 27.5% for IRES (following approval of Law no. 244 of 24 December 2007) and 5.57% for IRAP (following approval of Law no. 98 of 6 July 2006, converted into Law no. 111 of 15 July 2011).

The Stability Law for 2016 decreased the current IRES rate from 27.5% to 24% starting from 1 January 2017. It also introduced an additional IRES tax of 3.5% for banks and financial companies, thus cancelling the effect of the reduction in the rate.

10.1 "Tax assets: current and deferred": breakdown

Breakdown of "Current tax assets"

The group recognised:

- an IRES asset of €3,481 thousand related to 2018 being the sum of the tax assets and advances paid in the SC/2019 tax form filed in 2019;
- withholdings of €11 thousand on interest on bank current accounts and commissions;
- an IRES liability of €2,618 thousand;
- an IRAP asset of €845 thousand related to 2018 being the sum of the tax assets and advances paid in the IRAP/2019 tax form filed in 2019;
- an IRAP liability of €653 thousand.

As the requirements of IAS 12 were met, the group offset the current tax assets and liabilities.

Breakdown of "Deferred tax assets"

(€'000)	IRES	IRAP	Other	31/12/2019	31/12/2018
A) Through profit or loss					
Impairment losses on loans and receivables deductible in future years	46,579	4,372	-	50,951	50,951
Accruals and impairment losses deductible in future years	2,061	-	-	2,061	2,082
Fair value gains and losses on financial assets and liabilities deductible in future years	-	-	-	-	-
Deferred tax assets on intragroup gains eliminated during consolidation	-	-	-	-	-
Personnel expense and accruals for post-employment benefits deductible in future years	-	-	-	-	-
Impairment losses on equity investments deductible in future years	-	-	-	-	-
Depreciation of investment property deductible in future years	-	-	-	-	-
Other	2,197	391	-	2,588	2,741
Total A	50,837	4,763	-	55,600	55,774
B) Through equity					
Other	119	16	-	135	280
Total B	119	16	-	135	280
Total (A + B)	50,956	4,779	-	55,735	56,054

Deferred tax assets arise on costs that can be deducted in periods after that in which they are recognised.

10.2 "Tax liabilities: current and deferred": breakdown

Breakdown of "Current tax liabilities"

See section 10 for details of current tax assets.

Breakdown of "Deferred tax liabilities"

Deferred tax liabilities arise on temporary differences between the tax base and carrying amount of assets and liabilities.

10.3 Changes in deferred tax assets (recognised in profit or loss)

(€'000)	2019	2018
1 Opening balance	55,774	48,853
2 Increases	1,243	8,704
2.1 Deferred tax assets recognised in the year	1,243	8,704
a) related to previous years	-	-
b) due to changes in accounting policies	1,226	6,583
c) reversals of impairment losses	-	-
d) other	17	2,121
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3 Decreases	(1,417)	(1,783)
3.1 Deferred tax assets derecognised in the year	(1,417)	(1,783)
a) reversals	(1,417)	(1,783)
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets, including	-	-
as per Law no. 214/2011		
b) other	-	-
4 Closing balance	55,600	55,774

10.3.1 Change in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

(€'000)	2019	2018
1. Opening balance	37,215	37,215
2. Increases	-	-
3. Decreases	-	-
3.1 Reversals	-	-
3.2 Conversion into tax assets	-	-
a) arising on the loss for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	37,215	37,215

The assumptions for the conversion of deferred tax assets into tax assets were not met in 2019.

At the reporting date, the parent has deferred tax assets that cannot be converted of €6,805 thousand (type 2 deferred tax assets). Their initial and subsequent recognition in the consolidated financial statements requires management's judgement about their recovery, which could be adversely affected by circumstances that management is not currently able to foresee, such as changes in the current tax laws, the macroeconomic scenario or market that would require it to update the assumptions underlying its judgement. Accordingly, the parent monitors the recoverability of its deferred tax assets that cannot be converted into tax assets on a regular basis.

As it performed the probability test at the reporting date, the group deems that the recoverability assumptions are met and, therefore, it can continue to recognise the deferred tax assets.

10.4 Changes in deferred tax liabilities (recognised in profit or loss)

None.

10.5 Changes in deferred tax assets (recognised in equity)

(€'000)	2019	2018
1 Opening balance	280	489
2 Increases	-	-
2.1 Deferred tax assets recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3 Decreases	(145)	(209)
3.1 Deferred tax assets derecognised in the year	(145)	(209)
a) reversals	(145)	(209)
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4 Closing balance	135	280

10.6 Changes in deferred tax liabilities (recognised in equity)

None.

Section 12 - Other assets - Caption 120

12.1 Other assets: breakdown

(€'000)	31/12/2019	31/12/2018
Tax assets (not classifiable in caption 100)	40,287	54,079
Items in transit	4,744	10,448
Prepayments and accrued income (not classifiable in a specific caption)	5,581	5,049
Other	51,176	40,883
Total	101,788	110,459

"Tax assets" refer to the monthly VAT payments (€11,403 thousand) and the 2013, 2016, 2017 and 2018 VAT assets claimed for reimbursement (€28,368 thousand). In February 2020, the tax authorities reimbursed €21,887 thousand for 2018.

"Prepayments and accrued income (not classifiable in a specific caption)" mostly consist of:

- prepaid insurance premiums of €4,190 thousand on leases;
- prepaid insurance premiums of €11 thousand on loans;
- prepayments of €1,030 thousand for services invoiced in advance which will be received after the reporting date.

"Items in transit" relate to costs that have still to be allocated to the specific captions at year end. The decrease is mostly due to leases agreed towards the end of the year.

"Other" includes amounts due from suppliers for advances on leases.

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Caption 10

1.1 Financial liabilities at amortised cost: breakdown by product

(€'000)	31/12/2019		
	Due to banks	Due to financial companies	Due to customers
1. Loans and borrowings	2,968,664	73,643	222,291
1.1 Repurchase agreements	586,108	-	222,291
1.2 Other loans and borrowings	2,382,556	73,643	-
2. Lease liabilities	149	9,705	2,358
3. Other liabilities	25,082	1,247	58,548
Total	2,993,895	84,595	283,197
Fair value - level 1	-	-	-
Fair value - level 2	-	-	-
Fair value - level 3	2,993,895	84,595	283,197
Total fair value	2,993,895	84,595	283,197

The "Loans and borrowings" line of the "Due to banks" column includes:

- current account facilities of €2,154,301 thousand;
- bank deposits of €114,833 thousand;
- current loans of €30,107 thousand;
- non-current loans of €76,092 thousand.

Due to banks mostly comprises current amounts. The majority of the group's liabilities are with the parent's shareholder banks that have communicated their intention of providing the it with regular liquidity flows.

The "Other liabilities" line of the "Due to customers" column mainly relate to lease prepayments.

For comparative purposes, the table prepared in accordance with Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks) is provided below.

(€'000)	31/12/2018		
	Due to banks	Due to financial companies	Due to customers
1. Loans and borrowings	2,401,165	63,409	-
1.1 Repurchase agreements	249,706	-	-
1.2 Other loans and borrowings	2,151,459	63,409	-
2. Other liabilities	24,955	1,053	60,626
Total	2,426,120	64,462	60,626
Fair value - level 1	-	-	-
Fair value - level 2	-	-	-
Fair value - level 3	2,426,120	64,462	60,626
Total fair value	2,426,120	64,462	60,626

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

(€'000)	31/12/2019				31/12/2018			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Securities								
1. bonds:	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. other securities:	1,332,038	-	-	1,332,038	1,968,197	-	-	1,968,197
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	1,332,038	-	-	1,332,038	1,968,197	-	-	1,968,197
Total	1,332,038	-	-	1,332,038	1,968,197	-	-	1,968,197

Key:
CA: Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Other securities" mainly consist of:

- junior notes of €18,818 thousand related to the banking sub-portfolio;
- accrued expenses of €28 thousand on the notes related to the banking sub-portfolio;
- notes of €174,941 thousand issued as part of the securitisation organised by Alba 6 SPV S.r.l.;
- notes of €118,581 thousand issued as part of the securitisation organised by Alba 8 SPV S.r.l.;
- notes of €386,059 thousand issued as part of the securitisation organised by Alba 9 SPV S.r.l.;
- notes of €632,948 thousand issued as part of the securitisation organised by Alba 10 SPV S.r.l.;
- accrued expenses of €663 thousand on notes issued as part of the parent's securitisations.

1.3 Subordinated liabilities and securities

None.

1.4 Structured liabilities

None.

1.5 Finance lease liabilities

The caption "Lease liabilities - banks" includes a lease of €8 thousand agreed by the group.

Section 6 - Tax liabilities - Caption 60

See section 10 – “Tax assets and liabilities” under Assets.

Section 8 - Other liabilities - Caption 80

8.1 Other liabilities: breakdown

(€’000)	31/12/2019	31/12/2018
Tax liabilities to be paid on behalf of third parties	971	1,008
Amounts due to employees	5,450	6,081
Amounts due to statutory auditors and directors	120	99
Amounts due to social security institutions	1,081	1,068
Trade payables - intragroup	5,076	3,370
Trade payables - third parties	89,077	115,553
Other items in transit	3,299	1,482
Accrued expenses and deferred income (not classifiable in a specific caption)	11,722	11,096
Other	64,633	64,062
Total	**181,429**	**203,819**

“Tax liabilities for amounts to be paid on behalf of third parties” mostly include withholdings.

“Amounts due to employees” relate to:
- accrued holidays and other leave (€5,102 thousand);
- the solidarity fund (€340 thousand).

“Amounts due to statutory auditors and directors” refer to the statutory auditors’ fees outstanding at year end.

“Trade payables” include:
- €2,679 thousand due to group companies;
- €2,397 thousand due to Banco BPM Group companies for sundry services;
- €89,077 thousand for leases signed with suppliers.

“Accrued expenses and deferred income (not classifiable in a specific caption)” principally comprise:
- accrued insurance premiums of €5,622 thousand;
- other accrued expenses and deferred income of €6,100 thousand.

Section 9 – Post-employment benefits – Caption 90

9.1 Post-employment benefits: changes

(€’000)	2019	2018
A. Opening balance	**2,512**	**2,509**
B. Increases	**131**	**80**
B1. Accruals	58	25
B2. Other increases	73	55
C. Decreases	**(44)**	**(77)**
C1. Payments	(44)	(77)
C2. Other decreases	-	-
D. Closing balance	**2,599**	**2,512**

This caption was measured considering the provisions of Law no. 296 of 27 December 2006 (the 2007 Finance Act). Specifically, the calculation was based on the fact that companies with more than 50 employees are required to transfer the entire post-employment benefits of its employees to the special INPS (the Italian social security institution) treasury fund if the employees did not exercise the option to transfer these benefits to supplementary pension funds.

As a result:

- the benefits accruing after 1 January 2007 by employees who opted for the treasury fund and from the month after the option to transfer them to the supplementary pension funds was exercised classify as defined contribution plans and do not require to be calculated by an actuary. This is also true for the benefits of all the employees hired after 31 December 2006, regardless of where they chose to transfer them;
- the benefits vested up to 31 December 2016 continue to be treated as a defined benefit plan as they have fully vested.

Starting from 1 January 2019, the age requirement to become eligible for a pension is 67 years as a result of the mechanism that adjusts the retirement age to changes in life expectancy.
This valuation reflects the limited effects of Law decree no. 4 of 28 March 2019 on urgent measures for minimum income and pensions which re-introduced the possibility for people to retire and receive a pension when they are at least 62 years old and have paid social security contributions for at least 38 years (the “quota 100”). These measures are applicable for three years starting from 1 January 2019.

Actuarial assumptions
The group considered the following in its actuarial model:

- *legislative parameters:* laws and their interpretations;
- *demographic parameters:* the ISTAT (Italian Institute of Statistics) 2017 table for assumptions about death rates and the INPS table for commercial sector employees for disability assumptions (projected to 2010);
- *economic parameters*: the group referred to the Eurosystem staff macroeconomic projections for the euro area of December 2019 (source: European Central Bank) for the inflation rate and the related rate for Italy is 0.7% for 2020, 1.1% for 2021 and 1.3% for 2022. Starting from 2023, the target set by the ECB of an annual 1.7% was used. The salary factor differentiated by service seniority, calculated considering both the price index and variations based on general collectivity and the average salary growth is 0% for the entire period. The legal revaluation of post-employment benefits equal to 75% of the growth rate increased by 1.5 percentage points, i.e., 2.03% for 2020, 2.33% for 2021, 2.48% for 2022 and 2.78% for the subsequent years;
- *financial parameters*: the parameter used is the yields on corporate bonds of issuers with a AA rating, denominated in Euro as reported by Thomson Reuters at 31 December 2019. For maturities after the twentieth year, the group assumed a flat interest rate maturity curve, i.e., with rates all equal to the rate for the twentieth year.

9.2 Other information

None.

Section 10 – Provisions for risks and charges - Caption 100

10.1 Provisions for risks and charges: breakdown

(€'000)	31/12/2019	31/12/2018
1. Loan commitments and financial guarantees given	1,091	916
2. Other commitments and other guarantees given	-	-
3. Pension and similar provisions	-	-
4. Other provisions	1,803	2,391
4.1 legal and tax disputes	1,803	2,391
4.2 personnel expense	-	-
4.3 other	-	-
Total	2,894	3,307

The following should be noted:
1. On 14 March 2012, the tax authorities notified the parent of an assessment notice for registration tax based on the alleged omission of the statement of compliance with the conditions precedent provided for in the transfer deed between Banca Italease and the parent, signed on 24 December 2009. This agreement covered the return of financial assets of €3,492 thousand (agreements as per article "II.d2g" related to financial assets held for trading as per annex "O") and loans and receivables of €170,919 thousand (agreements as per article "II.F.2" and II.F.3" for loans and receivables assigned that did not meet the requirements as per the guarantees given by the assignor). The Lombardy Tax Commission confirmed the first level ruling issued by the Milan Provincial Tax Commission, fully accepting the defence brief presented by the parent. The hearing was held on 25 November 2014.
Therefore, the tax authorities' appeal was rejected with the ruling filed on 4 March 2015 and cancellation of the assessment notice was confirmed.
Given the significance of the dispute, the tax authorities challenged the Regional Tax Commission's ruling before the Supreme Court and notified the parent of its appeal on 5 October 2015. The parent's lawyers presented its counter appeal on 12 November 2015.
Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportuneness of eliminating the potential risk of having to pay the assessed amount. Therefore, it paid €43.6 thousand on 27 May 2019.
Accordingly, the parent did not deem it necessary to provide for this dispute in accordance with the IFRS.

2. The tax authorities notified the parent of an IRES assessment notice for 2009 after completion of its audit on 20 December 2013. The authorities added back costs of €1,048 thousand to the tax base, which is the 2009 deductible portion of the impairment losses which had allegedly not been calculated correctly in accordance with article 106.3 of the Consolidated Income Tax Act.
According to their interpretation of the above article, the tax authorities found that the parent had incorrectly included the following costs in the deductible impairment losses on loans and receivables:

- €86 thousand, equal to 0.30% of the transferred loans, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements;
- €690 thousand, equal to 0.30% of the loans covered by the agreement on securitised assets, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements;
- €271 thousand, equal to 0.30% of the trade receivables transferred related to five contracts entered into with the customers Romana Investimenti Immobiliare and

Fagioli Immobiliare, alleged to be inexistent as they related to purchases made as part of a fraud, already covered by the mutually-agreed assessment settlement between the tax authorities and Banca Italease S.p.A. for 2005, 2006 and 2007.

The parent paid taxes of €288 thousand (equal to 27.5% of €1,048 thousand).
It paid interest of €46 thousand (plus interest equal to 4% of the payments after 3 June 2014) and fines of €288 thousand.
The Lombardy Regional Tax Commission confirmed the first level ruling handed down by the Milan Provincial Tax Commission, fully accepting the parent's defence brief. The hearing was held on 24 October 2016.
Therefore, the tax authorities' appeal was rejected with the ruling filed on 14 July 2017 and cancellation of the assessment notice was confirmed.
Given the significance of the dispute, the tax authorities challenged the Regional Tax Commission's ruling before the Supreme Court and notified the parent of its appeal on 14 February 2018. The parent's lawyers presented its counter appeal on 22 March 2018.
Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportuneness of eliminating the potential risk of having to pay the assessed amount. Therefore, it paid €14.4 thousand on 27 May 2019.
The parent did not deem it necessary to provide for this dispute in accordance with the IFRS.

3. The tax authorities notified the parent of an IRES assessment notice for 2010 after completion of its audit on 20 December 2013. The authorities added back costs of €1,132 thousand to the tax base, which is the 2010 deductible portion of the impairment losses which had allegedly not been calculated correctly in accordance with article 106 of the Consolidated Income Tax Act.
The tax authorities found that the parent had incorrectly included the following costs in the deductible impairment losses on loans and receivables according to their interpretation of the above article:

- €465 thousand, equal to 0.30% of the loans and receivables transferred, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements;
- €402 thousand, equal to 0.30% of the loans and receivables covered by the agreement on securitised assets, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements;
- €265 thousand, equal to 0.30% of the trade receivables transferred related to five contracts entered into with the customers Romana Investimenti Immobiliare and Fagioli Immobiliare, alleged to be inexistent as they related to purchases made as part of a fraud, already covered by the mutually-agreed assessment settlement between the tax authorities and Banca Italease S.p.A. for 2005, 2006 and 2007.

The parent paid taxes of €311 thousand (equal to 27.5% of €1,132 thousand).
It paid interest of €54 thousand (plus interest equal to 3.5% of the payments after 20 June 2015) and fines of €373 thousand.
The Lombardy Regional Tax Commission confirmed the first level ruling handed down by the Milan Provincial Tax Commission, fully accepting the parent's defence brief. The hearing was held on 19 October 2018.
Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by per article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportuneness of eliminating the potential risk of having to pay the assessed amount. Therefore, it paid €124.5 thousand on 27 May 2019.
The parent did not deem it necessary to provide for this dispute in accordance with the IFRS.

4. On 23 October 2018, the large taxpayers office of the Lombardy regional tax department sent a VAT assessment notice no. TMB066Z00645 for 2013 assessing higher VAT, fines and interest for €237.1 thousand as a result of its audit and request for documentation in relation to the parent's 2013, 2016 and 2017 VAT assets claimed for reimbursement. The office challenged the incorrect invoicing of finance lease payments to Sacmi Cooperative

Meccanici Imola s.c. for the lease of real estate. Specifically, the parent had received the correct statement of intent and had applied the non-taxable regime to its invoices as per article 8.1.c of Presidential decree no. 633/72. On 15 July 2019, the Provincial Tax Commission rejected the parent's appeal with its ruling filed on 14 October 2019. The parent has appealed this ruling before the Lombardy Regional Tax Commission.
On the basis of assumptions underlying the tax office's allegations and despite the unfavourable first level ruling, the parent has not made any provision for this dispute in accordance with the IFRS based on the opinion expressed by its lawyers that found the risk of losing the case possible but not probable.

5. On 30 September 2019, the large taxpayers office of the Lombardy regional tax department served the parent VAT assessment notices nos TMB036Z00188, TMB036Z00191 and TMB066Z00203 for 2014, 2015 and 2016, respectively, assessing higher taxes, fines and interest of €810.7 thousand as a result of its audit and request for documentation in relation to the parent's 2013, 2016 and 2017 VAT assets claimed for reimbursement. The tax office alleged:

- the incorrect invoicing of finance lease payments to Sacmi Cooperative Meccanici Imola s.c. (similarly to that for 2013);
- the incorrect application of the VAT rate (subsidised rate of 10% rather than normal rate of 22%) to the finance lease payments to Vincenzo Muto S.r.l. for an MRI machine.

As it deems that there are reasons of fact and law for considering the assessment notice to be unlawful, on 28 November 2019, the parent filed an appeal for its cancellation and appeared in court before the Milan Provincial Tax Commission on 9 December 2019.
On the basis of assumptions underlying the tax office's allegations, the parent has not made any provision for this dispute in accordance with the IFRS based on the opinion expressed by its lawyers that found the risk of losing the case possible but not probable.

6. On 30 September 2019, on the basis of a communication received from the Genoa provincial tax department, the large taxpayers office of the Lombardy regional tax department sent the parent dispute notice no. TMBCO6Z00034 for 2014, which imposed fines of €70 thousand. It alleged the incorrectness of the invoice issued by Paramed S.r.l., which supplied the MRI machine leased to Vincenzo Mutuo S.r.l. with a finance lease. Specifically, Paramed S.r.l. allegedly applied the subsidised VAT rate of 10% rather than the normal rate of 22% in the invoice.
As it deems that there are reasons of fact and law for considering the assessment notice to be unlawful, on 28 November 2019, the parent filed an appeal for its cancellation and appeared in court before the Milan Provincial Tax Commission on 9 December 2019.
On the basis of assumptions underlying the tax office's allegations, the parent has not made any provision for this dispute in accordance with the IFRS based on the opinion expressed by its lawyers that found the risk of losing the case possible but not probable.

7. As part of the dispute with the Lombardy Regional Authorities about the regional vehicle excise duty, the appeal for 2012 (alleged unpaid amount of €92 thousand) presented by the parent on 19 November 2018 against the Regional Tax Commission's ruling is still pending before the Supreme Court. The Regional Tax Commission did not confirm the first level ruling and found that the assessment notices were lawful ordering the parent to pay the court and legal fees of €5 thousand.
However, with respect to the regional vehicle excise duty for 2013 and 2014 (the disputed amounts are €381 thousand and €309 thousand, respectively), the Lombardy Regional Authorities, which had appealed to the Regional Tax Commission against the first level ruling that had rejected all the assessment notices on 19 January 2019, acknowledged the Supreme Court's tax section's previous decisions and cancelled all the assessment notices sent to the parent as an internal review. Therefore, on 3 February 2020, the Regional Tax Commission stated that it discontinued the case with its ruling filed on 18 February2020 and ordered the Regional Authorities to reimburse the legal fees of €2 thousand as well as the court fee of €75.5 thousand.

On the basis of assumptions underlying the tax authorities' allegations, the parent has not made any provision for this dispute in accordance with the IFRS based on the opinion expressed by its lawyers that found the risk of losing the case possible but not probable.

10.2 Provisions for risks and charges: changes

(€'000)	Loan commitments and other guarantees	Pension and similar provisions	Other provisions	Total
A. Opening balance	916	-	2,391	3,307
B. Increases	881	-	864	1,745
B.1 Accruals	881	-	864	1,745
B.2 Discounting	-	-	-	-
B.3 Changes in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	(706)	-	(1,452)	(2,158)
C.1 Utilisations	-	-	(718)	(718)
C.2 Changes in discount rate	-	-	-	-
C.3 Other decreases	(706)	-	(734)	(1,440)
D. Closing balance	1,091	-	1,803	2,894

The "Utilisations" and "Other decreases" show the amounts used that had been accrued in previous years.

10.3 Provisions for loan commitments and financial guarantees given

(€'000)	Stage 1	Stage 2	Stage 3	Total
1. Loan commitments	250	692	68	1,010
2. Financial guarantees given	5	-	76	81
Total	255	692	144	1,091

10.4 Provisions for other commitments and other guarantees given

None.

10.5 Defined benefit pension and similar provisions

None.

10.6 Other provisions

None.

Section 11 - Equity - Captions 110, 120, 130, 140, 150, 160 and 170

11.1 Share capital: breakdown

	Amount
1. Share capital	
1.1 Ordinary shares	357,953
1.2 Other shares	-

The parent's fully subscribed and paid-up share capital of €357,953,058.37 comprises 353,450,000 shares without a par value.

11.2 Treasury shares: breakdown

None.

11.3 Equity instruments: breakdown

None.

11.4. Share premium: breakdown

	Amount
Share premium	105,000

On 30 November 2009, in their extraordinary meeting, the shareholders resolved to increase the parent's share capital against payment for a nominal €250,000 thousand with a share premium of €105,000 thousand.

11.5 Other information

Availability and possible distribution of equity captions

	Amount	Possible use	Available portion
Share capital	357,953		
Equity-related reserves			
Reserve for treasury shares	-	---	
Share premium	105,000	A,B	-
Income-related reserves:			
Legal reserve	1,144	B	
Extraordinary reserve	-		
Losses carried forward	(61,152)	---	
Other reserves	(325)	---	
Profit for the year	**4,825**		
Total	**407,445**		-
Residual distributable portion			

Key:
A = share capital increase
B = to cover losses
C= dividend distribution

In accordance with article 2431 of the Italian Civil Code, the share premium can only be distributed to the shareholders when the legal reserve equals 20% of share capital. As this requirement is not met, it cannot be distributed.

Other information

1. Loan commitments and financial guarantees given (other than those designated at fair value)

(€'000)	Nominal amount of loan commitments and financial guarantees given			Total 31/12/2019	Total 31/12/2018
	Stage 1	Stage 2	Stage 3		
1. Loan commitments	377,495	159,311	271	537,077	598,236
a) Public administrations	151	-	-	151	-
b) Banks	-	-	-	-	-
c) Other financial companies	787	926	-	1,713	973
d) Non-financial companies	372,019	153,349	271	525,639	577,904
e) Households	4,538	5,036	-	9,574	19,359
2. Financial guarantees given	2,102	399	152	2,653	2,867
a) Public administrations	-	-	-	-	-
b) Banks	-	-	-	-	-
c) Other financial companies	-	-	-	-	-
d) Non-financial companies	2,102	399	152	2,653	2,867
e) Households	-	-	-	-	-

2. Other commitments and other guarantees given

(€'000)	Nominal amount	
	31/12/2019	31/12/2018
1. Other financial guarantees given		
including: non-performing		
a) Public administrations	-	-
b) Banks	-	-
c) Other financial companies	-	-
d) Non-financial companies	-	-
e) Households	-	-
2. Other loan commitments		
including: non-performing		
a) Public administrations	-	-
b) Banks	45,585	59,398
c) Other financial companies	-	-
d) Non-financial companies	-	-
e) Households	-	-

The loan commitments relate to the amounts due from the segregated assets managed by the securitisation vehicles and recognised in accordance with the agreement on securitised assets for the part related to the banking sub-portfolio. More information is available in Section 4 - Other aspects of Part A - Accounting policies.

3. Offset financial assets or assets subject to master netting agreements or similar agreements

None.

4. Offset financial liabilities or liabilities subject to master netting agreements or similar agreements

None.

5. Securities lending

None.

6. Jointly controlled assets

None.

Part C – Notes to the income statement

(€'000)

Section 1 - Interest - Captions 10 and 20

1.1 1.1 Interest and similar income: breakdown

(€'000)	Debt instruments	Financing	Other	2019	2018
1. Financial assets at fair value through profit or loss:	-	-	-	-	-
1.1. Held for trading	-	-	-	-	-
1.2. Designated at fair value	-	-	-	-	-
1.3. Mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets at amortised cost:					
3.1 Loans and receivables with banks	-	2	X	2	8
3.2 Loans and receivables with financial companies	-	1,048	X	1,048	2,116
3.3 Loans and receivables with customers	33	109,835	X	109,868	111,115
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	1,085	1,085	932
6. Financial liabilities	X	X	X	X	X
Total	33	110,885	1,085	112,003	114,171
including: interest income on non-performing financial assets	-	101,380	-	101,380	104,756
including: interest income on leases	-	109,765	-	109,765	-

"Financing" mostly consists of interest income of €110,885 thousand on finance leases, including:

- €445 thousand on finance leases belonging to the banking sub-portfolio covered by the agreement on securitised loans;
- €9,246 thousand on the non-recourse exposures, i.e., the non-securitised part of the securitised leases.

"Other" mostly consists of:

- interest of €245 thousand accrued on the VAT asset claimed for reimbursement.

Interest accrued on non-performing exposures amounts to €14,175 thousand at the reporting date (including €9,505 thousand for discounting effect described earlier).

1.2 Interest and similar income: other information

None.

1.3 Interest and similar expense: breakdown

(€'000)	Financial liabilities	Securities	Other	2019	2018
1. Financial liabilities at amortised cost					
1.1 Due to banks	12,819	X	-	12,819	10,164
1.2 Due to financial companies	923	X	-	923	446
1.3 Due to customers	124	X	-	124	-
1.4 Securities issued	X	7,250	-	7,250	8,643
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	X	X	1	1	39
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	X	X
Total	13,866	7,250	1	21,117	19,292
including: interest expense on lease liabilities	*247*				

"Due to banks" mostly comprises:

- interest expense of €9,152 thousand on current accounts;
- interest expense and borrowing costs of €764 thousand on loans;
- interest expense of €954 thousand on term deposits;
- interest expense of €1,949 thousand on repurchase agreements entered into for the securitisation notes.

"Securities issued" include interest and financial expense on:

- senior and mezzanine notes related to the banking sub-portfolio covered by the agreement on securitised loans (€363 thousand);
- securitisations performed during the year (€6,887 thousand).

1.4 Interest and similar expense: other information

None.

Section 2 - Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

(€'000)	2019	2018
a) leases	23,078	22,787
b) factoring transactions	-	-
c) consumer credit	-	-
d) guarantees given	32	35
e) services:		
- fund management on behalf of third parties	-	-
- forex trading	-	-
- product distribution	-	-
- others	-	-
f) collection and payment services	-	-
g) servicing of securitisations	61	-
h) other fees and commissions	17	31
Total	23,188	22,853

"Leases" mainly comprise:

- commissions of €11,111 thousand on insurance premiums;
- collection fees of €33 thousand;
- contract management fees of €11,050 thousand.

"Other fees and commissions" refer to loans and other financing.

2.2 Fee and commission expense: breakdown

(€'000)	2019	2018
a) guarantees received	582	557
b) distribution of services by third parties	-	-
c) collection and payment services	390	400
d) other fees and commissions	18,205	17,012
- leases	17,281	16,404
- other	924	608
Total	19,177	17,969

"Other fees and commissions: leases" mostly consist of:

- guarantee commissions of €3,507 thousand given to banks;
- insurance costs of €6,255 thousand;
- contract management costs of €5,287 thousand.

"Other fees and commissions" include costs incurred for the securitisations.

Section 8 – Net impairment losses for credit risk - Caption 130

8.1 Net impairment losses for credit risk associated with financial assets measured at amortised cost: breakdown

(€'000)	Impairment losses (1)			Impairment gains (2)		2019	2018
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3		
		Write-offs	Other				
1. Loans and receivables with banks	(8)	(390)	-	-	-	(398)	(6)
Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-
- factoring	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Other financial assets	(8)	(390)	-	-	-	(398)	(6)
- leases	(8)	(390)	-	-	-	(398)	(6)
- factoring	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
2. Loans and receivables with financial companies	(185)	-	(2,829)	11	427	(2,576)	(974)
Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-
- factoring	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Other financial assets	(185)	-	(2,829)	11	427	(2,576)	(974)
- leases	(185)	-	(2,584)	11	411	(2,347)	(1,021)
- factoring	-	-	-	-	-	-	-
- other	-	-	(245)	-	16	(229)	47
3. Loans and receivables with customers	(19,357)	(8,121)	(50,327)	29,020	20,791	(27,994)	(30,388)
Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
- leases	-	-	-	-	-	-	-
- factoring	-	-	-	-	-	-	-
- consumer credit	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Other financial assets	(19,357)	(8,121)	(50,327)	29,020	20,791	(27,994)	(30,388)
- leases	(18,482)	(8,083)	(41,404)	28,900	20,487	(18,582)	(29,935)
- factoring	-	-	-	-	-	-	-
- consumer credit	-	-	-	-	-	-	-
- loans against pledges	-	-	-	-	-	-	-
- other	(875)	(38)	(8,923)	120	304	(9,412)	(453)
Total	**(19,550)**	**(8,511)**	**(53,156)**	**29,031**	**21,218**	**(30,968)**	**(31,368)**

The caption presents the net balance of impairment losses and gains.
It shows a cost of risk of approximately 0.58% and includes individual impairment losses of €40.4 million (stage 3) and collective impairment losses of €9.5 million (stages 1 and 2).
As shown in the table in Section 3 - Risks and related hedging policies of Part D as well, total non-performing exposures decreased from €736 thousand at 31 December 2018 to €669 million at the reporting date.
Performing exposures increased from €4,511 million at the end of 2018 to €4,698 million at 31 December 2019.

The group calculated the LGD in accordance with IFRS 9 on a historical and forward-looking macroeconomic basis, as well as performing the workout, to ensure it was more predictive. Its approach was two-pronged:

- preparation of a forecasting model of the loss rates based on the collections/losses achieved/recognised after default and discounted (positions for which the collection procedures had been completed, including because they returned to the performing category - workout approach). The group used the data communicated to Bank of Italy in the supervisory reports calculated by applying the method set out in the central bank's circular no. 284 of 18 June 2013 (Instructions for the preparation of reports on losses historically recognised on defaulting positions, as subsequently amended);
- preparation of a second model (danger rate) which extends the previous estimate to the other default stages based on an analysis of the transfers from the stages to non-performing. This rate is calculated by including the forward-looking component to cover the macroeconomic situation of the subsequent three years.

The LGD is calculated by risk band as well (bad and other non-performing exposures) by macro product and product.

8.2 Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income: breakdown

None.

Section 9 – Net modification losses – Caption 140

9.1 Net modification losses: breakdown

(€'000)	2019	2018
Net modification losses	(58)	(226)
Total	(58)	(226)

Section 10 – Administrative expenses - Caption 160

10.1 Personnel expense: breakdown

(€'000)	2019	2018
1. Employees	**26,450**	**25,824**
a) wages and salaries	18,571	18,285
b) social security charges	5,417	5,300
c) post-employment benefits	88	91
d) pension costs	-	-
e) accrual for post-employment benefits	28	25
f) accrual for pension and		
similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary		
pension funds:	1,226	1,207
- defined contribution plans	1,226	1,207
- defined benefit plans	-	-
h) other employee benefits	1,120	916
2. Other personnel	**80**	**18**
3. Directors and statutory auditors	**1,232**	**913**
4. Retired personnel	**52**	**10**
5. Cost recoveries for personnel seconded to other companies	**-**	**(228)**
6. Cost reimbursements for personnel seconded to the group	**-**	**101**
Total	**27,814**	**26,638**

"Other personnel" refers to consultants.

The caption "Directors and statutory auditors" includes:

- the directors' fees of €1,001 thousand;
- the statutory auditors' fees of €172 thousand;
- D&O liability insurance policies for the directors and statutory auditors of €59 thousand.

Law decree no. 34/2019 (the "Growth decree"), converted into Law no. 58 of 28 June 2019, amended the disclosure requirements for recipients of public funds (Transparency of public aid) and the related disciplinary measures.
In 2019, the Fondo Banche Assicurazioni (the Italian Bilateral Fund for Lifelong Learning in Banking and Insurance) reimbursed costs of €51 thousand incurred by the parent for its employees' training courses.

10.2 Average number of employees by category

	2019	2018
Employees	290	290
a) managers	10	10
b) junior managers	150	149
c) other employees	130	131
Other personnel	-	-
Total	**290**	**290**

10.3 Other administrative expenses: breakdown

(€'000)	2019	2018
a) building management costs:	740	1,963
- premises leases and maintenance	529	1,673
- cleaning costs	176	147
- utilities	35	143
b) indirect taxes and duties	918	558
c) postal, telephone, printing and other office costs	407	392
d) maintenance and costs for furniture, equipment and systems	1,164	966
e) professional and consultancy services	5,044	4,265
f) third party services	6,702	7,308
g) advertising, entertainment and gifts	898	935
h) insurance premiums	340	247
i) transport, hires and travel	895	1,139
l) other costs	1,393	2,523
Total	18,501	20,296

Sub-caption "l) other costs" mostly comprises the costs incurred and to be incurred for the agreement on securitised loans.

Section 11 - Net accruals to provisions for risks and charges - Caption 170

11.1 Net accruals for credit risk associated with loan commitments and financial guarantees given: breakdown

(€'000)	Accruals	Reversals	2019	2018
1. Loan commitments	(854)	695	(159)	(223)
2. Financial guarantees given	(26)	11	(15)	(62)
Total	(880)	706	(174)	(285)

11.2 Net accruals for other commitments and other guarantees given: breakdown

None

11.3 Net accruals to other provisions for risks and charges: breakdown

(€'000)	Accruals	Reclassifications	31/12/2019	31/12/2018
1. Accruals to pension fund	-	X	-	-
2. Accruals to other provisions for risks and charges	(886)	734	(152)	(42)
a) legal disputes	(886)	734	(152)	(42)
b) personnel expense	-	-	-	-
c) other	-	-	-	-
Total	(886)	734	(152)	(42)

Section 12 - Depreciation and net impairment losses on property, equipment and investment property - Caption 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

(€'000)	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a+b-c)
A. Property, equipment and investment property				
A.1 Operating assets	(1,642)	-	-	(1,642)
- Owned	(120)	-	-	(120)
- Right-of-use assets	(1,522)	-	-	(1,522)
A.2 Investment property	(427)	-	-	(427)
- Owned	(427)	-	-	(427)
- Right-of-use assets	-	-	-	-
A.3 Inventories	X	-	-	-
Total	(2,069)	-	-	(2,069)

Section 13 - Amortisation and net impairment losses on intangible assets - Caption 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

(€'000)	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a+b-c)
1. Intangible assets other than goodwill	(1,817)	-	-	(1,817)
1.1. Owned	(1,817)	-	-	(1,817)
1.2. Right-of-use assets	-	-	-	-
2. Assets under finance lease	-	-	-	-
3. Assets under operating lease	-	-	-	-
Total	(1,817)	-	-	(1,817)

The impairment losses on owned intangible assets mostly refer to the customer relationships of with Credito Valtellinese for €1,058 thousand (see Part B - Notes to the statement of financial position - Assets - Section 9 - Intangible assets - Caption 90).

Section 14 – Other operating expenses, net - Caption 200

14.1 Other operating expense: breakdown

(€'000)	2019	2018
a) amortisation and depreciation of leasehold improvements	-	-
b) other	(9,559)	(9,123)
Total	(9,559)	(9,123)

"Other" mainly consists of:

- the transaction costs of €3,516 thousand for unsecuritised payments of the securitised exposures, transferred in 2009 or repurchased during the year and the exposures included in the banking sub-portfolio covered by the agreement on securitised loans.

14.2 Other operating income: breakdown

(€'000)	2019	2018
a) reimbursement of income taxes	803	984
b) recovery of expenses	686	562
c) other	2,378	4,003
Total	3,867	5,549

"Other" mainly consists of:

- the transaction revenue of €1,884 thousand for unsecuritised payments of the securitised exposures, transferred in 2009 or repurchased during the year and the exposures included in the banking sub-portfolio covered by the agreement on securitised loans.

Section 18 - Net gains (losses) on sales of investments - Caption 250

18.1 Net gains (losses) on sales of investments: breakdown

(€'000)	2019	2018
A. Property	(54)	-
- Gains on sales	-	-
- Losses on sales	(54)	-
B. Other assets	37	1
- Gains on sales	37	1
- Losses on sales	-	-
Net gains (losses) on sales of investments	(17)	1

The caption includes gains and losses on the sale of assets that had been subject to finance leases.

Section 19 – Income taxes – Caption 270

19.1 Income taxes: breakdown

(€'000)	2019	2018
1. Current taxes i (-)	(2,812)	(4,382)
2. Change in current taxes of previous years (+ / -)	-	-
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+ / -)	(347)	128
5. Change in deferred tax liabilities (+ / -)	-	-
6. Income taxes (-) (-1 +/-2 +3 +3bis +/-4 +/-5	(3,159)	(4,254)

The income taxes are an estimate of the tax expense for the year calculated using the ruling tax regulations.

19.2 - Reconciliation between the theoretical and effective tax expense

The table provides a reconciliation between theoretical and effective tax rates and the income tax expense for the year.

(€'000)	Tax base	IRES	Tax base	IRAP
PRE-TAX PROFIT	7,634			
Theoretical tax expense		2,099		
Theoretical tax rate		27.50%		
OPERATING PROFIT			13,152	
Theoretical tax expense				733
Theoretical tax rate				5.57%
Taxable temporary differences				
Deductible temporary differences	4,045	1,112	(501)	(28)
Reversal of prior year temporary differences:				
Cancellation of taxable temporary differences	-	-		
Cancellation of deductible temporary differences	(4,585)	(1,261)	-	-
Permanent differences	939	258	(1,810)	(101)
IRES TAX BASE	8,033			
Effective IRES		2,208		
Effective tax rate		28.92%		
IRAP TAX BASE			10,841	
Effective IRAP				604
Effective tax rate				4.59%

Section 20 – Post-tax profit from discontinued operations - Caption 290

20.1 Post-tax profit from discontinued operations: breakdown

(€'000)	2019	2018
Profit from discontinued operations	522	676
Income taxes	(173)	(223)
Post-tax profit from discontinued operations	349	453

In November 2019, the group transferred non-performing loans to a major counterpart.
Their nominal amount was €37.8 million.

Section 21 – Income statement: other information

21.1 Breakdown of interest income and fee and commission income

	Interest income			Fee and commission income			2019	2018
	Banks	Financial companies	Customers	Banks	Financial companies	Customers		
1. Finance leases	1	1,287	108,477	1	32	23,045	132,843	135,499
- real estate	1	1,259	52,064	-	23	4,028	57,375	59,276
- chattels	-	28	55,170	-	9	18,088	73,295	74,396
- plant and machinery	-	-	1,243	1	-	929	2,173	1,827
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	-	-	-	-	-	-	-
- of existing loans and receivables	-	-	-	-	-	-	-	-
- of future loans and receivables	-	-	-	-	-	-	-	-
- of loans to which title has been acquired	-	-	-	-	-	-	-	-
- of loans and receivables acquired at a price below their	-	-	-	-	-	-	-	-
original amount	-	-	-	-	-	-	-	-
- of other loans	-	-	-	-	-	-	-	-
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Loans against pledges	-	-	-	-	-	-	-	-
5. Financial guarantees and loan commitments	-	-	-	-	-	32	32	35
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	32	32	35
Total	1	1,287	108,477	1	32	23,077	132,875	135,534

21.2 Other information

None.

Part D – Other information

Section 1 – The group's operations

A. Leases (lessor)

Qualitative disclosure

The lease contracts agreed by the parent provide for the transfer of the risks incidental to ownership of the leased asset to the lessee and, therefore, it manages the credit risk. Section 3.1 - Credit risk of this Part D provides more information in this respect.
With respect to the IFRS 16 in-scope leases, the underlying assets are all insured and the risk of the leased assets is transferred to the insurance company.

A.1 – Information on the statement of financial position and income statement

Reference should be made to Part B (Notes to the statement of financial position - Section 4 - Financial assets at amortised cost) and Part C (Notes to the income statement - Section 1 - Interest - Caption 10) of these consolidated financial statements for information about the investment in the lease.

A.2 – Finance leases

A.2.1 - Maturity analysis of lease payments receivable and non-performing exposures. Reconciliation of lease payments receivable with net investment in the lease recognised under assets

The net investment in the lease is equal to the lease payments receivable (principal and interest) plus any unguaranteed residual value accruing to the lessor.

(€'000)	31/12/2019		
	Lease payments receivable		Total
	Non-performing exposures	Performing exposures	
Up to 1 year	66,765	1,050,783	1,117,548
From 1 to 2 years	62,917	905,765	968,682
From 2 to 3 years	52,399	740,303	792,702
From 3 to 4 years	38,046	493,607	531,653
From 4 to 5 years	26,737	324,028	350,765
After 5 years	124,076	1,056,664	1,180,740
Total	370,940	4,571,150	4,942,090
Reconciliation			
Unearned financial income (-)	26,583	327,861	
Unguaranteed residual value (-)	74,852	463,024	
Net investment in the lease	430,591	4,261,649	

The balances are net of impairment losses.
The figures do not include balances for assets being readied for lease and not yet leased.

For comparative purposes, the table prepared in accordance with Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks) is provided below.

Maturity analysis of non-performing exposures, minimum payments and gross investments in the lease

(€'000)	31/12/2018					
	Non-performing exposures	Minimum payments			Gross investments	
		Principal		Interest		
			including: guaranteed residual value			including: unguaranteed residual value
- on demand	297,104	70,728	-	7,944	78,672	1,070
- up to 3 months	3,931	159,641	-	17,319	176,960	1,799
- from 3 months to 1 year	24,117	668,555	-	66,366	734,921	10,730
- from 1 to 5 years	133,451	2,217,074	-	187,593	2,404,667	173,286
- after five years	7,111	992,922	-	78,523	1,071,445	266,094
- open term	169	-	-	-	-	-
Total	465,883	4,108,920	-	357,745	4,466,665	452,979

A.2.2 – Classification of net investments in the lease by quality and type of underlying asset

(€'000)	Performing exposures		Non-performing exposures	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. Real estate:	1,974,817	1,917,463	341,035	376,109
- Land	-	-	-	-
- Buildings	1,974,817	1,917,463	341,035	376,109
B. Plant and machinery	433,350	1,556,274	9,817	68,897
C. Chattels:	1,859,952	635,183	77,796	20,877
- Automotive	104,389	564,881	2,876	12,211
- Maritime and aviation and railway	67,160	70,302	5,373	8,666
- Other	1,688,403	-	69,547	-
D. Intangible assets:	-	-	-	-
- Trademarks	-	-	-	-
- Software	-	-	-	-
- Other	-	-	-	-
Total	4,268,119	4,108,920	428,648	465,883

A.2.3 – Classification of assets under finance lease

(€'000)	Assets for which the purchase option has not been exercised		Assets withdrawn after lease termination		Other assets	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. Real estate	-	-	9,571	10,642	-	-
- Land	-	-	-	-	-	-
- Buildings	-	-	9,571	10,642	-	-
B. Plant and machinery	-	-	-	-	-	-
C. Chattels	-	-	-	-	-	-
- Automotive	-	-	-	-	-	-
- Maritime and aviation and railway	-	-	-	-	-	-
- Other	-	-	-	-	-	-
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Total	-	-	9,571	10,642	-	-

A.2.4 - Other disclosures

The group's leases are nearly entirely all finance leases, agreed in line with the finance lease market practices.

Its income statement does not include significant variable payments (that depend on an index or a rate). The group applies repayment plans that rematch the plan index to the reference index.

A.2.4.1 Leaseback transactions

	No. of contracts	Lease payments receivable 31/12/2019 *(€'000)*
Leaseback transactions		
- real estate	70	85,744
- plant and machinery	76	11,907
- chattels	31	3,157
- other	-	-
Total	177	100,808

A.3 – Operating leases

A.3.1 – Maturity analysis of lease payments receivable

(€'000)	31/12/2019 Lease payments receivable
Up to 1 year	2,864
From 1 to 2 years	3,125
From 2 to 3 years	2,739
From 3 to 4 years	2,213
From 4 to 5 years	1,210
After 5 years	208
Total	12,359

The balances are net of impairment losses and show the lease payments receivable including the purchase option value (more information is available in section A.3.2 – Other disclosures).
Non-performing operating lease exposures amount to €356 thousand.

Comparative figures are not presented as the information in this table is not required by Bank of Italy's previous measure of 22 December 2017 (Financial statements of IFRS intermediaries other than banks).

A.3.2 - Other disclosures

Operating leases are presented as leases in the group's consolidated financial statements unless a different presentation is specifically required by Bank of Italy's measure of 30 November 2018 (Financial statements of IFRS intermediaries other than banks).
The operating leases entered into by the group have the following terms:

- purchases of the underlying assets may be made if the group already has a lease agreed with the customer;
- the transfer of all risks and rewards of ownership of the leased asset to another party (e.g., the supplier of the assets) as well as the related obligations for the asset's maintenance and assistance;
- the supplier's or other third party's obligation to repurchase the asset when the group cannot re-lease the asset upon termination of the lease term.

D. Loan commitments and financial guarantees given

D.1 – Collateral or personal guarantees given and loan commitments

(€'000)	31/12/2019	31/12/2018
1) First demand financial guarantees	-	-
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
2) Other financial guarantees given	2,653	2,867
a) Banks	-	-
b) Financial companies	-	-
c) Customers	2,653	2,867
3) Commercial guarantees given	-	-
a) Banks	-	-
b) Financial companies	-	-
c) Customers	-	-
4) Loan commitments	537,077	598,236
a) Banks	-	-
i) certain use	-	-
ii) uncertain use	-	-
b) Financial companies	1,713	973
i) certain use	813	973
ii) uncertain use	900	-
c) Customers	535,364	597,263
i) certain use	188,791	379,397
ii) uncertain use	346,573	217,866
5) Commitments underlying credit derivatives: protection sales	-	-
6) Assets pledged as collateral for third party commitments	-	-
7) Other irrevocable commitments	-	-
a) to give guarantees	-	-
b) other	-	-
Total	539,730	601,103

D.2 – Exposures recognised due to enforcement

None.

D.3 – Collateral or personal guarantees given: range of risk taken on and quality

(€'000)	Performing guarantees given				Non-performing guarantees given: Bad guarantees				Other non-performing guarantees			
	Counter-guaranteed		Other		Counter-guaranteed		Other		Counter-guaranteed		Other	
	Gross amount	Total accruals	Gross amount	Total accruals	Gross amount	Total accruals	Gross amount	Total accruals	Gross amount	Total accruals	Gross amount	Total accruals
Guarantees given with assumption of first loss risk	-	-	-	-	-	-	-	-	-	-	-	-
- first demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given with assumption of mezzanine type risk	-	-	-	-	-	-	-	-	-	-	-	-
- first demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees given pro rata	-	-	2,501	(5)	-	-	152	(76)	-	-	-	-
- first demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	2,501	(5)	-	-	152	(76)	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	2,501	(5)	-	-	152	(76)	-	-	-	-

D.4 Collateral or personal guarantees given: counter-guarantees

None.

D.6 Collateral or personal guarantees given with assumption of first risk losses or mezzanine type risk: amount of underlying assets

None.

D.7 Collateral or personal guarantees given under enforcement: stock data

None.

D.8 Collateral or personal guarantees given under enforcement: flow data

None.

D.9 Variations in non-performing collateral or personal guarantees given: bad guarantees

(€'000)	First demand financial guarantees		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Other	Counter-guaranteed	Other	Counter-guaranteed	Other
(A) Gross opening balance	-	-	-	44	-	-
(B) Increases:	-	-	-	108	-	-
b1) transfers from performing guarantees	-	-	-	5	-	-
b2) transfers from other non-performing guarantees	-	-	-	103	-	-
b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	-	-	-	-	-
c1) transfers to performing guarantees	-	-	-	-	-	-
c2) transfers to other non-performing guarantees	-	-	-	-	-	-
c3) enforcements	-	-	-	-	-	-
c4) other decreases	-	-	-	-	-	-
(D) Gross closing balance	-	-	-	152	-	-

D.10 Variation in non-performing collateral or personal guarantees given: other

(€'000)	First demand financial guarantees		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Other	Counter-guaranteed	Other	Counter-guaranteed	Other
(A) Gross opening balance	-	-	-	124	-	-
(B) Increases:	-	-	-	-	-	-
b1) transfers from performing guarantees	-	-	-	-	-	-
b2) transfers from other bad guarantees	-	-	-	-	-	-
b3) other increases	-	-	-	-	-	-
(C) Decreases:	-	-	-	(124)	-	-
c1) transfers to performing guarantees	-	-	-	-	-	-
c2) transfers to bad guarantees	-	-	-	(103)	-	-
c3) enforcements	-	-	-	-	-	-
c4) other decreases	-	-	-	(21)	-	-
(D) Gross closing balance	-	-	-	-	-	-

D.11 Variations in performing collateral or personal guarantees given

(€'000)	First demand financial guarantees		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Other	Counter-guaranteed	Other	Counter-guaranteed	Other
(A) Gross opening balance	-	-	-	2,699	-	-
(B) Increases:	-	-	-	-	-	-
b1) guarantees given	-	-	-	-	-	-
b2) other increases	-	-	-	-	-	-
(C) Decreases:	-	-	-	(198)	-	-
c1) unenforced guarantees	-	-	-	-	-	-
c2) transfers to non-performing guarantees	-	-	-	-	-	-
c3) other decreases	-	-	-	(198)	-	-
(D) Gross closing balance	-	-	-	2,501	-	-

13. Assets pledged as guarantee for liabilities and commitments

None.

D.15 Breakdown of collateral or personal guarantees given by business sector of the guaranteed debtors (guaranteed amount and underlying asset)

(€'000)	Guarantees given with assumption of first loss risk		Guarantees given with assumption of mezzanine type risk		Guarantees given pro rata
	Guaranteed amount	Underlying assets	Guaranteed amount	Underlying assets	Guaranteed amount
- Private sector companies	-	-	-	-	2,653
Total	-	-	-	-	2,653

D.16 Breakdown of collateral or personal guarantees given by geographical segment of the guaranteed debtors (guaranteed amount and underlying asset)

(€'000)	Guarantees given with assumption of first loss risk		Guarantees given with assumption of mezzanine type risk		Guarantees given pro rata
	Guaranteed amount	Underlying assets	Guaranteed amount	Underlying assets	Guaranteed amount
- Lombardy	-	-	-	-	331
- Veneto	-	-	-	-	220
- Tuscany	-	-	-	-	2,102
Total	-	-	-	-	2,653

Section 2 – Securitisations, unconsolidated structured entities (other than securitisation vehicles) and transfers of assets

A. -Securitisation transactions

This section does not cover securitisations in which the group is the originator or when the liabilities issued (e.g., ABS) by the vehicles are subscribed by the parent.

QUALITATIVE DISCLOSURE

The group has set up securitisations in accordance with Law no. 130/99 of performing lease exposures in order to diversity its sources of funding.

With respect to the parent's securitisations, it acts as servicer of the transferred portfolio in accordance with Law no. 130/99. Therefore, it continues to collect and manage the exposures and receives a fee for this service, calculated as a percentage of the amounts collected and managed over the reference period.

Part A - Accounting policies (and specifically Section 4 "Other information - Agreement on securitised loans") provides more information about the securitisations. The group does not have other unconsolidated structured entities.

Characteristics of the securitisations orginated by Alba Leasing S.p.A.

The following tables show the characteristics of the securitisations originated by the parent and the transactions themselves.

Strategy, processes and objectives	Transactions performed to achieve greater diversification of sources of funding
Internal risk measurement and control systems	Each securitisation portfolio is regularly monitored and quarterly reports are prepared as provided for in the transaction's contracts to show details of the receivables' status and collections.
Organisational structure	The parent has set up a control and monitoring unit within the Administration, financial reporting, finance and planning department.
Hedging policies	When deemed appropriate, the vehicles agree basis swaps to hedge the portfolio (and the related back-to-back hedges between the originator and the swap counterparty). At the reporting date, none of the vehicles have agreed these hedges.
Reporting on securitisations	Collections are in line with the forecasts made in the business plan when the notes were issued and, therefore, the return on the tranche equity (including the extra spread) is in line with the expected returns on investments with a similar risk level.

The transactions' characteristics are described below:

(Euro)

Securitisation vehicle name:		Alba 6 SPV S.r.l.
Type of transaction:		Traditional
Originator:		Alba Leasing S.p.A.
Issuer:		Alba 6 S.r.l.
Servicer:		Alba Leasing S.p.A.
Status of the securitised assets:		Performing
Closing date:		18 June 2014
Portfolio's nominal amount:		126,156,716
Portfolio's transfer price:		110,080,807
Other significant information:		Revolving portfolio
Rating agencies:		-
Tranching amount and conditions:		
ISIN	IT0005030744	IT0005030769
ISIN		
Type	Senior	Junior
Class	A	B
Rating (at issue)	unrated	unrated
Listing market	Unlisted	Unlisted
Issue date	27/06/2014 and 27/10/2014	27/06/2014 and 27/10/2014
(Subsequent) issue dates		April 2015, July 2015 and October 2015
Legal maturity	October 2045	October 2045
Call option		one call provided for
Interest rate	Euribor 3 m + 125 b.p. From July 2015 Euribor 3 m + 75 b.p.	Euribor 3 m + 150 b.p.
Subordination level	-	Sub. A
Nominal amount at issue	298,800,000	75,000,000
Closing amount	227,728,703	75,000,000
Note subscribers	Institutional investor	Alba Leasing S.p.A.

(Euro)

Securitisation vehicle name:					ALBA 8 SPV S.r.l.
Type of transaction:					Alba 8 S.r.l.
Originator:					Alba Leasing S.p.A.
Issuer:					Alba 8 S.r.l.
Servicer:					Alba Leasing S.p.A.
Status of the securitised assets:					Performing
Closing date:					19 May 2016
Portfolio's nominal amount:					1,071,485,041
Portfolio's transfer price:					1,015,940,300
Other significant information:					Non-revolving portfolio
Rating agencies:					Dbrs e Moody's
Tranching amount and conditions:					
ISIN	IT0005201881	IT0005201899	IT0005201907	IT0005201915	IT0005201923
ISIN					
Type	Senior	Senior	Mezzanine	Mezzanine	Junior
Class	A1	A2	B	C	J
Rating (at issue)					
Moody's	Aa2 (sf)	Aa2 (sf)	Baa1 (sf)	Baa1 (sf)	unrated
DBRS	AAA (sf)	AAA (sf)	A (low)(sf)	A (low)(sf)	unrated
Year-end rating					
Moody's (updated or confirmed October 2018)	-	Aa3 (sf)	Aa3 (sf)	A1 (sf)	unrated
DBRS (updated or confirmed April 2018)	-	AAA (sf)	A (high)(sf)	A (sf)	unrated
Year-end rating					
Moody's (updated or confirmed June 2019)	-	Aa3	Aa3	Aa3	unrated
DBRS (updated or confirmed April 2019)	-	AAA (sf)	AA (high)	A (sf)	unrated
Listing market	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Unlisted
Issue date	20/06/2016	20/06/2016	20/06/2016	20/06/2016	20/06/2016
Legal maturity	October 39	October 39	October 39	October 39	October 39
Call option	-	-	-	-	-
Interest rate	Euribor 3 m + 65 b.p.	Euribor 3 m + 75 b.p.	Euribor 3 m + 115 b.p.	Euribor 3 m + 150 b.p.	Euribor 3 m + 200 b.p.
Subordination level		Sub A1	Sub A1, A2	Sub A1, A2, B	Sub A1, A2, B, C
Nominal amount at issue	335,300,000	304,800,000	127,000,000	45,700,000	213,300,000
Closing amount	-	-	72,908,732	45,700,000	213,300,000
Note subscribers	Institutional investor	Institutional investor	Institutional investor	Alba Leasing S.p.A.	Alba Leasing S.p.A.

(Euro)

Securitisation vehicle name:					ALBA 9 SPV S.r.l.
Type of transaction:					Traditional
Originator:					Alba Leasing S.p.A.
Issuer:					Alba 9 S.r.l.
Servicer:					Alba Leasing S.p.A.
Status of the securitised assets:					Performing
Closing date:					October 3
Portfolio's nominal amount:					1,152,878,874
Portfolio's transfer price:					1,113,066,279
Other significant information:					Non-revolving portfolio
Rating agencies:					Dbrs, Moody's and Scope
Tranching amount and conditions:					
ISIN	IT0005285231	IT0005285249	IT0005285256	IT0005285264	IT0005285272
ISIN					
Type	Senior	Senior	Mezzanine	Mezzanine	Junior
Class	A1	A2	B	C	J
Rating (at issue)					
Moody's	Aa2 (sf)	Aa2 (sf)	A2 (sf)	Ba2 (sf)	unrated
DBRS	AAA (sf)	AA (high)(sf)	A (high)(sf)	BBB (sf)	unrated
Scope	AAA (sf)	AAA (sf)	A+ (sf)	BBB- (sf)	unrated
Year-end rating (updated or confirmed in October 2018)					
Moody's	-	Aa3	A2 (sf)	Ba2 (sf)	unrated
DBRS	AAA (sf)	AAA (sf)	AA (sf)	BBB (sf)	unrated
Scope	AAA (sf)	AAA (sf)	A+ (sf)	BBB- (sf)	unrated
Year-end rating					
Moody's (updated or confirmed in January 2020)	-	Aa3	Aa3	Baa1 (sf)	unrated
DBRS (updated or confirmed in October 2019)	AAA (sf)	AAA (sf)	AA (high)	A (sf)	unrated
Scope	AAA (sf)	AAA (sf)	A+ (sf)	BBB- (sf)	unrated
Listing market	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Unlisted
Issue date	30/10/2017	30/10/2017	30/10/2017	30/10/2017	30/10/2017
Legal maturity	March 2038	March 2038	March 2038	March 2038	March 2038
Call option	-	-	-	-	-
Interest rate	Euribor 3 m + 32 b.p.	Euribor 3 m + 52 b.p.	Euribor 3 m + 101 b.p.	Euribor 3 m + 132 b.p.	Euribor 3 m + 150 b.p.
Subordination level		Sub A1	Sub A1, A2	Sub A1, A2, B	Sub A1, A2, B, C
Nominal amount at issue	478,600,000	233,800,000	145,800,000	100,200,000	164,300,000
Closing amount	-	165,745,847	145,800,000	100,200,000	164,300,000
Note subscribers	Institutional investor	Institutional investor	Institutional investor	Institutional investor and Alba Leasing S.p.A.	Alba Leasing S.p.A.

(Euro)

Securitisation vehicle name:					ALBA 10 S.r.l.
Type of transaction:					Traditional
Originator:					Alba Leasing S.p.A.
Issuer:					Alba 10 S.r.l.
Servicer:					Alba Leasing S.p.A.
Status of the securitised assets:					Performing
Closing date:					6 November 2018
Portfolio's nominal amount:					987,293,626
Portfolio's transfer price:					950,696,913
Other significant information:					Non-revolving portfolio
Rating agencies:					Dbrs, Moody's and Scope
Tranching amount and conditions:					
ISIN	IT0005352676	IT0005352684	IT0005352692	IT0005352700	IT0005352718
ISIN					
Type	Senior	Senior	Mezzanine	Mezzanine	Junior
Class	A1	A2	B1	C	J
Rating (at issue)					
DBRS	AAA	AA (high)	A (high)	BBB	unrated
Moody's	Aa3	Aa3	A3	Ba2	unrated
Scope	AAA	AAA	A+	BBB-	unrated
Year-end rating					
DBRS (updated or confirmed in November 2019)	AAA	AAA	AA (high)	A (low)	unrated
Moody's (updated or confirmed in January 2020)	Aa3	Aa3	A2 (sf)	Ba2	unrated
Scope	AAA	AAA	A+	BBB-	unrated
Listing market	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Dublin stock exchange	Unlisted
Issue date	29/11/2018	29/11/2018	29/11/2018	29/11/2018	29/11/2018
Legal maturity	October 2038	October 2038	October 2038	October 2038	October 2038
Call option	-	-	-	-	-
Interest rate	Euribor 3 m 360 + 40 b.p.	Euribor 3 m 360 + 70 b.p.	Euribor 3 m 360 + 110 b.p.	Euribor 3 m 360 + 160 b.p.	Euribor 3 m 360 + 175 b.p.
Subordination level		Sub A1	Sub A1, A2	Sub A1, A2, B1	Sub A1, A2, B1, C
Nominal amount at issue	408,400,000	200,000,000	130,000,000	75,000,000	145,434,000
Closing amount	228,593,773	200,000,000	130,000,000	75,000,000	145,434,000
Note subscribers	Institutional investor	Institutional investor	Alba Leasing S.p.A.	Alba Leasing S.p.A.	Alba Leasing S.p.A.

B. Quantitative disclosure

C.1 Exposures arising from securitisations broken down by quality of the underlying asset

)	Cash exposure						Guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount	Gross amount	Carrying amount
A. With own underlying assets:																		
a) Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	25,200	25,200	601,117	599,196	-	-	-	-	-	-	-	-	-	-	-	-
B. With third party underlying assets:																		
a) Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	25,200	25,200	601,117	599,196	-	-	-	-	-	-	-	-	-	-	-	-

The amount shown in the “Other” line is the balance of the junior notes subscribed by the parent, offset against the liability to the SPV, including the accrued interest on the deferred purchase price (DPP).

2. Exposures arising from the group's securitisations broken down by type of securitised asset and exposure

(€'000)	On-statement of financial position						Guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses	Carrying amount	Impairment losses/reversals of impairment losses
A. Fully derecognised																		
Assignee/type																		
- *Type of underlying exposure*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised																		
Assignee/type																		
- *Type of underlying exposure*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	25,200	-	599,196	-	-	-	-	-	-	-	-	-	-	-	-	-
C.1 Alba 6 SPV S.r.l.																		
Lease payments - Automotive / Plant and machinery /																		
Real estate / Maritime and aviation and railway	-	-	-	-	75,001	-	-	-	-	-	-	-	-	-	-	-	-	-
C.2 Alba 8 SPV S.r.l.																		
Lease payments Automotive / Plant and machinery /																		
Real estate / Maritime and aviation and railway	-	-	-	-	213,328	-	-	-	-	-	-	-	-	-	-	-	-	-
C.3 Alba 9 SPV S.r.l.																		
Lease payments Automotive / Plant and machinery /																		
Real estate / Maritime and aviation and railway	-	-	25,200	-	164,787	-	-	-	-	-	-	-	-	-	-	-	-	-
C.4 Alba 10 SPV S.r.l.																		
Lease payments Automotive / Plant and machinery /																		
Real estate / Maritime and aviation and railway	-	-	-	-	146,080	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	25,200	-	599,196	-	-	-	-	-	-	-	-	-	-	-	-	-

3. Total amount of securitised assets underlying the junior notes or other forms of credit support

(€'000)

		Traditional securitisations	Synthetic securitisations
A.	**Own underlying assets**	1,979,807	-
A.1	**Fully derecognised**	-	
	1. Bad	-	-
	2. Unlikely to pay	-	-
	3. Non-performing past due	-	-
	5. Other assets	-	-
A.2	**Partly derecognised**	-	
	1. Bad	-	-
	2. Unlikely to pay	-	-
	3. Non-performing past due	-	-
	5. Other assets	-	-
A.3	**Not derecognised**	1,979,808	-
	1. Bad	10,764	-
	2. Unlikely to pay	36,711	-
	3. Non-performing past due	344	-
	5. Other assets	1,931,989	-
B.	**Third party underlying assets**	-	-
	1. Bad	-	-
	2. Unlikely to pay	-	-
	3. Non-performing past due	-	-
	5. Other assets	-	-
	Total	1,979,808	-

The balances are net of impairment losses, if any.

4. Servicer - Collection of securitised exposures and redemptions of notes issued by the securitisation SPV

(€'000)

Servicer	SPV	Securitised assets at 31.12.2019		Exposures collected during the year		Percentage of notes redeemed at 31.12.2019					
						Senior		Mezzanine		Junior	
		Performing	Non-performing	Performing	Non-performing	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets
Alba Leasing S.p.A.	Alba 6 SPV S.r.l.	265,145	41	57,579	1,042	23.2%	-	0.0%	-	0.0%	-
Alba Leasing S.p.A.	Alba 8 SPV S.r.l.	333,504	14,955	165,804	3,922	100.0%	-	31.3%	-	0.0%	-
Alba Leasing S.p.A.	Alba 9 SPV S.r.l.	583,601	22,207	260,396	4,280	61.0%	-	0.0%	-	0.0%	-
Alba Leasing S.p.A.	Alba 10 SPV S.r.l.	749,738	10,617	223,891	1,180	29.6%	-	0.0%	-	0.0%	-
Total		1,931,988	47,820	707,670	10,424						

The group has not given guarantees or credit facilities for the securitisations.
In addition to the lease payments receivable, the group also transferred the final purchase option of the transferred contracts.
The balances are net of impairment losses, if any.
During the year, the group closed the securitisations performed by Alba 7 SPV S.r.l. (in September 2019) and Sunny 1 SPV S.r.l. (in December 2019) by fully redeeming the notes issued and accrued interest.

Breakdown of securitised assets by geographical segment

Securitisation Alba 6 SPV S.r.l.
(€'000)

Alba 6	31/12/2019
North	147,585
Centre	85,672
South and Islands	33,474
Total	266,731

The balances are net of impairment losses, if any.

Securitisation Alba 8 SPV S.r.l.
(€'000)

Alba 8	31/12/2019
North	241,136
Centre	72,266
South and Islands	44,320
Total	357,722

The balances are net of impairment losses, if any.

Securitisation Alba 9 SPV S.r.l.
(€'000)

Alba 9	31/12/2019
North	376,816
Centre	129,091
South and Islands	109,987
Total	615,894

The balances are net of impairment losses, if any.

Securitisation Alba 10 SPV S.r.l.
(€'000)

Alba 10	31/12/2019
North	486,328
Centre	152,878
South and Islands	129,735
Total	768,941

The balances are net of impairment losses, if any.

Securitisation Alba 10 SPV S.r.l.
(€'000)

Alba 11	31/12/2019
North	624,264
Centre	180,903
South and Islands	176,813
Total	981,980

Breakdown of securitised assets by business segment

Securitisation Alba 6 SPV S.r.l.
(€'000)

Alba 6	31/12/2019
Family businesses	3,181
Households	18,128
Insurance companies	379
Financial companies	5,445
Non-financial companies	318,568
Other government agencies	-
Other operators	9
Banks	9
Units that cannot be classified and are not classified	-
Total	345,719

The balances are net of impairment losses, if any.

Securitisation Alba 8 SPV S.r.l.
(€'000)

Alba 8	31/12/2019
Family businesses	42,227
Households	1,451
Insurance companies	1,227
Financial companies	1,575
Non-financial companies	467,576
Other government agencies	-
Other operators	1,745
Banks	-
Units that cannot be classified and are not classified	15
Total	515,816

The balances are net of impairment losses, if any.

Securitisation Alba 9 SPV S.r.l.
(€'000)

Alba 9	31/12/2019
Family businesses	65,125
Households	3,026
Insurance companies	1,946
Financial companies	964
Non-financial companies	788,799
Other government agencies	-
Other operators	2,233
Banks	-
Units that cannot be classified and are not classified	33
Total	862,126

The balances are net of impairment losses, if any.

Securitisation Alba 10 SPV S.r.l.

(€'000)

Alba 10	31/12/2019
Family businesses	64,874
Households	10,961
Insurance companies	1,918
Financial companies	4,175
Non-financial companies	889,987
Other government agencies	30
Other operators	1,784
Banks	-
Units that cannot be classified and are not classified	-
Total	973,729

The balances are net of impairment losses, if any.

B. Unconsolidated structured entities (other than securitisation SPVs)

None.

C. Transfers

C.1 - Financial assets transferred and not fully derecognised

QUALITATIVE DISCLOSURE

The group transfers lease payments receivable from customers to the securitisation vehicles Alba 6, Alba 8, Alba 9 and Alba 10.

This section does not cover securitisations in which the group is the originator or when the liabilities issued (e.g., ABS) by the vehicle are subscribed by the parent.

QUANTITATIVE DISCLOSURE

C.1.1 Financial assets transferred and recognised in full and associated financial liabilities: carrying amount

(€'000)	Financial assets transferred and recognised in full				Associated financial liabilities		
	Carrying amount	of which: securitised	of which: subject to sale and repurchase agreement	of which: non-performing	Carrying amount	of which: securitised	of which: subject to sale and repurchase agreement
Financial assets held for trading	-	-	-	X	-	-	-
1. Debt instruments				X	-	-	-
2. Equity instruments				X	-	-	-
3. Financing				X	-	-	-
4. Derivatives				X	-	-	-
Other financial assets mandatorily measured at fair value	-	-	-		-	-	-
1. Debt instruments					-	-	-
2. Equity instruments				X	-	-	-
3. Financing					-	-	-
Designated at fair value	-	-	-		-	-	-
1. Debt instruments	-	-	-		-	-	-
2. Financing	-	-	-		-	-	-
Financial assets at fair value through other comprehensive income	-	-	-		-	-	-
1. Debt instruments					-	-	-
2. Equity instruments				X	-	-	-
3. Financing					-	-	-
Financial assets at amortised cost	5,101,743	1,979,808	-	47,819	-	-	-
1. Debt instruments	5,009	-	-	-	-	-	-
2. Financing	5,096,734	1,979,808	-	47,819	-	-	-
Total 31/12/2019	**5,101,743**	**1,979,808**	**-**	**47,819**	**-**	**-**	**-**
Total 31/12/2018	**4,947,474**	**3,252,377**	**-**	**115,972**	**-**	**-**	**-**

As part of the restructuring of the Alba 6 securitisation, the group repurchased the non-performing exposures (in November) for €23.7 million, as provided for in the contracts signed at the start of the transaction.
In February 2020, the Alba 6 securitisation was restructured by supplementing the transferred portfolio.

This restructuring (using Alba 6 SPV S.r.l.) involved the full redemption of the notes issued on 27 February 2020 (see Part D - Other information, Section 2 - Securitisations, unconsolidated structured entities (other than securitisation vehicles) and transfers of assets for more information). The vehicle concurrently issued new senior notes (A) with a nominal amount of €400 million (of which €331.2 million subscribed) and new junior notes (B) with a nominal amount of €126.4 million (of which €104.7 million subscribed).
The senior notes (A) were sold while the junior notes (B) were subscribed by the parent.
The new transaction includes a warehousing phase until 26 April 2021 and a revolving phase until 26 April 2022. It has a call option on the notes at the first interest payment date of 25 July 2022.

C.1.2 Financial assets transferred and partly recognised and associated financial liabilities: carrying amount

Financial liabilities associated with financial assets transferred and not derecognised for securitisations are classified as "Securities issued". More information is available in Part B - Liabilities - Section 2 - "2.2 Financial liabilities at amortised cost: breakdown of securities issued by business sector".

C.1.3 Transfers with associated liabilities with recourse solely to the assets transferred and not fully derecognised: fair value

None.

C.2 Financial assets transferred and fully derecognised with recognition of the continuing involvement

None.

Section 3 – Risks and related hedging policies

Introduction

This section presents the main issues underlying the group's risk identification and assessment process.

3.1 Credit risk

QUALITATIVE DISCLOSURE

1. General aspects

The group's non-performing/performing exposures ratio is steadily below that of Assilea's benchmark, partly due to its prudent lending policies.

(€'000)

Risk range	Gross risk	Gross risk	% of total	Benchmark	Variation
	Total assets	Lease only	Lease only	Assilea 31/12/2019	
Bad exposures	401,254	399,122	7.8%	12.3%	-4.5 p.p.
Unlikely to pay exposures	278,993	274,837	5.4%	6.2%	-0.8 p.p.
Past due exposures	603	603	0.0%	0.5%	-0.5 p.p.
Total	**680,850**	**674,562**	**13.20%**	**18.90%**	**-5.7 p.p.**

2. Credit risk management policies

Organisational aspects

The lending process is regulated by the decision-making system regulation, the lending regulation, the problem loans department's regulation, the risk and control regulation and related reference procedures that establish the criteria and methods to manage credit risk. They consist of the following stages:

- credit rating assessment criteria;
- application of powers and proxies;
- loan performance checks and monitoring;
- assessment and management of irregular and non-performing exposures.

Lending policy

The group's credit risk policies are based on its risk appetite and mission.

Disbursement and management of loans are subordinate to the application of precise lending rules. The group complies with the following policies to ensure high credit quality:

- assessment of the customers' repayment ability and the existence of guarantees;
- analysis of the internal rating;
- review of the customer/group's business sector in terms of its risk profile and concentration, privileging companies that:
  - export their products;
  - invest in research & development;
  - apply innovation to products and processes;
- prioritise plant and machinery leases, limiting leases of high risk assets (e.g., moulds, furniture, air-conditioning systems, equipment for beauty centres and gyms) to high credit standing customers;

- prioritise contracts of modest amounts to allow risk splitting and less need for securitisations;
- reserve real estate under construction leases to companies with a high credit standing.

Assessment of credit rating

This assessment mostly considers the customer's repayment ability.
The group uses the internal rating and the customer's ability to generate income and cash flows sufficient to meet its obligations.
Accordingly, it checks the customer's actual income-generating ability and financial position as well as those of any guarantors that the group can resort to should its customer become insolvent. It also checks the guarantees provided to banks in general.
The financed asset is part of the credit risk to be assessed in order to mitigate it.
Assessment of a customer's credit rating involves:

- resolutions taken by the parent's decision-making bodies using the proxies system in force;
- resolutions taken by the parent using the automated credit scoring model. This allocates a rating to all contracts and has an automated resolution procedure for contracts that meet specific criteria such as the definition of the amount and type of asset;
- resolutions taken by the partner and affiliated banks. The parent enters into agreements (Presto Leasing) with its partner banks and a limited number of other affiliated banks, which provide that, subject to set limits about the technical type (real estate, plant and machinery, etc.) and other limits related to the type of lease and customer, the bank performs all the lending and decision-making activities using its qualified lending staff and also provides guarantees (the new agreements, some of which were already in place in 2019, provide that the banks issue guarantees in line with the customer's rating).

Application of powers and proxies

The board of directors delegates the power to grant credit facilities to the decision-making bodies, up to the level of credit manager, which must comply with the maximum risk limits for customers and groups set out in the decision-making regulation.
These regulations provide for and bestow specific powers for proposals of proven urgency, transactions with certain counterparties, transactions subject to restrictions, some Presto Leasing transactions and transactions processed with the credit scoring system.
The regulations also specify certain counterparties with which transactions are prohibited.

Loan performance checks

The purpose of checking the exposures' performance is to verify that the financial performance, cash flows and financial position of customers and their guarantors have not altered since the loans were granted. The positions are mainly monitored by performance rating and the regularity of the payments made to the group, including other unstructured information. The exposures are classified by the level of risk into internal risk categories (such as the provision for risks) and in accordance with the general the supervisory guidelines.
These categories allow a classification of not only the defaulting customers but also those in the highest risk brackets.

3. Non-performing exposures

Assessment and management of irregular and non-performing exposures

The final stage of the lending process is the management of exposures that are slightly irregular to those that are seriously insolvent. It is performed by the problem loans department which, after a recent reorganisation, comprises four units: credit collection, litigation, restructuring and remarketing.
The credit collection unit manages non-performing positions in order to return them to the performing category, including with the assistance of the originating banks. The litigation unit is in charge of recovering the underlying asset and/or the exposure with the assistance of the group's legal advisors.
The restructuring unit manages post-disbursement exposures with problematic customers (irregular and non-performing exposures) and, specifically, the transfer of contracts, the taking over of contracts, changes in repayment plans, procedure management, corporate changes and guarantees.

Finally, the remarketing unit manages, in collaboration with the problem loans department, the recovery (and subsequent marketing) of chattels and real estate (i) from lease contracts which have been unsuccessful and have therefore been terminated; and/or (ii) which have been made available by the former lessee, including through non-exercise of the purchase option at the end of the lease term.
This department has defined two methods to manage exposures as part of the credit collection procedure based on the underlying risk:

- less than €250,000 (standard risks);
- equal to or greater than €250,000 (large exposures), to be managed directly by dedicated internal managers ("customer relations managers").

In accordance with that provided for in the non-performing contracts management plan approved by the parent's board of directors on 12 March 2019, the credit collection unit has extended the follow-up procedures (telephone calls and personal visits), previously reserved to the standard risk exposures, to the large risk exposures, regardless of the type of risk involved. These procedures exclude only those non-performing exposures for which collection activities are carried out by the originator bank.
The credit collection unit has also identified one of the affiliated personal visit collectors as the reference company for the collection of outstanding payments before contracts are terminated using a settlement approach.

The problem loans department tailors its approach to the management and monitoring of non-performing exposures depending on customers' unpaid balance.
Specifically:

- the credit collection unit's work mainly consists of: (i) identifying defaults; (ii) collecting non-performing exposures; (iii) handling relations with the credit collection agencies which operate by making telephone calls and/or personal visits; (iv) processing applications for and/or making decisions on deferred payments and in any case on repayment plans; (v) processing applications for and/or making decisions on negotiating settlements, waivers of assets and other disposals of debt; (vi) processing applications for and/or making decisions on the classification of exposures as unlikely to pay and/or bad; (vii) examining and/or deciding whether to move exposures to the litigation unit, considering the operational advantage of terminating the contract; (viii) handling relations with insolvent customers with the assistance of the group's legal advisors if appropriate; (ix) enforcement and relations with guarantor banks and/or obliged suppliers or third parties; (x) monitoring and coordinating credit collection for the risks and rewards portfolio and of any other affiliated outsourcer;
- the litigation unit mainly: (i) carries out the activities necessary to recover exposures and the leased assets from defaulting customers; (ii) handles and coordinates legal action against both customers and guarantors for the recovery of the exposures and the leased assets; (iii) evaluates the benefits and/or advisability

of initiating or continuing with lawsuits or coming to a settlement with regard to exposures that have been classified as non-performing; (iv) processes applications for and makes decisions on extensions and deferred payments; (v) processes applications for and makes decisions on settlements, waivers of assets and other disposals of debt; (vi) handles relations with the bodies in charge of insolvency procedures involving the main customer or defaulting guarantors with the assistance of the group's legal advisors if appropriate; (vii) deals with enforcements and handles relations with guarantor banks and/or suppliers or third party obligors; (viii) monitors and coordinates the litigation management process for the risks and rewards portfolio and of any other affiliated outsourcer;
- the restructuring unit mainly: (i) directly manages the exposures covered by restructuring agreements as per article 182 of the Bankruptcy Law, restructuring plans as per article 67 of the Bankruptcy law and court-approved settlement agreements with or without rights to file additional documents at a later date, (ii) requests contract amendments (modifications, lengthening of take-over agreements, variations in payment plans, corporate changes and guarantees) after the disbursement of exposures which became non-performing, (iii) manages the modification of performing exposures. It carries out its activities on exposures transferred and/or that are newly issued and those for the risks and benefits portfolio;
- the remarketing unit's work mainly consists of: (i) the effective recovery of chattels and real estate, their taking over, custody, management and marketing, including through affiliated outsourcers; (ii) the recovery of the documents necessary for their management and subsequent sale; (iii) the management of relations with outsourcers and warehouses; (iv) if necessary, an appraisal of whether recovery is financially viable after obtaining estimates from outsourcers of the cost of the removal and subsequent scrapping of unsellable assets; (v) monitoring the management process of each affiliated outsourcer.

Generally speaking, with respect to defaulting positions, careful consideration is given to:
- the customers' financial performance and cash flows with a view to their possible return to performing status; repayment plans drawn up on the basis of customers' capacity to repay their loans in line with the plan's timeline;
- checking the outcome of actions taken to collect the exposures (repayment plans, etc.) and the reasons for the lack of success of such actions if applicable;
- the calculation of the expected credit losses as part of the procedures to quantify the credit risk.

The units monitor the risks on the exposures they are responsible for by:
- checking the customers' compliance with their obligations and forecasting the outcome of reminders to settle their outstanding payments;
- assigning the exposures they manage to external lawyers so that action can be taken for the return of assets and/or the collection of the exposures, including against guarantors if applicable;
- terminating the contract;
- estimating and periodically checking forecasts of expected credit losses on the exposures they manage as part of the credit risk classification procedure.

With respect to the classification of credit risk, the problem loans department, through the credit collection and litigation units, ensures that the exposures managed are classified in line with the internal regulations and the supervisory regulations.
Finally, it should be noted that credit collection, litigation and remarketing activities can be managed partly through selected external outsourcers under specific agreements signed with the group.

Management, measurement and control systems

The processes to disburse and measure small loans are automated (credit scoring instruments) while the loans department manages larger amount loans and special cases as established by the lending regulation and the decision-making regulation. The loans department uses the electronic disbursement process, which is fed by large databases.
The risk management unit and the credit policies and loan performance monitoring unit check credit risk using traditional and statistical methods, such as, for example, use of performance ratings and reports generated specifically for the activities performed by the partner and affiliated banks under the Presto Leasing agreements.

Credit risk mitigation techniques

The particular nature of finance lease (which entails ownership of the underlying asset) implies that the financed asset is a form of security and mitigation of credit risk.
Other forms of credit risk mitigation are the acquisition of collateral, personal guarantees, real estate and bank guarantees.
"Presto Leasing" transactions are an important part of the parent's distribution model. These transactions, which are carried out under specific "agreements", have small unit costs and a consequent marked diversification of risk; they are proposed through banking channels and are backed by a compensation guarantee.
The parent's loan coverage rate is lower than that of its sector because, as noted, a substantial part of its new business comes from Presto Leasing agreements through distributor banks.
The parent makes provisions for these transactions calculated on its exposures less the "Presto Leasing guarantees" issued by the banks.

A specific rating method is used for real estate to estimate their propensity to retain their commercial value over time. This method adjusts the process used to manage estimates to define credit recoverability and also includes specific procedures to assess both property risk (specific rating) and customer risk (collectibility).

The method defined by the risk management unit is an adaption of the process to manage estimates about credit collections, including specific actions on the property risk (rating) and the customer risk (collectibility); specifically, this method:

- assigns a rating to the property;
- redefines the type of appraisal. Experts must state an unequivocal valuation in their reports, in accordance with international standards. The type of appraisal depends on the property's rating and value;
- standardises how appraisals are prepared and evaluated in order not to interfere with the experts' independence while at the same time keeping their degree of subjectivity within bounds;
- provides for the annual updating of the appraisals, in compliance with regulations and/or at the request of supervisory authorities, on the basis of the gross amount of the loan as per the IFRS and of the property rating;
- assigns a haircut to each property automatically which is applied to its most recent appraisal (commercial value), which is determined according to the product (lease/loans), the property rating and the most recent type of appraisal used;
- adjusts the assessment of collectability according to the customer risk.

An additional hair-cut is also applied in line with the exposure's ageing.
The property rating model is an analytical instrument used to assess the propensity of a property to lose, retain or increase its value over time, and the comparison of these values at different moments. The model provides a numerical valuation obtained from the values assigned to the different variables pertaining to the characteristics of the property being assessed. A value is given to the intrinsic qualities of the property which help to retain or increase its price and both the wealth available at local level and a share of the increase or decrease in this wealth during the years of the crisis are assessed. The expert appraises the

value of the characteristics of the property by compiling a transcoding matrix (the set of elements of the property to be appraised by the expert), the items in which consist of numerical judgments.
The value obtained is adjusted by two other factors: (i) inflation, i.e. the term of monetary accommodation from the time of the analysis; (ii) economic cycle, which takes into account changes in the macro economic variables associated with rises and falls in real estate values in the various sectors.

4. Financial assets subject to commercial renegotiations and exposures with forbearance measures

Forbearance measures are defined as all agreements signed with the customer whose prerequisite is the occurrence or existence of a situation of financial difficulty which affects compliance with contractual obligations. This condition is met in both the following cases (the forbearance measure might generate a loss to the creditor):

- the renegotiation of contract terms or conditions which, if applied, allow the debtor to fulfil new obligations (financial change);
- the partial or total refinancing of problematic loans (repayment plan). The forbearance exists when more favourable conditions are granted to the customer compared to those previously in force, or when the conditions applied are better than those that would have been adopted for a counterparty belonging to the same class of risk.

If the forbearance measure concerns exposures classified as "performing" or "performing past-due exposures", the requirement of the debtor's economic and financial difficulties is assumed to be satisfied if the forbearance measure involves a pool of intermediaries. Renegotiations for commercial purposes and renegotiations by ministerial decree are excluded from the classification as exposures with forbearance measures.
All repayment plans give rise to forbearance measures. The date of application of the measure coincides with the date when the repayment plan is included in the customer's records.

QUANTITATIVE DISLOSURES

1.Breakdown of financial assets by portfolio and credit quality (carrying amounts)

(€'000)	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at amortised cost	203,183	237,584	584	17,471	4,642,921	5,101,743
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2019	203,183	237,584	584	17,471	4,642,921	5,101,743
Total 31/12/2018	218,827	256,554	1,077	28,672	4,442,344	4,947,474

2. Breakdown of financial assets by portfolio and credit quality (gross and carrying amounts)

(€'000)	Non-performing				Performing			Total (carrying amount)
	Gross amount	Total impairment losses	Carrying amount	Partial/total write-offs*	Gross amount	Total impairment	Carrying amount	
1. Financial assets at amortised cost	669,429	228,078	441,351	1,545	4,698,386	37,994	4,660,392	5,101,743
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2019	**669,429**	**228,078**	**441,351**	**1,545**	**4,698,386**	**37,994**	**4,660,392**	**5,101,743**
Total 31/12/2018	**736,484**	**260,026**	**476,458**	**1,389**	**4,511,078**	**40,062**	**4,471,016**	**4,947,474**

* Presented for disclosure purposes.

(€'000)	Assets with poor credit quality		Other assets Carrying amount
	Accumulated losses	Carrying amount	
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total 31/12/2019	**-**	**-**	**-**
Total 31/12/2018	**-**	**-**	**-**

3. Breakdown of financial assets by ageing bracket (carrying amounts)

(€'000)	Stage 1			Stage 2			Stage 3		
	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days	From 1 to 30 days	From 30 to 90 days	After 90 days
1. Financial assets at amortised cost	3,849,114	40	-	809,040	1,778	420	139,594	3,865	297,892
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-
Total 31/12/2019	3,849,114	40	-	809,040	1,778	420	139,594	3,865	297,892
Total 31/12/2018	3,342,795	-	3	1,123,955	3,499	764	293,704	18,529	164,225

4. Financial assets, loan commitments and financial guarantees given: total impairment losses and provisioning

(€'000)	Total impairment																Total accruals for loan commitments and financial guarantees given			Total
	Stage 1					Stage 2					Stage 3					of which: purchased or originated credit-impaired financial assets				
	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment		Stage 1	Stage 2	Stage 3	
Opening balance	7,326	-	-	-	7,326	32,736	-	-	-	32,736	260,026	-	-	260,026	-	-	186	562	168	301,004
Increase in purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	(7,803)	-	-	-	(7,803)	(12,704)	-	-	-	(12,704)	(21,768)	-	-	(21,768)	-	-	-	-	-	(42,275)
Net impairment losses for credit risk (+/-)	23,739	-	-	-	23,739	7,301	-	-	-	7,301	(29,146)	-	-	(29,146)	-	-	69	130	(24)	2,069
Modification gains (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	(1)	-	-	-	(1)	(2)	-	-	-	(2)	(15,993)	-	-	(15,993)	-	-	-	-	-	(15,996)
Other changes	(12,794)	-	-	-	(12,794)	196	-	-	-	196	34,959	-	-	34,959	-	-	-	-	-	22,361
Closing balance	10,467	-	-	-	10,467	27,527	-	-	-	27,527	228,078	-	-	228,078	-	-	255	692	144	267,163
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	(111)	-	-	-	-	(8,511)	-	-	-	-	-	-	-	-	(8,622)

5. Financial assets, loan commitments and financial guarantees given: transfers among the various credit risk stages (gross and nominal amounts)

(€'000)	Gross/nominal amounts					
	Transfer between stages 1 and 2		Transfer between stages 2 and 3		Transfer between stages 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	301,978	373,006	36,702	2,285	37,813	1,004
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	5,732	9,487	-	-	271	-
4. Loan commitments and financial guarantees given	319,555	75,229	-	-	363	-
Total 31/12/2019	627,265	457,722	36,702	2,285	38,447	1,004
Total 31/12/2018	164,269	122,015	36,523	246	35,865	244

6. Exposures with customers, banks and financial companies

6.1 On- and off-statement of financial position exposures with banks and financial companies: gross and carrying amounts

(€'000)	Gross amount		Total impairment losses and accruals	Carrying amount	Partial/total write-offs*
	Non-performing	Performing			
A. On-statement of financial position					
a) Bad exposures	6,716	X	(2,900)	3,816	-
- including: forborne exposures	-	X	-	-	-
b) Unlikely to pay exposures	14,393	X	(1,509)	12,884	-
- including: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- including: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	525	(12)	513	-
- including: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	302,268	(526)	301,742	-
- including: forborne exposures	X	-	-	-	-
Total A	**21,109**	**302,793**	**(4,947)**	**318,955**	**-**
B. Off-statement of financial position					
a) Non-performing exposures	-	X	-	-	-
b) Performing exposures	X	1,713	(3)	1,710	-
Total B	**-**	**1,713**	**(3)**	**1,710**	**-**
Total (A + B)	**21,109**	**304,506**	**(4,950)**	**320,665**	**-**

* Presented for disclosure purposes

6.2 On-statement of financial position exposures with banks and financial companies: gross non-performing exposures

(€'000)	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	6,722	-	-
- including: exposures transferred but not derecognised	10	-	-
B. Increases	8	14,819	-
B.1 from performing exposures	-	14,316	-
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing exposures	-	-	-
B.4 modification gains	-	-	-
B.5 other increases	8	503	-
C. Decreases	14	426	-
B.1 transfers to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	11	-	-
C.4 sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other non-performing loan categories	-	-	-
C.7 modification losses	-	-	-
C.8 other decreases	3	426	-
D. Gross closing balance	6,716	14,393	-
- including: exposures transferred but not derecognised	-	-	-

6.2bis On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

This caption has a nil balance at the reporting date.

6.3 On-statement of financial position exposures with banks and financial companies: gross non-performing exposures

(€'000)	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	including: forborne exposures	Total	including: forborne exposures	Total	including: forborne exposures
A. Opening balance	1,836	-	-	-	-	-
- including: exposures transferred but not derecognised	1	-	-	-	-	-
B. Increases	1,247	-	1,678	-	-	-
B.1 impairment losses on purchased or originated credit-impaired exposures	-	X	-	X	-	X
B.2 other impairment losses	1,247	-	1,368	-	-	-
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing exposures	-	-	-	-	-	-
B.5 modification gains	-	X	-	X	-	X
B.6 other increases	-	-	310	-	-	-
C. Decreases	183	-	169	-	-	-
C.1 impairment gains	-	-	-	-	-	-
C.2 impairment gains on collections	-	-	-	-	-	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 modification losses	-	X	-	X	-	X
C.7 other decreases	183	-	169	-	-	-
D. Closing balance	2,900	-	1,509	-	-	-
- including: exposures transferred but not derecognised	-	-	-	-	-	-

6.4 On- and off-statement of financial position exposures with customers: gross and carrying amounts

(€'000)	Gross amount		Total impairment losses and accruals	Carrying amount	Partial/total write-offs*
	Non-performing	Performing			
A. On-statement of financial position					
a) Bad exposures	385,620	X	(186,253)	199,367	1,166
- including: forborne exposures	39,115	X	(14,754)	24,361	35
b) Unlikely to pay exposures	262,091	X	(37,391)	224,700	187
- including: forborne exposures	123,559	X	(16,190)	107,369	-
c) Non-performing past due exposures	609	X	(25)	584	-
- including: forborne exposures	23	X	-	23	-
d) Performing past due exposures	X	18,390	(1,432)	16,958	-
- including: forborne exposures	X	41	(8)	33	-
e) Other performing exposures	X	4,377,203	(36,024)	4,341,179	192
- including: forborne exposures	X	3,591	(71)	3,520	-
Total A	**648,320**	**4,395,593**	**(261,125)**	**4,782,788**	**1,545**
B. Off-statement of financial position					
a) Non-performing exposures	421	X	(144)	277	-
b) Performing exposures	X	537,596	(944)	536,652	-
Total B	**421**	**537,596**	**(1,088)**	**536,929**	**-**
Total A + B	**648,741**	**4,933,189**	**(262,213)**	**5,319,717**	**1,545**

* Presented for disclosure purposes

6.5 On-statement of financial position exposures with customers: gross non-performing positions

(€'000)	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**425,679**	**302,944**	**1,139**
- including: exposures transferred but not derecognised	28,293	109,550	555
B. Increases	**147,377**	**132,543**	**27,026**
B.1 from performing exposures	2,703	45,819	25,055
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	52,422	13,900	-
B.4 modification gains	-	-	-
B.5 other increases	92,252	72,824	1,971
C. Decreases	**187,436**	**173,396**	**27,556**
B.1 transfers to performing exposures	20	630	10,042
C.2 write-offs	8,968	1,223	32
C.3 collections	20,146	42,637	1,434
C.4 sales	34,092	8,014	64
C.5 losses on sales	21,134	-	-
C.6 transfers to other non-performing loan categories	272	51,682	14,368
C.7 modification losses	-	-	-
C.8 other decreases	102,804	69,210	1,616
D. Gross closing balance	**385,620**	**262,091**	**609**
- including: exposures transferred but not derecognised	18,949	42,612	360

6.5bis On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

(€'000)	Forborne exposures: non-performing	Forborne exposures: performing
A. Gross opening balance	183,122	7,018
- including: exposures transferred but not derecognised	51,087	3,442
B. Increases	63,498	13,423
B.1 transfers from performing exposures not subject to forbearance measures	-	6,712
B.2 transfers from performing forborne exposures	5,126	X
B.3 transfers from non-performing forborne exposures	X	142
B.4 transfers from performing exposures not subject to forbearance measures	2,440	-
B.5 other increases	55,932	6,569
C. Decreases	83,923	16,809
C.1 transfers to performing exposures not subject to forbearance measures	X	-
C.2 transfers to performing forborne exposures	1,607	X
C.3 transfers to non-performing forborne exposures	X	2,688
C.4 write-offs	37	-
C.5 collections	20,787	1,711
C.6 sales	4,305	-
C.7 losses on sales	15	-
C.8 other decreases	57,172	12,410
D. Gross closing balance	162,697	3,632
- including: exposures transferred but not derecognised	8,716	2,218

6.6 On-statement of financial position exposures with customers: changes in non-performing exposures

(€'000)	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	including: forborne exposures	Total	including: forborne exposures	Total	including: forborne exposures
A. Opening balance	211,738	13,447	46,390	21,457	62	2
- including: exposures transferred but not derecognised	9,606	1,215	12,807	4,873	20	1
B. Increases	86,469	7,130	30,190	9,539	1,560	6
B.1 impairment losses on purchased or originated credit-impaired exposures	-	X	-	X	-	X
B.2 other impairment losses	43,687	3,763	24,276	8,003	1,510	5
B.3 losses on sales	-	-	-	-	-	-
B.4 transfers from other non-performing exposures	11,551	-	1,316	44	24	-
B.5 modification gains	-	X	-	X	-	X
B.6 other increases	31,231	3,367	4,598	1,492	26	1
C. Decreases	111,954	5,823	39,189	14,807	1,597	8
C.1 impairment gains	79,003	5,728	21,680	11,882	197	8
C.2 impairment gains on collections	16,075	95	5,670	2,902	22	-
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	15,985	-	5	-	4	-
C.5 transfers to other categories of non-performing exposures	-	-	11,496	23	1,371	-
C.6 modification losses	-	X	-	X	-	X
C.7 other decreases	891	-	338	-	3	-
D. Closing balance	186,253	14,754	37,391	16,189	25	-
- including: exposures transferred but not derecognised	8,185	736	5,901	770	16	-

7. Breakdown of financial assets, loan commitments and financial guarantees given by external and internal rating class

7.1 Breakdown of financial assets, loan commitments and financial guarantees given by external and internal rating class (gross amounts)

None.

7.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

None.

8. Financial and non-financial assets from the enforcement of guarantees received

None.

9. Loan concentration

9.1 Breakdown of on- and off-statement of financial position exposures by the counterparty's business sector

(€'000)	Government and central banks			Other government agencies			Insurance companies			Non-financial companies			Other		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position															
A.1 Bad exposures	-	-	X	410	(344)	X	-	-	X	194,068	(180,268)	X	8,705	(8,541)	X
including: forborne exposures	-	-	-	-	-	X	-	-	X	23,829	(14,227)	X	532	(527)	X
A.2 Unlikely to pay exposures	-	-	X	399	(278)	X	-	-	X	219,798	(36,453)	X	17,387	(2,169)	X
including: forborne exposures	-	-	-	-	-	X	-	-	X	105,559	(15,908)	X	1,810	(282)	X
A.3 Non-performing past due exposures	-	-	X	11	-	X	-	-	X	514	(23)	X	59	(2)	X
including: forborne exposures	-	-	-	-	-	X	-	-	X	-	-	X	23	-	X
A.4 Other exposures	5,009	X	-	14,214	X	(75)	-	X	(18)	4,168,982	X	(35,497)	472,187	X	(2,404)
including: forborne exposures	-	X	-		X	-	-	X	-	3,399	X	(76)	154	X	(3)
Total	5,009	-	-	15,034	(622)	(75)	-	-	(18)	4,583,362	(216,744)	(35,497)	498,338	(10,712)	(2,404)
B. Off-statement of financial position															
B.1 Bad exposures	-	-	-	-	-	-	-	-	-	76	(76)	-	-	-	-
B.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	201	(68)	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	151	X	-	-	X	-	526,943	X	(928)	11,268	X	(19)
Total	-	-	-	151	-	-	-	-	-	527,220	(144)	(928)	11,268	-	(19)
31/12/2019	5,009	-	-	15,185	(622)	(75)	-	-	(18)	5,110,582	(216,888)	(36,425)	509,606	(10,712)	(2,423)
31/12/2018	5,005	-	-	21,853	(144)	(102)	6,844	(59)	(18)	4,933,427	(243,216)	(37,032)	580,532	(16,776)	(3,657)

9.2 Breakdown of on- and off-statement of financial position exposures by the counterparty's geographical segment

(€'000)	North-east		North-west		Centre		South and Islands		Abroad	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Bad exposures	55,332	(53,650)	69,826	(60,097)	43,305	(44,758)	34,720	(30,648)	-	-
A.2 Unlikely to pay exposures	83,259	(12,406)	70,527	(12,521)	46,244	(9,590)	36,289	(3,415)	1,265	(968)
A.3 Non-performing past due exposures	73	(4)	91	(1)	223	(11)	197	(9)	-	-
A.4 Performing exposures	1,443,775	(7,297)	1,686,173	(14,811)	877,692	(9,356)	651,209	(6,524)	1,543	(6)
Total	1,582,439	(73,357)	1,826,617	(87,430)	967,464	(63,715)	722,415	(40,596)	2,808	(974)
B. Off-statement of financial position										
B.1 Bad exposures	-	-	76	(76)	-	-	-	-	-	-
B.2 Unlikely to pay exposures	201	(68)	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	149,307	(208)	191,576	(260)	102,880	(85)	94,599	(394)	-	-
Total	149,508	-276	191,652	-336	102,880	-85	94,599	-394	-	-
31/12/2019	1,731,947	(73,633)	2,018,269	(87,766)	1,070,344	(63,800)	817,014	(40,990)	2,808	(974)
31/12/2018	1,706,371	(82,982)	2,009,623	(99,872)	1,077,695	(70,697)	751,379	(46,249)	2,593	(1,204)

9.3 Large exposures

The group has seven large exposures (risk positions equal to or greater than 10% of own funds). At 31 December 2019, their carrying amount was approximately €1,444,424 thousand with a weighted amount of approximately €522,583 thousand.

10. Models and other methods to measure and manage credit risk

None.

11. Other quantitative disclosures

None.

3.2 MARKET RISK

Alba Leasing S.p.A. does not have a trading portfolio exposed to market risks as it does not perform speculative transactions.
In order to measure market risk on the trading portfolio and calculate the regulatory capital requirements for supervisory purposes, the group uses the methods prescribed by Bank of Italy in circular no. 288/2015.

3.2.1 INTEREST RATE RISK

QUALITATIVE DISCLOSURE

1. General aspects

Interest rate risks arise on differences in the timing and methods used to reprice interest rates on the group's assets and liabilities.
Structural interest rate risk, i.e., the risk of expected and unexpected variations in the market interest rate that have a negative impact on the interest margin and on the portfolio of assets and liabilities, is measured using maturity gap and duration gap techniques.
The proportion of fixed rate investments is low. Considering the high profitability of the amount involved and its low risk impact, the group has not considered it appropriate to hedge interest rate risk.

Methodological aspects

The group estimates its exposure to interest rate risk periodically using the "current profits approach" from a short-term point of view. A negative shift in rates equal to the variation measured using the rates implicit in the curve underlying the lease contracts is simulated after which the impact on the interest margin is measured over a time horizon of the same duration as the current and the future reporting period.

QUANTITATIVE DISLOSURES

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

(€'000)	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments	9	-	-	5,000	-	-	-	-
1.2 Loans and receivables	4,272,404	419,993	193,728	22,395	130,587	44,272	13,355	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Amounts due	2,248,692	897,622	85,697	99,969	139	19,415	10,153	-
2.2 Debt instruments	-	1,332,038	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
Options								
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

2. Models and other methods to measure and manage interest rate risk

The risk management unit monitors this risk by:

- checking that the proportion of fixed rate investments is kept under the limits set by the board of directors;
- preparing quarterly disclosure (financial risk reports) for the board of directors, which also includes analyses of the group's exposure to interest rate risk on the banking portfolio;
- preparing the regulatory and management accounts duration gap model (percentile method) and performing the related stress tests to measure the volatility of assets / liabilities with respect to changes in the interest rate curve;
- preparing the model for the measurement of interest margin volatility correlated to the composition of the fixed / variable rate portfolio correlated to the volatility of the related interest rates.

3. Other qualitative disclosures on interest rate risk

Interest rate risk is generated by differences in the timing and methods of repricing the interest rate of the group's assets and liabilities. The interest rate risk is measured by using the supervisory reporting base, pertaining to the interest rate risk, which provides for the breakdown of assets and liabilities into regulatory time buckets.

B) PRICE RISK

QUALITATIVE DISCLOSURE

1. General aspects

The group is not exposed to price risks.

QUANTITATIVE DISCLOSURE

1. Models and other methods to measure and manage interest rate risk

The group is not exposed to price risks.

2. Other quantitative disclosures on price risk

The group is not exposed to price risks.

3.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

1. General aspects

The group is not exposed to currency risks as it did not have foreign currency contracts at the reporting date.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

The group is not exposed to currency risks.

2. Models and other methods to measure and manage currency risk

The group is not exposed to currency risks.

3. Other quantitative disclosures on currency risk

The group is not exposed to currency risks.

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

The group adopts loss monitoring techniques to assess and mitigate operational risk based on self-risk assessments and actual loss data collection. These activities make it possible to record risk events (regardless of the occurrence of the loss), as well as to quantify actual and potential operating losses and to map the risk events and causes that gave rise to them.

1. General aspects, management and measurement of operational risk

The group has defined operational risk as the risk of loss resulting from inadequacies or malfunctioning of procedures, human resources and internal systems or from external events, including legal risk or risk of loss arising from violations of laws or regulations, liability in contract or liability in tort or from other disputes. This risk does not include reputational and strategic risk.
At organisational level, a measurement process has been developed to cover this type of risk, based on:

- first level controls, carried out directly by the process owners of the various units, regulated by the parent's entire body of rules;
- second level controls to detect operational risk carried out by the risk management unit by means of:
  - self-risk assessments to measure potential/residual risks;
  - the identification of risk events and actual losses.

The monitoring activities consist of completing assessments to record loss events (based on three event-types) based on the Basel, Assilea and internal processes systems.

QUANTITATIVE DISCLOSURE

The internal capital for operational risk is calculated using the basic method (BIA - Basic Indicator Approach) according to which the parent must have internal capital equal to the average of a fixed percentage (15%) of positive components of total income (including other operating income), for the previous three years.
The calculation of capital absorption is shown in the following table:

(€'000)	Total income and other income
2017	97,403
2018	105,310
2019	98,765
Average	100,493
Weighting factor	15%
Internal capital	15,074

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that an entity may not be able to meet its payment obligations because it cannot raise funds on the market (funding liquidity risk) or sell its assets (market liquidity risk). Market liquidity risk is not relevant to the group because it does not have financial assets with customers while the funding liquidity risk is relevant. The group makes medium- and long-term investments and obtains short-term funding solely on the wholesale market as it does not have access to the retail market. Liquidity risk consequently arises from:

- typical lease structural factors: the repercussions of imbalances between the maturities of asset and liability items (maturity mismatches) are amplified by the typical maturities of medium- and long-term assets;
- factors specific to the parent: since it is a financial company, it does not have facilitated access to typical bank sources of funding (such as, for example, ECB funds during the present quantitative easing cycle), nor can it raise funds from retail customers.

The group's liquidity risk method has formalised risk management and control activities and, specifically, risk monitoring and control procedures:

a) the Administration, financial reporting, finance and planning department (finance unit) manages liquidity under the terms of its sub-proxies; specifically:
   - it manages the financial resources available and ensures the group's liquidity requirements are covered;
   - it estimates the additional funding costs to cope with worst case scenarios;
   - it provides the risk management unit with information to be included in the liquidity risk report;

b) the risk and control department is responsible for monitoring and controlling liquidity risk and specifically:
   - it defines liquidity risk measurement methods and the system of limits;
   - it recommends this procedure, methods and limits and regularly revises the process and proposes possible amendments;
   - it prepares stress test scenarios on a periodic basis (at least once a year);
   - it checks the quality of data and the current effectiveness of the related measurement methods on an ongoing basis;
   - it recommends and checks compliance with the operating limits for the assumption of liquidity risks;
   - it prepares and updates the reports for the company bodies, which describe the group's exposure to liquidity risk.

The group measures operating liquidity risk by constructing a maturity ladder which allows the assessment of the equilibrium of expected cash flows, allocating certain and estimated cash flows to the various time buckets. The following definitions of cash flows apply:

- certain cash flows: generated by assets and liabilities whose maturity is contractually defined; they are allocated to time buckets by contract maturity. If flows arise in relation to callable assets and liabilities, the most prudent approach is used (the latest date for assets, the earliest date for liabilities);
- estimated cash flows: expected cash flows, linked to uncertain, periodic or occasional events, such as new disbursements, dividends, early redemptions of bonds, non-recurring transactions, etc.; they are allocated on the basis of estimates or judgements, both with respect to their timing and amount.

The maturity ladder shows the balances and therefore the imbalances between expected inflows and outflows for each time bucket and, through the construction of cumulative

imbalances, calculates the net balance of financial requirements (or surplus) over the period of time considered.
In addition, the “scenario technique” is used which assumes the occurrence of adverse events for some items in the various buckets making up the maturity ladder in order to analyse the consequences.

The group defines a minimum limit of the number of credit facilities that are granted and can be used by the shareholders, to be applied to the actual availability and to be maintained unused, aimed at meeting certain cash outflow requirements over a period of time of one month. This limit is calculated by the risk management unit and proposed to the board of directors at least on an annual basis or as a result of significant changes in variables. The risk management unit refers to the rules laid down for the calculation of the liquidity coverage ratio (LCR), which are appropriately adapted to the group’s operational requirements. This limit constitutes the minimum liquidity threshold (credit facilities).

Like for operating liquidity requirements, the structural liquidity risk is measured and managed using a liquidity mismatch risk approach. For this purpose, a maturity ladder is defined, in which all flows are placed according to their maturity, in accordance with the supervisory regulations. The positioning of the various buckets depends on the contractual maturity of the items; behavioural and statistical models judgements are used for those items that have no contractual maturity.
Indicators are defined in terms of gap ratios on maturities beyond one year for structural liquidity risk monitoring and control purposes.

The objective is to maintain a balanced structural liquidity profile, limiting the possibility of financing medium/long-term assets with short-term liabilities, in line with the approach of limiting the transformation of maturities.

QUANTITATIVE DISCLOSURE

1. Breakdown by residual contract maturity of financial assets and liabilities

(€'000)	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
Assets											
A.1 Government bonds	33	-	-	-	-	-	-	5,000	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	639,474	844	1,015	6,987	199,373	289,560	532,717	1,646,560	793,290	1,123,372	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities											
B.1 Due to:											
- banks	2,180,237	19,905	31,989	504,550	102,155	10,100	179	94,755	43,750	139	-
- financial companies	71,982	14	-	15	38	2,709	6,741	32,324	32,099	10,154	-
- customers	3,084	-	-	222,322	-	-	-	-	-	-	-
B.2 Debt instruments	522	-	-	93,384	56,783	91,125	328,799	614,460	125,022	33,178	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position											
C.1 Credit derivatives with exchange of principal											
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Credit derivatives without exchange of principal											
- Positive difference	-	-	-	-	-	-	-	-	-	-	-
- Negative difference	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received											
- 3.1 Long positions	-	-	-	-	-	-	-	-	-	-	-
- 3.2 Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds											
- 3.1 Long positions	-	-	-	-	-	-	17	511	44	62,205	-
- Short positions	-	-	-	476,300	-	-	-	-	-	-	-
C.5 Financial guarantees given	2,653	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

3.5 DERIVATIVES AND HEDGING POLICIES

TRADING DERIVATIVES

3.5.1. Credit derivatives associated with fair value option: annual variations

None.

ACCOUNTING HEDGES

QUALITATIVE DISCLOSURE

General hedging strategy aspects

None.

QUANTITATIVE DISCLOSURE

3.5.2. Hedging derivatives: year-end nominal amounts

None.

3.5.3. Residual maturity of hedging derivatives: notional amounts

None.

3.5.4. Hedging derivatives: gross positive and negative fair value, fair value gain or loss used to identify hedge inefficiency

None.

3.5.5. Non-derivative hedges: breakdown by accounting portfolio and type of hedge and fair value gain or loss used to identify hedge inefficiency

None.

3.5.6. Hedging instruments: fair value hedges

None.

3.5.7. Hedged instruments: cash flow hedges and hedges of investments in foreign operations

None.

3.5.8. Effect of hedging transactions and equity: reconciliation of equity items

None.

Section 4 – Equity

4.1 Equity

4.1.1 Qualitative disclosure

The total equity used to meet the total internal capital requirements is the same as own funds, in line with the guidelines defined by the board of directors. Own funds solely comprise common equity tier 1 capital (CET1).

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

(€'000)	31/12/2019	31/12/2018
1. Share capital	357,953	357,953
2. Share premium	105,000	105,000
3. Reserves	(60,008)	(71,330)
- income-related	(60,008)	(71,330)
a) legal	1,144	578
b) statutory	-	-
c) treasury shares	-	-
d) other reserves	(61,152)	(71,908)
- other	-	-
4. (Treasury shares)	-	-
5. Valuation reserves	(325)	(251)
- Equity instruments at fair value through other comprehensive income	-	-
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange differences	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities designated at fair value	-	-
(change in credit rating)		
- Special revaluation laws	-	-
- Actuarial losses on defined benefit pension plans	(325)	(251)
- Portion of valuation reserves of equity-accounted investees	-	-
6. Equity instruments	-	-
7. Profit for the year	4,825	11,323
Total	407,445	402,695

4.1.2.2 Fair value reserves: breakdown

None.

4.1.2.3 Fair value reserves: changes

None.

Section 4.2 Own funds and ratios

The parent was included in the new list as per article 106 of the Consolidated Banking Act (the "Single list") as no. 32 on 6 May 2016.
It has complied with the relevant rules (circular no. 288 of 3 April 2015 as subsequent amended) since that date.

4.2.1 Own funds

4.2.1.1 Qualitative disclosure

The parent's own funds do not include hybrid capitalisation instruments or subordinated liabilities.

It has solely common equity tier 1 capital and does not have either additional tier 1 capital or tier 2 capital (T2).

4.2.1.2 Quantitative disclosure

FINANCIAL INTERMEDIARIES

(€'000)		31/12/2019	31/12/2018
A.	Tier 1 capital before application of prudential filters	412,042	401,059
B.	Tier 1 prudential filters:	-	-
	G1 - Positive IFRS prudential filters (+)		
	G2 - Negative IFRS prudential filters (-)		
C.	Tier 1 capital including application of prudential filters (A + B)	412,042	401,059
D.	Elements to be deducted from Tier 1 capital	-	-
E.	Total tier 1 capital (C – D)	412,042	401,059
F.	Tier 2 capital before application of prudential filters	-	-
G.	Tier 2 prudential filters:	-	-
	G.1 - Positive IFRS prudential filters (+)		
	G.2 - Negative IFRS prudential filters (-)		
H.	Tier 2 capital including application of prudential filters (F + G)	-	-
I.	Elements to be deducted from Tier 2 capital	-	-
L.	Total tier 2 capital (H – I)	-	-
M.	Elements to be deducted from tier 1 and tier 2 capital	-	-
N.	Regulatory capital (E + L - M)	412,042	401,059

Own funds do not include the profit for the year as the conditions established in the Commission Implementing Regulation (EU) no. 680/2014 (article 5.a which refers to, inter alia, Regulation (EU) no. 575/2013 (CRR, article 26.2.a)) were not met.
These regulations provide for the inclusion of profit in own funds when: a) the competent authority has granted permission; b) those profits have been audited by the independent auditors; this implies that the board of directors shall resolve thereon after providing the supervisory authority with the relevant information.

The profit for the year shall be included in own funds after the next supervisory report on the first quarter of 2020 (to be sent by 12 May 2020).

Alba Leasing S.p.A. has exercised the option to apply the transitional arrangements introduced by the new article 473-bis of Regulation (EU) no. 575/2013 to phase in the impact on own funds of the application of the new impairment model introduced by IFRS 9. These transitional arrangements allow the inclusion of a positive temporary component in common equity tier 1 capital equal to a percentage of the increase in accruals for expected credit losses due to application of IFRS 9.
The percentage decreases over five years and is 85% of the increase in the accruals for expected credit losses due to application of IFRS 9 for the period from 1 January to 31 December 2019. The negative impact of application of the new impairment model to own funds is thus decreased to 10% of the impact on the carrying amount of equity at 1 January 2019.

Had it not applied this transitional regime, the parent's own funds would have amounted to €397,289 thousand.

4.2.2 Capital adequacy

The ICAAP shows the analyses performed and results obtained from the parent's assessment of its capital adequacy in line with the supervisory regulations for financial intermediaries (Bank of Italy circular no. 288 of 3 April 2015 as subsequently amended), in line with its development and operating strategies.

Its total capital ratio (TCR) is higher than the regulatory minimum (including in stress test scenarios) and, therefore, its own funds are sufficient to cover all risks that could affect its operations and the equity indicator targets approved by the board of directors.
Accordingly, the parent complies with the total capital ratio and has add-on capital (Pillar II) covered by the excess capital.

It does not need to make changes to its equity given that its excess capital complies with the regulatory and internal minimum.

4.2.2.1 Qualitative disclosure

The weighting factors, calculated in accordance with Bank of Italy's prudential supervisory regulations, ensure compliance with the prudential ratio and allow the parent's business development.

4.2.2.2 Quantitative disclosure

(€'000)	Unweighted amounts		Weighted amounts/requirements	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. RISK-WEIGHTED ASSETS				
A.1 Credit and counterparty risk	6,196,836	5,987,907	4,357,770	4,156,723
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			261,466	249,403
B.2 Requirement for provision of payment services			-	-
B.3 Requirement for issue of electronic money			-	-
B.4 Specific prudential requirements			15,442	15,458
B.5 Total prudential requirements			276,909	264,862
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			4,615,143	4,414,362
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			8.93%	9.09%
C.3 Regulatory capital/risk-weighted assets (Total capital ratio)			8.93%	9.09%

Risk-weighted assets amount to €4,615,143 thousand.

The related supervisory reports and, therefore, the calculation of risk-weighted assets, refer to the consolidated financial statements as they are deemed to better represent the facts and effects on the group's financial performance and position of the agreement on securitised loans and considering the financial assets recognised in the consolidated financial statements as a result of the agreement as finance lease payments receivable (for more details, reference should be made to Section 4 – "Other aspects" of Part A – Accounting policies of these notes).

The following should be considered:
- the difference in the presentation of the above-mentioned agreement in the consolidated and separate financial statements is due to the fact that all the financial assets underlying the agreement are presented in the former, while in the latter these financial assets are actually presented as a single amount receivable from the banking sub-portfolio portion of the segregated assets managed by the securitisation SPVs;
- the reports on the separate financial statements, given the above basis of preparation, would not enable their users to understand the substantive effects of the agreement in terms of credit risk. This risk is in fact allocated to the end users of the assets, i.e., the lessees;
- this approach provides continuity of information about the financial assets.

With respect to the method used to report the financial asests underlying the agreement and the decision taken in previous years not to avail of the benefit of applying a smaller weighting factor to real estate assets for the purposes of calculating risk-weighted assets (and therefore the capital ratios), even in cases when this could be allowed, when ownership of the asset has not been legally acquired, after careful consideration of the technical aspects of the matter and an internal review of the group's position at 30 June 2014, the portfolio covered by the agreement is treated in accordance with the normal supervisory rules. Therefore, the real estate lease payments receivable can benefit from a lower weighting if the requirements laid down in supervisory rules are met.

Given the above transitional rules, CET1 was equal to 8.93% at 31 December 2019. If the group had not applied the transitional arrangements (as described above), CET1 would have been 8.64% for a difference of 0.29 percentage points.

Alba Leasing S.p.A. has exercised the option to apply the transitional arrangements introduced by the new article 473-bis of Regulation (EU) no. 575/2013 to phase in the impact on own funds of the application of the new impairment model introduced by IFRS 9. These transitional arrangements allow the inclusion of a positive temporary component in common equity tier 1 capital equal to a percentage of the increase in accruals for expected credit losses due to application of IFRS 9. The percentage decreases over five years as shown below:

- period from 1 January to 31 December 2018: 95% of the increase in the allowances for expected credit losses due to application of IFRS 9. The negative impact of application of the new impairment model to own funds is thus decreased to 5% of the impact that will be recognised on the carrying amount of equity at 1 January 2018;
- period from 1 January to 31 December 2019: 85% of the increase in the allowances for expected credit losses;
- period from 1 January to 31 December 2020: 70% of the increase in the allowances for expected credit losses;
- period from 1 January to 31 December 2021: 50% of the increase in the allowances for expected credit losses;
- period from 1 January to 31 December 2022: 25% of the increase in the allowances for expected credit losses.

On 1 January 2023, the impact of first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds.

Section 5 – Comprehensive income

(€'000)		2019	2018
10.	Profit for the year	4,825	11,323
	Other items that will not reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	-	-
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
30.	Financial liabilities at fair value through profit or loss (changes in own credit rating)	-	-
	a) Fair value gains (losses)	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income	-	-
	a) Fair value gains (losses) (hedged item)	-	-
	b) Fair value gains (losses) (hedging item)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(75)	2
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Related tax	-	-
	Other items that will be reclassified to profit or loss	-	-
110.	Hedges of investments in foreign operations	-	-
	a) Fair value gains (losses)	-	-
	b) Transfer to profit or loss	-	-
	c) Other changes	-	-
120.	Exchange gains (losses)	-	-
	a) Fair value gains (losses)	-	-
	b) Transfer to profit or loss	-	-
	c) Other changes	-	-
130.	Cash flow hedges	-	-
	a) Fair value gains (losses)	-	-
	b) Transfer to profit or loss	-	-
	c) Other changes	-	-
140.	Hedging instruments (non-designated items)	-	-
	a) Fair value gains (losses)	-	-
	b) Transfer to profit or loss	-	-
	c) Other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income	-	-
	a) Fair value gains (losses)	-	-
	b) Transfer to profit or loss	-	-
	- impairment losses	-	-
	- profit/loss on sale	-	-
	c) Other changes	-	-
160.	Non-current assets held for sale and disposal groups	-	-
	a) Changes in fair value	-	-
	b) Transfer to profit or loss	-	-
	c) Other changes	-	-
170.	Share of valuation reserves of equity-accounted investees	-	-
	a) Changes in fair value	-	-
	b) Transfer to profit or loss	-	-
	- impairment losses	-	-
	- profit/loss on sale	-	-
	c) Other changes	-	-
180.	Related tax	-	-
190.	Total other comprehensive income (expense)	(75)	2
200.	Comprehensive income (captions 10 + 190)	4,750	11,325
210.	Comprehensive income attributable to non-controlling interests	-	-
220.	Comprehensive income attributable to the owners of the parent	4,750	11,325

Section 6 – Related party transactions

6.1 Remuneration of key management personnel

(€'000)	2019
Directors	1,001
Statutory auditors	172
Other key management personnel	2,073
Total	3,246

Key management and supervisory personnel include the managing director and first level managers (eight in total).

6.2 Loans given to and guarantees given on behalf of directors and statutory auditors

None.

6.3 Related party transactions

Related party transactions are generally carried out at market conditions.

The group carried out numerous transactions with its shareholder banks and with entities related to them, for which reference should be made to the following paragraph. These were routine transactions carried out to both parties' mutual economic benefit at terms that complied with the principle of substantial correctness. They mainly involved:

- the supply of funds;
- the placing of lease products with customers;
- management of receivables related to the agreement.

The parent has a reporting procedure for these transactions in accordance with which decision-making bodies provide the board of directors with the information flows necessary for constant compliance with the provisions of laws and regulations in force regarding corporate disclosures on related party transactions.

In addition, in order to comply with the current requirements, it should be noted that no atypical and/or unusual transactions, either with related parties or entities other than related parties, were carried out during the year which could have given rise to doubts about their effect on the integrity of the group's assets due to their significance or materiality.

6.3.1 Summary

The following table shows the effects on the group's consolidated financial statements of the transactions performed with the parent's shareholder banks and their related parties during the year.

(€'000)	2019 FINANCIAL STATEMENTS	Other related parties				BANCA AKROS
		BANCA POPOLARE DELL'EMILIA ROMAGNA	BANCO BPM	BANCA POPOLARE DI SONDRIO	CREVAL	
STATEMENT OF FINANCIAL POSITION - ASSETS						
Financial assets at amortised cost	5,101,743	471	714	8	472	-
a) loans and receivables with banks	228,835	471	714	8	472	-
- current accounts and demand deposits	4,952	375	-	-	-	-
- other	223,883	96	714	8	472	-
b) loans and receivables with financial companies	90,120	-	-	-	-	-
c) loans and receivables with customers	4,782,788	-	-	-	-	-
Other assets	186,349	-	-	-	-	-
STATEMENT OF FINANCIAL POSITION - LIABILITIES						
Financial liabilities at amortised cost	4,693,725	751,405	771,254	275,712	353,826	188,245
a) Amounts due	3,361,687	751,405	771,254	275,712	353,826	188,245
Due to banks	2,993,895	751,405	771,254	275,712	353,826	188,245
- current accounts and demand deposits	2,269,134	748,342	767,523	272,950	333,702	-
- other	724,761	3,063	3,731	2,762	20,124	188,245
Due to customers and financial companies	367,792	-	-	-	-	
b) Securities issued	1,332,038	-	-	-	-	
Other liability captions (excluding equity)	186,922	-	582	2	-	
Guarantees given	**2,653**	**-**	**-**	**-**	**-**	
Guarantees received	**476,592**	**192,289**	**110,304**	**120,758**	**53,241**	**-**
Commitments	**537,077**	**-**	**-**	**-**	**-**	
INCOME STATEMENT						
Interest and similar income	112,003	-	13	-	-	-
Interest and similar expense	(21,117)	(3,088)	(2,898)	(1,516)	(1,757)	(340)
Fee and commission income	23,188	-	38	-	-	-
Fee and commission expense	(19,177)	(2,092)	(1,034)	(1,365)	(683)	-
Net trading income (expense)	-	-	-	-	-	-
Total income	**94,897**	**(5,180)**	**(3,881)**	**(2,881)**	**(2,440)**	**(340)**
Depreciation, amortisation and net impairment losses (captions 130, 180 and 190)	**(34,854)**	**-**	**-**	**-**	**-**	**-**
Net modification losses	(58)	-	-	-	-	-
Administrative expenses	(46,315)	(34)	(74)	(37)	(58)	-
- personnel expense	(27,814)	-	(17)	(21)	(24)	-
- other administrative expenses	(18,501)	(34)	(57)	(16)	(34)	-
Other operating expense, net	(5,692)	(6)	(1)	-	-	-
Other income statement items	(343)	-	-	-	-	-
Pre-tax profit from continuing operations	**7,635**	**(5,220)**	**(3,956)**	**(2,918)**	**(2,498)**	

The initial application of IFRS 16 led to the presentation of real estate lease liabilities.

Section 8 – Other disclosures

Fees paid to the independent auditors and their network entities

Details of the fees paid to KPMG S.p.A., engaged to perform the statutory audit of the separate and consolidated financial statements in accordance with articles 14 and 16 of Legislative decree no. 39/2010 for the 2019-2027 nine-year period, and its network entities are provided below.
The fees refer to the parent and the consolidated vehicles.

(€'000)	Service recipient	Provider	Fees
Statutory audit	Alba Leasing S.p.A.	KPMG S.p.A.	127
Other services	Alba Leasing S.p.A.	KPMG S.p.A.	10
Total A)	Alba Leasing S.p.A.		137
Statutory audit	Securitisation vehicles	KPMG S.p.A.	110
Total B)	Subsidiaries		110
Total (A + B)			247

The above fees (in thousands of Euro) reflect the cost-of-living index adjustments and are net of costs, the fees required by law (Consob contribution) and VAT.

ANNEX A - FTA OF IFRS 16

BRIDGING TABLE OF THE STATEMENT OF FINANCIAL POSITION – ASSETS

(euro)

Assets	IAS 17 balances 31/12/2018	IFRS 16 FTA	IFRS 16 balances
10. Cash and cash equivalents	15,496		15,496
40. Financial assets at amortised cost	4,947,473,794	-	4,947,473,794
a) loans and receivables with banks	167,830,506		167,830,506
b) loans and receivables with financial companies	91,211,017		91,211,017
c) loans and receivables with customers	4,688,432,271		4,688,432,271
80. Property, equipment and investment property	10,863,450	12,846,957	23,710,407
90. Intangible assets	6,801,398		6,801,398
100. Tax assets	56,620,185		56,620,185
a) current	566,441		566,441
b) deferred	56,053,744		56,053,744
110. Non-current assets held for sale and disposal groups	-		-
120. Other assets	110,458,922		110,458,922
TOTAL ASSETS	5,132,233,245	12,846,957	5,145,080,202

BRIDGING TABLE OF THE STATEMENT OF FINANCIAL POSITION – LIABILITIES

(euro)

Liabilities and equity	IAS 17 balances 31/12/2018	IFRS 16 FTA	IFRS 16 balances
10. Financial liabilities at amortised cost:	4,519,405,390	12,846,957	4,532,252,347
a) amounts due	2,551,208,058	12,846,957	2,564,055,015
b) securities issued	1,968,197,332		1,968,197,332
60. Tax liabilities	493,498		493,498
a) current	493,498		493,498
80. Other liabilities	203,818,998		203,818,998
90. Post-employment benefits	2,512,615		2,512,615
100. Provisions for risks and charges	3,307,390		3,307,390
a) loan commitments and financial guarantees given	916,369		916,369
c) other provisions	2,391,021		2,391,021
110. Share capital	357,953,058		357,953,058
140. Share premium	105,000,000		105,000,000
150. Reserves	(71,330,173)		(71,330,173)
160. Valuation reserves	(250,705)		(250,705)
170. Profit for the year	11,323,174		11,323,174
Total liabilities and equity	5,132,233,245	12,846,957	5,145,080,202

BRIDGING TABLE OF INCOME STATEMENT

(euro)

		IAS 17 balances 2019	IFRS 16 FTA	IFRS 16 balance 2019
10.	Interest and similar income	112,003,102		112,003,102
	including: interest calculated using the effective interest method	101,379,385		101,379,385
20.	Interest and similar expense	(21,116,764)	246,240	(20,870,524)
30.	**Net interest income**	**90,886,338**	**246,240**	**91,132,578**
40.	Fee and commission income	23,187,727		23,187,727
50.	Fee and commission expense	(19,176,538)		(19,176,538)
60.	**Net fee and commission income**	**4,011,189**	**-**	**4,011,189**
80.	Net trading income (expense)	-		-
120.	**Total income**	**94,897,527**	**246,240**	**95,143,767**
130.	Net impairment losses for credit risk associated with:	(30,968,390)		(30,968,390)
	a) financial assets at amortised cost	(30,968,390)		(30,968,390)
140.	Net modification losses	(57,630)		(57,630)
150.	**Net financial income**	**63,871,507**	**246,240**	**64,117,747**
160.	Administrative expenses:	(46,314,760)	(1,754,274)	(48,069,034)
	a) personnel expense	(27,813,693)		(27,813,693)
	b) other administrative expenses	(18,501,067)	(1,754,274)	(20,255,341)
170.	Net accruals to provisions for risks and charges	(326,744)		(326,744)
	a) loan commitments and financial guarantees given	(174,194)		(174,194)
	b) other	(152,550)		(152,550)
180.	Depreciation and net impairment losses on property, equipment and investment property	(2,069,448)	1,508,034	(561,414)
190.	Amortisation and net impairment losses on intangible assets	(1,817,357)		(1,817,357)
200.	Other operating expenses, net	(5,691,832)		(5,691,832)
210.	**Operating costs**	**(56,220,141)**	**(246,240)**	**(56,466,381)**
250.	Net losses on sales of investments	(16,770)		(16,770)
260.	**Pre-tax profit from continuing operations**	**7,634,596**	**-**	**7,634,596**
270.	Income taxes	(3,159,165)		(3,159,165)
280.	**Post-tax profit from continuing operations**	**4,475,431**	**-**	**4,475,431**
290.	Post-tax profit from discontinued operations	349,215		349,215
300.	**Profit for the year**	**4,824,646**	**-**	**4,824,646**

Independent
Auditors' Report

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 19-bis of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Alba Leasing S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Alba Leasing S.p.A. (the "parent") and subsidiaries (the "group"), which comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alba Leasing and subsidiaries as at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters - Comparative figures

The group's 2018 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 29 March 2019.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, 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 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254 of 30 December 2016

The directors of Alba Leasing S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254 of 30 December 2016.

We have checked that the directors had approved such non-financial statement.

In accordance with article 3.10 of Legislative decree no. 254 of 30 December 2016, we attested the compliance of the non-financial statement separately.

Milan, 10 April 2020

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

Report of the board
of statutory auditors

(Translation from the Italian original which remains the definitive version)

ALBA LEASING S.p.A.

Report of the board of statutory auditors

to the shareholders on the consolidated financial statements as at and for the year ended 31 December 2019

Dear shareholders,

the consolidated financial statements of the Alba Leasing Group as at and for the year ended 31 December 2019, which we received together with the separate financial statements of Alba Leasing S.p.A., comprise the statement of financial position, the income statement and the statements of comprehensive income, changes in equity and cash flows, prepared using the indirect method, and notes thereto and are accompanied by the directors' report.

The above consolidated financial statements and accompanying document are presented to the shareholders solely for informational purposes as they do not need to be approved.

As far as we are concerned, we note that the parent engaged KPMG S.p.A. for the statutory audit of its consolidated financial statements pursuant to article 41.2 of Legislative decree no. 127 of 9 April 1991.

However, this board of statutory auditors deems it appropriate to submit this brief report for your attention, both because of its duty to monitor compliance with the law and the deed of incorporation and in line with the general professional practice whereby the matters or documents submitted by the directors to the shareholders during their meetings are usually examined by the statutory auditors, who report to the shareholders.

Under IAS 27 and SIC 12 "Special purpose entities", Alba Leasing S.p.A. is required to prepare consolidated financial statements that include the securitisation special purpose vehicles (Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l., Alba 10 SPV S.r.l. and Alba 11 VH S.r.l.) and the assets and liabilities relating to the banking sub-portfolio portion of the segregated assets managed by the securitisation SPVs that are attributable to the parent under the agreement on securitised loans of 27 December 2009, as supplemented on 2 July 2010.

Accordingly, the parent has prepared these consolidated financial statements to continue to present all the parent's share of risks and rewards arising from the banking sub-portfolio in accordance with SIC 12, notwithstanding the fact that it does not legally own these financial assets and does not carry out transactions with the SPVs.

Therefore, the consolidated financial statements present the parent's share of the banking sub-portfolio's assets and liabilities separately and the individual financial assets and liabilities are presented together with the related counterparty.

Based on the documents making up the consolidated financial statements, we note the following:

- the consolidated financial statements show a profit for the year of €4,824,646;
- total assets amount to €5,288,092,156 and equity, net of the profit for the year, amounts to €402,620,849.

The independent auditors issued their audit report on the group's consolidated financial statements at 31 December 2019 today. This report is unqualified and states that the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2019 and of its financial performance and cash flows for the year then ended.

This board notes that the regular reports sent to Bank of Italy are based on the financial figures derived from the consolidated financial statements, since the parent believes that this complies with the substance over form principle, especially with reference to the effects of the agreement on securitised loans. This decision was agreed with Bank of Italy and does not affect the reporting capital calculation.

Finally, in this board's opinion, the consolidated financial statements correctly present the financial position and financial performance of Alba Leasing S.p.A. and its share of the SPVs relating to the banking sub-portfolio covered by the agreement on securitised loans in accordance with the laws referred to earlier.

Milan, 10 April 2020

For the board of statutory auditors

(signed on the original)

Ezio Simonelli (chairman)

Statement of
the managing director and
the manager in charge
of financial reporting

Declaration in respect of financial statements as required by Article 81-ter of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Massimo Mazzega and Stefano Rossi, in their respective capacities as Chief Executive Officer and Financial Reporting Manager of Alba Leasing S.p.A. hereby declare, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the financial statements:
    - were adequate in view of the company's characteristics and
    - were effectively applied during the year ended 31 December 2019

2. In relation and in addition to the present declaration, the Financial Reporting Manager notifies that:

    - assessment of the adequacy and effective application of said administrative and accounting procedures for the preparation of the financial statements as at 31 December 2019 was based on the use of methodologies that were internally defined, coherently with benchmark standards for internal control systems which are widely accepted at international level.

3. It is further hereby declared that the review:
    - has been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002, as well as with the measures deriving from the application of article 9 of Italian Legislative Decree no. 38/2005;
    - corresponds to the data recorded in the company's books and account ledgers;
    - is adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer.

Milan, 23 March 2020

Massimo Mazzega	Stefano Rossi
Chief Executive Officer	Financial Reporting Manager

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