ALBA LEASING SPA

Consolidated Financial Statements at 31 December 2016

BALANCE SHEET

(values in Euros)

	Assets	31/12/2016	31/12/2015
10	Cash and cash equivalents	8,062	9,812
20	Financial assets held for trading	173,617	248,745
50	Financial assets held to maturity	5,019,581	5,023,259
60	Receivables	4,828,737,128	4,685,085,119
100	Property, plant and equipment	1,903,515	281,814
110	Intangible assets	18,200,252	18,680,783
120	Tax assets	59,860,454	62,043,202
	a) current	5,053,249	5,478,304
	b) deferred	54,807,205	56,564,898
	of which: Law 214/2011	37,215,191	50,607,182
140	Other assets	141,917,145	110,374,840
	Total Assets	**5,055,819,754**	**4,881,747,574**

	Liabilities and equity	31/12/2016	31/12/2015
10	Payables	2,943,369,703	3,106,036,750
20	Outstanding securities	1,661,042,657	1,328,334,794
30	Financial liabilities held for trading	177,023	232,195
90	Other liabilities	38,652,381	39,000,380
100	Employee severance pay	2,578,002	2,692,557
110	Provisions for risks and charges	2,887,430	2,244,251
	b) other provisions	2,887,430	2,244,251
120	Share Capital	357,953,058	357,953,058
150	Share premiums	105,000,000	105,000,000
160	Reserves	(59,521,041)	(64,528,092)
170	Valuation reserves	(233,929)	(225,370)
180	Profit (Loss) for the year	3,914,470	5,007,051
190	Equity attributable to minority interests	-	-
	Total Liabilities and Equity	**5,055,819,754**	**4,881,747,574**

INCOME STATEMENT

(values in Euros)

	Items	31/12/2016	31/12/2015
10	Interest earned and similar income	113,167,767	121,064,788
20	Interest expense and similar charges	(26,589,138)	(39,476,956)
	Interest margin	**86,578,629**	**81,587,832**
30	Commissions earned	17,442,822	14,118,161
40	Commissions expense	(13,201,771)	(11,276,144)
	Net commissions	**4,241,051**	**2,842,017**
60	Net result from trading	(6,198)	(8,229)
90	Profit (loss) from disposal or repurchase of :	16,650	26,176
	a) financial assets	16,650	26,176
	Operating income	**90,830,132**	**84,447,796**
100	Net value adjustments/write-backs for impairment of :	(33,489,955)	(42,651,479)
	a) financial assets	(33,489,955)	(42,651,479)
110	Administrative expenses :	(42,965,145)	(36,047,684)
	a) personnel costs	(25,054,366)	(20,857,172)
	b) other administrative expenses	(17,910,779)	(15,190,512)
120	Net value adjustments/write-backs on property, plant and equipment	(76,884)	(93,140)
130	Net value adjustments/write-backs on intangible assets	(1,423,924)	(1,195,245)
150	Net accruals to provisions for risks and charges	(2,972,207)	(562,874)
160	Other operating income (costs)	(3,758,980)	(2,529,656)
	Operating result	**6,143,037**	**1,367,718**
180	Profits (Losses) from disposal of investments	(15,502)	46,949
	Profit (Loss) before tax from current operations	**6,127,535**	**1,414,667**
190	Income tax for the year from current operations	(2,213,065)	3,592,384
	Profit (Loss) after tax from current operations	**3,914,470**	**5,007,051**
	Profit (Loss) for the year	**3,914,470**	**5,007,051**
210	**Profit (Loss) for the year attributable to minority interests**	**-**	**-**
220	**Profit (Loss) for the year attibutable to the parent company**	**3,914,470**	**5,007,051**

STATEMENT OF COMPREHENSIVE INCOME

(values in Euros)

	Items	31/12/2016	31/12/2015
10	**Profit (Loss) for the year**	**3,914,470**	**5,007,051**
20.	**Other income components after tax without transfer to P&L**		
30.	Property, plant and equipment	-	-
	Intangible assets	-	-
40.	Defined-benefit plans	(8,559)	118,364
50.	Non-current assets held for sale	-	-
60.	Portion of reserves from valuation of equity-accounted investments	-	-
	Other income components, after tax with transfer to P&L		
70.	Hedging of foreign investments	-	-
80.	Foreign exchange differences	-	-
90.	Cash flow hedge	-	-
100.	Financial assets available for sale	-	-
110.	Non-current assets held for sale	-	-
120.	Portion of reserves from valuation of equity-accounted investments	-	-
130.	**Total other income components after tax**	**(8,559)**	**118,364**
140.	**Comprehensive income (Item 10+130)**	**3,905,911**	**5,125,415**
150.	Consolidated comprehensive income attributable to minority interests	**-**	**-**
160.	**Consolidated comprehensive income attributable to the parent company**	**3,905,911**	**5,125,415**

STATEMENT OF CHANGES IN EQUITY

(values in Euros)

At 31 December 2016

	Equity at 31.12.2015	Change in Opening Balances	Equity at 1.1.2016	Allocation of result from previous year		Changes for the year						Comprehensive income 2016	Equity attributable to the Group at 31.12.2016	Equity attributable to minority interests at 31.12.2016
							Equity transactions in the year							
				Reserves	Dividends and other allocations	Change in reserves	Issue of New Shares	Purchase of own shares	Distribution of extra-dividends	Change in equity instruments	Other changes			
Share capital	357,953,058	-	357,953,058	-	-	-	-	-	-	-	-	-	357,953,058	-
Share premiums	105,000,000	-	105,000,000	-	-	-	-	-	-	-	-	-	105,000,000	-
Reserves: a) revenue b) others	 (64,578,857) 50,764	 - -	 (64,578,857) 50,764	 250,353 4,756,699	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 (64,328,504) 4,807,463	 - -
Valuation reserves	(225,369)	-	(225,369)	-	-	-	-	-	-	-	-	(8,559)	(233,928)	-
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Own shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	5,007,051	-	5,007,051	(5,007,051)	-	-	-	-	-	-	-	3,914,470	3,914,470	-
EQUITY attributable to the Group	**403,206,647**	**-**	**403,206,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,905,911**	**407,112,558**	**-**
EQUITY attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At 31 December 2015

	Equity at 31.12.2014	Change in Opening Balances	Equity at 1.1.2015	Allocation of result from previous year		Changes for the year						Comprehensive income 2015	Equity attributable to the Group at 31.12.2015	Equity attributable to minority interests at 31.12.2015
							Equity transactions in the year							
				Reserves	Dividends and other allocations	Change in reserves	Issue of New Shares	Purchase of own shares	Distribution of extra-dividends	Change in equity instruments	Other changes			
Share capital	357,953,058	-	357,953,058	-	-	-	-	-	-	-	-	-	357,953,058	-
Share premiums	105,000,000	-	105,000,000	-	-	-	-	-	-	-	-	-	105,000,000	-
Reserves: a) revenue b) others	 (65,543,377) -	 - -	 (65,543,377) -	 964,520 50,764	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 (64,578,857) 50,764	 - -
Valuation reserves	(343,733)	-	(343,733)	-	-	-	-	-	-	-	-	118,364	(225,369)	-
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Own shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	1,015,284	-	1,015,284	(1,015,284)	-	-	-	-	-	-	-	5,007,051	5,007,051	-
EQUITY attributable to the Group	**398,081,232**	**-**	**398,081,232**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,125,415**	**403,206,647**	**-**
EQUITY attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

(values in Euros)

A. OPERATING ACTIVITIES	31/12/2016	31/12/2015
1. OPERATIONS	**42,148,627**	**45,781,450**
- result for the year (+/-)	3,914,470	5,007,049
- capital gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	175,355	213,308
- net value adjustments/write-backs for impairment (+/-)	33,489,955	42,651,479
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	1,561,403	1,291,828
- net accruals to provisions for risks and charges and other costs/revenues (+/-)	3,018,650	593,347
- unpaid taxes and duties (+)	-	(4,095,523)
- other adjustments (+/-)	(11,206)	119,962
2. CASH FLOW GENERATED FROM/USED BY FINANCIAL ASSETS	**(178,573,722)**	**(61,790,214)**
- receivables from banks	278,601	41,060,751
- receivables from customers	(140,280,089)	(171,022,078)
- other assets	(38,572,234)	68,171,113
3. CASH FLOW GENERATED FROM/USED BY FINANCIAL LIABILITIES	**24,625,200**	**254,622,564**
- payables to banks	(290,352,378)	(427,673,205)
- payables to financial entities	266,013,839	653,431,703
- payables to customers	52,849,556	21,790,637
- financial liabilities held for trading	(109,467)	(125,519)
- other liabilities	(3,776,350)	7,198,948
NET CASH FLOW GENERATED FROM/USED BY OPERATING ACTIVITIES	**(111,799,895)**	**238,613,800**
B. INVESTING ACTIVITIES		
2. CASH FLOW USED BY	**(2,702,573)**	**(5,687,205)**
- purchases of financial assets held to maturity		(5,023,259)
- purchases of property, plant and equipment	(1,759,180)	(135,075)
- purchases of intangible assets	(943,393)	(528,871)
NET CASH FLOW GENERATED FROM/USED BY INVESTING ACTIVITIES	**(2,702,573)**	**(5,687,205)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares		-
NET CASH FLOW GENERATED FROM/USED BY FINANCING ACTIVITIES		
NET CASH FLOW GENERATED/USED IN THE YEAR	**(114,502,468)**	**232,926,595**

RECONCILIATION	31/12/2016	31/12/2015
Cash and cash equivalents at the beginning of the year	(2,095,207,942)	(2,328,134,537)
Total net cash flow generated/used in the year	(114,502,468)	232,926,595
Cash and cash equivalents at the end of the year	**(2,209,710,410)**	**(2,095,207,942)**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 – Statement of compliance with International Accounting Standards

These consolidated financial statements of Alba Leasing S.p.A., as required by Legislative Decree no. 38 of 28 February 2005, have been prepared in accordance with the accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as provided for in Regulation (EC) no. 1606 of 19 July 2002.

For the interpretation and application of the international accounting standards, reference has been made to the following documents, although not endorsed by the European Commission:

- Framework for the preparation and presentation of financial statements;
- Implementation Guidance, Basis for Conclusion and other documents (if any) prepared by the IASB or by the IFRIC to make additions to the accounting standards issued.

The accounting standards applied for the preparation of these financial statements are those applicable on 31 December 2016 (including interpretations named SIC and IFRIC).

For more details on the standards that were endorsed in 2016 or those that were endorsed in previous financial years, which are expected to be applied in the financial years commencing after that ended 31 December 2016, reference should be made to “Section 2 – Basis of preparation” below, which also describes the main impact.

Section 2 – Basis of preparation

These consolidated financial statements are made up of the Balance Sheet, the Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Equity and the Explanatory Notes.

The Balance Sheet and Income Statement, as well as the Statements of Comprehensive Income and of Changes in Equity, have been prepared according to the guidelines laid down in the Bank of Italy’s Order of 9 December 2016, “The financial statements of IFRS intermediaries other than bank intermediaries” (*Il bilancio degli intermediari IFRS diversi dagli intermediari bancari*” (the “Order”), pursuant to Article 43 of Legislative Decree no. 136/2015.

The information in the Notes to the Financial Statements, unless otherwise required by special Bank of Italy regulations, has been suitably supplemented in compliance with these rules in order to take account of the amendments made to the provisions of the Italian Civil Code governing financial statements following the entry into force of the company law reform (Legislative Decree no. 6 of 17 January 2003 and delegated regulations under Law no. 366 of 3 October 2001).

The items that do not report values for the current and previous periods have been omitted.

In accordance with Article 5, paragraph 2, of Legislative Decree no. 38 of 28 February 2005, the financial statements have been prepared by using the Euro as reporting currency and on the following basis of preparation:

<u>Going concern</u>: assets, liabilities and off-balance sheet transactions are measured in accordance with the results of the Company’s operations on a going-concern basis.

<u>Accrual basis</u>: costs and revenues are recognised, regardless of the time at which they are paid or received, at the time at which they are incurred or earned, adopting the matching principle.

Consistency of presentation: the presentation and classification of items are kept constant over time in order to ensure that information is comparable unless their variation is required by an International Accounting Standard or Interpretation, or unless varying them provides a more appropriate representation of data in terms of materiality and reliability. If a presentation or classification policy is changed, the new policy is applied retroactively where possible; in such cases the nature of and the reason for the change and the items affected are stated.

Relevance and aggregation: all material classes of items of a similar nature or function are reported separately. Items of a dissimilar nature or function, if material, are presented separately.

Substance over form: transactions and other events are recognised and disclosed in conformity to their substance and economic impact and not only to their legal form.

Offsetting: assets and liabilities and costs and revenues are not offset against each other, unless this is required or permitted by an International Accounting Standard or by an Interpretation or by the schedules prepared by the Bank of Italy for the financial statements of Financial Intermediaries.

Comparative information: comparative information regarding the previous financial period is provided for each account in the balance sheet and income statement, unless otherwise permitted or provided for by an accounting standard or an interpretation. The previous period's data are suitably adapted, if necessary, so that they are comparable with those of the current period. If data are not comparable, have been adapted or cannot be adapted, this is reported and commented on in the explanatory notes.

Pursuant to the Order, the Balance Sheet, the Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Equity and the Cash Flow Statement at 31 December 2016 have been prepared in Euro units, without decimal places, while the Notes to the Financial Statements have been prepared in thousands of Euros, pursuant to the same Order.

New accounting standards or amendments to existing accounting standards endorsed by the European Commission

The accounting standards adopted for the preparation of the consolidated financial statements at 31 December 2016, with reference to the classification, recognition, measurement and derecognition of asset and liability items, as well as for revenue and cost recognition, are the same as those used for the financial statements at 31 December 2015, which should be referred to for a complete description.

The changes in IFRS applicable to the financial statements for the period ended 31 December 2016 are the following:

Amendments to IAS 16, "Property, Plant and Equipment" and to IAS 38 "Intangible Assets" regarding Clarification of Acceptable Methods of Depreciation and Amortization: the amendment, which was endorsed by Regulation (EU) 2015/2231, became applicable for the financial periods that commenced on 1 January 2016.
The amendment clarifies, since practices diverge, that methods of calculating depreciation based on revenues may not be used: revenues reflect the ways future economic benefits from the activity of the entity to which depreciable assets belong are generated and not the way the expected future economic benefits from these assets are consumed.

Annual Improvements 2014: the document, which was endorsed by Regulation (EU) 2015/2343, became applicable for the financial periods that commenced on 1 January 2016. The improvements contain amendments to the following accounting standards:

- IFRS 5: "Non-current Assets Held for Sale and Discontinued Operations." The amendment introduces specific guidelines for the use of this Standard if an entity reclassifies an asset from the "held for sale" to the "held for distribution" category or vice versa and if the reasons for their reclassification no longer apply. Reclassifications are not to be considered as variations of a plan and therefore the policies for their classification and measurement remain valid. If the criteria for their classification as "held for distribution" are no longer met, these assets are to be treated in the same manner as those which are no longer reclassified as "held for sale";

- IFRS 7 “Financial Instruments: Disclosures.” The amendments lay down further guidelines which clarify when a servicing contract constitutes a continuing involvement in a transferred asset;
- IAS 19 “Employee Benefits.” The amendment requires the rate of a high quality corporate bond issued in the same currency as that used for the payment of benefits to be used in order to determine the discount rate of post-employment benefits;
- IAS 34 “Interim Financial Reporting.” The purpose of the amendments is to clarify that some of the required information should be included in the interim financial statements or elsewhere in the file (for example the Report); if the latter, a cross-reference should be inserted in the interim financial statements and the information should be provided in the same manner and at the same time as these interim statements.

Amendments to IAS 1 “Presentation of Financial Statements”, which were endorsed by Regulation (EU) 2015/2406 of 18 December 2015. The amendments clarify the guidance in IAS 1 regarding materiality, the aggregation of items, the representation of subtotals, the structure of financial statements and the disclosure relating to accounting policies. They also make changes to the additional information required in the section regarding the statement of other comprehensive income.

Amendments to IAS 27 “Equity Method in Separate Financial Statement”, which were endorsed by Regulation (EU) 2015/2441 of 18 December 2015. The amendments allow an entity to use the equity method in its separate financial statements to measure investments in subsidiaries, joint ventures and associates.

Amendments to IAS 19, “Employee Benefits”, regarding defined benefits plan: the amendments, which were endorsed by Regulation (EU) 2015/29, became applicable for the financial periods that commenced on 1 February 2015. The objective of the amendments is to simplify accounting for contributions by third parties or employees to pension plans which are independent of years of service.

Annual Improvements 2012: this document, which was endorsed by Regulation (EU) 2015/28, became applicable for the financial periods that commenced on 1 February 2015. The improvements contain amendments to the following accounting standards:

- IFRS 2: Appendix A clarifies the definition of “vesting condition” as «a condition that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity under a share-based payment arrangement» and also introduces the definitions of “service conditions” and “performance conditions”;
- IFRS 3: has been amended to clarify that the obligation to pay a contingent consideration falls within the definition of a financial instrument and must be classified as a financial liability or as an equity item according to the guidelines set out in IAS 32. It is also clarified that obligations to pay a contingent consideration other than those falling within the definition of an equity instrument are measured at fair value through profit or loss on each reporting date;
- IFRS 8: a requirement for disclosures is introduced regarding the management’s judgments regarding the aggregation of operating segments. The information required is an account of these judgments and of the economic indicators which influenced them and led to the conclusion that the aggregated segments shared similar economic characteristics. Also required is a reconciliation between the assets of the operating segments and the total assets in the balance sheet, but only if information regarding the assets of operating segments is provided at the highest decision-making level;
- IAS 16 e IAS 38: have been amended to clarify how the historical cost and depreciation fund of a fixed asset must be measured when an entity adopts the revalued cost method;
- IAS 24: the amendments set out the information to be provided when there is a third-party entity that provides key management personnel services to the reporting entity.

Accounting standards that will be applicable in next financial years

In this regard all new standards and amendments are summarised below, which were issued before 31 December 2016 and will be applicable after 1 January 2018. These are standards that are not yet applicable or have not yet been endorsed by the European Union and therefore they are not applicable to financial statements at 31 December 2016:

- IFRS 15 “Revenue from Contracts with Customer”, which was endorsed by Regulation (EU) 2016/1905 of 22 September 2016.
  IFRS 15 replaces IAS 18, IAS 11 and the following interpretations: IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31, and applies to all contracts with customers, except for any agreement that falls within the scope of application of IAS 17, IFRS 4 or of IAS 39/IFRS 9. This standard introduces a model for recognising and measuring revenue based on five steps: (1) identify the contract with a customer; (2) identify the performance obligations, i.e. the separable parts of a single contract which must be separated for accounting purposes; (3) determine the transaction price; (4) allocate the price to the various performance obligations; and (5) recognise revenue as the performance obligations are fulfilled;

- IFRS 9 ‘Financial instruments’, which was endorsed by Regulation (EU) 2016/2067 of 22 November 2016. This standard replaces IAS 39 and contains a new method for classifying and measuring financial instruments and a new impairment test method mainly based on the concept of expected loss. Furthermore, some provisions are amended as regards hedge accounting;

- IFRS 14 “Regulatory Deferral Accounts” (not yet endorsed). IFRS 14 only permits first-time adopters of IFRS to continue to account for transactions according to their previous accounting standards even if these conflict with IFRS

- IFRS 16 “Leases” (not yet endorsed). The standard introduces a new policy for accounting for lease contracts, both for lessors and for lessees. The new accounting standard requires all lease contracts to be recognised in the balance sheet as assets and liabilities whether they are “finance” or operating lease contracts.

Preparation of Financial Statements on a going-concern basis

Also having regard to the provisions of the joint Bank of Italy, CONSOB (Italian Securities and Exchange Commission) and ISVAP Italian Institute for the Supervision of Insurance) Document no. 2 of 6 February 2009 on information concerning an entity’s prospects of continuing to operate as a going-concern and in compliance with the provisions governing the same matter under IAS 1 revised, the directors have not seen that there are any uncertainties which might give rise to doubts as to the Company and the Group’s ability to continue to operate as a going concern in the foreseeable future and, accordingly, they have prepared the financial statements on a going-concern basis.
This, moreover, is confirmed by the main equity and financial ratios on the reporting date. Moreover, no elements of uncertainty were seen with regard to funding requirements, also considering that the shareholders are in the banking sector and that they have assured the Company that they are committed to supporting it as a matter of strategy.

Use of estimates and assumptions in the preparation of the consolidated balance sheet and income statement

The preparation of the consolidated balance sheet and income statement required the making of estimates and assumptions which could have a material impact on the carrying amounts in the balance sheet and in the income statement. Making these estimates involves the utilisation of the information to hand and the adoption of subjective judgments, which are also founded on past experience and are used to make reasonable assumptions with regard to the recognition of management operations. By their very nature, the estimates and assumptions utilised may vary over time and it cannot be ruled out, therefore, that the carrying amounts reported at present may vary during subsequent financial periods as a result of changes to the subjective judgments utilised.

The most important elements for which the management have had to utilise subjective judgments are:
- the quantification of the adjustments to make in order to write down the receivables in the portfolio;
- the fair value measurement of financial instruments;
- tax estimates and assumptions and the recoverability of deferred tax assets;
- the determination of provisions for risks and charges;
- the quantification of some balance sheet items and aspects related to the “Agreement on securitised loans” described below;
- the impairment test prescribed by IAS 36 within the scope of the specific audits to be conducted for assessing any possible impairment of goodwill.

Section 3 – Significant events after the reporting date of the consolidated financial statements

The draft consolidated financial statements at 31 December 2016 were approved by the Board of Directors' meeting held on 28 February 2017 and will be submitted for consideration at the Shareholders' Meeting called on 30 March 2017.

While referring to the report on operations for a general account of outlook after the end of the financial period, it should be pointed out that no events or facts occurred after the reporting date and until the date of approval which were such as to give rise to adjustments to the financial position, results of operations or cash flows at 31 December 2016.

Section 4 – Other aspects

On 29 October 2016 Credito Valtellinese – Società cooperativa (shareholder of Alba Leasing S.p.A.) changed its company name to "Credito Valtellinese S.p.A.."

On 28 November 2016 Banca Popolare dell'Emilia Romagna – Società cooperativa (shareholder of Alba Leasing S.p.A.) changed its company name to "BPER Banca S.p.A.."

With effect from 1 January 2017 Banca Popolare di Milano S.c.a.r.l. and Banco Popolare – Società Cooperativa (shareholders of Alba Leasing S.p.A.) were merged by incorporation into the new joint-stock company named Banco BPM S.p.A..

Following the abovementioned merger Banco BPM S.p.A. became the majority shareholder of the Company.

Agreement on securitised loans

Within the scope of the agreement that was entered into between Banco Popolare, Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio and Banca Popolare di Milano on 15 March 2009, aimed at regulating the reorganisation of the Banca Italease Group, on 24 December 2009 Banca Italease and Alba Leasing signed an agreement (hereinafter also referred to as the Agreement) whereby Alba Leasing assumes all the risks and obtains all the rewards regarding Banca Italease's loans granted and securitised, which had been originated by the banking channel from 31 March 2009 onwards (banking Sub-portfolio).

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 provisions of the Agreement were complied with having regard to the precise date of 31 March 2009, the parties concluded 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 in the accounts and financial statements, in preparing the 2009 financial statements the Company already took steps to examine its implications for the accounts, also obtaining an opinion from a reliable external professional.

These analyses and judgments 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, the Company has prepared, since that time, not only separate or annual financial statements, but also financial statements that consolidate subsidiaries in accordance with the relevant accounting standards, as well as, on a pro rata basis, the asset and income components of the separate assets managed by each securitisation SPV relating to the banking Sub-portfolio and the risks and rewards of which have 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 standard 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 the *capacity of an entity* and with reference to its specific sector, or also as “deemed separate entity” relating to each securitisation transaction.

In fact it is considered that the Agreement implies the presence of separate entities, or “silos”, since each securitisation constitutes a separate set of assets for the beneficiaries of the corresponding sector. Specifically the conditions laid down in Appendix B attached to IFRS 10 have been satisfied.

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

Transaction	Vehicle
ITA8	Italfinance Securitisation Vehicle S.r.l.
ITA9	Italfinance Securitisation Vehicle 2 S.r.l.
ITA9 BEI	Erice Finance S.r.l.
ITA11	Italfinance Securitisation Vehicle 2 S.r.l.
LSMP	Leasimpresa Finance S.r.l.

The ITA 6 transaction, involving securitised assets that fell within the scope of consolidation, was closed in April 2014 in advance of its original expiry date; in December 2015 the ITA 7 transaction was also closed in advance of its original expiry date. During the 2016 financial year the ITA 10 and Quicksilver transactions were closed in advance of their original expiry dates (in October and December, respectively).

With particular reference to the method of identifying and recognising the assets and liabilities in the banking Sub-portfolio, the consolidated financial statements at 31 December 2016 show:

- the value of the receivables in the banking Sub-portfolio, recognised in balance sheet assets on the basis of the perimeter contractually agreed by the parties;
- the value of cash in hand in the separate assets at the end of the financial year and attributable to the banking Sub-portfolio, recognised in balance sheet assets;
- the Senior, Mezzanine and Junior notes attributable to the banking Sub-portfolio, recognised on a pro rata basis (including any remuneration not paid out), in balance sheet liabilities, on the basis of the values contractually agreed by the parties;
- the DPP (Deferred Purchase Price) debt in the banking Sub-portfolio, due on 31 March 2009 and not paid as of 31 December 2016 as contractually agreed by the parties, recognised in balance sheet liabilities;
- the other assets and liabilities in the banking Sub-portfolio, calculated according to criteria contractually agreed by the parties, recognised in balance sheet assets and liabilities, where not specifically attributable to the banking Sub-portfolio.

The assets and liabilities in the banking Sub-portfolio have been suitably adjusted to make any items affected by the adoption of different accounting standards homogeneous. All the balance sheet and income statement items outstanding between Alba Leasing and the banking Sub-portfolio have also been written off.

Finally, it should be noted that, in preparing the financial statements at 31 December 2009, financial assets and liabilities were recognised as a result of the consolidation of the banking Sub-portfolio and duly adjusted to take account of related fair value at 31 December 2009 (date of initial recognition) as required by the relevant accounting standards,

Accordingly, the income statement relating to the banking Sub-portfolio reflects positive and negative income components arising from the relationships described above.

It should also be pointed out that receivables and rights recognised as a result of the pro-rata consolidation of the assets in the banking Sub-portfolio are classified as “finance lease receivables” even if they have some of the particular characteristics, mainly due to the specific ways in which they were previously securitised by another operator.

Specifically, as the features of this specific classification criterion need to be defined, the decision was made on the basis of some judgments guided by the principle of substance over form, including those regarding:

- the technical and legal form in which these receivables and rights were originated;
- the risk and reward profiles of these receivables, which, in any case, originated in finance lease agreements. It is deemed that this classification expresses underlying risk better, especially credit risk, which, in fact, is associated with the end users of the asset, who are the holders of the relative lease agreements;
- this approach ensures continuity of information regarding the receivables;
- the ultimate objective of the Agreement and its contractual clauses is to transfer the risks and rewards of contracts previously originated by another operator to Alba Leasing, even if in a "synthetic" manner.

In fact, with specific reference to the information reported above, it should be pointed out that the ultimate effects of the Agreement are that Alba Leasing:

- is the effective beneficiary of the lessee's payments for the use of the asset and consequently assumes all the risks arising from the user's insolvency;
- has full power over the management of the underlying lease agreements and the management of the loan;
- can take action to recover debt, giving instructions for regaining possession of the asset and its subsequent transfer.

It should be noted that, as illustrated above, when the effects of the Agreement were initially disclosed, the values of some balance sheet items related to the Agreement were estimated on the basis of certain assumptions made on initial recognition and considering the effects of the Agreement 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 closed.

Section 5 – Consolidation area and methods

The consolidated financial statements include the balance sheet and income statement results of the securitisation vehicles Alba 6 SPV S.r.l., Alba 7 SPV S.r.l., Alba 8 SPV S.r.l. and Sunny 1 SPV S.r.l., in addition to the banking Sub-portfolio described in Section 4 – Other aspects, Agreement on securitised loans, above.

The consolidation area is determined in compliance with IFRS 10 "Consolidated Financial Statements."
This standard establishes control as the basis for determining if an entity is to be consolidated. An investor has control when, simultaneously:

- it has power to direct an entity's relevant activities;
- it is exposed or has rights to variable returns from its involvement with the investee;
- it has the ability to use its power to affect the amount of its returns (link between power and returns).

IFRS 10, therefore, states that in order to have control the investor must have the ability to direct the investee's relevant activities by virtue of a legal right or a mere *de facto* situation, and must also be exposed to the variability of the results deriving from this power.

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 judgments, 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.
In this case, the said vehicle companies were consolidated on a line-by-line basis after thorough consideration of each transaction carried out, although Alba Leasing has no voting rights, as regards both assets and liabilities "above the line" and those relating to separate assets attributable to securitisation transactions.

Subsidiaries are consolidated from the date on which Alba Leasing gains control over them and cease to be consolidated from the time at which a control situation no longer exists. The existence of control is the object of an ongoing assessment process should facts and circumstances point to a change having taken place in one or more of the three elements which satisfy the control requirement.
The share capital has been stated under item 60 “Other liabilities” of the Balance Sheet in consideration of the specific nature of control exercised over the abovementioned SPVs.

1. Equity investments in subsidiaries:

Company name	Operating office	Type of relationship (1)	Investment relationship		Available votes
			Investing Company	% Share	
A. Companies					
A1. Consolidated on a line-by-line basis					
Alba 6 SPV S.r.l.	Conegliano	4			
Alba 7 SPV S.r.l.	Conegliano	4			
Alba 8 SPV S.r.l.	Conegliano	4			
Sunny 1 SPV S.r.l.	Milan	4			

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

2. Other information

For more details on securitisation transactions, reference should be made to “Part B – Information on the Balance Sheet – Section 6 – Receivables – 6.3 “Receivables from customers”, as well as to “Part D – Other information – Section 2 – Securitisation transactions, information on unconsolidated structured entities (other than securitisation SPVs) and disposals of assets.”
The financial statements of securitisation SPVs used for consolidation purposes were prepared in Euros at 31 December 2016.

A.2 – PART RELATING TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The consolidated financial statements at 31 December 2016 were prepared by applying the same accounting standards as those used to prepare the financial statements for the previous financial year.

Changes in estimates

As detailed in Part C, Section 8 “Net value adjustments/write-backs for impairment” of the notes to the financial statements, the consolidation of historical and statistical series from inside the Company, which is now in the seventh year of operations, enables the Company, on the basis of the same accounting standards and methods of calculation, to make some LGD proxy parameter gradings. These gradings, which constitute the best possible estimate of debt recoverability, now provide a better reflection of portfolio risk assessment, which has been very much influenced by external data up to now.
For more details on the impact of these gradings on the financial statements, reference should be made to the abovementioned section.

Below are the issues that are illustrated for each item of the Balance Sheet and, insofar as it is consistent, of the Income Statement:
(a) criteria for recognition;
(b) criteria for classification;
(c) criteria for measurement;
(d) criteria for derecognition;
(e) criteria for recognition of income components.

ASSETS

<u>FINANCIAL ASSETS HELD FOR TRADING</u>

Criteria for recognition and derecognition

Financial assets held for trading (HFT) are recognised on the settlement date.

Derivative instruments are recognised on the “subscription date” at a value equal to their cost (purchase price), meaning the fair value of the instrument, without considering transaction costs or income (if any) that are directly attributable to the instrument itself and that are recognised through profit or loss.

Financial assets held for trading are derecognised when the contractual rights over the financial flows arising from them expire or when they are sold, together with the substantial transfer of all risks and rewards related to them.

Criteria for classification

Financial assets held for trading includes the classification of financial instruments held with the intention of generating short-term profits deriving from variations in their price, as well as of derivative contracts that are not designated as effective hedging instruments.

A derivative is a financial instrument or other contract with all the three following characteristics:
a) 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;
b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
c) it is to be settled at a future date.

No transfers may be made from the trading portfolio to other portfolios and vice versa, except for transfers permitted by amendments to IAS 39 of October 2008.

Criteria for measurement

After initial recognition, financial assets held for trading are measured at fair value through profit or loss.

Market prices are used to measure the fair value of financial instruments listed in an active market.

An active market is one in which quotations which reflect normal market transactions are readily and regularly available on Stock Exchanges or from Brokers, Intermediaries, Firms in the sector, Listing services or approved bodies and express the prices of real, ongoing market transactions in a normal reference period.

The fair value of other unlisted financial instruments is the presumed replacement cost, taken from the prices of listed derivative contracts with identical characteristics (for underlying, strike price and maturity) or discounting the future financial flows (certain or estimated) at the market rates taken from normally used international financial news media and/or applying best practice valuation models.

Criteria for recognition of income components

The income components relating to trading derivatives are allocated, as regards profits and losses from trading and capital gains and losses from measurement, to item 60 "Net result from trading" of the income statement.
Any positive fair value when recognised is accounted for precisely since it is the result of measurements whose parameters can be observed objectively.

<u>FINANCIAL ASSETS HELD TO MATURITY</u>

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which the holder has the objective intention and capacity to hold to maturity are defined as financial assets held to maturity (HTM).
Exceptions are those:

a) held for trading or designated upon initial recognition at fair value through profit or loss;

b) designated as available for sale;

c) that meet the definition of loans and receivables.

When financial statements or statements of account are prepared, the intention and the capacity to hold financial assets to maturity are assessed. These assets are stated under item 50 "Financial assets held to maturity."

Criteria for recognition and derecognition

Financial assets held to maturity are initially recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument, i.e. at settlement, at cost value, including directly-attributable income and costs (if any).
Financial assets held to maturity are derecognised when the contractual rights over the financial flows arising from them expire or when they are disposed of, together with the substantial transfer of all risks and rewards related to them. The result from the disposal of financial assets held to maturity is charged to profit or loss under item 90 "Profits (losses) from disposal or repurchase of: a) financial assets."

Criteria for measurement

Financial assets held to maturity are measured at amortised cost. When the financial statements are prepared the existence of objective evidence of impairment of the asset is tested. If an impairment loss is reported, the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the initial effective rate of interest, is charged to profit or loss under item 100 "Net value adjustments/write-backs for impairment of: b) other financial assets." Any value write-back is recognised in the same item in the income statement, which was recorded when the indications which gave rise to the previous value adjustments no longer exist. The fair value of financial assets held to maturity is determined for disclosure purposes and is estimated as detailed in Part A.4 "Information on the Fair Value" of the Notes to the Financial Statements.

<u>RECEIVABLES</u>

Criteria for recognition and derecognition

Receivables are initially recognised on the date of disbursement or acquisition on the basis of the fair value of the financial instrument, which is normally the amount paid out or the subscription price, including the costs or revenues which are directly attributable to them and which can be determined at origin, even if settled at a later date. This provision shall not apply to all costs that are reimbursed by the debtor counterparty or that are attributable to internal administrative expenses.

The fair value of credit transactions concluded on terms other than market terms or of receivables acquired after the disbursement is determined using suitable measurement techniques: the difference between the amount paid out or acquisition price is normally charged to profit or loss unless this difference is a different component by its own nature (for example, receivables relating to the Agreement on securitised loans).

Assets waiting to be leased are recognised under receivables for “other transactions” when the contract is executed and are transferred to finance lease receivables when the contract begins generating revenue.

Loans and receivables are derecognised from balance sheet assets when they are finally deemed to be irrecoverable or when the contract rights to the cash flows arising therefrom expire or are assigned with substantial transfer of all risks and rewards attached to ownership. On the other hand, if the risks and rewards incidental to assigned receivables are retained, these continue to be recognised among balance sheet assets even if legal title to the receivables concerned has been effectively transferred.

If it is not possible to establish whether risks and rewards have been substantially transferred, receivables are derecognised if no type of control has been maintained over them. Otherwise if control over them is retained, even partially, the receivables must remain in the balance sheet to the extent of the residual involvement, measured by exposure to changes in the value of the assigned receivables and variations in the cash flows from them.

Criteria for classification

Loans and receivables are unlisted financial assets with respect to customers, financial entities and banks, either paid out directly or purchased from third parties, with fixed or in any case determinable payments, which are not initially classified under financial assets available for sale, held for trading or designated at fair value.

Among cash receivables are receivables from finance lease transactions (which are recognised according to the “finance method” as required by IAS 17). They also include assets waiting to be transferred under finance leases, including properties under construction.

As required by IAS 17, a finance lease is a contract whereby the lessor transfers to the lessee the right to use an asset for a set period of time in exchange for a series of payments. The key criterion for classifying a contract as a finance lease is, in fact, the transfer to the lessee of the risks and rewards incidental to the leased asset (examples are losses from unused capacity, technological obsolescence, variations in return, expected profitable utilisation during the asset’s useful life or gains from revaluation or realisation of residual value).

Criteria for measurement

After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method.

Assets waiting to be leased are measured at cost on the basis of the invoices received from suppliers and/or advances paid out.

The amortised cost is the value of initial recognition decreased or increased by capital repayments, fair value differences (if any) stated upon initial recognition, value adjustments/write-backs and overall amortisation, calculated according to the effective interest rate method and any difference between the amount paid out and that repayable on maturity.
The effective interest rate is the rate which discounts future flows of debt principal and interest along the expected life of the debt taking all its contractual provisions into consideration (prepayment if applicable, purchase options and/or similar provisions, charges and basis points paid/received, transaction costs, other premiums or discounts, etc.). This method of accounting, using a financial approach, allows the distribution of the economic effect of costs and income over the expected residual life of the receivable. The effective

interest rate initially recognised is the original rate, which is always used to discount expected cash flows and determine amortised cost, after initial recognition.

The amortised cost criterion is not used for short-term receivables, for which the discounting process results in an insignificant amount. These receivables are measured at historical cost, which is equal to the nominal amount paid out.
The same measurement criterion is used for receivables which do not have a definite maturity or are revocable.
An impairment test is conducted at the end of each financial period or when an interim report is to be issued in order to establish whether there is any objective evidence of impairment of a receivable or group of receivables.

An impairment test of receivables includes the phase of individual or specific measurements (selection of individual receivables and estimate of related losses) and collective or portfolio measurement (selection of existing portfolios of receivables in homogeneous risk classes and estimate of related losses).

Therefore receivables are tested for impairment if there is symptomatic or persisting indications over time of a state of deterioration in the solvency of debtors or issuers.

The impairment test is divided into two phases:
1) individual assessments to find individual non performing loans; and determination of related impairment losses;
2) collective assessments to find impaired portfolios of existing receivables according to the incurred losses model and to determine losses latent in them.

Also on the basis of criteria laid down by the Bank of Italy, non performing loans which undergo individual measurement are:
1) bad loans;
2) unlikely to pay;
3) past due exposure non performing.

The impairment loss of a non performing loan is the difference between its recoverable value and its amortised cost. Recoverable value is the present value of the cash flows expected on account of principal and interest for each receivable, calculated on the basis of:
a) the value of the contractual cash flows net of estimated losses, taking into consideration both the specific debtor's capacity to fulfil obligations, the realisable value of the leased assets and any personal guarantee or collateral received;
b) expected recovery time, also estimated on the basis of current debt recovery procedures;
c) the internal rate of return of each loan.

Specifically:
- the following calculation parameters are used for bad loans loans:
  a) recovery forecasts by the account managers;
  b) expected recovery times estimated on a historical and statistical basis, monitored by managers;
  c) discount rates represented by contractual rates at the time the state of insolvency arose;

- the following calculation parameters are used for unlikely to pay loans:
  a) recovery forecasts by the account managers;
  b) expected recovery times estimated on a historical and statistical basis;
  c) discount rates represented by contractual rates at the time the state of insolvency arose;

- the following calculation parameters are used for past due exposure non performing:
  a) probability of outstanding or past due debt becoming a probable default/bad debt, estimated on a historical and statistical basis using the contributor's historical loans archive, whose data go into deeper depth than the Company's;
  b) loss in the event of insolvency (estimated on a historical and statistical basis using a bad loan archive);
  c) expected recovery times estimated on a historical and statistical basis;
  d) discount rates represented by contractual rates at the time the state of insolvency arose.

To carry out collective measurements of performing loans:
a) divide the portfolio of performing loans into segments according to their different characteristics;
b) estimate the probability of performing loans moving to default (default rates) on the basis of the historical information to hand;
c) determine loss rates in the event of insolvency on the basis of available historical information.

If the information to hand is not sufficient or is immaterial owing to the lack of in-depth data, similar sector data or data from other operators which may be helpful for the purpose are also considered in order to provide the above details.

Debtors' exposures classified as above may be forborne by the creditor in order to overcome difficulties in fulfilling their financial obligations which have already developed or are on the point of developing. The basic element in forbearance is the debtor's financial difficulty; overdue payments and/or the classification of exposures as non-performing are therefore disregarded. In view of this, performing exposures which are forborne are named as "performing forborne" and non-performing (impaired) exposures are named as "non-performing forborne." The debtor's financial difficulty may be presumed absolutely or be subject to investigation.

Any subsequent value write-backs may not exceed the amount of the impairment losses (individual and collective) previously recognised.

Criteria for recognition of income components

The income components are allocated to the relevant income statement items as follows:
a) interest income from receivables are allocated to item 10 "Interest earned and similar income";
b) profits and losses from assignment of receivables are allocated to item 90 "Profit/loss from disposal or repurchase of: a) financial assets";
c) interest on pre-lease rentals are allocated to item 10 "Interest earned and similar income";
d) value adjustments from impairment and value write-backs of receivables are allocated to item 100 "Net value adjustments/write-backs for impairment of: a) financial assets."

PROPERTY, PLANT AND EQUIPMENT

Criteria for recognition and derecognition

These assets are recognised at purchase cost including any additional charges directly attributable to purchasing and starting to operate the asset, in addition to the subsequent costs incurred in order to enhance its value or initial production capacity. They are derecognised when they are disposed of or when no future economic benefits are expected of them. The costs of restoring leased assets are capitalised if the assets concerned are identifiable and constitute separable tangible items.
Such assets also include assets which have been the object of finance leases of which the Company has regained possession after the termination of the contract and their return by the lessee, stated as property, plant and equipment held for investment purposes.
This macro category includes properties which have been the object of finance leases of which the Company has regained possession provided that the Company is sure that the properties concerned meet the following conditions:
a) future economic benefits arising from the investment are likely to flow to the Company;
b) the investment cost can be determined reliably.

Criteria for classification

These are property, plant and equipment (properties, technical systems, furniture, furnishings and equipment of any type) held for business use and which the Company deems that it will continue to use for longer than one financial period.
These assets include:
a) the costs of improving leased assets when they are separable (if these costs are not autonomously functional and usable but future economic benefits are expected of them, they are recognised among "other assets" and depreciated within the shorter of the period of the foreseeable possibility of the utilisation of the improvements and that of the residual term of the lease);
b) assets withdrawn after termination and the closure of the loan to the original user. Upon initial recognition, investments are measured at cost, including acquisition transaction costs.

These assets are initially recognised when the item is reclassified from item 60 “Receivables” to item 100 “Property, plant and equipment”: this reclassification and its value, in accounting terms, is the impaired loan, which has been paid off.

Criteria for measurement

Property, plant and equipment are valued according to the cost method, less accumulated depreciation and permanent impairment losses (if any), in accordance with IAS 16. Depreciation is carried out over the useful life of the assets to be depreciated and on a straight line basis. If there is symptomatic evidence of permanent impairment losses, the recoverable amount of the asset, which is the greater of its value in use (the present value of the asset’s economic functions) and its exchange value (the presumed disposal value, net of transaction costs) and its carrying amount, net of depreciation allowances that have been recognised, are compared in an impairment test; value adjustments (if any) are recognised through profit or loss. If the reasons for recognising the impairment loss no longer exist, a value write-back is recognised, which may not exceed the value which the asset would have had net of depreciation in the absence of previous impairment losses.

The asset is measured after initial recognition as prescribed in IAS 16 “Property, plant and equipment "; accordingly, the asset is stated at cost. At the end of each financial period, if possible, the Company revises the assessment in order to consider whether there has been a potential impairment of the asset, making the comparison between its net book value and market value; value adjustments (if any) are recognised through profit or loss under item 120. “Net value adjustments/write-backs on property, plant and equipment.”

IAS 40 requires the measurement of an investment property subsequent to its initial recognition to be carried out according to either the fair value or the cost model. The Company must apply the same accounting standard that it has chosen to all its investment properties. In the present case the Company has opted for the cost model. Measurement after initial recognition, therefore, is carried out in accordance with the provisions of IAS 16 and regards all investment properties without distinction. The asset is consequently stated at cost, less accumulated depreciation and any accumulated impairment loss. If, on the closure of any financial period or when an interim report is to be issued, an up-to-date estimate by an independent expert shows that there is evidence of a potential impairment in the value of the property, its net carrying amount is compared with its market value: value adjustments (if any) are recognised through profit or loss under item 120 “Net value adjustments/write-backs on property, plant and equipment.”

Criteria for recognition of income components

The income components are allocated to the relevant income statement items as follows:

a) periodic depreciation, permanent impairment losses and value write-backs are allocated to item 120 “Net value adjustments/write-backs on property, plant and equipment”;
b) profits and losses arising from disposals are allocated to item 180 “Profits/losses from disposal of investments.”

<u>INTANGIBLE ASSETS</u>

Criteria for recognition and derecognition

Intangible assets are recognised at purchase cost including additional charges directly attributable to their purchase plus any subsequent costs incurred to enhance their value or their initial production capacity. They are derecognised when they are disposed of or when no future economic benefits are expected of them. Goodwill arising in a business combination is the difference between the purchase cost and the fair value on the acquisition date of the assets and liabilities of the company or business unit acquired.
Intangible assets with definite useful life recognised by applying IFRS 3, Business Combinations, and identified in the process of allocating the cost of the business combination, are represented putting a value to relations with customers and are amortised on a straight line basis considering the related estimated useful life (at most 9 years), while the residual value is assumed to be zero.

Criteria for classification

Intangible assets are non-monetary assets, are identifiable even if they have no physical substance, and are controlled by the entity, and it is likely that future economic benefits will flow from them.

If goodwill is positive, it is recognised at cost as an asset representing a payment made by the buyer in view of future economic benefits deriving from assets which cannot be identified individually and recognised separately. If it is negative it is recognised directly through profit or loss (in excess of cost).

Criteria for measurement

Intangible assets with definite useful life are measured at cost, less accumulated amortisation and permanent impairment losses (if any). Amortisation is determined on a straight line basis considering the asset's useful economic life.

If there is symptomatic evidence of permanent impairment losses, the recoverable amount of the asset, which is the greater of its value in use (the present value of the asset's economic functions) and its exchange value (the presumed disposal value, net of transaction costs) and its carrying amount, net of amortisation allowances that have been recognised, are compared in an impairment test; value adjustments (if any) are recognised through profit or loss. If the reasons for recognising the impairment loss no longer exist, a value write-back is recognised, which may not exceed the value which the asset would have had net of amortisation in the absence of previous impairment losses.
Unlike intangible assets with definite useful life, goodwill, as an intangible asset with indefinite useful life, is not subject to amortisation but to a periodic assessment of the fairness of its carrying amount, which is tested once a year or whenever there is evidence of any impairment loss. Impairment tests of goodwill are conducted considering the cash generating unit (CGU) to which goodwill has been allocated. If there has been impairment, the reduction in the value of the goodwill reported is the difference between the CGU's recoverable value and its carrying amount, including goodwill if the carrying amount is higher, up to the amount of the goodwill that has been reported. Recoverable value is the higher of the fair value of the CGU, less costs to sell (if any), and related value in use. Any consequent value adjustment is recognised through profit or loss, without any possibility of subsequent write-backs.
As regards intangible assets recognised according to IFRS 3 – Business combinations – for the purposes of IAS 36, their recoverable value has to be determined each time there is evidence of any impairment loss. The impairment test must be conducted comparing the asset's carrying amount with its recoverable value and, if this is lower than the carrying amount, a value adjustment must be recognised. The recoverable value of the asset is the higher of its fair value, less costs to sell and its value in use. The intangible asset's cash flows in its condition on the date of the impairment test should be referred to in order to calculate its value in use, regardless of whether these flows have been generated by assets that were initially recognised according to IFRS 3.

Criteria for recognition of income components

The income components are allocated to the relevant income statement items as follows:
c) periodic amortisation, permanent impairment losses and value write-backs are allocated to item 130 "Net value adjustments/write-backs on intangible assets";
d) profits and losses arising from disposals are allocated to item 180 "Profits/losses from disposal of investments."

<u>TAX ASSETS AND LIABILITIES</u>

Criteria for classification, recognition, measurement and derecognition

Current taxes are determined by applying the prevailing tax rates and the tax regulations in force, and, insofar as they have not been paid, are recognised as liabilities.
Income taxes are recognised through profit or loss, except for those relating to items debited or credited directly to equity.

The provision for income taxes is determined on the basis of prudent forecasts of current, prepaid and deferred tax charges.

Deferred tax liabilities have been determined according to the "balance sheet liability method."

Specifically, deferred tax assets and liabilities are determined on the basis of temporary differences – without any time limit – between the value assigned to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

Deferred tax assets are recognised insofar as there is a probability that they will be recovered, measured on the basis of the Company's ability to generate positive taxable income on an ongoing basis and taking account of the possibility of recovery offered by specific current tax regulations, which might allow them to be also recovered in the absence of any taxable income.
Moreover, the Company also considered the recoverability of deferred tax assets generated by write-downs of receivables in the light of the new rules and options laid down in Law no. 214/2011.
Deferred tax liabilities consist of the tax charge corresponding to all taxable temporary differences existing at the end of the financial period.

Deferred tax assets and liabilities are monitored on an ongoing basis and are recognised applying the tax rates which are expected to apply in the financial period in which tax assets will be realised or tax liabilities will be settled, on the basis of the tax rates and regulations set out in the orders in force.

Contra entries for both current and deferred tax assets and liabilities are normally made through profit or loss.

Provisions for taxes are also adjusted to meet charges which could arise from any assessments of which the Company has already been notified or in any case from disputes pending with tax authorities.

LIABILITIES

OUTSTANDING PAYABLES AND SECURITIES

Criteria for recognition and derecognition

These liabilities are reported when the sums have been received or, as regards debt instruments, at the time of issue or of a subsequent placement, or they are derecognised in the event of repurchase.

They are initially recognised at fair value, which is normally the amount received or the issue price, adjusted by any additional costs and revenues directly attributable to funding transactions. Internal administrative costs are excluded.

Criteria for classification

Payables include all non-derivative financial liabilities with fixed or determinable payments, other than liabilities held for trading, which are the Company's typical financing instruments, including trade payables.

Criteria for measurement

After initial recognition, financial liabilities are measured at amortised cost, determined according to the effective interest rate method, except for short-term liabilities in which the time factor is negligible.

Criteria for recognition of income components

Income components are allocated to item 20 "Interest expense and similar charges."

FINANCIAL LIABILITIES HELD FOR TRADING

Criteria for recognition and derecognition

With the appropriate modifications, the same policies are applied which are those for recognising and derecognising financial assets held for trading (Section 2 – Financial assets held for trading, above).

Criteria for classification

The portfolio of financial liabilities held for trading includes trading instruments (including derivatives) with negative fair value other than hedging instruments.

Criteria for measurement

With the appropriate modifications, the same policies are applied which are those for measuring financial assets held for trading (Section 2 – Financial assets held for trading, above).

Criteria for recognition of income components

With the appropriate modifications, the same policies are applied which are those for recognising income components of financial assets held for trading (Section 2 – Financial assets held for trading, above).

EMPLOYEE SEVERANCE PAY

Criteria for recognition, derecognition and measurement

In accordance with the regulations on Employee Severance Pay (TFR, *Trattamento di Fine Rapporto*) under Legislative Decree of 5 December 2005, the portion of employee severance pay earned until 31 December 2006 is classified as a defined benefit plan and is therefore measured on an actuarial basis using the Projected Unit Credit Method (PUCM), whereby future payments are projected on the basis of historical, statistical and probabilistic analyses and suitable technical and demographic bases are adopted; the flows are also discounted at a market rate of interest. This actuarial calculation is made by independent professionals.

The costs of servicing the plan are accounted for under personnel costs as the net amount of contributions paid, contributions which accrued to previous financial periods which have not yet been accounted for, accrued interest and expected income from plan assets and actuarial gains/losses.

Actuarial gains and losses arising from adjustments to the assumptions formulated previously, as a result of genuine experience or owing to modifications to actuarial assumptions themselves, require the net liability to be re-measured and are charged against an entry under an equity reserve. These gains and losses are recognised in the “Statement of comprehensive income.”

The portion earned from 1 January 2007 onwards is classified as a defined contribution plan and therefore the amounts earned in each financial period are recognised through profit or loss .

PROVISIONS FOR RISKS AND CHARGES

Criteria for recognition, derecognition and measurement

The amounts set aside represent the best estimate of the expenditure required to meet obligations. In making this estimate, the risks and uncertainties related to the facts and circumstances in question are considered. When the temporal element is material, accruals are discounted at current market rates. The provision is recognised through profit or loss. The provisions that have been set aside are re-examined periodically and adjusted if necessary to reflect the best current estimate. If it becomes unlikely that the cost will have to be sustained the accrual is written off.

Criteria for classification

Provisions for risks and charges include accruals for present obligations arising from past events, the settlement of which is likely to result in an outflow of economic resources in order to fulfil the obligations, provided that the related amount can be estimated reliably.

Criteria for recognition of income components

Accruals and recoveries against provisions for risks and charges are allocated to item 150 “Net accruals to provisions for risks and charges.” This item includes increases in the provisions owing to the passage of time, net of any amounts recognised through profit or loss.

INCOME STATEMENT

RECOGNITION OF COSTS AND REVENUES

Revenues are recognised when received or when it is likely that the future benefits will be received and these benefits can be calculated reliably. Specifically:

- interest is recognised *pro rata temporis* on the basis of the contractual rate of interest or the effective rate of interest if amortised cost is applied;
- default interest is recognised on an accruals basis through profit or loss and prudentially entirely adjusted while contributing to the formation of revenues only when it is actually collected;
- revenues from services are recognised at the fair value of the consideration received and are accounted for in the period when services are rendered.

Costs are recognised through profit or loss on an accruals basis in the period in which the relative revenues are accounted for. Costs which cannot be associated with revenues are recognised through profit or loss immediately. Specifically, commissions are recognised at the time they are earned provided that the future benefits involved are to be reasonably expected. Commissions considered in amortised cost for the purposes of determining the effective rate of interest are excluded, which are recognised under interest.

OTHER INFORMATION

Foreign currency transactions

Criteria for classification

Foreign currency transactions consist of all assets and liabilities denominated in currencies other than the Euro.

Criteria for recognition and derecognition

The aforesaid foreign currency assets and liabilities are initially converted into Euros at the spot exchange rates prevailing on the date of each transaction.

Criteria for measurement

Foreign currency assets and liabilities relating to monetary items are converted at the spot exchange rates prevailing on the reporting date of the financial statements.

Criteria for recognition of income components

Foreign exchange differences arising from foreign currency transactions are recognised under item 60 “Net result from trading” of the income statement.

Securitisations originated

The receivables assigned in securitisation transactions completed by the Company are not derecognised unless risks and rewards have been substantially transferred, even if they have been formally assigned without recourse (*pro soluto*) to a vehicle company (SPV). This arises, for example, if the Company subscribes tranches of junior notes or similar exposures, since it bears the risk of the first losses and, likewise, benefits from the return on the transaction.
In these circumstances the receivables underlying these transactions remain on the balance sheet, while liabilities report the overall amount of notes issued by the SPV , net of those subscribed by the assignor company (Junior notes). In self-securitisation transactions, as the assignor company subscribes all the classes of notes issued by the SPV, no notes are reported.
The same disclosure criteria, based on the principle of substance over form, are applied to the recognition of economic components.

A.3 – INFORMATION ON THE TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

No reclassifications between portfolios of financial assets were made during the period.

A.4 – INFORMATION ON THE FAIR VALUE

Qualitative information

It should be noted that the only financial instruments measured at Fair Value on a recurring basis are the trading derivatives stated under asset item 20 “Financial assets held for trading” and liability item 30 “Financial liabilities held for trading.”

IFRS 13, Fair Value Measurement, came into force with effect from 1 January 2013. This standard sets out a framework for measuring fair value in a single document, which was previously laid down in the rules of various accounting 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 on the terms current at the measurement date in the principal or most advantageous market. For the purposes of fair value measurement, IFRS 13 defines three levels of 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 (unadjusted) quoted prices in active markets for similar assets or liabilities;
2) measurement methods based on observable market inputs (Level 2): the financial instrument is measured on the basis of prices observable from quoted prices of similar assets or by means of measurement techniques in which all the significant factors, including credit spreads and liquidity, are taken from inputs observable in 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) valuation methods based on unobservable market inputs (Level 3): the measurement techniques adopted to determine fair value are based to a substantial extent on relevant inputs which are unobservable in the market and therefore entail estimates and assumptions on the part of management.

No reclassifications between portfolios of financial assets were made during the period.

The fair value of other financial instruments measured on a non-recurring basis is determined for the purpose of providing disclosures in the Notes to the Financial Statements, as required by the relevant accounting standard IFRS 7. Specifically:

- the fair value of medium- to long-term investments is measured according to a risk aversion approach: expected cash flows, suitably adjusted for expected losses (PD and LGD) are discounted on the basis of a risk-free market rate, plus a component which is considered to represent risk aversion (risk premium), in order to take account of additional factors to expected loss. Fair value measured in this way is categorised in Level 3 in the hierarchy;
- the carrying amount on initial recognition of other assets and liabilities, particularly those on demand or with a short-term contractual maturity date, 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 property, plant and equipment held for investment purposes consists of the valuation in the periodic expert report commissioned by the Company.

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

The fair value of financial instruments listed on active markets normally agrees with the prices observable in the market (quoted prices readily and regularly available on a list) while the fair value of instruments not listed in an active market is observed by using prices provided by specialist information providers.
If the above techniques cannot be resorted to, estimates and measurement models are employed which refer to data observable in the market, if available; these methods are in line with those generally accepted and utilised by the market and are based, for example, on the measurement of listed instruments with similar characteristics, including risk profile, calculation of discounted cash flows and models for the determination of option prices, also taking issuer credit risk into account in determining the rate. 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.
The only Company's items measured at fair value on a recurring basis are made up of financial assets and liabilities held for trading, consisting of derivatives serving the Agreement on securitised loans.
Interest rate swaps (IRS) have been measured by discounting the expected cash flows to be exchanged on the dates agreed in the contracts for the various instruments.
Alba Leasing has provided the notional amounts for the individual exchanges, as well as some flows from movements in the asset portfolios underlying the derivative contracts, while the rates used for discounting the flows have been taken from the zero coupon interest rate curve. The interest rates used to estimate flows indexed to the money market (EURIBOR with various tenors) are taken from the short-term euro swap curve.
Fair value has been estimated using the implicit volatilities quoted on the measurement date.
When there were bid-ask prices, as is the practice in financial markets, the mid-price was considered.

A.4.2 Measurement processes and sensitivity

No financial assets or liabilities measured at fair value on a recurring basis are hierarchically categorised in Level 3. Therefore, no quantitative sensitivity analyses have been prepared on the fair value.

A.4.3 Fair value hierarchy

In fair value measurement, IFRS 13 refers to the concept of a hierarchy of valuation techniques, which was introduced in an amendment to IFRS 7, approved by Regulation no. 1165 of 27 November 2009, providing for the obligation to classify valuations on the basis of a level hierarchy that reflects the significance of the inputs used in the measurement of financial instruments. The objective of this classification is to establish a hierarchy for the reliability of fair value measurements according to the level of discretion used by entities, giving the highest priority to the use of inputs observable in the market which reflect the assumptions that market participants would make in pricing assets and liabilities. The following levels are distinguished:

Level 1) quoted prices (unadjusted) observed in active markets – according to the definition under IAS 39 – for the assets or liabilities being measured;

Level 2) inputs other than quoted market prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) in the market;

Level 3) inputs are not based on observable market inputs. In this case fair value is determined applying valuation techniques consistently based on the adoption of estimates and assumptions on the part of competent offices.

The method is not optional but chosen hierarchically, priority being given to official prices in active markets; failing these inputs, other methods are adopted which in any case refer to observable inputs; failing this method too, valuation techniques which use non-observable inputs are used.

A.4.4 Other information

There was no information to be provided on the reporting date pursuant to IFRS 13, paragraph 51, 93 letter (i) and 96.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value *(thousands of Euros)*	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	-	174	-	174
2. Financial assets at *fair value*	-	-	-	-
3. Financial assets available for sale	-	-	-	-
4. Hedging derivatives	-	-	-	-
5. Property, plant and equipment	-	-	-	-
6. Intangible assets	-	-	-	-
Total	-	174	-	174
1. Financial liabilities held for trading	-	177	-	177
2. Financial liabilties at *fair value*	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total	-	177	-	177

No transfers were made between portfolios of financial assets and liabilities among level 1 and level 2 referred to in IFRS 7, paragraph 27B, letter b), nor were assets and liabilities recognised at fair value level 3.

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

No transactions were carried out during the period, which can be recognised as financial assets measurable at fair value level 3.

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

No transactions were carried out during the period, which can be recognised as financial liabilities measurable at fair value level 3.

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

Financial assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2016				31/12/2015			
(thousands of Euros)	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	5,020	5,086	-	-	5,023	5,013	-	-
2. Receivables	4,828,737	-	-	5,057,407	4,685,085	-	-	4,707,900
3. Property, plant and equipment held for investment purposes	1,697	-	-	1,942	-	-	-	-
4. Non-current assets held for sale and disposal groups of assets	-	-	-	-	-	-	-	-
Total	4,835,454	5,086	-	5,059,349	4,690,108	5,013	-	4,707,900
1. Payables	2,943,370	-	-	2,943,370	3,106,037	-	-	3,106,037
2. Outstanding securities	1,661,043	-	-	1,661,043	1,328,335	-	-	1,328,335
3. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	4,604,413	-	-	4,604,413	4,434,372	-	-	4,434,372

Key

BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

For more details on the criteria used to measure fair value and the levels of financial assets and liabilities measured at cost and for which the fair value is required for disclosure purposes, reference should be made to the paragraph on “Qualitative information” of this section.

A.5 – INFORMATION ON THE “Day One Profit/loss”

No transactions were carried out during the period, which gave rise to this situation.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

(values in thousands of Euros)

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 "Cash and cash equivalents"

Items *(thousands of Euros)*	31/12/2016	31/12/2015
a) Cash	8	10
Total	**8**	**10**

Section 2 – Financial assets held for trading – Item 20

2.1 "Financial assets held for trading: breakdown by product"

Items / Values *(thousands of Euros)*	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Cash assets						
1. Debt securities	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-
2. Equity instruments and UCI units	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B Derivative financial instruments						
1. Financial derivatives	-	174	-	-	249	-
2. Credit derivatives	-	-	-	-	-	-
Total B	**-**	**174**	**-**	**-**	**249**	**-**
Total (A+B)	**-**	**174**	**-**	**-**	**249**	**-**

Key

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

This item includes the positive fair value pertaining to Alba Leasing according to the provisions laid down in the Agreement on securitised loans in relation to the Interest Rate Swaps entered into within the scope of the securitisations involved in said Agreement.

2.2 “Derivative financial instruments”

Types/underlying ***(thousands of Euros)***	**Interest rates**	**Currencies**	**Equity instruments**	**Other**	**31/12/2016**	**31/12/2015**
1. Over the counter						
Financial derivatives						-
- Fair value	174	-	-	-	174	249
- Notional value	111,375	-	-	-	111,375	235,867
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Total (A)	**174**	**-**	**-**	**-**	**174**	**249**
2. Others						
Financial derivatives						-
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**174**	**-**	**-**	**-**	**174**	**249**

2.3 “Financial assets held for trading: breakdown by debtors/issuers”

Items / Values ***(thousands of Euros)***	**31/12/2016**	**31/12/2015**
Cash assets		
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Financial entities	-	-
e) Other issuers	-	-
Derivative financial instruments		
a) Banks	174	249
b) Other components	-	-
Total	**174**	**249**

Section 5 – Financial assets held to maturity – Item 50

Items/values (thousands of Euros)	31/12/2016				31/12/2016			
	Book values	Fair value			Book values	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	5,020	5,086			5,023	5,013		
1.1 Structured securities	-	-			-	-		
a) Governments and Central Banks	-	-			-	-		
b) Other public entities	-	-			-	-		
c) Banks	-	-			-	-		
d) Financial entities	-	-			-	-		
e) Other issuers	-	-			-	-		
1.2 Other securities	5,020	5,086			5,023	5,013		
a) Governments and Central Banks	5,020	5,086			5,023	5,013		
b) Other public entities	-	-			-	-		
c) Banks	-	-			-	-		
d) Financial entities	-	-			-	-		
e) Other issuers	-	-			-	-		
2. Loans	-	-			-	-		
a) Banks	-	-			-	-		
b) Financial entities	-	-			-	-		
c) Customers								
Total	**5,020**	**5,086**	**-**	**-**	**5,023**	**5,013**	**-**	**-**

As regards current regulations regarding the maximum limits for subsidised loans (Sabatini Act) through CDP (Cassa Depositi e Prestiti, the Italian Deposits and Loans Fund), in the previous financial year the Company bought Italian Long-term Treasury Bonds (BTP) maturing on 1 November 2020.
These instruments were made over to CDP as security for an increase in the original financing limit.

Section 6 – Receivables – Item 60

6.1 “Receivables from banks”

Breakdown ***(thousands of Euros)***	**31/12/2016**				**31/12/2015**			
	Book value	**Fair value**			**Book value**	**Fair value**		
		L1	**L2**	**L3**		**L1**	**L2**	**L3**
1. Deposits and current accounts	5,398			5,398	16,621			16,621
2. Loans	1,990			1,991	2,659			2,654
2.1 Repos	-			-	-			-
2.2 Finance lease	1,990			-	2,659			-
2.3 Factoring	-			-	-			-
- with recourse	-			-	-			-
- without recourse	-			-	-			-
2.4 Other loans	-			-	-			-
3. Debt securities	-			-	-			-
- structured securities	-			-	-			-
- other debt securities	-			-	-			-
4. Other assets	130,607			130,607	108,522			108,522
Total	**137,995**	**-**	**-**	**137,996**	**127,802**	**-**	**-**	**127,797**

Key

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

“Other assets” are mainly made up of:

- receivables claimed from Banco Popolare (following the merger by incorporation into Banca Italease) and/recognised as a result of the Agreement for the deferred price not paid by the securitisation SPVs, which accrued during the period from 31 March to 31 December 2009 and the remuneration on junior and senior notes relating to the banking Sub-portfolio, which are payable to Alba Leasing, equal to Euro 585 thousand, under the Agreement on securitised loans;
- items of Euro 126,375 thousand included in separate assets of consolidated SPVs, which are mainly made up of cash investments.

Non performing loans have been recognised, which are claimed from bank counterparties.

Finance lease receivables include “assets sold not derecognised”: for more details, reference should be made to the information reported at the bottom of table 6.3 “Receivables from customers.”

6.2 “Receivables from financial entities”

6.2 Receivables from financial entities

Breakdown *(thousands of Euros)*	31/12/2016						31/12/2015					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Non performing loans		L1	L2	L3	Performing loans	Impaired loans		L1	L2	L3
		Purchased	Others					Purchased	Others			
1 Loans	111.272		9.649			122.780	99.903		10.529			110.376
1.1 Repos	-		-			-	-		-			-
1.2 Finance lease	98.275		9.649			-	93.812		10.529			-
1.3 Factoring	-		-			-	-		-			-
- with recourse	-		-			-	-		-			-
- without recourse	-		-			-	-		-			-
1.4 Other loans	12.997		-			-	6.091		-			-
2 Debt securities	-		-			-	-		-			-
- structured securities	-		-			-	-		-			-
- other debt securities	-		-			-	-		-			-
3 Other assets	1.052		-			1.052	6.690		-			6.690
Total	**112.324**	**-**	**9.649**	**-**	**-**	**123.832**	**106.593**	**-**	**10.529**	**-**	**-**	**117.066**

Key

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

Finance lease receivables include “assets sold not derecognised”: for more details, reference should be made to the information reported at the bottom of table 6.3 “Receivables from customers.”

“Other loans” includes, among performing loans, the amount of mortgage loan agreements.

6.3 “Receivables from customers”

6.3 Receivables from customers

Breakdown *(thousands of Euros)*	31/12/2016						31/12/2015					
				Fair value						Fair value		
	Performing loans	Non performing loans		L1	L2	L3	Performing loans	Impaired loans		L1	L2	L3
		Purchased	Others					Purchased	Others			
1. Loans	3.940.605	-	592.064			4.759.478	3.751.859	-	669.832			4.444.567
1.1 Finance lease	3.766.670	-	526.137			-	3.609.296	-	588.944			-
of which: without final purchase option	-	-	-			-	-	-	-			-
1.2 Factoring	-	-	-			-	-	-	-			-
- with recourse	-	-	-			-	-	-	-			-
- without recourse	-	-	-			-	-	-	-			-
1.3 Consumer credit	-	-	-			-	-	-	-			-
1.4 Credit cards	-	-	-			-	-	-	-			-
1.5 Loans against pledge	-	-	-			-	-	-	-			-
1.6 Loans granted in relation to payment services provided	-	-	-			-	-	-	-			-
1.7 Other loans	173.935	-	65.927			-	142.563	-	80.888			-
of which: from enforcements of guarantees and commitments	-	-	-			-	-	-	-			-
2. Debt securities	-	-	-			-	-	-	-			-
2.1 structured securities	-	-	-			-	-	-	-			-
2.2 other debt securities	-	-	-			-	-	-	-			-
3. Other assets	36.100	-	-			36.100	18.470	-	-			18.470
Total	**3.976.705**	**-**	**592.064**	**-**	**-**	**4.795.578**	**3.770.329**	**-**	**669.832**	**-**	**-**	**4.463.037**

Key

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

"Other loans" mainly include:

among performing loans:

- Euro 119,442 thousand for pending finance lease agreements;
- Euro 32,219 thousand for mortgage loan agreements;
- Euro 22,274 thousand for unsecured loan agreements;

among non performing loans:

- Euro 2,901 thousand for pending finance lease agreements;
- Euro 63,026 thousand for mortgage loan agreements.

Finance lease receivables include "assets sold not derecognised" for a total amount of Euro 2,352,189 thousand (an amount of Euro 64,945 thousand of which related to non performing loans): furthermore, this value includes the exposure for receivables from banks (equal to Euro 1,645 thousand) and receivables from financial entities (equal to Euro 56,353 thousand).

During the year, in order to optimise funding costs, the Company closed the securitisation transactions carried out with Alba 3 SPV S.r.l., Alba 4 SPV S.r.l. and Alba 5 SPV S.r.l..
Again during the year, the securitisation Transactions of Alba 8 were structured through the transfer of receivables to a newly-established SPV.

The Alba 8 transaction (carried out with Alba 8 SPV S.r.l.) involved the issue of Senior Notes A1 for Euro 335.3 million, Senior Notes A2 for Euro 304.8 million, Mezzanine Notes B1 for Euro 127 million, Mezzanine Notes B2 for Euro 45.7 million and Junior Notes for Euro 213.3 million.

Upon issue, the Company subscribed all the notes, except for Euro 250 million of the Senior Notes A2. Subsequently the Company sold the Senior A1 and Senior A2 (the portion acquired upon issue amounting to Euro 54.8 million) Notes in July, and the Mezzanine Notes B1 in August.
The Company still held the entire amount of Mezzanine B2 and Junior Notes at 31 December 2016.

6.4 "Receivables": guaranteed assets

thousands of Euros	31/12/2016						31/12/2015					
	Receivables from banks		Receivables from financial entities		Receivables from customers		Receivables from banks		Receivables from financial entities		Receivables from customers	
	EBV	GFV	EBV	GFV	EBV	GFV	EBV	GFV	EBV	GFV	EBV	GFV
1. Performing assets guaranteed by:	1,990	-	111,272	13,059	3,798,889	579,523	2,659	-	95,020	1,299	3,653,898	483,302
- Finance lease assets	1,990	-	98,275	62	3,748,632	545,483	2,659	-	93,812	91	3,601,949	437,042
- Receivables for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	12,997	12,997	32,219	32,219	-	-	1,208	1,208	44,602	44,305
- Pledges	-	-	-	-	18,038	1,821	-	-	-	-	7,347	1,955
- Personal security	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	-	-	9,649	-	589,163	107,603	-	-	10,529	1	666,151	125,166
- Finance lease assets	-	-	9,649		525,472	44,355	-	-	10,529	1	588,304	47,770
- Receivables for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	-	-	63,026	63,026	-	-	-	-	77,207	77,206
- Pledges	-	-	-	-	665	222	-	-	-	-	640	190
- Personal security	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,990**	**-**	**120,921**	**13,059**	**4,388,052**	**687,126**	**2,659**	**-**	**105,549**	**1,300**	**4,320,049**	**608,468**

Key

EBV = Exposure book value
GFV = Guarantee fair value

The table reports the guarantees received on the Company's investments, at their nominal value and at fair value. The guarantees stated in the table include bank guarantees, guarantees issued by MCC (Medio Credito Centrale) and EIF (European Investment Fund) guarantees, as well as pledges as security for finance leases and mortgage loan agreements.

Furthermore, the table reported above does not include:

- Exposures for pending finance lease agreements concerning performing positions for Euro 119,442 thousand (an amount of Euro 50,796 thousand of which is guaranteed) and impaired positions for Euro 2,901 thousand (an amount of Euro 44 thousand of which is guaranteed);
- Unsecured loan agreements (which are not guaranteed).

Section 10 – Property, plant and equipment – Item 100

10.1 Property, plant and equipment for business use: breakdown of assets measured at cost

Assets/Values (thousands of Euros)	31/12/2016	31/12/2015
1. Owned assets	**207**	**282**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	39	45
e) others	168	237
2. Assets acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total	***207***	***282***

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

Items / Values (*thousands of Euros*)	31/12/2016				31/12/2015			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned assets	**1,697**	**-**	**-**	**1,942**	**-**	**-**	**-**	**-**
- land	-	-	-	-	-	-	-	-
- buildings	1,697	-	-	1,942	-	-	-	-
2. Assets acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- land	-	-	-	-	-	-	-	-
- buildings	-	-	-	-	-	-	-	-
Total	***1,697***	***-***	***-***	***1,942***	***-***	***-***	***-***	***-***

The amount of Euro 1,697 thousand refers to a building from a finance lease agreement which was terminated - during the year - in lieu of a debt of the same amount in the framework of a settlement agreement reached with the administrators of a composition with creditors procedure.
This property has been classified under property, plant and equipment, taking account of the information reported in "A.2 – Part relating to the main items in the financial statements."

10.3 Property, plant and equipment for business use: breakdown of revalued assets

This sub-item does not show any balance.

10.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

Assets/Values	31/12/2016			31/12/2015		
(thousands of Euros)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**1,942**	**-**	**-**	**-**
- land	-	-	-	-	-	-
- buildings	-	-	1,942	-	-	-
2. Assets acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**
- land	-	-	-	-	-	-
- buildings	-	-	-	-	-	-
Total	***-***	***-***	***1,942***	***-***	***-***	***-***

10.5 Property, plant and equipment for business use: annual changes

(thousands of Euros)	Land	Buildings	Furniture	Electronic equipment	Others	Total
A.2 Opening gross balances	**-**	**-**	**-**	**45**	**237**	**282**
A.1 Total net impairment	-	-	-	-	-	-
A.2 Opening net balances	**-**	**-**	**-**	**45**	**237**	**282**
B. Increases:	**-**	**-**	**-**	**7**	**55**	**62**
B.1 Purchases	-	-	-	7	55	62
B.2 Capitalised improvement costs						
B.3 Value w rite-backs	-	-	-	-	-	-
B.4 Positive fair value changes						
charged to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held						
for investment purposes	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(13)**	**(124)**	**(137)**
C.1 Sales	-	-	-	-	(60)	(60)
C.2 Depreciation	-	-	-	(13)	(64)	(77)
C.3 Value adjustments from						
impairment charged to :	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Negative fair value changes						
charged to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held						
for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing net inventories	**-**	**-**	**-**	**39**	**168**	**207**
D.1 Total net impairment	-	-	-	-	-	-
D.2 Closing gross inventories	**-**	**-**	**-**	**39**	**168**	**207**
E. Measurement at cost	-	-	-	39	168	207

10.6 Property, plant and equipment held for investment purposes: annual changes

(thousands of Euros)	Total	
	Land	Buildings
A. Opening balances	**-**	**-**
B. Increases:	**-**	**1,697**
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value changes	-	-
B.4 Value w rite-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from properties for business use	-	-
B.7 Other changes	-	1,697
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Negative fair value changes	-	-
C.4 Value adjustments from impairment	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to other portfolios of assets	-	-
a) properties for business use	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing net inventories	**-**	**1,697**
E. Fair value measurement	**-**	**1,942**

In valuing buildings, also taken into account were the various ways they are utilised at present and their different contributions to the generation of benefits for the Company, distinguishing leased from vacant properties and recognising zero depreciation allowances for the latter.

10.7 Commitments for purchase of property, plant and equipment

This sub-item does not show any balance.

Section 11 – Intangible assets – Item 110

11.1 Breakdown of item 110 "Intangible assets"

Items / Measurement (thousands of Euros)		31/12/2016		31/12/2015	
		Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1.	**Goodwill**	**10,011**	**-**	**10,011**	**-**
2.	**Other intangible assets:**	**8,189**	**-**	**8,670**	**-**
	2.1 owned assets	8,189	-	8,670	-
	- internally generated	-	-	-	-
	- others	8,189		8,670	-
	2.2 acquired under finance lease	-	-	-	-
	Total 2	**8,189**	**-**	**8,670**	**-**
3.	**Assets relating to to finance lease:**	**-**	**-**	**-**	**-**
	3.1 unopted assets	-	-	-	-
	3.2 assets withdrawn after termination	-	-	-	-
	3.3 other assets	-	-	-	-
	Total 3	**-**	**-**	**-**	**-**
4.	**Assets granted under operating lease**	**-**	**-**	**-**	**-**
	Total (1+2+3+4)	**18,200**	**-**	**18,681**	**-**
	TOTAL	**18,200**	**-**	**18,681**	**-**

Intangible assets include:

- Goodwill generated after Alba Leasing S.p.A. acquired the "leasing business unit" from Credito Valtellinese in 2014;
- the valuation of the contractual relationship with Credito Valtellinese recognised after the Purchase Price Allocation process. The asset has a definite useful life for an initial value of Euro 9,530 thousand and is subject to depreciation for a period of 9 years.
  This amount was equal to Euro 6,973 thousand at the reporting date.
  No indicators such as to lead the Company to consider an impairment procedure to be advisable emerged from the analyses conducted into the intangible asset constituted by this contractual relationship;
- software costs.

As regards software costs, the Company carried out all audits required by IAS 38 in order to be able to state them under the item.

11.2 Intangible assets: annual changes

(thousands of Euros)	Total
A. Opening balances	**18,681**
B. Increases:	**943**
B.1 Purchases	943
B.2 Value w rite-backs	-
B.3 Positive fair value changes	-
- to equity	-
- to profit or loss	-
B.4 Other changes	-
C. Decreases	**(1,424)**
C.1 Sales	-
C.2 Amortisation	(1,424)
C.3 Value adjustments	-
- to equity	-
- to profit or loss	-
C.4 Negative fair value changes	-
- to equity	-
- to profit or loss	
C.5 Other changes	-
D. Closing inventories	**18,200**

Goodwill impairment test

In accordance with IAS 36, it is necessary to establish whether there is a possible impairment of the assets or of the cash generating units (CGUs) by means of a periodic test, carried out at least once a year, to find out whether these assets have been recognised at an amount higher than their recoverable amount. The recoverable value of an asset or of a CGU is defined by IAS 36 as the higher of fair value less cost to sell and value in use.

Fair value less costs to sell is the price at which the asset could be sold less the charges directly attributable to sale. Value in use, on the other hand, is the present value of the expected future revenue flows derived from the asset being measured. If the asset being measured does not generate inflows of cash deriving from continuous use that are autonomous and largely independent of the cash inflows from other assets or groups of assets, value in use can be measured referring to a group of assets. In this case the possible impairment of this asset must be tested as a part of the CGU to which it is deemed to belong.

IAS 36 defines CGUs as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purposes of the impairment test of goodwill generated from the acquisition of the leasing business unit of Credito Valtellinese, equal to Euro 10,011 thousand, the annual test of the sustainability of the related carrying amount is conducted allocating this Goodwill to the CGU, which is identified as Alba Leasing S.p.A. as a whole. This is the minimum level at which the Company monitors the assets for management control purposes, consistently with its strategic vision.

For the purposes of the identification of the CGU as the Company as a whole, the Company applied the criteria laid down in IAS 36 and verified that this was consistent in view of the fact that Alba Leasing S.p.A.'s annual management reporting system does not enable income flows attributable to the Business Unit to be monitored separately and independently of those belonging to other groups of assets.

Testing carrying amount sustainability consists in comparing the CGU's recoverable value with the carrying amount of Goodwill and of other assets and liabilities attributable to the CGU. Therefore, the CGU's overall carrying amount is the equity of Alba Leasing S.p.A. for accounting purposes at 31 December 2016. The

recoverable value is given by the higher of value in use (determined in practice on the basis of analytic methods) and fair value (estimated on the basis of market methods) attributable to the CGU.
Specifically, in conformity to recent measurement practices, in order to determine the value in use of this CGU, the present value of dividend flows method was used (Dividend Discount Model – DDM in its excess capital variant), including expected flows both in the explicit period (specifically 2017-2020) and in perpetuity, taking into account the minimum capital requirements which Alba Leasing S.p.A. must comply with. In this case, as it is a company as defined in Article 107 of the Consolidation Act on Banking Laws (TUB, *Testo Unico Bancario*) and as certain information regarding the impact of the introduction of the New Basel III Accord is not available at the moment, an 8% minimum capital requirement is assumed.
The relevant flows for the explicit period cover a time horizon of 4 years and are reported by the 2017-2020 Financial Plan.
In order to estimate the main equity and financial ratios over the 2017-2020 time period, the Company used the post-contribution 2014-2018 Business Plan, revised to adjust the effects of external variables (macroeconomic scenarios and market performance) to the latest available studies and to trends in the results of operations in 2016 (2017-2020 Financial Plan).
The valuation was also based on a cost of capital (Ke) equal to 7.5% and a long-term growth rate (rate g) assumed as equal to 1.2%.
Sensitivity analyses were also conducted of the basic assumptions which impact on the determination of value in use (+/- 0.25% of Ke and of rate g).
Also, in view of an intensification in stock market price volatility owing to the economic situation, which has not yet stabilised, and failing a representative sample of comparable transactions, factors which render market methods of little significance for practical purposes, it was decided not to determine the fair value of the CGU by applying market methods.
From the application of the method described above and of the valuation parameters adopted, the recoverable value, consisting of the value in use of the CGU in question, is higher than Euro 2.1 million compared to related carrying amount. The sensitivity analysis only shows a recoverable amount lower than about Euro 17.7 million at the lower end (which assumes a Ke 0.25 b.p. higher and a g rate 0.25 p.b. lower).
Therefore the analyses conducted do not evince the need to write down the goodwill that is reported.
The sensitivity analysis was conducted assuming an upward and downward variation of 0.25 bps in Ke and g. This exercise produced a lowest recoverable amount of about Euro (17.7) million at the lower end and a maximum amount of about Euro 25.0 million.

The table below reports the results of the sensitivity analysis:

Impairment test 2016 (€/mil.)	Min	Mean	Max
Recoverable value	389.4	409.2	432.1
Equity	407.1	407.1	407.1
Delta	(17.7)	2.1	25.0

11.3 Intangible assets: other information

This sub-item does not show any balance.

Section 12 – Tax assets and liabilities

The average rates used to calculate deferred tax assets and liabilities are: 27.5% for IRES (Corporate Income) tax (set following the approval of Law no. 244 of 24 December 2007) and 5.57% for IRAP (Regional Production Activity) tax (set following the approval of Law no. 98 of 6 July 2006, converted by Law no. 111 of 15 July 2011).

With effect from the tax period running at 1 January 2017, the 2016 stability act provided for a reduction in the IRES tax rate from the present 27.5% to 24%. However, it also provided for an additional IRES tax of 3.5% for credit and financial entities, thus cancelling the effect of the reduction in the IRES tax rate.

12.1 Breakdown of item 120 "Tax assets: current and deferred"

Breakdown of "Current tax assets"

The Company recognised:

- an IRES tax receivable from the Tax Office amounting to Euro 3,468 thousand, arising from the payment of taxes relating to 2015 and stated in the tax return filed in 2016 by using the Form UNICO/2016;
- an IRAP tax receivable from the Tax Office amounting to Euro 1,519 thousand, arising from the payment of taxes relating to 2015 and stated in the tax return filed in 2016 by using the Form IRAP/2016;
- a payable to the Tax Office for IRAP tax to be paid for Euro 452 thousand.

Since the requirements laid down in IAS 12 were met, the Company took steps to have these amounts offset against each other, recognising the following items under current tax assets:

- IRAP tax receivables from the Tax Office for an amount of Euro 1,067 thousand;
- receivables from the Tax Office for withholdings applied on interest from current bank accounts and commissions for an amount of Euro 13 thousand.

Breakdown of "Deferred tax assets"

(thousands of Euros)	IRES tax	IRAP tax	Others	31/12/2016	31/12/2015
A) Against an entry in the Income Statement					
Write-down of receivables deductible in subsequent periods	44,643	3,499	-	48,142	50,607
Accruals and value adjustments deductible in subsequent periods	2,083	-	-	2,083	1,673
Financial assets and liabilities at fair value					
deductible in subsequent periods	-	-	-	-	-
Deferred tax assets on intercompany capital gains					
written off upon consolidation	-	-	-	-	-
Personnel costs and accruals to the provision for Employee Severance Pay					
deductible in subsequent periods	-	-	-	-	-
Write-downs of equity investments					
deductible in subsequent periods	-	-	-	-	-
Depreciation of non-operating properties					
deductible in subsequent periods	-	-	-	-	-
Others	3,437	474	-	3,911	3,437
Total A	**50,163**	**3,973**	**-**	**54,136**	**55,717**
B) Against an entry in Equity					
Financial assets available for sale					
measured at fair value	-	-	-	-	-
Others	571	100	-	671	848
Total B	**571**	**100**	**-**	**671**	**848**
Total (A+B)	**50,734**	**4,073**	**-**	**54,807**	**56,565**

Deferred tax assets arise from costs deductible in periods running after their recognition in the accounts.

12.2 Breakdown of item 70 "Tax liabilities: current and deferred"

Breakdown of "Current tax liabilities"

Reference should be made to the information reported in Section 12 for the breakdown of "Current tax assets".

Breakdown of “Deferred tax liabilities”

Deferred tax liabilities arise from temporary differences between tax value and statutory value of assets or liabilities recognised in the accounts.

This sub-item does not show any balance.

12.3 Change in deferred tax assets (against an entry in the income statement)

	(thousands of Euros)	31/12/2016	31/12/2015
1	**Opening balance**	**55,717**	**49,800**
2	**Increases**	**1,982**	**7,094**
	2.1 Deferred tax assets recognised in the year	1,982	7,094
	a) relating to previous years	-	3,395
	b) due to a change in accounting standards	-	-
	c) value write-backs		
	d) others	1,982	3,699
	2.2 New taxes or increases in tax rates	-	-
	2.3 Other increases	-	-
3	**Decreases**	**(3,563)**	**(1,177)**
	3.1 Deferred tax assets reversed in the year	(3,563)	(1,177)
	a) reversals	(3,563)	(1,177)
	b) write-downs for subsequent irrecoverability	-	-
	c) due to changes in accounting standards	-	-
	d) others	-	-
	3.2 Reductions in tax rates	-	-
	3.3 Other decreases	-	-
	a) transformation into tax credits referred to in Law 214/2011	-	-
	b) others	-	-
4	**Closing balance**	**54,136**	**55,717**

12.3.1. Change in deferred tax assets referred to in Law 214/2011 (against an entry in the income statement)

(thousands of Euros)	31/12/2016	31/12/2015
1. Opening balance	**50,607**	**47,142**
2. Increases	**0**	**3,465**
3. Decreases	**(13,392)**	**-**
3.1 Reversals		-
3.2 Transformation into tax credits	-	-
a) arising from losses for the year	-	-
b) arising from tax losses	-	-
3.3 Other decreases	(13,392)	-
4. Closing balance	**37,215**	**50,607**

The Company has not exercised the option referred to in Article 11 of Decree Law no. 59/2016, as amended and converted by Law no. 119/2016, on the basis of the calculation made according to the provisions of law and of the Director's Order, as well as on the basis of the clarifications provided by Circular Letter 32/E; therefore, Alba Leasing calculated "type 1 and type 2 DTAs" (Deferred Tax Assets) as of 31 December 2015 as follows:

- "qualified DTAs" corresponding to a payment of prepaid tax of Euro 37,215 thousand ("type 1" DTAs) and
- a positive difference of Euro 13,392 thousand between deferred tax assets and tax paid ("type 2" DTAs).

The requirements for the actual transformation of DTAs into tax credits were not met during the 2016 financial year.

The balance at 31 December 2016 in the table is the DTAs for which Alba Leasing has preserved the right to transformation if the requirements were to be met, calculated on the basis of the provisions laid down in Decree Law no. 59/2016, as amended and converted by Law no. 119/2016.

12.4 Change in deferred tax liabilities (against an entry in the income statement)

This sub-item does not show any balance.

12.5 Change in deferred tax assets (against an entry in equity)

	(thousands of Euros)	31/12/2016	31/12/2015
1	**Opening balance**	**848**	**1,146**
2	**Increases**	**4**	**-**
	2.1 Deferred tax assets recognised in the year	4	-
	a) relating to previous years	-	-
	b) due to a change in accounting standards	-	-
	c) others	4	-
	2.2 New taxes or increases in tax rates	-	-
	2.3 Other increases	-	-
3	**Decreases**	**(181)**	**(298)**
	3.1 Deferred tax assets reversed in the year	(181)	(298)
	a) reversals	(181)	(298)
	b) write-downs for subsequent irrecoverability	-	-
	c) due to a change in accounting standards	-	-
	d) others	-	-
	3.2 Redutions in tax rates	-	-
	3.3 Other decreases	-	-
4	**Closing balance**	**671**	**848**

12.6 Change in deferred tax liabilities (against an entry in equity)

	(thousands of Euros)	31/12/2016	31/12/2015
1	**Opening balance**	**-**	**3,006**
2	**Increases**	**-**	**-**
	2.1 Deferred tax liabilities recognised in the year	-	-
	a) relating to previous years	-	-
	b) due to a change in accounting standards	-	-
	c) others	-	-
	2.2 New taxes or increases in tax rates	-	-
	2.3 Other increases	-	-
	(of which for business combinations)	-	-
3	**Decreases**	**-**	**(3,006)**
	3.1 Deferred tax liabilities reversed in the year	-	(3,006)
	a) reversals	-	(350)
	b) due to a change in accounting standards	-	-
	c) others	-	(2,656)
	3.2 Reductions in tax rates	-	-
	3.3 Other decreases	-	-
	(of which for business combinations)	-	-
4	**Closing balance**	**-**	**-**

Section 14 – Other assets – Item 140

14.1 Breakdown of item 140 "Other assets"

(thousands of Euros)	31/12/2016	31/12/2015
Receivables from the Tax Office (which cannot be classified to tax assets)	39,924	16,559
Items being processed	18,272	19,575
Accrued income and prepaid expenses not attibutable to a separate item	4,419	4,721
Other items	79,302	69,520
Total	**141,917**	**110,375**

"Receivables from the Tax Office" include the receivable resulting from monthly VAT payments of Euro 34,574 thousand, as well as from 2013 VAT credits requested for refund but not yet repaid for Euro 4,816 thousand and Receivables from the Tax Office for Euro 535 thousand for other items.

"Accrued income and prepaid expenses not attributable to a separate item" are mainly composed of:

- prepaid expenses of Euro 3,867 thousand for insurance on lease agreements;
- prepaid expenses of Euro 34 thousand for insurance on loans;
- prepaid expenses of Euro 268 thousand for services invoiced in advance but accruing in future.

"Items being processed" are debits recorded waiting to be allocated precisely to specific items. The change compared to the previous year was mainly attributable to lease transactions that were completed in the last days of the year.

"Other items" mainly include:

- guarantee deposits of Euro 311 thousand issued for rent paid;
- other assets of Euro 59,229 thousand relating to the banking sub-portfolio involved in the agreement on securitised loans, including receivables from the originator for amounts to be collected (Euro 40,028 thousand) and other receivables concerning corporate management (Euro 18,528 thousand);
- amounts of Euro 18,585 thousand to be received for non-securitised instalments relating to securitised loans and falling within the scope of application of the Agreement.

During the financial year ended 31 December 2016 a dispute arose between Alba Leasing S.p.A. (the "Company") and Banco Popolare S.c. ("Banco", which was merged into Banco BPM S.p.A. with effect from 1 January 2017), regarding the allocation of the sums from payments made by SPV Erice Finance S.r.l. (the "SPV") in favour of Banco itself, within the securitisation transaction named "ITA BEI Securitisation" (for more details on the agreement on securitised loans, reference should be made to the section on Accounting Policies - A1 General Part – Section 4 – Other aspects).
Specifically, as regards the "payment waterfall" relating to the "ITA BEI Securitisation", the SPV paid Banco an overall amount of Euro 9,663 thousand for the "banking sub-portfolio" during the period from September 2015 to June 2016.
This amount was fully held back by Banco, which did not consider itself obliged to transfer it back to our Company.
The reason for the dispute was that our Company maintained that the aforesaid amount of Euro 9,663 thousand fell under the payments due to it under the provisions of the agreement entered into with Banca Italease on 24 December 2009, laying down the rules applicable between the parties in relation to securitised loans. Specifically, according to our Company, the intention of this agreement was to allocate the payments originating in the framework of the "banking sub-portfolio" to Alba Leasing, relating to (i) junior notes and (ii) other amounts in each "payment waterfall", including the DPP (Deferred Purchase Price) (i.e.

the part of the price for the assignments of securitised loans which the SPVs did not pay at the time of said assignments). Our Company's position is that the aforesaid amount of Euro 9,663 thousand is to be regarded as a DPP, since it relates to the part of the price, which was not paid by the SPV at the time of the assignment, of the assignment of receivables involved in the ITA BEI Securitisation.

As support for its decision not to transfer the aforesaid amount to our Company, Banco put forward a different interpretation of the same provisions of the agreement, reaching the conclusion that the disputed amount did not fall under those to which Alba Leasing was entitled since it did not meet the definition of DPP. According to Banco, since the payment of Euro 9,663 thousand was made as the assignment price, which should have been paid when the assignment was carried out, it would be regarded as an "Initial Price" (as defined in the "ITA BEI Securitisation" documentation), which, as such, could not have been subordinated to the payment of the junior notes in the abovementioned "payment waterfall", and, therefore, could not be described as a DPP.

Banco and Alba Leasing started negotiations aimed at concluding the above dispute under a settlement agreement at the end of 2016.

At the end of negotiations in 2017 Banco and our Company reached an agreement whereby Banco undertook to pay the Company an amount of Euro 4,832 thousand (equal to half the aforesaid amount), merely as a settlement and without the parties acknowledging the reasonableness of their respective claims. The portion which Banco did not pay Alba was written down, charging the amount to item 100. "Value adjustments/write-backs for impairment of: a) financial assets" (reference should be made to the specific income statement section of the notes to the financial statements).

The decision to close on these terms was the result of a careful appraisal on the part of our Company, which considered it desirable and advisable to come to a settlement of this dispute in view of (i) the complexity of the affair (also considering the technical aspects of the securitisation transaction, which would inevitably have their importance); (ii) the very substantial costs Alba Leasing would have to sustain in the event of arbitration proceedings, according to the rules laid down by the Milan Chamber of Arbitration, entailing the need to have recourse to technical and accounting advisors in addition to legal aid; and (iii) the fact that even if the dispute were taken away from the ordinary courts and referred to arbitration it would not be swift in any case (also considering the possibility of the award being appealed against on the grounds that it is null and void, with the consequent actions to be brought before ordinary judicial authorities, all this leading to longer times and additional costs).

Banco BPM S.p.A. paid the abovementioned amount in early March 2017.

LIABILITIES

Section 1 – Payables – Item 10

1.1 Payables

Items (thousands of Euros)	31/12/2016			31/12/2015		
	due to banks	due to financial entities	due to customers	due to banks	due to financial entities	due to customers
Loans	2,510,902	98,152	-	2,718,268	99,790	-
1.1 repos	59,487	-	-	209,302	-	-
1.2 other loans	2,451,415	98,152	-	2,508,966	99,790	-
Other payables	163,617	7,494	163,205	159,987	17,637	110,355
Total	**2,674,519**	**105,646**	**163,205**	**2,878,255**	**117,427**	**110,355**
Fair Value -level 1	-	-	-	-	-	-
Fair Value -level 2	-	-	-	-	-	-
Fair Value -level 3	**2,674,519**	**105,646**	**163,205**	**2,878,255**	**117,427**	**110,355**
Total Fair Value	**2,674,519**	**105,646**	**163,205**	**2,878,255**	**117,427**	**110,355**

“Loans” among “Payables to banks” include:

- Advances on current account of Euro 1,920,282 thousand;
- Bank deposits of Euro 294,835 thousand;
- Short-term loans of Euro 25,020 thousand;
- Medium/long-term loans of Euro 211,278 thousand.

Payables to banks are mainly short-term items, but most exposures are to Partner Banks, which have stated their intention to supply Alba Leasing with constant inflows of liquidity.

“Other Payables” among “Payables to banks” mainly include:

- Invoices to be received for Euro 5,710 thousand for placement fees due to presenting banks;
- Payables of Euro 156,697 thousand for the remuneration relating to junior notes, accrued at 31 March 2009 and not yet paid at 31 December 2009 (see the “Supplementary deed to the agreement on securitised loans”).

“Other Payables” among “Payables to customers” are mainly made up of payables to suppliers for leased assets.

Section 2 – Outstanding securities – Item 20

2.1 Breakdown of item 20 "Outstanding securities"

Liabilities (thousands in Euros)	Total 31/12/2016				Total 31/12/2015			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Securities								
- Bonds:	-	-	-	-	-	-	-	-
- structured	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
- Other securities:	1,661,043	-	-	1,661,043	1,328,335	-	-	1,328,335
- structured	-	-	-	-	-	-	-	-
- others	1,661,043	-	-	1,661,043	1,328,335	-	-	1,328,335
Total	**1,661,043**	**-**	**-**	**1,661,043**	**1,328,335**	**-**	**-**	**1,328,335**

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

"Other securities" are mainly made up of:

- junior notes relating to the banking Sub-portfolio for Euro 64,149 thousand;
- mezzanine notes relating to the banking Sub-portfolio for Euro 11,876 thousand;
- senior notes relating to the banking Sub-portfolio for Euro 60,879 thousand;
- accrued expenses of Euro 295 thousand on securities relating to the banking Sub-portfolio;
- Senior notes of the securitisation transaction carried out by the Company with Alba 6 SPV S.r.l. for Euro 298,739 thousand;
- Senior notes of the securitisation transaction carried out by the Company with Alba 7 SPV S.r.l. for Euro 307,010 thousand;
- Senior notes of the securitisation transaction carried out by the Company with Alba 8 SPV S.r.l. for Euro 703,328 thousand;
- Senior notes of the securitisation transaction carried out by the Company with Sunny 1 SPV S.r.l. for Euro 213,814 thousand;
- accrued expenses of Euro 953 thousand on securities linked with securitisation transactions carried out by the Company.

Section 3 – Financial liabilities held for trading – Item 30

3.1 Breakdown of item 30 "Financial liabilities held for trading"

Liabilities	**31/12/2016**					**31/12/2015**				
	Fair Value			**FV***	**NV**	**Fair Value**			**FV***	**NV**
(thousands of Euros)	**L1**	**L2**	**L3**			**L1**	**L2**	**L3**		
A. Cash liabilities										
1. Payables	-	-	-	-	-	-	-	-	-	-
2. Debt securities	-	-	-		-	-	-	-		-
- Bonds	-	-	-		-	-	-	-		-
- structured	-	-	-		-	-	-	-		-
- other bonds	-	-	-		-	-	-	-		-
- Other securities	-	-	-		-	-	-	-		-
- structured	-	-	-		-	-	-	-		-
- others	-	-	-		-	-	-	-		-
B. Derivative instruments										
1. Financial derivatives	-	177	-		166,805	-	232	-		185,503
2. Credit derivatives	-	-	-		-	-	-	-		-
Total	**-**	**177**	**-**	**-**	**166,805**	**-**	**232**	**-**	**-**	**185,503**

<u>Key</u>

L1 = Level 1
L2 = Level 2
L3 = Level 3
NV= Nominal / notional value
FV*= Fair value calculated by excluding any changes in value due to changes in the issuer's credit rating with respect to the issue date.

This item consists of the negative fair value pertaining to Alba Leasing according to the Agreement on securitised loans in relation to the Interest Rate Swaps entered into within the securitisations involved in the abovementioned Agreement.

3.2 "Financial liabilities held for trading": Subordinated liabilities

This sub-item does not show any balance.

3.3 "Financial liabilities held for trading": derivative financial instruments

Type/underlyings *(thousands of Euros)*	Interest rates	Currencies	Equity instruments	Other	31/12/2016	31/12/2015
1. Over the counter						
Financial derivatives						
- Fair value	177	-	-	-	177	232
- Notional values	166,805	-	-	-	166,805	185,503
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Total (A)	**177**	**-**	**-**	**-**	**177**	**232**
2. Others						
Financial derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**177**	**-**	**-**	**-**	**177**	**232**

Section 7 – Tax liabilities – Item 70

See Section 12 – “Tax assets and liabilities” under Assets.

Section 9 – Other liabilities – Item 90

9.1 Breakdown of item 90 “Other liabilities”

(thousands of Euros)	31/12/2016	31/12/2015
Payables to the Tax Office for sums to be paid on behalf of third parties	913	884
Payables to the Tax Office for substitute tax	1,811	2,587
Payables to Personnel	5,968	4,960
Payables to Statutory Auditors	84	87
Payables to Social Security Institutions	1,038	1,006
Payables to Suppliers	2,719	2,279
Other items being processed	121	4,481
Accrued expenses and deferred income not attributable to a separate item	10,966	10,101
Other items	15,032	12,615
Total	**38,653**	**39,000**

“Payables to the Tax Office for sums to be paid on behalf of third parties” are mainly made up of payables for withholding tax to be paid.

“Payables to the Tax Office for substitute tax” concerning IRES and IRAP taxes – equal to Euro 1,811 thousand – are the amounts still due as a result of the exercise of the option provided for under Article 176, paragraph 2-*ter,* of the Consolidation Act on Income Taxes (TUIR, *Testo Unico delle Imposte sui Redditi*) during the 2015 financial year -, for the recognition of the higher values attributed to intangible assets and goodwill upon the contribution of the “Credito Valtellinese” business unit.

“Payables to Personnel” include:

- payables for accrued untaken holidays and for additional amounts due for Euro 3,379 thousand;
- payables for “solidarity fund” equal to Euro 2,555 thousand.

“Payables to Statutory Auditors” relate to fees due to statutory auditors, which had not been paid at the end of the year.

“Payables to Suppliers” include

- payables of Euro 2,365 thousand due to the Company’s suppliers;
- payables of Euro 354 thousand due to companies belonging to the Banco Popolare Group for the provision of sundry services.

“Other items being processed” relate to amounts credited and recorded waiting to be correctly allocated.

“Accrued expenses and deferred income not attributable to a separate item” are mainly made up of:

- deferred income of Euro 4,451 thousand on insurance;
- accrued expenses and deferred income of Euro 6,515 thousand on other items.

“Other items” are mainly made up of debit items recorded by SPVs with reference to the agreement on securitised loans arising from the transaction management.

Section 10 – Employee severance pay – Item 100

10.1 "Employee severance pay": annual changes

(thousands of Euros)	31/12/2016	31/12/2015
A. Opening balance	**2,692**	**2,910**
B. Increases	**56**	**30**
B1. Provision for the year	44	30
B2. Other increases	12	-
C. Decreases	**(170)**	**(248)**
C1. Payments made	(170)	(85)
C2. Other decreases	-	(163)
D. Closing balance	**2,578**	**2,692**

The valuation was carried out in accordance with the provisions laid down under Law no. 296 of 27 December 2006 (2007 Finance Act); specifically, this calculation has been made considering that Companies with at least 50 employees are required to transfer the entire accruing provision for employee severance pay to a special INPS (National Social Security Institute) Treasury Fund for which the option for contributing them to supplementary pension funds has not been exercised.

This has given rise to the two following situations:

- from 1 January 2007 the accruing provision for employee severance pay for employees who opted for the Treasury Fund, and from the following month for those who opted for supplementary pension schemes, can be defined as a *defined contribution plan*, which does not require any actuarial calculation; the same applies to the employee severance pay of all employees recruited after 31 December 2006, regardless of which fund they choose to pay it in to;
- the provision for employee severance pay accrued as of the above date, on the other hand, remains defined as a *defined benefit plan*, even if the benefits have already completely accrued.

Actuarial Assumptions

The following parameters were taken into account in order to decide the actuarial model to apply:

- *Regulatory parameters*: all legal provisions and interpretations;
- *Demographic parameters*: for the probability of death, the 2013 ISTAT (Italian Statistical Institute) table and for the probability of invalidity the INPS table for the commercial sector (projection as of 2010);
- *Economic parameters*: for inflation rate, reference was made to the "Macroeconomic projections for the Eurozone prepared by the Eurosystem Experts in December 2016", corresponding to 0.9% for 2017, 1.2% for 2018 and 1.5% for 2019. A target of 2% p.a. predicted by the ECB has been assumed from 2020. Pay trends differentiated according to length of service and determined considering both price rise rates and outlook trends inferred from general communities and average increase in pay is equal to 0% throughout the duration of the situations analysed. The legal revaluation of the Employee Severance Pay was equal to 75% of the rise rate, increased by 1.5%, i.e. 2.18% for 2017, 2.40% for 2018, 2.63% for 2019 and 3.00% for subsequent years.
- *Financial parameters*: the parameter utilised is the corporate bond rate structure of AA rating issuers denominated in Euro and observed by Bloomberg as 31 December 2016. For situations terminating after more than thirty financial periods, a flat interest rate maturity structure was assumed, i.e. one in which the rates are all the same as those for the 30th year.

10.2 "Other information"

This sub-item does not show any balance.

Section 11 – Provision for risks and charges – Item 110

11.1 Breakdown of item 110 "Provision for risks and charges"

	(thousands of Euros)	31/12/2016	31/12/2015
1	Company pension funds	-	-
2	Other provisions for risks and charges	2,887	2,244
	2.1 legal disputes	2,887	903
	2.2 personnel costs	-	1,341
	2.3 others	-	-
	Total	**2,887**	**2,244**

It should be noted that:

1. After the Revenue Agency served a notice of payment of stamp tax on 14 march 2012, based on the presumption that our Company had failed to declare that the alleged condition precedent had been satisfied, which was laid down in the "Deed of Contribution" entered into between Banca Italease and Alba Leasing on 24 December 2009 in relation to the lease-back of Financial Assets for Euro 3,492 thousand (arrangements referred to in section "II.D.2g", regarding financial assets held for trading referred to in annex "O") and Receivables of Euro 170,919 thousand (arrangements referred to in sections "II.F.2" and "II.F.3", regarding receivables contributed which did not meet the requirements laid down in the guarantees issued by the contributor), the Lombardy Regional Tax Board confirmed the judgment of first instance handed down by the Milan Provincial Tax Board and fully accepted the defence arguments submitted by our Company. The case was discussed at a public hearing held on 25 November 2014.
Therefore, by a judgment filed on 4 March 2015, the Revenue Agency's appeal was rejected and the withdrawal of the notice of payment was confirmed.
In view of the importance of this dispute, the Revenue Agency challenged the judgment issued by the Regional Tax Board in an appeal to the Supreme Court, which was served on Alba Leasing on 5 October 2015. The related counter-appeal, drawn up by trusted professionals, was delivered for service on the Revenue Agency on 12 November 2015.
Having considered the circumstances on which the Revenue Agency's assumptions are based and having regard to the opinion rendered by the Company's trusted professionals as regards this dispute initiated with the Tax Authorities, which have assessed the risk of losing as "possible" but not "probable", it was not deemed expedient to make any allocation, in compliance with the relevant accounting standards.

2. Following a Revenue Agency's inspection carried out at the Company, which was completed on 20 December 2013, a notice of IRES (Corporate Income) tax assessment was served on Alba Leasing for the 2009 tax year, regarding the non-deductibility of negative income components for a total amount of Euro 1,048 thousand. The objections arise from whether the amount of deductible costs in the 2009 tax year were correctly calculated in connection with bad debts, in accordance with Article 106, paragraph 3, of the TUIR. According to the Revenue Agency's interpretation of this rule, the Company improperly included the following costs among write-downs of deductible receivables:

- An amount of Euro 86 thousand, equal to 0.30% of contributed receivables, guaranteed by the banks on the basis of "Presto Leasing" and "Leasing Auto" agreements;
- An amount of Euro 690 thousand, equal to 0.30% of the receivables involved in the "Agreement on securitised loans", guaranteed by the banks on the basis of "Presto Leasing" and "Leasing Auto" agreements;
- An amount of Euro 271 thousand, equal to 0.30% of contributed receivables, regarding five contracts entered into with customers "Romana Investimenti Immobiliare" and Fagioli Immobiliare", deemed null and void since they were for purchases made within a fraudulent transaction, already the object of a Tax Assessment Settlement agreement (*Accertamento con Adesione*) concluded between the Revenue Agency and Banca Italease S.p.A. for the years 2005-2006-2007.

The tax to be paid for the assessment is equal to Euro 288 thousand (equal to 27.5% of Euro 1,048

thousand).
The assessment also includes interest to be paid for Euro 46 thousand (in addition to interest of 4% for payments made after 3 June 2014) and sanctions of Euro 288 thousand.
The Milan Provincial Tax Board granted the appeal submitted by Alba Leasing by a judgment filed on 4 June 2015. The case was discussed at a public hearing held on 18 May 2015.
The Revenue Agency has challenged the judgment issued by the Provincial Tax Board. The case was discussed before the Regional Tax Board on 6 March 2017. The operating part of the judgment had not yet been filed on the reporting date. Having considered the circumstances on which the Revenue Agency's assumptions are based and having regard to the opinion rendered by the Company's trusted professionals as regards this dispute initiated with the Tax Authorities, which have assessed the risk of losing as "possible" but not "probable", it was not deemed expedient to make any allocation, in compliance with the relevant accounting standards.

3. Following a Revenue Agency's inspection carried out at the Company, which was completed on 20 December 2013, a notice of IRES (Corporate Income) tax assessment was served on Alba Leasing for the 2010 tax year, regarding the non-deductibility of negative income components for a total amount of Euro 1,132 thousand. The objections arise from whether the amount of deductible costs in the 2010 tax year were correctly calculated in connection with bad debts, in accordance with Article 106, paragraph 3, of the TUIR. According to the Revenue Agency's interpretation of this rule, the Company improperly included the following costs among write-downs of deductible receivables:

- An amount of Euro 465 thousand, equal to 0.30% of contributed receivables, guaranteed by the banks on the basis of "Presto Leasing" and "Leasing Auto" agreements;
- An amount of Euro 402 thousand, equal to 0.30% of the receivables involved in the "Agreement on securitised loans", guaranteed by the banks on the basis of "Presto Leasing" and "Leasing Auto" agreements;
- An amount of Euro 265 thousand, equal to 0.30% of contributed receivables, regarding five contracts entered into with customers "Romana Investimenti Immobiliare" and Fagioli Immobiliare", deemed null and void since they were for purchases made within a fraudulent transaction, already the object of a Tax Assessment Settlement agreement (*Accertamento con Adesione*) concluded between the Revenue Agency and Banca Italease S.p.A. for the years 2005-2006-2007.

The tax to be paid for the assessment is equal to Euro 311 thousand (equal to 27.5% of Euro 1,132 thousand).
The assessment also includes interest to be paid for Euro 54 thousand (in addition to interest of 3.5% for payments made after 20 October 2015) and sanctions of Euro 373 thousand.
The Milan Provincial Tax Board granted the appeal submitted by Alba Leasing by a judgment filed on 16 January 2017. The case was discussed at a public hearing held on 18 November 2016. The time limit for the Revenue Agency to appeal against the judgment has not yet elapsed. Having considered the circumstances on which the Revenue Agency's assumptions are based and having regard to the opinion rendered by the Company's trusted professionals as regards this dispute initiated with the Tax Authorities, which have assessed the risk of losing as "possible" but not "probable", it was not deemed expedient to make any allocation, in compliance with the relevant accounting standards.

4. In the dispute that has arisen with the Lombardy Regional Government regarding liability to regional road tax, the judgments have become final, which were handed down by the Provincial Tax Board against the Lombardy Regional Government with regard to the 2010 (the amount claimed is Euro 115,170.17) and 2011 (the amount claimed is Euro 333,806.42) tax years.
The Provincial Tax Board also handed down judgments in favour of the Company with regard to the 2012 tax year (the amount claimed is Euro 91,827.65), which cancelled the notices of assessment that had been issued and ordered the Regional Government to pay litigation costs in an amount of Euro 14,840.00. the Lombardy Regional Government has filed an Appeal with the Milan Regional Tax Board against the judgment of first instance.
In spite of the favourable judgments of these disputes, some of which have already become final, however, the Lombardy Regional Government entered the challenged sums related to the 2010, 2011 and 2012 tax years in the tax rolls; the related tax assessment notices were issued an served on Alba Leasing S.p.A. on 24 October 2016. An application for self-protection to the Lombardy Regional Government, a plea to the Tax Ombudsman (*Garante del Contribuente*) and an Appeal with the Provincial Tax Board have all been submitted against the illegality of this proceeding, obtaining, first of all, the suspension of the tax assessment notices as an interim measure and therefore the relief and/or suspension by the Lombardy Regional Government.
Finally, the Lombardy Regional Government served 1,375 orders on Alba Leasing S.p.A. for payment of the

regional road tax relating to 2013 (the amount claimed is Euro 381,039.65). Therefore, our Company filed an appeal with the Provincial Tax Board on 1 February 2017.
Having considered the circumstances on which the Revenue Agency's assumptions are based and having regard to the opinion rendered by the Company's trusted professionals as regards this dispute initiated with the Tax Authorities, which have assessed the risk of losing as "possible" but not "probable", it was not deemed expedient to make any allocation, in compliance with the relevant accounting standards.

11.2 Changes in item 110 "Provision for risks and charges" for the year

(thousands of Euros)	31/12/2016	31/12/2015
A. Opening balance	**2,244**	**4,302**
B. Increases	**2,513**	**614**
B.1 Provision for the year	2,513	614
B.4 Other increases		-
C. Decreases	**(1,870)**	**(2,672)**
C.1 Use in the year	(301)	(821)
C.3 Other decreases	(1,569)	(1,851)
D. Closing balance	**2,887**	**2,244**

The items "Use in the year" and "Other decreases", respectively, include the use of amounts set aside in previous years.

Section 12 – Equity – Items 120, 130, 140 and 150

12.1 Breakdown of item 120 "Share capital"

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

The share capital of Alba Leasing S.p.A. amounts to Euro 357,953,058.37, is fully subscribed and paid up and is divided into 353,450.000 shares of no par value.

12.2 Breakdown of item 130 "Own shares"

This sub-item does not show any balance.

12.3 Breakdown of item 140 "Equity instruments"

This sub-item does not show any balance.

12.4 Breakdown of item 150 "Share premiums"

Types	Amount
Share premium	105,000

On 30 November 2009 the extraordinary shareholders' meeting of Alba Leasing S.p.A. passed a resolution to make a capital increase against payment for a nominal amount of Euro 250,000 thousand and a share premium of Euro 105,000 thousand.

12.5 Other information

Availability and distributability of equity items

Type	Amount	Possible use	Available share
Share capital	357,953		
Capital reserves			
Reserve for own shares	-	---	
Share premium reserve	105,000	A,B	-
Rievenue reserves:			
Legal Reserve	301		
Extraordinary reserve	-		
Profits (loss) carried forward	(59,822)	---	
Other reserves	(234)	---	
Profit (loss) for the year:	3,914		
Total	**407,112**		**-**
Residual distributable share			

Key:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

Pursuant to Article 2431 of the Italian Civil Code , the share premium reserve is made available for distribution to shareholders only when the legal reserve is equal to 20% of the share capital. Sine this requirement has not been met, the share available for distribution is equal to zero.

Other information

1. Financial assets being offset in the accounts, subject to master netting agreements or to similar agreements.

No offsetting of this type was made.

2. Financial liabilities being offset in the accounts, subject to master netting agreements or to similar agreements.

No offsetting of this type was made.

3. Stock lending transactions.

No transactions of this type were carried out during the year.

Part C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

(values in thousands of Euros)

Section 1 - Interest – Items 10 and 20

1.1 Breakdown of item 10 "Interest earned and similar income"

	Items/ Actuarial forms (thousands of Euros)	Debt securities	Loans	Other transactions	31/12/2016	31/12/2015
1	Financial assets held for trading	-	-	-	-	-
2	Financial assets at fair value	-	-	-	-	-
3	Financial assets available for sale	-	-	-	-	-
4	Financial assets held to maturity	33	-	-	33	5
5	Receivables					
	5.1 Receivables from banks	-	33	1,455	1,488	1,244
	5.2 Receivables from financial entities	-	1,594	-	1,594	1,610
	5.3 Receivables from customers	-	109,965	7	109,972	117,972
6	Other assets	X	X	81	81	234
7	Hedging derivatives	X	X	-	-	-
	Total	**33**	**111,592**	**1,543**	**113,168**	**121,065**

"Loans" mainly include interest earned for Euro 108,270 thousand on finance lease agreements:

- An amount of Euro 3,705 thousand of which relates to finance leases belonging to the banking portfolio involved in the Agreement on securitised loans;
- An amount of Euro 8,049 thousand of which relates to interest on receivables "without recourse", i.e. those arising from non-securitised portions of securitised contracts.

"Other transactions" mainly include:

- Interest of Euro 81 thousand accrued against the Tax Office for VAT credit requested for refund.

Interest accrued in the year on positions that are classified as "non-performing" amounted to Euro 8,240 thousand at the reporting date.

1.2 Interest earned and similar income: other information

There is no other information to be provided.

1.3 Breakdown of item 20 “Interest expense and similar charges”

Items / Actuarial forms (thousands of Euros)	Loans	Securities	Other	31/12/2016	31/12/2015
1. Payables to banks	14,100	X	-	14,100	26,517
2. Payables to financial entities	608	X	-	608	381
3. Payables to customers	-	X	-	-	3
4. Outstanding securities	X	11,878	-	11,878	12,575
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities	X	X	3	3	1
8. Hedging derivatives	X	X	-	-	-
Total	**14,708**	**11,878**	**3**	**26,589**	**39,477**

“Payables to banks” mainly include:

- Interest expense of Euro 6,339 thousand on current accounts;
- Interest expense and financial costs on loans for Euro 5,481 thousand;
- Interest expense of Euro 1,408 thousand on time deposits;
- Interest expense of Euro 872 thousand on Repos carried out by the Company on the notes being securitised.

“Securities” are made up of interest expense and financial costs relating to:

- “senior” and “mezzanine” notes in the banking sub-portfolio involved in the Agreement on securitised loans for Euro 2,129 thousand;
- The securitisation transactions carried out by the Company during the year for Euro 9,749 thousand.

Section 2 - Commissions – Items 30 and 40

2.1 Breakdown of item 30 "Commissions earned"

Breakdown (thousands of Euros)	31/12/2016	31/12/2015
1. finance lease transactions	17,259	14,046
2. factoring transactions	-	-
3. consumer credit	-	-
4. guarantees issued	43	44
5. services for :		
- third-party fund management	-	-
- foreign exchange brokerage	-	-
- product distribution	-	-
- others	-	-
6. collection and payment services	-	-
7. servicing in securitisation transactions	46	-
8. other commissions	95	28
Total	**17,443**	**14,118**

"Lease transactions" are mainly made up of:

- Income of Euro 8,471 thousand for insurance premiums;
- Income of Euro 1,601 thousand for collection costs;
- Income of Euro 6,831 thousand for contract management costs.

"Other commissions" relate to income from loans and other financing.

2.2 Breakdown of item 40 "Commissions expense"

Breakdown/Sectors (thousands of Euros)	31/12/2016	31/12/2015
1. guarantees received	651	990
2. services distributed by third parties	-	-
3. collection and payment services	489	348
4. other commissions	12,062	9,938
4.1 lease transactions	11,460	9,435
4.2 factoring transactions	-	-
4.3 Others	602	503
Total	**13,202**	**11,276**

"Other commissions: lease transactions" mainly include:

- Costs of Euro 3,301 thousand incurred for underwriting fees due to banks;
- Costs of Euro 4,780 thousand incurred for insurance premiums;
- Costs of Euro 3,379 thousand incurred for contract management.

Item 4.3 stated under "Other commissions" includes costs incurred on loans and other financing linked to the securitisation transactions carried out by the Company.

Section 4 – Net result from trading – Item 60

4.1 Breakdown of item 60 "Net result from trading"

Items / Income components *(thousands of Euros)*	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result (A+B)-(C+D)
1 Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	**-**
1.2 Equity instruments and UCI units	-	-	-	-	**-**
1.3 Loans	-	-	-	-	**-**
1.4 Other assets	-	-	-	-	**-**
2 Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	**-**
2.2 Payables	-	-	-	-	**-**
2.3 Other liabilities	-	-	-	-	**-**
3 Financial assets and liabilities : foreign exchange differences	6	-	-	-	**6**
4 Financial derivatives	3	5	(20)	-	**(12)**
5 Derivatives on receivables	**-**	**-**	**-**	**-**	**-**
Total	**9**	**5**	**(20)**	**-**	**(6)**

As regards "Financial derivatives", the columns of capital gains (equal to Euro 3 thousand) and capital losses (equal to Euro 20 thousand) include the fair value changes that were recorded in the derivatives underlying the securitisation transactions relating to the "Agreement on securitised loans" during the period.
The columns of trading profits and losses include the related differentials accrued in the period.
As regards "Other financial assets and liabilities: foreign exchange differences", the column of capital gains (equal to Euro 6 thousand) includes positive exchange differences on finance lease agreements denominated in foreign currency and on related dedicated loans.

Section 7 – Profit (Loss) from disposal or repurchase – Item 90

7.1 Breakdown of item 90 "Profit (losses) from disposal or repurchase"

Items/income components *(thousands of Euros)*	31/12/2016			31/12/2015		
	Profit	Loss	Net result	Profit	Loss	Net result
1 **Financial assets**						
1.1 Receivables	17	-	17	26	-	**26**
1.2 Assets available for sale	-	-	-	-	-	**-**
1.3 Assets held to maturity	-	-	-	-	-	**-**
Total (1)	**17**	**-**	**17**	**26**	**-**	**26**
2 **Financial liabilities**						
2.1 Payables	-	-	-	-	-	**-**
2.2 Outstanding securities	-	-	-	-	-	**-**
Total (2)	**-**	**-**	**-**	**-**	**-**	**-**
Total (1 + 2)	**17**	**-**	**17**	**26**	**-**	**26**

The profit stated in the table refers to the net result arising from the assignment of non-performing loans in the banking Sub-portfolio to third parties, under the Agreement on securitised and contributed loans, which was completed during the first half of the year.
For more details, reference should be made to the information provided in the "Report on Operations" ("Other events").

Section 8 – Net value adjustments/write-backs for impairment - Item 100

8.1 Net value adjustments/write-backs for non-performing loans

Items / Adjustments (thousands of Euros)		Value adjustments		Value write-backs		31/12/2016	31/12/2015
		specific	portfolio	specific	portfolio		
1	Receivables from banks	(4,832)	-	-	2	(4,830)	2
	- for lease	-		-	2	2	2
	- for factoring	-	-	-	-	-	-
	- other receivables	(4,832)		-	-	(4,832)	-
2	Receivables from financial entities	(239)	(89)	178	50	(100)	(2,941)
	Non-performing loans purchased	-	-	-	-	-	-
	- for lease	-	-	-	-	-	-
	- for factoring	-	-	-	-	-	-
	- other receivables	-	-	-	-	-	-
	Other Receivables	(239)	(89)	178	50	(100)	(2,941)
	- for lease	(239)	(51)	178	19	(93)	(2,905)
	- for factoring	-	-	-	-	-	-
	- other receivables	-	(38)	-	31	(7)	(36)
3	Receivables from customers	(57,388)	(12,196)	30,826	10,198	(28,560)	(39,712)
	Non-performing loans purchased	-	-	-	-	-	-
	- for lease	-	-	-	-	-	-
	- for factoring	-	-	-	-	-	-
	- for consumer credit	-	-	-	-	-	-
	- other receivables	-	-	-	-	-	-
	Other Receivables	(57,388)	(12,196)	30,826	10,198	(28,560)	(39,712)
	- for lease	(48,670)	(10,661)	24,754	8,905	(25,672)	(25,318)
	- for factoring	-	-	-	-	-	-
	- for consumer credit	-	-	-	-	-	-
	- loans against pledge	-	-	-	-	-	-
	- other receivables	(8,718)	(1,535)	6,072	1,293	(2,888)	(14,394)
	Total	**(62,459)**	**(12,285)**	**31,004**	**10,250**	**(33,490)**	**(42,651)**

This item shows the balance between value adjustments and write-backs arising from non-performing loans. The net balance of the item, which shows a risk cost of about Euro 0.64%, includes specific (individual) changes for Euro (31.5) million and portfolio (collective) changes for Euro 2.0 million.
As reported in tables 2.1 "Credit exposures to customers: gross and net values" in Section 3 – "Information on risks and related hedging policies" and 2.2 "Credit exposures to customers: gross and net values" in Section 3 – "Information on risks and related hedging policies", Part D of the notes to the financial statements, in fact, the overall amount of non-performing positions decreased from Euro 966 million at 31 December 2015 to Euro 908 million, showing a reduction compared to the previous year.
Performing exposures remained substantially stable, from Euro 4,037 million at 31 December 2015 to Euro 4,262 million.

It should be noted that data transmitted to the Bank of Italy in regulatory reports were used for the 2016 financial year to calculate Loss Given Default (LGD). The data were calculated in accordance with the method described in Circular Letter no. 284 of 18 June 2013 containing "Instructions for the compilation of reports of losses historically recorded in defaulting accounts" (*"Istruzioni per la compilazione delle segnalazioni delle perdite storicamente registrate sulle posizioni in default*"). LGD figures were determined for the positions whose recovery procedures are considered closed (including positions returning to performing) during the period from January 2010 to November 2016. The use of this modified method resulted in an increase of about Euro 2 million in the absolute amount of the portfolio value adjustments, while maintaining the cover percentage of the performing portfolio at just under 1% (0.85% at 31 December 2016, the same as that posted in the previous year).

The amount stated in “Items/Adjustments: Receivables from banks: - other receivables” consists of the write-down relating to the receivable from Banco for the ITABEI transaction: for more details, reference should be made to “Part A1 – general part, Section 4 – Other aspects” and to “Assets – Section 14.1 – Other assets.”

8.2 “Net value adjustments/write-backs for impairment of financial assets available for sale”

This sub-item does not show any balance.

8.3 “Net value adjustments/write-backs for impairment of financial assets held to maturity”

This sub-item does not show any balance.

8.4 “Breakdown of sub-item 100.b “Net value adjustments/write-backs for impairment of other financial assets”

This sub-item does not show any balance.

Section 9 – Administrative expenses – Item 110

9.1 Breakdown of item 110.a “Personnel costs”

Items / Sectors *(thousands of Euros)*	**31/12/2016**	**31/12/2015**
1. Subordinate staff	**25,232**	**21,009**
a) w ages and salaries	17,661	16,235
b) social security contributions	5,286	4,845
c) severance indemnity	80	80
d) social security costs	-	-
e) provision for employee severance pay	46	27
f) provision for pension fund and similar obligations :	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds :	1,212	1,241
- defined contribution	1,212	1,241
- defined benefit	-	-
h) other costs	947	(1,419)
2. Other personnel in active employment	**92**	**166**
3. Directors and statutory auditors	**609**	**598**
4. Staff on retirement	**157**	**62**
5. Recoveries of expenses for employees seconded to other companies	**(1,128)**	**(1,109)**
6. Reimbursements of expenses for third-party employees seconded to the Company	**92**	**131**
Total	**25,054**	**20,857**

The sub-item “Other personnel in active employment” includes freelance work costs.

The item “Directors and statutory auditors” includes:
- Fees due to directors for Euro 385 thousand;
- Fees due to the members of the Board of Statutory Auditors for Euro 177 thousand;
- An amount of Euro 47 thousand relating to liability insurance policies for directors and statutory auditors.

9.2 Average number of employees broken down by category

	2016	2015
Subordinate staff	279	268
a) executives	10	10
b) total executive middle managers	142	136
of which: of 3rd and 4th level	78	77
c) remaining subordinate staff	127	122
Other personnel	-	-
Total	**279**	**268**

9.3 Breakdown of item 110.b "Other administrative expenses"

(thousands of Euros)	31/12/2016	31/12/2015
a) expenses relating to properties:	1,937	1,799
- premises rental and maintenance	1,634	1,429
- cleaning expenses	128	135
- energy, w ater and heating	175	235
b) indirect taxes and duties	341	313
c) postage, telephone, printouts and other office expenses	352	312
d) maintenance and fees for furniture, machinery and systems	581	411
e) professional and consultancy services	3,589	2,837
f) expenses for certificates and information		-
g) surveillance and valuables escort		-
h) provision of services from third parties	7,522	5,741
i) advertising, entertainment and gifts	330	353
l) insurance premiums	170	158
m) transport, hires and travels	1,091	1,158
n) other costs and sundry expenses	1,998	2,109
Total	**17,911**	**15,191**

"n) other costs and sundry expenses" are mainly made up of charges incurred or to be incurred in relation to the Agreement on securitised loans.

Section 10 – Net value adjustments/write-backs on property, plant and equipment - Item 120

10.1 Breakdown of item 120 "Net value adjustments/write-backs on property, plant and equipment"

Items/Value adjustments and write-backs *(thousands of Euros)*	Depreciation (a)	Value adjustments for impairment (b)	Value write-backs (c)	Net result (a+b-c)
1. Assets for business use	**(77)**	**-**	**-**	**(77)**
1.1 owned	(77)	-	-	(77)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital goods	(13)	-	-	(13)
e) others	(64)	-	-	(64)
1.2 acquired under finance lease	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital goods	-	-	-	-
e) others	-	-	-	-
2. Assets held for investment purposes	**-**	**-**	**-**	**-**
Total	**(77)**	**-**	**-**	**(77)**

Section 11 – Net value adjustments/write-backs on intangible assets - Item 130

11.1 Breakdown of item 130 "Net value adjustments/write-backs on intangible assets"

Items/Value adjustments and write-backs *(thousands of Euros)*	Amortisation (a)	Value adjustments for impairment (b)	Value write-backs (c)	Net result (a+b-c)
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets	**(1,424)**	**-**	**-**	**(1,424)**
2.1. owned	(1,424)	-	-	(1,424)
2.2. acquired under finance lease	-	-	-	-
3. Assets relating to finance lease	**-**	**-**	**-**	**-**
4. Assets granted under operating lease	**-**	**-**	**-**	**-**
Total	**(1,424)**	**-**	**-**	**(1,424)**

“Adjustments on intangible assets: owned” mainly include an amount of Euro 1,058 thousand linked to the valuation of the contractual relationship with Credito Valtellinese (for more details, reference should be made to “Part B – Information on the consolidated Balance Sheet – Assets – Section 11 – Intangible Assets”).

Section 13 – Net accruals to provisions for risks and charges – Item 150

13.1 Breakdown of item 150 “Net accruals to provisions for risks and charges”

(thousands of Euros)	Accruals	Reallocation	31/12/2016	31/12/2015
1 Accruals to pension fund	-	X	-	-
2 Accruals to other provisions for risks and charges:	(2,972)	-	(2,972)	(563)
a) legal disputes	(2,972)	-	(2,972)	(563)
b) personnel costs	-	-	-	-
c) others	-	-	-	-
Total	**(2,972)**	**-**	**(2,972)**	**(563)**

Section 14 – Other operating income and costs – Item 160

14.1 Breakdown of item 160 “Other operating income”

(thousands of Euros)	31/12/2016	31/12/2015
a) amounts charged to third parties on deposits and current accounts payable	-	-
b) tax recovery	401	260
c) recoveries of expenses	554	708
d) income from securitisation transactions	-	-
e) rent income from properties	-	-
f) other income	3,116	3,419
Total	**4,071**	**4,387**

The sub-item “other income” mainly includes:

- Additional income of Euro 2,545 thousand from receivables consisting of non-securitised instalments relating to securitised loans, which were contributed in 2009 or repurchased during the year and from receivables included in the banking Sub-portfolio in relation to the provisions laid down in the Agreement on securitised loans.

14.2 Breakdown of item 160 “Other operating costs”

(thousands of Euros)	31/12/2016	31/12/2015
a) amortisation of leasehold improvement costs	-	-
b) other costs	(7,830)	(6,917)
Total	**(7,830)**	**(6,917)**

The sub-item "other costs" mainly includes:

- Additional costs of Euro 3,721 thousand from receivables consisting of non-securitised instalments relating to securitised loans, which were contributed in 2009 or repurchased during the year and from receivables included in the banking Sub-portfolio in relation to the provisions laid down in the Agreement on securitised loans.

Section 16 – Profits (losses) from disposal of investments – Item 180

16.1 Breakdown of item 180 "Profits (Losses) from disposal of investments"

Items (thousands of Euros)	31/12/2016	31/12/2015
1. Properties	**-**	**-**
1.1 Profits from disposal	-	-
1.2 Losses from disposal	-	-
2. Other assets	**(16)**	**47**
2.1 Profits from disposal	33	47
2.2 Losses from disposal	(49)	-
Net result	**(16)**	**47**

This item consists of the profits and losses realised from the sale of finance lease assets.

Section 17 – Income tax for the year from current operations – Item 190

17.1 – Breakdown of item 190 "Income tax for the year from current operations"

(thousands of Euros)		31/12/2016	31/12/2015
1.	Current taxes	(452)	(3,087)
2.	Changes in current taxes from previous years	-	596
3.	Reduction in current taxes for the year	-	-
3.bis	Reduction in current taxes for the year for	-	-
	tax credits under Law 214/2011		-
4.	Change in deferred tax assets	(1,761)	5,664
5.	Change in deferred tax liabilities	-	3,006
	Taxes accrued in the year	(2,213)	6,179

The amount of taxes accrued in the year is a forecast on the liability for the year determined on the basis of current tax regulations.

17.2 – Reconciliation between theoretical and effective tax charge

(thousands of Euros)	Taxable income	IRES tax	Taxable income	IRAP tax
PROFIT (LOSS) BEFORE TAX	6,128			
Theoretical tax charge		**1,685**		
Theoretical tax rate		**27.50%**		
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS			12,891	
Theoretical tax charge				**718**
Theoretical tax rate				**5.57%**
Temporary differences taxable in subsequent years				
Temporary differences deductible in subsequent years	3,625	997	(501)	(28)
Reversal of temporary differences from previous years				
Write-off of taxable temporary differences	-	-		
Write-off of deductible temporary differences	(11,752)	(3,232)	(3,856)	(215)
Permanent differences that will not be reversed in subsequent years	1,999	550	(418)	(23)
IRES TAXABLE INCOME	-			
Current IRES tax for the year		**-**		
Effective tax rate		**0.00%**		
IRAP TAXABLE INCOME			8,116	
Current IRAP tax for the year				**452**
Effective tax rate				**3.51%**

The table provides the reconciliation between the product of accounting profit for applicable tax rates and the current taxes for the year.

Section 19 – Income statement: other information

19.1 – Breakdown of interest and commissions earned

thousands of Euros	Interest earned			Commissions earned			31/12/2016	31/12/2015
	Banks	Financial entities	Customers	Banks	Financial entities	Customers		
1 Finance lease	**7**	**1,115**	**107,148**	**85**	**407**	**16,767**	**125,530**	**131,651**
- real property	6	1,035	44,268	0	34	3,692	49,036	59,238
- personal property	1	12	56,678	85	373	12,975	70,123	71,379
- capital goods	-	68	6,203	-	-	100	6,371	1,033
- intangible assets	-	-	-	-	-	-	-	
2 Factoring								
- on current receivables	-	-	-	-	-	-	-	-
- on future receivables	-	-	-	-	-	-	-	-
- on receivables acquired on a final basis	-	-	-	-	-	-	-	-
- on receivables acquired at below	-	-	-	-	-	-	-	-
initial value	-	-	-	-	-	-	-	-
- for other loans	-	-	-	-	-	-	-	-
3 Consumer credit								
- personal loans	-	-	-	-	-	-	-	-
- loans for specific purposes	-	-	-	-	-	-	-	-
- salary-backed loan	-	-	-	-	-	-	-	-
4 Loans against pledge								
5 Guarantees and commitments						**43**	**43**	**44**
- trade	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	43	43	44
Total	**7**	**1,115**	**107,148**	**85**	**407**	**16,810**	**125,572**	**131,695**

19.2 – Other information

This sub-item does not show any balance.

Part D – OTHER INFORMATION

Section 1 – Specific references to company transactions

A. FINANCE LEASE

A.1 – Reconciliation between gross investment and the present value of minimum payments due

For all existing finance leases, gross investment is the sum of the minimum principal and interest payments due and any other unsecured amounts chargeable to the lessor.

A.2 – Classification of non-performing exposures, minimum payments due and gross investments by time bands

Time bands	31/12/2016						31/12/2015					
	Non-performing exposures	Minimum payments			Gross investments		Non-performing exposures	Minimum payments			Gross investments	
		Capital Quota		Interest				Capital Quota		Interest		
thousands of Euros			of which guaranteed residual amount			of which guaranteed residual amount			of which guaranteed residual amount			of which guaranteed residual amount
- at sight	345,469	18,539	-	-	18,539	-	61,299	17,198	-	-	17,198	-
- until 3 months	6,477	211,748	-	26,698	238,446	14,125	28,113	185,098	-	28,338	213,436	2,025
- from 3 months to 1 year	33,728	583,907	-	70,636	654,543	25,699	106,708	523,531	-	76,147	599,678	9,211
- from 1 year to 5 years	150,112	1,947,688	-	209,911	2,157,599	115,577	391,897	1,781,851	-	231,681	2,013,532	143,785
- beyond 5 years		1,105,053	-	110,146	1,215,199	351,319	11,456	1,198,089	-	138,981	1,337,070	396,431
- indefinite maturity	-	-	-	-	-	-	-	-	-	-	-	-
Total	**535,786**	**3,866,935**	**-**	**417,391**	**4,284,326**	**506,720**	**599,473**	**3,705,767**	**-**	**475,147**	**4,180,914**	**551,452**

The values are stated net of value adjustments.

The present value of gross investment is the net investment.

The figures do not include the balances of assets being fitted out and waiting to be leased.

A.3 – Classification of loans for finance leases by quality and type of leased asset

thousands of Euros	Performing loans		Non-performing loans			
	31/12/2016	31/12/2015	31/12/2016		31/12/2015	
				of which: bad loans		of which: bad loans
A. Real property	2,040,461	2,118,449	451,616	203,907	506,250	208,969
- Land		-			-	-
- Buildings	2,040,461	2,118,449	451,616	203,907	506,250	208,969
B. Capital goods	305,450	53,334	5,664	2,130	896	99
C. Personal property	1,521,024	1,533,984	78,506	34,021	92,327	36,267
- Motor vehicles	108,783	140,040	3,717	2,343	7,417	3,952
- Aviation and Naval Industry and Railway sectors	57,578	33,534	6,527	1,079	8,554	1,973
- Others	1,354,663	1,360,410	68,262	30,599	76,356	30,342
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Others	-	-	-	-	-	-
Total	**3,866,935**	**3,705,767**	**535,786**	**240,058**	**599,473**	**245,335**

A.4 – Classification of finance lease assets

(thousands of Euros)	Unopted assets		Assets withdrawn after termination		Other assets	
	2016	2015	2016	2015	2016	2015
A. Real property	-	-	1,697	-	-	-
- Land	-	-	-	-	-	-
- Buildings	-	-	1,697	-	-	-
B. Capital goods	-	-	-	-	-	-
C. Personal property	-	1		60	-	-
- Motor vehicles		1	-	-	-	-
- Aviation and Naval Industry and Railway sectors	-	-		60	-	-
- Others	-	-	-	-	-	-
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Others	-	-	-	-	-	-
Total	**-**	**1**	**1,697**	**60**	**-**	**-**

A.5.- Changes in value adjustments

Item *(thousands of Euros)*	Initial value adjustments	Increases				Decreases					Final value adjustments
		Value adjustments	Losses from disposal	Transfer from other status	Other positive changes	Value write-backs	Profits from disposal	Transfer from other status	Write-off	Other negative changes	
Specific adjustments on non-performing assets											
Lease of real property	**112,436**	**29,757**	**-**	**2,508**	**9**	**(11,196)**	**-**	**(2,257)**	**(4,802)**	**(22)**	**126,433**
- bad loans	84,665	17,367	-	1,890	9	(6,475)	-	(39)	(468)	-	96,949
- unlikely to pay loans	27,389	12,336	-	602	-	(4,681)	-	(1,877)	(4,318)	(22)	29,429
- past due exposures (non-performing)	382	54	-	16	-	(40)	-	(341)	(16)	-	55
Lease of capital goods	**1,907**	**1,298**	**-**	**210**	**4,772**	**(882)**	**-**	**(193)**	**(858)**	**-**	**6,254**
- bad loans	1,567	701	-	193	3,417	(83)	-	-	(798)	-	4,997
- unlikely to pay loans	322	547	-	17	1,355	(799)	-	(168)	(29)	-	1,245
- past due exposures (non-performing)	17	50	-	-	-	-	-	(25)	(31)	-	11
Lease of personal property	**115,674**	**16,303**	**-**	**5,448**	**-**	**(5,305)**	**-**	**(5,158)**	**(7,743)**	**(4,803)**	**114,416**
- bad loans	87,522	6,465	-	4,799		(3,333)	-	(7)	(6,395)	(3,417)	85,634
- unlikely to pay loans	27,394	9,706	-	599		(1,792)	-	(4,676)	(1,321)	(1,356)	28,554
- past due exposures (non-performing)	758	132	-	50		(180)	-	(475)	(27)	(30)	228
Lease of intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- bad loans	-	-	-	-	-	-	-	-	-	-	-
- unlikely to pay loans	-	-	-	-	-	-	-	-	-	-	-
- past due exposures (non-performing)	-	-	-	-	-	-	-	-	-	-	-
Total A	***230,017***	***47,358***	***-***	***8,166***	***4,781***	***(17,383)***	***-***	***(7,608)***	***(13,403)***	***(4,825)***	***247,103***
Portfolio adjustments on other assets											
- lease of real property	13,079	1,105		-		(2,088)		(251)			11,845
- lease of capital goods	622	1,793		1	1,628	(704)		(18)			3,322
- lease of personal property	17,491	5,802		-		(3,563)		(290)		(1,630)	17,810
- lease of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Total B	***31,192***	***8,700***	***-***	***1***	***1,628***	***(6,355)***	***-***	***(559)***	***-***	***(1,630)***	***32,977***
Total	***261,209***	***56,058***	***-***	***8,167***	***6,409***	***(23,738)***	***-***	***(8,167)***	***(13,403)***	***(6,455)***	***280,080***

A.5bis Cash credit non-performing exposures with forbearance measures: changes in value adjustments

Reasons/Values (thousands of Euros)	Non-performing exposures with forbearance measures			
	Lease of real property	Lease of capital goods	Lease of personal property	Lease of intangible assets
A. Initial overall adjustments	**12,832**	**119**	**12,506**	**-**
- of which: exposures assigned not derecognised	4,405	80	4,276	-
B. Increases	**4,342**	**561**	**7,571**	**-**
B.1 Value adjustments	4,342	251	7,571	-
B.2 Losses from disposal	-	-	-	-
B.3 Other positive changes	-	310	-	-
C. Decreases	**(3,158)**	**(88)**	**(2,673)**	**-**
C.1 Value write-backs	(3,158)	(88)	(2,361)	-
C.2 Profits from disposal	-	-	-	-
C.3 Write-off	-	-	-	-
C.4 Other negative changes	-	-	(312)	-
D. Final overall adjustments	***14,016***	***592***	***17,404***	***-***
- of which: exposures assigned not derecognised	3,861	34	1,310	-

A.6 – Other information

A.6.1 General description of material agreements

The Company's operations take the form almost exclusively of finance lease agreements whose provisions are in line with practice in the finance lease market.

A.6.2 Other information on finance lease

There are no significant contingent rentals (adjustments due to indexing) in the income statement. The Company makes use of amortisation schedules based on "recalculation" of indexing which enable the schedule to be adjusted to the relevant index.

A.6.3 Lease-back transactions

	No. of agreements	Receivables *(thousands of Euros)* 31/12/2016
Lease back		
- lease of real property	111	66,429
- lease of capital goods	101	8,628
- lease of personal property	28	505
- other	1	1,093
Total	**241**	**76,655**

D. GUARANTEES AND COMMITMENTS

D.1 – Value of guarantees issued and of commitments

Transactions (thousands of Euros)	**31/12/2016**	**31/12/2015**
1) First-demand financial guarantees issued	-	-
a) Banks	-	-
b) Financial entities	-	-
c) Customers	-	-
2) Other financial guarantees issued	2.857	5.371
a) Banks	-	-
b) Financial entities	-	-
c) Customers	2.857	5.371
3) Commercial guarantees issued	-	-
a) Banks	-	-
b) Financial entities	-	-
c) Customers	-	-
4) Irrevocable commitments to disburse funds	288.863	246.415
a) Banks	-	8.786
i) for certain use	-	8.786
ii) for uncertain use	-	
b) Financial entities	-	-
i) for certain use	-	-
ii) for uncertain use	-	-
c) Customers	288.863	237.629
i) for certain use	288.863	237.629
ii) for uncertain use	-	-
5) Commitments underlying derivatives on receivables : protection sales	-	-
6) Assets pledged as security for third-party obligations	-	-
6) Other irrevocable commitments	-	-
a) to issue guarantees	-	-
b) others	-	-
Total	**291.720**	**251.786**

D.2 – Loans recognised for subsequent enforcement

This sub-item does not show any balance.

D.3 – Guarantees issued: rank of risk assumed and quality

Type of risk assumed (thousands of Euros)	Non-impaired guarantees issued				Impaired guarantees issued: non-performing				Other impaired Guarantees			
	Counter-guaranteed		Others		Counter-guaranteed		Others		Counter-guaranteed		Others	
	Gross value	Total allocation	Gross value	Total allocation	Gross value	Total allocation	Gross value	Total allocation	Gross value	Total allocation	Gross value	Total allocation
Guarantees issued with assumption of first loss risk	-	-	-	-	-	-	-	-	-	-	-	-
- first-demand financial guarantees												
- other financial guarantees												
- commercial guarantees												
Guarantees issued with assumption of mezzanine-type risk	-	-	-	-	-	-	-	-	-	-	-	-
- first-demand financial guarantees												
- other financial guarantees												
- commercial guarantees												
Guarantees issued pro rata	-	-	2,733	-	-	-	-	-	-	-	124	-
- first-demand financial guarantees												
- other financial guarantees			2,733								124	
- commercial guarantees												
Total	**-**	**-**	**2,733**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**124**	**-**

D.4 – Guarantees issued: amount of counter-guarantees

This sub-item does not show any balance.

D.6 Guarantees issued with assumption of first loss and mezzanine-type risk: amount of underlying assets

This sub-item does not show any balance.

D.7 Guarantees issued being enforced: stock data

This sub-item does not show any balance.

D.8 Guarantees issued being enforced: flow data

This sub-item does not show any balance.

D.9 Changes in impaired guarantees issued: non-performing

This sub-item does not show any balance.

D.10 Changes in impaired guarantees issued: others

Amount of changes (thousands of Euros)	First-demand financial guarantees		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Others	Counter-guaranteed	Others	Counter-guaranteed	Others
(A) Gross initial value				182		
(B) Increases:	-	-	-	-	-	-
- (b1) transfers from performing guarantees						
- (b2) transfers from other non-performing guarantees						
- (b3) other increases						
(C) Decreases	-	-	-	(58)	-	-
- (c1) reclassification to performing guarantees						
- (c2) reclassification to non-performing guarantees						
- (c3) enforcements						
- (c4) other decreases				(58)		
(D) Gross final value	-	-	-	**124**	-	-

D.11 Changes in non-impaired guarantees issued

Amount of changes (thousands of Euros)	First-demand financial guarantees		Other financial guarantees		Commercial guarantees	
	Counter-guaranteed	Others	Counter-guaranteed	Others	Counter-guaranteed	Others
(A) Gross initial value				5,189		
(B) Increases:	-	-	-	-	-	-
- (b1) guarantees issued						
- (b2) other increases						
(C) Decreases:	-	-	-	(2,456)	-	-
- (c1) guarantees not enforced				(180)		
- (c2) transfers to impaired guarantees				-		
- (c3) other decreases				(2,276)		
(D) Gross final value	-	-	-	**2,733**	-	-

D.13 Assets pledged as security for own liabilities and commitments

This sub-item does not show any balance.

D.15 Distribution of guarantees issued by economic activity sector of guaranteed debtors (guaranteed amount and underlying assets)

Type of risk assumed (thousands of Euros)	Guarantees issued with assumption of first loss risk		Guarantees issued with assumption of mezzanine-type risk		Guarantees issued pro rata
	Guaranteed amount	Amount of underlying assets	Guaranteed amount	Amount of underlying assets	Guaranteed amount
- Private companies					2,857
Total	**-**	**-**	**-**	**-**	**2,857**

D.16 Geographical distribution of guarantees issued by region of residence of guaranteed debtors (guaranteed amount and underlying assets)

Type of risk assumed (thousands of Euros)	Guarantees issued with assumption of first loss risk		Guarantees issued with assumption of mezzanine-type risk		Guarantees issued pro rata
	Guaranteed amount	Amount of underlying assets	Guaranteed amount	Amount of underlying assets	Guaranteed amount
- Lombardia					376
- Veneto					315
- Toscana					2,166
Total	**-**	**-**	**-**	**-**	**2,857**

Section 2 – Securitisation transactions, information on unconsolidated structured entities (other than securitisation SPVs) and disposals of assets

A. Securitisation transactions

Qualitative information

The Company is continuing with a securitisation programme in accordance with Law 130/1999 for the assignment of performing loans originated by lease agreements with a view to diversifying its sources of finance.

For securitisation transactions originated by Alba Leasing, the Company has taken on, pursuant to and for the purposes of Law 130/99, the role of servicer of the portfolios assigned, continuing to collect and administer the receivables and receiving a remuneration in return which is expressed as a percentage of the amounts collected and managed during the reporting period.

For more details on securitisation transactions (receivables involved in the Agreement entered into between Banco Popolare – formerly Banca Italease and Alba Leasing S.p.A.), reference should also be made to the information reported in "Part A – Accounting policies", with specific regard to Section 4 "Other aspects – Agreement on securitised loans." It should be noted that there are no other structured entities that have not been consolidated by Alba Leasing.

Characteristics of transactions originated by Alba Leasing

The characteristics are detailed in the tables below, which also report the transactions carried out by the Company.

Strategy, Processes and Objectives	Transaction carried out with a view to greater diversification of sources of finance.
Internal risk measurement and control systems	The portfolio of each securitisation transaction is constantly monitored and quarterly reports are prepared as prescribed in the transaction's contract documents, showing the status of the receivables and collection trends.
Organisational structure	The Company has set up an Administration, Finance and Control Department system for checking and monitoring transactions.
Hedging policies	When deemed advisable, the SPV executes Basis Swap contracts to hedge the portfolio (and respective back-to-backs between Originator and swap counterparty). Up to now this hedge has not been provided for any SPV originated by Alba Leasing.
Information on the economic results of securitisation	Collection trends are in line with the forecasts made at issue (business plans) so that the return on the equity tranche (including the extra-spread) is in line with the expected return on investments with a similar risk level.

The table below reports the characteristics of the transaction:

(Values in Euros)

Securitisation name:	Alba 6 SPV S.r.l.		SUNNY 1 SPV S.r.l.	
Type of transaction:	Traditional		Traditional	
Originator:	Alba Leasing S.p.A.		Alba Leasing S.p.A.	
Issuer:	Alba 6 S.r.l.		Sunny 1 S.r.l.	
Servicer:	Alba Leasing S.p.A.		Alba Leasing S.p.A.	
Quality of securitised assets:	Performing		Performing	
Closing date:	18/06/2014		5/12/2014	
Portfolio nominal value:	126,156,716		853,934,453	
Portfolio assignment price:	110,080,807		731,305,804	
Other relevant information:	Revolving of portfolio		No Revolving of portfolio	
Rating agencies:	-		-	
Tranching amount and conditions:				
ISIN code	IT0005030744	IT0005030769	IT0005072886	IT0005072894
ISIN code				
Type	Senior	Junior	Senior	Junior
Class	A	B	A	B
Rating (upon issue and at the reporting date)	unrated	unrated	unrated	unrated
Listing stock exchange	Unlisted	Unlisted	Irish Stock Exchange	Unlisted
Issue date	27/06/2014 and 27/10/2014	27/06/2014 and 27/10/2014	22/12/2014	22/12/2014
Issue date (Subsequent issues)		Apr-2015, Jul-2015 and Oct-2015		
Maturity date	Oct-2045	Oct-2045	Dec-2040	Dec-2040
Call option	a call is envisaged		-	
Rate	3-month Euribor + 125 bps From July 2015 3-month Euribor + 75 bps	3-month Euribor + 150 bps	3-month Euribor + 150 bps	3-month Euribor + 200 bps
Degree of subordination	-	Sub. A	-	Sub. A
Nominal value issued	298,800,000	75,000,000	450,000,000	281,331,000
Outstanding value at year-end	298,800,000	75,000,000	213,833,393	281,331,000
Subscriber of securities	Institutional investor	Alba Leasing S.p.A.	Institutional investor	Alba Leasing S.p.A.

(Values in Euros)

Securitisation name:	ALBA 7 SPV S.r.l.				
Type of transaction:	Traditional				
Originator:	Alba Leasing S.p.A.				
Issuer:	Alba 7 S.r.l.				
Servicer:	Alba Leasing S.p.A.				
Quality of securitised assets:	Performing				
Closing date:	30/03/2015				
Portfolio nominal value:	826,079,455				
Portfolio assignment price:	784,756,489				
Other relevant information:	No Revolving of portfolio				
Rating agencies:	Dbrs and Moody's				
Tranching amount and conditions:					
ISIN code	IT0005106221	IT0005106247	IT0005106254	IT0005106296	IT0005106304
ISIN code					
Type	Senior	Senior	Mezzanine	Mezzanine	Junior
Class	A1	A2	B1	B2	J
Rating (upon issue and at the reporting date)					
Moody's Agency	Aa2 (sf) / Aa2(sf)	Aa2 (sf) / Aa2(sf)	Baa1 (sf) / Baa1(sf)	Baa1 (sf) / Baa1(sf)	unrated
DBRS Agency	AAA (sf) / AAA(sf)	AAA (sf) / AAA(sf)	A (low) (sf) / A (low) (sf)	A (low) (sf) / A (low) (sf)	unrated
Listing stock exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Unlisted
Issue date	23/04/2015	23/04/2015	23/04/2015	23/04/2015	23/04/2015
Maturity date	Sep-2038	Sep-2038	Sep-2038	Sep-2038	Sep-2038
Call option	-	-	-	-	
Rate	3-month Euribor + 63 bps	3-month Euribor + 75 bps	3-month Euribor + 120 bps	3-month Euribor + 120 bps	3-month Euribor + 200 bps
Degree of subordination		Sub A1	Sub A1, A2	Sub A1, A2, B1	Sub A1, A2, B1, B2
Nominal value issued	255,200,000	200,000,000	100,000,000	50,000,000	191,700,000
Outstanding value at year-end	-	157,454,640	100,000,000	50,000,000	191,700,000
Subscriber of securities	Institutional investor	Institutional Investor	Institutional Investor	Institutional Investor	Alba Leasing S.p.A.

(Values in Euros)

Securitisation name:	ALBA 8 SPV S.r.l.				
Type of transaction:	Traditional				
Originator:	Alba Leasing S.p.A.				
Issuer:	Alba 8 S.r.l.				
Servicer:	Alba Leasing S.p.A.				
Quality of securitised assets:	Performing				
Closing date:	19/05/2016				
Portfolio nominal value:	1,071,485,041				
Portfolio assignment price:	1,015,940,300				
Other relevant information:	No Revolving of portfolio				
Rating agencies:	Dbrs and Moody's				
Tranching amount and conditions:					
ISIN code	IT0005201881	IT0005201899	IT0005201907	IT0005201915	IT0005201923
ISIN code					
Type	Senior	Senior	Mezzanine	Mezzanine	Junior
Class	A1	A2	B	C	J
Rating (upon issue and at the reporting date)					
Moody's Agency	Aa2 (sf) / Aa2(sf)	Aa2 (sf) / Aa2(sf)	Baa1 (sf) / Baa1(sf)	Baa1 (sf) / Baa1(sf)	unrated
DBRS Agency	AAA (sf) / AAA(sf)	AAA (sf) / AAA(sf)	A (low) (sf) / A (low) (sf)	A (low) (sf) / A (low) (sf)	unrated
Listing stock exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Unlisted
Issue date	20/06/2016	20/06/2016	20/06/2016	20/06/2016	20/06/2016
Maturity date	Oct-2039	Oct-2039	Oct-2039	Oct-2039	Oct-2039
Call option	-	-	-	-	
Rate	3-month Euribor + 65 bps	3-month Euribor + 75 bps	3-month Euribor + 115 bps	3-month Euribor + 150 bps	3-month Euribor + 200 bps
Degree of subordination		Sub A1	Sub A1, A2	Sub A1, A2, B	Sub A1, A2, B, C
Nominal value issued	335,300,000	304,800,000	127,000,000	45,700,000	213,300,000
Outstanding value at year-end	272,176,891	304,800,000	127,000,000	45,700,000	213,300,000
Subscriber of securities	Institutional investor	Institutional investor	Institutional investor	Alba Leasing S.p.A.	Alba Leasing S.p.A.

Quantitative information

1. Exposure arising from securitisation transactions broken down by quality of underlying assets

(amounts in thousands of Euros)

	Cash Exposure						Guarantees issued						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Quality of underlying assets	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	45,700	45,700	763,492	762,505	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets :																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	45,700	45,700	763,492	762,505	-	-	-	-	-	-	-	-	-	-	-	-

The amount stated in “Others” consists of the amount of junior notes subscribed by Alba Leasing – recognised as a decrease in the debt to the SPV – including the deferral accrued on the relevant Deferred Purchase Price (DPP).

2. Exposure arising from the main “own” securitisation transactions broken down by type of securitised assets and by type of exposure

(amounts in thousands of Euros)

	Cash exposures						Guarantees issued						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Type of securitised assets/exposure	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs	Book values	Value adjustments / write-backs
A. Subject to full derecognition																		
Assignee company / type																		
- *Type of underlying loan*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition																		
Assignee company / type																		
- *Type of underlying loan*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	45,700	-	762,505	-	-	-	-	-	-	-	-	-	-	-	-	-
C.4 Alba 6 SPV S.r.l.																		
Lease rentals - Automotive / Capital Goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	75,061	-	-	-	-	-	-	-	-	-	-	-	-	-
C.5 Alba 7 SPV S.r.l.																		
Lease rentals - Automotive / Capital Goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	192,145	-	-	-	-	-	-	-	-	-	-	-	-	-
C.6 Sunny 1 SPV S.r.l.																		
Lease rentals - Automotive / Capital Goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	281,350	-	-	-	-	-	-	-	-	-	-	-	-	-
C.7 Alba 8 SPV S.r.l.																		
Lease rentals - Automotive / Capital Goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	45,700	-	213,949	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	45,700	-	762,505	-	-	-	-	-	-	-	-	-	-	-	-	-

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

(amounts in thousands of Euros)

		Traditional securitisations	Synthetic securitisations
A.	**Own underlying assets**	2,352,189	-
A.1	**Subject to full derecognition**	**-**	
	1. Bad loans	-	X
	2. Unlikely to pay loans	-	X
	3. Past due exposures (non-performing)	-	X
	5. Other assets	-	X
A.2	**Suject to partial derecognition**	**-**	
	1. Bad loans	-	X
	2. Unlikely to pay loans	-	X
	3. Past due exposures (non-performing)	-	X
	5. Other assets	-	X
A.3	**Not derecognised**	**2,352,189**	**-**
	1. Bad loans	4,175	-
	2. Unlikely to pay loans	57,975	-
	3. Past due exposures (non-performing)	2,795	-
	5. Other assets	2,287,244	-
B.	**Third-party underlying assets**	**-**	**-**
	1. Bad loans	-	-
	2. Unlikely to pay loans	-	-
	3. Past due exposures (non-performing)	-	-
	5. Other assets	-	-
	Total	**2,352,189**	-

4. Activities for the servicing-collection of securitised receivables and redemptions of notes issued by the SPV

(amounts in thousands of Euros)

Servicer	SPV	Securitised assets at 31.12.2016		Collection of receivables in the year		Percentage amount of notes repaid at 31.12.2016					
						Senior		Mezzanine		Junior	
		Performing	Impaired	Performing	Impaired	Performing Assets	Impaired Assets	Performing Assets	Impaired Assets	Performing Assets	Impaired Assets
Alba Leasing S.p.A.	Alba 3 SPV S.r.l.	-		32,615	939	100%	-	0.00	-	100%	-
Alba Leasing S.p.A.	Alba 4 SPV S.r.l.	-		16,296	191	100%	-	0.00	-	100%	-
Alba Leasing S.p.A.	Alba 5 SPV S.r.l.	-		24,292	1,518	100%	-	0.00	-	100%	-
Alba Leasing S.p.A.	Alba 6 SPV S.r.l.	398,648	3,433	48,339	201	0.0%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Alba 7 SPV S.r.l.	508,397	8,435	198,783	919	53.7%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Alba 8 SPV S.r.l.	932,693	5,383	142,945	119	0.0%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Sunny 1 SPV S.r.l.	447,506	47,694	109,658	514	34.4%	-	0.00	-	0.0%	-
	Total	2,287,244	64,945	572,928	4,401						

The Company has not issued guarantees or credit facilities in relation to outstanding securitisation transactions.
The final redemption amounts of the leases have also been assigned, in addition to the lease rentals.

Breakdown of securitised assets by geographical area

Alba 6 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Geographical Area	31.12.2016
North	241,227
Centre	114,835
South and Islands	49,442
Total	**405,504**

The amounts are stated gross of value adjustments (if any).

Alba 7 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Geographical Area	31.12.2016
North	342,786
Centre	113,782
South and Islands	67,580
Total	**524,148**

The amounts are stated gross of value adjustments (if any).

Alba 8 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Geographical Area	31.12.2016
North	640,412
Centre	169,356
South and Islands	138,083
Total	**947,851**

The amounts are stated gross of value adjustments (if any).

Sunny 1 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Geographical Area	31.12.2016
North	376,427
Centre	82,143
South and Islands	45,506
Total	**504,076**

The amounts are stated gross of value adjustments (if any).

Breakdown of securitised assets by sector of economic activity

Alba 6 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Economic Activity	**31.12.2016**
Producer households	3,044
Consumer households	11,752
Insurance companies	428
Financial companies	5,744
Non-financial companies	384,467
Other operators	69
Total	**405,504**

The amounts are stated gross of value adjustments (if any).

Alba 7 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Economic Activity	**31.12.2016**
Producer households	34,136
Consumer households	3,688
Insurance companies	622
Financial companies	3,730
Non-financial companies	479,722
Other operators	2,189
Rest of the world	35
Units that cannot be classified and are not classified	26
Total	**524,148**

The amounts are stated gross of value adjustments (if any).

Alba 8 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Economic Activity	31.12.2016
Producer households	74,325
Consumer households	4,362
Insurance companies	2,095
Financial companies	9,457
Non-financial companies	854,459
Other operators	3,103
Units that cannot be classified and are not classified	50
Total	**947,851**

The amounts are stated gross of value adjustments (if any).

Sunny 1 SPV S.r.l. Securitisation transaction

(amounts in thousands of Euros)

Economic Activity	31.12.2016
Producer households	4,243
Consumer households	53
Insurance companies	133
Financial companies	37,860
Non-financial companies	460,071
Other operators	66
Banks	1,650
Total	**504,076**

The amounts are stated gross of value adjustments (if any).

C Assignment transactions

C.1 – Financial assets sold and not fully derecognised

Qualitative information
The operations relate to the assignment of receivables from customers within the securitisation transactions named “Alba 6”, “Alba 7”, “Alba 8” and “Sunny 1”.

Quantitative information

C.1.1 Financial assets sold not recognised: book value and full value

Actuarial forms/Portfolio *(thousands of Euros)*	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Receivables			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2016	31/12/2015
A. Cash assets																	
1. Debt securities																	
2. Equity instruments										X	X	X	X	X	X		
3. UCIs										X	X	X	X	X	X		
4. Loans													2,381,579			**2,381,579**	**2,156,739**
B. Derivative instruments				X	X	X	X	X	X	X	X	X	X	X	X		
Total at 31/12/2016													**2,381,579**			**2,381,579**	X
Of which impaired													*74,836*			*134,126*	X
Totale 31/12/2015													**2,156,739**			X	
Of which impaired													*134,126*			X	

Key

A = financial assets sold and fully recognised (book value)
B = financial assets sold and partially recognised (book value)
C = financial assets sold and fully recognised (full value)

The amounts are stated gross of value adjustments (if any).

During the 2016 financial year a new securitisation transaction was carried out with Alba 8 SPV S.r.l.; for more details on the characteristics of this transaction originated by Alba Leasing, reference should be made to Part D, Section 2 – Securitisation transactions, information on unconsolidated structured entities (other than securitisation SPVs) and disposals of assets, paragraph “A. Securitisation transactions.”

C.1.2 Financial liabilities against financial assets sold not derecognised: book value

In these consolidated financial statements financial liabilities against financial assets sold not derecognised in relation to securitisation transactions are classified under “Outstanding securities.” Therefore, for more details, reference should be made to Part B, Section 2 “Outstanding securities.”

C.1.3 Disposal of liabilities with recourse against assets sold only: fair value

This sub-item does not show any balance.

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

This item was not reported at 31 December 2016.

Section 3 – Information on risks and related hedging policies

INTRODUCTION

The following are the main arguments at the basis of the Company's risk identification and assessment process.

3.1 CREDIT RISK

<u>Qualitative information</u>

1. General issues

The proportion of non-performing loans Alba Leasing holds in its portfolio is constantly lower than the Assilea Benchmark. One of the reasons for this is Alba Leasing's conservative policies in granting credit, assessing doubtful loans and determining the provisions to make for them.

(amounts in thousands of Euros)

Risk range	Gross risk Total Assets	Gross risk Lease only	% of Total Lease only	Benchmark Assilea 31.12.2016	Delta
Bad loans	518,065	438,994	8.9%	17.8%	-8.9% p.p.
Unlikely to pay loans	381,246	351,265	7.2%	9.1%	-1.9% p.p.
Past due loans	8,345	8,279	0.2%	0.6%	-0.5% p.p.
Total	***907,656***	***798,538***	***16.3%***	***27.5%***	***-11.2%p.p.***

2. Credit risk management policies

2.1 Organisational issues

The lending process is governed by the Decision-Making Regulations, the Credit Regulations, the Doubtful Loans Department Regulations, the Legal and Compliance Risk Regulations and the procedures involved, which lay down credit risk management criteria and methods. The main steps in these procedures are:

- Creditworthiness assessment criteria;
- Enforcement of powers and authority;
- Checking performance and monitoring amounts receivable;
- Evaluation and management of anomalous and impaired positions.

<u>CREDIT POLICY</u>

Credit risk policies pay special attention to maintaining an appropriate risk/return profile and assuming risks consistently with the Company's mission.

The process of granting and managing loans is subject to the observance of precise lending rules. In order to ensure that credit quality is carefully monitored, the following lending policies must be followed:

- assess the Customer's capacity to repay the loan and establish whether guarantees are offered;
- analyse the internal rating, if available;
- examine the economic sector of the Customer/business and legal Group from the point of view of risk level and concentration in the economic sector, giving priority to enterprises that:
    - are interested in exporting;
    - invest in R&D;
    - apply product and process innovation;
- give priority to capital goods transactions, restricting transactions on typical high-risk assets (e.g. moulds, furnishings, air conditioning systems, equipment for beauty centres and gyms) to entities with a high credit standing;

- give priority to contracts for moderate amounts with a view to assisting in risk spreading and the need for securitisation;
- only carry out “property under construction” transactions with companies with a high credit standing..

CREDITWORTHINESS ASSESSMENT

The assessment of creditworthiness mainly considers the Customer’s capacity to repay loans.

Capacity is verified by analysing the customers’ capacity to produce income and cash flows which are sufficient for them to meet their financial commitments.

Therefore it is customers’ effective capacity to produce income and their financial position which are scrutinised, and not those of their guarantors, if any; if a customer becomes insolvent, however, debt collection action may be taken, so that in any case special attention must also be paid to the amount of security provided to the System.

The asset that is financed is, its turn, an element of the guarantees whose contribution to risk mitigation should be assessed.

Creditworthiness is assessed by means of:

1. Resolutions passed by Alba, through the Company’s decision-making Bodies, based on the current system of delegated powers;
2. Resolutions passed by Alba using an automatic scoring Model. The Sprint acceptance scoring Model processes all contracts for lower than limits which vary according to type of asset (for capital goods with a value of less than Euro 150,000);
3. Resolutions passed by the Partner and Affiliated Banks. Alba Leasing has entered into specific Presto Leasing agreements with Partner Banks and a small number of other banks whereby, within certain limits set according to the type of asset (real property, capital goods, etc.) and within some further limits on the type of transaction and applicant, all lending procedures are carried out and all decisions are taken by trained staff in the Bank itself who already handle the Bank’s own lending; transactions are always backed by a 50% guarantee issued by the bank that decides on the loan. In the new agreements being signed it is accepted that the percentage of the guarantee issued by the Banks is in proportion to the counterparty’s rating.

ENFORCEMENT OF POWERS AND AUTHORITY

The Board of Directors authorises the power to grant credit facilities to the Decision-making Bodies up to the level of Credit Manager; these must observe the maximum risk limits for Customers and business/legal Groups laid down in the Decision-Making Regulations.
These Regulations provide for and bestow specific powers for proposals of proven urgency, transactions with certain counterparties, transactions subject to constraints, some Presto Leasing transactions and transactions processed with the Credit Scoring system.
The Regulations also specify certain counterparties with whom transactions are prohibited.

CREDIT PERFORMANCE CHECK

The purpose of checking performance is to verify that the operating results, cash flows and financial position of Customers and their guarantors have not altered since credit facilities were granted. Credit standing is classified by the level of risk which emerges in the Company’s various risk categories (such as the “provision for risks” and the assignment of “rating” levels) and in accordance with the general principles regulated by the Supervision Guidelines.
These categories classify in detail not only customers in default but also customers who show indications of greater than normal risk.

MEASUREMENT AND MANAGEMENT OF ANOMALOUS AND IMPAIRED POSITIONS

The management of accounts from those starting with those presenting slight anomalies up to those persistently insolvent is the final phase of the lending process. This activity is the responsibility of the

Doubtful Loans Department, which is divided into three "Organisational Units": Debt Collection, Litigation and Remarketing.
The Debt Collection O.U.'s work is to manage insolvent customers' accounts with the aim of returning them to the performing category, involving Promoting Banks if appropriate. After the termination of the contract, on the other hand, the Litigation O.U. normally tries to recover the asset and/or the debt with the assistance of affiliated Law Firms.

Finally, the Remarketing O.U. manages, in collaboration with the Debt Collection O.U. and the Litigation O.U., the operations involved in the recovery (and subsequent marketing) of real and personal property (i) from lease agreements which have been unsuccessful and have therefore been terminated; and/or (ii) which have been made available by the former user, including non-exercise of the final purchase option.

In order to reconcile the debt recovery work process and cost control, the Doubtful Loans Department has prescribed, within the Debt Collection process, two different ways of managing positions according to their level of risk:

- less than Euro 250,000 (Standard Risks) for which the Company also turns to external Debt Collection firms which try to recover the debt by making telephone reminders or calling at customer' home or office;
- Euro 250,000 or more (Major Risks) which the Company manages directly through dedicated in-house Managers (Customer Relations Managers).

The management and supervision of insolvent accounts is coordinated by the Doubtful Loans Department according to the degree to which the account is anomalous.

Specifically:

- the Debt Collection O.U.'s work mainly consists of: (i) drawing attention to defaults; (ii) recovering unpaid debts; (iii) handling relations with the debt collection Firms 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 composition settlements, the surrender of assets and other dispositions of debt; (vi) processing applications for and/or making decisions on the classification of accounts as unlikely to pay and/or bad loans; (vii) examining and/or deciding on proposals to move accounts to the Litigation O.U., considering the operational advantage of terminating the contract; (viii) handling relations with insolvent customers with the assistance of affiliated law firms if appropriate; (ix) enforcement and relations with guarantor banks and/or suppliers or third party obligors; (x) monitoring and coordinating debt collection for the "risk and reward" portfolio and of any other affiliated Outsourcer;

- the Litigation O.U. mainly: (i) carries out the activities necessary for recovering debts and assets from defaulting customers; (ii) handles and coordinates legal action against both customers and guarantors for the recovery of debts and assets; (iii) evaluates the advantage and/or advisability of initiating or continuing with lawsuits or coming to a settlement with regard to positions 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 composition settlements, the surrender of assets and other dispositions of debt; (vi) handles relations with the bodies in charge of insolvency procedures involving the main Customer or defaulting guarantors with the assistance of affiliated law firms if appropriate; (vii) deals with enforcements and handles relations with guarantor banks and/or suppliers or third party obligors; (viii) monitoring and coordinating the litigation management process for the "risk and reward" portfolio and of any other affiliated Outsourcer;

- the Remarketing O.U.'s work mainly consists of: (i) the effective recovery of real and personal property, their taking into delivery, 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 economic or otherwise 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, as regards defaulting positions careful consideration is given to:

- Customers' financial performance and cash flows with a view to their possible return to performing status; the possibility of repayment plans drawn up on the basis of customers' capacity to repay loans to time;
- the scrutiny of the outcome of action taken to recover debts (repayment plans, etc.) and the reasons for the lack of success of such action if applicable;
- in the framework of the determination of credit risk, the calculation of a forecast of the loss involved.

Departments control risk on the accounts for which they are responsible by:

- verifying Customers' fulfilment of their obligations and ascertaining the outcome of reminders to settle their outstanding debts;
- assigning the accounts they manage to external lawyers to start taking action for the return of assets and/or the recovery of their debts, against guarantors as well if applicable;
- terminating the contract;
- in the framework of credit risk classification, estimating and periodically checking forecasts of expected losses on the accounts they manage

In the framework of its classification of credit risk, the Doubtful Loans Department, through the Debt Collection O.U. and Litigation O.U., ensures that the accounts managed are classified as laid down in Company regulations and in the Supervision regulations.
Finally, it should be noted that debt collection, litigation and remarketing activities can be partly managed through selected external Outsourcers under specific agreements signed with the Company.

2.2 Management, measurement and control systems

The processes of valuing and paying out small loans are automated (credit scoring type instruments) while for higher amounts these processes are manual and tend to be centralised in Head Office departments, as laid down in the Credit Regulations and the Decision-Making System Regulations.

At present credit risk control is exercised with traditional statistical methods such as performance rating.

2.3 Credit risk mitigation techniques

The particular nature of leasing (which entails ownership of the financed asset) places the financed asset as a form of security and mitigation of credit risk.
Other forms of credit risk mitigation are the acquisition of collateral, personal security, real estate and bank guarantees.
"Presto Leasing" transactions are an important element in Alba Leasing's distribution Model. The characteristics of these transactions, which are carried out under specific "agreements", are small unit costs and a consequent marked diversification of risk; they are proposed through banking channels and are backed by a 50% indemnity against loss. This constitutes a valuable form of risk mitigation bearing in mind that this form of lending accounted for 24.53% of the lease agreements approved during the year ended 31 December 2016.
The Company's loan coverage rate is lower than that of the System as a whole because, in fact, this substantial part of its new business comes from Presto Leasing agreements through distributor Banks.
The Company makes appropriations for these transactions calculated on exposure less the "Presto Leasing guarantees" issued by the Banks. The coverage rate, in any case, is reported and calculated pegging the write-down (reduced by the amount of the guarantee) to the gross amount of the debt.

The table below reports the coverage of leasing product only, showing the coverage rates with and without the Presto Leasing guarantee (the only guarantee considered in the preparation of the following table):.

Impact of Guarantees on Coverage Rates

Non-Performing Loans	Coverage rates (with guarantees)	Gross Risk (with guarantees)	Gap
Bad loans	50.79%	45.04%	+ 5.75% p.p.
Unlikely to pay loans	22.57%	17.61%	+ 4.96% p.p.
Past due loans	22.02%	3.55%	+ 18.47% p.p.
Total	***38.08%***	***32.54%***	***+ 5.54% p.p.***

This shows, therefore, that without the abovementioned "Presto Leasing guarantees" estimated coverage rates would have to be much higher.

A method was created during 2015 which helped in estimating the propensity of properties to retain their commercial value over time or otherwise. The method adjusted the process to manage estimates for the determination of debt recovery, laying down specific procedures for assessing both property risk (specific rating) and Customer risk (collectibility).

The Company continued to use this property rating Model in 2016 in order to estimate the propensity of property to retain or increase its commercial value over time. In general the method defined by the Risk Management O.U. reviews the process to manage estimates for the determination of debt recovery, including specific actions on the property risk (rating) and the Customer risk (collectibility); specifically the method:

- assigns a rating to the property;
- revises the type of valuation report. Experts must state an unequivocal valuation in their reports, according to the variables reported in the rating Model and in accordance with international standards. The type of valuation report depends on the property's rating and value;
- standardises the manner in which valuation reports 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;
- prescribes changes in the frequency of revisions to valuation reports. Reports, in compliance with Regulations and/or at the request of Supervisory authorities, are revised on the basis of the gross amount of the loan as per IAS and of the property rating;
- assigns a haircut to each property automatically which is applied to its last valuation (commercial value), which is determined according to the product (leasing/loans), the property rating and the last type of valuation employed;
- adjusts the assessment of collectibility according to Customer risk.

The property rating Model is an analytical instrument supporting the assessment of the propensity of a property to lose, keep or increase its value over time, and the comparison of these values even 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 keep or increase its price and both the wealth available at a 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 refined 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.

Quantitative information

1. Breakdown of credit exposures by portfolios and credit quality (book value)

Portfolio/quality (*thousands of Euros*)	Bad loans	Unlikely to pay loans	Past due exposures (non-performing)	Past due exposures (performing)	Other exposures (performing)	Total
1 Financial assets available for sale	-	-	-	-	-	-
2 Financial assets held to maturity	-	-	-	-	5,020	5,020
3 Receivables from banks	-	-	-	-	137,607	137,607
4 Receivables from customers	282,357	311,305	8,051	44,936	4,044,481	4,691,130
5 Financial assets at fair value	-	-	-	-	-	-
6 Financial assets held for sale	-	-	-	-	-	-
31/12/2016	**282,357**	**311,305**	**8,051**	**44,936**	**4,187,108**	**4,833,757**
31/12/2015	**287,638**	**370,484**	**22,238**	**80,378**	**3,929,370**	**4,690,108**

Portfolio/quality (*thousands of Euros*)	Assets of evident poor credit quality	Other assets	Total
1 Financial assets held for trading	-	174	174
2 Hedging derivatives	-	-	-
31/12/2016	**-**	**174**	**174**
31/12/2015	**-**	**249**	**249**

2. Credit exposures

2.1 Credit exposures to customers: gross and net values and past due exposure time bands

Types of exposures/values (thousands of Euros)	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Non-impaired assets			
	Until 3 months	From 3 months to 6 months	From 6 months to 1 year	Beyond 1 year				
A. CASH EXPOSURES								
a) Bad loans	300.362	9.448	13.309	185.744	-	(233.035)	-	275.828
- of which: exposures with forbearance measures	2.649	280	459	19.688	-	(9.954)	-	13.122
b) Unlikely to pay loans	224.214	3.548	22.995	127.101	-	(69.673)	-	308.185
- of which: exposures with forbearance measures	106.475	2.099	13.227	59.245	-	(27.646)	-	153.400
c) Past due exposures (non-performing)	1.146	656	1.067	5.476	-	(294)	-	8.051
- of which: exposures with forbearance measures	427	210	349	1.542	-	(67)	-	2.461
d) Past due exposures (performing)	-	-	-	-	45.295	-	(359)	44.936
- of which: exposures with forbearance measures	-	-	-	-	1.676	-	(14)	1.662
e) Other exposures (performing)	-	-	-	-	4.101.432	-	(34.052)	4.067.380
- of which: exposures with forbearance measures	-	-	-	-	44.055	-	(312)	43.743
Total A	**525.722**	**13.652**	**37.371**	**318.321**	**4.146.727**	**(303.002)**	**(34.411)**	**4.704.380**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	802	-	-	-	-	-	-	802
b) Performing	-	-	-	-	290.918	-	-	290.918
Total B	**802**	**-**	**-**	**-**	**290.918**	**-**	**-**	**291.720**
Total (A+B)	**526.524**	**13.652**	**37.371**	**318.321**	**4.437.645**	**(303.002)**	**(34.411)**	**4.996.100**

Cash exposures include all cash financial assets claimed from customers.
“Other exposures” relating to performing contracts include guarantees and commitments.

The table below reports the value of past due Exposures (performing) by residual maturity:

Past due exposures (performing)	at sight	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
Other defaulting exposures	3,817	2,126	3,987	20,404	14,602

2.2 Credit exposures to banks and financial entities: gross and net values and past due exposure time bands

Types of exposures/values (thousands of Euros)	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Non-impaired assets			
	Until 3 months	From 3 months to 6 months	From 6 months to 1 year	Beyond 1 year				
A. CASH EXPOSURES								
a) Bad loans	4,551			4,651		(2,673)	-	6,529
- of which: exposures with forbearance measures								-
b) Unlikely to pay loans	3,389					(269)	-	3,120
- of which: exposures with forbearance measures	2,352					(19)		2,333
c) Past due exposures (non-performing)							-	-
- of which: exposures with forbearance measures								-
d) Past due exposures (performing)							-	-
- of which: exposures with forbearance measures							-	-
e) Other exposures (performing)					115,117		(409)	114,708
- of which: exposures with forbearance measures							-	-
Total A	**7,940**	**-**	**-**	**4,651**	**115,117**	**(2,942)**	**(409)**	**124,357**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing								-
b) Performing								-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**7,940**	**-**	**-**	**4,651**	**115,117**	**(2,942)**	**(409)**	**124,357**

Cash exposures include all cash financial assets claimed from banks and financial entities.

2.3 Classification of exposures by external and internal ratings

2.3.1 Breakdown of cash and "off-balance sheet" credit exposures by classes of external ratings

This item was not reported at 31 December 2016.

2.3.2 Breakdown of cash and "off-balance sheet" credit exposures by classes of internal ratings

This item was not reported at 31 December 2016.

3. Credit concentration

3.1 Breakdown of cash and off-balance sheet credit exposures by counterparty’s economic activity sector

	Governments and Central Banks			Other public entities			Insurance companies			Non-financial companies			Other entities		
(thousands of Euros)	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures															
A.1 Bad loans	-	-	X	-	-	X	18	(17)	X	264,155	(222,970)	X	18,184	(12,721)	X
of which: exposures with forbearance measures				-	-	X	-	-	X	12,466	(9,158)	X	656	(796)	X
A.2 Unlikely to pay loans	-	-	X	364	(169)	X	-	-	X	298,691	(63,568)	X	12,250	(6,205)	X
of which: exposures with forbearance measures				-	-	X	-	-	X	148,442	(25,503)	X	7,291	(2,162)	X
A.3 Past due exposures (non-performing)	-	-	X	-	-	X	-	-	X	6,891	(225)	X	1,160	(69)	X
of which: exposures with forbearance measures				-	-	X	-	-	X	2,062	(64)	X	399	(3)	X
A.4 Other exposures	5,020	X	-	13,468	X	(53)	6,345	X	(27)	3,851,121	X	(31,965)	356,090	X	(2,775)
of which: exposures with forbearance measures	-	X	-		X	-	-	X	-	44,594	X	(319)	811	X	(7)
Total	**5,020**	**-**	**-**	**13,832**	**(169)**	**(53)**	**6,363**	**(17)**	**(27)**	**4,420,858**	**(286,763)**	**(31,965)**	**387,684**	**(18,995)**	**(2,775)**
B. "Off-balance sheet" exposures															
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-		-	-	802	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	173	-	-	-	-	-
B.4 Other exposures	-	X	-	-	X	-		X	-	290,745	X	-		X	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**290,918**	**-**	**-**	**802**	**-**	**-**
31/12/2016	**5,020**	**-**	**-**	**13,832**	**(169)**	**(53)**	**6,363**	**(17)**	**(27)**	**4,711,776**	**(286,763)**	**(31,965)**	**388,486**	**(18,995)**	**(2,775)**
31/12/2015	**5,023**	**-**	**-**	**14,609**	**(879)**	**(53)**	**4,518**	**(15)**	**(17)**	**4,554,265**	**(265,254)**	**(30,395)**	**588,847**	**(19,567)**	**(2,320)**

3.2 Breakdown of cash and off-balance sheet credit exposures by counterparty's Geographical Area

(thousands of Euros)	North-East		North-West		Centre		South and Islands		Foreign countries	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Bad loans	79,263	(58,894)	103,748	(97,234)	64,811	(48,170)	34,535	(31,316)	-	(94)
A.2 Unlikely to pay loans	108,731	(24,686)	89,876	(24,545)	68,232	(12,401)	42,321	(6,927)	2,145	(1,383)
A.3 Past due exposures (non-performing)	2,557	(94)	2,880	(88)	813	(60)	1,801	(52)	-	-
A.4 Exposures (performing)	1,327,341	(10,158)	1,322,709	(13,359)	811,809	(6,665)	493,679	(4,623)	1,389	(15)
Totale	**1,517,892**	**- 93,832**	**1,519,213**	**- 135,226**	**945,665**	**- 67,296**	**572,336**	**- 42,918**	**3,534**	**- 1,492**
B. "Off-balance sheet" exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	802	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Exposures (performing)	73,009	-	110,483	-	61,142	-	45,606	-	678	-
Total	**73,009**	**-**	**111,285**	**-**	**61,142**	**-**	**45,606**	**-**	**678**	**-**
31/12/2016	**1,590,901**	**(93,832)**	**1,630,498**	**(135,226)**	**1,006,807**	**(67,296)**	**617,942**	**(42,918)**	**4,212**	**(1,492)**
31/12/2015	**1,687,170**	**(87,305)**	**1,823,431**	**(127,389)**	**1,021,265**	**- 63,547**	**535,733**	**(38,923)**	**99,663**	**(1,336)**

3.3 Large exposures

The Company holds five positions which fall under the large risk category (risk positions amounting to or higher than 10% of Net Worth). The positions' book value at 31 December 2016 amounted to about Euro 393,690 thousand, with a weighted value of about Euro 218,229 million.
No risk exposure to individual customers or groups of related customers exceeds 25% of Net Worth.

4. Models and other methods for credit risk measurement and management

This sub-item did not show any balance at 31 December 2016.

5. Other quantitative information

This sub-item did not show any balance at 31 December 2016.

3.2 MARKET RISKS

Alba Leasing holds no trading portfolio which is exposed to market risks.

Alba Leasing does not carry out any transaction for speculative purposes; the trading portfolio includes, in fact, some derivative contracts in place for the management of securitisations for hedging purposes.
The Company uses the methods prescribed by the Bank of Italy's Circular Letter no. 288/2015 in order to measure market risks attached to the trading portfolio and to calculate the pertaining regulatory capital requirement for supervision purposes.

3.2.1 INTEREST RATE RISK

Qualitative information

1. General issues

Interest rate risk is generated by the differences in the timing and manner of repricing of interest rates on the Company's assets and liabilities.
Structural interest rate risk, i.e. the risk of expected and unexpected variations in the market rate of interest having a negative impact on the interest margin and on the portfolio of assets and liabilities, is measured by means of 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 Company has not considered it appropriate to hedge interest rate risk.

2. Methodological aspects

Exposure to interest rate risk is estimated periodically adopting the "current profits approach" from a short-term point of view. A negative shift in rates corresponding to the variation measured by the rates implicit in the curve underlying the lease agreements is simulated and afterwards the impact on interest margin is measured over a time horizon of the same duration as the current and the future financial period.

Quantitative information

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

Items/residual maturity (thousands of Euros)	At sight	Until 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Beyond 10 years	Indefinite maturity
1. Assets								
1.1 Debt securities	20	-	-	-	5,000	-	-	-
1.2 Receivables	3,825,137	646,580	22,728	20,817	151,740	147,055	13,688	-
1.3 Other assets	-		-	-	-	-	-	-
2. Liabilities								
2.1 Payables	2,387,891	332,823	263,053	41	31,986	860	-	-
2.2 Debt securities	-	1,661,043.00	-	-	-	-	-	-
2.3 Other liabilities	-		-	-	-	-	-	-
3. Financial derivatives								
Options								
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions	-	221,313	-	-	56,866	-	-	-
3.4 Short positions	-	221,313	-	-	56,866	-	-	-

2. Models and other methods for interest rate risk measurement and management

This risk is monitored by the Risk Management O.U., which;

- verifies that the proportion of fixed rate investments is kept under the limits set by the Board of Directors;
- prepares quarterly disclosure ("Financial Risks" reports) for the Board of Directors, which also shows analyses relating to the exposure to interest rate risk on the banking portfolio.

3.2.2 PRICE RISK

Qualitative information

1. General issues

The Company is not exposed to any risk arising from price fluctuations.

3.2.3 EXCHANGE RISK

<u>Qualitative information</u>

1. General issues

The Company is not exposed to exchange risks since no foreign currency contracts were in place at the reporting date.

<u>Quantitative information</u>

1. Breakdown by denomination currency of assets, liabilities and derivatives

This sub-item does not show any balance.

2. Models and other methods for exchange risk measurement and management

This sub-item does not show any balance.

3.3 OPERATIONAL RISKS

<u>Qualitative information</u>

The Company uses loss monitoring techniques to assess and mitigate operational risk based on self-risk assessment and loss data collection analyses. These analyses provide an estimate of operating losses, the causes which give rise to them and a table of potential and residual risk.

1. General issues, management and measurement of operational risk

The definition of operational risk adopted by the Company is 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 measuring process has been created to meet this type of risk, based on:

- first level checks carried out directly by the owners of the processes in the various organisational units, regulated by Alba Leasing's entire body of rules, composed of Regulations (higher level rules for Departments and Service units), as well as of Operating Manuals and Procedures concerning activities carried out by specific Organisational Units;
- second level checks to detect operational risk carried out by the Risk Management O.U. by means of:
    - *a.* Self-Risk Assessment to determine Potential Risk*;*
    - *b.* Loss Data Collection to determine actual operating losses*.*

Checking takes the form of filling in specially prepared Assessment Sheets which enable loss events to be recorded with a link to the Basel, Assilea and Internal processes System.

3.4 LIQUIDITY RISK

Qualitative information

1. General issues, management and measurement of liquidity risk

Liquidity risk is that of an entity's not being able to meet its payment obligations because it cannot raise funds on the market (funding liquidity risk) or market its assets (market liquidity risk). Market liquidity risk is not relevant to the Company because it does not have financial assets related to receivables from Customers but the Company does attach importance to funding liquidity risk. In fact Alba Leasing makes medium- and long-term investments and draws exclusively on the wholesale market in searching for short-term financial resources, not having access to the retail market. Liquidity risk consequently arises from:

- structural factors typical of leasing: 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 peculiar to Alba Leasing: since it is a financial Company, it does not have concessional access, as have Banks, to sources of finance (such as, for example, ECB funds during the present quantitative easing cycle), nor does it raise funds from retail customers.

A "Liquidity risk management procedure" has been laid down, which was issued in October 2015 and which formalises risk management and control activities, while setting out a process of risk oversight refinement and improvement.

As regards risk monitoring and control:

- the Finance Organisational Unit is responsible for liquidity operations management under the terms of its sub-delegation: it manages the financial resources available on the basis of expected receipts, payments and, loans and meets Alba Leasing's day-to-day cash requirements;
- The Risk Management Organisational Unit prepares analyses based on operational maturity ladder and structural maturity ladder according to the maturity mismatch method.

The operational maturity ladder assesses the equilibrium of expected cash flows during the period (12 months approximately) by setting assets against liabilities by time band and showing up mismatches.

Cash flows are determined taking different scenarios into account:
- an inertial scenario calculated on the basis of the investment budget;
- a prudential scenario in which non-committed credit facilities granted by non-Partner banks are called in immediately.

The data submitted to the attention of the Company's decision-making Bodies contain information on risks of further deteriorations in liquidity (worst case scenarios).

Structural liquidity risk is assessed with reference to the Gap Ratios for maturities of over a year. In order to inform the governing Bodies. For this purpose the Risk Management O.U. prepares:

- a monthly report for the Board of Statutory Auditors and the Board of Directors on the "Liquidity position - risk forecast and profile" which analyses operational and structural liquidity;
- a fortnightly report for the Bank of Italy which sets out the expected cash inflows and outflows for the three months following the date of the report.

Quantitative information

Breakdown by residual term of contract of financial assets and liabilities – Denomination currency: euro

Items/ Time Bands (thousands of Euros)	At sight	From 1 day to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	Beyond 5 years	Indefinite maturity
Cash assets											
A.1 Government Bonds	-	-	-	-	-	-	-	-	5,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	642,579	1,169	1,543	10,524	173,549	236,841	460,953	1,345,623	820,967	1,262,196	-
A.4 Other Assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities											
B.1 Payables to :											
- Banks	2,064,313	-	39,800	32,000	307,482	-	-	24,000	81,071	106,252	-
- Financial entities	7	-	-	-	14	-	41	27,091	70,140	860	-
- Customers	34,712	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	3,862	-	-	98,992	61,607	121,275	240,350	749,755	346,661	57,636	-
B.3 Other Liabilities		-	-			-	-	-	-	-	-
"Off-balance sheet" transactions											
C.1 Financial derivatives with exchange of capital											
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital											
- Positive differentials	-	286	41	-	99	623	1,115	-	-	-	-
- Negative differentials	-	288	247	-	99	625	1,118	-	-	-	-
C.3 Loans to be received											
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds											
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	288,863	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Section 4 – Information on equity

4.1 THE COMPANY'S EQUITY

4.1.1 Qualitative information

Alba Leasing is equipped with sufficient means and it is sufficiently well organised to assess whether its own Net Worth is adequate to support its current and future activities.

As also noted in the Report on Operations, on 28 January 2013 the Extraordinary Shareholders' Meeting resolved to make a capital increase in an amount of Euro 70 million (fully paid-up), as well as to amend Article 6 of the Company's Articles of Association.

The share premium reserve of Euro 105 million was set aside following the capital increase against payment resolved by the Extraordinary Shareholders' Meeting held on 30 November 2009 in a nominal amount of Euro 250 million.

4.1.2 Quantitative information

4.1.2.1 The Company's equity: breakdown

Items/Values (thousands of Euros)	31/12/2016	31/12/2015
1. Share capital	357,953	357,953
2. Share premiums	105,000	105,000
3. Reserves	(59,521)	(64,528)
- revenue	(59,521)	(64,528)
a) legal reserve	301	51
b) reserves required by articles of association	-	-
c) own shares	-	-
d) others	(59,822)	(64,579)
- others	-	-
4. (Own shares)	-	-
5. Valuation reserves	(234)	(225)
- Financial assets available for sale	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedge	-	-
- Foeign exchange differences	-	-
- Non-current assets held for sale and disposal groups of assets	-	-
- Special revaluation laws	-	-
- Actuarial gains/losses relating to defined benefit plans	(234)	(225)
- Portions of reserves from valuation of equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	3,914	5,007
Total	**407,112**	**403,207**

4.1.2.2 Reserves from valuation of financial assets available for sale: breakdown

This item was not reported at 31 December 2016.

4.1.2.3 Reserves from valuation of financial assets available for sale: annual changes

This item was not reported at 31 December 2016.

4.2 NET WORTH AND CAPITAL RATIOS

The Company was entered in the new register under Article 106 of the TUB with effect from 6 May 2016.
In relation to this registration, the Company applied the relevant regulations (Circular Letter no. 288 of 3 April 2015, as updated) as from the date of registration.
The data for the 2015 financial year are based on previous regulations (Circular Letter no. 217 of 5 August 1996, as updated) and therefore comparative data are only shown if material.

4.2.1 Net Worth

4.2.1.1 Qualitative information

The Regulatory capital does not include hybrid capitalisation instruments, nor subordinated liabilities.

The Company holds Common Equity Tier 1 (CET1) only and does not hold Additional Tier 1 Capital (AT1), nor Tier 2 Capital (T2).

4.2.1.2 Quantitative information

A. FINANCIAL INTERMEDIARIES

(thousands of Euros)	31.12.2016	31.12.2015
A. Common Equity Tier 1 – CET1 before the application of prudential filters	**384,997**	**384,526**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters of CET1 (+/-)		**-**
C. CET1 before elements to be deducted and effects of transitional scheme (A +/- B)	**384,997**	**384,526**
D. Elements to be deducted from CET1		**-**
E. Transitional scheme - Impact on CET1 (+/-)	**94**	
F. Total Common Equity Tier 1 - CET1 (C - D +/- E)	**385,091**	**384,526**
G. Additional Tier 1 Capital - AT1 before elements to be deducted and the effects of transitional scheme		**-**
of which AT1 instruments subject to transitional provisions		**-**
H. Elements to be deducted from AT1		**-**
I. Transitional scheme - Impact on AT1 (+/-)		
L. Total Additional Tier 1 - AT1 (G - H +/- I)		**-**
M. Tier 2 - T2 before elements to be deducted and the effects of transitional scheme		**-**
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted from T2		**-**
O. Transitional scheme - Impact on T2 (+/-)		**-**
P. Total Tier 2 - T2 (M - N +/- O)	**-**	**-**
Q. Total net worth (F + L +P)	**385,091**	**384,526**

The Company has employed a prudential filter (as required by Article 467 of the CRR) as permitted by IAS 19 (the filter amounts to Euro 94 thousand).

The present financial liability (Employee Severance Pay) amounts to Euro 2,578 thousand; if IAS 19 were not applied, it would amount to Euro 2,195 thousand.

It should be noted that Net Worth does not include the profit for the year since the conditions laid down in the "Commission Implementing Regulation (EU) No. 680/2014" (Article 5, paragraph a), which makes reference to, among others, "Regulation (EU) No. 575/2013" (CRR, Article 26, paragraph 2.a), were not fulfilled. According to these regulations, profit is included in Net Worth provided that (a) this has first been authorised by the competent authority; (b) the profits have been audited by persons independent of the entity responsible for the entity's statutory audit of accounts; this entails the necessity for the Board of Directors to pass a resolution after informing the Supervisory Board.

The profit for the year will be included in Net Worth after the next supervisory report, relating to the first quarter of 2017 (to be prepared by 12 May 2017).

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

Weightings, calculated according to the relevant Bank of Italy prudential supervision rules, observe the prudential ratio and leave room for a further increase in the Company's business.

4.2.2.2 Quantitative information

Categories/values	Non-weighted amounts		Weighted amounts / requirements	
(thousands of Euros)	31/12/2016	31/12/2015	31/12/2016	31/12/2015
A. RISK ASSETS				
A.1 Credit and counterparty risk	**5.585.810**	**5.352.088**	**3.862.606**	**3.984.305**
1. Standardised method	5.585.810	5.352.088	3.862.606	3.984.305
2. Method based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**231.756**	**239.058**
B.2 Credit valuation adjustment risk			**342**	-
B.3 Settlement risk			-	-
B.4 Market risks			**697**	-
1. Standardised method			697	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**13.359**	**11.398**
1. Basic method			13.359	11.398
2. Standardised method			-	-
3. Advanced method			-	-
B.6 Other prudential requirements				-
B.7 Other calculation elements				-
B.8 Total prudential requirements			**246.154**	**250.456**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**4.102.574**	**4.174.272**
C.2 CET1 capital ratio				
C.3 Tier 1 capital ratio			**9,39%**	**9,21%**
C.4 Total capital ratio			**9,39%**	**9,21%**

The capital requirements on market risks have been calculated on the portfolio of "Financial assets held for trading", which can be linked to derivative instruments involved in the Agreement on securitised loans for which reference should be made to Part A - Accounting Policies.

Risk-weighted assets amount to Euro 4,102,574 thousand.

The reports to the supervisory authority regarding the calculation of this amount, and thus the calculation of the risk-weighted assets, are made on the consolidated financial statements since they are deemed better to represent the facts and effects on the Company's financial performance and position underlying the Agreement on securitised loans and considering the receivables recognised in said financial statements as a result of the Agreement as receivables arising from finance leases (for more details, reference should be made to Section 4 – "Other aspects" of Part A – Accounting policies of the Notes to the consolidated financial statements).

It should be considered, as far as this is concerned, that:

- the difference in the representation of the abovementioned Agreement between the consolidated and separate financial statements is that all the receivables underlying the Agreement are represented in the former, while in the latter these receivables, in practice, are represented in a single receivable from the banking sub-portfolio portion of the separate assets managed by the securitisation SPVs;
- the reports regarding the separate financial statements, in view of the above method of their preparation, would not enable a reader to perceive the substantive effects underlying the Agreement in terms of credit risk. This risk is in fact attributable to the end users of the assets, holding the lease agreements;
- this approach provides continuity of information regarding the receivables concerned.

As regards the method of reporting the receivables underlying the Agreement and the decision taken in previous financial years not to enjoy the benefit of lower weighting of real estate assets for the purposes of calculating risk-weighted assets (and therefore of capital ratios), even in cases in which 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 “consolidated” accounts at 30 June 2014, the portfolio that is the object of the agreement is now treated according to the normal supervisory rules, allowing property lease receivables to enjoy the benefit of a lower weighting if the requirements laid down in supervisory rules are met.

Section 5 – Analytical statement of consolidated comprehensive income

	Items (in thousands of Euros)	Gross amount	Income tax	Net amount
10	Profit (Loss) for the year	6,127	(2,213)	3,914
	Other income components without transfer to P&L			
20	Property, plant and equipment	-	-	-
30	Intangible assets	-	-	-
40	Defined-benefit plans	(12)	4	(8)
50	Non-current assets held for sale	-	-	-
60	Portion of reserves from valuation of equity-accounted investments			
	Other income components with transfer to P&L	-	-	-
70	Hedging of foreign investments :			
	a) fair value changes	-	-	-
	b) transfer to P&L	-	-	-
	c) other changes	-	-	-
80	Foreign exchange differences :			
	a) fair value changes	-	-	-
	b) transfer to P&L	-	-	-
	c) other changes	-	-	-
90	Cash flow hedge :			
	a) fair value changes	-	-	-
	b) transfer to P&L	-	-	-
	c) other changes	-	-	-
100	Financial assets available for sale:			
	a) value changes	-	-	-
	b) transfer to P&L	-	-	-
	- adjustments from impairment	-	-	-
	- profit /loss from disposal	-	-	-
	c) other changes	-	-	-
110	Non-current assets held for sale :			
	a) fair value changes	-	-	-
	b) transfer to P&L	-	-	-
	c) other changes	-	-	-
120	Portion of reserves from valuation of equity-accounted investments :			
	a) fair value changes	-	-	-
	b) transfer to P&L	-	-	-
	- adjustments from impairment	-	-	-
	- profit /loss from disposal	-	-	-
130	Total other income components	(12)	4	(8)
140	Comprehensive income (Item 10+130)	6,115	(2,209)	3,906
150	Consolidated comprehensive income attributable to minority interests	-	-	-
160	Consolidated comprehensive income attributable to the parent company	6,115	(2,209)	3,906

Section 6 – Related-party transactions

6.1 Information on fees due to key management personnel

(thousands of Euros)	*31/12/2016*
Directors	385
Statutory Auditors	177
Other key management personnel	1,927
TOTAL	**2,489**

As regards the fees due to key management and control personnel, the chief executive officer and first-level executives are considered to be such (eight persons altogether).

The fees reported include the remuneration of an employee who became an executive in December 2016.

6.2 Loans and guarantees granted to Directors and Statutory Auditors

It should be noted that no loans, or guarantees, were granted to Directors and Statutory Auditors.

6.3 Information on related-party transactions

Related-party transactions are normally entered into on customary arm's length conditions.

No related-party transactions were carried out during the year.
There were also a number of transactions with Partner Banks and with entities connected with them, for which reference should be made to the following paragraph; these were routine transactions carried out on the basis of reciprocal economic advantage: the conditions governing them were finalised in compliance with substantive fairness. They mainly involved:

- procuring funds;
- placing leasing products with customers;
- managing the receivables related to the Agreement.

Alba Leasing has adopted 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 currently in force regarding corporate disclosures on related-party transactions.

Furthermore, for the purposes of the current provisions, 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 2016 financial year which could have given rise to doubts, for their significance and importance, as their effect on the integrity of the Company's assets.

6.3.1 Summary table

The table below reports financial and economic relations in transactions with Partner Banks during the financial year ended 31 December 2016.

STATEMENT SUMMARISING RELATED-PARTY TRANSACTIONS AND THEIR IMPACT ON THE FINANCIAL STATEMENTS	31/12/2016	Other related parties				
(thousands of Euros)	FINANCIAL STATEMENTS	BANCA POPOLARE DELL'EMILIA ROMAGNA	BANCO POPOLARE	BANCA POPOLARE DI SONDRIO	BANCA POPOLARE DI MILANO	CREVAL
BALANCE SHEET - ASSETS						
Financial assets held for trading	174	-	-	-	-	-
Financial assets (item 30, 40 and 50)	-	-	-	-	-	-
Receivables from Banks	137,995	1,488	1,645	205	-	69
- current accounts and demand deposits	5,398	1,392	-	109	-	69
- other receivables	132,597	96	1,645	96	-	-
Receivables from Customers	4,690,742	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Other asset items	226,909	217	-	157	104	-
BALANCE SHEET - LIABILITIES						
Payables to banks	2,674,518	758,033	9,515	396,639	398,949	350,304
- current accounts and demand deposits	2,215,117	757,281	5,026	392,541	398,946	330,090
- other payables	459,401	752	4,489	4,098	3	20,214
Payables to customers	268,852	-	-	-	-	-
Outstanding securities	1,661,043	-	-	-	-	-
Financial liabilities held for trading	177	-	-	-	-	-
Financial liabilities at fair value	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Other liability items (excluding equity)	44,117	-	583	31	-	-
Guarantees issued		-	-	-	-	-
Guarantees received	768,162	236,026	251,467	164,302	53,547	62,820
Commitments		-	-	-	-	-
INCOME STATEMENT						
Interest earned and similar income	113,168	1	13	6	-	-
Interest expense and similar charges	(26,589)	(1,036)	(1,076)	(570)	(1,218)	(1,163)
Commissions earned	17,442	-	148	-	-	-
Commissions expense	(13,202)	(2,011)	(1,739)	(1,434)	-	(326)
Dividends and similar income	-	-	-	-	-	-
Net Result from trading	(6)	-	-	-	-	-
Profit (Losses) from disposal or repurchases	17					
Operating income	**90,830**	**(3,046)**	**(2,654)**	**(1,998)**	**(1,218)**	**(1,489)**
Value adjustments / write-backs (item 100 120 130)	(34,991)	-	-	-	-	-
Administrative expenses	(42,965)	363	(71)	271	184	(20)
Personnel costs	(25,054)	416	(11)	285	184	0
Other administrative expenses	(17,911)	(53)	(60) -	14.00	0	(20)
Other operating income/costs (item 160)	(3,759)	0	369	3	0	-
Other income statement items	(5,201)	-	-	-	-	-
Gross Profits /(Losses) for the year	**3,914**	**(2,683)**	**(2,356)**	**(1,724)**	**(1,034)**	**(1,509)**

Section 7 – Other information details

7.3 Details on the fees paid to independent auditors and to other companies in their network

The table below reports the fees paid to PricewaterhouseCoopers S.p.A., the audit firm appointed to carry out the statutory audit of separate and consolidated financial statements pursuant to Articles 14 and 16 of Legislative Decree no. 39/2010 for the nine-year period from 2010 to 2018, and to other companies in its network.
The fees reported in the table relate to the Company, as well as to the companies consolidated by the latter in these Consolidated Financial Statements.

Type of service (thousands of Euros)	Receiver	Company delivering services	Fees
Statutory audit of accounts	Alba Leasing S.p.A.	Pricew aterhouseCoopers S.p.A.	392
Other services	Alba Leasing S.p.A.	Pricew aterhouseCoopers S.p.A.	32
Total (A)	Alba Leasing S.p.A.		424
Statutory audit of accounts	Securitisation SPVs	Pricew aterhouseCoopers S.p.A.	72
Total (B)	Subsidiaries		72
Total (A+B)			496

The fees reported above (in thousands of Euros), including ISTAT (Italian Statistics Institute) index adjustments, are stated net of expenses, fees prescribed by law (CONSOB (Italian Securities and Exchange Commission) contribution) and VAT.

ALBA LEASING SPA

Report on Operations

Consolidated Financial Statements at 31 December 2016

Introduction

As detailed in the Notes to the Financial Statements, these consolidated financial statements provide different disclosures of the effects of the agreement on securitised loans that was entered into with Banca Italease (Risk and Reward Agreement) on 24 December 2009, as well as include the balance sheet and income statement results of the securitisation SPVs Alba 6 SPV S.r.l., Sunny 1 SPV S.r.l., Alba 7 SPV S.r.l. and Alba 8 SPV S.r.l..
Consequently, given the specific features of the consolidation area in question, the facts and events described herein below relate to Alba Leasing S.p.A. (the "Company").

Macroeconomic scenario and Leasing market

The recovery of the Italian economy is still more gradual than the process in hand in the other major European countries: economic activity, however, gained momentum after the summer months after its slowdown in the spring.
Growth was driven by domestic demand, which benefited from favourable financial conditions, an improvement in the labour market and inflation which was still very slight.
The contribution by domestic demand, in spite of the further fall in investments in construction and another slowdown in household consumption, cushioned the drop in the contribution from foreign trade caused by the decline in exports, which fell more than imports.
Furthermore, other factors which helped the rate of recovery to pick up were higher corporate investment in capital goods, also due to tax incentives, and stock replenishment.
The signs of stable recovery in the latter months of 2016 were further confirmed by the economic indicators to hand at the moment, which point to a continuation of this phase, even against a background in which many uncertainties persist.
These remarks lead us to believe that a favourable scenario will develop, one that will continue to improve in the forthcoming year.

Italy: macroeconomic scenario – annual change

	2015	2016
Gross Domestic Product	0.6	0.9
Imports of goods and services	5.8	1.7
Household spending	1.5	1.4
PAs* and PSIs* expenditure	(0.6)	0.6
Investments in Machinery/equipment/means of transport	2.9	2.8
Investments in Construction	(0.8)	0.9
Exports of goods and services	4.0	1.3
Total domestic demand	1.0	1.0
Consumer price index	0.0	(0.1)

source: Prometeia – Forecast report – December 2016

*[PA = Public Administration]
*[PSI = Private Social Institution]

Leasing grew for the third year running in 2016, with over 487,000 new agreements signed, worth nearly Euro 21 billion, abundantly topping expectations and with double-digit rises in both new agreements (+16.81%), and the amounts financed (+15.84%).

The Automotive (+28.00% of volumes and +23.03% of the number of agreements) and Capital Goods (+14.83% of volumes and +7.36% of the number of agreements) sectors drove growth.

The Real Estate sector showed volumes that were substantially in line with the previous year, recording an increase of +6.72% in the number of agreements.

There was a residual contribution from the Aviation and Naval Industry and Financial sectors, the volumes of which rose slightly (+1.85%), while the Renewable Energy sector showed a considerable fall of -38.19% in volumes.

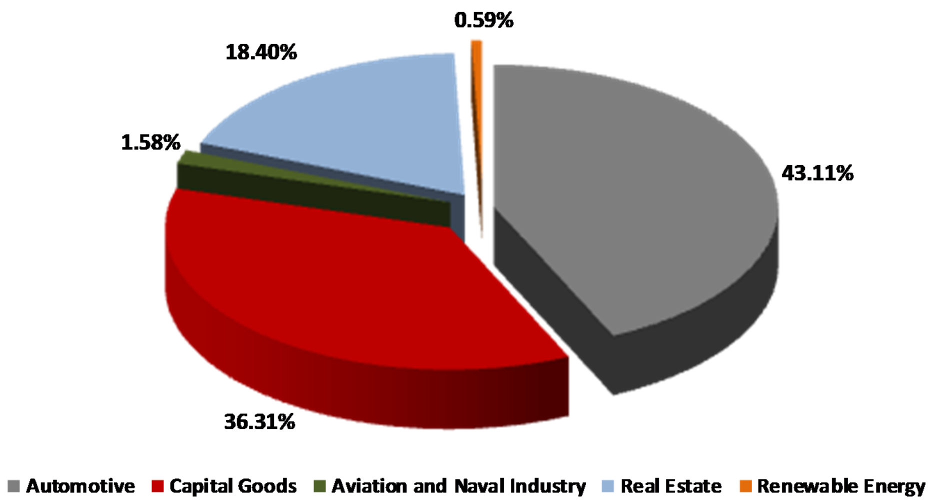
New Lease Agreements: no. of agreements, amounts in thousands of Euros and percentage changes

	no. of agreements			amounts			
Product	**2016-12**	**2015-12**	**% Change**	**2016-12**	**2015-12**	**Delta**	**% Change**
Automotive	309,281	251,388	23.03%	8,920,303	6,968,939	1,951,364	28.00%
Capital Goods	172,991	161,135	7.36%	7,513,289	6,543,139	970,150	14.83%
Aviation and Naval Industry	357	293	21.84%	327,670	321,727	5,943	1.85%
Real Estate	4,257	3,989	6.72%	3,806,894	3,829,488	-22,594	-0.59%
Renewable Energy	121	129	-6.20%	122,212	197,725	-75,513	-38.19%
Total lease	**487,007**	**416,934**	**16.81%**	**20,690,368**	**17,861,018**	**2,829,350**	**15.84%**

Source: Assilea - website statistics

The three main sectors of the Leasing market continue to be Capital Goods, Automotive and Real Estate, which account for 97.83% of business, showing a slight increase compared to 97.09% in 2015 and owing to the growth of the Automotive sector from 39.02% in 2015 to 43.11% in 2016. The Capital Goods, Aviation and Naval Industry and Railway sectors remained stable, while a reduction was recorded in the Renewable Energy (-0.52%) and Real Estate (-3.04%) sectors.

Percentage breakdown of contracted volumes in December 2016



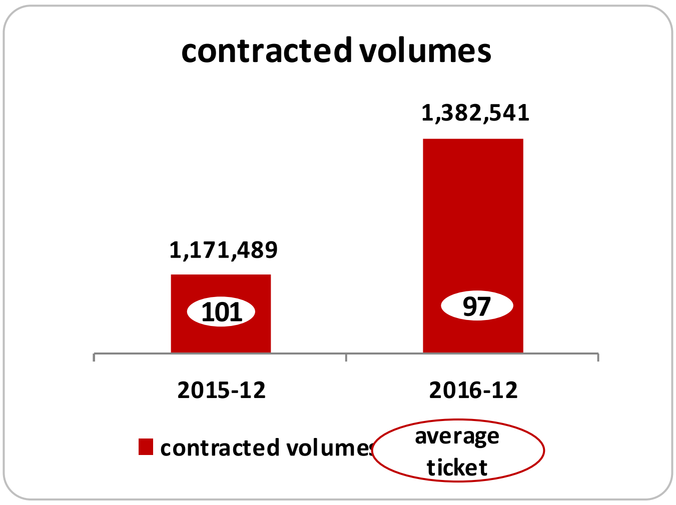
Business performance and market positioning

In a scenario of slow and gradual recovery, with a 15.84% increase in the Leasing market, Alba Leasing showed an increase of 18.02% in volumes at 31 December 2016, equal to Euro 1,382.5 million compared to Euro 1,171.5 million at 31 December 2015. The contracted volumes rose in value in all sectors, except for Renewable Energy, a sector in which new agreements gradually reduced during 2016, showing a decrease of 11.92% at the end of the year. The main increases occurred in the sectors of Capital Goods, which accounted for 51% of total new agreements, recording a change of +17.23% and of Automotive, which accounted for 22% of new agreements, recording a change of +57.27%. The number of contracts also showed an increase of +23.50%, from 11,557 in December 2015 to 14,273 in December 2016.

New agreements for Alba Leasing: no. of agreements, amounts in thousands of Euros and changes

	no. of agreements			amounts			
Product	**2016-12**	**2015-12**	**% Change**	**2016-12**	**2015-12**	**Delta**	**% Change**
Automotive	5,705	4,127	38.24%	305,942	194,534	111,408	57.27%
Capital Goods	8,027	6,937	15.71%	700,456	597,509	102,947	17.23%
Aviation and Naval Industry	38	29	31.03%	34,681	32,042	2,639	8.24%
Real Estate	446	404	10.40%	290,306	289,328	978	0.34%
Renewable Energy	57	60	-5.00%	51,156	58,076	-6,920	-11.92%
Total lease	**14,273**	**11,557**	**23.50%**	**1,382,541**	**1,171,489**	**211,052**	**18.02%**

Source: Assilea



The average ticket per agreement was Euro 97 thousand at the end of 2016, down compared to Euro 101 thousand in 2015.

New agreements for Alba Leasing: net spread per product

Product	2016-12	2015-12	% Change 2016/2015
Automotive	2.8%	3.4%	-0.5%
Capital Goods	2.5%	2.9%	-0.4%
Aviation and Naval Industry	2.5%	2.7%	-0.2%
Real Estate	2.3%	2.7%	-0.5%
Total lease	**2.5%**	**2.9%**	**-0.4%**

While the Company's policy was to gain increasingly higher Market shares and maintain a good standard of quality, net spreads from new business remained high but showing a reduction compared to the previous year. Total net spread decreased from 2.9% in 2015 to 2.5% in 2016, down by 0.4%: the product in the Capital Goods sector recorded a reduction of 0.4% in the spread, while there was a decline of 0.5% in the Real Estate and Automotive products.

New agreements (contracted volumes) for Alba Leasing: % distribution of products

Product	2016-12	2015-12	% Change 2016/2015
Automotive	22.1%	16.6%	5.5%
Capital Goods	50.7%	51.0%	-0.3%
Aviation and Naval Industry	2.5%	2.7%	-0.2%
Real Estate	21.0%	24.7%	-3.7%
Renewable Energy	3.7%	5.0%	-1.3%

Source: Assilea

As far as product mix is concerned, Capital Goods were again our Company's core product, achieving about 51% of volumes in line with the previous year. It was followed by Automotive, with a 22.1% contribution (-5.5% compared to the previous year) and Real Estate products, with a 21.0% contribution (-3.7% compared to 2015). A marginal contribution was made by the Aviation and Naval Industry and Railway sectors in 2016 too, which decreased from 2.7% in the previous year to 2.5% in the current year (-0.2%), as was made by Renewable Energy, which decreased from 5.0% in 2015 to 3.7% in 2016 (-1.3%).

New agreements (contracted volumes) for Alba Leasing: % distribution and changes of sales channels

Channel	2016-12	2015-12	% Change 2016/2015	Change in Volumes 2016/2015
Partner Banks	70.9%	78.0%	-7.2%	7.2%
Affiliated Banks	12.2%	12.1%	0.1%	19.0%
Total Banks	**83.1%**	**90.1%**	**-7.1%**	**8.7%**
Other Channels (vendors/suppliers/direct channel/intermediaries)	16.9%	9.9%	7.1%	102.8%
Total lease	**100.0%**	**100.0%**		**18.0%**

Source: Alba Leasing

The breakdown of volumes by sales channel was different in 2016: the reduction in volumes (-7.2%) from Partner Banks (from 78.0% in 2015 to 70.9% in 2016) was fully offset by Other Channels (vendors/suppliers/direct channel/intermediaries), the percentage weight of which increased from 9.9% in the previous year to 16.9% in the current year. The contribution from Affiliated Banks remained unchanged (12.2%). There was a rise in contracted volumes from all channels (+18.0%): +7.2% for Partner Banks, +19.0% for Affiliated Banks and +102.8% for Other Channels.

Classification by product and market share - December 2016

New Lease Agreements	Position of Assilea	Market Share
Automotive	9	3.43%
Capital Goods	3	9.32%
Aviation and Naval Industry	4	10.58%
Real Estate	5	7.63%
Renewable Energy	1	41.86%
Total	**4**	**6.68%**

Source: Assilea

Alba Leasing was ranked fourth in the leasing company market for the value of new lease agreements recorded in 2016, with an overall share of 6.68%, showing a slight decline compared to 6.85% in December 2015. The Company is in third place in the national ranking for Capital Goods, with a market share of 9.32%.

Organisational structure and distribution model

Organisational structure

The present organisational structure, which was approved by the Board of Directors on 27 January 2015, with effect from 1 March 2015, divides the main corporate functions into two macro-categories:

1) Organisational units of governance, control (or steering, support and control) and management of operations:
   - Internal Audit Service;
   - Risk, Legal and Compliance Service;
   - Resources and Operations Department;
   - Administration, Treasury and Control Department.

2) Business organisational units:
   - Market Department;
   - Credit Management Department;
   - Non-performing Loan Department.

Distribution Model

Products are mainly sold through banking distribution channels:

- Affiliated Partner Banks: Banco BPM Group, BPER Group, Banca Popolare di Sondrio, Credito Valtellinese Group. There are about 3,296 affiliated branches in all, highly concentrated in Northern Italy;
- Other Affiliated Banks (smaller banks strongly concentrated at a local level), with about 2,328 affiliated branches (2,023 are affiliated under premium and 305 under standard agreements).

The banking channel is supported by the channel of Vendors/Suppliers/Loan Brokers in order to cover specific client sectors and segments and develop them appropriately.

Our Company's finance leases are placed in accordance with the following methods, which have their different characteristics and operational procedures:

1. "Presto Leasing" agreement operations (referred to as "Standardised" management): the bank receives, gathers information on and approves all finance lease applications for agreements with a value under a prearranged limit which differs according to the type of asset, in the name and on behalf of Alba, with the support of its sales department and following a specific procedure, having regard both to a maximum risk limit per client and other restrictions and conditions expressly laid down in the Agreement.
2. "Ordinary" agreement operations (referred to as "Specialist" management): the bank branches report a client interested in a leasing offer to its Client Manager, who handles the commercial negotiations directly and gathers all the data and information necessary for the examination of the loan offer. Alba Leasing assesses the applicant's creditworthiness and, if it approves, decides to proceed with the transaction in full autonomy.

Partner Banks, Other Affiliated Banks and the channel of Vendors/Suppliers/Loan Brokers have different sales coverage models in order to make the best use of sales activities and achieve the highest possible degree of efficiency all over the country.

Partner Banks' sales coverage is structured at Banking Group level, so that the different Partner Banks are clearly separated and responsibilities, budgets and diversified and personalised services are all specified.

The positions in Partner Banks' sales department are:

- Account Manager, who works for the distributor Banking Group/Partner Bank;
- Area Managers (if thought necessary), who assist the Account Manager in conducting sales activities in all the Bank's local areas;

- Client Managers, who are responsible for business development and for managing the portfolios created by the local branches and corporate client departments of Banks;
- Bank Contact Managers, whose duty is to coordinate the processes of all standardised management (Presto Leasing) activities, fostering the development of sales in bank branches and working with their Client Managers.

Other Affiliated Banks' sales coverage is structured on a local basis with portfolios broken down by geographical area. The products are placed with the Partner Banks' sales departments.

The sales coverage model of the channel of Vendors/Suppliers/Loan Brokers is also structured on a local basis. There is a separate sales department consisting of an Account Manager, a Client Manager and dedicated Contact Managers/Specialists.

Our Company's sales network conducts its local operations from the Head Office in Milan and from 68 sales offices in distributor Banks.

As of December 2016, 3,296 Partner Bank branches distributed Alba Leasing products, in addition to 2,023 branches of other Affiliated Banks with Premium agreements and 305 branches of Affiliated Banks with Standard agreements.

Research and Development activities

Alba 2.0 Project

In 2016 all the units of our Company were involved and engaged in the implementation of Alba 2.0 Project, which saw the completion of 22 project plans within the time and budget planned (Other Administrative Expenses for Euro 2.3 million and amortisation of intangible assets for Euro 0.2 million against investments of Euro 0.8 million).

Significant events

Funding operations

Alba Leasing is the only big leasing company which does not belong to a banking group; in addition to natural and constructive support from its shareholder Banks, therefore, our Company 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 sources of finance and support its growth path.

During 2016 our Company 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 the shareholder Banks. The following fundraising transactions were completed during the year:

- In January, April, July and October 2016 four additional assignments were carried out within the securitisation transaction Alba 6, bringing the amount of senior notes up to Euro 300 million. The Senior notes were subscribed by a leading bank;
- In April 2016 Alba Leasing entered into a loan agreement with Banca IMI S.p.A. through Repos on the Junior Notes of Alba 7, for a countervalue of about Euro 60 million;
- In June 2016 the securitisation transaction named "Alba 8" was completed with the assignment of a portfolio of about Euro 1,015 million and the issue of two senior tranches, ranking "*pari passu*": the first tranche (A1) of Euro 335 million was fully subscribed by the Company, while the second tranche (A2) of Euro 305 million was subscribed by the European Investment Bank (EIB) for Euro 250 million and by the Company for the remaining portion. Two mezzanine tranches were also issued for Euro 127 million (B1) and Euro 45 million (C1), respectively, both subscribed by Alba Leasing, as was the entire junior tranche of this transaction.

  This transaction generated, against the assigned portfolio of Euro 1,015 million, about Euro 800 million potential liquidity for Alba Leasing. The sales process continued during the summer: our Company in fact succeeded in selling the entire tranche A1 of Euro 335 million to various Institutional Investors, including the ECB, which also acquired the remaining portion of tranche A2; furthermore, Alba Leasing sold the entire tranche B1 for an overall amount of Euro 127 million to Kreditanstalt fur Wiederaufbau – KFW and Cassa Depositi e Prestiti – CDP, respectively; both tranches obtained a EIF bilateral guarantee.

Litigation with the Revenue Agency

After a notice of IRES (Corporate Income) tax assessment was served as a result of a Revenue Agency (*Agenzia delle Entrate*) inspection at our Company (20 December 2013) regarding the non-deductibility of negative income components and the correct calculation of the amount of deductible costs in the 2009 and 2010 tax years in connection with bad debts, the Milan Provincial Tax Board (*Commissione Tributaria Provinciale*) ruled in favour of our Company, handing down judgments in which its appeals were accepted. The Revenue Agency filed an appeal against the judgment regarding the 2009 tax year with the Regional Tax Board (*Commissione Tributaria Regionale*). The case will be discussed on 6 March 2017. The time limit for an appeal by the Revenue Agency in connection with the 2010 tax year has not yet expired.

Therefore the Revenue Agency served a notice of payment of stamp tax based on the presumption that our Company had failed to declare that the alleged condition precedent had been satisfied which was laid down in the “Deed of Contribution” entered into between Banca Italease and Alba Leasing on 24 December 2009 in relation to the lease-back of Financial Assets (arrangements referred to in section “II.D.2g”, regarding financial assets held for trading referred to in annex “O”) and Receivables (arrangements referred to in sections “II.F.2” and “II.F.3”, regarding receivables contributed which did not meet the requirements laid down in the guarantees issued by the contributor). In view of the importance of this dispute, the Revenue Agency challenged the judgment issued by the Regional Tax Board in an appeal to the Supreme Court, which was served on Alba Leasing in October 2015. Alba Leasing then submitted a counter-appeal drawn up by trusted professionals. The dispute is still pending before the Supreme Court.

After being served with notices of assessment for failure to pay road tax on vehicles granted under finance leases for the years 2010, 2011, 2012 and 2013, Alba Leasing brought an action against the Lombardy Regional Government, lodging appeals against the notices that had been served. The outcome of this dispute was favourable to our Company for the years 2010 and 2011 and the Provincial Tax Board judgments became final. The Lombardy Regional Government then filed an appeal regarding the year 2012 with the Regional Tax Board, whereby it challenged the Provincial Tax Board's judgment that had granted the appeals filed by our Company. The dispute is still pending for the year 2013 before the Provincial Tax Board.

Other events

In November 2015 Alba Leasing and Car Server, the leading corporate fleet long-term hire company with wholly Italian capital, entered into a partnership agreement to provide their respective clients with superior quality vehicle renting services, whereby Alba Leasing began promoting and marketing the new medium- to long-term hire product during 2016.

In June 2016 the Company completed, together with Banco Popolare, an assignment to third parties without recourse (*pro soluto*), which concerned non-performing loans arising from the banking sub-portfolio involved in the agreement on securitised loans, for a nominal value of Euro 0.6 million; this transaction had no effect on profit or loss as the receivables assigned were all covered. The agreement was executed following a competitive tender for the selection of an assignee company.

With effect from 6 May 2016, following the registration of the new articles of association in the Milan Register of Companies, the Bank of Italy took steps to have Alba Leasing S.p.A. registered in the Register of Financial Intermediaries (*Albo degli Intermediari Finanziari*) pursuant to Article 106 of the TUB (*Testo Unico Bancario*, Consolidation Act on Banking Laws) ("Single Register", *Albo Unico*) under no. 32. Alba Leasing ceased to be included in the Special List (*Elenco Speciale*) pursuant to Article 107 of the TUB.

As detailed in the Notes to the Financial Statements, the year saw the completion of the securitisation transactions ITA 10 on 14 October 2016 and Quick Silver (QKS) on 23 December 2016, which fell within the scope of securitisations underlying the banking sub-portfolio involved in the agreement on securitised loans.

The Company also started a project aimed at applying the new accounting standard IFRS9; specifically, our Company will invest substantially in preparing new models for assessing client risk when finance is granted and on a continuous basis throughout the term of the agreements, so as to determine the expected credit loss in accordance with the provisions of law. Above all it is planned to involve the Chief Risk Officer directly; this person will be responsible for the preparation of new models and the management of the lease and evolutionary maintenance; there is also to be staging criteria work for the Credit Department, based on a new approach to portfolio monitoring. The project, to be monitored at the highest level, includes periodic reports to the Board of Directors and forms part of the Company's strategic plans. The results are expected to be implemented in January 2018, i.e. the date of entry into force of the new accounting standard.

During the financial year ended 31 December 2016 a dispute arose between our Company and Banco Popolare Soc. coop. ("Banco", which was merged into Banco BPM S.p.A. with effect from 1 January 2017), regarding the allocation of the sums from payments made by SPV Erice Finance S.r.l. (the "SPV") in favour of Banco itself, within the securitisation transaction named "ITA BEI Securitisation".
This was one of the securitisation transactions carried out by Banca Italease S.p.A (merged by incorporation into Banco with effect from 16 March 2015) and transferred to our Company, within the framework of the contribution of the business unit concerning the "banking sub-portfolio", which had been held by Banca Italease until that date. In relation to the transfer of these securitisations, our Company and Banca Italease also entered into a specific agreement on 24 December 2009, the object of which was to lay down rules on how the parties share (a) the costs and rewards of the securitisations and (b) the "payment waterfall" arising therefrom.
Specifically, as regards the "payment waterfall" relating to the "ITA BEI Securitisation", the SPV paid Banco an overall amount of Euro 9,663 thousand for the "banking sub-portfolio" during the period from September 2015 to June 2016.
This amount was fully held back by Banco, which did not consider itself obliged to transfer it back to our Company.
The reason for the dispute was that our Company maintained that the aforesaid amount of Euro 9,663 thousand fell under the payments due to it under the provisions of the agreement entered into with Banca Italease on 24 December 2009, laying down the rules applicable between the

parties in relation to securitised loans. Specifically, according to our Company, the intention of this agreement was to allocate the payments originating in the framework of the “banking sub-portfolio” to Alba Leasing, relating to (i) junior notes and (ii) other amounts in each “payment waterfall”, including the DPP (Deferred Purchase Price) (i.e. the part of the price for the assignments of securitised loans which the SPVs did not pay at the time of said assignments). Our Company’s position is that the aforesaid amount of Euro 9,663 thousand is to be regarded as a DPP, since it relates to the part of the price, which was not paid by the SPV at the time of the assignment, of the assignment of receivables involved in the ITA BEI Securitisation.

As support for its decision not to transfer the aforesaid amount to our Company, Banco put forward a different interpretation of the same provisions of the agreement, reaching the conclusion that the disputed amount did not fall under those to which Alba Leasing was entitled since it did not meet the definition of DPP. According to Banco, since the payment of Euro 9,663 thousand was made as the assignment price, which should have been paid when the assignment was carried out, it would be regarded as an “Initial Price” (as defined in the “ITA BEI Securitisation” documentation), which, as such, could not have been subordinated to the payment of the junior notes in the abovementioned “payment waterfall”, and, therefore, could not be described as a DPP.

Banco and Alba Leasing started negotiations aimed at concluding the above dispute under a settlement agreement at the end of 2016.

At the end of negotiations in 2017 Banco and our Company reached an agreement whereby Banco undertook to pay the Company an amount of Euro 4,832 thousand (equal to half the aforesaid amount), merely as a settlement and without the parties acknowledging the reasonableness of their respective claims.

The portion which Banco did not pay Alba was written down, charging the amount to value adjustments to receivables.

The decision to close on these terms was the result of a careful appraisal on the part of our Company, which considered it desirable and advisable to come to a settlement of this dispute in view of (i) the complexity of the affair (also considering the technical aspects of the securitisation transaction, which would inevitably have their importance); (ii) the very substantial costs Alba Leasing would have to sustain in the event of arbitration proceedings, according to the rules laid down by the Milan Chamber of Arbitration, entailing the need to have recourse to technical and accounting advisors in addition to legal aid; and (iii) the fact that even if the dispute were taken away from the ordinary courts and referred to arbitration it would not be swift in any case (also considering the possibility of the award being appealed against on the grounds that it is null and void, with the consequent actions to be brought before ordinary judicial authorities, all this leading to longer times and additional costs).

The Company's Key Performance Indicators

		2015-12	2016-12
Income Statement	Interest margin / AC* of Income-generating Contracts	1.91%	2.02%
	Operating income / AC of Income-generating Contracts [(a)]	1.92%	2.03%
	Gross operating result /AC of Income-generating Contracts	0.03%	0.14%
	ROE	1.25%	0.97%
Efficiency	Operating Costs / Operating income [(b)]	45.58%	51.07%
	Personnel costs / Operating costs [(c)]	55.86%	56.35%
Productivity	Average number of employees (FTE)	268	269
	Average cost / Average number of employees (FTE)[(d)]	77.83	93.14
	New Agreements / Average number of employees (FTE)	4.37	5.14
Risk and Capital	Annualised risk cost	0.91%	0.69%
	Risk cost/Operating income	52.07%	38.46%
	RWA	4,174	4,103
	Total capital ratio	9.21%	9.39%
	Rorac	0.55%	2.50%

*AC = Average Capital

Notes :

a) operating income includes the reclassification of other operating income/costs attributable to commissions of the risk and reward portfolio		
b) net of non-recurring components, index is equal to	-48.14%	-45.94%
c) net of non-recurring components, the index is equal to	59.10%	57.41%
d) net of non-recurring components, the index is equal to	86.96	85.36

Balance sheet and income statement highlights – consolidated financial statements

The following pages report tables and comments on the balance sheet and income statement highlights for the consolidated financial statements.

Balance Sheet

	Assets (thousands of Euros)	31/12/2016	31/12/2015	Changes
10	Cash and cash equivalents	8	10	(2)
20	Financial assets held for trading	174	249	(75)
50	Financial assets held to maturity	5,020	5,023	(4)
60	Receivables	4,828,737	4,685,085	143,652
100	Property, plant and equipment	1,904	282	1,622
110	Intangible assets	18,200	18,681	(481)
120	Tax assets	59,860	62,043	(2,183)
	a) current	5,053	5,478	(425)
	b) deferred	54,807	56,565	(1,758)
	of which : Law 214/2011	37,215	50,607	(13,392)
140	Other assets	141,917	110,375	31,542
	Total	**5,055,820**	**4,881,748**	**174,072**

	Liabilities and equity (thousands of Euros)	31/12/2016	31/12/2015	Changes
10	Payables	2,943,370	3,106,037	(162,667)
20	Outstanding securities	1,661,043	1,328,335	332,708
30	Financial liabilities held for trading	177	232	(55)
90	Other liabilities	38,652	39,000	(348)
100	Employee severance pay	2,578	2,693	(115)
110	Provisions for risks and charges	2,887	2,244	643
	b) other provisions	2,887	2,244	643
120	Share capital	357,953	357,953	-
150	Share premiums	105,000	105,000	-
160	Reserves	(59,521)	(64,528)	5,007
170	Valuation reserves	(234)	(225)	(9)
180	Profit (loss) for the year	3,914	5,007	(1,093)
190	Equity attributable to minority interests	-	-	-
	Total	**5,055,820**	**4,881,748**	**174,072**

Net receivables at 31 December 2016, equal to Euro 4,828.7 million, increased by about 3% compared to the value posted at 31 December 2015 (Euro 4,685.1 million): the amortisation of the stock acquired when our Company started up ("the contributed portfolio") was more than offset by the volumes of agreements which kicked off during the current year.
For more details on the quality of receivables recognised in the accounts, reference should be made to the Notes to the Financial Statements, Section 3 – Information on risks and related hedging policies.

Property, plant and equipment amounted to Euro 1,9 million, up compared to 31 December 2015 owing to properties which had become available again as a result of the termination of the underlying lease agreements.

Intangible assets amounted to Euro 18.2 million, of which an amount of Euro 10 million accounted for goodwill generated from the acquisition of the leasing business unit of Creval and an amount of Euro 7.0 million, net of amortisation, accounted for the value of the contractual relationship measured in the framework of the Purchase Price Allocation process in the same business unit.
It should be noted that, pursuant to IAS 36, goodwill was tested for impairment on the basis of the data provided in the 2017-2020 Financial Plan. Specifically, a qualitative analysis of indicators was conducted on 31 December 2016 on the main assumptions underlying goodwill test calculations and no grounds for a write-down emerged.
Analyses of the intangible asset consisting of the contractual relationship mentioned above did not show any evidence that might lead our Company to consider that an impairment procedure was appropriate.

Tax assets amounted to Euro 59.9 million and were mainly made up of deferred tax assets (about Euro 54.8 million), arising from write-downs of receivables and from the receivable from the Tax Office for current IRES (Corporate Income) and IRAP (Local Production Activity) taxes.

Other assets amounted to Euro 141.9 million and were mainly made up of other assets relating to the banking sub-portfolio involved in the agreement on securitised loans (Euro 59.2 million), as well as VAT receivables from the Tax Office (Euro 39.4 million) and items being processed (Euro 18.3 million).

Payables, equal to Euro 2,943.4 million, showed a reduction of about 5% compared to 31 December 2015 (Euro 3,106.0 million) and were mainly made up of payables to banks for Euro 2,674.5 million, payables for loans from financial institutions for Euro 98.2 million and payables to suppliers for Euro 135.3 million.

Outstanding securities, equal to Euro 1,661.0 million, showed an increase of about 25% compared to 31 December 2015 (Euro 1,328.3 million). The securitisation transactions named "Alba 3", "Alba 4" and "Alba 5" were terminated, the new securitisation transaction named "Alba 8" was issued and work continued on the planned ramp-up for the securitisation transaction named "Alba 6" during the year. There was a gradual amortisation of the stock of liabilities issued by the SPVs for the remaining securitisation transactions named "Alba 7" and "Sunny", in addition to those involved in the agreement on securitised loans.

Other liabilities amounted to Euro 38.7 million, substantially in line with the value posted at 31 December 2015 (Euro 39 million).

Provisions for risks and charges (Euro 2.9 million) showed an increase of 28.7% compared to 31 December 2015 as a result of net accruals of Euro 2 million for actions brought against the Company and of the total release of a provision of Euro 1.3 million for early retirement incentive.

Shareholders' equity was equal to Euro 407.1 million and was broken down as follows:

	Liabilities and equity *(values in thousands of Euros)*	**31/12/2016**
120	Share capital	357,953
150	Share premiums	105,000
160	Reserves	(59,521)
170	Valuation reserves	(234)
180	Profit for the year	3,914

Income Statement

INCOME STATEMENT

	Income statement items *(thousands of Euros)*	**31/12/2016**	**31/12/2015**	**Changes**
10	Interest earned and similar income	113,168	121,065	(7,897)
20	Interest expense and similar charges	(26,589)	(39,477)	12,888
	Interest margin	**86,579**	**81,588**	**4,991**
30	Commissions earned	17,443	14,118	3,325
40	Commissions expense	(13,202)	(11,276)	(1,926)
	Net commissions	**4,241**	**2,842**	**1,399**
60	Net result from trading	(6)	(8)	2
90	Profit (loss) from disposal or repurchase of:	17	26	(10)
	a) financial assets	17	26	(10)
	Operating income	**90,830**	**84,448**	**6,382**
100	Net value adjustments / write-backs for impairment of :	(33,490)	(42,651)	9,162
	a) financial assets	(33,490)	(42,651)	9,162
110	Administrative expenses :	(42,965)	(36,048)	(6,917)
	a) personnel costs	(25,054)	(20,857)	(4,197)
	b) other administrative expenses	(17,911)	(15,191)	(2,720)
120	Net value adjustments /write-backs on property, plant and equipment	(77)	(93)	16
130	Net value adjustments /write-backs on intangible assets	(1,424)	(1,195)	(229)
150	Net accruals to provisions for risks and charges	(2,972)	(563)	(2,409)
160	Other operating income (costs)	(3,759)	(2,530)	(1,229)
	Net operating result	**6,143**	**1,368**	**4,775**
180	Profits (Losses) from disposal of investments	(16)	47	(62)
	Profit (Loss) before tax from current operations	**6,128**	**1,415**	**4,713**
190	Income tax for the period from current operations	(2,213)	3,592	(5,805)
	Profit (Loss) after tax from current operations	**3,914**	**5,007**	**(1,093)**
	Profit (Loss) for the year	**3,914**	**5,007**	**(1,093)**
210	**Profit (Loss) for the year attributable to minority interests**	**-**	**-**	**-**
220	**Profit (Loss) for the year**	**3,914**	**5,007**	**(1,093)**

Interest margin amounted to Euro 86.6 million, showing an increase of Euro 5.0 million (+6.1%) compared to 2015.

The reason for the increase of Euro 5.0 million in the interest margin is the differential between interest income and expense generated by our Company's core investment and funding activities, which gave rise to an increase of Euro 5.2 million, partially offset by a negative index effect of Euro 0.9 million for the period and higher default interest and commissions expense for Euro 0.7 million. A further contribution of Euro 1.4 million to the increase in the interest margin were non-recurring components mainly attributable to the banking sub-portfolio underlying the risk and reward agreement and to the positive impact of early termination operations.

Net commissions, equal to Euro 4.2 million, showed an increase of Euro 1.4 million compared to December 2015, which was attributable to: higher insurance fees (for Euro 0.6 million) owing to the rise in new business; higher net lease fees (for Euro 0.4 million) owing to an increase in commissions earned for managing contracts, only partly eroded by the provision for rappel to be paid to banks for achieving their targets and by other charges to be paid; higher other net commissions (for Euro 0.4 million) due to the fact that commissions expense ceased to be recognised on EIF guarantees associated with the securitisation transaction named Alba4 (terminated in April 2016).

The changes reported above gave rise to **an operating income of Euro 90.8 million, up by Euro 6.4 million (+7.6%)** compared to 2015.

Net adjustments to receivables amounted to Euro 33.5 million at the end of 2016, with a risk cost equal to 0.69% (0.91% in 2015), down by Euro 9.2 million compared to 2015, owing to an improvement in the portfolio which started to take shape in the second half of the current year. The amount of adjustments also benefitted from write-backs for the release of the regularisation provision for some substantial positions which had been set aside previously, for about Euro 7.1 million. For more details, reference should be made to the Notes to the Financial Statements.

Administrative expenses amounted to Euro 43.0 million, including personnel costs of Euro 25.1 million and operating costs of Euro 17.9 million. They showed an increase of Euro 6.9 million, equal to +19.2%, compared to December 2015 as a result of a rise in both personnel costs and other administrative expenses.

Personnel costs increased from Euro 20.9 million in 2015 to Euro 25.1 million in 2016, up by Euro 4.2 million (20.1%). The increase was due to higher provisions set aside for the variable component during the period (Euro 2.1 million), as well as to a reduction in provisions for early retirement incentive in June 2015 (Euro 2.4 million) and higher basic salary costs (about Euro 0.2 million), which was only partially offset by lower costs for contract renewals (about Euro 0.5 million), which were fully absorbed during the 2015 financial year.

Other administrative expenses showed an increase of Euro 2.7 million (17.9%), including "recurring" expenses of Euro 0.4 million and "non-recurring" expenses of Euro 2.3 million.
"Recurring" expenses rose owing to higher corporate consulting costs for Euro 0.6 million, higher costs for the management of doubtful debts for Euro 0.3 million, higher EDP costs (equipment maintenance) for Euro 0.2 million and higher rentals for Euro 0.1 million for the corporate building located at Via Sile no. 18. These recurring expenses were only partially offset, for about Euro 0.8 million, by lower costs for the renegotiation of the contract with the outsourcer Accenture (Euro 0.5 million), as well as by lower costs arising from the securitisations relating to the risk and reward agreement and from those originated by the Company (Euro 0.2 million) and lower sundry expenses (Euro 0.1 million for contests and donations).
The increase of Euro 2.3 million in **"non-recurring" expenses** related to the costs sustained for the Alba 2.0 project, which were already approved by the Board of Directors as extra-budget expenses.

Value adjustments /write-backs on intangible assets recorded a slight increase of Euro 0.2 million, mainly due to the amortisation of the software licence rights arising from the investments planned within the Alba 2.0 project.

Net accruals to provisions for risks and charges showed an increase of Euro 2.4 million as a result of net accruals generated from both actions brought against the Company during the year and those that were settled during the period.

Other operating income and costs (including the reclassification of the impact of the commissions relating to both securitised and without-recourse portfolio) showed a negative change of Euro 1.2 million, mainly owing to higher costs arising from the supplementary risk and reward agreement and without-recourse receivables (for Euro 0.7 million) and to higher stamp tax on writs of enforcement, vehicle ownership tax and leasing penalties (for Euro 0.5 million).

The result for the period

The result before tax from current operations posted a positive value of Euro 6.1 million at 31 December 2016, thus generating a **profit after tax for the period** of Euro 3.9 million.

Shareholders’ equity

Shareholders’ equity was equal to Euro 407.1 million.

Risk management

For more details on the information on risks and related hedging policies, reference should be made to the specific section 3 - “Information on risks and related hedging policies” of Part D of the Notes to the Financial Statements.

Related-party transactions

For specific quantitative information, reference should be made to section 6 on “Related-party Transactions” in the Notes to the Financial Statements.

Main risks and uncertainties

The Notes to the Financial Statements should be referred to for a detailed analysis of the risks to financial stability and for confirmation that the financial statements have been drawn up on a going-concern basis, as well as for information on financial and operational risks.
In preparing these financial statements the Directors deemed it appropriate to use the going-concern principle, not considering that there were any material doubts about our Company’s capacity to continue with its activities in the foreseeable future; this, moreover, is confirmed by the main equity and financial ratios at the end of the year.

Moreover no uncertain factors were found with regard to the procurement of funds, also because the shareholders are in the banking sector and because they have assured us of their strategic commitment to our Company.

Other information

It should be noted that:

- Alba Leasing is not subject to any direction and coordination activity;
- The Company does not hold, nor did it hold, treasury shares during the year.

Furthermore, the following issues must be noted:

Share Capital

It amounts to Euro 357,953,058.13, is fully subscribed and paid-up and is divided into no. 353,450,000 shares of no par value, broken down as follows:

Shareholder	*Number of Shares*	*Countervalue in €*	*% of share capital*
BPER Banca S.p.A.	*118,397,500*	*118,397,500.00*	*33.50%*
Banco Popolare	*106,567,500*	*106,567,500.00*	*30.15%*
Banca Popolare di Sondrio	*68,087,500*	*68,087,500.00*	*19.26%*
Banca Popolare di Milano	*31,947,500*	*31,947,500.00*	*9.04%*
Credito Valtellinese S.p.A.	*28,450,000*	*32,953,058.13*	*8.05%*

Consolidation area

The consolidated financial statements include the balance sheet and income statement values of Alba 6 SPV S.r.l., Sunny1 SPV S.r.l., Alba 7 SPV S.r.l., and Alba 8 SPV S.r.l. from the 2016 financial year. For more details, reference should be made to Section 5 – “Consolidation area and methods” of Part A – “Accounting Standards” of the Notes to the Financial Statements.

Corporate reorganisation and Union procedure

As a result of the reorganisation which commenced in 2013 (by a resolution passed by the Board of Directors’ meeting held on 28 January 2013 and by a subsequent agreement reached with the Trade Unions on 22 May 2013), no. 19 members of staff are still seconded to the offices of Partner Banks.

The agreement has been extended until 30 June 2017.

Impairment test

In accordance with IAS 36, an impairment test was conducted to find out whether goodwill recognised in the accounts had been impaired following the acquisition of the "leasing business unit" on the part of Credito Valtellinese. The recoverable value of the CGU (Cash Generating Unit) was measured by applying the Dividend Discount Model valuation technique in its access to capital variation. For more details, reference should be made to the Notes to the Financial Statements.

Outlook

In a macroeconomic scenario of slower and more gradual recovery than in other major European countries, Alba Leasing heightens its commitment to meeting budget objectives. Our Company, one of the biggest leaders in the Leasing sector with rising market shares, seeks to attain its business targets while paying the utmost attention to credit quality and profitability.

Significant events that occurred after the end of the 2016 financial year

It should be noted that, after 31 December 2016, the composition of the Share Capital changed as follows as a result of the merger that took place between Banco Popolare and Banca Popolare di Milano, which generated the new entity Banco BPM:

Share Capital

It amounts to Euro 357,953,058.13, is fully subscribed and paid-up and is divided into no. 353,450,000 shares of no par value, broken down as follows:

Shareholder	***Number of Shares***	***Countervalue in €***	***% 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%*

Board of Directors' Proposals

Dear Shareholders,

the Board of Directors invites you to acknowledge the Consolidated Financial Statements of Alba Leasing S.p.A. at 31 December 2016 and related Directors' Report.

For the Board of Directors

The Chairman

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Alba Leasing SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Alba Leasing Group, which comprise the balance sheet as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and the consolidated cash flows statement for the year then ended and the related notes, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Alba Leasing SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree N° 136/15.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree N° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Alba Leasing Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree N° 136/15.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures required under auditing standard (SA Italia) N° 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Alba Leasing SpA, with the consolidated financial statements of the Alba Leasing Group as of 31 December 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the Alba Leasing Group as of 31 December 2016.

Padova, 14 March 2017

PricewaterhouseCoopers SpA

Signed by

Alessandra Mingozzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers