Consolidated financial statements at 31 december 2017

Alba Leasing S.p.A.

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Registered in the Register of Financial Intermediaries pursuant to ex art. 106 TUB at n. 32
Tax code, VAT number and company registration number of the CCIAA Milan-Monza-Brianza-Lodi no. 06707270960
Share Capital of € 357.953.058,13 i.v.
Associated with Assilea, Italian Leasing AssociationLeasing

Governing Management

Board of Directors

Chairman	Luigi Roth
Chief Executive Officer and Managing Director	Massimo Mazzega
Directors	Matteo Bigarelli Fabio Cereghini Vittorio Pellegatta Giorgio Pellagatti Maurizio Riccadonna

Board of Statutory Auditors

Chairman	Ezio Maria Simonelli
In charge	Gabriele Camillo Erba Nicola Fiameni *
Substitute	Matteo Tiezzi

Shareholders

Alba Leasing is a company owned by:

Banco BPM S.p.A.	39,19%
BPER Banca S.p.A.	33,50%
Banca Popolare di Sondrio S.c.p.a.	19,26%
Credito Valtellinese S.p.A.	8,05%

*Appointed from 25th January 2018

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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., Alba 8 SPV S.r.l and Alba 9 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

Recovery was more vigorous than expected in Italy and in Europe in 2017; its rate gathered strength in the third quarter particularly.
Growth benefited from a continuing expansive economic policy stance, a favourable international scenario influenced by domestic demand and exports (which were not significantly affected by Euro appreciation), and the prolongation of the business investment cycle, which carried on in its role as driver.

The drivers of Italian economic growth were:
- the spurt in GDP, propelled by rising final domestic demand and a bounce-back in exports;
- the marked increase in expenditure on machinery, equipment and other products (which was the most dynamic component of demand), also supported by tax incentives;
- the reversal of the fall in investments in construction during the second quarter;
- the growth in private consumption, which quickened its pace, even if only slightly, after the lull in the previous quarter;
- the contribution of the foreign sector, which increased as a result of the rise in exports and the fall in imports.

To conclude, what is seen is firm progress in a picture of robust growth thanks to stronger domestic and foreign demand: many favourable factors endure, however, together with political uncertainty.

The table reports the rates of percentage change in GDP.
The forecast report of December 2017 shows a GDP increasing from +1.1 in 2016 to +1.6 in 2017.

Italy - macroeconomic scenario - annual change

	2016	2017
Gross Domestic Product	1.1	1.6
Imports of goods and services	3.3	5.5
Household spending and PSIs* expenditure	1.5	1.4
Pas** expenditure	0.5	0.9
Investments in Machinery/equipment/means of transport	4.2	5.0
Investments in Construction	1.4	1.2
Exports of goods and services	2.6	5.1
Total domestic demand	1.2	1.6
Consumer price index	(0.1)	1.2

Source: Prometeia - Forecast Report - December 2017
**[PSI = Private Social Institution]*
***[PA = Public Administration]*

The new lease agreements came to Euro 19.0 billion in 2017, up by 10.72% compared to 2016 (Euro 17.1 billion).
The trend in the number of agreements was also very satisfactory, up by 12.89%, from 329,678 to 372,187 in 2017.
The Capital Goods sector grew most, totalling +18.45% (+21.67% in terms of agreements). Leasing continued to be the means most used for investments by SMEs, according to data regarding the utilisation of concessions under the former Nuova Sabatini law.
The Automotive sector also recorded growth, even if lower, of 6.68% in terms of volumes and 3.24% in terms of agreements.
The Real Estate sector was practically stable, in terms of both volumes and number of agreements.
Although the proportion of maritime leases out of total business was lower (about 3%), there was a trend for the value of new lease agreements to rise, equal to +59.25%.

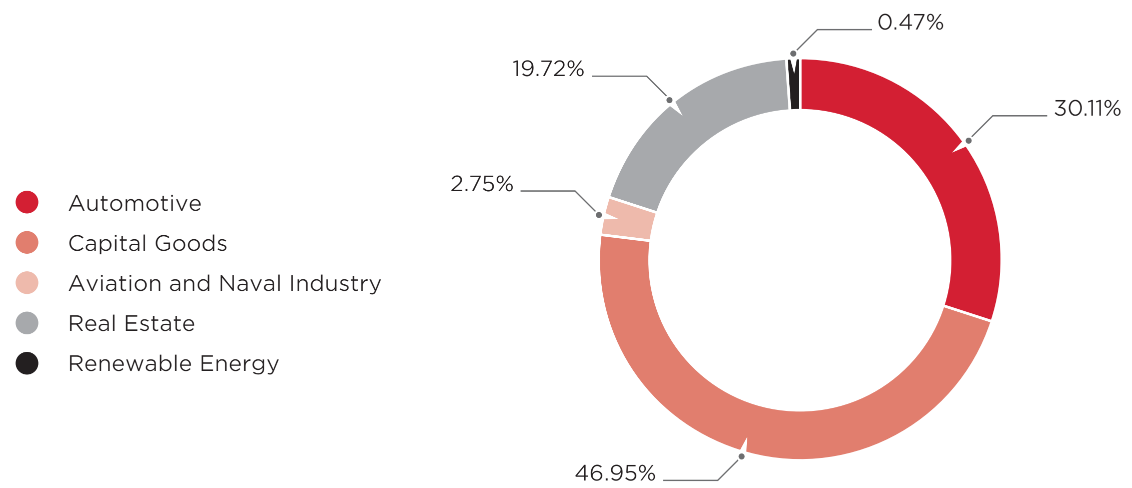
New Lease Agreements: number, amounts in thousands of Euros and percentage changes

Product	no. of agreements			amounts			
	2017-12	2016-12	% Change 2017/2016	2017-12	2016-12	Delta	% Change 2017/2016
Automotive	155,898	151,009	3.24%	5,712,401	5,354,952	357,449	6.68%
Capital Goods	211,623	173,935	21.67%	8,905,357	7,518,021	1,387,336	18.45%
Aviation and Naval Industry	354	357	-0.84%	521,829	327,670	194,159	59.25%
Real Estate	4,205	4,256	-1.20%	3,741,741	3,809,335	-67,594	-1.77%
Renewable Energy	107	121	-11.57%	88,228	122,212	-33,984	-27.81%
Total lease	372,187	329,678	12.89%	18,969,556	17,132,190	1,837,366	10.72%

Source: Assilea

The Capital Goods, Automotive and Real Estate sectors were those which the highest overall percentages, equal to 96.78%. The Aviation and Naval Industry and Railway and renewable Energy sectors contributed residual amounts, equal to 2.75% and 0.47%, respectively.

New lease agreements - 2017: % of volumes per product



Business performance and market positioning

In a market scenario growing by 10.72%, in December 2017, Alba Leasing increased volumes by 5.01%, from Euro 1,382.5 million in 2016 to Euro 1,451.8 million in 2017 (Euro +69.3 million).
The “flagship” product was again Capital Goods, whose percentage out of total volumes (52%), constituted an 8.66% increase.
Real Estate leases followed with about 22%, up by +11.39%, while the Automotive sector product showed substantially stable volumes compared to the previous year.
Finally there was more business in the Aviation and Naval Industry sector, even if its contribution was very small (3%), showing volumes increasing by +25.61%.

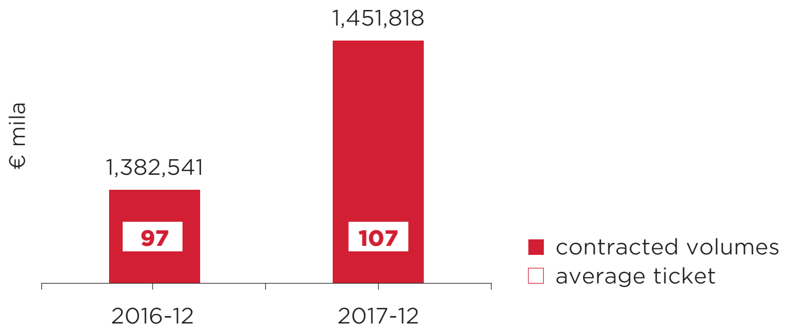
New Lease Agreements for Alba Leasing: no. of agreements, amounts in thousands of Euros and percentage changes

Product	no. of agreements			amounts			
	2017-12	2016-12	% Change 2017/2016	2017-12	2016-12	Delta	% Change 2017/2016
Automotive	5,194	5,705	-8.96%	299,729	305,942	-6,213	-2.03%
Capital Goods	7,851	8,027	-2.19%	761,097	700,456	60,641	8.66%
Aviation and Naval Industry	32	38	-15.79%	43,563	34,681	8,882	25.61%
Real Estate	401	446	-10.09%	323,376	290,306	33,070	11.39%
Renewable Energy	61	57	7.02%	24,053	51,156	-27,103	-52.98%
Total lease	**13,539**	**14,273**	**-5.14%**	**1,451,818**	**1,382,541**	**69,277**	**5.01%**

Source: Assilea

The average ticket per agreement was Euro 107 thousand at the end of 2017, up compared to Euro 97 thousand in 2016.

Contracted volumes - Average ticket



Net spreads from new business decreased compared to 2016. Total net spread decreased from 2.47% in 2016 to 2.24% in 2017, down by 0.22%. The products in the Capital Goods and Automotive sectors recorded a reduction of 0.24% and 0.21%, respectively, in the spread, while there was a lower decrease of 0.15% in the Real Estate sector.

New Agreements for Alba Leasing: net spread per product

Product	2017-12	2016-12	% Change 2017/2016
Automotive	2.64%	2.85%	-0.21%
Capital Goods	2.25%	2.49%	-0.24%
Aviation and Naval Industry	2.11%	2.55%	-0.44%
Real Estate	2.11%	2.25%	-0.15%
Total lease	**2.24%**	**2.47%**	**-0.22%**

Source: Alba Leasing

As far as product mix is concerned, Capital Goods were again our Company's core product, achieving about 52.4% of volumes, showing a slight increase compared to 2016. It was followed by Real Estate (22.3%) and Automotive (20.7%). A marginal contribution was still made by the Aviation and Naval Industry and Railway sectors (from 2.5% in 2016 to 3.0% in 2017) and by Renewable Energy (from 3.7% in 2016 to 1.7% in 2017).

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

Product	2017-12	2016-12	% Change 2017/2016
Automotive	20.65%	22.13%	-1.48%
Capital Goods	52.42%	50.66%	1.76%
Aviation and Naval Industry	3.00%	2.51%	0.49%
Real Estate	22.27%	21.00%	1.28%
Renewable Energy	1.66%	3.70%	-2.04%

Source: Assilea

In 2017 there was a reduced contribution from the Partner Banks (from 70.9% in 2016 to 68.6% in 2017) in favour of other Affiliated Banks (+1.2%) and other channels (+1.0%). There was a rise in contracted volumes from all channels, for an overall +5.0%: +1.7% for Partner Banks, +15.6% for Affiliated Banks and +11.1% for other channels.

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

Channel	2017-12	2016-12	% Change 2017/2016	Change in Volumes 2017/2016
Partner Banks	68.64%	70.86%	-2.22%	1.72%
Affiliated Banks	13.43%	12.20%	1.23%	15.62%
Total Banks	82.07%	83.06%	-0.99%	3.76%
Other Channels (vendors/suppliers/direct channel/intermediaries)	17.93%	16.94%	0.99%	11.12%
Total lease	**100.00%**	**100.00%**		**5.01%**

Source: Alba Leasing

Alba was ranked fourth in the market in 2017 too, with a share of 7.65%, up compared to 2016 (6.68%).
The Company is in third place in the national ranking for Capital Goods, with a market share of 8.55%.

Classification by product and market share - 2017

New Lease Agreements	Position of Assilea	Market Share
Automotive	5	5.25%
Capital Goods	3	8.55%
Aviation and Naval Industry	5	8.35%
Real Estate	5	8.64%
Renewable Energy	1	27.26%
Total	**4**	**7.65%**

Source: Assilea

In December 2017, total branches that distributed Alba leasing products were 5,244, 3,274 of which were Partner Banks' branches, in addition to 1,970 branches of other Affiliated Banks (smaller banks strongly concentrated at a local level), of which 1,738 are affiliated under premium and 232 under standard agreements.

Organisational Structure

With the aim of matching organisational structure to business development and growth, the Board of Directors' meeting held on 25 May approved, with effect from 1 June, some organisational changes, which mainly affect the straight line and dotted line relationships in the General Management department in addition to the creation of another Department (formerly a Service unit), two new Service units and various Organisational Units.

The main organisational changes made, in detail, are:

- Chief Executive Officer and GM
  - Reporting to the CEO and GM:
    - Straight line: Administration, Treasury and Control Department; Human Resources O.U.; Data Management O.U.; Corporate Affairs Secretary's Office O.U. and the new Change Management O.U.;
    - Dotted line: Risk, Legal and Compliance Department (formerly Service unit) and Internal Audit Function.

- Deputy General Manager (DGM)
  - Reporting to the DGM are, on a straight line basis, the Market Department, the Credit Management Department and the Non-performing Loan Department;
  - Two new Service units reporting to the DGM:
    - Operations Service Unit, which includes the existing Contract Procurement O.U., Contract Management O.U., Technical and Operational Activities O.U.; Outsourced Activities Support O.U. and the new Suppliers, Operation and Document Management O.U.;
    - ICT and Processes Service unit, which includes the Organisational Processes O.U., Governance ICT O.U. and the new General Services O.U.;
  - Market Department: a new Operating Lease and Renting O.U. was formed.

The Internal Regulations and Decision-Making System Regulations were revised in order to align them with the changes to the organisation and processes.

Research and Development activities

Alba 2.0 Project and Alba Next

With the participation of all the Company's functions, during the first half of 2017 the technological development design initiatives contained in the Alba 2.0 programme were completed, followed by further innovation and transformation initiatives and opportunities which gave rise to another, broader-based transformation programme called "Alba Next", whose objective is to strengthen the Company's competitive positioning in the Leasing market and develop business in other sectors (e.g. Operating Lease).
The activities were carried out within the planned time with costs in line with budget forecasts (final Other Administrative Expenses for Euro 1.9 million and amortisation of intangible assets for Euro 0.1 million against investments of Euro 0.3 million).

Significant events

Impairment test results: write-down of Goodwill

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.
No grounds emerged from the impairment test results for retaining goodwill among its Balance Sheet assets, and therefore the Company considered it advisable to write it down completely, with a consequent effect of Euro 10 million on profit or loss.
The justification for this decision was that the greatest change from the previous test conducted for the Financial Statements at 31 December 2016 was the considerable objective and endogenous increase in financial benchmark "Ke" (i.e. cost of capital), from 7.5% at 31 December 2016 to 8.6% at 31 December 2017 (the Capital Asset Pricing Model formula was used to calculate the cost of capital Ke and to discount distributable Excess Capital flows, on the basis of: rf = Risk Free Rate (10-year Long-

Term Treasury Bonds [BTP]) – 12-month Average, equal to 2.07%; Beta of 1.2 considering the Company's risk profile, insofar as it can be estimated – Risk Premium equal to 5.5%). A second change is the use for the years 2018, 2019 and 2020 of lower expected profit after tax than in the plan adopted as of 31 December 2016: the sole reasons for these differences are the "inertia" effects of the operational figures for the 2017 financial year and the alignment of the 2018 financial year with the Company's assumed objectives.

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 technical forms of funding and support its growth path.

During 2017 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 four additional assignments of receivables were carried out within the securitisation transaction Alba 6, in order to keep the amount of senior notes at Euro 300 million. These notes were subscribed by a leading bank;
- In February a 18-month loan agreement was entered into with Banca IMI S.p.A. through Repos, the underlying of which was the junior notes of the securitisation transaction named "Alba 8", generating profits of Euro 44 million;
- During the first quarter agreements were signed for the assignment of receivables and agreements for the issue of notes for a new securitisation transaction named "Alba 9". There were two distinct phases in the Alba 9 transaction: the first without a rating or listing called "Warehouse" and the second with a rating and listing called "Take-out".
- In the Warehouse phase carried out during the first half of 2017, Alba Leasing transferred a portfolio of receivables amounting to about Euro 960 million to the newly-established vehicle, which afterwards issued two classes of notes (Junior and Senior). Alba Leasing received cash of about Euro 657 million from the subscription of the Senior tranche by third parties.
- In October Alba Leasing closed the Warehouse phase redeeming the outstanding notes and preparing the ground for the second phase, Take-out, structured by assigning the performing loans of the previous Warehouse phase and assigning an additional portfolio: the overall portfolio that as assigned amounted to Euro 1,123 million.
- In detail, Alba Leasing transferred to Alba 9 SPV a portfolio of receivables arising from performing lease agreements generated during the last 18 months, which allowed the abovementioned vehicle to issue 5 series of notes (Senior, Mezzanine and Junior).
- The entire Senior A1 tranche was placed on the market (with Banca IMI and SG CIB as Joint Lead Managers) in an extremely successful public offer, with orders equal to Euro 1,130 million against available notes of Euro 479 million. The EIB Group took part in the transaction as an investor - (the European Investment Bank - EIB subscribed the entire Senior A2 tranche) – and guarantor (through the European Investment Fund - EIF). The Class B Mezzanine notes were initially subscribed by Alba Leasing and were sold at par, 50% to Cassa Depositi e Prestiti and 50% to Kreditanstalt fur Wiederaufbau (KFW) in November 2017. The Class C Mezzanine and Junior Class notes were subscribed in full by Alba Leasing.
- The above transaction generated cash of about Euro 860 million, net of reserves and units subscribed by Alba Leasing itself and could generate an additional amount of Euro 100 million during 2018 with the sale of the Class C Mezzanine notes.
- In April Alba Leasing and the EIF signed an amendment to the InnovFin guarantee agreement for innovative SMEs and Small and Mid-Caps whereby the total ceiling of the portfolio which can be "guaranteed" by the EIF rose from Euro 80 million to Euro 200 million;
- In May another 18-month financing transaction was finalised through Repos of the junior notes of the Sunny 1 securitisation transaction with Morgan Stanley Bank: the transaction generated profits of Euro 110 million; also in May, the Company renewed a guarantee issued by SACE (Foreign Trade Insurance Services) to EIB on a loan of about Euro 54 million in Alba Leasing's interest;
- in July Cassa Depositi e Prestiti (CDP) (the Italian Deposits and Loans Fund) granted Alba Leasing new loans with terms varying between three and five years, for a total of Euro 44 million; furthermore, a 18-month loan agreement was entered into with Banca IMI S.p.A. through Repos of the junior notes of the securitisation transaction named "Alba 7": the transaction generated profits of about Euro 65 million.

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 tax year in connection with bad debts, in October 2016 the Milan Regional Tax Board (*Commissione Tributaria Regionale*) handed down a judgment confirming the trial judgment which had granted the appeal submitted by our Company.

In October 2015 the Revenue Agency served a notice of IRES (Corporate Income) tax assessment after the inspection of the Company on 20 December 2013 regarding the non-deductibility of negative income components resulting from the correct calculation of the amount of deductible costs in the 2010 tax year in connection with bad debts, assessing an increase of Euro 311 thousand in tax, in addition to sanctions and interest of Euro 427 thousand. Alba Leasing filed an appeal against the notice of tax assessment. In January 2017 the Milan Provincial Tax Board (*Commissione Tributaria Provinciale*) filed a judgment in which the Company's appeal was granted. The dispute is currently pending before the Lombardy Regional Tax Board, as the Revenue Agency has appealed against the ruling handed down.

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. The related counter-appeal, which was drawn up by trusted professionals, was delivered for service on the Revenue Agency in November 2015.

New IFRS9

IFRS 9 replaced IAS 39, the standard previously in force, with effect from 1 January 2018. The main changes which regard the Company are a new impairment model applicable to its leasing portfolio ("impairment model") and, more generally, to the classification, measurement and valuation of other assets items such as, but not limited to, the notes held by the Company and classified, according to IAS 39, under "assets held to maturity." In greater detail, the main changes are:

- segmentation of exposures: the portfolio is divided into 3 classes (stages) according to credit risk by applying staging criteria;
- valuation of asset items: exposure is adjusted by expected loss calculated on the basis of past events, current conditions and reasonable and "supportable" forecasts. The concept of incurred loss based on objective past evidence is abandoned;
- expected loss time horizon: the estimate is made lifetime, i.e. on the entire residual term of the contract;
- Forward-Looking component: the requirement is to include forward-looking information (a forecast on the movements of the cycle) in calculating expected loss.

Lifetime PD (Probability of Default) can be calculated taking various approaches: among the most common are Markov matrices and Vintage curves. The choice of method depends on the results of special analyses, which, in Alba Leasing's case, led to its favouring the "Markov in parallel" and the "Markov Vintage" models (which model to use is under consideration).

The parameter has been estimated adopting a different approach from the preceding one, not only in order to comply with legal requirements but also in order to obtain a more accurate estimate so that the calculation of LGD (Loss Given Default) becomes predictive and granular with the appropriate integration functions. The PD calculation process is complex and consists of the following steps:

1) estimates of the "transition matrices" of the rating classes over various years of observation (from 2010 to (and including) 2016) from a point-in-time (PIT) approach;
2) by means of the "Merton" formula, the data of these matrices are purged of the effects of the economic cycle;
3) new through-the-cycle matrices are estimated;
4) the impact of the current cycle over the following three years is estimated (Forward-Looking approach);

5) the final matrices (PIT Forward-Looking) and the LT PD are estimated adopting the Markov in parallel approach.

The LGD parameter has been estimated adopting a different approach from the preceding one, not only in order to comply with legal requirements but also in order to obtain a more accurate estimate so that the calculation of LGD becomes predictive and granular.
A modular approach has been chosen, divided into two phases:

1) predictive modelling of loss rates, based on the measurement of the discounted recoveries made/losses incurred after default (workout method);
2) danger rate modelling extending the previous estimate to the other default states, based on analysis of transitions between defaulting and performing classes.

After this, testing proceeded as required by IFRS 9, which involved the inclusion of the Forward-Looking component in the LGD parameter too.
Finally, LGD was calculated by risk class (non-performing or other defaults) per product, separating the technical “Presto Leasing” type from the others.
The future evolution of EAD (Exposure at Default) as a result of factors other than the progress of the amortisation plan was taken into account: these factors are drawdown commitments (managed through the “credit conversion factor (CCF)) and “advance payments” (managed through estimates according to product). The CRR (Capital Requirements Regulations) regulatory system was chosen for CCF, which did not need to be valued under IAS 39 rules (zero for revocable contracts, 20% for irrevocable contracts with a term of less than a year and 50% for those with a longer term) in the absence of an internal database.

Coefficients differing according to product were estimated for early redemptions.
The new IFRS 9 introduces the concept of stages for the classification of contracts: the Company decides whether there is a “significant increase in risk” and consequently the passage of an asset to stage 2 following four rules:

a) 30 days past due (backstop criteria);
b) forborne (backstop);
c) heightening of risk compared with first recognition (quantitative aspect) measured on the basis of the difference between original and current rating, carried out referring to a risk management analysis table;
d) no rating at origin or when recognised for counterparties covered by the model (this rule shall not apply, for example, to Public Authorities, Financial Intermediaries, etc.).

Finally, the “satellite model” (used to take expected economic conditions into account), is applied to lifetime PD and danger rate. This is done by analysing the default rate over a 15-year time horizon in order to obtain robust, coherent three-year default rates. A series of macroeconomic and financial variables was analysed, taken from ISTAT (Italian Statistics Institute) sources, and three were chosen: rate of change in real investments, unemployment rate and rate of change in GDP.
The expected values of these three variables, utilised to calculate Forward-Looking PD, were taken from two reliable sources: Prometeia and the Economic and Financial Planning Document (*Documento di Programmazione Economica Finanziaria*, DEF).
For more details on the accounting impacts of the application of the new accounting standard IFRS 9, reference should be made to the information provided in Part A - Accounting policies, A.1 - General section, section 4 - Other aspects, of the Explanatory Notes.

Assignment of non-performing loans (NPLs)

In December 2017 the Board of Directors resolved to put a portfolio of non-performing real estate mortgage loans (NPLs) consisting of 52 agreements on the market, with a gross value of Euro 103.1 million. These are assets which fall outside the scope of the Company’s core business, which was acquired upon contribution from Banca Italease, and impaired rapidly. The Company’s objective in selling this portfolio was to cut down the stock of non-performing loans (with an NPL ratio before the assignment equal to 17.01% against an NPL ratio after the assignment equal to 15.30%,) and remove an asset class which is not a core business activity, consequently freeing up resources which can be used to focus on other projects.

The abovementioned portfolio was classified to “item 130 – Non-current assets and disposal groups of assets.”

Other events

Distribution agreement with the "Cassa Centrale Banca Group"

On 4 July Alba Leasing signed a master agreement with Cassa Centrale Banca, which has no fewer than 110 Cooperative and Agricultural Banks, and Raiffeisen regarding arrangements with 1,700 new branches, thus allowing the Company to further expand and strengthen its distribution network. 23 banks with a total of about 450 branches had joined the agreement in December 2017.

Closure of securitisation transactions

As detailed in the Notes to the Financial Statements, the securitisation transaction of Leasimpresa Finance 2 (LSMP) was closed in December, which fell within the scope of securitisations underlying the banking sub-portfolio involved in the agreement on securitised loans.

Bank of Italy inspection

A Bank of Italy inspection commenced in October 2017, pursuant to Article 54 of Legislative Decree no. 385/93 (TUB, *Testo Unico Bancario*, Consolidation Act on Banking Laws), which was concluded in January 2018. As of the date of this report, the Company had not yet received the findings of this inspection.

The Company's Key Performance Indicators

		2016-12	2017-12
Income Statement	Interest margin / AC* of Income-generating Contracts	2.02%	1.94%
	Operating income / AC of Income-generating Contracts [a]	2.03%	1.99%
	Gross operating result / AC of Income-generating contracts	0.14%	-0.04%
	ROE[b]	0.97%	-2.05%
Efficiency	Operating Costs / Operating income [c]	51.07%	74.45%
	Personnel costs / Operating costs [d]	56.35%	39.46%
Productivity	Average number of employees (FTE)	269	274
	Average cost / Average number of employees (FTE)[e]	93.14	94.70
	New Agreements / Average number of employees (FTE)	5.14	5.30
Risk and Capital	Risk cost	0.69%	0.51%
	Risk cost/Operating income	38.46%	27.50%
	RWA	4,103	4,438
	Total capital ratio	9.39%	9.01%
	Rorac	2.50%	-0.71%
* 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 write-down of Goodwill, index is equal to			0.40%
c) net of non-recurring components, the index is equal to		45.94%	68.67%
d) net of non-recurring components, the index is equal to		57.41%	38.17%
e) net of non-recurring components, the index is equal to		85.36	84.48

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)*	31/12/2017	31/12/2016	Changes
10 Cash and cash equivalents	9	8	1
20 Financial assets held for trading	75	174	(98)
50 Financial assets held to maturity	5,016	5,020	(4)
60 Receivables	4,959,864	4,828,737	131,127
100 Property, plant and equipment	6,367	1,904	4,463
110 Intangible assets	7,407	18,200	(10,794)
120 Tax assets	53,391	59,860	(6,469)
a) current	4,049	5,053	(1,004)
b) deferred	49,343	54,807	(5,465)
of which : Law 214/2011	37,215	37,215	-
130 Non-current assets and disposal groups of assets	54,227	-	54,227
140 Other assets	131,788	141,917	(10,130)
Total	**5,218,144**	**5,055,820**	**162,324**

Liabilities and equity *(thousands of Euros)*	31/12/2017	31/12/2016	Changes
10 Payables	2,742,495	2,943,370	(200,875)
20 Outstanding securities	2,008,093	1,661,043	347,051
30 Financial liabilities held for trading	74	177	(103)
90 Other liabilities	53,821	38,652	15,169
100 Employee severance pay	2,509	2,578	(69)
110 Provisions for risks and charges	2,424	2,887	(463)
b) other provisions	2,424	2,887	(463)
120 Share capital	357,953	357,953	-
150 Share premiums	105,000	105,000	-
160 Reserves	(55,607)	(59,521)	3,914
170 Valuation reserves	(253)	(234)	(19)
180 Profit (loss) for the year	1,633	3,914	(2,282)
190 Equity attributable to minority interests	-	-	-
Total	**5,218,144**	**5,055,820**	**162,324**

Net receivables at 31 December 2017, equal to Euro 4,959.9 million, increased by about 2.7% compared to the value posted at 31 December 2016 (Euro 4,828.7 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 6.4 million, up compared to 31 December 2016 owing to properties which had become available again as a result of the early termination of the underlying lease agreements.

Intangible assets amounted to Euro 7.4 million, of which an amount of Euro 1.5 million accounted for software licence rights, mainly arising from investments linked to Alba 2.0, Alba Next and IFRS 9 projects and an amount of Euro 5.9 million, net of amortisation, accounted for the value of the distribution contract relationship measured in the framework of the Purchase Price Allocation process following the acquisition of the leasing business unit from Credito Valtellinese "Creval".
It should be noted that, pursuant to IAS 36, goodwill was tested for impairment, which had been generated from the same business unit, on the basis of the data provided in the 2018-2021 Financial

Plan. Specifically, a qualitative analysis of indicators was conducted on 31 December 2017 on the main assumptions underlying goodwill test calculations; no indications for retaining it among balance sheet assets emerged from the impairment test results. The Company decided to write it down completely with a consequent effect of Euro 10 million on profit or loss with a neutral effect on tax for the current financial year, as a result of a tax relief (Article 176, paragraph 2-*ter* of the TUIR (*Testo Unico delle Imposte sui Redditi,* Consolidation Act on Income Taxes)) applied in 2015.
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, since Creval had attained the targets of new lease agreements in terms of both volumes and net spread as per the budget allocated for 2017.

Tax assets amounted to Euro 53.4 million and were mainly made up of deferred tax assets (Euro 49.3 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.

Non-current assets and disposal groups of assets amounted to Euro 54.2 million and include a portfolio of non-performing real estate mortgage loans (sub-portfolio of loans) with a gross value of Euro 103.1 million.
On the closing date of the financial year, the exposures in the sub-portfolio of loans, which the Company listed in detail, were described as “assets held for sale” since the conditions laid down in IFRS 5 had been satisfied (as regards their classification in the financial statements) and accounted for under “item 130 – Non-current assets and disposal groups of assets.”

Other assets amounted to Euro 132 million and were mainly made up of other assets relating to the banking sub-portfolio involved in the agreement on securitised loans (Euro 46.6 million), as well as VAT receivables from the Tax Office (Euro 55.3 million) and items being processed (Euro 22.8 million). On 28 February 2017 a request for VAT credit refund was submitted for Euro 11.1 million, of which an amount of Euro 0.7 million was repaid directly by the Concessionaire on 22 May 2017.

Payables, equal to Euro 2,742.5 million, down by 6.8% compared to 31 December 2016, equal to Euro 2,943.4 million, were mainly made up of payables to banks for Euro 2,424.2 million (including REPOS of Euro 219.6 million) and payables for loans from financial institutions for Euro 109.1 million. The REPO transactions are attributable to the Junior notes relating to the securitisation transactions issued by the Company.

Outstanding securities, equal to Euro 2,008.1 million, showed an increase (+20.9%) compared to 31 December 2016 (Euro 1,661.0 million). The new securitisation transaction named “Alba 9” was completed and work continued on the planned revolving for the securitisation transaction named “Alba 6” during the fourth quarter. There was a gradual amortisation of the stock of liabilities issued by the SPVs for the remaining securitisation transactions named “Alba 7”, “Alba 8” and “Sunny”, in addition to those involved in the agreement on securitised loans.

Other liabilities amounted to Euro 53.8 million, showing an increase of 39.2% compared to 31 December 2016 (Euro 38.7 million), which was substantially attributable to sundry payables relating to the risk and reward agreement.

Provisions for risks and charges (Euro 2.4 million) showed a decrease of 16.0% compared to 31 December 2016 as a result of lower net accruals for actions brought against the Company.

Shareholders’ equity was equal to Euro 408.7 million and was broken down as follows:

Liabilities and equity *(values in thousands of Euros)*	31/12/2017
120 Share capital	357,953
150 Share premiums	105,000
160 Reserves	(55,607)
170 Valuation reserves	(253)
180 Profit for the year	1,633

Income Statement

Income statement items *(thousands of Euros)*	31/12/2017	31/12/2016	Changes
10 Interest earned and similar income	107,385	113,168	(5,782)
20 Interest expense and similar charges	(21,355)	(26,589)	5,234
Interest margin	**86,030**	**86,579**	**(549)**
30 Commissions earned	20,605	17,443	3,162
40 Commissions expense	(13,830)	(13,202)	(628)
Net commissions	**6,775**	**4,241**	**2,534**
60 Net result from trading	(75)	(6)	(68)
90 Profit (loss) from disposal or repurchase of :	-	17	(17)
a) financial assets	-	17	(17)
Operating income	**92,731**	**90,830**	**1,900**
100 Net value adjustments / write-backs for impairment of:	(24,291)	(33,490)	9,199
a) financial assets	(24,291)	(33,490)	9,199
110 Administrative expenses:	(43,906)	(42,965)	(941)
a) personnel costs	(25,948)	(25,054)	(893)
b) other administrative expenses	(17,958)	(17,911)	(47)
120 Net value adjustments / write-backs on property, plant and equipment	(255)	(77)	(178)
130 Net value adjustments / write-backs on intangible assets	(11,582)	(1,424)	(10,158)
150 Net accruals to provisions for risks and charges	(167)	(2,972)	2,805
160 Other operating income (costs)	(4,412)	(3,759)	(653)
Net operating result	**8,117**	**6,143**	**1,974**
180 Profits (Losses) from disposal of investments	4	(16)	19
Profit (Loss) before tax from current operations	**8,121**	**6,128**	**1,993**
190 Income tax for the period from current operations	(6,488)	(2,213)	(4,275)
Profit (Loss) after tax from current operations	**1,633**	**3,914**	**(2,282)**
210 Profit (Loss) for the year attributable to minority interests	-	-	-
220 Profit (Loss) for the year	**1,633**	**3,914**	**(2,282)**

Interest margin recorded a slight decrease of Euro 0.5 million (-0.6%) compared to 31 December 2016: the
Euro 2.4 million less interest income and expense, as a result of the reduction in the amount of the investments from the contributed portfolio and risks-rewards, were offset by a positive index effect of Euro 2.8 million. The margin was also adversely affected, for a total of Euro 0.9 million, by lower early terminations (Euro 1 million) and by other balance sheet items (transaction costs and revenue and defaults for Euro 1.2 million), which were offset by greater non-recurring positive components attributed to the risk and reward portfolio (for Euro 1.3 million).

Net commissions, equal to Euro 6.8 million, showed an increase of Euro 2.5 million compared to December 2016, 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 1.6 million) owing to an increase in commissions earned for managing contracts and to higher other net commissions (for Euro 0.3 million).

The changes reported above gave rise to a **net banking income of Euro 92.7 million, up by Euro 1.9 million (+2.1%)** compared to 2016.

Net adjustments to receivables amounted to Euro 24.3 million at the end of 2017, with a risk cost equal to 0.51% (0.69% in 2016). The amount was lower by Euro 9.2 million compared to 2016, which was also due to the management's recovery actions that allowed, among other things, a reduction in overall outstanding amounts: the final closure of some non-performing exposures led to some value write-backs. This applied to some sizeable exposures in particular: merely the top two in terms of amount generated write-backs of Euro 4.2 million, without which the abovementioned net adjustments would have risen to Euro 28.5 million. It must be added that, for all intents and purposes, the final adjustments to receivables, for Euro 24.3 million, were also affected by the results of the Bank of Italy inspection which ended in January 2018. For more details, reference should be made to the Notes to the Financial Statements.

Administrative expenses amounted to Euro 43.9 million, including personnel costs of Euro 25.9 million and operating costs of Euro 18 million. They showed an increase of Euro 0.9 million, equal to +2.2%, compared to December 2016, which was mainly due to a rise in personnel costs.

Personnel costs increased from Euro 25.1 million in 2016 to Euro 25.9 million in 2017, up by Euro 0.9 million (3.6%). The increase was due to higher provisions set aside for the variable component during the period (Euro 0.7 million) and to personnel costs (wages and salaries, tickets and insurance policies), which showed a 1% increase (equal to Euro 0.3 million) in this item compared to 2016, mainly owing to the addition of new specialist professionals. Early retirement costs fell by Euro 0.1 million.

Other administrative expenses, in line with the value posted at the end of 2016, amounted to Euro 18 million, including "recurring" expenses of Euro 15.4 million and "non-recurring" expenses of Euro 2.6 million.
A comparison with the previous year shows that there was a rise of Euro 0.2 million in "recurring" expenses, which was attributable for Euro 0.3 million to higher administrative expenses, mainly owing to bank contest (Euro 0.1 million), the servicing of software for investments in "special" Alba 2.0, Alba Next and IFRS9 projects (Euro 0.1 million) and higher "Taxes" (Euro 0.2 million), relating to IMU(Single Municipal)/TASI (Indivisible Services) tax on properties leased back on the expiry of finance leases. These negative effects were offset by lower Service costs (Euro 0.3 million) as a result of the new agreement concerning the receivables involved in the risks and reward agreement and without recourse, as well as by lower sundry expenses for Euro 0.1 million.
"Non-recurring" expenses decreased by Euro 0.1 million, owing to a reduction of Euro 1.8 million in costs arising from the "Alba 2.0" project (which was completed during the current year, with costs mainly incurred during the previous year) and to higher costs for the new projects of "Alba Next" for Euro 1.3 million and "Alba IFRS9" for Euro 0.4 million.

Value adjustments /write-backs on intangible assets recorded an increase of Euro 10.2 million, of which an amount of Euro 10 million was due to a full write-down of goodwill generated by the acquisition of the leasing business unit from Credito Valtellinese "Creval" (for more details, reference should be made to the paragraph on "Significant events") and an amount of Euro 0.2 million was due to the amortisation of the software licence rights arising from the investments planned within the Alba 2.0, Alba Next and IFRS 9 projects.

Net accruals to provisions for risks and charges showed a decrease of Euro 2.8 million due to the net effect of lower accruals for new actions brought against the Company 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 0.7 million, mainly owing to higher stamp tax on writs of enforcement, vehicle ownership tax and leasing penalties (for Euro 0.6 million), higher premiums on "The risk" insurance policies (for Euro 0.3 million) and higher costs not recovered for Euro 0.2 million. These negative effects were partly offset by lower charges relating to the supplementary risk-reward agreement and receivables without recourse (for Euro 0.4 million) and by a small reduction in the costs of managing and reallocating the assets which returned to the Company after early termination of lease agreements (for Euro 0.1 million).

The result for the period
The result before tax from current operations posted a positive value of Euro 8.1 million at 31 December 2017, thus generating a profit after tax for the period of Euro 1.6 million. After the tax relief (Article 176, paragraph 2-*ter*, of the Consolidation Act on Income Tax) obtained by the Company during the 2015 financial year against intangibles generated by the acquisition of the "Creval" leasing business unit, tax is calculated gross of the write-down of the goodwill of the same unit.

Shareholders' equity

Shareholders' equity was equal to Euro 408.7 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*
Banco BPM S.p.A.	138,515,000	138,515,000.00	39.19%
BPER Banca S.p.A.	118,397,500	118,397,500.00	33.50%
Banca Popolare di Sondrio	68,087,500	68,087,500.00	19.26%
Credito Valtellinese S.p.A.	28,450,000	32,953,058.13	8.05%

Consolidation 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., Alba 8 SPV S.r.l. and Alba 9 SPV S.r.l. from the 2017 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. 5 members of staff are still seconded to the offices of a Partner Bank, expiring on 31 May 2018.

Outlook

Alba Leasing continues to expand in a macroeconomic scenario of strong world trade growth that supports the Italian economy, enabling the Company to step up the speed of its recovery, maintaining a high growth rate and meeting challenging targets in line with market objectives. Our Company, one of the four leading operators in the Leasing sector, recorded rising market shares and continued to attain its business targets while paying the utmost attention to credit quality and profitability.

Significant events that occurred after the end of the 2017 financial year

The Bank of Italy inspection was concluded at the end of January 2018. As of the date of this report, the Company had not yet received the findings of this inspection.

After a notice of IRES (Corporate Income) tax assessment was served as a result of a Revenue Agency inspection at our Company (20 December 2013) regarding the non-deductibility of negative income components concerning the correct calculation of the amount of deductible costs in the 2009 tax year in connection with bad debts, the Revenue Agency challenged the judgment handed down by the Regional Tax Board by an appeal filed with the Supreme Court, which was served on Alba Leasing in February 2018. Alba Leasing S.p.A. is to file, through its advisors, a counter-appeal within the time limits prescribed by law in order to safeguard its interests.

On 25 January 2018 the Standing Auditor Mario Vitali resigned from his office, who was replaced by Alternate Auditor Nicola Fiameni pursuant to Article 2401 of the Italian Civil Code.

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 2017 and related Directors' Report.

For the Board of Directors
The Chairman

Consolidated financial statements

Consolidated Balance Sheet

(values in Euros)

Assets	31/12/2017	31/12/2016
10 Cash and cash equivalents	9,079	8,062
20 Financial assets held for trading	75,398	173,617
50 Financial assets held to maturity	5,015,913	5,019,581
60 Receivables	4,959,864,354	4,828,737,128
100 Property, plant and equipment	6,366,537	1,903,515
110 Intangible assets	7,406,581	18,200,252
120 Tax assets	53,391,371	59,860,454
a) current	4,048,776	5,053,249
b) deferred	49,342,595	54,807,205
of which: *Law 214/2011*	37,215,191	37,215,191
130 Non-current assets held for sale and disposal groups of assets	54,226,838	-
140 Other assets	131,787,511	141,917,145
Total Assets	5,218,143,582	5,055,819,754

Liabilities and equity	31/12/2017	31/12/2016
10 Payables	2,742,495,016	2,943,369,703
20 Outstanding securities	2,008,093,256	1,661,042,657
30 Financial liabilities held for trading	74,379	177,023
90 Other liabilities	53,821,496	38,652,381
100 Employee severance pay	2,508,539	2,578,002
110 Provisions for risks and charges	2,424,247	2,887,430
b) other provisions	2,424,247	2,887,430
120 Share Capital	357,953,058	357,953,058
150 Share premiums	105,000,000	105,000,000
160 Reserves	(55,606,571)	(59,521,041)
170 Valuation reserves	(252,765)	(233,929)
180 Profit (Loss) for the year	1,632,927	3,914,470
190 Equity attributable to minority interests	-	-
Total Liabilities and Equity	5,218,143,582	5,055,819,754

Consolidated Income Statement

(values in Euros)

Items		31/12/2017	31/12/2016
10	Interest earned and similar income	107,385,474	113,167,767
20	Interest expense and similar charges	(21,355,348)	(26,589,138)
	Interest margin	86,030,126	86,578,629
30	Commissions earned	20,604,573	17,442,822
40	Commissions expense	(13,829,522)	(13,201,771)
	Net commissions	6,775,051	4,241,051
60	Net result from trading	(74,643)	(6,198)
90	Profit (losses) from disposal or repurchase of:	-	16,650
	a) financial assets	-	16,650
	Operating income	92,730,534	90,830,132
100	Net value adjustments/write-backs for impairment of:	(24,290,832)	(33,489,955)
	a) financial assets	(24,290,832)	(33,489,955)
110	Administrative expenses:	(43,905,973)	(42,965,145)
	a) personnel costs	(25,947,714)	(25,054,366)
	b) other administrative expenses	(17,958,259)	(17,910,779)
120	Net value adjustments/write-backs on property, plant and equipment	(255,227)	(76,884)
130	Net value adjustments/write-backs on intangible assets	(11,581,680)	(1,423,924)
150	Net accruals to provisions for risks and charges	(167,161)	(2,972,207)
160	Other operating income (charges)	(4,412,349)	(3,758,980)
	Operating result	8,117,312	6,143,037
180	Profits (Losses) from disposal of investments	3,693	(15,502)
	Profit (Loss) before tax from current operations	8,121,005	6,127,535
190	Income tax for the year from current operations	(6,488,078)	(2,213,065)
	Profit (Loss) after tax from current operations	1,632,927	3,914,470
	Profit (Loss) for the year	1,632,927	3,914,470
210	Profit (Loss) for the year attributable to minority interests	-	-
220	Profit (Loss) for the year attributable to the parent company	1,632,927	3,914,470

Consolidated Statement of comprehensive income

(values in Euros)

Items	31/12/2017	31/12/2016
10. Profit (Loss) for the year	1,632,927	3,914,470
20. Other income components after tax without transfer to P&L		
30. Property, plant and equipment	-	-
Intangible assets	-	-
40. Defined-benefit plans	(18,837)	(8,559)
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	(18,837)	(8,559)
140. Comprehensive income (Item 10+130)	1,614,090	3,905,911
150. Consolidated comprehensive income attributable to minority interests	-	-
160. Consolidated comprehensive income attributable to the parent company	1,614,090	3,905,911

Consolidated Statement of changes in equity

At 31 December 2017

(values in Euros)

	Equity at 31.12.2016	Change in opening balances	Equity at 1.1.2017	Allocation of result from previous year		Changes for the year							Comprehensive income 2017	Equity attributable to the Group at 31.12.2017	Equity attributable to minority interests at 31.12.2017
				Reserves	Dividends and other allocations	Change in reserves	Equity transactions in the year								
							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	(59,822,158)	-	(59,822,158)	3,718,747	-	-	-	-	-	-	-	-	(56,103,411)	-
b) others	301,117	-	301,117	195,723	-	-	-	-	-	-	-	-	496,840	-
Valuation reserves	(233,928)	-	(233,928)	-	-	-	-	-	-	-	-	(18,837)	(252,765)	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	3,914,470	-	3,914,470	(3,914,470)	-	-	-	-	-	-	-	1,632,927	1,632,927	-
Equity attributable to the Group	**407,112,558**	**-**	**407,112,558**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,614,090**	**408,726,648**	**-**
Equity attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At 31 December 2016

(values in Euros)

	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
				Reserves	Dividends and other allocations	Change in reserves	Equity transactions in the year								
							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	(64,578,857)	-	(64,578,857)	4,756,699	-	-	-	-	-	-	-	-	(59,822,158)	-
b) others	50,764	-	50,764	250,353	-	-	-	-	-	-	-	-	301,117	-
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Consolidated cash flow statement (Indirect method)

(values in Euros)

A. OPERATING ACTIVITIES	31/12/2017	31/12/2016
1. OPERATIONS	38,053,548	42,148,627
- result for the year (+/-)	1,632,927	3,914,470
- capital gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	140,638	175,355
- capital gains/losses on hedging activities (-/+)	-	-
- net value adjustments/write-backs for impairment (+/-)	24,290,832	33,489,955
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	11,837,256	1,561,403
- net accruals to provisions for risks and charges and other costs/revenues (+/-)	151,899	3,018,650
- unpaid taxes and duties (+)	-	-
- other adjustments (+/-)	(4)	(11,206)
A1. OPERATIONS		
2. CASH FLOW GENERATED FROM/USED BY FINANCIAL ASSETS	(227,646,585)	(178,573,722)
- receivables from banks	(6,816,322)	278,601
- receivables from financial entities	-	-
- receivables from customers	(224,783,763)	(140,280,089)
- other assets	3,953,500	(38,572,234)
A2. CASH FLOW GENERATED FROM/USED BY FINANCIAL ASSETS		
3. CASH FLOW GENERATED FROM/USED BY FINANCIAL LIABILITIES	508,335,726	24,625,200
- payables to banks	85,886,583	(290,352,378)
- payables to financial entities	359,859,720	266,013,839
- payables to customers	44,439,677	52,849,556
- financial liabilities held for trading	(55,179)	(109,467)
- other liabilities	18,204,925	(3,776,350)
A3. CASH FLOW GENERATED FROM/USED BY FINANCIAL LIABILITIES		
NET CASH FLOW GENERATED FROM/USED BY OPERATING ACTIVITIES	318,742,689	(111,799,895)
B. INVESTING ACTIVITIES		
2. CASH FLOW USED BY	(5,506,606)	(2,702,573)
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	(4,718,597)	(1,759,180)
- purchases of intangible assets	(788,009)	(943,393)
B2. CASH FLOW USED BY		
NET CASH FLOW GENERATED FROM/USED BY INVESTING ACTIVITIES	(5,506,606)	(2,702,573)
C. FINANCING ACTIVITIS		
- issues/purchases of own shares	-	-
NET CASH FLOW GENERATED FROM/USED BY FINANCING ACTIVITIES	-	-
NET CASH FLOW GENERATED/USED IN THE YEAR	313,236,083	(114,502,468)

RECONCILIATION	31/12/2017	31/12/2016
Cash and cash equivalents at the beginning of the year	(2.209.710.410)	(2.095.207.942)
Total net cash flow generated/used in the year	313.236.083	(114.502.468)
Cash and cash equivalents at the end of the year	(1.896.474.327)	(2.209.710.410)

Notes to the financial statements

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 2017 (including interpretations named SIC and IFRIC).

For more details on the standards that were endorsed in 2017 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 2017, 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 Notes to the Financial Statements; they are also accompanied by the Directors’ Report on operations.

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.

<u>Consistency of presentation</u>: 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 2017 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 2017, 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 2016, which should be referred to for a complete description.

The changes in IFRS applicable to the financial statements for the period ended 31 December 2017 are the following:

Amendments to IAS 7, "*Disclosure Initiative*", which were published by the IASB on 29 January 2016 and became effective for the financial years commencing from 1 January 2017. The document contains amendments to IAS 7 "*Statement of cash flows",* which is aimed at providing some clarifications to improve the presentation and disclosure of financial information in financial reports and disclosure on financial liabilities. Specifically, the amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including cash and non-cash changes. The amendments do not provide for a specific schedule, but require a reconciliation between opening and closing balances for liabilities arising from financing activities.

Amendments to IAS 12, "*Recognition of Deferred Tax Assets for Unrealised Losses*", which were published by the IASB on 19 January 2016 and became effective for the financial years commencing from 1 January 2017. The document contains amendments to IAS 12 "*Income taxes"*, which is aimed at clarifying how to account for deferred tax assets for unrealised losses in the measurement of financial assets classified as "*Available for Sale*" upon the occurrence of certain circumstances and based on estimated taxable income for future financial years.

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 2017 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 2017:

- 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; given the cases applicable to the Company in relation to revenues from contracts with customers, which are not attributable to revenues arising from financial instruments falling within the scope of application of IFRS 9, no significant impact is currently expected as a result of the introduction of the new standard.

- 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. For more information on the analyses carried out by the Company, reference should be made to Section 4 – Other Aspects;

- IFRS 16 "*Leases*" (not yet endorsed), which will replace IAS 17 "*Leases*", as well as interpretations IFRIC 4 "*Determining whether an Arrangement contains a Lease*", SIC-15 "*Operating Leases—Incentives*" and SIC-27 "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*" The standard provides a new lease accounting model, according to which the lessee recognises the leased asset (including under operating leases) among assets against an entry under financial payables, which reflects the obligation to the counterparty. The standard provides for voluntary exemptions for short- term leases and for leases concerning low-value assets. The accounting methods to be used by the lessor, such as Alba Leasing S.p.A., remain the same as those required by the standard that is currently applicable (IAS 17), i.e. the lessor continues to classify leases as operating or finance. IFRS 16 will be applicable as from 1 January 2019, but early adoption will be permitted for companies that applied IFRS 15 "*Revenue from Contracts with Customers*" at the date of first-time adoption of IFRS 16 or that already applied it; the application of the abovementioned standard will not entail any significant impact for the Company.

- Amendments to IAS 40 "*Transfers of Investment Property*", which were published by the IASB on 8 December 2016. The document contains amendments to IAS 40, which clarify transfers of property to, or from, investment property. Specifically, an entity shall reclassify a property to, or from, investment property when, and only when, there is evidence of a change in use of the property, which is attributable to a specific event that has occurred and therefore not limited to a change in management's intention. These amendments will be applicable as from 1 January 2018.

- IFRIC 23 "*Uncertainty over Income Tax Treatments*" was published by the IASB on 7 June 2017. The interpretation clarifies the accounting for uncertainties in the tax treatment to be used for income taxes. The document provides for uncertainties in measuring tax assets or liabilities to be accounted for when, and only when, it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure obligation, but points out that the entity shall establish whether it will be necessary to provide information on the considerations made by the management in relation to the uncertainty concerning the recognition of taxes, in accordance with IAS 1. The new interpretation will be applicable as from 1 January 2019, with early adoption permitted.

- Amendments to IFRS 9 "*Prepayment Features with Negative Compensation*", which were published by the IASB on 12 October 2017. The document specifies that a debt instrument providing for a prepayment option might observe the features of contract cash flows ("SPPI" test) and, accordingly, it might be measured according to the amortised cost method or the fair value through other comprehensive income method, even in the case that the "reasonable additional compensation" envisaged for prepayment is a "negative compensation" for the financing entity. The amendments will be applicable as from 1 January 2019, with early adoption permitted.

- Amendments to IAS 28 "*Long-term Interests in Associates and Joint Ventures*", which were published by the IASB on 12 October 2017. The document clarifies the need to apply IFRS 9, including requirements linked to impairment, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendments will be applicable as from 1 January 2019, with early adoption permitted.

- 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.

"*Annual Improvements to IFRSs: 2014-2016 Cycle*" were published by the IASB on 8 December 2016. The document contains amendments to some standards within the annual improvement process.
The main amendments concern:

- IFRS 1 "*First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.*" The amendments to this standard will be applicable, at the latest, from financial years commencing on 1 January 2018 and concern the removal of some short-term exemptions envisaged in paragraphs E3-E7 of Appendix E to IFRS 1 since these exemptions no longer provide any benefit.
- IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss*: *an investment-by-investment choice or a consistent policy choice.* The amendments clarify that the choice available to a venture capital organisation or any other entity qualified as such (such as, for example, a mutual fund or a similar entity) to account for investments in associates and joint ventures measured at fair value through profit or loss (rather than by applying the equity method) is made on an investment-by-investment basis upon initial recognition. The amendments will be applicable as from 1 January 2018.
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendments clarify the scope of application of IFRS 12, specifying that the disclosure required by the standard, except for that envisaged in paragraphs B10-B16, shall apply to all interests that are classified as held for sale, held for distribution to owners or as discontinued operations as required by IFRS 5. These amendments will be applicable as from 1 January 2017; however, they were not adopted as at 31 December 2017 since they have not yet been endorsed by the European Union.

"*Annual Improvements to IFRSs* 2015-2017 *Cycle*" were published by the IASB on 12 December 2017. The document contains amendments to some standards within the annual improvement process.
The main amendments concern:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendments clarify that when an entity obtains control over a business that constitutes a joint operation, it must remeasure the interest previously held in this business. This process it not required when joint control is obtained.
- IAS 12 *Income Taxes*: the amendments clarify that all tax effects linked to dividends (including payments on financial instruments classified in equity) should be accounted for in a manner consistent with the transaction that generated these profits (income statement, OCI or equity).
- IAS 23 *Borrowing costs*: the amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

The amendments will be applicable as from 1 January 2019, with early adoption permitted. The directors do not expect that they will have a significant impact on the financial statements.

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's ability to continue 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 financial statements at 31 December 2017 were approved by the Board of Directors’ meeting held on 12 March 2018 and will be submitted for approval by the Shareholders’ Meeting called on 20 April 2018.
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 2017.
On 25 January 2018 the Standing Auditor Mario Vitali resigned from his office and was replaced by Alternate Auditor Nicola Fiameni pursuant to Article 2401 of the Italian Civil Code.

With reference to the IRES (Corporate Income) tax assessment served as a result of the Revenue Agency’s inspection at the Company (20 December 2013) concerning the non-deductibility of negative income components relating to the correct calculation of the amount of costs deductible in the 2009 tax year for bad debts, the Revenue Agency challenged the judgment handed down by the Regional Tax Board by an appeal filed with the Supreme Court and served on Alba Leasing S.p.A. in February 2018. Alba Leasing S.p.A. will file, through its trusted professionals, the related counter-appeal within the time limits prescribed by law in order to safeguard its interests.
For more information, reference should be made to Part B– Information on the Balance Sheet – Liabilities – Section 11 – “Provisions for risks and charges.”

The Company had not yet received the results of the Bank of Italy’s tax inspection pursuant to Article 54 of Legislative Decree no. 385/93 (TUB), which was completed in January 2018, as at the date of approval of the draft financial statements on the part of the Board of Directors.

Section 4 – Other aspects

In December 2017 the Board of Directors resolved to sell a portfolio of non-performing (NPL) of real estate mortgage loans to the market, which had been acquired at the time of the contribution from Banca Italease and which relates to operations that are not consistent with the core business conducted by Alba Leasing. For more details, reference should be made to Part B – Information on the Balance Sheet – Assets – Section 13 – “Non-current assets held for sale and disposal groups of assets.”

New accounting standard IFRS 9

The 2018 financial year sees the introduction of the new accounting standard IFRS 9; the new requirements for the classification, measurement and impairment will therefore be applied as from 1 January 2018, the date of first-time adoption, without any restatement of comparative values, in line with what is permitted by IFRS 9. Therefore, the application of the new requirements will entail an adjustment to opening equity balances at 1 January 2018.

From the simulations made, the estimated impact on equity upon first-time adoption of IFRS 9 (1 January 2018) will be negative; specifically, it is expected that there will be a limited increase in

adjustments to receivables arising from the application of the new impairment model, as defined below, which will be allocated to performing loans (classified in stage 1 and stage 2).
In this regard it should be noted that said estimates have been made by relying on the best information available on the reporting date of these financial statements, which has also been obtained through extra-accounting data processing. Therefore, the impact may be precisely quantified during the 2018 financial year, after completion of the process of application of IFRS 9 and of related control activities.

The activities carried out and the main expected impact are illustrated below separately for the phases of classification, impairment and hedge accounting.

No significant impact is expected from the classification of financial assets held as at 31 December 2017, considering that the financial assets mainly held by Alba Leasing S.p.A. are those relating to lease agreements that will be fully classified under IFRS 9 category of "Financial assets measured at amortised cost", according to the accounting category of receivables under IAS 39, also considering that rights and obligations relating to leases are not applicable for the purposes of IFRS 9 As regards financial liabilities, no impacts are reported since IFRS 9 has substantially applied the same classification and measurement criteria as IAS 39.

Specifically, the Company has analysed:

- the new regulations on financial statements;
- the entire Balance Sheet, paying particular attention to asset items: item 50. "Financial assets held to maturity" and item 60. "Receivables";
- the choices made by directors in terms of management model, which is the model that can be defined as "hold to collect" in relation to financial instruments that do not fall within the scope of application IAS 17, and therefore outside the classification and measurement perimeter of IFRS 9.

In relation to the information reported above, the following evaluations have been made:

- "Assets held to maturity" consist of a Long-term Treasury Bond (BTP), which has been acquired and used as security for the loans granted by Cassa Depositi e Prestiti. The BTP has been subjected to the SPPI (Solely Payments of Principal and Interest) test, which has been passed. The instrument will be classified under item 40. "Financial assets measured at amortised cost";
- Receivables arising from finance leases: this type of assets is not subject, for "classification and measurement" to the application of IFRS 9 and will be classified under item 40. "Financial assets measured at amortised cost";
- Receivables for financing linked to the product Tires ("Pago-Dopo Michelin" payment scheme): these receivables have been subjected to the SPPI test, which has been passed and will be classified under item 40. "Financial assets measured at amortised cost";
- the loans, which are currently shown under receivables, are products that were raised at the time of the incorporation of the Company and were not disbursed on the reporting date since they were not consistent with the core business. This type of lending has been subjected to the SPPI test, which has been passed; the loans in the portfolio will be classified under item 40. "Financial assets measured at amortised cost."

In short, no reclassifications are reported in relation to the analysis conducted, which are due to the different method of measurement of balance sheet assets according to IFRS 9.
During the 2017 financial year activities were completed with reference to impairment, which were aimed at defining the reference framework to establish whether a significant impairment of the credit risk exists ("Framework Stage Assignment") and whether performing loans can be classified from stage 1 to stage 2.

The criteria to determine the "significant increase in credit risk" (staging criteria) and, accordingly, the allocation to stage 2 are:

- the 30dpd (days past due) (backstop criterion);
- forborne exposures (backstop);
- the increase in credit risk with respect to initial recognition (quantitative criterion) measured through the difference between rating on origination and rating on the reporting date;
- the lack of rating on origination or on the reporting date (qualitative criterion) for counterparties covered by the model with a rating other than one. This rule shall not apply to counterparties that are not covered by the Model (for example, Public Authorities, Financial Intermediaries, etc.).

The method used to calculate impairment varies according to the three stages, as described below:

- Stage 1: an "expected loss" is calculated as product of variables: EAD x PD12m x LGD_{LT}. The LGD values have been determined on the positions for which recovery procedures were terminated (including transfers to performing positions) during the period from January 2010 to November 2017;
- Stage 2: the "expected loss" is calculated through EAD_{LT} x PD_{LT} x LGD_{LT};
- Stage 3: no changes are made to the model, for which the impairment adopted by the Company consists of the write-down of a minimum percentage of gross risk, less allowable guarantees.

It should be noted that:

- PD12m (forward-looking 12-month probability of default) is obtained from a rating model that has been developed internally on the Company's portfolio. The Company itself has taken the opportunity offered by the change in regulations, being analysed herein, to develop a rating system that is more discriminating;
- PD_{LT} (lifetime forward-looking probability of default) is obtained based on the following stages:
  (i) Estimation of PIT (point in time) matrices;
  (ii) Deconditioning of PIT matrices, based on the Merton formula, for effects relating to the economic cycle;
  (iii) Estimation of TTC (through the cycle) matrix based on deconditioned PIT matrices;
  (iv) Estimation of the impact of the forward-looking macroeconomic cycle;
  (v) From the calculation of forward-looking PIT matrices and estimation of PD_{LT} according to the Markov approach with parallel integration;
- LGD_{LT} (loss given default) has been calculated according to a new approach to comply with regulatory requirements, as well as to obtain a more precise estimate, in order to make its value more predictive and granular. Specifically, a predictive model of loss rates has been estimated, which is based on the measurement of recoveries/losses realised after the default and discounted back (workout approach) and which is subsequently identified with a ratio (danger rate) that allows the application of the previous estimation to other default stages, based on the analysis of transitions between different stages to non-performing positions (it should be noted that, during the 2017 financial year, LGDs were calculated by using the data provided to the Bank of Italy through the specific supervision report, determined according to the calculation method described in Circular Letter no. 284 of 18 June 2013, as updated - "Instructions for reporting of losses recorded historically on default positions" [*Istruzioni per la compilazione delle perdite storicamente registrate sulle posizioni in default*]). The danger rate also includes the forward-looking component in order to take account of the macroeconomic trends for the subsequent three years.

EAD (Exposure at Default) has been calculated by considering the credit conversion factor for commitments and an adjustment factor that takes account of prepayments for all exposures.

The related perimeter of assets allocated to Stage 3 is in line with that of non-performing exposures, determined according to the definitions contained in current supervision reports, since they are considered to be consistent with accounting regulations in terms of objective evidence of impairment.

It should be noted that, with reference to hedge accounting rules, Alba Leasing S.p.A. has exercised the option to continue to treat hedging transactions (if any) in compliance with hedge accounting rules laid down in IAS 39, as permitted by IFRS 9 while pending the definition of macro-hedging rules.

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.

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), while the Leasimpresa Finance S.r.l. (LSMP) transaction was closed in advance of its original expiry date during the 2017 financial year.

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 2017 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 2017 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 S.p.A., 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 S.p.A.:

- 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.

Bank of Italy’s inspection

In October 2017 the Bank of Italy started an assessment inspection pursuant to Article 54 of Legislative Decree no. 385/93 (TUB), which was concluded in January 2018. The Company actively collaborated to facilitate the operations of the Supervisory Authority and provided a prompt response to the requests submitted by the latter, ensuring a normal course of the inspection.

Auditing

The financial statements at 31 December 2017 have been audited by the audit firm PricewaterhouseCoopers S.p.A., with registered office in Milan, at Via Monte Rosa no. 91, enrolled in the Register of Audit Firms kept by the Ministry of Economy and Finance, which has been appointed to perform these duties for the financial years from 2010 to 2018 pursuant to Articles 14 and 16 of Legislative Decree no. 39/2010.

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., Alba 9 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 S.p.A. 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 S.p.A. 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			
Alba 9 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 – Assets - 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 2017.

A.2 – Part relating to the main items in the financial statements

The consolidated financial statements at 31 December 2017 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 – Information on the Consolidated Income Statement - Section 8 "Net value adjustments/write-backs for impairment", 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

Financial assets held for trading

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.

Financial assets held to maturity

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.

Receivables

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 impaired receivables; 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, impaired receivables which undergo individual measurement are:

1) non-performing loans;
2) probable default;
3) overdue impaired loans.

The impairment loss of an impaired receivable 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 non-performing 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 loans likely to default:
  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 overdue impaired loans:
  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 non-performing loans 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."

Intangible assets

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:

a) periodic amortisation, permanent impairment losses and value write-backs are allocated to item 130 "Net value adjustments/write-backs on intangible assets";
b) profits and losses arising from disposals are allocated to item 180 "Profits/losses from disposal of investments."

Tax assets and liabilities

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.

Non-current assets held for sale and disposal groups of assets

Criteria for classification, recognition, measurement and derecognition

These items include non-current assets and liabilities and disposal groups of assets and liabilities. They can be classified under this item when the disposal is considered to be highly probable.

Specifically, these assets and liabilities are measured at the lower of carrying amount and fair value less costs to sell. If the assets being disposed of can be amortised, amortisation ceases as from the financial period in which they can be classified under non-current assets held for sale.
Any related income and costs are stated through profit or loss in a separate item, net of the tax effect, when they relate to discontinued operations; in this case the same financial disclosure is also provided in a separate item for comparative periods shown in the financial statements.

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	-	75	-	75
2. Financial assets at fair value	-	-	-	-
3. Financial assets available for sale	-	-	-	-
4. Hedging derivatives	-	-	-	-
5. Property, plant and equipment	-	-	-	-
6. Intangible assets	-	-	-	-
Total	-	75	-	75
1. Financial liabilities held for trading	-	74	-	74
2. Financial liabilities at fair value	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total	-	74	-	74

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 *(thousands of Euros)*	31/12/2017				31/12/2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	5,016	5,077	-	-	5,020	5,086	-	-
2. Receivables	4,959,865	-	-	5,311,128	4,828,737	-	-	5,057,407
3. Property, plant and equipment held for investment purposes	6,121	-	-	8,050	1,697	-	-	1,942
4. Non-current assets held for sale and disposal groups of assets	54,227	-	-	54,227	-	-	-	-
Total	5,025,229	5,077	-	5,373,405	4,835,454	5,086	-	5,059,349
1. Payables	2,742,495	-	-	2,742,495	2,943,370	-	-	2,943,370
2. Outstanding securities	2,008,093	-	-	2,008,093	1,661,043	-	-	1,661,043
3. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	4,750,588	-	-	4,750,588	4,604,413	-	-	4,604,413

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)	31/12/2017	31/12/2016
a) Cash	9	8
Total	9	8

Section 2 – Financial assets held for trading – Item 20

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

(thousands of Euros)	31/12/2017			31/12/2016		
	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	-	75	-	-	174	-
2. Credit derivatives	-	-	-	-	-	-
Total B	-	75	-	-	174	-
Total (A+B)	-	75	-	-	174	-

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	31/12/2017	31/12/2016
1. Over the counter						
Financial derivatives						-
- Fair value	75	-	-	-	75	174
- Notional value	81,507	-	-	-	81,507	111,375
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Total (A)	75	-	-	-	75	174
2. Others						
Financial derivatives						-
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional value	-	-	-	-	-	-
Total (B)	-	-	-	-	-	-
Total (A+B)	75	-	-	-	75	174

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

Items / Values *(thousands of Euros)*	31/12/2017	31/12/2016
Cash assets		
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Financial entities	-	-
e) Other issuers	-	-
Derivative financial instruments		
a) Banks	75	174
b) Other components	-	-
Total	75	174

Section 5 – Financial assets held to maturity – Item 50

Items / Values *(thousands of Euros)*	31/12/2017				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	5,016	5,077			5,020	5,086		
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	5,016	5,077			5,020	5,086		
a) Governments and Central Banks	5,016	5,077			5,020	5,086		
b) Other public entities	-	-			-	-		
c) Banks	-	-			-	-		
d) Financial entities	-	-			-	-		
e) Other issuers	-	-			-	-		
2. Loans	-	-			-	-		
a) Banks	-	-			-	-		
b) Financial entities	-	-			-	-		
c) Customers	-	-			-	-		
Total	5,016	5,077	-	-	5,020	5,086	-	-

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)*	31/12/2017				31/12/2016			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	6,057			6,057	5,398			5,398
2. Loans	281			282	1,990			1,991
2.1 Repos	-			-	-			-
2.2 Finance lease	281			-	1,990			-
2.3 Factoring	-			-	-			-
- with recourse	-			-	-			-
- without recourse	-			-	-			-
2.4 Other loans	-			-	-			-
3. Debt securities	-			-	-			-
- structured securities	-			-	-			-
- other debt securities	-			-	-			-
4. Other assets	159,078			159,078	130,607			130,607
Total	165,416	-	-	165,417	137,995	-	-	137,996

Key

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

“Other assets” are mainly made up of:

- receivables claimed from Banco BPM (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 509 thousand, under the Agreement on securitised loans;
- items of Euro 146,373 thousand included in separate assets of consolidated SPVs, which are mainly made up of cash investments.

No impaired 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”

Breakdown (thousands of Euros)	31/12/2017						31/12/2016					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Impaired loans		L1	L2	L3	Performing loans	Impaired loans		L1	L2	L3
		Purchased	Others					Purchased	Others			
1 Loans	106,614		6,688			119,424	111,272		9,649			122,780
1.1 Repos	-		-			-	-		-			-
1.2 Finance lease	93,818		6,688			-	98,275		9,649			-
1.3 Factoring	-		-			-	-		-			-
- with recourse	-		-			-	-		-			-
- without recourse	-		-			-	-		-			-
1.4 Other loans	12,796		-			-	12,997		-			-
2 Debt securities	-		-			-	-		-			-
- structured securities	-		-			-	-		-			-
- other debt securities	-		-			-	-		-			-
3 Other assets	3,497		-			3,497	1,052		-			1,052
Total	**110,111**	**-**	**6,688**	**-**	**-**	**122,921**	**112,324**	**-**	**9,649**	**-**	**-**	**123,832**

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 (Euro 12,725 thousand) and pending finance lease agreements (Euro 71 thousand).

6.3 “Receivables from customers”

Breakdown *(thousands of Euros)*	31/12/2017						31/12/2016					
				Fair value						Fair value		
	Performing loans	Impaired loans		L1	L2	L3	Performing loans	Impaired loans		L1	L2	L3
		Purchased	Others					Purchased	Others			
1. Loans	4,138,909	-	502,149			4,986,198	3,940,605	-	592,064			4,759,478
1.1 Finance lease	3,964,635	-	497,319			-	3,766,670	-	526,137			-
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	174,274	-	4,830			-	173,935	-	65,927			-
of which: from enforcements of guarantees and commitments	-	-	-			-	-	-	-			-
2. Debt securities	-	-	-			-	-	-	-			-
2.1 structured securities	-	-	-			-	-	-	-			-
2.2 other debt securities	-	-	-			-	-	-	-			-
3. Other assets	36,592	-	-			36,592	36,100	-	-			36,100
Total	4,175,501	-	502,149	-	-	5,022,790	3,976,705	-	592,064	-	-	4,795,578

Key

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

"Other loans" mainly include:

among performing loans:
- Euro 137,908 thousand for pending finance lease agreements;
- Euro 25,066 thousand for mortgage loan agreements;
- Euro 11,300 thousand for unsecured loan agreements;

among impaired loans:
- Euro 3,076 thousand for pending finance lease agreements;
- Euro 1,754 thousand for mortgage loan agreements.

Finance lease receivables include "assets sold not derecognised" for a total amount of Euro 3,000,453 thousand (an amount of Euro 91,934 thousand of which related to impaired loans): furthermore, this value includes the exposure for receivables from banks (equal to Euro 20 thousand) and receivables from financial entities (equal to Euro 54,760 thousand).

During the year, a new Securitisation transaction of Alba 9 was structured through the transfer of receivables to a newly-established SPV.

The Alba 9 transaction (carried out with Alba 9 SPV S.r.l.) involved the issue of Senior Notes A1 for Euro 478.6 million, Senior Notes A2 for Euro 233.8 million, Mezzanine Notes B for Euro 145.8 million, Mezzanine Notes C for Euro 100.2 million and Junior Notes for Euro 164.3 million.

Upon issue the Company subscribed Mezzanine Notes B and C and Junior notes.
Subsequently the Company sold the Mezzanine Notes B to institutional investors.

6.4 “Receivables”: guaranteed assets

thousands of Euros	31/12/2017						31/12/2016					
	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:	281	-	106,543	13,101	3,989,701	734,576	1,990	-	111,272	13,059	3,798,889	579,523
- Finance lease assets	281	-	93,818	376	3,949,883	708,479	1,990	-	98,275	62	3,748,632	545,483
- Receivables for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	12,725	12,725	25,066	25,066	-	-	12,997	12,997	32,219	32,219
- Pledges	-	-	-	-	14,752	1,031	-	-	-	-	18,038	1,821
- Personal security	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	-	-	6,688	10	499,073	54,696	-	-	9,649	-	589,163	107,603
- Finance lease assets	-	-	6,688	10	497,319	52,942	-	-	9,649		525,472	44,355
- Receivables for factoring	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgages	-	-	-	-	1,754	1,754	-	-	-	-	63,026	63,026
- Pledges	-	-	-	-	-	-	-	-	-	-	665	222
- Personal security	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	281	-	113,231	13,111	4,488,774	789,272	1,990	-	120,921	13,059	4,388,052	687,126

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 137,979 thousand (an amount of Euro 53,377 thousand of which is guaranteed) and impaired positions for Euro 3,076 thousand (an amount of Euro 613 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)	31/12/2017	31/12/2016
1. Owned assets	196	207
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	38	39
e) others	158	168
2. Assets acquired under finance lease	50	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	50	-
Total	246	207

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

Items / Values *(thousands of Euros)*	31/12/2017				31/12/2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned assets	6,121	-	-	8,050	1,697	-	-	1,942
- land	-	-	-	-	-	-	-	-
- buildings	6,121	-	-	8,050	1,697	-	-	1,942
2. Assets acquired under finance lease	-	-	-	-	-	-	-	-
- land	-	-	-	-	-	-	-	-
- buildings	-	-	-	-	-	-	-	-
Total	6,121	-	-	8,050	1,697	-	-	1,942

According to the information reported in the previous financial statements, it should be noted that the increase was due to buildings
from finance lease agreements which were terminated - during the year - in lieu of a debt of the same amount in the framework of the execution of settlement agreements.
These properties have 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 *(thousands of Euros)*	31/12/2017			31/12/2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	-	-	8,050	-	-	1,942
- land	-	-	-	-	-	-
- buildings	-	-	8,050	-	-	1,942
2. Assets acquired under finance lease	-	-	-	-	-	-
- land	-	-	-	-	-	-
- buildings	-	-	-	-	-	-
Total	-	-	8,050	-	-	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	-	-	-	39	168	207
A.1 Total net impairment	-	-	-	-	-	-
A.2 Opening net balances	-	-	-	39	168	207
B. Increases:	-	-	-	14	126	140
B.1 Purchases	-	-	-	14	126	140
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value write-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	-	-	-	(15)	(86)	(101)
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	-	(15)	(86)	(101)
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	-	-	-	38	208	246
D.1 Total net impairment	-	-	-	-	-	-
D.2 Closing gross inventories	-	-	-	38	208	246
E. Measurement at cost	-	-	-	38	208	246

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

(thousands of Euros)	Total	
	Land	Buildings
A. Opening balances	-	1,697
B. Increases:	-	4,579
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value changes	-	-
B.4 Value write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from properties for business use	-	-
B.7 Other changes	-	4,579
C. Decreases	-	(155)
C.1 Sales	-	-
C.2 Depreciation	-	(155)
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	-	6,121
E. Fair value measurement	-	8,050

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)*	31/12/2017		31/12/2016	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	10,011	-
2. Other intangible assets:	7,407	-	8,189	-
2.1 owned assets	7,407	-	8,189	-
- internally generated	-	-	-	-
- others	7,407	-	8,189	-
2.2 acquired under finance lease	-	-	-	-
Total 2	7,407	-	8,189	-
3. Assets relating 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)	7,407	-	18,200	-
TOTAL	7,407	-	18,200	-

Intangible assets include:

- 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 5,915 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	18,200
B. Increases:	789
B.1 Purchases	789
B.2 Value write-backs	-
B.3 Positive fair value changes	-
- to equity	-
- to profit or loss	-
B.4 Other changes	-
C. Decreases	(11,582)
C.1 Sales	-
C.2 Amortisation	(1,571)
C.3 Value adjustments	(10,011)
- to equity	-
- to profit or loss	(10,011)
C.4 Negative fair value changes	-
- to equity	-
- to profit or loss	-
C.5 Other changes	-
D. Closing inventories	7,407

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 2017. 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 2018-2021) 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 106 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 2018-2021 Financial Plan, as 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 2017.
The valuation was also based on a cost of capital (Ke) equal to 8.6% and a long-term growth rate (rate g) assumed as equal to 1.4%.
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 lower than Euro 10.9 million compared to related carrying amount. The sensitivity analysis only shows a recoverable amount lower than about Euro 28.8 million at the lower end (which assumes a Ke 0.25 b.p. higher and a g rate 0.25 p.b. lower).
Based on the results of the impairment process, the requirements have not been met for maintaining goodwill in Balance Sheet assets and, therefore, the Company has deemed appropriate to make a full write-down of goodwill through profit or loss, with an effect of Euro 10 million.
To justify the result that has been obtained it should be noted that the main discontinuity element with respect to the previous test prepared for the financial statements at 31 December 2016 is the considerable increase, both objective and internal, in financial ratio «Ke» (i.e. cost of capital) from 7.5% at 31 December 2016 to 8.6% at 31 December 2017. This increase was mainly due to a rise in the risk-free rate observed during the year (specifically, the risk-free rate rose from 1.4% in 2016 to 2.1% in 2017).
The Capital Asset Pricing Model formula has been used to calculate the cost of capital Ke and to discount any distributable Excess Capital flows on the basis of: rf = Risk-Free Rate (10-year Long-term Treasury Bonds, BTP) – Average of 12 months, equal to 2.1%; Beta equal to 1.2 taking account of the risk than can be estimated in relation to the Company - Risk Premium equal to 5.5%.
In conducting the impairment test at 31 December 2017, the Company's management used, for the years 2018, 2019 and 2020, profits after tax that were lower than those forecast in the plan used at 31 December 2016, these differences being attributable only to
the «inertia» effects of the operating results for the 2017 financial year and to the alignment of the 2018 financial years with the targets set out by the Company.

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 (28.8) million at the lower end and a maximum amount of about Euro 9.4 million.

The table below reports the results of the sensitivity analysis:

Impairment test 2017 (€/mil.)	Min	Mean	Max
Recoverable value	390.0	407.8	428.1
Equity	418.7	418.7	418.7
Delta	(28.8)	(10.9)	9.4

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 3,481 thousand, arising from the payment of taxes relating to 2016 and stated in the tax return filed in 2017 by using the Form UNICO/2016;
- receivables from the Tax Office for withholdings applied on interest from current bank accounts and commissions for an amount of Euro 12 thousand;
- a payable to the Tax Office for IRES tax to be paid amounting to Euro 214 thousand;
- an IRAP tax receivable from the Tax Office amounting to Euro 1,063 thousand, arising from the payment of taxes relating to 2016 and stated in the tax return filed in 2016 by using the Form IRAP/2017;
- a payable to the Tax Office for IRAP tax to be paid for Euro 830 thousand.

Since the requirements laid down in IAS 12 were met, the Company took steps to have these amounts offset against each other.

Furthermore, the Company has recognised, among "Other liabilities", a payable to the Tax Office for substitute IRES and IRAP tax
to be paid as a result of the exercise of the option laid down in Article 176, paragraph 2, of the TUIR, amounting to Euro 776 thousand, for the recognition of higher values attributed to intangible assets and goodwill in the accounts at the time of the contribution of the "Credito Valtellinese" business unit.

Breakdown of "deferred tax assets"

(thousands of Euros)		IRES tax	IRAP tax	Others	31/12/2017	31/12/2016
A)	Against an entry in the Income Statement					
	Write-down of receivables deductible in subsequent periods	40,815	3,205	-	44,020	48,142
	Accruals and value adjustments deductible in subsequent periods	1,940	-	-	1,940	2,083
	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	2,447	446	-	2,893	3,911
	Total A	**45,202**	**3,651**	**-**	**48,853**	**54,136**
B)	Against an entry in Equity					
	Financial assets available for sale					
	measured at fair value	-	-	-	-	-
	Others	418	71	-	489	671
	Total B	**418**	**71**	**-**	**489**	**671**
	Total (A+B)	**45,620**	**3,722**	**-**	**49,342**	**54,807**

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)	31/12/2017	31/12/2016
1 Opening balance	54,136	55,717
2 Increases	788	1,982
2.1 Deferred tax assets recognised in the year	788	1,982
a) relating to previous years	-	-
b) due to a change in accounting standards	-	-
c) value write-backs	-	-
d) others	788	1,982
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3 Decreases	(6,071)	(3,563)
3.1 Deferred tax assets reversed in the year	(6,071)	(3,563)
a) reversals	(6,071)	(3,563)
b) write-downs for subsequent irrecoverability	-	-
c) due to a change 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	48,853	54,136

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

(thousands of Euros)	31/12/2017	31/12/2016
1. Opening balance	37,215	50,607
2. Increases	-	-
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	37,215

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, Alba Leasing then 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 2017 financial year.
At 31 December 2017, Alba Leasing S.p.A. reported non-transformable deferred tax assets (DTAs - Deferred Tax Assets) in an amount of Euro 6,805 thousand ("type 2" DTAs). The recognition of these assets and subsequent retention in the accounts assume a judgment on the probability of them being recovered. The recoverability might be adversely affected by circumstances that cannot be foreseen at present, such as changes in current tax regulations or in the macroeconomic and market scenario that are such as to require an updating of the assumptions underlying the judgment. For this reason, the recoverability of DTAs that cannot be transformed in tax credits is subject to monitoring on an ongoing basis.

Given the results of the "probability test" conducted on the reporting date, the Company considers that the requirements of recoverability have been met, thus allowing the abovementioned deferred tax assets to be retained in the accounts.

The balance at 31 December 2017 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)	31/12/2017	31/12/2016
1 Opening balance	671	848
2 Increases	7	4
2.1 Deferred tax assets recognised in the year	7	4
a) relating to previous years	-	-
b) due to a change in accounting standards	-	-
c) others	7	4
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3 Decreases	(189)	(181)
3.1 Deferred tax assets reversed in the year	(189)	(181)
a) reversals	(189)	(181)
b) write-downs for subsequent irrecoverability	-	-
c) due to a change in accounting standards	-	-
d) others	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4 Closing balance	489	671

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

This sub-item does not show any balance.

Section 13 – Non-current assets held for sale, disposal groups of assets and associated liabilities

13.1 Breakdown of item 130 “Non-current assets held for sale and disposal groups of assets”

Item *(thousands of Euros)*	31/12/2017	31/12/2016
Non-current assets held for sale and disposal groups of assets	54,227	-
Total	54,227	-

Item 130 “Non-current assets held for sale and disposal groups of assets” includes a portfolio made up of 52 non-performing (NPL) real estate mortgage loan agreements with a gross value of Euro 103 million. These assets were acquired at the time of the contribution from Banca Italease and are not consistent with the core business conducted by the Company.

13.2 Breakdown of item 80 “Liabilities associated with assets held for sale”

This sub-item does not show any balance.

Section 14 – Other assets – Item 140

14.1 Breakdown of item 140 “Other assets”

(thousands of Euros)	31/12/2017	31/12/2016
Receivables from the Tax Office (which cannot be classified to tax assets)	55,740	39,924
Items being processed	22,811	18,272
Accrued income and prepaid expenses not attributable to a separate item	4,761	4,419
Other items	48,476	79,302
Total	131,788	141,917

“Receivables from the Tax Office” include the receivable resulting from monthly VAT payments of Euro 39,890 thousand, as well as from 2013 and 2016 VAT credits requested for refund but not yet repaid for Euro 15,365 thousand.

“Accrued income and prepaid expenses not attributable to a separate item” are mainly composed of:
- prepaid expenses of Euro 4,365 thousand for insurance on lease agreements;
- prepaid expenses of Euro 22 thousand for insurance on loans;
- prepaid expenses of Euro 31 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 326 thousand issued for rent paid;
- other assets of Euro 46,558 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 29,150 thousand) and other receivables concerning corporate management (Euro 17,408 thousand);
- amounts of Euro 718 thousand to be received for non-securitised instalments relating to securitised loans and falling within the scope of application of the Agreement.

LIABILITIES

Section 1 – Payables – Item 10

1.1 Payables

Items *(thousands of Euros)*	31/12/2017			31/12/2016		
	due to banks	due to financial entities	due to customers	due to banks	due to financial entities	due to customers
1. Loans	2,299,107	109,128	-	2,510,902	98,152	-
1.1 repos	219,611	-	-	59,487	-	-
1.2 other loans	2,079,496	109,128	-	2,451,415	98,152	-
2. Other payables	125,101	1,515	207,644	163,617	7,494	163,205
Total	2,424,208	110,643	207,644	2,674,519	105,646	163,205
Fair Value -level 1	-	-	-	-	-	-
Fair Value -level 2	-	-	-	-	-	-
Fair Value -level 3	2,424,208	110,643	207,644	2,674,519	105,646	163,205
Total *Fair Value*	2,424,208	110,643	207,644	2,674,519	105,646	163,205

“Loans” among “Payables to banks” include:

- Advances on current account of Euro 1,659,729 thousand;
- Bank deposits of Euro 242,812 thousand;
- Short-term loans of Euro 20,101 thousand;
- Medium/long-term loans of Euro 156,821 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 2,322 thousand for placement fees due to presenting banks;
- Payables of Euro 115,739 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 of Euros)*	Total 31/12/2017				Total 31/12/2016			
	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:	2,008,093	-	-	2,008,093	1,661,043	-	-	1,661,043
- structured	-	-	-	-	-	-	-	-
- others	2,008,093	-	-	2,008,093	1,661,043	-	-	1,661,043
Total	**2,008,093**	**-**	**-**	**2,008,093**	**1,661,043**	**-**	**-**	**1,661,043**

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 45,520 thousand;
- mezzanine notes relating to the banking Sub-portfolio for Euro 5,514 thousand;
- senior notes relating to the banking Sub-portfolio for Euro 30,854 thousand;
- accrued expenses of Euro 217 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 298,764 thousand;
- senior notes of the securitisation transaction carried out by the Company with Alba 7 SPV S.r.l. for Euro 156,379 thousand;
- senior notes of the securitisation transaction carried out by the Company with Alba 8 SPV S.r.l. for Euro 493,976 thousand;
- senior notes of the securitisation transaction carried out by the Company with Alba 9 SPV S.r.l. for Euro 835,807 thousand;
- senior notes of the securitisation transaction carried out by the Company with Sunny 1 SPV S.r.l. for Euro 140,305 thousand;
- accrued expenses of Euro 757 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 *(thousands of Euros)*	31/12/2017					31/12/2016				
	Fair Value			FV*	NV	Fair Value			FV*	NV
	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	-	74	-		79,606	-	177	-		166,805
2. Credit derivatives	-	-	-		-	-	-	-		-
Total	-	74	-	-	79,606	-	177	-	-	166,805

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3
VN= 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	31/12/2017	31/12/2016
1. Over the counter						
Financial derivatives						
- Fair value	74	-	-	-	74	177
- Notional values	79,606	-	-	-	79,606	166,805
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Total (A)	74	-	-	-	74	177
2. Others						
Financial derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Credit derivatives						
- Fair value	-	-	-	-	-	-
- Notional values	-	-	-	-	-	-
Total (B)	-	-	-	-	-	-
Total (A+B)	74	-	-	-	74	177

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)	31/12/2017	31/12/2016
Payables to the Tax Office for sums to be paid on behalf of third parties	889	913
Payables to the Tax Office for substitute tax	776	1,811
Payables to Personnel	5,706	5,968
Payables to Statutory Auditors	82	84
Payables to Social Security Institutions	1,083	1,038
Payables to Suppliers	4,194	2,719
Other items being processed	435	121
Accrued expenses and deferred income not attributable to a separate item	10,963	10,966
Other items	29,693	15,032
Total	**53,821**	**38,652**

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 776 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 4,035 thousand;
- payables for "solidarity fund" equal to Euro 1,671 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 2,265 thousand due to the Company's suppliers;
- payables of Euro 1,928 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 4,925 thousand on insurance;
- accrued expenses and deferred income of Euro 6,038 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)	31/12/2017	31/12/2016
A. Opening balance	2,578	2,692
B. Increases	26	56
B1. Provision for the year	26	44
B2. Other increases	-	12
C. Decreases	(95)	(170)
C1. Payments made	(83)	(170)
C2. Other decreases	(12)	-
D. Closing balance	2,509	2,578

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 2016 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 2017", corresponding to 0.9% for 2018, 1.5% for 2019 and 1.6% for 2020. A target of 2.00% p.a. predicted by the ECB has been assumed from 2021. 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, 2.63% for 2018, 2.70% 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 Thomson Reuters as 31 December 2017. 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 – Provisions for risks and charges – Item 110

11.1 Breakdown of item 110 “Provision for risks and charges”

(thousands of Euros)		31/12/2017	31/12/2016
1	Company pension funds	-	-
2	Other provisions for risks and charges	2,424	2,887
	2.1 legal disputes	2,424	2,887
	2.2 personnel costs	-	-
	2.3 others	-	-
	Total	2,424	2,887

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 S.p.A. 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 S.p.A. 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 S.p.A. 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 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 Lombardy Regional Tax Board has confirmed the first-instance judgment handed down by the Milan Provincial Tax Board, thus fully accepting the defence arguments submitted by our Company. The case was discussed at a public hearing held on 24 October 2016.

Therefore, a judgment filed on 14 July 2017 rejected the Revenue Agency's appeal and confirmed the cancellation of the notice of tax assessment.

Given the importance of the dispute, the Revenue Agency has challenged the judgment issued by the Regional Tax Board by an appeal filed with the Supreme Court, which was served on Alba Leasing S.p.A. on 14 February 2018. Alba Leasing S.p.A. will submit, through its trusted professionals, the related counter-appeal within the time limits prescribed by law in order to safeguard its interests.

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 S.p.A. 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 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 S.p.A. by a judgment filed on 16 January 2017. The case was discussed at a public hearing held on 18 November 2016. Given the importance of the dispute, the Revenue Agency submitted an appeal for the reversal of the first-instance judgment on 7 July 2017. Alba Leasing S.p.A. submitted, through its trusted professionals, its counter-arguments on 3 October 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.

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 thousand) and 2011 (the amount claimed is Euro 334 thousand) 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 92 thousand), which cancelled the notices of assessment that had been issued and ordered the Regional Government to pay litigation costs in an amount of Euro 15 thousand. 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 on Alba Leasing S.p.A.:

- 1,375 orders for payment of the regional road tax relating to 2013 (the amount claimed is Euro 381 thousand);
- 1,140 orders for payment of the regional road tax relating to 2014 (the amount claimed is Euro 309 thousand). Therefore, our Company filed an appeal with the Provincial Tax Board.

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)	31/12/2017	31/12/2016
A. Opening balance	2,887	2,244
B. Increases	1,056	2,513
B.1 Provision for the year	1,056	2,513
B.4 Other increases	-	-
C. Decreases	(1,519)	(1,870)
C.1 Use in the year	(630)	(301)
C.3 Other decreases	(889)	(1,569)
D. Closing balance	2,424	2,887

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	-
Revenue reserve:			
Legal Reserve	497	B	
Extraordinary Reserve	-		
Profits (loss) carried forward	(56,103)	---	
Other reserves	(253)	---	
Profit (loss) for the year:	1,633		
Total	408,727		-
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	31/12/2017	31/12/2016
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	33
5 Receivables					
5.1 Receivables from banks	-	3	1,137	1,140	1,488
5.2 Receivables from financial entities	-	1,423	24	1,447	1,594
5.3 Receivables from customers	-	104,612	2	104,614	109,972
6 Other assets	X	X	151	151	81
7 Hedging derivatives	X	X	-	-	-
Total	33	106,038	1,314	107,385	113,168

"Loans" mainly include interest earned for Euro 105,326 thousand on finance lease agreements:
- An amount of Euro 1,498 thousand of which relates to finance leases belonging to the banking portfolio involved in the Agreement on securitised loans;
- An amount of Euro 6,624 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 151 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 4,748 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	31/12/2017	31/12/2016
1. Payables to banks	10,204	X	-	10,204	14,100
2. Payables to financial entities	644	X	-	644	608
3. Payables to customers	440	X	-	440	-
4. Outstanding securities	X	10,041	-	10,041	11,878
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities	X	X	26	26	3
8. Hedging derivatives	X	X	-	-	-
Total	11,288	10,041	26	21,355	26,589

“Payables to banks” mainly include:

- Interest expense of Euro 5,797 thousand on current accounts;
- Interest expense and financial costs on loans for Euro 1,861 thousand;
- Interest expense of Euro 987 thousand on time deposits;
- Interest expense of Euro 1,559 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 1,720 thousand;
- The securitisation transactions carried out by the Company during the year for Euro 8,321 thousand

Section 2 - Commissions – Items 30 and 40

2.1 Breakdown of item 30 “Commissions earned”

Breakdown *(thousands of Euros)*	31/12/2017	31/12/2016
1. finance lease transactions	20,369	17,259
2. factoring transactions	-	-
3. consumer credit	-	-
4. guarantees issued	38	43
5. services for:		
- third-party fund management	-	-
- foreign exchange brokerage	-	-
- product distribution	-	-
- others	-	-
6. collection and payment services	-	-
7. servicing in securitisation transactions	164	46
8. other commissions	34	95
Total	20,605	17,443

“Lease transactions” are mainly made up of:

- Income of Euro 9,711 thousand for insurance premiums;
- Income of Euro 1,726 thousand for collection costs;
- Income of Euro 8,281 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)*	31/12/2017	31/12/2016
1. guarantees received	475	651
2. services distributed by third parties	-	-
3. collection and payment services	479	489
4. other commissions	12,876	12,062
4.1 lease transactions	12,116	11,460
4.2 factoring transactions	-	-
4.3 Others	760	602
Total	13,830	13,202

"Other commissions: lease transactions" mainly include:

- Costs of Euro 3,129 thousand incurred for underwriting fees due to banks;
- Costs of Euro 5,412 thousand incurred for insurance premiums;
- Costs of Euro 3,575 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	-	-	-	-	-
4 Financial derivatives	-	4	(79)	-	(75)
5 Derivatives on receivables	-	-	-	-	-
Total	-	4	(79)	-	(75)

As regards "Financial derivatives", the column of capital losses (equal to Euro 79 thousand) includes 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.

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)*	31/12/2017			31/12/2016		
	Profit	Loss	Net result	Profit	Loss	Net result
1 Financial assets						
1.1 Receivables	-	-	-	17	-	17
1.2 Assets available for sale	-	-	-	-	-	-
1.3 Assets held to maturity	-	-	-	-	-	-
Total (1)	-	-	-	17	-	17
2 Financial liabilities						
2.1 Payables	-	-	-	-	-	-
2.2 Outstanding securities	-	-	-	-	-	-
Total (2)	-	-	-	-	-	-
Total (1 + 2)	-	-	-	17	-	17

No assignments of receivables were made during the 2017 financial year.

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		31/12/2017	31/12/2016
	specific	portfolio	specific	portfolio		
1 Receivables from banks	-	-	-	5	5	(4,830)
- for lease	-	-	-	-	-	2
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	5	5	(4,832)
2 Receivables from financial entities	(4,773)	(111)	9,689	566	5,371	(100)
Non-performing loans purchased	-	-	-	-	-	-
- for lease	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
Other Receivables	(4,773)	(111)	9,689	566	5,371	(100)
- for lease	(4,773)	(15)	9,689	566	5,467	(93)
- for factoring	-	-	-	-	-	-
- other receivables	-	(96)	-	-	(96)	(7)
3 Receivables from customers	(59,136)	(12,284)	29,227	12,526	(29,667)	(28,560)
Non-performing loans purchased	-	-	-	-	-	-
- for lease	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- for consumer credit	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
Other receivables	(59,136)	(12,284)	29,227	12,526	(29,667)	(28,560)
- for lease	(51,899)	(10,779)	27,237	10,972	(24,469)	(25,672)
- for factoring	-	-	-	-	-	-
- for consumer credit	-	-	-	-	-	-
- loans against pledge	-	-	-	-	-	-
- other receivables	(7,237)	(1,505)	1,990	1,554	(5,198)	(2,888)
Total	(63,909)	(12,395)	38,916	13,097	(24,291)	(33,490)

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 (25) million and portfolio (collective) changes for Euro 0.7 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 908 million at 31 December 2016 to Euro 872 million, showing a reduction compared to the previous year.
Performing exposures increased from Euro 4,262 million at 31 December 2016 to Euro 4,490 million.

It should be noted that data transmitted to the Bank of Italy in regulatory reports were used for the 2017 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 2017. The use of this modified method resulted in a decrease of about Euro 0.7 million in the absolute amount of the portfolio value adjustments, while maintaining the cover percentage of the performing portfolio at just under 1% (0.80% at 31 December 2017 compared to 0.85% relating to the previous year).

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)*	31/12/2017	31/12/2016
1. Subordinate staff	26,127	25,232
a) wages and salaries	18,373	17,661
b) socials security contributions	5,398	5,286
c) severance indemnity	83	80
d) social security costs	-	-
e) provision for employee severance pay	-	-
f) provision for pension fund	-	-
and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary	-	-
pension funds:	1,257	1,212
- defined contribution	1,257	1,212
- defined benefit	-	-
h) other costs	1,031	947
2. Other personnel in active employment	40	92
3. Directors and statutory auditors	591	609
4. Staff on retirement	45	157
5. Recoveries of expenses for employees seconded to other companies	(957)	(1,128)
6. Reimbursements of expenses for third-party employees seconded to the Company	102	92
Total	25,948	25,054

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 376 thousand;
- Fees due to the members of the Board of Statutory Auditors for Euro 169 thousand;
- An amount of Euro 46 thousand relating to liability insurance policies for directors and statutory auditors.

9.2 Average number of employees broken down by category

	2017	2016
Subordinate staff	285	279
a) executives	11	10
b) total executive middle managers	144	142
of which: 3rd and 4th level	77	78
c) remaining subordinate staff	129	127
Other personnel	-	-
Total	285	279

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

(thousands of Euros)	31/12/2017	31/12/2016
a) expenses relating to properties:	1,935	1,937
- premises rental and maintenance	1,627	1,634
- cleaning expenses	139	128
- energy, water and heating	169	175
b) indirect taxes and duties	511	341
c) postage, telephone, printouts and other office expenses	379	352
d) maintenance and fees for furniture, machinery and systems	653	581
e) professional and consultancy services	3,523	3,589
f) expenses for certificates and information	-	-
g) surveillance and valuables escort	-	-
h) provision of services from third parties	7,015	7,522
i) advertising, entertainment and gifts	445	330
l) insurance premiums	220	170
m) transport, hires and travels	1,094	1,091
n) other costs and sundry expenses	2,183	1,998
Total	17,958	17,911

"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	(101)	-	-	(101)
1.1 owned	(94)	-	-	(94)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital goods	(15)	-	-	(15)
e) others	(79)	-	-	(79)
1.2 acquired under finance lease	(7)	-	-	(7)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital goods	-	-	-	-
e) others	(7)	-	-	(7)
2. Assets held for investment purposes	(155)	-	-	(155)
Total	(256)	-	-	(256)

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	-	(10,011)	-	(10,011)
2. Other intangible assets	(1,571)	-	-	(1,571)
2.1. owned	(1,571)	-	-	(1,571)
2.2. acquired under finance lease	-	-	-	-
3. Assets relating to finance lease	-	-	-	-
4. Assets granted under operating lease	-	-	-	-
Total	(1,571)	(10,011)	-	(11,582)

"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	31/12/2017	31/12/2016
1 Accruals to pension fund	-	X	-	-
2 Accruals to other provisions for risks and charges:	(1,056)	889	(167)	(2,972)
a) legal disputes	(1,056)	889	(167)	(2,972)
b) personnel costs	-	-	-	-
c) others	-	-	-	-
Total	(1,056)	889	(167)	(2,972)

Section 14 – Other operating income and costs – Item 160

14.1 Breakdown of item 160 "Other operating income"

(thousands of Euros)	31/12/2017	31/12/2016
a) amounts charged to third parties on deposits and current accounts payable	-	-
b) tax recovery	1,116	401
c) recoveries of expenses	460	554
d) income from securitisation transactions	-	-
e) rent income from properties	-	-
f) other income	3,096	3,116
Total	4,672	4,071

The sub-item "other income" mainly includes:

- Additional income of Euro 2,595 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)	31/12/2017	31/12/2016
a) amortisation of leasehold improvement costs	-	-
b) other costs	(9,084)	(7,830)
Total	(9,084)	(7,830)

The sub-item “other costs” mainly includes:

- Additional costs of Euro 3,773 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)	31/12/2017	31/12/2016
1. Properties	-	-
1.1 Profits from disposal	-	-
1.2 Losses from disposal	-	-
2. Other assets	4	(16)
2.1 Profits from disposal	4	33
2.2 Losses from disposal	-	(49)
Net result	4	(16)

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)	31/12/2017	31/12/2016
1. Current taxes	(1,044)	(452)
2. Changes in current taxes from previous years	28	-
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	(5,472)	(1,761)
5. Change in deferred tax liabilities	-	-
Taxes accrued in the year	(6,488)	(2,213)

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

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

(thousands of euros)	Taxable income	IRES tax	Taxable income	IRAP tax
PROFIT (LOSS) BEFORE TAX	8,121			
Theoretical tax charge		2,233		
Theoretical tax rate		27.50%		
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS			12,698	
Theoretical tax charge				707
Theoretical tax rate				5.57%
Temporary differences taxable in subsequent years				
Temporary differences deductible in subsequent years	2,451	674	(501)	(28)
Reversal of temporary differences from previous years:				
Write-off of taxable temporary differences	-	-		
Write-off of deductible temporary differences	(20,901)	(5,748)	(5,810)	(324)
Permanent differences that will not be reversed in subsequent years	11,110	3,055	8,517	475
IRES TAXABLE INCOME	781			
Current IRES tax for the year		214		
Effective tax rate		2.64%		
IRAP TAXABLE INCOME			14,904	
Current IRAP tax for the year				830
Effective tax rate				6.54%

Section 19 – Income statement: other information

19.1 – Breakdown of interest and commissions earned

thousands of Euros	Interest earned			Commissions earned			31/12/2017	31/12/2016
	Banks	Financial entities	Customers	Banks	Financial entities	Customers		
1 Finance lease	4	1,430	103,892	2	8	20,359	125,695	125,530
- real property	3	1,415	47,614	2	4	4,123	53,161	49,036
- personal property	1	15	55,487	-	4	15,381	70,888	70,123
- capital goods	-	-	791	-	-	855	1,646	6,371
- intangible assets	-	-	-	-	-	-	-	-
2 Factoring	-	-	-	-	-	-	-	-
- on current receivables	-	-	-	-	-	-	-	-
- on future receivables	-	-	-	-	-	-	-	-
- on receivables acquired on a final basis	-	-	-	-	-	-	-	-
- on receivablea 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	-	-	-	-	-	38	38	43
- trade	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	38	38	43
Total	4	1,430	103,892	2	8	20,397	125,733	125,572

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 *thousands of Euros*	31/12/2017						31/12/2016					
	Non-performing exposures	Minimum payments			Gross investments		Non-performing exposures	Minimum payments			Gross investments	
		Capital Quota		Interest				Capital Quota		Interest		
			of which guaranteed residual amount			of which residual guaranteed amount			of which residual guaranteed amount			of which residual guaranteed amount
- at sight	340,843	68,484	-	8,165	76,649	1,252	345,469	18,539	-	-	18,539	-
- until 3 months	4,080	152,479	-	18,048	170,527	3,558	6,477	211,748	-	26,698	238,446	14,125
- from 3 months to 1 year	23,866	630,640	-	68,841	699,481	15,283	33,728	583,907	-	70,636	654,543	25,699
- from 1 year to 5 years	132,622	2,165,155	-	199,635	2,364,790	196,366	150,112	1,947,688	-	209,911	2,157,599	115,577
- beyond 5 years	2,490	1,041,976	-	94,385	1,136,361	274,456	-	1,105,053	-	110,146	1,215,199	351,319
- indefinite maturity	106	-	-	-	-	-	-	-	-	-	-	-
Total	504,007	4,058,734	-	389,074	4,447,808	490,915	535,786	3,866,935	-	417,391	4,284,326	506,720

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			
			31/12/2017		31/12/2016	
	31/12/2017	31/12/2016		of which: bad loans		of which: bad loans
A. Real property	1,989,614	2,040,461	419,094	197,841	451,616	203,907
- Land	-	-	-	-	-	-
- Buildings	1,989,614	2,040,461	419,094	197,841	451,616	203,907
B. Capital goods	1,450,046	305,450	69,343	29,995	5,664	2,130
C. Personal property	619,074	1,521,024	15,570	5,309	78,506	34,021
- Automotive	541,289	108,783	10,108	4,566	3,717	2,343
- Aviation and Naval Industry and Railway sectors	77,785	57,578	5,462	743	6,527	1,079
- Others	-	1,354,663	-	-	68,262	30,599
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Others	-	-	-	-	-	-
Total	4,058,734	3,866,935	504,007	233,145	535,786	240,058

A.4 – Classification of finance lease assets

(thousands of Euros)	Unopted assets		Assets withdrawn after termination		Other assets	
	2017	2016	2017	2016	2017	2016
A. Real property	-	-	6,121	1,697	-	-
- Land	-	-	-	-	-	-
- Buildings	-	-	6,121	1,697	-	-
B. Capital goods	-	-	-	-	-	-
C. Personal property	-	-	-	-	-	-
- Automotive	-	-	-	-	-	-
- Aviation and Naval Industry and Railway sectors	-	-	-	-	-	-
- Others	-	-	-	-	-	-
D. Intangible assets:	-	-	-	-	-	-
- Trademarks	-	-	-	-	-	-
- Software	-	-	-	-	-	-
- Others	-	-	-	-	-	-
Total	-	-	6,121	1,697	-	-

A.5.- Changes in value adjustments

Item *(thousands of Euros)*	Initial value adjustments	Increases				Decreases					Final value adjustments
		Value adjustments	Losses from disposal	Transfers from other status	Other positive changes	Value write-backs	Profits from disposal	Transfers to other status	Write-off	Other negative changes	
Specific adjustments on non-performing assets											
Lease of real property	126,433	59,497	-	14,692	-	(53,958)	-	(11,985)	(1,402)	(447)	132,830
- bad loans	96,949	36,403	-	9,987	-	(34,120)	-	(1,825)	(384)	(417)	106,593
- unlikely to pay	29,429	22,850	-	4,557	-	(19,624)	-	(9,936)	(1,018)	(30)	26,228
- past due exposures (non-performing)	55	244	-	148	-	(214)	-	(224)	-	-	9
Lease of capital goods	6,253	1,476	-	1,906	398	(1,069)	-	(1,459)	(274)	(259)	6,972
- bad loans	4,997	477	-	1,165	-	(448)	-	-	(274)	(259)	5,658
- unlikely to pay	1,245	756	-	640	391	(571)	-	(1,165)	-	-	1,296
- past due exposures (non-performing)	11	243	-	101	7	(50)	-	(294)	-	-	18
Lease of personal property	114,416	21,813	-	14,541	57	(27,450)	-	(12,511)	(5,140)	(451)	105,275
- bad loans	85,634	9,577	-	10,822	-	(18,201)	-	(56)	(4,646)	(66)	83,064
- unlikely to pay	28,554	10,831	-	3,055	-	(8,709)	-	(10,757)	(494)	(385)	22,095
- past due exposures (non-performing)	228	1,405	-	664	57	(540)	-	(1,698)	-	-	116
Lease of intangible assets	-	-	-	-	-	-	-	-	-	-	-
- bad loans	-	-	-	-	-	-	-	-	-	-	-
- unlikely to pay	-	-	-	-	-	-	-	-	-	-	-
- past due exposures (non-performing)	-	-	-	-	-	-	-	-	-	-	-
Total A	247,102	82,786	-	31,139	455	(82,477)	-	(25,955)	(6,816)	(1,157)	245,077
Portfolio adjustments on other assets											
- lease of real property	11,845	1,391	-	-	-	(2,699)	-	(216)	-	-	10,321
- lease of capital goods	3,322	1,983	-	-	-	(1,305)	-	(32)	-	-	3,968
- lease of personal property	17,810	7,442	-	-	-	(6,865)	-	(448)	-	-	17,939
- lease of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Total B	32,977	10,816	-	-	-	(10,869)	-	(696)	-	-	32,228
Total	280,079	93,602	-	31,139	455	(93,346)	-	(26,651)	(6,816)	(1,157)	277,305

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	14,016	592	17.404	-
- of which: exposures assigned not derecognised	3,861	34	1.310	-
B. Increases	21,890	594	10.417	-
B.1 Value adjustments	13,514	369	5.758	-
B.2 Losses from disposal	-	-	-	-
B.3 Other positive changes	8,376	225	4.659	-
C. Decreases	(18,617)	(337)	(10.306)	-
C.1 Value write-backs	(13,855)	(236)	(5.970)	-
C.2 Profits from disposal	-	-	-	-
C.3 Write-off	(4)	-	(27)	-
C.4 Other negative changes	(4,758)	(101)	(4.309)	-
D. Final overall adjustments	17,289	849	17.515	-
- of which: exposures assigned not derecognised	2,678	92	1.960	-

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)* 31/12/2017
Lease back		
- lease of real property	125	66,153
- lease of capital goods	54	903
- lease of personal property	2	5
- other	6	25
Total	187	67,086

D. Guarantees and commitments

D.1 – Value of guarantees issued and of commitments

Transactions (thousands of Euros)	31/12/2017	31/12/2016
1) First-demand financial guarantees issued	-	-
a) Banks	-	-
b) Financial entities	-	-
c) Customers	-	-
2) Other financial guarantees issued	3,036	2,857
a) Banks	-	-
b) Financial entities	-	-
c) Customers	3,036	2,857
3) Commercial guarantees issued	-	-
a) Banks	-	-
b) Financial entities	-	-
c) Customers	-	-
4) Irrevocable commitments to disburse funds	498,105	288,863
a) Banks	-	-
i) for certain use	-	-
ii) for uncertain use	-	-
b) Financial entities	-	-
i) for certain use	-	-
ii) for uncertain use	-	-
c) Customers	498,105	288,863
i) for certain use	331,647	288,863
ii) for uncertain use	166,458	-
5) Commitments underlying derivatives on receivables: protection sales	-	-
6) Assets pledged as security for third-party obligations	-	-
7) Other irrevocable commitments	-	-
a) to issue guarantees	-	-
b) others	-	-
Total	501,141	291,720

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	-	-	2,891	-	-	-	-	-	-	-	145	-
- first-demand financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	2,891	-	-	-	-	-	-	-	145	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,891**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**145**	**-**

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	-	-	-	124	-	-
(B) Increases:	-	-	-	21	-	-
- (b1) transfers from performing guarantees	-	-	-	-	-	-
- (b2) transfers from other non-performing guarantees	-	-	-	-	-	-
- (b3) other increases	-	-	-	21	-	-
(C) Decreases:	-	-	-	-	-	-
- (c1) reclassification to performing guarantees	-	-	-	-	-	-
- (c2) reclassification to non-performing guarantees	-	-	-	-	-	-
- (c3) enforcements	-	-	-	-	-	-
- (c4) other decreases	-	-	-	-	-	-
(D) Gross final value	-	-	-	145	-	-

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	-	-	-	2,733	-	-
(B) Increases:	-	-	-	228	-	-
- (b1) guarantees issued	-	-	-	-	-	-
- (b2) other increases	-	-	-	228	-	-
(C) Decreases:	-	-	-	(70)	-	-
- (c1) guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	-	-	-	-	-
- (c3) other decreases	-	-	-	(70)	-	-
(D) Gross final value	-	-	-	2,891	-	-

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	-	-	-	-	3,036
Total	-	-	-	-	3,036

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	-	-	-	-	375
- Veneto	-	-	-	-	267
- Toscana	-	-	-	-	2,394
Total	-	-	-	-	3,036

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 S.p.A., 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 S.p.A..

Characteristics of transactions originated by Alba Leasing S.p.A.

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 S.p.A..
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 31/12/2016)	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	140,316,990	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 31/12/2016)					
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
Updating of Rating at 11/12/2017					
Moody's Agency		Aa2(sf)	Aa2 (sf)	Aa2 (sf)	
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	-	6,553,580	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 31/12/2016)					
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
Updating of Rating at 11/12/2017					
Moody's Agency	Aa2(sf)	Aa2(sf)	Aa3 (sf)	A3 (sf)	
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	16,831,825	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.

(Values in Euros)

Securitisation name:					ALBA 9 SPV S.r.l.
Type of transaction:					Traditional
Originator:					Alba Leasing S.p.A.
Issuer:					Alba 9 S.r.l.
Servicer:					Alba Leasing S.p.A.
Quality of securitised assets:					Performing
Closing date:					3/10/2017
Portfolio Nominal Value:					1,152,878,874
Portfolio assignment price:					1,113,066,279
Other relevant information:					No Revolving of portfolio
Rating agencies:					Dbrs, Moody's and Scope
Tranching amount and conditions:					
ISIN code	IT0005285231	IT0005285249	IT0005285256	IT0005285264	IT0005285272
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 / Aa2	Aa2 / Aa2	A2 / A2	Ba2 / Ba2	unrated
DBRS Agency	AAA / AAA	AA (high) / AA (high)	A (high) / A (high)	BBB / BBB	unrated
Scope Agency	AAA / AAA	AAA / AAA	A+ / A+	BBB- / BBB-	unrated
Listing stock exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Irish Stock Exchange	Unlisted
Issue date	30/10/2017	30/10/2017	30/10/2017	30/10/2017	30/10/2017
Maturity date	Mar-2038	Mar-2038	Mar-2038	Mar-2038	Mar-2038
Call option	-	-	-	-	
Rate	3-month Euribor + 32 bps	3-month Euribor + 52 bps	3-month Euribor + 101 bps	3-month Euribor + 132 bps	3-month Euribor + 150 bps
Degree of subordination		Sub A1	Sub A1, A2	Sub A1, A2, B	Sub A1, A2, B, C
Nominal value issued	478,600,000	233,800,000	145,800,000	100,200,000	164,300,000
Outstanding value at year-end	457,316,945	233,800,000	145,800,000	100,200,000	164,300,000
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) Quality of underlying assets	Cash Exposure						Guarantees issued						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	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	-	-	100,200	100,200	928,953	927,318	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:																		
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**100,200**	**100,200**	**928,953**	**927,318**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The amount stated in "Others" consists of the amount of junior notes subscribed by Alba Leasing S.p.A. – 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) Type of securitised assets/exposure	Cash exposures						Guarantees issued						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	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	-	-	100,200	-	927,318	-	-	-	-	-	-	-	-	-	-	-	-	-
C.4 Alba 6 SPV S.r.l.																		
Lease rentals - Automotive / Capital goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	75,036	-	-	-	-	-	-	-	-	-	-	-	-	-
C.5 Alba 7 SPV S.r.l.																		
Lease rentals - Automotive / Capital goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	191,874	-	-	-	-	-	-	-	-	-	-	-	-	-
C.6 Sunny 1 SPV S.r.l.																		
Lease rentals - Automotive / Capital goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	281,342	-	-	-	-	-	-	-	-	-	-	-	-	-
C.7 Alba 8 SPV S.r.l.																		
Lease rentals - Automotive / Capital goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	-	-	213,656	-	-	-	-	-	-	-	-	-	-	-	-	-
C.8 Alba 9 SPV S.r.l.																		
Lease rentals - Automotive / Capital goods /																		
Real estate / Aviation and Naval Industry and Railway	-	-	100,200	-	165,410	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**100,200**	**-**	**927,318**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

(amounts in thousands of Euros)

		Traditional securitisations	Synthetic securitisations
A.	Own underlying assets	3,000,453	-
A.1	Subject to full derecognition	-	
	1. Bad loans	-	-
	2. Unlikely to pay loans	-	-
	3. Paste due exposures (non-performing)	-	-
	5. Other assets	-	-
A.2	Subject to partial derecognition	-	
	1. Bad loans	-	-
	2. Unlikely to pay loans	-	-
	3. Paste due exposures (non-performing)	-	-
	5. Other assets	-	-
A.3	Not derecognised	3,000,453	-
	1. Bad loans	9,073	-
	2. Unlikely to pay loans	80,410	-
	3. Paste due exposures (non-performing)	2,450	-
	5. Other assets	2,908,520	-
B.	Third-party underlying assets	-	-
	1. Bad loans	-	-
	2. Unlikely to pay loans	-	-
	3. Paste due exposures (non-performing)	-	-
	5. Other assets	-	-
	Total	3,000,453	-

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 31.12.2017		Collection of receivables in the year		Percentage amount of notes repaid at 31.12.2017					
						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 6 SPV S.r.l.	389,288	13,117	65,063	206	0.0%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Alba 7 SPV S.r.l.	357,009	10,363	163,475	2,715	95.8%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Alba 8 SPV S.r.l.	687,808	13,912	259,983	1,516	44.3%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Alba 9 SPV S.r.l.	1,100,136	1,768	48,001	1	0.0%	-	0.00	-	0.0%	-
Alba Leasing S.p.A.	Sunny 1 SPV S.r.l.	374,279	52,773	75,328	471	34.4%	-	0.00	-	0.0%	-
	Total	2,908,520	91,933	611,850	4,909						

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)

Alba 6 Geographical Area	31.12.2017
North	242,156
Centre	118,245
South and Islands	45,977
Total	406,378

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

Alba 7 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 7 Geographical Area	31.12.2017
North	247,352
Centre	81,163
South and Islands	45,501
Total	374,016

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

Alba 8 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 8 Geographical Area	31.12.2017
North	480,540
Centre	127,963
South and Islands	101,669
Total	710,172

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

Alba 9 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 9 Geographical Area	31.12.2017
North	697,276
Centre	217,016
South and Islands	198,720
Total	1,113,012

Sunny 1 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Sunny 1 Geographical Area	31.12.2017
North	322,302
Centre	73,506
South and Islands	38,969
Total	434,777

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)

Alba 6 Economic Activity	31.12.2017
Producer households	3,821
Consumer households	23,277
Insurance companies	405
Financial companies	5,547
Non-financial companies	373,268
Other operators	40
Banks	20
Total	406,378

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

Alba 7 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 7 Economic Activity	31.12.2017
Producer households	23,368
Consumer households	2,661
Insurance companies	445
Financial companies	3,754
Non-financial companies	342,603
Other operators	1,167
Units that cannot be classified and are not classified	18
Total	374,016

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

Alba 8 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 8 Economic Activity	31.12.2017
Producer households	56,209
Consumer households	2,501
Insurance companies	1,645
Financial companies	9,285
Non-financial companies	638,117
Other operators	2,390
Units that cannot be classified and are not classified	25
Total	710,172

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

Alba 9 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Alba 9 Economic Activity	31.12.2017
Producer households	86,584
Consumer households	3,637
Insurance companies	2,565
Financial companies	1,191
Non-financial companies	1,016,077
Other operators	2,919
Units that cannot be classified and are not classified	39
Total	1,113,012

Sunny 1 SPV S.r.l. Securitisation transaction
(amounts in thousands of Euros)

Sunny 1 Economic Activity	31.12.2017
Producer households	3,287
Consumer households	33
Insurance companies	114
Financial companies	35,637
Non-financial companies	395,676
Other operators	30
Total	434,777

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”, “Alba 9” and “Sunny 1”.

QUANTITATIVE INFORMATION

C.1.1 Financial assets sold not derecognised: 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 31/12/2017	31/12/2016
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
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													3,038,355			3,038,355	2,381,579
B. Derivative instruments				X	X	X	X	X	X	X	X	X	X	X	X		
Total at 31/12/2017													3,038,355			3,038,355	X
Of which impaired													*106,095*			*106,095*	X
Total at 31/12/2016													2,381,579			X	
Of which impaired													*74,836*			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 2017 financial year a new securitisation transaction was carried out with Alba 9 SPV S.r.l.; for more details on the characteristics of this transaction originated by Alba Leasing S.p.A., 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 2017.

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

QUALITATIVE INFORMATION

1. General issues

The proportion of non-performing loans Alba Leasing S.p.A. 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.

(amounts in thousands of Euros)

Risk range	Gross risk Total Assets	Gross risk Lease only	% of Total Lease only	Benchmark Assilea 31.12.2017	Delta
Bad loans	521,016	441,433	9.2%	16.8%	-7.6% p.p.
Unlikely to pay loans	347,320	320,393	6.7%	8.2%	-1.5% p.p.
Past due loans	4,189	4,151	0.1%	0.4%	-0.4% p.p.
Total	872,525	765,977	16.3%	26.2%	-9.5% 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.

CREDIT POLICY

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;
3. Resolutions passed by the Partner and Affiliated Banks. Alba Leasing S.p.A. 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 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 finance lease (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.p.A.'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 28.2% of the lease agreements entered at 31 December 2017.
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.

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 2017 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, 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	-	-	-	-	5,016	5,016
3	Receivables from banks	-	-	-	-	165,416	165,416
4	Receivables from customers	235,585	269,187	4,065	29,715	4,255,897	4,794,449
5	Financial assets at fair value	-	-	-	-	-	-
6	Financial assets held for sale	36,735	17,492	-	-	-	54,227
	31/12/2017	272,320	286,679	4,065	29,715	4,426,329	5,019,108
	31/12/2016	282,357	311,305	8,051	44,936	4,187,108	4,833,757

	Portfolio/quality *(thousands of Euros)*	Assets of evident poor credit quality	Other assets	Total
1	Financial assets held for trading	-	75	75
2	Hedging derivatives	-	-	-
	31/12/2017	-	75	75
	31/12/2016	-	174	174

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	136	1,237	5,095	507,292	-	(245,762)	-	267,998
- of which: exposures with forbearance measures		715	419	34,602	-	(15,581)	-	20,155
b) Unlikely to pay loans	170,328	20,700	34,731	119,675	-	(61,122)	-	284,312
- of which: exposures with forbearance measures	103,830	4,288	9,751	45,079	-	(26,114)	-	136,834
c) Past due exposures (non-performing)	1.409	2,465	339	5	-	(153)	-	4,065
- of which: exposures with forbearance measures	743	78	24	-	-	(42)	-	803
d) Past due exposures (performing)	-	-	-	-	29,953	-	(238)	29,715
- of which: exposures with forbearance measures	-	-	-	-	398	-	(3)	395
e) Other exposures (performing)	-	-	-	-	4,184,209	-	(33,406)	4,150,803
- of which: exposures with forbearance measures	-	-	-	-	19,315	-	(125)	19,190
Total A	171,873	24,402	40,165	626,972	4,214,162	(307,037)	(33,644)	4,736,893
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	9,157	-	-	-	-	-	-	9,157
b) Performing	-	-	-	-	491,984	-	-	491,984
Total B	9,157	-	-	-	491,984	-	-	501,141
Total (A+B)	181,030	24,402	40,165	626,972	4,706,146	(307,037)	(33,644)	5,238,034

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) *(thousands of Euros)*	at sight	until 3 months	from 3 months to 1 year	from 1 year to 5 years	beyond 5 years
Other defaulting exposures	-	19,682	9,615	655	1

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	From3 months to 6 months	From 6 months to 1 year	Beyond 1 year				
A. CASH EXPOSURES								
a) Bad loans	-	-	-	6,248	-	(1,926)	-	4,322
- of which: exposures with forbearance measures	-	-	-	-	-	-	-	-
b) Unlikely to pay loans	-	20	1,678	894	-	(225)	-	2,367
- of which: exposures with forbearance measures	-	-	1,678	-	-	(23)	-	1,655
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)	-	-	-	-	276,000	-	(474)	275,526
- of which: exposures with forbearance measures	-	-	-	-	-	-	-	-
Total A	-	20	1,678	7,142	276,000	(2,151)	(474)	282,215
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-
Total (A+B)	-	20	1,678	7,142	276,000	(2,151)	(474)	282,215

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

(thousands of Euros)	Governments and Central Banks			Other public entities			Insurance companies			Non-financial companies			Other entities		
	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	7	(5)	X	260,699	(236,255)	X	11,614	(11,428)	X
of which: exposures with forbearance measures	-	-	-	-	-	X	-	-	X	19,180	(14,764)	X	975	(817)	X
A.2 Unlikely to pay loans	-	-	X	133	(108)	X	13	(1)	X	278,624	(57,646)	X	7,909	(3,592)	X
of which: exposures with forbearance measures	-	-	-	-	-	X	-	-	X	134,630	(24,593)	X	3,859	(1,544)	X
A.3 Past due exposures (non-performing)	-	-	X	-	-	X	-	-	X	3,574	(133)	X	491	(20)	X
of which: exposures with forbearance measures	-	-	-	-	-	X	-	-	X	602	(39)	X	201	(3)	X
A.4 Other exposures	5,016	X	-	23,487	X	(85)	6,015	X	(27)	4,126,037	X	(31,235)	295,489	X	(2,771)
of which: exposures with forbearance measures	-	X	-		X	-	-	X	-	18,870	X	(122)	715	X	(6)
Total	**5,016**	**-**	**-**	**23,620**	**(108)**	**(85)**	**6,035**	**(6)**	**(27)**	**4,668,934**	**(294,034)**	**(31,235)**	**315,503**	**(15,040)**	**(2,771)**
B. "Off-balance sheet" exposures															
B.1 Past due loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-		-	-	9,157	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	35	X	-	810	X	-	469,057	X	-	22,082	X	-
Total	**-**	**-**	**-**	**35**	**-**	**-**	**810**	**-**	**-**	**469,057**	**-**	**-**	**31,239**	**-**	**-**
31/12/2017	**5,016**	**-**	**-**	**23,655**	**(108)**	**(85)**	**6,845**	**(6)**	**(27)**	**5,137,991**	**(294,034)**	**(31,235)**	**346,742**	**(15,040)**	**(2,771)**
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)**

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	97,592	(98,290)	73,014	(59,786)	55,701	(45,272)	46,013	(44,263)	-	(77)
A.2 Unlikely to pay loans	76,314	(22,829)	96,661	(20,588)	69,234	(10,426)	42,698	(6,224)	1,772	(1,280)
A.3 Past due exposures (non-performing)	1,684	(65)	688	(23)	564	(16)	1,129	(49)	-	-
A.4 Exposures (performing)	1,854,286	(12,955)	1,167,118	(9,754)	787,081	(5,730)	645,942	(5,662)	1,617	(17)
Total	2,029,876	(134,139)	1,337,481	(90,151)	912,580	(61,444)	735,782	(56,198)	3,389	(1,374)
B. "Off-balance sheet" exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	9,157	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Exposures (performing)	162,895	-	175,792	-	88,293	-	65,004	-	-	-
Total	162,895	-	184,949	-	88,293	-	65,004	-	-	-
31/12/2017	2,192,771	(134,139)	1,522,430	(90,151)	1,000,873	(61,444)	800,786	(56,198)	3,389	(1,374)
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)

3.3 Large exposures

The Company holds six positions which fall under the large risk category (risk positions amounting to or higher than 10% of Net Worth). The book value at 31 December 2017 amounted to about Euro 738,178 thousand, with a weighted value of about Euro 400,019 million.
No risk exposure to individual customers or groups of related customers exceeds the restrictions set out in current regulations.

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

This sub-item did not show any balance at 31 December 2017.

5. Other quantitative information

This sub-item did not show any balance at 31 December 2017.

3.2 Market risks

Alba Leasing S.p.A. holds no trading portfolio which is exposed to market risks; in fact, it 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	16	-	-	-	5,000	-	-	-
1.2 Receivables	615,922	3,951,300	21,260	23,711	171,739	173,077	22,861	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities		-						
2.1 Payables	1,829,586	273,851	224,194	155,169	93,760	1,129	-	-
2.2 Debt securities	-	2,010,456	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives		-						
Options								
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions	-	119,642	1,901	-	39,570	-	-	-
3.4 Short positions	-	119,642	1,901	-	39,570	-	-	-

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

QUALITATIVE INFORMATION

1. General issues

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

QUANTITATIVE INFORMATION

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

QUALITATIVE INFORMATION

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.p.A.'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 S.p.A. 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 S.p.A.: 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.

During the 2017 financial year the liquidity risk method was published, which formalised risk management and control activities, while setting out a process of risk oversight refinement and improvement.
As regards risk monitoring and control:

a) the Finance Organisational Unit, operating for the Administration, Finance and Control Department, is responsible for liquidity operations management under the terms of its sub-delegation; specifically:
   - it manages the financial resources available and meets Alba Leasing S.p.A.'s cash requirements;
   - it assesses additional funding costs to cope with pessimistic scenarios;
   - it provides the Risk Management O.U. with information under its control for the preparation of the "Liquidity Risk" report.
b) The Legal and Compliance Risk Department is responsible for monitoring and controlling the liquidity risk; specifically:
   - it defines methods to measure the liquidity risk and the system of limits;

- it suggests this procedure, as well as methods and limits and revises the process and proposes possible reviews on a periodic basis;
- it sets out stress test scenarios on a periodic basis (at least once a year);
- it verifies the quality of data and the current effectiveness of related measurement methods on an ongoing basis;
- it sets out and checks for compliance with the operating limits on the assumption of liquidity risks;
- it prepares and updates the reports for the corporate bodies, which describe the exposure to the liquidity risk.

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).
The Company sets out a minimum limit on the number of credit facilities (operating liquidity) that are granted and can be used by the Shareholders, to be applied to the actual availability and to be maintained unused, aimed at meeting certain cash outflow requirements over a period of time of one month.
This limit is calculated by the Risk Management O.U. and proposed to the Board of Directors at least on an annual basis or as a result of significant changes in variables. The Risk Management O.U. uses, as a calculation method, the rules laid down for the calculation of the Liquidity Coverage Ratio (LCR), which are appropriately adapted to meet the operational requirements of the Company. This limit constitutes the minimum liquidity threshold (credit facilities) to be held.

The structural liquidity risk is measured and managed by using a liquidity mismatch risk approach. For this purpose a maturity ladder is set out, in which all flows are placed according to their maturity, in accordance with the supervision regulations. The various buckets are placed by maturity of items as per contract; behavioural and statistical models or judgmental evaluations are used for those items that have no maturity set out as per contract.
The "Liquidity Risk" report for the Board of Directors is drawn up at least on a monthly basis. It is the responsibility of the Finance O.U. to inform the Risk Management of the occurrence of unexpected events that require the report to be drawn up again in advance of the preset expiry date.

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 months	From 1 months 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	16	-	-	-	-	-	-	-	5,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	618,917	1,859	1,137	7,306	177,591	252,096	486,519	1,499,114	858,098	1,173,453	-
A.4 Other Assets	-	-	-	-	-	-	-	-	-	-	-
Cash liabilities											
B.1 Payables to:											
- Banks	1,775,630	-	15,001	-	237,828	134	165,001	84,606	67,945	68,750	-
- Financial entities	1,133	-	-	1	27	358	1,022	55,294	51,533	1,129	-
- Customers	52,579	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	262	-	-	1,080	1,111	1,883	3,657	-	-	2,022,573	-
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	75	-	-	-	-	-	-	-	-	-	-
- Negative differentials	74	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received											
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments											
to disburse funds											
- Long positions	-	-	-	-	-	-	-	22,825	245,623	-	-
- Short positions	-	-	-	322,322	-	-	-	-	-	-	-
C.5 Financial guarantees issued	3,036	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Section 4 – Information on equity

4.1 The Company's equity

4.1.1 Qualitative information

Alba Leasing S.p.A. 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)*	31/12/2017	31/12/2016
1. Share capital	357,953	357,953
2. Share premiums	105,000	105,000
3. Reserves	(55,606)	(59,521)
- revenue	(55,606)	(59,521)
a) legal reserve	497	301
b) reserves required by articles of association	-	-
c) own shares	-	-
d) others	(56,103)	(59,822)
- others	-	-
4. (Own shares)	-	-
5. Valuation reserves	(253)	(234)
- Financial assets available for sale	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedge	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and disposal groups of assets	-	-
- Special revaluation laws	-	-
- Actuarial gains/losses relating to defined benefit plans	(253)	(234)
- Portions of reserves from valuation of equity-accounted investments	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	1,633	3,914
Total	408,727	407,112

<u>*4.1.2.2 Reserves from valuation of financial assets available for sale: breakdown*</u>
This item was not reported at 31 December 2017.

<u>*4.1.2.3 Reserves from valuation of financial assets available for sale: annual changes*</u>
This item was not reported at 31 December 2017.

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.

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)	31/12/2017	31/12/2016
A. Common Equity Tier 1 – CET1 before the application of prudential filters of which CET1 instruments subject to transitional provisions	399,687	384,997
B. Prudential filters of CET1 (+/-)	-	-
C. CET1 before elements to be deducted and the effects of transitional scheme (A +/- B)	399,687	384,997
D. Elements to be deducted from CET1	-	-
E. Transitional scheme - Impact on CET1 (+/-)	51	94
F. Total Common Equity Tier 1 - CET1 (C - D +/- E)	399,738	385,091
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)	399,738	385,091

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 51 thousand).

The present financial liability (Employee Severance Pay) amounts to Euro 2,508 thousand; if IAS 19 were not applied, it would amount to Euro 2,160 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 2018 (to be prepared by 14 May 2018).

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 *(thousands of Euros)*	Non-weighted amounts		Weighted amounts / requirements	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
A. RISK ASSETS				
A.1 Credit and counterparty risk	5,899,096	5,585,810	4,188,258	3,862,606
Standardised method	5,899,096	5,585,810	4,188,258	3,862,606
2. Method based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	-	-	251,295	231,756
B.2 Credit valuation adjustment risk	-	-	394	342
B.3 Settlement risk	-	-	-	-
B.4 Market risks	-	-	555	697
1.Standardised method	-	-	555	697
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	14,060	13,359
1. Basic method	-	-	14,060	13,359
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.6 Other prudential requirements	-	-	-	-
B.7 Other calculation elements	-	-	-	-
B.8 Total prudential requirements	-	-	266,304	246,154
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets	-	-	4,438,402	4,102,574
C.2 Tier 1 capital ratio	-	-	9.01%	9.39%
C.3 Total capital ratio	-	-	9.01%	9.39%
C.4 Total capital ratio)	-	-	-	-

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 4,438,402 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	8,121	(6,488)	1,633
	Other income components without transfer to P&L			
20	Property, plant and equipment	-	-	-
30	Intangible assets	-	-	-
40	Defined-benefit plans	(26)	7	(19)
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 t P&L	-	-	-
	- adjustments from impairment	-	-	-
	- profit/losses 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/losses from disposal	-	-	-
130	Total other income components	(26)	7	(19)
140	Comprehensive income (Item 10+130)	8,095	(6,481)	1,614
150	Consolidated comprehensive income attributable to minority interests	-	-	-
160	Consolidated comprehensive income attributable to the parent company	8,095	(6,481)	1,614

Section 6 – Related-party transactions

6.1 Information on fees due to key management personnel

(thousands of Euros)	31/12/2017
Directors	376
Statutory Auditors	169
Other key management personnel	2,257
TOTAL	2,802

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).

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 have been normally entered into on customary arm's length conditions.

No related-party transactions had been carried out at the reporting date.
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 S.p.A. 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 2017 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 2017.

STATEMENT SUMMARISING RELATED-PARTY TRANSACTIONS AND THEIR IMPACT ON THE FINANCIAL STATEMENTS *(thousands of Euros)*	31/12/2017 FINANCIAL STATEMENTS	Other related parties			
		BANCA POPOLARE DELL'EMILIA ROMAGNA	BANCO BPM	BANCA POPOLARE DI SONDRIO	CREVAL
BALANCE SHEET - ASSETS					
Financial assets held for trading	75	-	-	-	-
Financial assets (item 30, 40 and 50)	5,016	-	-	-	-
Financial assets available for sale	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-
Receivables from Banks	165,416	3,001	10,287	43	6
- current accounts and demand deposits	6,057	2,801	-	37	-
- other receivables	159,359	200	10,287	6	6
Receivables from Customers and Financial Entities	4,794,449	-	-	-	-
Hedging derivatives	-	-	-	-	-
Other asset items	253,188	110	-	76	-
BALANCE SHEET - LIABILITIES					
Payables to banks	2,424,208	720,888	565,002	295,027	86,541
- current accounts and demand deposits	1,902,541	720,010	561,568	291,652	66,391
- other payables	521,667	878	3,434	3,375	20,150
Payables to customers and Financial Entities	318,287	-	-	-	-
Outstanding securities	2,008,093	-	-	-	-
Financial liabilities held for trading	74	-	-	-	-
Financial liabilities at fair value	-	-	-	-	-
Hedging derivatives	-	-	-	-	-
Other liability items (excluding equity)	58,755	-	564	2	-
Guarantees issued	3,036	-	3,036	-	-
Guarantees received	750,819	244,260	242,515	179,561	84,483
Commitments	-	-	-	-	-
INCOME STATEMENT					
Interest earned and similar income	107,385	-	13	-	-
Interest expense and similar charges	(21,355)	(2,307)	(693)	(824)	(987)
Commissions earned	20,605	-	47	2	-
Commissions expense	(13,830)	(2,012)	(1,366)	(1,492)	(669)
Dividends and similar income	-	-	-	-	-
Net Result from Trading	(75)	-	-	-	-
Profit (Losses) from disposal or repurchases	-	-	-	-	-
Operating income	92,730	(4,319)	(1,999)	(2,314)	(1,656)
Value adjustments / write-backs (item 100 120 130)	(36,128)	-	-	-	-
Administrative expenses	(43,906)	360	47	277	(18)
Personnel costs	(25,948)	420	116	312	-
Other administrative expenses	(17,958)	(60)	(69)	(35)	(18)
Other operating income /expenses (item 160)	(4,412)	-	-	-	-
Other income statement items	(6,651)	-	-	-	-
Gross Profits /(Losses) for the year	1,633	(3,959)	(1,952)	(2,037)	(1,674)

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.	PricewaterhouseCoopers S.p.A.	425
Other services	Alba Leasing S.p.A.	PricewaterhouseCoopers S.p.A.	269
Total (A)	Alba Leasing S.p.A.		694
Statutory audit of accounts	Securitisation SPVs	PricewaterhouseCoopers S.p.A.	91
Total (B)	Subsidiaries		91
Total (A + B)			785

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.

Report of the Independent Auditors

Independent auditor's report

in accordance with articles 14 and 19 bis of DLgs N° 39 of 27 January 2010

To the shareholders of Alba Leasing SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alba Leasing Group (the Group), which comprise the consolidated balance sheet as of 31 December 2017, the consolidated income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulations issued to implement of article 43 of Dlgs n° 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Alba Leasing SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as the regulations issued in the implementation of article 43 of Dlgs n° 136/15, and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Alba Leasing SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised the professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of DLgs N 39/10

Management of Alba Leasing SpA is responsible for preparing a report on operations of the Alba Leasing Group as of 31 December 2017, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) N 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Alba Leasing Group as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Alba Leasing Group as of 31 December 2017 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of DLgs N 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Padova, 30 March 2018

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

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