# Alba Leasing S.p.A.
Annual Report
2020

alba leasing
Valore raggiunto

# Annual Report
**2020**

Alba Leasing S.p.A.

Registered office and head office: Via Sile, 18 – 20139 Milan
Telephone 02 367161 - Fax 02 36716443.
Web: www.albaleasing.eu. E-Mail: info@albaleasing.eu
Included in the List of Financial Intermediaries as per article 106 of the Consolidated Banking Act as no. 32
Tax code, VAT number and Milano-Monza-Brianza-Lodi Chamber of Commerce company registration no. 06707270960
Fully paid-up share capital €357,953,058.13
Member of Assilea, the Italian Association of Lease Companies

# Corporate bodies

## Board of directors

| | |
|---|---|
| Chairman | Luigi Roth |
| Directors | Giorgio Pellagatti<br>Matteo Bigarelli<br>Fabio Cereghini<br>Vittorio Pellegatta<br>Camilla Cionini Visani<br>Maurizio Riccadonna |

## Board of statutory auditors

| | |
|---|---|
| Chairman | Antonio Mele |
| Standing statutory auditors | Gabriele Camillo Erba<br>Bruno Garbellini |
| Alternate statutory auditors | Matteo Tiezzi<br>Nicola Fiameni |

## General Board

| | |
|---|---|
| General Manager | Stefano Rossi |
| Vice General Manager | Stefano Corti |

# Shareholders

Alba Leasing’s shareholders are:

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

# Contents

# Directors' **report**

## Introduction

As described in more detail in the notes to the consolidated financial statements, the annual report includes the financial statements of the securitisation vehicles Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l., Alba 11 SPV S.r.l., together with a different presentation of the effects of the agreement on securitised loans entered into with Banca Italease on 24 December 2009 (the "risks and benefits agreement") and closed in December 2020.
Consequently, given the specific features of the consolidation scope, the facts and events described below relate to Alba Leasing S.p.A. (the "parent").

## Macroeconomic scenario and lease market

During 2020, the Covid-19 pandemic spread worldwide and had a significant impact on the global economy. Since the end of the year, mass vaccination plans have started, targeting only certain segments of population initially, and targeting more people later. The day a complete coverage can be achieved cannot be estimated yet, leaving in uncertainty the time when industries can get back to their prepandemic normal.
Efforts to maintain the existing economic fabric up to standard have been – and are to this day – considerable; countries intervened with spending fiscal policies and the various Central Banks planned exceptional operations to maintain the current assets of the financial system.
On the European side, the European Central Bank strengthened its intervention in "unconventional monetary policies", confirming its purchase plan of public and company securities (*Pandemic Emergency Purchase Programme*) and refinancing operations towards banks (*Targeted Longer Term Refinancing Operations*).
To face the severe crisis, European countries have momentarily been allowed not to abide by the commitment to the spending deficit, originally set to 3% GDP. Following such situation, Italy is expected to register one among the most elevated deficit levels including public debt level among the European countries at the end of 2020, exceeding 11% GDP. During the same period, about 160% GDP will be reached.
With the support of the European financial statement – by means of the *Recovery Plan* – Italy will have the chance to carry out additional operations from 2021 amounting to €209 billion, addressing healthcare, ecological transactions, digitalization, infrastructures, education and social inclusion to launch a strong and structural recovery.

The following chart shows the GDP percentage variation rate.
The December 2020 prediction report shows a decline in GDP from +0.3 in 2019 to -9.1 in 2020.

### Italy - macroeconomic situation - annual variations

| | 2019 | 2020 |
|---|---|---|
| GDP | 0.3 | (9.1) |
| Imports of goods and services | (0.4) | (13.4) |
| Spending of households and non-profit institutions serving households (ISP) | 0.5 | (10.3) |
| Public administration expenditure | (0.2) | (0.4) |
| Investments in machinery, equipment, means of transport | 0.9 | (8.9) |
| Investments in construction | 2.5 | (6.6) |
| Exports of goods and services | 1.3 | (15.2) |
| Total internal demand | (0.2) | (8.4) |
| Consumer price index | 0.6 | (8.1) |

*Source: Prometeia December 2020 outlook*

The industrial investment rate of Italian companies, as well as the development of trust in the branch, showed a significant decline.
Such evidence impacts financial and operating lease; compared to the previous financial statement, 2020 registered a decline both in financed values ( down 18.84%) and in the number of stipulated contracts ( down 23.67%).
In December 2020, the amount of financed volumes on the Market was €16.7 billion, with 292,836 new stipulated contracts.
All leasing branches suffered repercussions, except for the maritime and aviation and railway sector, increased by 9.10%. In particular, the decline in registrations affected the automotive leasing sector, down 17.48%, equivalent to a reduction in the stipulated volumes, down €1.2 billion.
The plant and machinery sector decreased by 17.55%, with €7.7 billion volumes stipulated in 2020 over €9.4 billion in 2019. The mentioned sector is divided into: 83% Financial Instrument Leasing and 17% Operating Instrument Leasing.

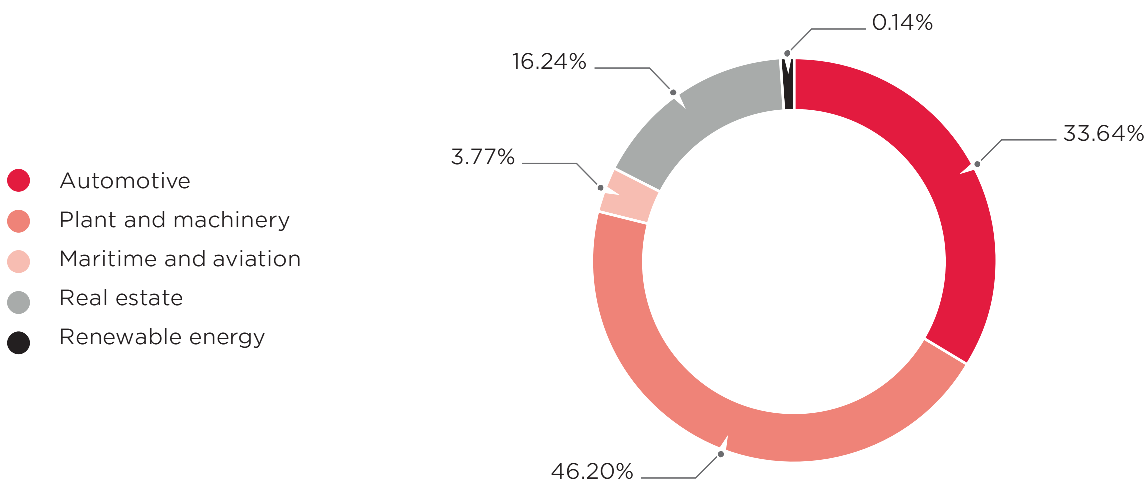
New leases: no. of contracts, amounts in thousands of Euro and percentage variation

| | No. of contracts | | | Amount | | | |
|---|---|---|---|---|---|---|---|
| | 2020-12 | 2019-12 | Var. % | 2020-12 | 2019-12 | Variation | Var. % |
| Automotive | 116,011 | 157,437 | -26.31% | 5,633,584 | 6,826,543 | -1,192,959 | -17.48% |
| Plant and machinery | 173,328 | 221,715 | -21.82% | 7,737,537 | 9,384,448 | -1,646,911 | -17.55% |
| Maritime and aviation | 437 | 362 | 20.72% | 631,493 | 578,844 | 52,649 | 9.10% |
| Real estate | 2,983 | 4,008 | -25.57% | 2,720,230 | 3,804,470 | -1,084,240 | -28.50% |
| Renewable energy | 77 | 108 | -28.70% | 23,753 | 40,912 | -17,159 | -41.94 |
| **Total** | **292,836** | **383,630** | **-23.67%** | **16,746,597** | **20,635,217** | **-3,888,620** | **-18.84%** |

*Source: Assilea*

46.20% of the leases were agreed in the plant and machinery sector, followed by the automotive (33.64%) and real estate sector (16.24%). The maritime and aviation, railway and renewable energy sector contributed to a total amount of 3.91%

New leases in 2020: % by product




Caption: Automotive, Plant and machinery, Maritime and aviation, Real estate, Renewable energy.

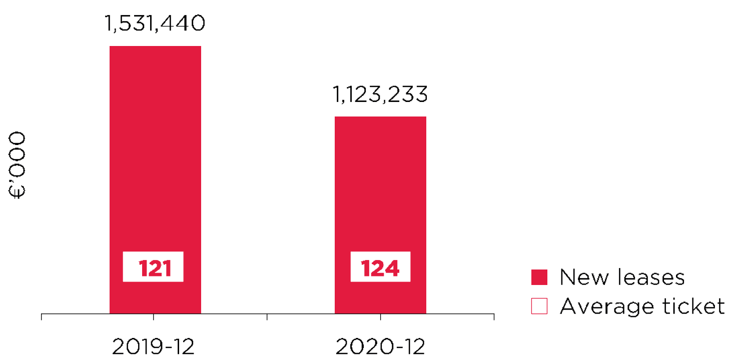
## Business performance and market positioning

Alba Leasing S.p.A. suffered the consequences of the global economic impact of the pandemic, too. Therefore, the volumes generated during the year amount to €1,123.23 million, decreasing by 26.66% compared to the previous year.
The number of stipulated contracts decreased from 12,650 in 2019 to 9,048 in 2020.
The most affected sector was the real-estate, with financed amounts decreased by 38.64% and number of contracts by 21.89%.
The society core segment (that of plant and machinery, which is the biggest contributor to the total new leases at 51.82%) registered a 25.76% down as for stipulated volumes, and a 27.64% down as for number of stipulated contracts.
In December 2020 the average ticket grew, hitting €124 thousand against €121 thousand in 2019.
In spite of the difficult situation and ever-present competition, significant efforts were taken to maintain suitable wages coming from the new employments. Therefore, spreads registered in 2020 were slightly higher than the ones stated in 2019.

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

| | No. of contracts | | | Amount | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | Var% | 2020 | 2019 | Variation | Var% |
| Automotive | 3,180 | 4,621 | -31.18% | 212,451 | 285,590 | -73,139 | -25.61% |
| Plant and machinery | 5,410 | 7,477 | -27.64% | 582,024 | 784,007 | -201,983 | -25.76% |
| Maritime and aviation | 62 | 45 | 37.78% | 59,300 | 22,680 | 36,620 | 161.46% |
| Real estate | 396 | 507 | -21.89% | 269,459 | 439,163 | -169,704 | -38.64% |
| **Total** | **9,048** | **12.650** | **-28.47%** | **1,123,233** | **1,531,440** | **-408,206** | **-26.66%** |

*Source: Alba Leasing*




The product mix confirms the plant and machinery's role as the core product contributing 51.2% to the total volume, slightly above 2019 (impact by 51.19%), followed by the automative products (18.91%) and the maritime and aviation and railway sector (5.28%), growing by 4.07%. The real estate products made a contribution of 23.99%, registering a decrease by 4.69%.

### New leases: breakdown by product (%)

| | 2020 | 2019 | Var. % |
|---|---|---|---|
| Automotive | 18.91% | 18.65% | 0.27% |
| Plant and machinery | 51.82% | 51.19% | 0.62% |
| Maritime and aviation | 5.28% | 1.48% | 3.80% |
| Real estate | 23.99% | 28.68% | -4.69% |

*Source: Alba Leasing S.p.A.*

### New leases by sales channel (and % variations)

| | 2020 | 2019 | Var. % | Volume variation % |
|---|---|---|---|---|
| Partner banks | 64.51% | 70.41% | -5.90% | -32.80% |
| Affiliated banks | 11.27% | 9.48% | 1.79% | -12.77% |
| Total banks | **75.78%** | **79.89%** | **-4.11%** | **-30.43%** |
| Other channels (vendors/suppliers/direct sales/intermediaries/agents) | 24.22% | 20.11% | 4.11% | -11.68% |
| **Total** | **100.00%** | **100.00%** | | **-26.66%** |

*Source: Alba Leasing*

With reference to 2020 new operations, the main contribution remains that of the Partner Banks with 64.51%, though decreasing if compared to the 5.9% of the previous year. Major contribution came from the Affiliated Banks by 1.79% and from the other channels by 4.11%

### Classification by product and market share in 2020

| New leases | Assilea | Market share |
|---|---|---|
| Automotive | n.a. | n.a. |
| Plant and machinery | 3 | 7.47% |
| Maritime and aviation | 5 | 9.39% |
| Real estate | 3 | 9.91% |
| Renewable energy | 2 | 15.88% |
| **Total** | **3** | **6.71%** |

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

In 2020, Alba Leasing S.p.A. was ranked third in the market, with a share of 6.71% (excluding long-term leases).
The parent is third in the national rankings for plant and machinery and real estate, with a market share of 7.47% and 9.91%, respectively.

At 31 December 2020, there were 4,903 bank branches that distributed Alba Leasing products, of which 3,399 were partner banks' branches and 1,504 other affiliated banks' branches (smaller banks strongly concentrated at local level), including 1,269 affiliated under premium and 235 under standard agreements.

## Organisational structure

The shareholders' meeting held on September 16, 2020 elected the Board of Directors and Board of statutory auditors for the 3-year period 2020-2022.
On the same day The Board of Directors elected Stefano Rossi– already CFO and Executive in charge of writing accounting and corporate documents – General Manager of Alba Leasing S.p.A.

During the meeting of October 27, 2020, the Board of Directors matched the organizational structure with the new governance asset, approving the new organizational chart that can be summed up as follows:

- ✓ Accounting, Financial and Planning Management – led by the Executive in charge of writing accounting and corporate documents – and Risk & Control Management remain unchanged, except for the U.O. Risk Management, where activities concerning credit policies and outsourcing monitoring merged. Cost manager activities will be in charge of CRO.
- ✓ The newly established CLO Management, where the following activities merged: (i) disbursement activities led by the U.O. Credit Disbursement, leading in its turn the Bank Disbursement office and the Middle-Person Disbursement office, (ii) NPL managing activities by U.O. Difficult Credits operating through the Credit Recovery Office and the Controversy Office, (iii) the U.O. Restructuring and (iv) the U.O. Remarketing. The Credit Monitoring Office – in charge of the CLO – is about to be established.
- ✓ The newly established Staff and Organizational service, where all activities concerning staff and organizational activities (previously in charge of ICT and Processes service) merged.
- ✓ ICT service and General services, in charge of information technology, cyber security and all activities concerning the purchase of goods and services by the company.
- ✓ U.O. Corporate Affairs, Complaints and Sustainability and U.O. Business innovation and Digital Marketing, both in charge of the General Manager.
- ✓ Market management and operational service, reporting to the deputy General Manager.

To face the pandemic, the parent company has implemented remote working since February 2020 for its 290 employees, allowing internal processes and activities to continue unchanged, both for customers and partners.
Following the adoption of the decree “Cura Italia” on March 17, 2020 and further regulatory updates, Alba Leasing S.p.A. inserted modifications in its financial plans to support customers applying for the moratorium, setting up a task force to manage it. At the moment, there are 22 thousand freezed contracts concerning 11 thousand customers and 1,400 surrenders were closed before January 31, 2021. For further details, see “Consolidated Financial Statement at December 31, 2020” section 4, Other Aspects, of the Cura Italia Decree.

## Research and development

During the year, the activities concerning Alba4Future continued, a project launched in 2019 to complete the digital transformation commenced with the previous Alba 2.0 and Alba Next projects. This will conclude the pathway designed to “consolidate efficiency” and “improve the positioning” of the parent as a fully digital business. Thanks to technological development and implementation of systems to manage the moratorium, the parent company granted business continuity throughout the Covid-19 pandemic.

## Key events of the year

### Transfer of non-performing exposures (NPE)

As part of the measures to optimise the parent’s management of NPE and to continue to reduce the impaired exposures in portfolio, during 2020 the parent finalised a *multi-originator* securitization operation called “Titan” with Banco BPM and Release (company of the Banco BPM Group), concerning non-performing financial leasing contracts, amounting to €335.4 million GBV (Alba Leasing S.p.A.’s share is €185.08 million). For further information see the following section “Funding transactions”.

Through this operation and an NPE ratio value of 8.78% over the Italian leasing market average of 15.6%, Alba Leasing S.p.A. offers a best practice to the other Italian leasing companies, creating flexibility margins that will be key next year, when effects of the Covid-19 crisis will be manifest.

## Funding transactions

Alba Leasing is the only large lease company that is not part of a banking group. In addition to the obvious and constructive support from its shareholder banks, therefore, it continues to procure funds on the financial markets thanks to the experience it has acquired over the years, also carrying out innovative funding transactions in order to diversify its forms of funding and support its growth path.

During 2020, though certain difficulties due to the Covid-19 pandemics, the parent continued to cultivate its relations with the Italian and international financial system in order to raise new funds and enable it to bolster its independence of its shareholder banks. The following fundraising transactions were completed during the year:

- In January, the parent entered into a repo transactions with a bank for €21.6 million (the class C mezzanine notes of the Alba9 securitisations were the underlying);
- In March, it applied to Cassa Depositi e Prestiti (CDP) for new four- and five-year loans totalling €45 million, used subsequently for the leases that qualify for the "new Sabatini" incentives;
- Again in March, it stipulated a sight deposit agreement with notification for €40 million with a major bank.
- In the first trimester 2020 the private securitization operation Alba 6 was reorganized through the vehicle Alba 6 SPV S.r.l.. The reorganization involved the repurchase of impaired loans and the vehicle was given a new performing loans portfolio, with the following issue of new senior and junior notes. The cash from the issue allowed the refund of previously issued securities. The operation Alba 6 includes a warehouse period (until April 2021), during which Alba Leasing S.p.A. can sell further loan portfolios to grow the underwriting of securities to €400 million and a revolving period (from July 2021 until April 2022). The warehouse period closed ahead of time in April 2020. The operation is now in revolving phase and has a senior note of about €400 million which is entirely sold (maximum amount allowed).
- In May, Alba Leasing S.p.A. concluded a repo transaction with a bank for €69 million (part of the junior note of the Alba8 securitisation was the underlying); the operation will last a year, with the opportunity of an early refund.
- In June, two loans of 12 and 18 months respectively were stipulated with two banks, allowing Alba Leasing S.p.A. to collect €30 million.
- In June again, the parent company concluded the Alba 11 securitization operation through a vehicle specially designed for this purpose, Alba 11 SPV S.r.l. – take-out phase), closing the warehouse phase (Alba11 WH – managed through the Alba 11WH SPV S.r.l. vehicle).
  The Alba11WH operation started in October 2019, the actual value of the Senior security being €666 million. During the first semester 2020, thanks to further transfers of portfolios, the Senior security reached an actual value of €881 million. Alba 11WH's senior securities were undersigned by Alba Leasing S.p.A. and were used to fund repo transactions for a total amount of €831 million in June.
  Following the issue of Alba11's securities, Alba11WH's securities were refunded and Repo transactions were closed.
  In May, during the Take-out phase, Alba Leasing S.p.a. sold the Alba 11 SPV S.r.l. vehicle a loans portfolio for €1.248 million, and issued five series of securities in June (A1Senior: €498.7 million; A2 Senior €300 million; B Mezzanine: €143.6 million; C Mezzanine: €131.1 million; J Junior: €187 million).
  At the end of June, part of the A1 senior tranche was sold to a group of major institutions for €300 million; in the first days of July further €103.7 million were sold to institutional investors. Securities of the A2 and B class, and €50 million of the C

class were subscribed by a major European counterpart, in particular the A2 and B class securities (€443.6 million) were subscribed at the moment of the issue, while the ones of the C class were signed during the first days of July. It is the first operation with STS status by Alba Leasing S.p.A. The STS acronym is used by the new European regulation on securitizations from January 2019 for simple, transparent and standardized operations.

- In July a new agreement with the European Investment Fund was subscribed and Alba Leasing S.p.A. got a €40 million ceiling (adding up to the €200 million subscribed in 2018 and used for €185 million), addressed to innovative companies, whose contracts can benefit a 50% warranty of the risk.
- Again in July, Alba Leasing S.p.A. concluded a repo transaction with a bank for €82 million (part of the Alba 11 SPV S.r.l.'s senior A1 security was the underlying). The operation will last one year, with the possibly of an early refund.
- In December Alba Leasing S.p.A., Banco BPM S.p.A. and Release S.p.A. (company of the Banco BPM Group), perfected the sale of a non-performing loans portfolio coming from leasing contracts, whose gross book value was €335 million, and the dismantling of goods and legal relationships concerning those loans, in the context of an NPE securitization operation following the art. 7.1 of the regulation on securitizations called Titan. For its share, in December 2020 Alba Leasing S.p.A. sold the vehicle Titan SPV S.r.l. a loans portfolio for €185.08 million (made of 88% secured loans) and then issued three series of securities structured as follows:
  - ➢ A senior tranche, rated BBB(sf)/BBB(sf) by the agency DBRS Morningstar and Scope Ratings GmbH, for €58.2 million (Alba Leasing S.p.a.'s share).
  - ➢ A mezzanine tranche for €9.6 million (rating VAT number - Alba Leasing S.p.A's share).
  - ➢ A junior tranche, for €6.1 million (rating VAT number - Alba Leasing S.p.A's share).

The Titan securitization was structured in compliance with requirements for securitizations, on which GACS for senior securities can be applied for. GACS are established by the decree n. 3 August 2016 – Fondo di Garazia. See art. 12, clause 1, of the Decree n. 18 released February 14, 2016, modified by the law n. 49 April 8, 2016, regulating GACS securitizations.
At the end of December, 95% mezzanine and junior securitizations was sold to the investor who won the placement process.

## Dispute with the tax authorities

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

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

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

Within the legal timeline, the parent subsequently presented its application for the settlement of the pending tax disputes to the tax authorities and filed it with the competent tax court body.
With respect to the 2013 VAT dispute with the tax authorities and the alleged incorrect invoicing of finance lease payments to SACMI COOPERATIVA MECCANICA IMOLA S.C., the lessee under the real estate lease no. 818677 (assessed amount of €237.1 thousand, including taxes, interest, fines and other costs), the Lombardy Provincial Tax Commission rejected the appeal presented by our company with a verdict announced on November 17, 2020. Alba Leasing S.p.A.'s defending lawyers are examining the deeds and considering which direction to take, seen recent developments of the EU and Italian legislation that are leaving behind the concept of leasing as a service.

On 30 September 2019, the tax authorities served the parent with assessment notices nos TMB036Z00188, TMB036Z00191 and TMB066Z00203 for 2014, 2015 and 2016, respectively, assessing higher taxes, fines and interest of €810.7 thousand. The tax authorities alleged the incorrect invoicing of finance lease payments to SACMI COOPERATIVA MECCANICI IMOLA S.C. (similarly to that for 2013) and the incorrect application of the VAT rate (10% rather than 22%) to the finance lease payments to VINCENZO MUTUO S.r.l. for an MRI machine. The parent has appealed against the assessment notices to defend its interests. The appeal was discussed at the Provincial Tax Commission in Milan on November 30, 2020. The verdict has not been announced yet.

On the same date, the tax authorities sent the parent assessment notice no. TMBCO6Z00034 for 2014, which imposed fines of €70 thousand. It alleged the incorrectness of the invoice issued by PARAMED S.r.l., which supplied the MRI machine leased to VINCENZO MUTUO S.r.l. with a finance lease. The date of the handling of the appeal to the Provincial Tax Commission in Milan has not been set yet.

### Dispute with the Lombardy Regional Authorities

With respect to the dispute with the Lombardy Regional Authorities about the regional vehicle excise duty, with a pending appeal to Court of Cassation from December 2019 concerning annuity 2012 (for €91,827), the dissertation at the Council Chamber has been set on November 18, 2020. Lombardy Region gave up the defence of the dispute with an act notified via certified e-mail on August 7, 2020. The verdict of the Court of Cassation as for the conviction to refund legal costs and the court fee is now awaited.

### Dispute with Italian municipalities concerning municipal taxation (IMU)

During 2020, minor appeals were taken towards IMU assessment notices notified by municipalities, concerning real estate properties that were not returned by the user, supposing an early resolution of the leasing contract, for which passive subjectivity on the defaulting user is settled by IMU legislation. Appeals to the responsible tax commissions were notified in December 2020 against assessment notices about taxation, penalties and interests for €155.9 thousand. To date, appeals were rejected by the Provincial Tax Commissions (dispute cost being €57.8 thousand). The only two sentences by the Regional Tax Commissions to date, are respectively in favour (dispute cost being €0.7 thousand) and against (dispute cost being €3.4 thousand) our company. Alba Leasing S.p.A.'s defending lawyers are examining the deeds and considering which direction to take, seen recent developments of the Supreme Court legislation, which are unfavorable for leasing companies.

# Other events

## Distribution agreements

### Financial services agreements

In 2020, the parent signed and activated five new agreements with credit brokers. It also entered into agreements with sub-agents to develop the agents channel, set up in 2018.

### Affiliated banks

No new agreements were signed.

### Operating lease vendors

The parent entered into 19 new agreements with suppliers of plant and machinery to create and develop the new operating lease product.

## Termination of securitisations

As described in the Supplementary Note, the transaction ITA 11 was closed in January 2020 (Italfinance Securitisation Vehicle 2 S.r.l.) and the transaction ITA8 was closed in November (Italfinance Securitisation Vehicle S.r.l.). This was the last securitization part of the portfolio subject to the Agreement on securitized loans. Following the closure of the transaction, effects of the Risk & Benefits Agreement stipulated December 24, 2009 have ceased.

# Key performance indicators

| | | 2019-12 | 2020-12 |
|---|---|---|---|
| Income statement | Interest margin | 2.00% | 1.87% |
| | Total income [(a)] | 1.96% | 1.77% |
| | Gross operating profit | 0.17% | 0.41% |
| | ROE | 1.19% | 0.14% |
| Efficiency | Operating costs / Total income [(b)] | 56.28% | 61.12% |
| | Personnel expense / Operating costs [(c)] | 53.07% | 53.35% |
| Productivity | Average number of employees (FTE) | 280 | 281 |
| | Average cost / Average number of employees (FTE) [(d)] | 95,15 | 89.83 |
| | New leases / Average number of employees (FTE) | 5.47 | 4.00 |
| Risks and capital | Cost of risk | 0.58% | 1.05% |
| | Cost of risk / Total income | 34.72% | 68.18% |
| | RWA | 4,615 | 4,397 |
| | Total capital ratio | 8.92% | 9.45% |
| | RORAC | 2.76% | 0.68% |
| *Notes:* | | | |
| *a) total income includes other operating income/expense related to fees and commissions on the risks and benefits portfolio,* | | | |
| *b) net of non-recurring items, the ratio is* | | 50.08% | 56.57% |
| *c) net of non-recurring items, the ratio is* | | 52.81% | 52.55% |
| *d) net of non-recurring items, the ratio is* | | 84.25 | 86.28 |

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

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

### Statement of financial position

| Assets *(€'000)* | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| 10 Cash and cash equivalents | 7 | 9 | (2) |
| 40 Financial assets at amortised cost | 5,097,011 | 5,101,743 | (4,731) |
| a) loans and receivables with banks | 135,561 | 228,835 | (93,274) |
| b) loans and receivables with financial companies | 159,539 | 90,120 | 69,419 |
| c) loans and receivables with customers | 4,801,911 | 4,782,87 | 19,123 |
| 80 Property, equipment and investment property | 24,447 | 21,865 | 2,581 |
| 90 Intangible assets | 4,022 | 5,332 | (1,310) |
| 100 Tax assets | 56,225 | 57,356 | (1,131) |
| a) current | 1,742 | 1,621 | 121 |
| b) deferred | 54,483 | 55,735 | (1,252) |
| 120 Other assets | 86,211 | 101,788 | (15,576) |
| **Total assets** | **5,267,923** | **5,288,092** | **(20,169)** |

| Liabilities and equity *(€'000)* | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| 10 Financial liabilities at amortised cost | 4,695,854 | 4,693,725 | 2.129 |
| a) amounts due | 2,732,627 | 3,361,687 | (629,060) |
| b) securities issued | 1,963,227 | 1,332,038 | 631,189 |
| 80 Other liabilities | 159,223 | 181,429 | (22,205) |
| 90 Post-employment benefits | 2,585 | 2,599 | (14) |
| 100 Provisions for risks and charges: | 2,327 | 2,894 | (566) |
| a) loan commitments and financial guarantees given | 762 | 1,091 | (329) |
| c) other provisions | 1,566 | 1,803 | (237) |
| 110 Share capital | 357,953 | 357,953 | - |
| 140 Share premium | 105,000 | 105,000 | - |
| 150 Reserves | (55,182) | (60,007) | 4,825 |
| 160 Valuation reserves | (402) | (325) | (77) |
| 170 Profit for the year | 565 | 4,825 | (4,260) |
| **Total liabilities and equity** | **5,267,923** | **5,288,092** | **(20,169)** |

Financial assets at amortised cost decreased by €4.7 million to €5,097.0 million at 31 December 2020 from €5,101.7 million at the end of 2019. Depreciation for the year is offset by the new leases of the year. After the securitization operation called "Titan", the parent has tranches of senior securities in its portfolio for €58.2 million.
Section 3 - Risks and related hedging policies of the notes to the consolidated financial statements provides information about credit quality.

Property, equipment and investment property include the underlying assets of finance leases which the parent has withdrawn after the termination of the lease and the exposure to the former lessees. They amount to €24.4 million and the increase of €2.6 million over 31 December 2019 is due for €3,4 million to variations in the assets under finance leases returned to the parent and for €0,8 million to a decrease in functional goods, which are being depreciated.

Intangible assets of €4.0 million include rights-of-use assets of €1.3 million (software), mainly related to the investments for the Alba 2.0, Alba Next, Alba IFRS 9 and Alba 4Future projects, and the customer relationships of €2.7 million, net of amortisation, identified as part of the purchase price allocation after the parent acquired the lease business unit from Credito Valtellinese ("Creval").
The parent tested the customer relationships for impairment but as Creval met the new lease objectives (volumes and net spread) set in its 2020 budget, it was not found to be impaired.

Tax assets amount to €56.2 million and mostly comprise deferred tax assets of €54.5 million arising on the impairment of loans and receivables and the current IRES/IRAP assets.

Other assets of €86.2 million mainly consist of the VAT asset of €43.6 million, advances to suppliers of €8.7 million and suspense items/other assets of €28 million. The decrease compared to 31 December 2019 (€15.6 million) is relatable to items in the other batches. As for VAT assets, €21.8 million were refunded for the loans matured in 2018, while loans maturated in 2019 can't be refunded.

Financial liabilities at amortised cost for €4,695.9 million don't show significant variations compared to 2019 (€4,693.7 million). They include debts for €2,732.6 million and circulation securities for €1,963.2 million; the decrease in debts for loans compared to 2019 is compensated by the issue of securities in securitization transactions perfected by the parent.
The entry debts mainly includes debts towards banks for €2,618.9 million (repurchase agreements for €146 million concerning securitization transactions), towards customers for €35.1 and debts for loans from financial entities for €78.6.
The entry circulation securities, increased by 47.4% compared to 2019, includes liabilities issued by the vehicles as a result of securitization transactions.

Other liabilities amount to €159.2 million, decreasing by 12% compared to 31 December 2019 (€181.4 million). Other liabilities include €127 million debts towards suppliers and various debts for €32.3 million. The decrease linked to the item "various debts", following the closure of securitization operations concerning the Risk & Benefits Agreement, is partially compensated by debts towards suppliers.

Provisions for risks and charges of €2.3 million decreased by 19.6% over 31 December 2019, mostly as a result of the utilisation of the provision for disputes.

Equity of €407.9 million comprises:

| *(€'000)* | 31/12/2020 |
|---|---|
| 110 Share capital | 357,953 |
| 140 Share premium | 105,000 |
| 150 Reserves | (55,182) |
| 160 Valuation reserves | (402) |
| 170 Profit for the year | 565 |

## Reclassified income statement

| (€'000) | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|
| 10 Interest and similar income | 108,024 | 112,003 | (3,979) |
| including: interest calculated using the effective interest method | 99,654 | 101,379 | (1,725) |
| 20 Interest and similar expense | (22,164) | (21,117) | (1,047) |
| **30 Net interest income** | **85,860** | **90,886** | **(5,026)** |
| 40 Fee and commission income | 21,798 | 23,188 | (1,389) |
| 50 Fee and commission expense | (18,819) | (19,177) | 358 |
| **60 Net fee and commission income** | **2,980** | **4,011** | **(1,031)** |
| **120 Total income** | **88,840** | **94,898** | **(6,058)** |
| 130 Net impairment losses for credit risk associated with: | (55,598) | (30,968) | (24,630) |
| a) financial assets at amortised cost | (55,598) | (30,968) | (24,630) |
| 140 Net modification losses | (336) | (58) | (279) |
| **150 Net financial income** | **32,905** | **63,872** | **(30,966)** |
| 160 Administrative expenses: | (45,773) | (46,315) | 541 |
| a) personnel expense | (27,500) | (27,814) | 313 |
| b) other administrative expenses | (18,273) | (18,501) | 228 |
| 170 Net accruals to provisions for risks and charges | (497) | (327) | (171) |
| a) loan commitments and financial guarantees given | 329 | (174) | 503 |
| b) other | (826) | (153) | (674) |
| 180 Depreciation and net impairment losses on property, equipment and investment property | (2,206) | (2,069) | (137) |
| 190 Amortisation and net impairment losses on intangible assets | (1,864) | (1,817) | (46) |
| 200 Other operating expense, net | 62,602 | (5,692) | 68,294 |
| **210 Operating costs** | **12,261** | **(56,220)** | **68,481** |
| 250 Net losses on sales of investments | (1) | (17) | 15 |
| **260 Pre-tax profit from continuing operations** | **45,165** | **7,635** | **37,530** |
| 270 Income taxes | (13,151) | (3,159) | (9,992) |
| **280 Post-tax profit from continuing operations** | **32,014** | **4,475** | **27,538** |
| 290 Post-tax profit from discontinued operations | (31,449) | 349 | (31,798) |
| **300 Profit for the year** | **565** | **4,825** | **(4,260)** |
| 320 Profit for the year attributable to the owners of the parent | 565 | 4,825 | (4,260) |

Net interest income, including discounting gains and interest accrued on impaired exposures net of the effect of impairment (€7.6 million) decreased by 5.5% or €5.0 million compared to 2019. This reduction is due to an increased spread effect impacting for €3.7 million and to a lesser contribution of the item “time value” on the income statement for €1.3 million.

Net fee and commission income of €3.0 million decreased by €1 million compared to December 2019. An increase in allowance for assurance services (€0.5 million) and a decrease in allowance for lease services (€1.5 million) are observable, as a result of the moratorium agreed to face the effects of Covid-19, that prevented from reimbursements from customers.

As a result, total income amounts to €88.8 million, down 6.4% on the previous year.

Net impairment losses on exposures amount to €55.6 million for 2020 with a cost of risk of 1.05%, which is higher than that for the previous year (0.58%). This increase is a result of the difficult economic situation connected to the 2020 pandemic, that does not seem to get better in 2021. The extension to the moratorium on loans in January and then in June 2021 shows that the market situation remains unchanged and assessments on the future are difficult to make. This is way the parent adopted a policy centred on an increase in funds.

Both performing and impaired portfolio were evaluated. The performing portfolio was evaluated according to a staging criterion, where customers were classified according to their riskiness. As a result, there was an increase in the coverage rate of performing loans from 0.86% (2019) to 1.43%. A deterioration in the evaluation of the PD and LGD parameters contributed.
The impaired portfolio was the object of prudential policies, too, that aimed at anticipating further deteriorations of impaired loans. All those operations led to an increase in fund for €25.9 million over December 2019: the parent believes to have anticipated the negative effects of the pandemic in this way, which are expected to manifest after the moratorium on loans is over.

Administrative expenses, amount to €45.8 million and include personnel expense of €27.5 million and operating costs of €18.3 million. There is a €0.5 million decrease in this caption (1.2%) over 2019.
Personnel expense decreased from €27.8 million for 2019 to €27.5 million for 2020 by 1.1%.
Other administrative expenses decreased by 1.2% over 2019, chiefly due to a decrease in consultancy services, travel expenses and advertising. Real estate expenses increased, due to extra interventions. Other administrative expenses remain unchanged.

Depreciation and net impairment losses on property, equipment and investment property of €4.1 million are in line with the previous year.

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

Other operating expense, net (which includes reclassifications of fees and commissions on the securitised exposures and those factored without recourse) increased by €68.3 million. The increase is a result of profits from the closure of securitizations operations according to the Risk & Benefits Agreement for €69.9 million, to an increase in costs for recovery and management of returned goods after the anticipated closure of financial lease contracts for €0.5 million, and to higher net financial charges concerning the Risk & Benefits Agreement and receivables without recourse for €1.2 million.

The profit from discontinued operations is €31.4 million, net of income taxes for €11.9 million and concerning the NPE sale of credits operation called “Titan” (see the section “Significant events” in this report).

Profit for the year

The pre-tax profit for the year 2020 is €1.8 million and the profit for the year amounts to €0.57 million.

## Risk management

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

## Related party transactions

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

## Main risks and uncertainties

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

## Other information

The following should be noted:

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

Moreover:

### Share capital

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

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

### Consolidation scope

The consolidated financial statements include the financial statements of the securitisation vehicles Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l. and Alba 10 SPV S.r.l., Alba 11 SPV S.r.l..
Section 5 - Basis of consolidation in Part A - Accounting policies of the notes to the consolidated financial statements provides more information about the consolidation scope.

## Outlook

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

## Events after the reporting date

In the period between the end of the financial year 2020 and the approval of the present consolidated financial statement, no significant events affecting the parent's operations and economic results happened.

## Secondary offices

The company has no secondary offices.

## Proposals to the shareholders

Dear shareholders
We would ask you to acknowledge the consolidated financial statements of Alba Leasing S.p.A. as at and for the year ended 31 December 2020 and this report.

On behalf of the board of directors
Chairman

# Consolidated
# **financial statements**

# Statement of financial position

*(€)*

| Assets | 2020 | 2019 |
|---|---|---|
| 10. Cash and cash equivalents | 6,683 | 8,610 |
| 40. Financial assets at amortised cost | 5,097,011,332 | 5,101,742,686 |
| a) loans and receivables with banks | 135,561,496 | 228,835,028 |
| b) loans and receivables with financial companies | 159,538,951 | 90,120,186 |
| c) loans and receivables with customers | 4,801,910,885 | 4,782,787,472 |
| 80. Property, equipment and investment property | 24,446,627 | 21,865,200 |
| 90. Intangible assets | 4,022,050 | 5,331,996 |
| 100. Tax assets | 56,225,298 | 57,355,925 |
| a) current | 1,742,206 | 1,620,901 |
| b) deferred | 54,483,092 | 55,735,024 |
| 120. Other assets | 86,211,279 | 101,787,739 |
| Total assets | 5,267,923,269 | 5,288,092,156 |

| Liabilities and equity | 2020 | 2019 |
|---|---|---|
| 10. Financial liabilities at amortised cost | 4,695,853,931 | 4,693,725,193 |
| a) amounts due | 2,732,627,065 | 3,361,687,032 |
| b) securities issued | 1,963,226,866 | 1,332,038,161 |
| 80. Other liabilities | 159,223,452 | 181,428,930 |
| 90. Post-employment benefits | 2,584,998 | 2,598,633 |
| 100. Provisions for risks and charges: | 2,327,472 | 2,893,905 |
| a) loan commitments and financial guarantees given | 761,610 | 1,090,563 |
| c) other provisions | 1,565,862 | 1,803,342 |
| 110. Share capital | 357,953,058 | 357,953,058 |
| 140. Share premium | 105,000,000 | 105,000,000 |
| 150. Reserves | (55,182,353) | (60,006,999) |
| 160. Valuation reserves | (401,861) | (325,210) |
| 170. Profit for the year | 564,572 | 4,824,646 |
| 180. Equity attributable to non-controlling interests | - | - |
| Total liabilities and equity | 5,267,923,269 | 5,288,092,156 |

# Income statement

*(€)*

| | | 2020 | 2019 |
|---|---|---|---|
| 10. | Interest and similar income | 108,023,875 | 112,003,102 |
| | including: interest calculated using the effective interest method | 99,654,353 | 101,379,385 |
| 20. | Interest and similar expense | (22,163,983) | (21,116,764) |
| **30.** | **Net interest income** | **85,859,892** | **90,886,338** |
| 40. | Fee and commission income | 21,798,483 | 23,187,727 |
| 50. | Fee and commission expense | (18,818,707) | (19,176,538) |
| **60.** | **Net fee and commission income** | **2,979,776** | **4,011,189** |
| **120.** | **Gross income** | **88,839,668** | **94,897,527** |
| 130. | Net impairment losses for credit risk associated with: | (55,598,203) | (30,968,390) |
| | a) financial assets at amortised cost | (55,598,203) | (30,968,390) |
| 140. | Net modification losses | (336,393) | (57,630) |
| **150.** | **Net financial income** | **32,905,072** | **63,871,507** |
| 160. | Administrative expenses: | (45,773,480) | (46,314,760) |
| | a) personnel expense | (27,500,241) | (27,813,693) |
| | b) other administrative expenses | (18,273,239) | (18,501,067) |
| 170. | Net accruals to provisions for risks and charges | (497,429) | (326,744) |
| | a) loan commitments and financial guarantees given | 328,953 | (174,194) |
| | b) other | (826,382) | (152,550) |
| 180. | Depreciation and net impairment losses on property, equipment and investment property | (2,206,274) | (2,069,448) |
| 190. | Amortisation and net impairment losses on intangible assets | (1,863,773) | (1,817,357) |
| 200. | Other operating expense, net | 62,602,203 | (5,691,832) |
| **210.** | **Operating costs** | **12,261,247** | **(56,220,141)** |
| 250. | Net gains (losses) on sales of investments | (1,287) | (16,770) |
| **260.** | **Pre-tax profit from continuing operations** | **45,165,032** | **7,634,596** |
| 270. | Income taxes | (13,151,267) | (3,159,165) |
| **280.** | **Post-tax profit from continuing operations** | **32,013,765** | **4,475,431** |
| 290. | Post-tax profit from discontinued operations | (31,449,193) | 349,215 |
| **300.** | **Profit for the year** | **564,572** | **4,824,646** |
| 310. | Profit for the year attributable to non-controlling interests | - | - |
| **320.** | **Profit for the year attributable to the owners of the parent** | **564,572** | **4,824,646** |

# Statement of comprehensive income

*(€)*

| | | 2020 | 2019 |
|---|---|---|---|
| 10. | Profit for the year | 564,572 | 4,824,646 |
| | Items, net of tax, that will not be reclassified to profit or loss | | |
| 20. | Equity instruments at fair value through other comprehensive income | - | - |
| 30. | Financial liabilities designated at fair value through profit or loss (changes in own credit rating) | - | - |
| 40. | Hedges of equity instruments at fair value through other comprehensive income | - | - |
| 50. | Property, equipment and investment property | - | - |
| 60. | Intangible assets | - | - |
| 70. | Defined benefit plans | (76,651) | (74,505) |
| 80. | Non-current assets held for sale and disposal groups | - | - |
| 90. | Share of valuation reserves of equity-accounted investees | - | - |
| | Items, net of tax, that will be reclassified to profit or loss | | |
| 100. | Hedges of investments in foreign operations | - | - |
| 110. | Exchange gains (losses) | - | - |
| 120. | Cash flow hedges | - | - |
| 130. | Hedging instruments (non-designated items) | - | - |
| 140. | Financial assets (other than equity instruments) at fair value through other comprehensive income | - | - |
| 150. | Non-current assets held for sale and disposal groups | - | - |
| 160. | Share of valuation reserves of equity-accounted investees | - | - |
| 170. | Other comprehensive income (expense), net of tax | (76,651) | (74,505) |
| 180. | Comprehensive income (captions 10+170) | 487,921 | 4,750,141 |
| 190. | Comprehensive income attributable to non-controlling interests | - | - |
| 200. | Comprehensive income attributable to the owners of the parent | 487,921 | 4,750,141 |

# Statement of changes in equity

## 2020

*(€)*

| | 31.12.2019 | Change to opening balances | 1.1.2020 | Allocation of prior year profit | | Changes for the year | | | | | | | 2020 comprehensive income | Equity attributable to the owners of the parent at 31.12.2020 | Equity attributable to non-controlling interests at 31.12.2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issue of new shares | Repurchase of own shares | Extraordinary dividend distribution | Change in equity instruments | Other changes | | | | |
| Share capital | 357,953,058 | - | 357,953,058 | - | - | - | - | - | - | - | - | | - | 357,953,058 | - |
| Share premium | 105,000,000 | - | 105,000,000 | - | - | - | - | - | - | - | - | | - | 105,000,000 | - |
| Reserves: | | | | | | | | | | | | | | | |
| a) income-related | (61,151,644) | | (61,151,644) | 4,583,413 | - | - | - | - | - | - | - | | - | (56,568,231) | - |
| b) other | 1,144,645 | - | 1,144,645 | 241,233 | - | - | - | - | - | - | - | | - | 1,385,878 | - |
| Valuation reserves | (325,210) | - | (325,210) | - | - | - | - | - | - | - | - | | (76,651) | (401,861) | - |
| Equity instruments | - | - | - | - | - | - | - | - | - | - | - | | - | - | - |
| Treasury shares | - | - | - | - | - | - | - | - | - | - | - | | - | - | - |
| Profit for the year | 4,824,646 | - | 4,824,646 | (4,824,646) | - | - | - | - | - | - | - | | 564,572 | 564,572 | - |
| Equity attributable to the owners of the parent | 407,445,495 | - | 407,445,494 | - | - | - | - | - | - | - | - | | 487,921 | 407,933,416 | - |
| Equity attributable to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | | - | - | - |

## 2019

(€)

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

# Statement of cash flows (indirect method)

*(€)*

| A. OPERATING ACTIVITIES | 2020 | 2019 |
|---|---|---|
| 1. Operations | 60,653,601 | 40,006,585 |
| - profit for the year (+/-) | 564,573 | 4,824,646 |
| - net impairment losses for credit risk (+/-) | 55,598,203 | 30,968,390 |
| - amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-) | 4,070,047 | 3,886,805 |
| - net accruals to provisions for risks and charges and other costs/revenue (+/-) | 497,429 | 326,744 |
| - unpaid taxes and duties (+/-) | - | - |
| - other adjustments (+/-) | (76,651) | - |
| 2. CASH FLOWS USED FOR FINANCIAL ASSETS | (225,924,243) | (116,328,247) |
| - financial assets at amortised cost | (234,613,467) | (124,464,796) |
| - other assets | 8,689,224 | 8,136,549 |
| 3. CASH FLOWS USED FOR FINANCIAL LIABILITIES | 39,926,672 | (186,030,665) |
| - due to banks | (475,797,424) | 305,298,264 |
| - due to financial companies | 786,995,807 | (687,575,811) |
| - due to customers | (248,439,786) | 220,212,342 |
| - other liabilities | (22,831,925) | (23,965,460) |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (125,343,970) | (262,352,327) |
| B. INVESTING ACTIVITIES | | |
| 1. CASH GENERATED BY | - | (2,150,000) |
| - sales of property, equipment and investment property | - | (2,150,000) |
| 2. CASH FLOWS USED TO ACQUIRE | 623,676 | 498,597 |
| - property, equipment and investment property | 69,849 | 150,642 |
| - intangible assets | 553,827 | 347,955 |
| NET CASH FLOWS GENERATED BY (USED IN) INVESTING ACTIVITIES | 623,676 | (1,651,403) |
| C. FINANCING ACTIVITIES | | |
| NET CASH FLOWS GENERATED BY (USED IN) FINANCING ACTIVITIES | - | - |
| NET CASH FLOWS FOR THE YEAR | (124,720,294) | (264,003,730) |

| RECONCILIATION | 2020 | 2019 |
|---|---|---|
| Opening cash and cash equivalents | (2,264,140,514) | (2,000,136,784) |
| Net cash flows for the year | (124,720,294) | (264,003,730) |
| Closing cash and cash equivalents | (2,388,860,808) | (2,264,140,514) |

*KEY*
*(+) generated*
*(-) used*

| Reconciliation with financial statements captions | 2020 | 2019 |
|---|---|---|
| Statement of financial position - Assets | | |
| 10. Cash and cash equivalents | 6,683 | 8,610 |
| 80. Financial assets at amortised cost | 5,097,011,332 | 5,101,742,686 |
| a) loans and receivables with banks | 135,561,496 | 238,835,028 |
| including current accounts | 8,702,029 | 4,952,299 |
| Statement of financial position - Liabilities | | |
| 10. Financial liabilities at amortised cost | 4,695,853,931 | 4,693,725,193 |
| a) due to banks | 2,618,929,192 | 2,993,894,618 |
| including current accounts | 2,397,569,520 | 2,269,101,423 |
| Total cash and cash equivalents | (2,388,860,808) | (2,264,140,514) |

## Disclosure required by IAS 7.44

| | 2020 | Cash flows | Non-cash changes | 2019 |
|---|---|---|---|---|
| Liabilities arising from financing activities | 2,681,215,640 | (583,383,005) | - | 3,264,598,645 |

The table does not include liabilities related to IFRS 16.

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

# Notes to the consolidated **financial statements**

# Part A - Accounting policies

## A.1 – GENERAL PART

### Section 1 – Statement of compliance with the IFRS

The consolidated financial statements of Alba Leasing S.p.A. pursuant to Legislative Decree 28 February 2005 no. 38, have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with Regulation (EC) no. 1606 of 19 July 2002.

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

- Conceptual framework for financial reporting ("*Framework*");
- *Implementation guidance, Basis for Conclusions* and all other documents issued by the IASB or the IFRIC that complement the issue standards.

The standards (including SIC and IFRIC) applied in the preparation of these consolidated financial statements are those applicable at 31 December 2020.

Reference should be made to "Section 2 - Basis of preparation" for details of the standards endorsed during 2020 and previous years that will become applicable after the reporting date and their impacts on the group's consolidated financial statements.

### Section 2 – Basis of presentation

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

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

The following Financial Statements have been prepared in accordance with the provisions of Bank of Italy's measure of 27 January 2021 "Integrations to the Measure's provisions - The financial statements of IFRS intermediaries other than banks" concerning financial impacts caused by COVID-19, measures to sustain the economy and amendments to the IAS/IFRS.

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

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

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

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

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

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

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

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

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

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

Comparative information: for each caption of the statement of financial position and income statement, comparative information for at least one preceding reporting period is presented, unless a standard or interpretation allows or requires otherwise. Where necessary, the prior period corresponding figures are adjusted for comparative purposes. When the corresponding figures are not comparable or adjusted or are non-adjustable, this fact is disclosed and suitably commented on in the notes.
Variations in the legislation have led to the reclassification of some items related to Financial Statements.

Pursuant to the measure, figures in the statement of financial position as at 31 December 2020 and the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended are shown in Euro, whereas these notes present figures in thousands of Euro.

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

The accounting policies applied in the preparation of the consolidated financial statements at 31 December 2020 are the same as those adopted for the classification, recognition, measurement and derecognition of assets and liabilities and the recognition of revenue and costs in the consolidated financial statements at 31 December 2019, to which reference is made.

In addition, as compared with the aforementioned standards used in the consolidated financial statements at 31 December 2020, the following IFRS changes are highlighted – applicable from 1 January 2020.

Commission Regulation (EU) 34/2020 of 15 January 2020 – Amendments to IAS 39 “Financial Instruments: detection and evaluation”, IFRS 7 “Financial instruments: supplementary information” and IFRS 9 “Financial Instruments”.

On 26 September 2019 the Reform of indexes for the determination of interest rates (amendments to IFRS 9, IAS 39 and IFRS 7) was published by the *International Accounting Standards Board*.

A series of changes have been made by the aforementioned regulation in the hedge accounting area, aimed at eliminating uncertainty about amounts and timing of cash flows that could lead to an interruption or other difficulties in hedge accounting.

To this end a facilitation has been envisaged, presuming that the indexes used in the determination of interest rates have not been modified following the inter-bank rates amendment.

Commission Regulation (EU) no. 2075/2019 of 29 November 2019

Pursuant to the 29 November 2019 regulation, several modifications to the IFRS concerning the *Conceptual Framework* 12 have been made. These changes are aimed to update the previous *Framework*’s references, in several accounting standards and interpretations, replacing them with the references to the conceptual framework examined in March 2018.

Since the Conceptual Framework is not an accounting standard, it is not subject to homologation, while the document under discussion is subject to homologation, as it amends different IAS/IFRS.

Commission Regulation (EU) no. 2104/2019 of 29 November 2019

Pursuant to the 29 November 2019 regulation, the following amendments to the IAS 1 “Presentation of Financial Statements” and to the IAS 8 “Accounting Policies” have been made: changes in the accounting estimates and errors in an effort to clarify the definition of material information and to improve its understanding. It is highlighted that materiality depends on the nature and relevance of the information or both. Moreover, the entity verifies if an information is, both individually and in combination with other information, material to the financial statement.

Commission Regulation (EU) no. 551/2020 of 21 April 2020 – Amendments to IFRS 3

The above-mentioned regulation, endorsed in the second quarter of 2020, introduced the changes made by the IASB “Definition of a Business (Amendments to IFRS 3)” of 22 October 2018, aimed at solving the concerns raised in the *post-implementation review* of the IFRS 3 “Business combinations related to difficulties encountered in the practical application of the business’ definition.

To facilitate the introduction of these changes, a definition of “business” is given, intended as “a set of activities and assets that can be administered with the aim to supply goods and services to customers and that can generate income from investments (such as dividends or interests) or from other ordinary activities”.

It is also explained that a business – in compliance with the IFRS 3.3 to identify a business combination – is composed of productive factors and processes, that applied to those factors contribute to production.

These explanations do not represent a change in the praxis followed by the Entity in the definition of a business.

The constituting elements of a business are described as follows:

- Production factors: any economic resource that produces or contributes to produce, when one or more processes are applied to it. Examples can be non-current assets (included intangible assets and non-current usage rights), intellectual property, the ability to access materials or rights and employees.
- Process: Any mechanism, standard, protocol, convention, or rule that, if applied to production factors, creates production, or contributes to the creation of production. Examples are strategic management processes, operative processes and resources management processes.
- Production: the result of production factors or processes applied to production factors that supply goods or services to customers, generate investment proceeds (dividends or interests) or generate other proceeds from ordinary activities.

Amendments include a *concentration test* that should help entities to determine if the acquired activities and goods are a business or a group of activities. The concentration test is passed if the *fair value* of gross assets is substantially concentrated in a single entity or in a group of activities. There is no business in this case.
The entity can choose whether to take the test – a different test can be taken for each operation. If the test results are negative, or the entity has chosen not to take it, other evaluations are required.
The regulation came into force on 12 May 2020 and entities must adapt to its amendments no later than immediately after the beginning of their first accounting period from 1 January 2020.

Commission Regulation (EU) no. 1434/2020 of 9 October 2020
With the publication of this regulation, published in the "Gazzetta Ufficiale" Law 331 of 12 October 2020, amendments to the IFRS 16 Leasing have been introduced to incorporate the changes presented by "Covid-19-related rent concessions for lessees", aimed at temporarily and optionally supporting lessees that benefit from leasing's payments suspensions due to COVID-19. The Regulation applies from 1 June 2020, for accounting periods starting from 1 January 2020.
The new regulation includes the possibility for the lessee not to evaluate if a concession on fees, that satisfies the terms specified, is a modification to the leasing. The lessee that exercises this right must account for any variation on payments due to concessions on fees. This principle can only be applied to those concession on fees that have a direct link to the COVID-19 pandemic and only if the following requirements are met:

- The leasing's payment variation implies a review of the leased amount that is substantially equal or lower to the leased amount, right before the modification.
- Any leasing's payment reduction exclusively concerns payments originally due before 30 June 2021.
- No other leasing's term has been substantially modified.

The lessee has to:

- Prove that he applied the previous principle to all of the concession fees that satisfy the required terms, and, in case he didn't, he should provide information for the contracts where he didn't.
- State the net income (loss) for the period, to reflect the payment variations deriving from those concessions on fees to which the principle has been applied.

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

An illustration of accounting standards/interpretations or amendments issued by IASB/IFRIC and endorsed by the European Commission that will need to be compulsorily integrated from the 2020 accounting period is shown below.
Commission Regulation (EU) no. 2020/2097
The European Regulation (EU) no. 2020/2097 issued on 15 December 2020 has endorsed the "Amendment to IFRS 4 *Insurance Contracts - Deferral* of IFRS 9", that extends the temporal exemption from the IFRS 9 to accounting periods started before 1 January 2023.

Commission Regulation (EU) no. 2021/25
The European Regulation (EU) no. 2021/25 issued on 14 January 2021 has endorsed the "*Amendments* to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*", designed to discipline both the accounting detection of variations in the benchmark used to determine contractual cash flows following the interest rate benchmark reform for instruments valued at an amortized cost, and to integrate derogations comprised in the previous amendment related to accounting coverage.

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

A list of the unendorsed standards and interpretations issued by the IASB and the IFRIC that, despite being of potential interest for the group, are not believed to significantly affect its consolidated financial statements, is set out below for informational purposes:
IFRS 17 "Insurance Contracts" and Amendments to IFRS 17
IFRS 17 "Insurance contracts", published by the IASB on 18 May 2017 and applicable from 1 January 2021, discipline contracts issued by insurance companies. On 15 November 2018, the IASB proposed to postpone the endorsement of the standard to 1 January 2022 together with a temporarily exemption from the IFRS 9 for insurance companies, so that IFRS 9 and 17 will begin their application conjointly.
On 25 June 2020 an amendment to the IFRS 17 was published, serving as an aid in the implementation and as an exemplification in the financial performance disclosure, without amending any fundamental principle; the above mentioned amendment has postponed the endorsement of the IFRS 17 to 1 January 2023.

Amendments to IAS 1 "Classification of current and non-current liabilities"
IAS 1 "Classification of current and non-current liabilities" has been published on 23 January 2020; the IASB, on 23 January 2020, has approved the deferral of 1 January 2023 for the amendments previously foreseen for the accounting exercise 2022.
The above-mentioned amendment clarifies that the classification of current and non-current liabilities depends on the existing rights at the end of the reference period.

Amendments to IFRS 3, IAS 16 and IAS 37 / Annual Improvements (IFRS 3, IAS 16 and IAS 37)
The IASB has endorsed, on 14 May 2020, different limited amendments to selected accounting standards (IFRS 3, IAS 16 and IAS 37), in addition to the Annual Improvements of other standards (IFRS 1, IFRS 9, IAS 41 and illustrative examples for the IFRS 16), aimed at solving mistakes or conflicts between the standards. Amendments will be applicable from 1 January 2022.

### Preparation of consolidated financial statements on a going concern basis

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

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

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

Examples of the main cases for which management is required to make estimates are as follows:

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

## Section 3 – Events after the reporting date

The drafts of the consolidated financial statements at 31 December 2020 were approved by the board of directors on 23 March 2020 and will be subject to the shareholders' approval at the meeting called for 27 April 2021.

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

## Section 4 – Other aspects

### COVID-19 impact

Pursuant to 56.2 letter c) of the Legislative Decree no. 17 of 17 March 2020 (called "Decreto Cura Italia") converted into Law no. 27 of 24 April 2020, the Entity has ascertained that requests coming from customers were in compliance with the requirements set out in the decree:

- Debits not classified as deteriorated when the decree has entered into force, pursuant to the applicable law to credit intermediaries ("in bonis" customers)
- Auto certification pursuant to article 47 DPR 445/200 stating: the dimension of micro or SME (as defined in the Recommendation of the European Commission no. 2003/361/CE of 6 May 2003), to be located in Italy, and to have temporarily suffered of liquidity shortages directly linked to the COVID-19 pandemic.

In order to grant, without any further credit evaluation, the suspension of leasing's payments or mortgage's instalments or the sole principal portion (with consequent payment of the interest quote).

The entity has also acknowledged the requests coming from financial leasing holders, from "pagodopo" loans or mortgages stipulated before 17 March 2020.
Moreover, the Entity has decided to individually evaluate requests coming from customers not eligible for the "government" moratorium ("Decreto Cura Italia").

Regarding what has been mentioned above, the Entity has applied the following rules to the contracts object of the moratorium:

- Disclosure of residual debt at the suspension date.
- Subordination of the original expiration date of the contract to a period correspondent to the moratorium. The payment will start from the first due date after 30 September 2020 until extinguishment of the debt.

Following the implementation of the Legislative Decree no.104 of 14 August 2020 ("Decreto Agosto"), as foreseen in article 65, the Entity has extended to all customers that have not expressly requested resignation to that benefit the suspension of leasing's payments (or mortgage's instalments) or the sole principal portion, without any further credit valuations until 31 January 2021.

Moreover, the Entity has decided to individually evaluate requests coming from customers not eligible for the "government" moratorium ("Decreto Cura Italia"), to support its customers in their economic difficulties.

In this case too, in relation to what has been established in the Legislative Decree, the Entity has applied the following rules to its contracts:

- Disclosure of residual debt at the suspension date.
- Subordination of the original expiration date of the contract to a period correspondent to the moratorium. The payment will start from the first due date after 31 January 2021 until extinguishment of the debt.

In the cases implying suspension of the entire fee:

- During the suspension period no principal share or interest share is charged to customers.
- The interest share accrued during the suspension period, calculated on the contractual interest rate and benchmarked on a contractual provision, are invoiced with the same periodicity of the fees at the end of the suspension period. The related payment is delayed, without applying any additional charge, for the 12 months following the suspension period deadline or for the entire contractual expiration date redetermined on the basis of the moratorium, if shorter than 12 months.

Pursuant to article 65 of the Legislative Decree no.104 of 14 August 2020 ("Decreto Agosto"), the Entity has also evaluated customers' requests received after the endorsement of the Decree (15 August 2020), that even in compliance with the prerequisites introduced by Legislator, did not take advantage from the government measure introduced with "Decreto Cura Italia".

Moreover, pursuant to article 1.248 and article 1.250 of Law 178/2020 ("Legge Bilancio 2020/2021"), the Entity has extended until 31 January 2021, for all those customers that have not explicitly expressed resignation to the benefit, the suspension of leasing's payments (or mortgage's instalments) or the sole principal portion, without any other credit valuation until 30 June 2021. These customers, that should have already presented a suspension request in compliance with "Decreto Cura Italia" and "Decreto Agosto", will have to comply with the presented characteristics.

The Entity, to meet its customers' requirements, has confirmed the decision to singularly evaluate (through specific decisions) requests coming from customers not eligible for the "government" moratorium.

In relation to what has been established in the Legislative Decree, the Entity has applied to its contract the following rules:

- Disclosure of residual debt at the suspension date.
- Subordination of the original expiration date of the contract to a period correspondent to the moratorium. The payment will start from the first due date after 30 June 2021 until extinguishment of the debt.

In the cases implying suspension of the entire fee:

- During the suspension period no principal share or interest share is charged to customers.
- The interest share accrued during the suspension period, calculated on the contractual interest rate and benchmarked on a contractual provision, are invoiced with the same periodicity of the fees at the end of the suspension period. The related payment is delayed, without applying any additional charge, for the 12 months following the suspension period deadline or for the entire contractual

expiration date redetermined on the basis of the moratorium, if shorter than 12 months.

Pursuant to the above-mentioned “Legge Bilancio” the Entity has also evaluated customers’ requests received after the endorsement of the Law (30 December 2020), that even in compliance with the prerequisites introduced by article 56 of “Decreto Cura Italia”, did not take advantage from the government measure introduced with “Decreto Cura Italia” and with the subsequent “Decreto Agosto”.

The Entity, in compliance with the Government’s guidelines, has created a webpage dedicated to COVID-19 on their website.
The webpage is divided into 4 sections:

- Moratorium – “Decreto Cura Italia”
- FAQs Moratorium
- Moratorium Legislation
- Support to enterprise – Liquidity Decree and the “6x0=1” campaign.

Bank of Italy periodically monitors data coming from banks concerning the implementation of government’s measures introduced with the Legislative Decrees “Cura Italia” and “Liquidity”, different category initiatives and those offered bilaterally from single banks to their customers. Based on preliminary data, collected until 29 January, more than €2.7 million in moratorium requests have been received, over a total loaned amount of € 300 billion.
It is estimated that, around the 95% of moratorium requests has already been accepted from banks, even if accompanied with some differences between the different measures; 4% has been rejected; the rest is still under examination.
In further detail, requests coming from non-finance represent 43% of the total, based on a loaned amount of €190 billion. In relation to SME, moratorium requests, pursuant to article 56 of the Legislative Decree “Cura Italia” (around € 1.3 million), have been related to loans and credit lines amounting to € 153 billion. ABI has promoted a moratorium, collecting around 60,000 adhesions, connected to more than € 17 billion of subsidies.
Requests from families were connected to a loaned amount of € 96 billion. Banks have received more than 200,000 payments suspension requests for house mortgages (“Fondo Gasparrini”), for an average amount of €94,000. ABI and Assofin’s moratoriums directed to families, have raised 574,000 adhesions, for a loaned amount of €27 billion.

The Ministry of Economic Development and Central Mediocredito (*MCC*) reports that overall 1,703,9969 guarantee requests were collected by the “Fondo di Garanzia” in the period from 17 March 2020 to 9 February 2021, to demand guarantees on those subsidies in favor of enterprises, craftsmen and freelance workers, for an overall amount of €136.8 billion. In particular, requests collected and relative to measures introduced with “Cura Italia” and “Liquidità” Decrees are 1,696,376 amounting to around € 135 billion.

Analyzing the field of moratorium leasing (relying on data coming from Banca Dati Centrale Rischi of Assilea, based on a sample of 38 enterprises that represent over 81.5% of outstanding leasing registered at December 2020) has been registered that, from March to December 2020, 212,000 leasing moratoriums have been granted over €21.7 billion of residual debt. These grants affect enterprises’ leasing portfolio for 26.6% of the total number of contracts outstanding and for 39.4% of their residual debt.
Leasing moratorium still in operation (suspensions with expiration date after the current financial statement) on 30 December 2020 are 166,000 with a residual debt amounting to € 16.7 billion. These moratoriums weigh around 20.8% on the total and 30.3% on the residual debt over the analyzed enterprises’ leasing portfolio. Moreover, confronting active grants with those already accepted, it is possible to conclude that around 80% of the latter have not expired yet.

In line with the leasing's pattern, that has a major concentration and exploitation in northern regions of Italy, payments suspension requests, granted with the crisis created by the COVID-19 pandemic, come majorly from northern regions.

The average amount of the suspended feed has been calculated from the leasing's value at expiration. The amount is set to be € 1,500, as calculated with data updated to December 2020; analyzing different areas completely different amounts are observed, justified by the different range of goods. For instrumental goods a slightly lower than average estimated amount is observed, while for the automotive sector, the minimum value observed is €800. Real estate, renewables, aeronautical and railroad sectors report important amounts, the latter in particular shows the highest amount (over € 7,500) influenced by airplanes' high values, by locomotive materials and boats larger than 24 meters.

## New *Default* of Definition ("DoD")

Alba Leasing S.p.A., starting from 1 January 2021, has started to apply the new European rules that regulate the classification of debtor in "*Default*" (non-compliant counterparts) introduced by the European Bank Authority (EBA) and incorporated in Italy by Bank of Italy[1].

The new legislation, namely, the new definition of *default*, sets out stricter criteria and modalities for the classification of *default* compared to the one used until now, aimed at unifying this definition throughout European countries.
These new rules provide for the financial intermediary to automatically classify as *default* when a materiality threshold is exceeded, and the outstanding payment is not paid back in 90 consecutive days, taking into account the total amount of credits that a customer has towards the intermediary.
The regulation applies at the following threshold:

- Retail: in absolute terms amounts over €100 and in relative terms above 1% of the total credits held towards the intermediary.
- Non-Retail: in absolute terms amounts over €500 and in relative terms above 1% of the total credits held towards the intermediary.

[1] Reference Regulation composed by "Guidelines on the definition of *default* application pursuant to article 178 of EU Regulation no. 575/2013 (EBA/GL/2016/07) and by "New legislation techniques relative to the materiality threshold of overdue credit obligations" (EBA/RTS/2016/06) that integrate the Delegated Regulation EU no. 171/2018 published the 19 October 2017 by the European Commission.

The classification of *Default* is not valid anymore when the back payment is regulated and at least 90 days have elapsed without any other back payment.
It is fundamental to punctually respect payment deadlines as defined in the contract and to respect the debt repayment plan in order not to be classified as *Default*.
The following table reports novelties compared to previous rules as of 31December 2020:

| Regulation in force until 31/12/2020 | Regulation in force from 1/1/2021 |
|---|---|
| The customer is classified as *Default* if he has back payments for over 90 days and representing at least 5% of the total credits held towards the intermediary. | The customer is classified as *Default* if he exceeds both of the following thresholds for over 90 consecutive days:<br>• In absolute terms: €100 for *retail* and €500 for non-retail;<br>• In relative terms: 1% of the total credits held towards the intermediary. |
| The classification of *Default* is not valid anymore when the back payment is regulated | The *default* status will persist for at least 90 days from the moment of the regulation of the back payment |
| No *default* transmission automatism (retail) in case of conjoint obligations (“joint ownership”) are scheduled | With reference to conjoint obligations (“joint ownership”) new *default* transmission rules are set out:<br>• If the joint ownership is in *default*, the transmission is applied to both co-owners;<br>• If all co-owners are *default*, the transmission is automatically applied to all the conjoined positions. |

Not very accurate news have been posted about the new definition of *default*: with regard to notifications to the Risk Central of Bank of Italy, it has to be reiterated that the new definition of *default* doesn’t substantially amend the underlying criteria.
The Risk Central collects information over grants and guarantees equal or above €30,000. The threshold falls to €250 when the customer is classified as “not-performing”; this may happen if the intermediary considers that the client may have serious difficulties in repaying its debt, after performing a deep comprehensive financial position evaluation, in compliance with Bank of Italy’s regulation; moreover, the evaluation should not be based on single remarkable events, such as missing one or more payments in debt repayments.
Amendments to the definition of *default* and the relative ”materiality thresholds” have not impacted the Risk Central’s classification, that continues to objectively “picture” customers debits regardless of the definitions adopted.

The definition of “not-performing” is not revised by the new European regulation concerning the new *default* definition. There is no automatism between the classification of *default* and the “not-performing” definition in Risk Central. Therefore, it is not true that a missed payment raises a “not-performing” definition, with the consequent risk to compromise, or make more burdensome, a future access to credit.

## Securitisation of “*non-performing loans*” transfer (with derecognition from assets)

During December, Alba Leasing S.p.A., Banco BPM S.p.A. and Release S.p.A (BPM’s subsidiary), as *originators*, in compliance with article 7.1 of securitisation Law called Titan, completed the transfer of a non-performing loan portfolio, amounting to €335 million, together with the disposal of the annexed goods and rights.
Alba Leasing S.p.A, at December 2020 has disposed, limitedly to its share, to Titan SPV S.r.l. a loan portfolio worth €185 million (composed by 88% of secured loans), subsequently issuing tranches of securities with the following structure:

- *Senior tranche*: amounting to €58.2 million (Alba Leasing S.r.l.’s share), rated BBB(sf)/BBB(sf) from DBRS Morningstar e Scope Ratings GmbH.
- *Mezzanine tranche*: amounting to €9.6 million (not rated - Alba Leasing S.r.l.’s share)
- *Junior tranche*: amounting to €6.1 million (not rated - Alba Leasing S.r.l.’s share)

Titan’s securitisation has been structured pursuant to the requisites needed to request, for *senior* securities, the GACS, presented in the Decree of 3 August 2016 – “Fondo di Garanzia” Legislative Decree no.18 article 12.1 of 14 February 2016, converted from Law no.4 of 8 April 2016 regulating guarantees over securitisation of non-performing loans. At the end of December, 95% of *mezzanine* and *junior* tranches has been sold to winning bidder that presented the best offer, identified as Christofferson, Robb & Company throughout the Luxembourgish vehicle CRC CF (LUX) S.à.r.l. Alba has collected €2.5 million.
During January 2021, a request of GACS guarantee has been sent to the Ministry of Economy and Finance, for the *senior tranche* and Bank of Italy’s communication for the significative transfer of default risk on credit.

## Non-financial statement

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

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

## Manager in charge of financial reporting

On 16 May 2018, the board of directors appointed the head of the “Administration, financial reporting, finance and planning department” as manager in charge of financial reporting, after having checked they met the necessary requirements and considering their first level manager position within the parent’s organisational chart.
Despite the fact that Law no. 262 of 28 December 2005 (on savings) is addressed to listed issuers with Italy as their member state of residence and although it is not a listed issuer under the above law, in line with corporate governance and risk management best practices, Alba Leasing S.p.A. decided to appoint a manager in charge of financial reporting on a voluntary basis and to assign to them the duties and responsibilities provided for by the above law starting from the 2018 consolidated financial statements.
The manager in charge of financial reporting works with the corporate governance department as they are responsible for:

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

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

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

## Agreement on securitised loans

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

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

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

During April 2014, earlier than the expiry date, the ITA 6 operation has been closed, securitised assets included in the consolidation; during December 2015, earlier than the expiry date, also the ITA 7 operation has been closed. During the 2016 accounting period, earlier than the expiry date, the ITA 10 (October) and Quicksilver (December) operation have been closed.
During the 2017 accounting period, earlier than the expiry date, the Leasimpresa Finance S.r.l. (LSMP) operation was closed.
During the 2018 accounting period, earlier than the expiry date, the ITA 9 BEI – Erice Finance S.r.l. (June) and ITA 9 - Italfinance Securitisation Vehicle 2 S.r.l. (October) have been closed. During January 2020, earlier than the expiry date, the ITA 11 (Italfinance Securitisation Vehicle 2 S.r.l.) operation has been closed. Lastly, during November 2020, earlier than the expiry date, the last ITA 8 (Italfinance Securitisation Vehicle 2 S.r.l.) operation was closed.

Together with the disclosure of the last operation, the Agreement has been closed as well as the relative accounts to that consolidation.

## Auditing

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

## Section 5 – Basis of consolidation

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

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

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

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

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

## 1. Investments in subsidiaries:

| | Operating office | Relationship (1) | Investment | | Available votes |
|---|---|---|---|---|---|
| | | | Held by | % | |
| A. Companies | | | | | |
| A1. Consolidated companies | | | | | |
| Alba 6 SPV S.r.l. | Conegliano | 4 | | | |
| Alba 8 SPV S.r.l. | Conegliano | 4 | | | |
| Alba 9 SPV S.r.l. | Conegliano | 4 | | | |
| Alba 10 SPV S.r.l. | Conegliano | 4 | | | |
| Alba 11 SPV S.r.l. | Conegliano | 4 | | | |

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

## 5. Other information

For more details on securitisations, reference should be made to “Part B – Notes to the statement of financial position – Assets - Section 4 – Financial assets at amortised cost” and “Part D – Other information – Section 2 – Securitisations, unconsolidated structured entities (other than securitisation vehicles) and transfers of assets”.
The SPVs’ financial statements used for consolidation purposes are those as at and for the year ended 31 December 2020 and are presented in Euro.

# A.2 – ACCOUNTING POLICIES

The consolidated financial statements at 31 December 2020 have been prepared using the same accounting policies as those adopted in the preparation of the consolidated financial statements of the previous year.

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

# ASSETS

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification

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

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

Recognition

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

Recognition of costs and revenue

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

Derecognition

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

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

Classification

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

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

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

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

Recognition

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

Recognition of costs and revenue

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

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

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

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

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

Specifically:

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

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

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

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

Derecognition

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

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

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

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

## PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

### Recognition and derecognition

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

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

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

### Classification

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

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

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

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

Measurement

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

Recognition of costs and revenue

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

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

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

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

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

## INTANGIBLE ASSETS

Recognition and derecognition

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

Classification

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

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

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

Measurement

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

Recognition of costs and revenue

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

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

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

TAX ASSETS AND LIABILITIES

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

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

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

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

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

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

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

# LIABILITIES

## FINANCIAL LIABILITIES AT AMORTISED COST

Classification

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

Recognition

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

Recognition of costs and revenue

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

Derecognition

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

## FINANCIAL LIABILITIES HELD FOR TRADING

Recognition and derecognition

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

Classification

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

Measurement

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

Recognition of costs and revenue

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

## POST-EMPLOYMENT BENEFITS

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

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

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

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

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

## PROVISIONS FOR RISKS AND CHARGES

Recognition, derecognition and measurement

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

Classification

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

Recognition of costs and revenue

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

The provisions for risks and charges include the following items:

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

# INCOME STATEMENT

## REVENUE AND EXPENSES

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

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

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

# OTHER DISCLOSURES

## FOREIGN CURRENCY TRANSACTIONS

Classification

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

Recognition and derecognition

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

Measurement

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

Recognition of costs and revenue

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

## ORIGINATED SECURITISATIONS

The financial assets transferred in securitisations carried out by the group are not derecognised unless all the risks and rewards of ownership asset are substantially transferred, even when they are formally assigned without recourse to a special purpose vehicle. This is the case, for example, when the parent subscribes junior notes or similar exposures, as it bears the risk of first losses and, similarly, benefits from the return on the transaction.
In this case, the exposures underlying the transactions are not derecognised and the overall amount of the notes issued by the SPV, net of the junior notes subscribed by the assignor, is recognised under liabilities. When self-securitisations are carried out, since the assignor subscribes all classes of securities issued by the SPV, the group does not recognise any notes.
Similar presentation criteria based on the transaction’s substance over form apply to revenue and costs.

# A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

None during the year.

# A.4 - FAIR VALUE

QUALITATIVE DISCLOSURE

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

1) Quoted prices in active markets (level 1):
   measurement is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities;
2) Observable market inputs (level 2):
   the financial instrument is measured on the basis of prices observable from quoted prices for similar assets or by means of valuation techniques in which all the significant factors, including credit spreads and liquidity, are taken from inputs observable from the market. In this level, fewer discretionary elements are required in order to measure the instrument since all the inputs used are taken from the market (for the same instrument or similar instruments) and the method of calculation enables quoted prices in active markets to be replicated;
3) Unobservable market inputs (level 3):
   the fair value is measured mostly on the basis of significant inputs which are not observable from the market and, therefore, management is required to make estimates and assumptions.

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

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

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

<u>A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used</u>

The fair value of financial instruments quoted on active markets is normally the prices observable in the market (quoted prices readily and regularly available in a pirce list) while

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

A.4.2 Measurement processes and sensitivity

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

A.4.3 Fair value hierarchy

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

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

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

A.4.4. Other disclosures

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

QUANTITATIVE DISCLOSURE

A.4.5 Fair value hierarchy

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

None.

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

None during the year.

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

None during the year.

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

| Financial assets/liabilities not measured at *fair value* or measured at non-recurring *fair value* (€'000) | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | L1 | L2 | L3 | CA | L1 | L2 | L3 |
| 1. Financial assets at amortised cost | 5,097,011 | - | - | 5,358,822 | 5,101,743 | 5,043 | - | 5,405,026 |
| 2. Investment property | 12,952 | - | - | 29,037 | 9,571 | - | - | 27,469 |
| 3. Non-current assets held for sale and disposal groups | - | - | - | - | - | - | - | - |
| Total | 5,109,963 | - | - | 5,387,859 | 5,111,314 | 5,043 | - | 5,432,495 |
| 1. Financial liabilities at amortised cost | 4,695,854 | - | - | 4,695,854 | 4,693,725 | - | - | 4,693,725 |
| 2. Liabilities associated with disposal groups | - | - | - | - | - | - | - | - |
| Total | 4,695,854 | - | - | 4,695,854 | 4,693,725 | - | - | 4,693,725 |

*Key*

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

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

## A.5 - DAY ONE PROFIT/LOSS

Not applicable.

# Part B – Notes to the statement of financial position

*(€'000)*

## ASSETS

### Section 1 – Cash and cash equivalents – Caption 10

Breakdown of caption 10 "Cash and cash equivalents"

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) Cash | 7 | 9 |
| Total | 7 | 9 |

# Section 4 – Financial assets at amortised cost - Caption 40

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

| (€'000) | 31/12/2020 | | | | | | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 |
| 1. Deposits and current accounts | 8,702 | - | - | | | 8,702 | 4,952 | - | - | - | - | 4,952 |
| 2. Financing | 355 | - | - | | | 385 | 154 | - | - | - | - | 154 |
| 2.1 Reverse repurchase agreements | - | - | - | | | - | - | - | - | - | - | - |
| 2.2 Finance leases | 355 | - | - | | | - | 154 | - | - | - | - | - |
| 2.3 Factoring | - | - | - | | | - | - | - | - | - | - | - |
| - with recourse | - | - | - | | | - | - | - | - | - | - | - |
| - without recourse | - | - | - | | | - | - | - | - | - | - | - |
| 2.4 Other financing | - | - | - | | | - | - | - | - | - | - | - |
| 3. Debt instruments | - | - | - | | | - | - | - | - | - | - | - |
| 3.1 Structured | - | - | - | | | - | - | - | - | - | - | - |
| 3.2 Other | - | - | - | | | - | - | - | - | - | - | - |
| 4. Other assets | 126,504 | - | - | | | 126,504 | 223,729 | - | - | - | - | 223,729 |
| Total | 135,561 | - | - | | | 135,591 | 228,835 | - | - | - | - | 228,835 |

*Key*

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

“Other assets” mainly comprise € 119,864 thousand included in the segregated assets of the consolidated vehicles, mostly consisting of liquidity investments.

In “Other assets”, at 31 December 2019, are accounted amounts due from Banco BPM S.p.A. (after its merging with Banca Italease) and/or recognised as a result of the agreement for the deferred price not paid by the securitisation vehicles for the period from 31 March to 31 December 2009 and the interest on the junior notes of the banking sub-portfolio which is due to the parent under the terms of the agreement on securitised loans;

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

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

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

| (€'000) | 31/12/2020 | | | | | | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 |
| 1. Financing | 84,086 | 16,171 | - | - | - | 103,940 | 72,315 | 16,700 | - | - | - | 94,518 |
| 1.1 Reverse repurchase agreements | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Finance leases | 83,416 | 16,171 | - | - | - | 103,940 | 71,814 | 16,700 | - | - | - | 94,518 |
| 1.3 Factoring | - | - | - | - | - | - | - | - | - | - | - | - |
| - with recourse | - | - | - | - | - | - | - | - | - | - | - | - |
| - without recourse | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.4 Other financing | 670 | - | - | - | - | - | 501 | - | - | - | - | - |
| 2. Debt instruments | 58,157 | - | - | - | - | 58,157 | - | - | - | - | - | - |
| 2.1 Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other | 58,157 | - | - | - | - | - | - | - | - | - | - | - |
| 3. Other assets | 1,125 | - | - | - | - | 1,125 | 1,105 | - | - | - | - | 1,105 |
| Total | 143,368 | 16,171 | - | - | - | 163,222 | 73,420 | 16,700 | - | - | - | 95,623 |

*Key*

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

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

"Other financing" includes performing mortgage loans of €455 thousand and finance leases awaiting beginning for €215 thousand.

"Debt instruments" are related to the *senior tranche* detained by the Entity and connected to the transfer operation for non-performing loans (more information is available at Part A – Accounting Policies – Section 4 – Other Aspects").

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

| (€'000) | 31/12/2020 | | | | | | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 | Stages 1 and 2 | Stage 3 | including: purchased or originated credit-impaired financial assets | L1 | L2 | L3 |
| 1. Financing | 4,505,606 | 295,468 | - | - | - | 5,059,172 | 4,352,322 | 422,753 | - | - | - | 5,077,864 |
| 1.1 Finance leases | 4,342,113 | 283,222 | - | - | - | - | 4,196,305 | 411,948 | - | - | - | - |
| *including: without purchase option* | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Factoring | - | - | - | - | - | - | - | - | - | - | - | - |
| - with recourse | - | - | - | - | - | - | - | - | - | - | - | - |
| - without recourse | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.3 Consumer credit | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.4 Credit cards | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.5 Loans against pledges | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.6 Financing as part of payment services | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.7 Other financing | 163,493 | 12,246 | - | - | - | - | 156,017 | 10,805 | - | - | - | - |
| *including: from enforced loan commitments and financial guarantees* | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Debt instruments | - | - | - | - | - | - | 5,009 | - | - | 5,043 | - | - |
| 2.1 Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | 5,009 | - | - | 5,043 | - | - |
| 3. Other assets | 573 | 264 | - | - | - | 837 | 806 | 1,898 | - | - | - | 2,704 |
| **Total** | **4,506,179** | **295,732** | **-** | **-** | **-** | **5,060,009** | **4,358,137** | **424,651** | **-** | **5,043** | **-** | **5,080,568** |

Key

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

"Other financing" mostly consists of:
as performing:
- finance leases of €144,892 thousand not yet activated;
- mortgage loans of €7,447 thousand;
- unsecured loans of €11,154 thousand;

as non-performing:
- finance leases of €7,918 thousand not yet activated;
- mortgage loans of €4,328 thousand.

"Debt instruments" include T-bonds (BTP) purchased in 2015, matured on 1 November 2020 and regularly paid.

The bonds were purchased in accordance with the ruling regulations about the maximum amounts of soft loans under the Sabatini Law that can be obtained from Cassa Depositi e Prestiti.
They have been pledged as collateral to CDP against an increase in the group's original financing.

Financing (for finance leases) includes "financial assets transferred and not derecognised" of €3,212,233 thousand (including non-performing exposures of €51,314 thousand). The balance also comprises loans and receivables with financial companies for €57,709 thousand (€57,193 thousands are performing and €516 thousand are non-performing) and performing bank receivables for €15 thousand.

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

Alba 11 operation (performed through Alba 11 SPV S.r.l.) has issued *senior* securities (A1) for € 498.7 million, and *senior* securities (A2) for € 300.0 million, *mezzanine* securities (B) for € 143.6 million, *mezzanine* securities (C) for €131.1 million and *junior* securities (J) for €187.0 million.

The Entity, at 31 December 2020, owns *senior* securities (A1) for €84.1 million, *mezzanine* securities for €81.1 million and the *junior* security (J).

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

| *(€'000)* | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | Stages 1 and 2 | Stage 3 | of which: purchased or originated credit-impaired financial assets | Stages 1 and 2 | Stage 3 | of which: purchased or originated credit-impaired financial assets |
| 1. Debt instruments | - | - | - | 5,009 | - | - |
| a) Public Administrations | - | - | - | 5,009 | - | - |
| b) Non-financial companies | - | - | - | - | - | - |
| 2. Financing to: | 4,505,606 | 295,468 | - | 4,352,322 | 422,753 | - |
| a) Public Administrations | 19,020 | 57 | - | 14,214 | 821 | - |
| b) Non-financial companies | 4,202,825 | 281,822 | - | 4,167,028 | 412,511 | - |
| c) Households | 283,761 | 13,589 | - | 171,080 | 9,421 | - |
| 3. Other assets | 573 | 264 | - | 806 | 1,898 | - |
| **Total** | **4,506,179** | **295,732** | **-** | **4,358,137** | **424,651** | **-** |

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

| (€'000) | Gross amount | | | | Total impairment losses | | | Partial/total write-offs* |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | including: instruments with a low credit risk | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | |
| Debt instruments | 58,157 | - | - | - | - | - | - | - |
| Financing | 2,780,586 | 2,428,494 | 1,875,392 | 448,198 | 12,432 | 53,499 | 136,559 | 419 |
| Other assets | 136,888 | - | 265 | 1,762 | 40 | 209 | 1,498 | - |
| **Total 31/12/2020** | **2,975,631** | **2,428,494** | **1,875,657** | **449,960** | **12,472** | **53,708** | **138,057** | **419** |
| **Total 31/12/2019** | **3,859,621** | **3,304,543** | **838,765** | **669,429** | **10,467** | **27,527** | **228,078** | **1,545** |
| of which: purchased or originated credit-impaired financial assets | X | X | - | - | X | - | - | - |

** Presented for disclosure purposes.*

## 4.5a Financing valued at amortised cost subject to COVID-19 aid measures: gross amount and total impairment losses

| (€'000) | Gross amount | | | | Total impairment losses | | |
|---|---|---|---|---|---|---|---|
| | Stage 1 | including: instruments with a low credit risk | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| 1. Financing subject to concession pursuant to GL | 508,353 | 482,192 | 1,548,953 | 56,976 | 1,396 | 43,221 | 6,972 |
| 2. Financing subject to other measures of concession | - | - | 29,998 | 70,182 | - | 1,021 | 9,677 |
| 3. New financing | - | - | - | - | - | - | - |
| **Total 31/12/2020** | **508,353** | **482,192** | **1,578,951** | **127,158** | **1,396** | **44,242** | **16,649** |

The Communication published by Bank of Italy on 27 January 2021 "Supplements to the Provision's dispositions – IFRS intermediaries, different from banking intermediaries, financial statements", regarding COVID-19's impacts, highlights that no comparative data will be shown.

Moreover, it should be specified that the Entity is investigating 63 contracts linked to customers that benefited from COVID-19 support measures.

In order to support liquidity demand from enterprises during this period, Alba Leasing has drafted a special plafond amounting to €70 million to incentive new leasing operations that can benefit of fees suspension for six months ("6x1=0"). The initiative, directed to "SME" "Mid-caps" and "large enterprises", is aimed at supporting new investment opportunities in instrumental goods and commercial or industrial vehicles. Through such initiative, enterprises that joined could innovate their facilities without using their own cash, enjoying at the same time eco-bonuses and other incentives comprised in the Legislative Decree "Rilancio" issued by the Government in May 2020.

## 4.6 Financial assets at amortised cost: secured assets

| (€'000) | 31/12/2020 | | | | | | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Loans and receivables with banks | | Loans and receivables with financial companies | | Loans and receivables with customers | | Loans and receivables with banks | | Loans and receivables with financial companies | | Loans and receivables with customers | |
| | ECA | GFV | ECA | GFV | ECA | GFV | ECA | GFV | ECA | GFV | ECA | GFV |
| 1. Performing assets secured by: | 355 | - | 83,871 | 2.698 | 4,349,560 | 894,000 | 154 | - | 72,315 | 1,061 | 4,206,350 | 801,143 |
| - Finance leases | 355 | - | 83,416 | 2.274 | 4,339,028 | 886,303 | 154 | - | 71,814 | 560 | 4,193,276 | 790,848 |
| - Factoring | - | - | - | - | - | - | - | - | - | - | - | - |
| - Mortgages | - | - | 455 | 424 | 7,447 | 7,447 | - | - | 501 | 501 | 10,045 | 10,045 |
| - Liens | - | - | - | - | 3,085 | 250 | - | - | - | - | 3,029 | 250 |
| - Personal guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - Credit derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. Non-performing assets secured by: | - | - | 16,171 | 151 | 287,550 | 55,487 | - | - | 16,700 | 2 | 416,776 | 56,382 |
| - Finance lease | - | - | 16,171 | 151 | 283,222 | 52,021 | - | - | 16,700 | 2 | 411,948 | 52,234 |
| - Factoring | - | - | - | - | - | - | - | - | - | - | - | - |
| - Mortgages | - | - | - | - | 4,328 | 3,466 | - | - | - | - | 4,828 | 4,148 |
| - Liens | - | - | - | - | - | - | - | - | - | - | - | - |
| - Personal guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - Credit derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 355 | - | 100,042 | 2.849 | 4,637,110 | 949,487 | 154 | - | 89,015 | 1,063 | 4,623,126 | 857,525 |

*Key*

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

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

The table does not include:

- performing exposures for finance leases not yet activated of €145,107 thousand (including €86,554 thousand secured) and non-performing exposures of €7,918 thousand (including €531 thousand secured);
- unsecured financing.

# Section 8 – Property and equipment - Caption 80

## 8.1 Property and equipment: breakdown of assets measured at cost

| Assets/Values (€'000) | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 1. Owned | 13,161 | 215 |
| a) land | - | - |
| b) buildings | 12,952 | - |
| c) furniture | - | - |
| d) electronic systems | 53 | 66 |
| e) other | 156 | 149 |
| 2. Right-of-use asstes | 11,286 | 12,079 |
| a) land | - | - |
| b) buildings | 10,739 | 11,433 |
| c) furniture | - | - |
| d) electronic systems | - | - |
| e) other | 547 | 646 |
| Total | 24,447 | 12,294 |
| *including: obtained by enforcing the guarantees received* | - | - |

## 8.2 Investment property: breakdown of assets measured at cost

| (€'000) | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | *Fair value* | | | Carrying amount | *Fair value* | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Owned | 12,952 | - | - | 29,037 | 9,571 | - | - | 27,469 |
| a) land | - | - | - | - | - | - | - | - |
| b) plant | 12,952 | - | - | 29,037 | 9,571 | - | - | 27,469 |
| 2. Right-of-use asstes | - | - | - | - | - | - | - | - |
| a) land | - | - | - | - | - | - | - | - |
| b) plant | - | - | - | - | - | - | - | - |
| Total | 12,952 | - | - | 29,037 | 9,571 | - | - | 27,469 |
| *Obtained* | - | - | - | - | - | - | - | - |

Key

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

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

## 8.3 Property and equipment: breakdown of revalued assets

None.

## 8.4 Investment property: breakdown of assets measured at fair value

None.

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

None.

### 8.6 Property and equipment: changes

| *(€'000)* | Land | Buildings | Furniture | Electronic systems | Other | Total |
|---|---|---|---|---|---|---|
| A. Gross opening balance | - | - | - | 66 | 12,228 | 12,294 |
| A.1 Accumulated depreciation and net impairment losses | - | - | - | - | - | - |
| A.2 Net opening balance | - | - | - | 66 | 12,228 | 12,294 |
| B. Increases: | - | - | - | 6 | 821 | 827 |
| B.1 Purchases | - | - | - | 6 | 821 | 827 |
| B.2 Capitalised improvement costs | - | - | - | - | - | - |
| B.3 Reversals of impairment losses | - | - | - | - | - | - |
| B.4 Fair value gains recognised in: | | | | | | |
| a) equity | - | - | - | - | - | - |
| b) profit or loss | - | - | - | - | - | - |
| B.5 Exchange gains | - | - | - | - | - | - |
| B.6 Transfers from investment property | - | - | - | - | - | - |
| B.7 Other increases | - | - | - | - | - | - |
| C. Decreases | - | - | - | (19) | (1,607) | (1,626) |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Depreciation | - | - | - | (19) | (1,607) | (1,626) |
| C.3 Impairment losses recognised in: | | | | | | |
| a) equity | - | - | - | - | - | - |
| b) profit or loss | - | - | - | - | - | - |
| C.4 Fair value losses recognised in: | | | | | | |
| a) equity | - | - | - | - | - | - |
| b) profit or loss | - | - | - | - | - | - |
| C.5 Exchange losses | - | - | - | - | - | - |
| C.6 Transfers to: | | | | | | |
| a) investment property | - | - | - | - | - | - |
| b) non-current assets held for sale and disposal groups | - | - | - | - | - | - |
| C.7 Other decreases | - | - | - | - | - | - |
| D. Net closing balance | - | - | - | 53 | 11,442 | 11,495 |
| D.1 Accumulated depreciation and net impairment losses | - | - | - | - | - | - |
| D.2 Gross closing balance | - | - | - | 53 | 11,442 | 11,495 |
| E. Measurement at cost | - | - | - | 53 | 11,442 | 11,495 |

## 8.7 Investment property: changes

| *(€'000)* | Total | |
|---|---|---|
| | Land | Buildings |
| A. Opening balance | - | 9,571 |
| B. Increases: | - | 3,961 |
| B.1 Purchases | - | - |
| B.2 Capitalised improvement costs | - | - |
| B.3 Fair value gains | - | - |
| B.4 Reversals of impairment losses | - | - |
| B.5 Exchange gains | - | - |
| B.6 Transfers from buildings used in operations | - | - |
| B.7 Other increases | - | 3,961 |
| C. Decreases | - | (580) |
| C.1 Sales | - | - |
| C.2 Depreciation | - | (502) |
| C.4 Fair value losses | - | (78) |
| C.4 Impairment losses | - | - |
| C.5 Exchange losses | - | - |
| C.6 Transfers to: | - | - |
| a) buildings used in operations | - | - |
| b) non-current assets held for sale and disposal groups | - | - |
| C.7 Other decreases | - | - |
| D. Closing balance | - | 12,952 |
| E. Measurement at fair value | - | 29,037 |

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

None.

## 8.9 Commitments to purchase property, equipment and investment property

None.

# Section 9 - Intangible assets - Caption 90

## 9.1 Intangible assets: breakdown

| (€'000) | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Assets measured at cost | Assets measured at fair value | Assets measured at cost | Assets measured at fair value |
| 1. Goodwill | - | - | - | - |
| 2. Other intangible assets: | 4,022 | - | 5,332 | - |
| 2.1 owned | 4,022 | - | 5,332 | - |
| - internally generated | - | - | - | - |
| - other | 4,022 | - | 5,332 | - |
| 2.2 right-of-use assets | - | - | - | - |
| Total 2 | 4,022 | - | 5,332 | - |
| 3. Assets under finance lease: | - | - | - | - |
| 3.1 assets for which the purchase option has not been exercised | - | - | - | - |
| 3.2 assets withdrawn after lease termination | - | - | - | - |
| 3.3 other assets | - | - | - | - |
| Total 3 | - | - | - | - |
| Total (1+2+3) | 4,022 | - | - | - |
| Total 31/12/2019 | - | - | 5,332 | - |

Intangible assets include:

- the customer relationships of Credito Valtellinese recognised as part of the purchase price allocation. This asset has a finite useful life, an original amount of €9,530 thousand and is amortised over nine years.
  At the reporting date, the asset's carrying amount is €2,740 thousand.
  As there were no indicators of impairment of this intangible asset, the group did not perform the related test;
- software costs.

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

### 9.2 Intangible assets: changes

| *(€'000)* | Total |
|---|---|
| A. Opening balance | 5,332 |
| B. Increases: | 554 |
| B.1 Purchases | 554 |
| B.2 Reversals of impairment losses | - |
| B.3 Fair value gains recognised in: | - |
| - equity | - |
| - profit or loss | - |
| B.4 Other increases | - |
| C. Decreases | (1,864) |
| C.1 Sales | - |
| C.2 Amortisation | (1,864) |
| C.3 Impairment losses recognised in: | - |
| - equity | - |
| - profit or loss | - |
| C4 Fair value losses recognised in: | - |
| - equity | - |
| - profit or loss | - |
| C.5 Other decreases | - |
| D. Closing balance | 4,022 |

### 9.3 Intangible assets: other disclosures

None.

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

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

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

### 10.1 "Tax assets: current and deferred": breakdown

*Breakdown of "Current tax assets"*

The group recognised:
- an IRES asset of €1,209 thousand related to 2019 being the sum of the tax assets and advances paid in the SC/2020 tax form filed in 2020;
- withholdings of €15 thousand on interest on bank current accounts and commissions;
- an IRES liability of €291 thousand;
- an IRAP asset of €254 thousand related to 2019 being the sum of the tax assets and advances paid in the IRAP/2020 tax form filed in 2020;

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

*Breakdown of "Deferred tax assets"*

| *(€'000)* | IRES | IRAP | Other | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|---|
| A) Through profit or loss | | | | | |
| Impairment losses on loans and receivables deductible in future years | 40,309 | 3,800 | - | 44,109 | 50,951 |
| Accruals and impairment losses deductible in future years | 1,900 | - | - | 1,900 | 2,061 |
| Fair value gains and losses on financial assets and liabilities deductible in future years | - | - | - | - | - |
| Deferred tax assets on intragroup gains eliminated during consolidation | - | - | - | - | - |
| Personnel expense and accruals for post-employment benefits deductible in future years | - | - | - | - | - |
| Impairment losses on equity investments deductible in future years | - | - | - | - | - |
| Depreciation of investment property deductible in future years | - | - | - | - | - |
| Other | 8,043 | 363 | - | 8,406 | 2,588 |
| Total A | 50,252 | 4,163 | - | 54,415 | 55,600 |
| B) Through equity | | | | | |
| Other | 68 | - | - | 68 | 135 |
| Total B | 68 | - | - | 68 | 135 |
| Total (A + B) | 50,320 | 4,163 | - | 54,483 | 55,735 |

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

## 10.2 "Tax liabilities: current and deferred": breakdown

*Breakdown of "Current tax liabilities"*

See section 10 for details of current tax assets.

*Breakdown of "Deferred tax liabilities"*

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

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

| *(€'000)* | 2020 | 2019 |
|---|---|---|
| 1 Opening balance | 55,600 | 55,774 |
| 2 Increases | 7,848 | 1,243 |
| 2.1 Deferred tax assets recognised in the year | 7,848 | 1,243 |
| a) related to previous years | - | - |
| b) due to changes in accounting policies | - | 1,226 |
| c) reversals of impairment losses | - | - |
| d) other | 7,848 | 17 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3 Decreases | (9,033) | (1,417) |
| 3.1 Deferred tax assets derecognised in the year | (9,033) | (1,417) |
| a) reversals | (9,033) | (1,417) |
| b) impairment due to non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | - | - |
| 3.2 Decrease in tax rates | - | - |
| 3.3 Other decreases | - | - |
| a) conversion into tax assets, including as per Law no. 214/2011 | - | - |
| b) other | - | - |
| 4 Closing balance | 54,415 | 55,600 |

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

| *(€'000)* | 2020 | 2019 |
|---|---|---|
| 1. Opening balance | 37,215 | 37,215 |
| 2. Increases | - | - |
| 3. Decreases | - | - |
| 3.1 Reversals | - | - |
| 3.2 Conversion into tax assets | - | - |
| a) arising on the loss for the year | - | - |
| b) arising on tax losses | - | - |
| 3.3 Other decreases | - | - |
| 4. Closing balance | 37,215 | 37,215 |

The assumptions for the conversion of deferred tax assets into tax assets were not met in 2020.

At the reporting date, the parent has deferred tax assets that cannot be converted of €17,268 thousand (type 2 deferred tax assets). Their initial and subsequent recognition in the consolidated financial statements requires management's judgement about their recovery, which could be adversely affected by circumstances that management is not currently able to foresee, such as changes in the current tax laws, the macroeconomic scenario or market that would require it to update the assumptions underlying its judgement. Accordingly, the parent monitors the recoverability of its deferred tax assets that cannot be converted into tax assets on a regular basis.

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

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

None.

### 10.5 Changes in deferred tax assets (recognised in equity)

| *(€'000)* | 2020 | 2019 |
|---|---|---|
| 1 Opening balance | 135 | 280 |
| 2 Increases | 29 | - |
| 2.1 Deferred tax assets recognised in the year | 29 | - |
| a) related to previous years | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | 29 | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| 3 Decreases | (96) | (145) |
| 3.1 Deferred tax assets derecognised in the year | (96) | (145) |
| a) reversals | (96) | (145) |
| b) impairment due to non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | - | - |
| 3.2 Decrease in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4 Closing balance | 68 | 135 |

### 10.6 Changes in deferred tax liabilities (recognised in equity)

None.

## Section 12 - Other assets - Caption 120

### 12.1 Other assets: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Tax assets (not classifiable in caption 100) | 44,293 | 40,287 |
| Items in transit | 8,661 | 4,744 |
| Prepayments and accrued income (not classifiable in a specific caption) | 5,223 | 5,581 |
| Other | 28,034 | 51,176 |
| Total | 86,211 | 101,788 |

"Tax assets" refer to the monthly VAT payments (€36,832 thousand) and the 2013, 2016, 2017 and 2018 VAT assets claimed for reimbursement (€6,753 thousand). In February 2020, the tax authorities reimbursed €21,778 thousand for 2018.

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

- prepaid insurance premiums of €4,076 thousand on leases;
- prepaid insurance premiums of €9 thousand on loans;
- prepayments of €141 thousand for services invoiced in advance which will be received after the reporting date.

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

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

# LIABILITIES

## Section 1 - Financial liabilities at amortized cost - Caption 10

### 1.1 Financial liabilities at amortized cost: breakdown by product

| (€'000) | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | Due to banks | Due to financial companies | Due to custumers | Due to banks | Due to financial companies | Due to customers |
| 1. Loans and borrowings | 2,613,097 | 68,118 | - | 2,968,664 | 73,643 | 222,291 |
| 1.1 Repurchase agreements | 145,959 | - | - | 586,108 | - | 222,291 |
| 1.2 Other loans and borrowings | 2,467,138 | 68,118 | - | 2,382,556 | 73,643 | - |
| 2. Lease liabilities | 118 | 9,317 | 1,983 | 149 | 9,705 | 2,358 |
| 3. Other liabilities | 5,714 | 1,182 | 33,098 | 25,082 | 1,247 | 58,548 |
| Total | 2,618,929 | 78,617 | 35,081 | 2,993,895 | 84,595 | 283,197 |
| *Fair Value -livello 1* | - | - | - | - | - | - |
| *Fair Value -livello 2* | - | - | - | - | - | - |
| *Fair Value -livello 3* | 2,618,929 | 78,617 | 35,081 | 2,993,895 | 84,595 | 283,197 |
| *Total Fair Value* | 2,618,929 | 78,617 | 35,081 | 2,993,895 | 84,595 | 283,197 |

The "Other Loans and borrowings" item includes:
- Advances in Bank account of €2,217,970 thousand;
- Bank deposits of €179,666 thousand;
- Current loans of €30,004 thousand;
- Non-current loans of €39,498 thousand.

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

The "Other liabilities" item mainly relates to liabilities for advance fees.

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

| Type of title/Values (€'000) | Total 31/12/2020 | | | | Total 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | *Fair value* | | | CA | *Fair value* | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Securities | | | | | | | | |
| 1. bonds: | - | - | - | - | - | - | - | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 other | - | - | - | - | - | - | - | - |
| 2. other securities: | 1,963,227 | - | - | 1,963,227 | 1,332,038 | - | - | 1,332,038 |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | 1,963,227 | - | - | 1,963,227 | 1,332,038 | - | - | 1,332,038 |
| Total | 1,963,227 | - | - | 1,963,227 | 1,332,038 | - | - | 1,332,038 |

<u>Legenda:</u>
VB = Carrying amount
L1 = Level 1
L2 = Leve 2
L3 = Level 3

"Other securities" mainly consist of

- €399,800 thousand issued as part of the securitization organized with the vehicle company Alba 6 SPV S.r.l.;
- €21,222 thousand issued as part of the securitization organized with the vehicle company Alba 8 SPV S.r.l.;
- €223,508 thousand issued as part of the securitization organized with the vehicle company Alba 9 SPV S.r.l.;
- €468,003 thousand issued as part of the securitization organized with the vehicle company Alba 10 SPV S.r.l.;
- €850,080 thousand issued as part of the securitization organized with the vehicle company Alba 11 SPV S.r.l.;
- accrued expenses of €614 thousand on notes issued as part of the parent's securitisations

On 31/12/2019 junior securities and accrued expenses of the banking sub-portfolio (which belonged to Alba Leasing S.p.A. because of an agreement on credits) were classified in the caption. During 2020 the operation was closed, so the agreement ended and consequently all the related balance caption were closed.

### 1.3 Subordinated liabilities and securities

None.

### 1.4 Structured liabilities

None.

### 1.5 Finance lease liabilities

None.

## Section 6 - Tax liabilities - Caption 60

See section 10 – "Tax assets and liabilities" under Assets.

## Section 8 - Other liabilities - Caption 80

### 8.1 Other liabilities: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Tax liabilities to be paid on behalf of third parties | 986 | 971 |
| Amounts due to employees | 5,345 | 5,450 |
| Amounts due to statutory auditors and directors | 101 | 120 |
| Amounts due to social security institutions | 1,132 | 1,081 |
| Trade payables - intragroup | 10,984 | 5,076 |
| Trade payables - third parties | 115,986 | 89,077 |
| Other items in transit | 8,150 | 3,299 |
| Accrued expenses and deferred income (not classifiable in a specific caption) | 13,223 | 11,722 |
| Other | 3,316 | 64,633 |
| Total | 159,223 | 181,429 |

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

“Amounts due to employees” includes debts for accrued and not used holidays and for others leave for €3,987 thousand.

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

“Trade payables – third parties” includes €88,364 thousand for leases signed with suppliers.

“Accrued expenses and deferred income (not classifiable in a specific caption)” principally comprise:

- Accrued insurance premium of €5,868 thousand;
- Other accrued expenses and deferred income of €7,355 thousand.

## Sezione 9 – Severance pay for employees - Caption 90

### 9.1 Severance pay for employees: annual variations

| *(€’000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A. Opening balance | 2,599 | 2,512 |
| B. Increases | 118 | 131 |
| B1. Accruals | 33 | 58 |
| B2. Other increases | 85 | 73 |
| C. Decreases | (132) | (44) |
| C1. Payments | (132) | (44) |
| C2. Other decreases | - | - |
| D. Closing balance | 2,585 | 2,599 |

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

As a result:

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

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

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

- *legislative parameters:* laws and their interpretations.
- *demographic parameters:* the ISTAT (Italian Institute of Statistics) 2018 table for assumptions about death rates and the INPS table for commercial sector employees for disability assumptions (projected to 2010);
- *economic parameters*: the group referred to the Eurosystem staff macroeconomic projections for the euro area of December 2020 (source: European Central Bank) for the inflation rate and the related rate for Italy is 0.5% for 2021, 0.9% for 2022 and 1.1% for 2023. Starting from 2024, the target set by the ECB of an annual 1.7% was used, slightly inferior to the BCE's target of 2.00% yearly. The salary factor differentiated by service seniority, calculated considering both the price index and variations based on general collectivity and the average salary growth is 0% for the entire period. The legal revaluation of post-employment benefits amount to 75% of the growth rate increased by 1.5 percentage points, i.e., 1.88% for 2021, 2.18% for 2022, 2.33% for 2023 and 2.78% for the subsequent year;
- *financial parameters*: the parameter used is the yields on corporate bonds of issuers with a AA rating, denominated in Euro as reported by Thomson Reuters at 31 December 2020. For maturities after the twentieth year, the group assumed a flat interest rate maturity curve, i.e., with rates all equal to the rate for the twentieth year.
  Compared to the value at 31 December 2019, we see a significant reduction of the medium equivalent
  interest rate, from 0.47% of 2019 to 0.07% of 2020. A contraction of 40 basis points.

### 9.2 Other information

None.

## Section 10 – Provisions for risks and charges - Caption 100

### 10.1 Provisions for risks and charges: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 1. Loan commitments and financial guarantees given | 761 | 1,091 |
| 2. Other commitments and other guarantees given | - | - |
| 3. Pension and similar provisions | - | - |
| 4. Other provisions | 1,566 | 1,803 |
| 4.1 legal and tax disputes | 1,566 | 1,803 |
| 4.2 personnel expense | - | - |
| 4.3 other | - | - |
| Total | 2,327 | 2,894 |

The following should be noted:
1) On 14 March 2012, the tax authorities notified the parent of an assessment notice for registration tax based on the alleged omission of the statement of compliance with the conditions precedent provided for in the transfer deed between Banca Italease and the parent, signed on 24 December 2009. This agreement covered the return of financial assets of €3,492 thousand (agreements as per article "II.d2g" related to financial assets held for trading as per annex "O") and loans and receivables of €170,919 thousand (agreements as per article "II.F.2" and II.F.3" for loans and receivables assigned that did not meet the requirements as per the guarantees given by the assignor). The Lombardy Tax Commission confirmed the first level ruling issued by the Milan Provincial Tax Commission, fully accepting the defence brief presented by the parent. The hearing was held on 25 November 2014. Therefore, the tax authorities' appeal was rejected with the ruling filed on

4 March 2015 and cancellation of the assessment notice was confirmed. Given the significance of the dispute, the tax authorities challenged the Regional Tax Commission's ruling before the Supreme Court and notified the parent of its appeal on 5 October 2015. The parent's lawyers presented its counter appeal on 12 November 2015. Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportuneness of eliminating the potential risk of having to pay the assessed amount. Therefore, it paid €43,6 thousand on 27 May 2019. Accordingly, the parent did not deem it necessary to provide for this dispute in accordance with the IFRS.

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

- €86 thousand, equal to 0.30% of the transferred loans, guaranteed by the banks under the "presto Leasing" and "leasing Auto agreements".
- €690 thousand equal to 0.30% of the loans covered by the agreement on securitized assets, guaranteed by the banks under the "presto-leasing" and "leasing-auto" agreements.
- €271 thousand, equal to 0.30% of the trade receivables and transferred to the related five contracts entered into with the customers "Romana Investimenti Immobiliare" and "Fagioli Immobiliare", alleged to be inexistent as they were related to purchases made as part of a fraud, already covered by the mutually-agreed assessment settlement between the tax authorities and Banca Italease S.p.A. for 2005, 2006 and 2007.

The parent paid taxes of €288 thousand (equal to 27.5% of 1,048 thousand euro).
It paid interest of €46 thousand (plus interest equal to 4% of the payment after 03 June 2014) and fines for €288 thousand.
The Lombardy Regional Tax Commission confirmed the first level ruling handed down by the Milan Provincial Tax Commission, fully accepting the parent's defense brief. The hearing was held on 24 October 2016.
So, with sentence filed on 14 July 2017, the Tax Agency's appeal was rejected, and the cancellation confirmed.
The Tax Agency appealed the sentence of the Regional Tax Commission through Cassation, notifying Alba Leasing S.p.A. on 14 February 2018. The defense, prepared by trusted professionals, was delivered to Tax Agency on 22 March 2018. Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportuneness of eliminating the potential risk of having to pay the assessed amount. At the date of draft of this document, the discussion to declare ended the dispute needs to be set. Therefore, it paid €14.4 thousand on 27 May 2019.

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

- €465 thousand, equal to 0.30% of the loans and receivables transferred, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements.
- €402 thousand, equal to 0.30% of the loans and receivables covered by the agreement on securitised assets, guaranteed by the banks under the Presto Leasing and Leasing Auto agreements.

- €265 thousand, equal to 0.30% of the trade receivables transferred related to five contracts entered into with the customers Romana Investimenti Immobiliare and Fagioli Immobiliare, alleged to be inexistent as they related to purchases made as part of a fraud, already covered by the mutually-agreed assessment settlement between the tax authorities and Banca Italease S.p.A. for 2005, 2006 and 2007.

The parent paid taxes of €311 thousand (equal to 27.5% of €1,132 thousand).
It paid interest of €54 thousand (plus interest equal to 3.5% of the payments after 20 June 2015) and fines of €373 thousand.
The Lombardy Regional Tax Commission confirmed the first level ruling handed down by the Milan Provincial Tax Commission, fully accepting the parent's defence brief. The hearing was held on 19 October 2018.
Although the first and second level rulings found in its favour, the parent opted for the benefits provided for by per article 6 of Law decree no. 119 of 23 October 2018 as subsequent amended given the opportunity of eliminating the potential risk of having to pay the assessed amount. Therefore, it paid €124,5 thousand on 27 May 2019. The parent did not deem it necessary to provide for this dispute in accordance with the IFRS.

4) On 23 October 2018, the large taxpayers office of the Lombardy regional tax department sent a VAT assessment notice no. TMB066Z00645 for 2013 assessing higher VAT, fines and interest for €237,1 thousand as a result of its audit and request for documentation in relation to the parent's 2013, 2016 and 2017 VAT assets claimed for reimbursement. The office challenged the incorrect invoicing of finance lease payments to Sacmi Cooperative Meccanici Imola s.c. for the lease of real estate. Specifically, Alba Leasing S.p.A. had received the correct statement of intent and had applied the non-taxable regime to its invoices as per article 8.1.c of Presidential decree no. 633/72. On 17 November 2020, the Provincial Tax Commission rejected the parent's appeal. The acts are now under examination of professionals who are in charge for the defense of Alba Leasing S.p.A. in order to evaluate the most appropriate initiatives. On the basis of assumptions underlying the tax office's allegations, and with the recent evolution of national and European law, which would lead to deeming the classification of the leasing as a provision of services to be outdated, and taking into account the professional's opinion who assist the society, who evaluated the risk of losing as "probable" it was considered appropriate to make a provision of €85.5 thousand, in accordance with the IFRS.

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

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

As it deems that there are reasons of fact and law for considering the assessment notice to be unlawful, on 28 November 2019, the parent filed an appeal for its cancellation and appeared in court before the Milan Provincial Tax Commission on 9 December 2019.
The appeal made by Alba Leasing S.p.A. against notices of assessment was discussed at the Provincial Tax Commission of Milan on 30 November 2020. At the date of preparation of this document, the relative sentence has not been filed yet.
On the basis of assumptions underlying the tax office's allegations, and with the recent evolution of national and European law, which would lead to deeming the classification of the leasing as a provision of services to be outdated, and taking into account the professional's opinion who assist the society, who evaluated the risk of losing as "probable" it was considered appropriate make a provision of €432.9 thousand, in accordance with the IFRS.

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

7) In the contest of the dispute with the Lombardy Regional Authorities with taxable subjectivity of the regional vehicle tax, where the Cassation's appeal of December was still pending (litigation value €91.827 thousand), the discussion has been set for 18 November 2020. Lombardy Regional Authorities gave up the controversy and on 7 August 2020 sent a certified e-mail to the professionals who assisted Alba Leasing S.p.A. At the date of drafting of this document, the deposit of the Supreme Court ruling is expected for the sentence to reimburse the legal costs and the unified contribution. In accordance with the IFRS no provisions were made.

8) During 2020, some minor appeals regarding IMU assessment notices were notified by Italian municipalities. Properties not returned by the user in the event of an early termination of the leasing contract were the object, for which the implementing legislation of the IMU maintains the subjectivity of the defaulting user. In the light of the recent evolution of the jurisprudence of the Supreme Court, which is unfavorable to leasing companies, and taking into account the opinions of the professionals who assist the company in the dispute with the Municipalities, who evaluated the risk of losing as "probable", it was considered appropriate to make a provision of €181.6 thousand, in accordance with the IFRS.

The sum of the total provisions made against risks deriving from the existing tax dispute amount to €700 thousand.

### 10.2 Provisions for risks and charges: changes

| *(€'000)* | Loan commitments and other guarantees | Pension and similar provisions | Other provisions | Total |
|---|---|---|---|---|
| A. Opening balance | 1,091 | - | 1,803 | 2,894 |
| B. Increases | 548 | - | 951 | 1,499 |
| B.1 Accruals | 548 | - | 951 | 1,499 |
| B.2 Discounting | - | - | - | - |
| B.3 Changes in discount rate | - | - | - | - |
| B.4 Other increases | - | - | - | - |
| C. Decreases | (878) | - | (1,188) | (2,066) |
| C.1 Utilisations | - | - | (1,061) | (1,061) |
| C.2 Changes in discount rate | - | - | - | - |
| C.3 Other decreases | (878) | - | (127) | (1,005) |
| D. Closing balance | 761 | - | 1,566 | 2,327 |

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

### 10.3 Provisions for loan commitments and financial guarantees given

| (€'000) | Provisions for credit risk relating to commitments and financial guarantees issued | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 1. Loan commitments | 509 | 201 | 50 | 760 |
| 2. Financial guarantees given | - | 1 | - | 1 |
| Total | 509 | 202 | 50 | 761 |

### 10.4 Provisions for other commitments and other guarantees given

None.

### 10.5 Defined benefit pension and similar provisions

None.

### 10.6 Other provisions

None.

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

### 11.1 Share capital: breakdown

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

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

### 11.3 Equity instruments: breakdown

None.

### 11.3 Equity instruments: breakdown

None.

### 11.4. Share premium: breakdown

| Types | Amount |
|---|---|
| Share premium | 105.000 |

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

## 11.5 Other information

### Availability and possible distribution of equity captions

| Nature | Amount | Possible use | Available portion |
|---|---|---|---|
| Share capital | 357,953 | | |
| Equity-related reserves | | | |
| Reserve for treasury shares | - | --- | |
| Share premium | 105,000 | A,B | - |
| Income-related reserves: | | | |
| Legal reserve | 1,385 | B | |
| Extraordinary reserve | - | | |
| Gains (loss) carried forward | (56,568) | --- | |
| Other reserves | (402) | --- | |
| Gains (loss) of the year | 565 | | |
| Total | 407,933 | | - |
| Residual distributable portion | | | |

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

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

## Other information

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

| (€'000) | Nominal amount of loan commitments and financial guarantees given | | | Total 31/12/2020 | Total 31/12/2019 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | |
| 1. Loan commitments | 404,062 | 61,302 | 101 | 465,465 | 537,077 |
| a) Public administrations | 151 | - | - | 151 | 151 |
| b) Banks | - | - | - | - | - |
| c) Other financial companies | 586 | - | - | 586 | 1,713 |
| d) Non-financial companies | 386,807 | 57,323 | 101 | 444,231 | 525,639 |
| e) Households | 16,518 | 3,979 | - | 20,497 | 9,574 |
| 2. Financial guarantees given | - | 2,298 | 48 | 2,346 | 2,653 |
| a) Public administrations | - | - | - | - | - |
| b) Banks | - | - | - | - | - |
| c) Other financial companies | - | - | - | - | - |
| d) Non-financial companies | - | 2,298 | 48 | 2,346 | 2,653 |
| e) Households | - | - | - | - | - |

## 2. Other commitments and other guarantees given

| (€'000) | Nominal amount | |
|---|---|---|
| | 31/12/2020 | 31/12/2019 |
| 1. Other financial guarantees given | | |
| including: non-performing | | |
| a) Public administrations | - | - |
| b) Banks | - | - |
| c) Other financial companies | - | - |
| d) Non-financial companies | - | - |
| e) Households | - | - |
| 2. Other loan commitments | | |
| including: non-performing | | |
| a) Public administrations | - | - |
| b) Banks | - | 45,585 |
| c) Other financial companies | - | - |
| d) Non-financial companies | - | - |
| e) Households | - | - |

Due to the closure of the last operations of the vehicles of securitization related to the Deal on securitized receivables, the caption is empty. More information is available in Section 4 - Other aspects of Part A - Accounting policies.

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

None.

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

None.

## 5. Securities lending

None.

## 6. Jointly controlled assets

None.

# Part C – Notes to the income statement

*(€'000)*

## Section 1 - Interest - Captions 10 and 20

### 1.1 Interest and similar income: breakdown

| Captions/Technical forms *(€'000)* | Debt instruments | Financing | Other | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|---|
| 1. Financial assets at fair value through profit or loss: | - | - | - | - | - |
| 1.1. Held for trading | - | - | - | - | - |
| 1.2. Designated at fair value | - | - | - | - | - |
| 1.3. Mandatorily measured at fair value | - | - | - | - | - |
| 2. Financial assets at fair value through other comprehensive income | - | - | X | - | - |
| 3. Financial assets at amortised cost: | - | - | X | - | - |
| 3.1 Loans and receivables with banks | - | 13 | X | 13 | 2 |
| 3.2 Loans and receivables with financial companies | - | 1,708 | X | 1,708 | 1,048 |
| 3.3 Loans and receivables with customers | 27 | 106,106 | X | 106,133 | 109,868 |
| 4. Hedging derivatives | X | X | - | - | - |
| 5. Other assets | X | X | 170 | 170 | 1,085 |
| 6. Financing liabilities | X | X | X | X | X |
| Total | 27 | 107,827 | 170 | 108,024 | 112,003 |
| *including interest income on non-performing financial assets* | - | 99,654 | - | 99,654 | 101,380 |
| *including interest income on leases* | - | 106,122 | - | 106,122 | 109,765 |

"Financing" mostly consists of €106.122 thousand of interest income on finance leases, composed by:

- €343 thousand on finance leases belonging to the banking sub-portfolio covered by the agreement on securitized loans.
- €520 thousand interest income on mortgages and other financing.
- €7.719 thousand referred to interest income of receivables "pro soluto" i.e. those from non-securitized shares of securitized contracts.

"Other" Mostly consists of

- €170 thousand accrued on the VAT asset claimed for reimbursement.

Interest accrued on non-performing exposures amounts to €12,584 thousand, which include €8,169 thousand connected to *time value*.

### 1.2 Interest and similar income: other information

None.

## 1.3 Interest and similar expense: breakdown

| Captions/Technical forms *(€'000)* | Financial liabilities | Securities | Other | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|---|
| 1. Financial liabilities at amortised cost | | | | | |
| 1.1 Due to banks | 12,286 | X | 6 | 12,292 | 12,819 |
| 1.2 Due to financial companies | 473 | X | 195 | 668 | 923 |
| 1.3 Due to customers | 84 | X | 45 | 129 | 124 |
| 1.4 Securities issued | X | 9,075 | - | 9,075 | 7,250 |
| 2. Financial liabilities held for trading | - | - | - | - | - |
| 3. Financial liabilities designated at fair value | - | - | - | - | - |
| 4. Other liabilities | X | X | - | - | 1 |
| 5. Hedging derivatives | X | X | - | - | - |
| 6. Financial assets | X | X | X | X | X |
| Total | 12,843 | 9,075 | 246 | 22,164 | 21,117 |
| *including interest expense on lease liabilities* | 194 | | | 194 | 247 |

The caption "Due to banks" mostly includes:

- interest expense of €9,157 thousand on current accounts
- Interest expense and borrowing cost on loans of €509 thousand
- interest expense of €683 thousand on term deposits.
- interest expense of €1,577 thousand on repurchase agreements entered into for the securitisation notes.

"Securities issued" includes interest and financial expense on:

- *senior* and *mezzanine* securities related to the banking sub-portfolio covered by the agreement on securitised loans (€702 thousand);
- securitisations performed during the year (€8,373 thousand).

## 1.4 Interest and similar expense: other information

None.

# Section 2 - Fees and commissions - Captions 40 and 50

## 2.1 Fee and commission income: breakdown

| Details *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) leases | 21,618 | 23,078 |
| b) factoring transactions | - | - |
| c) consumer credit | - | - |
| d) guarantees given | 29 | 32 |
| e) services: | | |
| - fund management on behalf of third parties | - | - |
| - forex trading | - | - |
| - product distribution | - | - |
| - others | - | - |
| f) collection and payment services | - | - |
| g) servicing of securitisations | 149 | 61 |
| h) other fees and commissions | 2 | 17 |
| *Total* | 21,798 | 23,188 |

"Leases" mainly comprise:

- Commissions of €11,402 thousand on insurance premiums.
- Collection fees of €18 thousand.
- Contract management fees of €9,860 thousand.

## 2.2 Fee and commission expense: breakdown

| Detail/Sectors *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) guarantees received | 684 | 582 |
| b) distribution of services by third parties | - | - |
| c) collection and payment services | 389 | 390 |
| d) other fees and commissions | 17,746 | 18,205 |
| - leases | 17,054 | 17,281 |
| - other | 692 | 924 |
| Total | 18,819 | 19,177 |

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

- Guarantee commissions of €3,405 thousand given to banks.
- Insurance costs of €5,968 thousand.
- Contract management of €6,042 thousand.

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

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

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

| Operation / Income components *(€'000)* | Impairment losses (1) | | | Impairment gains (2) | | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|---|---|---|
| | Stages 1 and 2 | Stage 3 | | Stages 1 and 2 | Stage 3 | | |
| | | *Write-off* | Other | | | | |
| 1. Loans and receivables with banks | (33) | - | - | 20 | - | (13) | (398) |
| Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - |
| - leases | - | - | - | - | - | - | - |
| - factoring | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - |
| Other financial assets | (33) | - | - | 20 | - | (13) | (398) |
| - leases | (33) | - | - | 20 | - | (13) | (398) |
| - factoring | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - |
| 2. Loans and receivables with financial companies | (1,557) | - | (6,545) | 1,305 | 4,144 | (2,653) | (2,576) |
| Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - |
| - leases | - | - | - | - | - | - | - |
| - factoring | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - |
| Other financial assets | (1,557) | - | (6,545) | 1,305 | 4,144 | (2,653) | (2,576) |
| - leases | (1,543) | - | (6,545) | 1,292 | 4,144 | (2,652) | (2,347) |
| - factoring | - | - | - | - | - | - | - |
| - other | (14) | - | - | 13 | - | (1) | (229) |
| 3. Loans and receivables with customers | (120,532) | (7,130) | (123,938) | 91,659 | 107,009 | (52,932) | (27,994) |
| Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - |
| - leases | - | - | - | - | - | - | - |
| - factoring | - | - | - | - | - | - | - |
| - consumer credit | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - |
| Other financial assets | (120,532) | (7,130) | (123,938) | 91,659 | 107,009 | (52,932) | (27,994) |
| - leases | (117,690) | (7,123) | (121,800) | 90,417 | 105,322 | (50,874) | (18,582) |
| - factoring | - | - | - | - | - | - | - |
| - consumer credit | - | - | - | - | - | - | - |
| - loans against pledges | - | - | - | - | - | - | - |
| - other | (2,842) | (7) | (2,138) | 1,242 | 1,687 | (2,058) | (9,412) |
| Total | (122,122) | (7,130) | (130,483) | 92,984 | 111,153 | (55,598) | (30,968) |

The caption presents the net balance of impairment losses and gains.
It shows a cost of risk of approximately 1.05%, it includes individual impairment losses of €26.5 million (stage 3) and collective impairment losses of €29.1 (stage 1 e 2).
As shown in the table in Section 3 – "Risks and related hedging policies", Part D of the explanatory notes to the financial statements, total non-performing exposures decreased from 669 million on 31 December 2019 to 450 million at the reporting date.
The decrease is strictly related to the sale of a portfolio of non-performing loans occurred on December 2020. For more details see "Part A Accounting Policies – A.1 General Part - Section 4 – Other Aspects".

Performing exposures increased from €4,698 million on 31 December 2019 to €4,851 million.

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

- Calculation of nominal actualized loss rate of distress positions (LGS, position where the recovery procedures are considered closed or still open by 10 year, return in bonis included) and closed positions UTP/expired – LGI (*workout*). The group used the data communicated to Bank of Italy in the supervisory reports calculated by applying the method set out in the central bank's circular no. 284 of 18 June 2013 (Instructions for the preparation of reports on losses historically recognised on defaulting positions, as subsequently amended);
- Estimate of statistical variables, including *danger rate,* which allow to integrate what has been calculated in the previous point and help to forecast the macroeconomics scenarios for the next three years (*forward looking*).
- Calculation of the LGD by macro product on performing positions, through the statistical combination of what is described in the previous points.

### 8.1a. Net adjustments for credit risk related to financing valued at amortized cost subject to COVID-19 support measures: breakdown

| Operations/ Income components *(€'000)* | Adjustment | | | 31/12/2020 |
|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | | |
| | | Write-off | Others | |
| 1. Financing subject to a concession in compliance with the GL | 22,915 | 6 | 2,996 | 25,917 |
| 2. Financing subject to other concession measures | 514 | 23 | 5,162 | 5,699 |
| 3. New financing | - | - | - | - |
| Total | 23,429 | 29 | 8,158 | 31,616 |

In relation to the Bank of Italy's Communication (27 January 2021) "Integrations to the dispositions of the Measure" and the balance sheet of IFRS intermediaries who are not Bank intermediaries, it is highlighted that for the year 2020 comparison data are not required.

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

None.

## Section 9 – Net modification losses – Caption 140

### 9.1 Net modification losses: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Net modification losses | (336) | (58) |
| Total | (336) | (58) |

If the variation of the financial flow is a consequence of the credit stress situation of a customer, emerged after a valuation made by competent organs of the company, the gross value of these financial activities will be recalculated, affecting the income statement.

# Section 10 – Administrative expenses - Caption 160

## 10.1 Personnel expense: breakdown

| Type of expense/Value *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **1. Employees** | **25,162** | **26,450** |
| a) wages and salaries | 17,403 | 18,571 |
| b) social security charges | 5,082 | 5,417 |
| c) post-employment benefits | 91 | 88 |
| d) pension costs | - | - |
| e) accrual for post-employment benefits | 12 | 28 |
| f) accrual for pension and similar provisions: | - | - |
| - defined contribution plans | - | - |
| - defined benefit plans | - | - |
| g) payments to external supplementary pension funds: | 1,269 | 1,226 |
| - defined contribution plans | 1,269 | 1,226 |
| - defined benefit plans | - | - |
| h) other employee benefits | 1,305 | 1,120 |
| **2. Other personnel** | **81** | **80** |
| **3. Directors and statutory auditors** | **907** | **1,232** |
| **4. Retired personnel** | **1,350** | **52** |
| **5. Cost recoveries for personnel seconded to other companies** | **-** | **-** |
| **6. Cost reimbursements for personnel seconded to the group** | **-** | **-** |
| Total | 27,500 | 27,814 |

The sub-caption "Other personnel" refers to expenses for collaboration relationships.

The caption "Directors and statutory auditors" includes:

- the directors' fees of €662 thousand.
- the statutory auditors' fees of €154 thousand.
- D&O liability insurance policies for the directors and statutory auditors of €91 thousand

Law decree no. 34/2019 ("Growth decree"), converted into Law no. 58 of 28 June 2019, amended the disclosure requirements for recipients of public funds (Transparency of public aid) and the related disciplinary measures.
In 2020, the "Banking Insurance Fund" (FBA) did not make any reimbursements to the Company.

## 10.2 Average number of employees by category

| | 2020 | 2019 |
|---|---|---|
| Employees | 280 | 290 |
| a) managers | 11 | 10 |
| b) junior managers | 149 | 150 |
| c) other employees | 120 | 130 |
| Other personnel | - | - |
| Total | 280 | 290 |

### 10.3 Other administrative expenses: breakdown

| (€'000) | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) building management costs: | 1,011 | 740 |
| - premises leases and maintenance | 648 | 529 |
| - cleaning costs | 156 | 176 |
| - utilities | 207 | 35 |
| b) indirect taxes and duties | 703 | 918 |
| c) postal, telephone, printing and other office costs | 380 | 407 |
| d) maintenance and costs for furniture, equipment and systems | 1,286 | 1,164 |
| e) professional and consultancy services | 4,831 | 5,044 |
| f) third party services | 7,025 | 6,702 |
| g) advertising, entertainment and gifts | 79 | 898 |
| h) insurance premiums | 300 | 340 |
| i) transport, hires and travel | 644 | 895 |
| l) other costs | 2,014 | 1,393 |
| Total | 18,273 | 18,501 |

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

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

| (€'000) | Accruals | Reversals | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|
| 1. Loan commitments | (3,376) | 3,624 | 248 | (159) |
| 2. Financial guarantees given | (26) | 107 | 81 | (15) |
| Total | (3,402) | 3,731 | 329 | (174) |

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

None

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

| (€'000) | Accruals | Reclassifications | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|
| 1. Accruals to pension fund | - | - | - | - |
| 2. Accruals to other provisions for risks and charges | (951) | 125 | (826) | (152) |
| a) legal disputes | (251) | 125 | (126) | (152) |
| b) personnel expense | - | - | - | - |
| c) other | (700) | - | (700) | - |
| Total | (951) | 125 | (826) | (152) |

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

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

| Activities/Income components *(€'000)* | Depreciation (a) | Adjustment Impairment losses (b) | Reversals of impairment losses (c) | Carrying amount (a+b-c) |
|---|---|---|---|---|
| A. Property, equipment and investment property | | | | |
| A.1 Operating assets | (1,626) | - | - | (1,626) |
| - Owned | (83) | - | - | (83) |
| - Right-of-use assets | (1,543) | - | - | (1,543) |
| A.2 Investment property | (502) | (78) | - | (580) |
| - Owned | (502) | (78) | - | (580) |
| - Right-of-use assets | - | - | - | - |
| A.3 Inventories | X | - | - | - |
| Total | (2,128) | (78) | - | (2,206) |

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

### 13.1 Amortisation and net impairment losses on intangible assets: breakdown

| *(€'000)* | Amortisation (a) | Impairment losses (b) | Reversal of impairment losses (c) | Carrying amount (a+b-c) |
|---|---|---|---|---|
| 1. Intangible assets other than goodwill | (1,864) | - | - | (1,864) |
| 1.1. Owned | (1,864) | - | - | (1,864) |
| 1.2. Right-of-use assets | - | - | - | - |
| 2. Assets under finance lease | - | - | - | - |
| 3. Assets under operating lease | - | - | - | - |
| Total | (1,864) | - | - | (1,864) |

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

## Section 14 – Other operating expenses, net - Caption 200

### 14.1 Other operating expense: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) amortisation and depreciation of leasehold improvements | - | - |
| b) other | (10,079) | (9,559) |
| Total | (10,079) | (9,559) |

"Other" mainly consists of:

- Transaction costs of €3,885 thousand for not securitised payments of the securitised exposures, transferred in 2009 or repurchased during the year and the exposures included in the banking sub-portfolio covered by the agreement on securitised loans.

### 14.2 Other operating income: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| a) reimbursement of income taxes | 793 | 803 |
| b) recovery of expenses | 363 | 686 |
| c) others | 71,525 | 2,378 |
| Total | 72,681 | 3,867 |

"Others" mainly consists of:

- €69.891 thousand, related to the banking sub-portfolio, which were entitled to Alba Leasing S.p.A. because of the Agreement on securities credits,: In 2020, with the end of the operation, the Deal ended and consequently, all the accounting entries were closed, generating the results shown above.

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

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

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A. Property | (5) | (54) |
| - Gains on sales | - | - |
| - Losses on sales | (5) | (54) |
| B. Other assets | 4 | 37 |
| - Gains on sales | 4 | 37 |
| - Losses on sales | - | - |
| Net gains (losses) on sales of investments | (1) | (17) |

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

## Section 19 – Income taxes – Caption 270

### 19.1 Income taxes: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 1. Current taxes i (-) | (11,899) | (2,812) |
| 2. Change in current taxes of previous years (+ / -) | | |
| 3. Decrease in current taxes for the year (+) | - | - |
| 3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+) | - | - |
| 4. Change in deferred tax assets (+ / -) | (1,252) | (347) |
| 5. Change in deferred tax liabilities (+ / -) | - | - |
| 6. Income taxes (-) (-1 +/-2 +3 +3bis +/-4 +/-5) | (13,151) | (3,159) |

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

Related to the caption taxes, in December 2020 the company sold a portfolio of non-performing loans generated from leasing contracts (for more details see "Part A – Accounting Policies – A.1 General Part – Section 4 – Other aspects"): This sale is registered after tax (see caption 290 Income Statemen for more details).

### 19.2 - Reconciliation between the theoretical and effective tax expense

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

| *(€'000)* | Tax base | IRES | Tax base | IRAP |
|---|---|---|---|---|
| PRE-TAX PROFIT | 33,235 | | | |
| Theoretical tax expense | | 9,140 | | |
| Theoretical tax rate | | 27.50% | | |
| OPERATING PROFIT | | | (16,938) | |
| Theoretical tax expense | | | | (943) |
| Theoretical tax rate | | | | 5.57% |
| Taxable temporary differences | | | | |
| Deductible temporary differences | 6,260 | 1,722 | (501) | (28) |
| Reversal of prior year temporary differences: | | | | |
| Cancellation of taxable temporary differences | - | - | | |
| Cancellation of deductible temporary differences | (29,164) | (8,020) | (10,265) | (572) |
| Permanent differences | 32,934 | 9,057 | 22,692 | 1,264 |
| IRES TAX BASE | 43,265 | | | |
| Effective IRES | | 11,899 | | |
| Effective tax rate | | 35.80% | | |
| IRAP TAX BASE | | | (5,012) | |
| Effective IRAP | | | | - |
| Effective tax rate | | | | 0,00% |

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

### 20.1 Post-tax profit from discontinued operations: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Profit from discontinued operations | (43,379) | 522 |
| Income taxes | 11,930 | (173) |
| Post-tax profit from discontinued operations | (31,449) | 349 |

In December 2020 the company, Banco BPM S.p.A. and Release S.p.A. (company of the BPM group), sold a portfolio of non-performing loans (generated from leasing contracts) for a gross book value of €335 million. The share of Alba Leasing S.p.A was €185 million. For more details see "Part A – Accounting Policies – A.1 General Part – Section 4 – Other aspects".

# Section 21 – Income statement: other information

## 21.1 Breakdown of interest income and fee and commission income

| Items/Counterparty (€'000) | Interest income | | | Fee and commission income | | | 31/12/2020 | 31/12/2019 |
|---|---|---|---|---|---|---|---|---|
| | Banks | Financial companies | Customers | Banks | Financial companies | Customers | | |
| 1. Finance leases | 13 | 1,704 | 104,405 | 1 | 585 | 21,032 | 127,740 | 132,843 |
| - real estate | 3 | 1,575 | 49,738 | - | 40 | 3,777 | 55,133 | 57,375 |
| - chattels | 1 | 129 | 53,206 | - | 114 | 17,050 | 70,499 | 73,295 |
| - plant and machinery | 9 | - | 1,461 | 1 | 432 | 206 | 2,108 | 2,173 |
| - intangible assets | - | - | - | - | - | - | - | - |
| 2. Factoring | - | - | - | - | - | - | - | - |
| - of existing loans and receivables | - | - | - | - | - | - | - | - |
| - of future loans and receivables | - | - | - | - | - | - | - | - |
| - of loans to which title has been acquired | - | - | - | - | - | - | - | - |
| - of loans and receivables acquired at a price below their | - | - | - | - | - | - | - | - |
| original amount | - | - | - | - | - | - | - | - |
| - of other loans | - | - | - | - | - | - | - | - |
| 3. Consumer credit | - | - | - | - | - | - | - | - |
| - personal loans | - | - | - | - | - | - | - | - |
| - special purpose loans | - | - | - | - | - | - | - | - |
| - salary-backed loans | - | - | - | - | - | - | - | - |
| 4. Loans against pledges | - | - | - | - | - | - | - | - |
| 5. Financial guarantees and loan commitments | - | - | - | - | - | 29 | 29 | 32 |
| - commercial | - | - | - | - | - | - | - | - |
| - financial | - | - | - | - | - | 29 | 29 | 32 |
| Total | 13 | 1,704 | 104,405 | 1 | 585 | 21,062 | 127,770 | 132,875 |

## 21.2 Other information

None.

# Part D – Other information

## Section 1 – The group's operations

### A. Leases (lessor)

#### Qualitative disclosure

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

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

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

## A.2 – Finance leases

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

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

| Time sections (€'000) | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | Lease payments receivable | | Total payment receivable for leasing | Lease payments receivable | | Total payment receivable for leasing |
| | Non-performing exposures | Performing exposures | | Non-performing exposures | Performing exposures | |
| Up to 1 year | 120,673 | 1,074,934 | 1,195,607 | 66,765 | 1,050,783 | 1,117,548 |
| From 1 to 2 years | 37,203 | 951,006 | 988,209 | 62,917 | 905,765 | 968,682 |
| From 2 to 3 years | 25,425 | 752,651 | 778,076 | 52,399 | 740,303 | 792,702 |
| From 3 to 4 years | 19,592 | 526,055 | 545,647 | 38,046 | 493,607 | 531,653 |
| From 4 to 5 years | 15,143 | 358,017 | 373,160 | 26,737 | 324,028 | 350,765 |
| After 5 years | 115,724 | 1,072,481 | 1,188,206 | 124,076 | 1,056,664 | 1,180,740 |
| **Total receivables paymants for leasing** | **333,760** | **4,735,144** | **5,068,905** | **370,940** | **4,571,150** | **4,942,090** |
| RECONCILIATION | | | | | | |
| Unearned financial income (-) | 15,339 | 293,538 | | 26,583 | 327,861 | |
| Unguaranteed residual value (-) | 66,053 | 474,136 | | 74,852 | 463,024 | |
| **Net investment in the lease** | **299,393** | **4,425,884** | | **430,591** | **4,261,649** | |

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

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

| (€'000) | Performing exposures | | Non-performing exposures | |
|---|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| A. Real estate: | 2,019,528 | 1,974,817 | 220,378 | 341,035 |
| - Land | - | - | - | - |
| - Buildings | 2,019,528 | 1,974,817 | 220,378 | 341,035 |
| B. Plant and machinery | 463,241 | 433,350 | 9,757 | 9,817 |
| C. Chattels: | 1,943,115 | 1,859,952 | 69,258 | 77,796 |
| - Automotive | 94,202 | 104,389 | 2,380 | 2,876 |
| - Maritime and aviation and railway | 78,937 | 67,160 | 6,926 | 5,373 |
| - Other | 1,769,976 | 1,688,403 | 59,952 | 69,547 |
| D. Intangible assets: | - | - | - | - |
| - Trademarks | - | - | - | - |
| - Software | - | - | - | - |
| - Other | - | - | - | - |
| Total | 4,425,884 | 4,268,119 | 299,393 | 428,648 |

## A.2.3 – Classification of assets under finance lease

| (€'000) | Assets for which the purchase option has not been exercised | | Assets withdrawn after lease termination | | Other assets | |
|---|---|---|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| A. Real estate | - | - | 12,952 | 9,571 | - | - |
| - Land | - | - | - | - | - | - |
| - Buildings | - | - | 12,952 | 9,571 | - | - |
| B. Plant and machinery | - | - | - | - | - | - |
| C. Chattels | - | - | - | - | - | - |
| - Automotive | - | - | - | - | - | - |
| - Maritime and aviation and railway | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| D. Intangible assets: | - | - | - | - | - | - |
| - Trademarks | - | - | - | - | - | - |
| - Software | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| Total | - | - | 12,952 | 9,571 | - | - |

## A.2.4 - Other disclosures

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

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

### A.2.4.1 Leaseback transactions

| | No. of contracts | Lease payments receivable 31/12/2020 *(€'000)* |
|---|---|---|
| Leaseback transactions | | |
| - real estate | 114 | 84,797 |
| - plant and machinery | 124 | 12,645 |
| - chattels | 80 | 3,447 |
| - other | - | - |
| Total | 318 | 100,889 |

## A.3 – Operating leases

### A.3.1 – Maturity analysis of lease payments receivable

| *(€'000)* | 31/12/2020 Lease payments receivable | 31/12/2019 Lease payments receivable |
|---|---|---|
| Up to 1 year | 5,077 | 2,864 |
| From 1 to 2 years | 4,511 | 3,125 |
| From 2 to 3 years | 4,020 | 2,739 |
| From 3 to 4 years | 3,492 | 2,213 |
| From 4 to 5 years | 2,098 | 1,210 |
| After 5 years | 1,618 | 208 |
| Total receivable payments for leasing | 20,816 | 12,359 |

| RECONCILIATION | |
|---|---|
| Unearned financial income (-) | 2,368 |
| Unguaranteed residual value (-) | - |
| Financing for leasing | 18,448 |

The balances are net of impairment losses and show the lease payments receivable including the purchase option value (more information is available in section A.3.2 – Other disclosures).

## A.3.2 - Other disclosures

| Portfolio/quality (€'000) | Performing | | | | | | Non performing | | | Total (Carrying amount) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | Stage 2 | | | Stage 3 | | | |
| | Gross exposure | Total impairment losses | Carrying amount | Gross exposure | Total impairment losses | Carrying amount | Gross exposure | Total Impairment losses | Carrying amount | |
| Operating Lease | 13,044 | 64 | 12,980 | 4,740 | 385 | 4,355 | 1,482 | 369 | 1,113 | 18,448 |
| **Total 31/12/2020** | **13,044** | **64** | **12,980** | **4,740** | **385** | **4,355** | **1,482** | **369** | **1,113** | **18,448** |

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

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

# D. Loan commitments and financial guarantees given

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

| *Operations (€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 1) First demand financial guarantees | - | - |
| a) Banks | - | - |
| b) Financial companies | - | - |
| c) Customers | - | - |
| 2) Other financial guarantees given | 2,346 | 2,653 |
| a) Banks | - | - |
| b) Financial companies | - | - |
| c) Customers | 2,346 | 2,653 |
| 3) Commercial guarantees given | - | - |
| a) Banks | - | - |
| b) Financial companies | - | - |
| c) Customers | - | - |
| 4) Loan commitments | 465,465 | 537,077 |
| a) Banks | - | - |
| i) certain use | - | - |
| ii) uncertain use | - | - |
| b) Financial companies | 737 | 1,713 |
| i) certain use | 637 | 813 |
| ii) uncertain use | 100 | 900 |
| c) Customers | 464,728 | 535,364 |
| i) certain use | 285,493 | 188,791 |
| ii) uncertain use | 179,235 | 346,573 |
| 5) Commitments underlying credit derivatives: protection sales | - | - |
| 6) Assets pledged as collateral for third party commitments | - | - |
| 7) Other irrevocable commitments | - | - |
| a) to give guarantees | - | - |
| b) other | - | - |
| Total | 467,811 | 539,730 |

## D.2 – Exposures recognised due to enforcement

None.

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

| Range of risk (€'000) | Performing guarantees given | | | | Non-performing guarantees given: Bad guarantees | | | | Other non-performing guarantees | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Counter guaranteed | | Other | | Counter-guaranteed | | Other | | Counter-guaranteed | | Other | |
| | Gross amount | Total provisions | Gross amount | Total provisions | Gross amount | Total provisions | Gross amount | Total provisions | Gross amount | Total provisions | Gross amount | Total provisions |
| Guarantees given with assumption of first loss risk | - | - | - | - | - | - | - | - | - | - | - | - |
| - first demand financial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - other financial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - commercial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| Guarantees given with assumption of mezzanine type risk | - | - | - | - | - | - | - | - | - | - | - | - |
| - first demand financial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - other financial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - commercial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| Guarantees given pro rata | - | - | 2,298 | (1) | - | - | 48 | - | - | - | - | - |
| - first demand financial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| - other financial guarantees | - | - | 2,298 | (1) | - | - | 48 | - | - | - | - | - |
| - commercial guarantees | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **2,298** | **(1)** | **-** | **-** | **48** | **-** | **-** | **-** | **-** | **-** |

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

None.

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

None.

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

None.

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

None.

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

| Amount of variations *(€'000)* | First demand financial guarantees | | Other financial guarantees | | Commercial guarantees | |
|---|---|---|---|---|---|---|
| | Counter-guaranteed | Other | Counter-guaranteed | Other | Counter-guaranteed | Other |
| (A) Gross opening balance | - | - | - | 152 | - | - |
| (B) Increases: | - | - | - | - | - | - |
| b1) transfers from performing guarantees | - | - | - | - | - | - |
| b2) transfers from other non-performing guarantees | - | - | - | - | - | - |
| b3) other increases | - | - | - | - | - | - |
| (C) Decreases: | - | - | - | (104) | - | - |
| c1) transfers to performing guarantees | - | - | - | - | - | - |
| c2) transfers to other non-performing guarantees | - | - | - | - | - | - |
| c3) enforcements | - | - | - | - | - | - |
| c4) other decreases | - | - | - | (104) | - | - |
| (D) Gross closing balance | - | - | - | 48 | - | - |

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

None.

## D.11 Variations in performing collateral or personal guarantees given

| Amount of variations *(€'000)* | First demand financial guarantees | | Other financial guarantees | | Commercial guarantees | |
|---|---|---|---|---|---|---|
| | Counter-guaranteed | Other | Counter-guaranteed | Other | Counter-guaranteed | Other |
| (A) Gross opening balance | - | - | - | 2,501 | - | - |
| (B) Increases: | - | - | - | - | - | - |
| b1) guarantees given | - | - | - | - | - | - |
| b2) other increases | - | - | - | - | - | - |
| (C) Decreases: | - | - | - | (203) | - | - |
| c1) unenforced guarantees | - | - | - | - | - | - |
| c2) transfers to non-performing guarantees | - | - | - | - | - | - |
| c3) other decreases | - | - | - | (203) | - | - |
| (D) Gross closing balance | - | - | - | 2,298 | - | - |

## D.13 - Assets pledged as guarantee for liabilities and commitments

None.

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

| Type of risk *(€'000)* | Guarantees given with assumption of first loss risk | | Guarantees given with assumption of mezzanine type risk | | Guarantees given pro rata |
|---|---|---|---|---|---|
| | Guaranteed amount | Underlying assets | Guaranteed amount | Underlying assets | Guaranteed amount |
| - Private sector companies | - | - | - | - | 2,346 |
| Total | - | - | - | - | 2,346 |

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

| Type of risk *(€'000)* | Guarantees given with assumption of first loss risk | | Guarantees given with assumption of mezzanine type risk | | Guarantees given pro rata |
|---|---|---|---|---|---|
| | Guaranteed amount | Underlying assets | Guaranteed amount | Underlying assets | Guaranteed amount |
| - Lombardy | - | - | - | - | 200 |
| - Veneto | - | - | - | - | 195 |
| - Tuscany | - | - | - | - | 1,951 |
| Total | - | - | - | - | 2,346 |

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

## A. -Securitisation transactions

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

### QUALITATIVE DISCLOSURE

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

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

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

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

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

The transactions' characteristics are described below:

*(Euro)*

| Securitisation vehicle name: | | Alba 6 SPV S.r.l. – Pre-restructuring |
|---|---|---|
| Type of transaction: | | Traditional |
| Originator: | | Alba Leasing S.p.A. |
| Issuer: | | Alba 6 SPV S.r.l. |
| Servicer: | | Alba Leasing S.p.A. |
| Status of the securitised assets: | | In bonis |
| Closing date: | | 18-giu-14 |
| Portfolio's nominal amount: | | 126,156,716 |
| Portfolio's transfer price: | | 110,080,807 |
| Other significant information: | | *Revolving* portfolio |
| Rating agencies: | | - |
| Tranching amount and conditions: | | |
| ISIN | IT0005030744 | IT0005030769 |
| | | |
| Type | Senior | Junior |
| Class | A | B |
| Rating (at issue) | *unrated* | *unrated* |
| Listing market | Unlisted | Unlisted |
| Issue date | 27/06/2014 and 27/10/2014 | 27/06/2014 and 27/10/2014 |
| (Subsequent) issue dates | April 2015, July 2015 and October 2015 | April 2015, July 2015 and October 2015 |
| Legal maturity | October 2045 | October 2045 |
| Call option | | one call provided for |
| Interest rate | Euribor 3 m + 125 b.p. From July 2015 Euribor 3 m + 75 b.p. | Euribor 3 m + 150 b.p. |
| Subordination level | - | Sub. A |
| Nominal amount at issue | 298,800,000 | 75,000,000 |
| Closing amount | - | - |
| Note subscribers | Institutional investor | Alba Leasing S.p.A. |

During February 2020, Alba 6 securitization was restructured, with the full reimbursement of securities issued and emission of new securities. More details are presented in the chart.

*(Euro)*

| Securitisation vehicle name: | | Alba 6 SPV S.r.l. – Post restructuring |
|---|---|---|
| Type of transaction: | | Traditional |
| Originator: | | Alba Leasing S.p.A. |
| Issuer: | | Alba 6 SPV S.r.l. |
| Servicer: | | Alba Leasing S.p.A. |
| Status of the securitised assets: | | In bonis |
| Closing date: | | Feb 7 2020 |
| Portfolio’s nominal amount: | | 553,147,934 |
| Portfolio’s transfer price: | | 435,799,007 |
| Other significant information: | | *Revolving* portfolio |
| Rating agencies: | | - |
| Tranching amount and conditions: | | |
| ISIN | IT0005402992 | IT0005403008 |
| | | |
| Type | Senior | Junior |
| Class | A1 | B1 |
| Rating (at issue) | *unrated* | *unrated* |
| Listing market | Unlisted | Unlisted |
| Issue date | 27/02/2020 | 27/02/2020 |
| (Subsequent) issue dates | 27/04/2020 | 27/04/2020 |
| Legal maturity | July 2051 | July 2051 |
| Call option | | One call provided for |
| Interest rate | Euribor 3 m + 75 b.p. | Euribor 3 m + 150 b.p. |
| Subordination level | - | Sub. A1 |
| Nominal amount at issue | 399,878,014 | 126,399,474 |
| Closing amount | 399,878,014 | 126,399,474 |
| Note subscribers | Institutional investor | Alba Leasing S.p.A. |

*(Euro)*

| Securitisation vehicle name: | | | | | ALBA 8 SPV S.r.l. |
|---|---|---|---|---|---|
| Type of transaction: | | | | | Traditional |
| Originator: | | | | | Alba Leasing S.p.A. |
| Issuer: | | | | | Alba 8 SPV S.r.l. |
| Servicer: | | | | | Alba Leasing S.p.A. |
| Status of the securitised assets: | | | | | In bonis |
| Closing date: | | | | | May 19, 2016 |
| Portfolio’s nominal amount: | | | | | 1,071,485,041 |
| Portfolio’s transfer price: | | | | | 1,015,940,300 |
| Other significant information: | | | | | Non-revolving portfolio |
| Rating agencies: | | | | | Dbrs and Moody's |
| Tranching amount and conditions: | | | | | |
| ISIN | IT0005201881 | IT0005201899 | IT0005201907 | IT0005201915 | IT0005201923 |
| Type | Senior | Senior | Mezzanine | Mezzanine | Junior |
| Class | A1 | A2 | B | C | J |
| Rating (at issue) | | | | | |
| Moody’s | Aa2 (sf) | Aa2 (sf) | Baa1 (sf) | Baa1 (sf) | *unrated* |
| DBRS | AAA (sf) | AAA (sf) | A (low)(sf) | A (low)(sf) | *unrated* |
| Year-end rating | | | | | |
| Moody’s (updated or confirmed October 2018) | - | Aa3 (sf) | Aa3 (sf) | A1 (sf) | *unrated* |
| DBRS (updated or confirmed April 2018) | - | AAA (sf) | A (high)(sf) | A (sf) | *unrated* |
| Year-end rating | | | | | |
| Moody’s (updated or confirmed June 2019) | - | Aa3 | Aa3 | Aa3 | *unrated* |
| DBRS (updated or confirmed April 2019) | - | AAA (sf) | AA (high) | A (sf) | *unrated* |
| Year-end rating | | | | | |
| Moody’s (updated or confirmed June 2019) | - | Aa3 (sf) | Aa3 (sf) | Aa3 (sf) | *unrated* |
| DBRS (updated or confirmed April 2019) | - | AAA (sf) | AA (high) (sf) | AAA (sf) | *unrated* |
| Listing market | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Unlisted |
| Issue date | 20/06/2016 | 20/06/2016 | 20/06/2016 | 20/06/2016 | 20/06/2016 |
| Legal maturity | October 2039 | October 2039 | October 2039 | October 2039 | October 2039 |
| Call option | - | - | - | - | - |
| Interest rate | Euribor 3 m + 65 b.p. | Euribor 3 m + 75 b.p. | Euribor 3 m + 115 b.p. | Euribor 3 m + 150 b.p. | Euribor 3 m + 200 b.p. |
| Subordination level | | Sub A1 | Sub A1, A2 | Sub A1, A2, B | Sub A1, A2, B, C |
| Nominal amount at issue | 335,300,000 | 304,800,000 | 127,000,000 | 45,700,000 | 213,300,000 |
| Closing amount | - | - | - | 21,222,088 | 213,300,000 |
| Note subscribers | Institutional investor | Institutional investor | Institutional investor | Institutional investor | Alba Leasing S.p.A. |

*(Euro)*

| Securitisation vehicle name: | | | | | ALBA 9 SPV S.r.l. |
|---|---|---|---|---|---|
| Type of transaction: | | | | | Traditional |
| Originator: | | | | | Alba Leasing S.p.A. |
| Issuer: | | | | | Alba 9 SPV S.r.l. |
| Servicer: | | | | | Alba Leasing S.p.A. |
| Status of the securitised assets: | | | | | In bonis |
| Closing date*:* | | | | | October 3, 2017 |
| Portfolio's nominal amount: | | | | | 1,152,878,874 |
| Portfolio's transfer price: | | | | | 1,113,066,279 |
| Other significant information: | | | | | Non-*Revolving* portfolio |
| Rating agencies: | | | | | Dbrs, Moody's and Scope |
| Tranching amount and conditions: | | | | | |
| ISIN | IT0005285231 | IT0005285249 | IT0005285256 | IT0005285264 | IT0005285272 |
| Type | Senior | Senior | Mezzanine | Mezzanine | Junior |
| Class | A1 | A2 | B | C | J |
| Rating (at issue) | | | | | |
| Moody's | Aa2 (sf) | Aa2 (sf) | A2 (sf) | Ba2 (sf) | *unrated* |
| DBRS | AAA (sf) | AA (high)(sf) | A (high)(sf) | BBB (sf) | *unrated* |
| Scope | AAA (sf) | AAA (sf) | A+ (sf) | BBB- (sf) | *unrated* |
| Year-end rating 2018 (upodated or confermed October 2018) | | | | | |
| Moody's | - | Aa3 (sf) | A2 (sf) | Ba2 (sf) | *unrated* |
| DBRS | AAA (sf) | AAA (sf) | AA (sf) | BBB (sf) | *unrated* |
| Scope | AAA (sf) | AAA (sf) | A+ (sf) | BBB- (sf) | *unrated* |
| *Rating* end year 2019 | | | | | |
| Moody's (updated or confirmed in January 2020) | - | Aa3 (sf) | Aa3 (sf) | Baa1 (sf) | *unrated* |
| DBRS (updated or confirmed in October 2019) | AAA (sf) | AAA (sf) | AA (high) | A (sf) | *unrated* |
| Scope | AAA (sf) | AAA (sf) | A+ (sf) | BBB- (sf) | *unrated* |
| *Rating* end year 2020 | | | | | |
| Agenzia Moody's (updated or confirmed november 2020) | - | Aa3 (sf) | Aa3 (sf) | A2 (sf) | *unrated* |
| Agenzia DBRS (updated or confirmed october 2020) | AAA (sf) | AAA (sf) | AA (high) (sf) | AA (low) (sf) | *unrated* |
| Agenzia Scope (updated or confirmed april 2020) | AAA (sf) | AAA (sf) | A+ (sf) | BBB- (sf) | *unrated* |
| Listing market | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Unlisted |
| Issue date | 30/10/2017 | 30/10/2017 | 30/10/2017 | 30/10/2017 | 30/10/2017 |
| Legal maturity | March 2038 | March 2038 | March 2038 | March 2038 | March 2038 |
| Call option | - | - | - | - | - |
| Interest rate | Euribor 3 m + 32 b.p. | Euribor 3 m + 52 b.p. | Euribor 3 m + 101 b.p. | Euribor 3 m + 132 b.p. | Euribor 3 m + 150 b.p. |
| Subordination level | | Sub A1 | Sub A1, A2 | Sub A1, A2, B | Sub A1, A2, B, C |
| Nominal amount at issue | 478,600,000 | 233,800,000 | 145,800,000 | 100,200,000 | 164,300,000 |
| Closing amount | - | 2,911,371 | 145,800,000 | 100,200,000 | 164,300,000 |
| Note subscribers | Institutional investor | Institutional investor | Institutional investor | Institutional investor and Alba Leasing S.p.A. | Alba Leasing S.p.A. |

On 22 march 2021, Scope Ratings GmbH confirmed rating AAA (sf) for the title A2 ISIN IT0005285249 and raised the rating of the titles: B ISIN IT0005285256 and C ISIN IT0005285264 from A+ (sf) and BBB- (sf) to AAA (sf) and A+ (sf) respectively.

*(Euro)*

| Securitisation vehicle name: | | | | | ALBA 10 SPV S.r.l. |
|---|---|---|---|---|---|
| Type of transaction: | | | | | Traditional |
| Originator: | | | | | Alba Leasing S.p.A. |
| Issuer: | | | | | Alba 10 SPV S.r.l. |
| Servicer: | | | | | Alba Leasing S.p.A. |
| Status of the securitised assets: | | | | | In bonis |
| Closing date: | | | | | November 6, 2018 |
| Portfolio's nominal amount: | | | | | 987,293,626 |
| Portfolio's transfer price: | | | | | 950,696,913 |
| Other significant information: | | | | | Non-revolving portfolio |
| Rating agencies: | | | | | Dbrs, Moody's and Scope |
| Tranching amount and conditions: | | | | | |
| ISIN | IT0005352676 | IT0005352684 | IT0005352692 | IT0005352700 | IT0005352718 |
| Type | Senior | Senior | Mezzanine | Mezzanine | Junior |
| Class | A1 | A2 | B | C | J |
| Rating (at issue) | | | | | |
| DBRS | AAA | AA (high) | A (high) | BBB | *unrated* |
| Moody's | Aa3 | Aa3 | A3 | Ba2 | *unrated* |
| Scope | AAA | AAA | A+ | BBB- | *unrated* |
| *Rating* end year 2019 | | | | | |
| DBRS (updated or confirmed in November 2019) | AAA | AAA | AA (high) | A (low) | *unrated* |
| Moody's (updated or confirmed in January 2020) | Aa3 | Aa3 | A2 (sf) | Ba2 | *unrated* |
| Scope | AAA | AAA | A+ | BBB- | *unrated* |
| *Rating* end year 2020 | | | | | |
| DBRS (updated or confirmed in November 2020) | AAA (sf) | AAA (sf) | AA (high) (sf) | A (low) (sf) | *unrated* |
| Moody's (updated or confirmed in January 2020) | Aa3 (sf) | Aa3 (sf) | Aa3 (sf) | Ba2 (sf) | unrated |
| Scope | AAA (sf) | AAA (sf) | A+ (sf) | BBB- (sf) | unrated |
| Listing market | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Unlisted |
| Issue date | 29/11/2018 | 29/11/2018 | 29/11/2018 | 29/11/2018 | 29/11/2018 |
| Legal maturity | October 2038 | October 2038 | October 2038 | October 2038 | October 2038 |
| Call option | - | - | - | - | - |
| Interest rate | Euribor 3 m 360 + 40 b.p. | Euribor 3 m 360 + 70 b.p. | Euribor 3 m 360 + 110 b.p. | Euribor 3 m 360 + 160 b.p. | Euribor 3 m 360 + 175 b.p. |
| Subordination level | | Sub A1 | Sub A1, A2 | Sub A1, A2, B1 | Sub A1, A2, B1, C |
| Nominal amount at issue | 408,400,000 | 200,000,000 | 130,000,000 | 75,000,000 | 145,434,000 |
| Closing amount | 63,390,255 | 200,000,000 | 130,000,000 | 75,000,000 | 145,434,000 |
| Note subscribers | Institutional investor | Institutional investor | Institutional investor | Institutional investor | Alba Leasing S.p.A. |

On 22 march 2021, Scope Ratings GmbH confirmed rating AAA (sf) for the title A1 ISIN IT0005352676 and for the title A2 ISIN IT0005352692 and raised the rating of the titles: B ISIN IT0005352692 and C ISIN IT0005352700 from A+ (sf) e BBB- (sf) to AA- (sf) and BBB+ (sf) respectively.

*(Euro)*

| Securitisation vehicle name: | ALBA 11 SPV S.r.l. |
|---|---|
| Type of transaction: | Traditional |
| Originator: | Alba Leasing S.p.A. |
| Issuer: | Alba 11 SPV S.r.l. |
| Servicer: | Alba Leasing S.p.A. |
| Status of the securitised assets: | In bonis |
| Closing date: | May 22, 2020 |
| Portfolio's nominal amount: | 1,307,380,579 |
| Portfolio's transfer price: | 1,247,827,248 |
| Other significant information: | *Revolving* and Ramp-up |
| Rating agencies: | Dbrs, Moody's and Scope |
| Tranching amount and conditions: | |

| ISIN | IT0005413205 | IT0005413239 | IT0005413247 | IT0005413254 | IT0005413262 |
|---|---|---|---|---|---|
| Type | Senior | Senior | Mezzanine | Mezzanine | Junior |
| Class | A1 | A2 | B1 | C | J |
| Rating (at issue) | | | | | |
| DBRS | AAA (sf) | AAA (sf) | AA (low) (sf) | BB (high) (sf) | unrated |
| Moody's | Aa3 (sf) | Aa3 (sf) | Baa1 (sf) | B1 (sf) | unrated |
| Scope | AAA (sf) | AA (sf) | A (sf) | BB+ (sf) | unrated |
| *Rating* end year 2020 | | | | | |
| Agenzia DBRS | AAA (sf) | AAA (sf) | AA (low) (sf) | BB (high) (sf) | unrated |
| Agenzia Moody's | Aa3 (sf) | Aa3 (sf) | Baa1 (sf) | B1 (sf) | unrated |
| Agenzia Scope | AAA (sf) | AA (sf) | A (sf) | BB+ (sf) | unrated |
| Listing market | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Dublin stock exchange | Unlisted |
| Issue date | 25/06/2020 | 25/06/2020 | 25/06/2020 | 25/06/2020 | 25/06/2020 |
| Legal maturity | September 2040 | September 2040 | September 2040 | September 2040 | September 2040 |
| Call option | - | - | - | - | - |
| Interest rate | Euribor 3 m 360 + 70 b.p. | Euribor 3 m 360 + 85 b.p. | Euribor 3 m 360 + 135 b.p. | Euribor 3 m 360 + 185 b.p. | Euribor 3 m 360 + 200 b.p. |
| Subordination level | | Sub A1 | Sub A1, A2 | Sub A1, A2, B1 | Sub A1, A2, B1, C |
| Nominal amount at issue | 498,700,000 | 300,000,000 | 143,600,000 | 131,100,000 | 187,000,000 |
| Closing amount | 441,238,789 | 300,000,000 | 143,600,000 | 131,100,000 | 187,000,000 |
| Note subscribers | Institutional investor and Alba Leasing S.p.A. | Institutional investor | Institutional investor | Institutional investor and Alba Leasing S.p.A. | Alba Leasing S.p.A. |

QUANTITATIVE DISCLOSURE

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

| Underlying asset quality (€'000) | Cash exposure | | | | | | Guarantees given | | | | | | Credit facilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount | Gross amount | Carrying amount |
| A. With own underlying assets: | | | | | | | | | | | | | | | | | | |
| a) Non-performing exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 95,000 | 84,055 | 106,300 | 106,300 | 840,326 | 837,807 | - | - | - | - | - | - | - | - | - | - | - | - |
| B. With third party underlying assets: | | | | | | | | | | | | | | | | | | |
| a) Non-performing exposures | 58,157 | 58,157 | 482 | 482 | 304 | 304 | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 153,157 | 142,212 | 106,782 | 106,782 | 840,630 | 838,111 | - | - | - | - | - | - | - | - | - | - | - | - |

"Other" refers to the balance of the *junior* notes subscribed by the parent, offset against the liability to the SPV, including the accrued interest on the deferred purchase price (DPP).

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

| Type of securitized assets/exposure (*€'000*) | On-statement of financial position | | | | | | Guarantees given | | | | | | Credit facilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses | Carrying amount | Impairment losses/reversals of impairment losses |
| A. Fully derecognised | 58,157 | | 482 | | 304 | | | | | | | | | | | | | |
| A.1 Titan SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | 58,157 | | 482 | | 304 | | | | | | | | | | | | | |
| B. Partly derecognised | | | | | | | | | | | | | | | | | | |
| Assignee/type | | | | | | | | | | | | | | | | | | |
| *- Type of underlying exposure* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C. Not derecognised | 84,055 | - | 106,300 | - | 837,807 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C.1 Alba 6 SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | - | - | - | - | 126,477 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C.2 Alba 8 SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | - | - | - | - | 213,300 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C.3 Alba 9 SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | - | - | 25,200 | - | 164,503 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C.4 Alba 10 SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | - | - | - | - | 145,822 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C.5 Alba 11 SPV S.r.l. | | | | | | | | | | | | | | | | | | |
| Lease payments Automotive / Plant and machinery /Real estate / Maritime and aviation and railway | 84,055 | - | 81,100 | - | 187,705 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 142,212 | - | 106,782 | - | 838,111 | - | - | - | - | - | - | - | - | - | - | - | - | - |

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

| *(€'000)* | Traditional securitisations | Synthetic securitisations |
|---|---|---|
| A. Own underlying assets | 3,212,233 | - |
| A.1 Fully derecognised | - | - |
| 1. Bad | - | - |
| 2. Unlikely to pay | - | - |
| 3. Non-performing past due | - | - |
| 5. Other assets | - | - |
| A.2 Partly derecognised | - | |
| 1. Bad | - | - |
| 2. Unlikely to pay | - | - |
| 3. Non-performing past due | - | - |
| 5. Other assets | - | - |
| A.3 Not derecognised | 3,212,233 | - |
| 1. Bad | 11,895 | - |
| 2. Unlikely to pay | 39,246 | - |
| 3. Non-performing past due | 173 | - |
| 5. Other assets | 3,160,919 | - |
| B. Third party underlying assets | - | - |
| 1. Bad | - | - |
| 2. Unlikely to pay | - | - |
| 3. Non-performing past due | - | - |
| 5. Other assets | - | - |
| Total | 3,212,233 | - |

The balances are net of impairment losses, if any.

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

*(€'000)*

| Servicer | SPV | Securitised assets at 31.12.2020 | | Exposures collected during the year | | Percentage of notes redeemed at 31.12.2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Senior | | Mezzanine | | Junior | |
| | | Performing | Non-performing | Performing | Non-performing | Performing assets | Non-performing assets | Performing assets | Non-performing assets | Performing assets | Non-performing assets |
| Alba Leasing S.p.A. | Alba 6 SPV S.r.l. - Pre-restructuring | - | - | - | - | 100.0% | - | - | - | 100.0% | - |
| Alba Leasing S.p.A. | Alba 6 SPV S.r.l. - Post-restructuring | 635,316 | 689 | 71,463 | 92 | - | - | - | - | - | - |
| Alba Leasing S.p.A. | Alba 8 SPV S.r.l. | 261,103 | 11,643 | 79,698 | 3,500 | - | - | 82.1% | - | - | - |
| Alba Leasing S.p.A. | Alba 9 SPV S.r.l. | 432,827 | 21,490 | 157,865 | 3,777 | 98.2% | - | - | - | - | - |
| Alba Leasing S.p.A. | Alba 10 SPV S.r.l. | 610,930 | 15,015 | 141,465 | 2,441 | 38.5% | - | - | - | - | - |
| Alba Leasing S.p.A. | Alba 11 SPV S.r.l. | 1,220,743 | 2,477 | 87,520 | 45 | - | - | - | - | - | - |
| Total | | 3,160,919 | 51,314 | 538,011 | 9,855 | | | | | | |

The group has not given guarantees or credit facilities for the securitizations.
In addition to the lease payments receivable, the group also transferred the final purchase option of the transferred contracts.
The balances are net of impairment losses, if any.

## Breakdown of securitised assets by geographical segment

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

| Alba 6<br>Territorial area | 31/12/2020 |
|---|---|
| North | 450,267 |
| Centre | 125,638 |
| South and Islands | 67,962 |
| Total | 643,867 |

The balances are net of impairment losses, if any.

### Securitization Alba 8 SPV S.r.l.
*(€'000)*

| Alba 8<br>Territorial area | 31/12/2020 |
|---|---|
| North | 191,594 |
| Centre | 57,413 |
| South and Islands | 32,931 |
| Total | 281,938 |

The balances are net of impairment losses, if any.

### Securitization Alba 9 SPV S.r.l.
*(€'000)*

| Alba 9<br>Territorial area | 31/12/2020 |
|---|---|
| North | 282,378 |
| Centre | 101,352 |
| South and Islands | 83,372 |
| Total | 467,102 |

The balances are net of impairment losses, if any.

### Securitization Alba 10 SPV S.r.l.
*(€'000)*

| Alba 10<br>Territorial area | 31/12/2020 |
|---|---|
| North | 405,159 |
| Centre | 130,763 |
| South and Islands | 105,193 |
| Total | 641,115 |

The balances are net of impairment losses, if any.

### Securitization Alba 11 SPV S.r.l.
*(€'000)*

| Alba 11<br>Territorial area | 31/12/2020 |
|---|---|
| North | 786,369 |
| Centre | 227,592 |
| South and Islands | 227,999 |
| Total | 1,241,960 |

The balances are net of impairment losses, if any.

## Breakdown of securitised assets by business segment

### Securitization Alba 6 SPV S.r.l.
*(€'000)*

| Alba 6<br>Economic activity | 31/12/2020 |
|---|---|
| Family businesses | 3,217 |
| Households | 10,437 |
| Non-financial companies | 627,428 |
| Others operators | 2,785 |
| Total | 643,867 |

The balances are net of impairment losses, if any.

### Securitization Alba 8 SPV S.r.l.
*(€'000)*

| Alba 8<br>Economic activity | 31/12/2020 |
|---|---|
| Family businesses | 18,487 |
| Households | 351 |
| Financial companies | 137 |
| Non-financial companies | 253,938 |
| Other government agencies | 702 |
| Other operators | 8,323 |
| Total | 281,938 |

The balances are net of impairment losses, if any.

### Securitization Alba 9 SPV S.r.l.
*(€'000)*

| Alba 9<br>Economic activity | 31/12/2020 |
|---|---|
| Family businesses | 18,335 |
| Households | 1,658 |
| Financial companies | 1,052 |
| Non-financial companies | 430,090 |
| Other operators | 15,952 |
| Banks | 15 |
| Total | 467,102 |

The balances are net of impairment losses, if any.

### Securitization Alba 10 SPV S.r.l.
*(€'000)*

| Alba 10<br>Economic activity | 31/12/2020 |
|---|---|
| Family businesses | 22,250 |
| Households | 5,395 |
| Financial companies | 126 |
| Non-financial companies | 591,703 |
| Others government agencies | 691 |
| Others operators | 20,950 |
| Total | 641,115 |

The balances are net of impairment losses, if any.

### Securitization Alba 11 SPV S.r.l.
*(€'000)*

| Alba 11<br>Economic activity | 31/12/2020 |
|---|---|
| Family businesses | 49,504 |
| Financial companies | 103 |
| Non-financial companies | 1,150,906 |
| Other operators | 41,447 |
| Total | 1,241,960 |

The balances are net of impairment losses, if any.

## B. Unconsolidated structured entities (other than securitisation SPVs)

None.

In order to present the company's situation and to respect the accounting principle (IFRS 12), it is highlighted that in December, the Company sold a non-performing leasing portfolio in a securitization transaction named "Titan", following the art.7.1 of the law on securitization. For more details see "Part A – Accounting Policies – A.1 General Part – Section 4 – Other aspects." This is a *multi-originator* transaction, so the securities issued and bought at the moment of emission by the Company are shown below. The percentage exposed is referred to transferred credits. The contract's return is also presented.

| Class | Rating (DBRSM/Scope) | Alba Leasing Note size (€ m) | Alba Leasing Note size (% GBV) | Coupon |
|---|---|---|---|---|
| Senior | BBB / BBB | 58,2 | 30.5% | 6mE + 0.5% |
| Mezzanine | Unrated | 9,6 | 5.1% | 6mE + 8.0% |
| Junior | Unrated | 6,1 | 3.2% | 6mE + 10.0% + VR |
| Total | | 73,9 | 38.8% | |

The Titan's securitization was structured in accordance with securitization requirements, on which it is possible to demand the GACS of *senior* securities, in accordance with "3 August 2016 Decree – Guarantee Fund, art.12, comma 1 of law-decree 14 February 2016, n. 18, modified by the 8 April 2016 law n. 49", regulating securitization on bad exposures (GACS) and subsequent amendments.
At the end of December, Christofferson, Robb & Company acquired 95% *mezzanine* and *junior* tranche through the Luxembourgish company vehicle CRC CF (LUX) S.a.r.l. The share of Alba Leasing S.p.A was €2.5 million.

In January 2021, the request for the guarantee GACS on tranche *senior* was sent to the Ministry of economy and finance (MEF), and the communication of the request SRT for the relevant risk transfer was sent to Bank of Italy.
After the sale of the *mezzanine* and *junior* securities and after the receiving of the State guarantee on senior tranche, the operation doesn't require the Company to give support to the Credit Enhancement.
The holders of the mezzanine and junior securities do not own any Credit Enhancement under the form of protection rights, whose aim is to neutralize or to limit the impact of any losses.

The securities related to the Titan operation and registered in the balance sheet of the Company are presented below:

| Class | Amount owned by the Company | Value Adjustments | Amount in the assets of the company |
|---|---|---|---|
| Senior | 58,157,000 | - | 58,157,000 |
| Mezzanine | 482,000 | 482,000 | - |
| Junior | 304,000 | 304,000 | - |
| Total | 58,943,000 | 786,000 | 58,157,000 |

The company doesn't have any shares in the vehicle established for the Titan operation.

## C. Transfers

### C.1 - Financial assets transferred and not fully derecognised

QUALITATIVE DISCLOSURE

The business operations are related to loans transfers towards customers in securitizations operations called Alba 6, Alba 8, Alba 9, Alba 10 and Alba 11.
This section does not cover securitisations in which the group is the originator or when the liabilities issued (e.g., ABS) by the vehicle are subscribed by the parent.

QUANTITATIVE DISCLOSURE

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

| (€'000) | Financial assets transferred and recognised in full | | | | Associated financial liabilities | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | of which: securitised | of which: subject to sale and repurchase agreement | of which: non-performing | Carrying amount | of which: securitised | of which: subject to sale and repurchase agreement |
| **Financial assets held for trading** | - | - | - | X | - | - | - |
| 1. Debt instruments | - | - | - | X | - | - | - |
| 2. Equity instruments | - | - | - | X | - | - | - |
| 3. Financing | - | - | - | X | - | - | - |
| 4. Derivatives | - | - | - | X | - | - | - |
| **Other financial assets mandatorily measured at fair value** | - | - | - | - | - | - | - |
| 1. Debt instruments | - | - | - | - | - | - | - |
| 2. Equity instruments | - | - | - | X | - | - | - |
| 3. Financing | - | - | - | - | - | - | - |
| **Designated at fair value** | - | - | - | - | - | - | - |
| 1. Debt instruments | - | - | - | - | - | - | - |
| 2. Financing | - | - | - | - | - | - | - |
| **Financial assets at fair value through other comprehensive income** | - | - | - | - | - | - | - |
| 1. Debt instruments | - | - | - | - | - | - | - |
| 2. Equity instruments | - | - | - | X | - | - | - |
| 3. Financing | - | - | - | - | - | - | - |
| **Financial assets at amortised cost** | 5,097,011 | 3,212,233 | - | 51,314 | - | - | - |
| 1. Debt instruments | 58,157 | - | - | - | - | - | - |
| 2. Financing | 5,038,854 | 3,212,233 | - | 51,314 | - | - | - |
| **Total 31/12/2020** | 5,097,011 | 3,212,233 | - | 51,314 | - | - | - |
| **Total 31/12/2019** | 5,101,743 | 1,979,808 | - | 47,819 | - | - | - |

In November, during the restructuring operation of Alba 6, the Company repurchased non-performing loans for a total value of €23.7 million. In February 2020 the Alba 6 operation was restructured through the integration of the traded portfolio.

On 27 February 2020, a full reimbursement of all securities available on the market was made. For more details see “Part D – Other Information Section 2 - Securitization transactions, information on structured entities not consolidated in the accounts and operations for the sale of assets”. On the same day, new *senior* (A) securities were issued for a nominal value of €400 million (€331.2 million were subscribed), new *junior* (B) securities were issued for a nominal value of €126.4 million (€104.7 million were subscribed).

The *senior* (A) security was sold, while the *junior* (B) security was subscribed by the Company.
The new operation has *warehouse* phase (until 26 April 2021), a *revolving* phase(until 26 April 2022) and a *call* on securities on the first *payment date* of depreciation on 25 July 2022.

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

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

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

None.

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

None.

# Section 3 – Risks and related hedging policies

## Introduction

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

## 3.1 Credit risk

QUALITATIVE DISCLOSURE

### 1. General aspects

Alba Leasing S.p.A. has non-performing exposure ratio steadily below Assilea's benchmark, due to its prudent lending policies and due to its sale of bad exposures (Titan operation).

*(€'000)*

| Risk range | Gross risk | Gross risk | % of total | Benchmark | Variation |
|---|---|---|---|---|---|
| | Total assets | Lease only | Lease only | Assilea 31/12/2020 | |
| Bad exposures | 191,418 | 189,018 | 3.7% | 9.1% | -5.4 p.p. |
| Unlikely to pay exposures | 264,050 | 260,164 | 5.2% | 6.2% | -1.0 p.p. |
| Past due exposures | 3,438 | 3,438 | 0.1% | 0.3% | -0.2 p.p. |
| Total | 458,907 | 452,620 | 9.00% | 18.30% | -9.3 p.p. |

### 2. Credit risk management policies

#### Organisational aspects

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

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

#### Lending policy

The group's credit risk policies are based on its risk appetite and *mission*. Disbursement and management of loans are subordinated to the application of precise lending rules. The group complies with the following policies to ensure high credit quality:

- assessment of the customers' repayment ability and the existence of guarantees.
- analysis of the internal rating.
- review of the customer/group's business sector in terms of its risk profile and concentration, privileging companies that:
  - export their products.
  - invest in research & development.
  - apply innovation to products and processes.
  - have additional guarantees.
- prioritise operation with high credit profile, limiting operation on high risk goods.
- prioritise contracts of modest amounts to allow risk splitting and less need for securitisations.

- prioritise plant and machinery leases, limiting leases of high-risk assets (e.g., moulds, furniture, air-conditioning systems, equipment for beauty centres and gyms) to high credit standing customers.
- reserve real estate "under construction" leases to companies with a high credit standing.

In the process of *credit scoring, rule* of process is applied in order to determine a decline of *rating* (application of *notch)*, to evaluate particular risky elements of the financing request and not to accept certain kind of risks.

### Assessment of credit rating

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

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

### Application of powers and proxies

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

### Loan performance checks

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

## 3. Non-performing exposures

### Assessment and management of irregular and non-performing exposures

The final stage of the lending process is the management of exposures that are slightly irregular to those that are seriously insolvent. It is performed by the Problem Loans Department which, after a recent reorganisation, comprises three "Organizational Units": Problem Loans (which includes Credit Collection office and Litigation Office), Restructuring and Remarketing. This structural organization allows a better management of the financed asset, the principal guarantee and the principal lowering risk device. Alba Leasing S.p.A also uses an external society ("SRE") for the credit collection.

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

The Litigation office mainly: (i) carries out the activities necessary to recover exposures and the leased assets from defaulting customers; (ii) handles and coordinates legal action against both customers and guarantors for the recovery of the exposures and the leased assets; (iii) evaluates the benefits and/or advisability of initiating or continuing with lawsuits or coming to a settlement with regard to exposures that have been classified as non-performing; (iv) processes applications for and makes decisions on extensions and deferred payments; (v) processes applications for and makes decisions on settlements, waivers of assets and other disposals of debt; (vi) handles relations with the bodies in charge of insolvency procedures involving the main customer or defaulting guarantors with the assistance of the group's legal advisors if appropriate; (vii) deals with enforcements and handles relations with guarantor banks and/or suppliers or third party obligors; (viii) monitors and coordinates the litigation management process for the risks and rewards portfolio and of any other affiliated outsourcer;

Restructuring Unit mainly: (i) directly manages the exposures covered by restructuring agreements as per article 182 of the Bankruptcy Law, restructuring plans as per article 67 of the Bankruptcy law and court-approved settlement agreements with or without rights to file additional documents at a later date, (ii) requests contract amendments (modifications, lengthening of take-over agreements, variations in payment plans, corporate changes and guarantees) after the disbursement of exposures which became non-performing, (iii) manages the modification of performing exposures. It carries out its activities on exposures transferred and/or that are newly issued and those for the risks and benefits portfolio.

Remarketing Unit's work mainly consists of: (i) the effective recovery of chattels and real estate, their taking over, custody, management and marketing, including through affiliated outsourcers; (ii) the recovery of the documents necessary for their management and subsequent sale; (iii) the management of relations with outsourcers and warehouses; (iv) if necessary, an appraisal of whether recovery is financially viable after obtaining estimates from outsourcers of the cost of the removal and subsequent scrapping of unsellable assets; (v) monitoring the management process of each affiliated outsourcer.
In the process of Credits Collection, the Company has defined two methods to manage exposures as part of the credit collection procedure based on the underlying risk:

- less than €250,000 (standard risks);

- equal to or greater than €250,000 (large exposures), to be managed directly by dedicated internal managers (“customer relations managers”).

The activity of phone solicitation and home solicitation, in case of default, is carried out with the aid of external company and with the involvement of the proposing bank, regardless of the type of risk.

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

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

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

## Management, measurement and control systems

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

## Credit risk mitigation techniques

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

The parent makes provisions for these transactions calculated on its exposures less the “Presto Leasing guarantees” issued by the banks.

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

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

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

An additional hair-cut is also applied in line with the exposure’s ageing.
The property rating model is an analytical instrument used to assess the propensity of a property to lose, retain or increase its value over time, and the comparison of these values at different moments. The model provides a numerical valuation obtained from the values assigned to the different variables pertaining to the characteristics of the property being assessed. A value is given to the intrinsic qualities of the property which help to retain or increase its price and both the wealth available at local level and a share of the increase or decrease in this wealth during the years of the crisis are assessed. The expert appraises the value of the characteristics of the property by compiling a transcoding matrix (the set of elements of the property to be appraised by the expert), the items in which consist of numerical judgments.
The value obtained is adjusted by two other factors: (i) inflation, i.e. the term of monetary accommodation from the time of the analysis; (ii) economic cycle, which takes into account changes in the macro economic variables associated with rises and falls in real estate values in the various sectors.

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

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

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

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

## QUANTITATIVE DISLOSURES

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

| Portafolio/quality *(€'000)* | Bad exposures | Unlikely to pay exposures | Non-performing past due exposures | Performing past due exposures | Other performing exposures | Total |
|---|---|---|---|---|---|---|
| 1. Financial assets at amortised cost | 89,949 | 218,609 | 3,345 | 5,279 | 4,779,829 | 5,097,011 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | - | - |
| 3. Financial assets designated at fair value | - | - | - | - | - | - |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | - | - |
| 5. Financial assets held for sale | - | - | - | - | - | - |
| Total 31/12/2020 | 89,949 | 218,609 | 3,345 | 5,279 | 4,779,829 | 5,097,011 |
| Total 31/12/2019 | 203,183 | 237,584 | 584 | 17,471 | 4,642,921 | 5,101,743 |

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

| Portafolio/quality *(€'000)* | Non-performing | | | | Performing | | | Total (Carrying amount) |
|---|---|---|---|---|---|---|---|---|
| | Gross amount | Total impairment losses | Carrying amount | Partial write-offs* | Gross amount | Total impairment | Carrying amount | |
| 1. Financial assets at amortised cost | 449,960 | 138,057 | 311,903 | 419 | 4,851,288 | 66,180 | 4,785,108 | 5,097,011 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - |
| 3. Financial assets designated at fair value | - | - | - | - | X | X | - | - |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | X | X | - | - |
| 5. Financial assets held for sale | - | - | - | - | - | - | - | - |
| Total 31/12/2020 | 449,960 | 138,057 | 311,903 | 419 | 4,851,288 | 66,180 | 4,785,108 | 5,097,011 |
| Total 31/12/2019 | 669,429 | 228,078 | 441,351 | 1,545 | 4,698,386 | 37,994 | 4,660,392 | 5,101,743 |

* Presented for disclosure purposes

| Portafolio/quality *(€'000)* | Assets with poor credit quality | | Other assets Carrying amount |
|---|---|---|---|
| | Accumulated losses | Carrying amount | Accumulated losses |
| 1. Financial assets held for trading | - | - | - |
| 2. Hedging derivatives | - | - | - |
| Total 31/12/2020 | - | - | - |
| Total 31/12/2019 | - | - | - |

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

| Portfolio/stage of risk (€'000) | Stage 1 | | | Stage 2 | | | Stage 3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | From 1 to 30 days | From 30 to 90 days | After 90 days | From 1 to 30 days | From 30 to 90 days | After 90 days | From 1 to 30 days | From 30 to 90 days | After 90 days |
| 1. Financial assets at amortised cost | 2,963,153 | - | 6 | 1,821,215 | 80 | 654 | 1,233 | 1,065 | 309,605 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - | - | - | - |
| Total 31/12/2020 | 2,963,153 | - | 6 | 1,821,215 | 80 | 654 | 1,233 | 1,065 | 309,605 |
| Total 31/12/2019 | 3,849,114 | 40 | - | 809,040 | 1,778 | 420 | 139,594 | 3,865 | 297,892 |

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

| Casuals/ Stage of risk (€'000) | Total impairment | | | | | | | | | | | | | | | | Total accruals for loan commitments and financial guarantees given | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | | | Stage 2 | | | | | Stage 3 | | | | | | | | | |
| | Financial assets at amortised cost | Financial assets at fair value through profit or loss | Financial assets held for sale | of which: individual impairment | of which: collective impairment | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets held for sale | of which: individual impairment | of which: collective impairment | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Financial assets held for sale | of which: individual impairment | of which: collective impairment | of which: purchased or originated credit-impaired financial assets | Stage 1 | Stage 2 | Stage 3 | |
| **Opening balance** | 10,467 | - | - | - | 10,467 | 27,527 | - | - | - | 27,527 | 228,078 | - | - | 228,078 | - | - | 255 | 692 | 144 | 267,163 |
| Increase in purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cancellations other than write-offs | (3,687) | - | - | - | (3,687) | (6,279) | - | - | - | (6,279) | (21,955) | - | - | (21,955) | - | - | - | - | - | (31,921) |
| Net impairment losses for credit risk (+/-) | 40,130 | - | - | - | 40,130 | 5,171 | - | - | - | 5,171 | (68,802) | - | - | (68,802) | - | - | 254 | (490) | (94) | (23,831) |
| Modification gains (losses) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Changes in estimation methodology | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs not directly recognised in profit or loss | (36) | - | - | - | (36) | (49) | - | - | - | (49) | (1,520) | - | - | (1,520) | - | - | - | - | - | (1,605) |
| Other changes | (34,402) | - | - | - | (34,402) | 27,338 | - | - | - | 27,338 | 2,256 | - | - | 2,256 | - | - | - | - | - | (4,808) |
| **Closing balance** | 12,472 | - | - | - | 12,472 | 53,708 | - | - | - | 53,708 | 138,057 | - | - | 138,057 | - | - | 509 | 202 | 50 | 204,998 |
| Collections of written-off financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-offs recognised directly in profit or loss | (74) | - | - | - | (74) | (37) | - | - | - | (37) | (7,130) | - | - | - | - | - | - | - | - | (7,241) |

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

| Portfolio/ Stage of risk (€'000) | Gross amount / Nominal amount | | | | | |
|---|---|---|---|---|---|---|
| | Transfer between stage 1 and stage 2 | | Transfer between stage 2 and stage 3 | | Transfer between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 |
| 1. Financial assets at amortised cost | 1,482,027 | 230,140 | 11,981 | 2,330 | 29,684 | 97 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - |
| 4. Loan commitments and financial guarantees given | 142,609 | 59,515 | 101 | - | - | - |
| **Total 31/12/2020** | **1,624,636** | **289,655** | **12,082** | **2,330** | **29,684** | **97** |
| Total 31/12/2019 | 627,265 | 457,722 | 36,702 | 2,285 | 38,447 | 1,004 |

## 5a. Financing subject to COVID-19 support measures: transfer between different credit risk stage (gross value)

| Portafolio/ Stage of risk (€'000) | Gross Amount | | | | | |
|---|---|---|---|---|---|---|
| | Transfer between stage 1 and stage 2 | | Transfer between stage 2 and stage 3 | | Transfer between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 3 to stage 2 | From stage 1 to stage 3 | From stage 3 to stage 1 |
| 1. Financial assets at amortised cost | | | | | | |
| A.1 subject to concession pursuant to GL | 917,001 | 15,749 | 4,042 | - | 10,440 | - |
| A.2 Financing subject to other measures of concession | 16,982 | - | 3,242 | - | 991 | - |
| A.3 new financing | - | - | - | - | - | - |
| 2. Financial assets at fair value through other comprehensive income | | | | | | |
| A.1 subject to concession pursuant to GL | - | - | - | - | - | - |
| A.2 Financing subject to other measures of concession | - | - | - | - | - | - |
| A.3 new financing | - | - | - | - | - | - |
| **Total 31/12/2020** | **933,983** | **15,749** | **7,284** | **-** | **11,431** | **-** |

## 6. Exposures with customers, banks and financial companies

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

| Types Exposures/values (€'000) | Gross amount | | Total impairment losses and accruals | Carrying amount | Partial *Write-offs** |
|---|---|---|---|---|---|
| | Non-performing | Performing | | | |
| A. On-statement of financial position | | | | | |
| a) Bad exposures | 98 | X | (54) | 44 | - |
| - including: forborne exposures | 68 | X | (37) | 31 | - |
| b) Unlikely to pay exposures | 19,998 | X | (3,871) | 16,127 | - |
| - including: forborne exposures | - | X | - | - | - |
| c) Non-performing past due exposures | - | X | - | - | - |
| - including: forborne exposures | - | X | - | - | - |
| d) Performing past due exposures | X | 319 | (44) | 275 | - |
| - including: forborne exposures | X | - | - | - | - |
| e) Other performing exposures | X | 279,522 | (868) | 278,654 | - |
| - including: forborne exposures | X | - | - | - | - |
| Total A | 20,096 | 279,841 | (4,837) | 295,100 | - |
| B. Off-statement of financial position | | | | | |
| a) Non-performing exposures | - | X | - | - | - |
| b) Performing exposures | X | 737 | (1) | 736 | - |
| Total *B* | - | 737 | (1) | 736 | - |
| Total (A+B) | 20,096 | 280,578 | (4,838) | 295,836 | - |

* Presented for disclosure purposes

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

| Causals/Categories (€'000) | Bad exposures | Unlikely to pay exposures | Non-performing past due exposures |
|---|---|---|---|
| A. Gross opening balance | 6,716 | 14,393 | - |
| - including: exposures transferred but not derecognised | - | - | - |
| B. Increases | 3,968 | 7,118 | - |
| B.1 from performing exposures | - | 5,673 | - |
| B.2 from purchased or originated credit-impaired exposures | - | - | - |
| B.3 transfers from other non-performing exposures | - | - | - |
| B.4 modification gains | - | - | - |
| B.5 other increases | - | 1,445 | - |
| C. Decreases | 10,586 | 1,513 | - |
| C.1 transfers to performing exposures | - | - | - |
| C.2 write-offs | - | - | - |
| C.3 collections | 127 | 320 | - |
| C.4 sales | 2,400 | - | - |
| C.5 losses on sales | 2,047 | - | - |
| C.6 transfers to other non-performing loan categories | - | - | - |
| C.7 modification losses | - | - | - |
| C.8 other decreases | - | 1,193 | - |
| D. Gross closing balance | 98 | 19,998 | - |
| - including: exposures transferred but not derecognised | - | 633 | - |

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

| Causals/Quality (€'000) | Forborne exposures: non-performing | Forborne exposures: performing |
|---|---|---|
| A. Gross opening balance | - | - |
| - including: exposures transferred but not derecognised | | - |
| B. Increases | 68 | - |
| B.1 transfers from performing exposures not subject to forbearance measures | - | - |
| B.2 transfers from performing forborne exposures | - | X |
| B.3 transfers from non-performing forborne exposures | X | - |
| B.4 transfers from performing exposures not subject to forbearance measures | | |
| B.5 other increases | 68 | - |
| C. Decreases | - | - |
| C.1 transfers to performing exposures not subject to forbearance measures | X | - |
| C.2 transfers to performing forborne exposures | - | X |
| C.3 transfers to non-performing forborne exposures | X | - |
| C.4 write-offs | - | - |
| C.5 collections | - | - |
| C.6 sales | - | - |
| C.7 losses on sales | - | - |
| C.8 other decreases | - | - |
| D. Gross closing balance | 68 | - |
| - including: exposures transferred but not derecognised | | - |

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

| Causals/Categories (€'000) | Bad exposures | | Unlikely to pay exposures | | Non-performing past due exposures | |
|---|---|---|---|---|---|---|
| | Total | including: forborne exposures | Total | including: forborne exposures | Total | including: forborne exposures |
| A. Opening balance | 2,900 | - | 1,509 | - | - | - |
| - including: exposures transferred but not derecognised | - | - | - | - | - | - |
| B. Increases | 1,209 | 37 | 2,710 | - | - | - |
| B.1 impairment losses on purchased or originated credit-impaired exposures | - | X | - | X | - | X |
| B.2 other impairment losses | 1,209 | 37 | 2,710 | - | - | - |
| B.3 losses on sales | - | - | - | - | - | - |
| B.4 transfers from other non-performing exposures | - | - | - | - | - | - |
| B.5 modification gains | - | X | - | X | - | X |
| B.6 other increases | - | - | | - | - | - |
| C. Decreases | 4,055 | - | 348 | - | - | - |
| C.1 impairment gains | 3,463 | - | 348 | - | - | - |
| C.2 impairment gains on collections | 592 | - | - | - | - | - |
| C.3 gains on sales | - | - | - | - | - | - |
| C.4 write-offs | - | - | - | - | - | - |
| C.5 transfers to other categories of non-performing exposures | - | - | - | - | - | - |
| C.6 modification losses | - | X | - | X | - | X |
| C.7 other decreases | | - | - | - | - | - |
| D. Closing balance | 54 | 37 | 3,871 | - | - | - |
| - including: exposures transferred but not derecognised | - | - | 117 | - | - | - |

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

| Type exposures/value (€'000) | Gross exposure | | Total impairment losses and accruals | Carrying amount | Partial Write-offs* |
|---|---|---|---|---|---|
| | Non-performing | Performing | | | |
| A. On-statement of financial position | | | | | |
| a) Bad exposures | 185,235 | X | (95,330) | 89,905 | 374 |
| - including: forborne exposures | 20,644 | X | (8,004) | 12,640 | 5 |
| b) Unlikely to pay exposures | 241,179 | X | (38,697) | 202,482 | 6 |
| - including: forborne exposures | 128,573 | X | (19,194) | 109,379 | 3 |
| c) Non-performing past due exposures | 3,450 | X | (105) | 3,345 | - |
| - including: forborne exposures | 681 | X | (54) | 627 | - |
| d) Performing past due exposures | X | 5,472 | (468) | 5,004 | - |
| - including: forborne exposures | X | - | - | - | - |
| e) Other performing exposures | X | 4,565,975 | (64,800) | 4,501,175 | 39 |
| - including: forborne exposures | X | 30,401 | (1,027) | 29,374 | - |
| **Total A** | **429,864** | **4,571,447** | **(199,400)** | **4,801,911** | **419** |
| B. Off-statement of financial position | | | | | |
| a) Non-performing exposures | 149 | X | (51) | 98 | - |
| b) Performing exposures | X | 466,925 | (709) | 466,216 | - |
| **Total B** | **149** | **466,925** | **(760)** | **466,314** | **-** |
| **Total A+B** | **430,013** | **5,038,372** | **(200,160)** | **5,268,225** | **419** |

* Presented for disclosure purposes

## 6.4a. Financing subject to COVID-19 support measures: gross exposure carrying amount

| Financing type / values (€'000) | Gross exposure | Total impairment losses and accruals | Carrying amount |
|---|---|---|---|
| **A. Bad exposures** | **3,093** | **1,034** | **2,059** |
| a) Subject to concession pursuant to GL | 2,892 | 970 | 1,922 |
| b) Financing subject to other measures of concession | 201 | 64 | 137 |
| c) New financing | - | - | - |
| **B. Financing unlikely to pay exposures** | **120,735** | **15,520** | **105,215** |
| a) Subject to concession pursuant to GL | 51,435 | 5,961 | 45,474 |
| b) Financing subject to other measures of concession | 69,300 | 9,559 | 59,741 |
| c) New financing | - | - | - |
| **C. Financing past due exposure and non-performing** | **3,329** | **96** | **3,233** |
| a) Subject to concession pursuant to GL | 2,648 | 42 | 2,606 |
| b) Financing subject to other measures of concession | 681 | 54 | 627 |
| c) New financing | - | - | - |
| **D. Other financing past due exposure and non-performing** | **483** | **18** | **465** |
| a) Subject to concession pursuant to GL | 483 | 18 | 465 |
| b) Financing subject to other measures of concession | - | - | - |
| c) New financing | - | - | - |
| **E. Other financing non-performing** | **2,086,822** | **45,619** | **2,041,203** |
| a) Subject to concession pursuant to GL | 2,056,824 | 44,598 | 2,012,226 |
| b) Financing subject to other measures of concession | 29,998 | 1,021 | 28,977 |
| c) New financing | - | - | - |
| Total (A + B + C + D + E) | 2,214,462 | 62,287 | 2,152,175 |

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

| Causals/Categories *(€'000)* | Bad exposures | Unlikely to pay exposures | Non-performing past due exposures |
|---|---|---|---|
| A. Gross opening balance | 385,620 | 262,091 | 609 |
| - including: exposures transferred but not derecognised | 18,949 | 42,612 | 360 |
| B. Increases | 148,487 | 106,640 | 19,153 |
| B.1 from performing exposures | 3,433 | 33,399 | 17,751 |
| B.2 from purchased or originated credit-impaired exposures | - | - | - |
| B.3 transfers from other non-performing categories | 15,233 | 3,380 | - |
| B.4 modification gains | - | - | - |
| B.5 other increases | 129,821 | 69,861 | 1,402 |
| C. Decreases | 348,872 | 127,552 | 16,312 |
| C.1 transfers to performing exposures | - | 963 | 10,783 |
| C.2 write-offs | 10,425 | 3,620 | 8 |
| C.3 collections | 19,463 | 37,089 | 1,573 |
| C.4 sales | 44,722 | 5,866 | 162 |
| C.5 losses on sales | 33,673 | - | - |
| C.6 transfers to other non-performing loan categories | 692 | 15,189 | 2,732 |
| C.7 modification losses | - | - | - |
| C.8 other decreases | 239,897 | 64,825 | 1,054 |
| D. Gross closing balance | 185,235 | 241,179 | 3,450 |
| - including: exposures transferred but not derecognised | 20,930 | 47,540 | 176 |

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

| Causals/Quality (€'000) | Forborne exposures: non-performing | Forborne exposures: performing |
|---|---|---|
| A. Gross opening balance | 162,697 | 3,632 |
| - including: exposures transferred but not derecognised | 8,716 | 2,218 |
| B. Increases | 61,136 | 68,163 |
| B.1 transfers from performing exposures not subject to forbearance measures | 395 | 28,615 |
| B.2 transfers from performing forborne exposures | 3,773 | X |
| B.3 transfers from non-performing forborne exposures | - | - |
| B.4 transfers from performing exposures not subject to forbearance measures | 15,593 | 192 |
| B.5 other increases | 41,375 | 39,356 |
| C. Decreases | 73,935 | 41,394 |
| C.1 transfers to performing exposures not subject to forbearance measures | X | - |
| C.2 transfers to performing forborne exposures | 192 | X |
| C.3 transfers to non-performing forborne exposures | X | 3,773 |
| C.4 write-offs | 3,123 | - |
| C.5 collections | 13,732 | 1,387 |
| C.6 sales | 4,312 | 94 |
| C.7 losses on sales | 4,888 | - |
| C.8 other decreases | 47,688 | 36,140 |
| D. Gross closing balance | 149,898 | 30,401 |
| - including: exposures transferred but not derecognised | 12,671 | 11,003 |

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

| Causals/Categories (€'000) | Bad exposures | | Unlikely to pay exposures | | Non-performing past due exposures | |
|---|---|---|---|---|---|---|
| | Total | including: forborne exposures | Total | including: forborne exposures | Total | including: forborne exposures |
| A. Opening balance | 186,253 | 14,754 | 37,391 | 16,190 | 25 | - |
| including: exposures transferred but not derecognised | 8,185 | 736 | 5,901 | 770 | 16 | - |
| B. Increases | 35,945 | 4,145 | 29,055 | 14,287 | 234 | 72 |
| B.1 impairment losses on purchased or originated credit-impaired exposures | - | X | - | X | - | X |
| B.2 other impairment losses | 27,904 | 2,705 | 25,643 | 12,479 | 227 | 72 |
| B.3 losses on sales | - | - | - | - | - | - |
| B.4 transfers from other non-performing exposures | - | - | 268 | - | - | - |
| B.5 modification gains | - | X | - | X | 5 | X |
| B.6 other increases | 4,420 | 1,440 | 3,144 | 1,808 | 2 | - |
| C. Decreases | 126,868 | 10,895 | 27,749 | 11,283 | 154 | 18 |
| C.1 impairment gains | 106,337 | 7,633 | 20,354 | 8,057 | 48 | - |
| C.2 impairment gains on collections | 17,975 | 2,387 | 3,428 | 1,752 | 7 | - |
| C.3 gains on sales | - | - | - | - | - | - |
| C.4 write-offs | 1,347 | 52 | 171 | 6 | 2 | - |
| C.5 transfers to other categories of non-performing exposures | 177 | - | 3,615 | 1,468 | 97 | 18 |
| C.6 modification losses | - | X | - | X | - | X |
| C.7 other decreases | 1,032 | 823 | 181 | - | - | - |
| D. Closing balance | 95,330 | 8,004 | 38,697 | 19,194 | 105 | 54 |
| including: exposures transferred but not derecognised | 9,035 | 935 | 8,728 | 1,768 | 4 | - |

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

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

None.

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

None.

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

None.

# 9. Loan concentration

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

| (€'000) | Government and central banks | | | Other government agencies | | | Insurance companies | | | Non-financial companies | | | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Individual impairment | Collective impairment | Carrying amount | Individual impairment | Collective impairment | Carrying amount | Individual impairment | Collective impairment | Carrying amount | Individual impairment | Collective impairment | Carrying amount | Individual impairment | Collective impairment |
| A. On-statement of financial position | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| A.1 Bad exposures | - | - | X | - | - | X | - | - | X | 82,889 | (90,351) | X | 7,060 | (5,033) | X |
| including: forborne exposures | - | - | - | - | - | X | - | - | X | 11,652 | (7,475) | X | 1,019 | (566) | X |
| A.2 Unlikely to pay exposures | - | - | X | 61 | (165) | X | - | - | X | 195,963 | (37,012) | X | 22,585 | (5,391) | X |
| including: forborne exposures | - | - | - | - | - | X | - | - | X | 105,595 | (18,428) | X | 3,784 | (766) | X |
| A.3 Non-performing past due exposures | - | - | X | - | - | X | - | - | X | 3,229 | (94) | X | 116 | (11) | X |
| including: forborne exposures | - | - | - | - | - | X | - | - | X | 560 | (50) | X | 67 | (4) | X |
| A.4 Other exposures | - | X | - | 5,572 | X | (59) | - | X | - | 4,191,827 | X | (61,038) | 587,709 | X | (5,083) |
| including: forborne exposures | - | X | - | | X | - | - | X | - | 28,799 | X | (986) | 575 | X | (41) |
| **Total** | - | - | - | 5,633 | (165) | (59) | - | - | - | 4,473,908 | (127,457) | (61,038) | 617,470 | (10,435) | (5,083) |
| B. Off-statement of financial position | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Off-statement of financial position | - | - | - | - | - | - | - | - | - | 98 | (51) | - | - | - | - |
| B.1 Bad exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing assets | - | X | - | - | X | - | - | X | - | 436,217 | X | (668) | 30,735 | X | (42) |
| **Total** | - | - | - | - | - | - | - | - | - | 436,315 | (51) | (668) | 30,735 | - | (42) |
| **31/12/2020** | - | - | - | 5,633 | (165) | (59) | - | - | - | 4,910,223 | (127,508) | (61,706) | 648,205 | (10,435) | (5,125) |
| **31/12/2019** | 5,009 | - | - | 15,185 | (622) | (75) | - | - | (18) | 5,110,582 | (216,888) | (36,425) | 509,606 | (10,712) | (2,423) |

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

| (€'000) | North-est | | North-ovest | | Centre | | South and Islands | | Abroad | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total impairment | Carrying amount | Total impairment | Carrying amount | Total impairment | Carrying amount | Total impairment | Carrying amount | Total impairment |
| A. On-statement of financial position | | | | | | | | | | |
| A.1 Bad exposures | 21,057 | (21,305) | 31,632 | (35,185) | 18,210 | (21,131) | 19,050 | (17,763) | - | - |
| A.2 Unlikely to pay exposures | 81,201 | (13,779) | 59,075 | (12,508) | 43,551 | (10,962) | 33,885 | (4,213) | 897 | (1,106) |
| A.3 Non-performing past due exposures | - | - | 567 | (57) | 204 | (7) | 2,574 | (41) | - | - |
| A.4 Performing exposures | 1,405,786 | (10,834) | 1,793,116 | (24,841) | 884,827 | (15,203) | 701,348 | (12,868) | 31 | (2,434) |
| **Total** | **1,508,044** | **(45,918)** | **1,884,390** | **(72,591)** | **946,792** | **(47,303)** | **756,857** | **(34,885)** | **928** | **(3,540)** |
| B. Off-statement of financial position | | | | | | | | | | |
| B.1 Bad exposures | 51 | (50) | 47 | (1) | - | - | - | - | - | - |
| B.2 Unlikely to pay exposures | - | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Performing exposures | 123,535 | (157) | 180,373 | (232) | 71,886 | (113) | 91,158 | (208) | - | - |
| **Total** | **123,586** | **(207)** | **180,420** | **(233)** | **71,886** | **(113)** | **91,158** | **(208)** | **-** | **-** |
| **31/12/2020** | **1,631,630** | **(46,125)** | **2,064,810** | **(72,824)** | **1,018,678** | **(47,416)** | **848,015** | **(35,093)** | **928** | **(3,540)** |
| **31/12/2019** | **1,731,947** | **(73,633)** | **2,018,269** | **(87,766)** | **1,070,344** | **(63,800)** | **817,014** | **(40,990)** | **2,808** | **(974)** |

### 9.3 Large exposures

The group has four large exposures (risk positions equal to or greater than 10% of own funds). At December 2020, the carrying amount was approximately €480,396 thousand, with a weighted amount of approximately €225,934 thousand.
No portion of risk against single clients or group of clients exceed the constraints provided by current legislation.

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

None.

## 11. Other quantitative disclosures

None.

## 3.2 MARKET RISK

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

### 3.2.1 INTEREST RATE RISK

QUALITATIVE DISCLOSURE

1. General aspects

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

Methodological aspects

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

## INFORMAZIONI DI NATURA QUANTITATIVA

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

| Caption/Residual time *(€'000)* | On demand | Up to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 5 years | From 5 to 10 years | After 10 years | Open term |
|---|---|---|---|---|---|---|---|---|
| 1. Assets | | | | | | | | |
| 1.1 Debt instruments | - | - | - | 58,157 | - | - | - | - |
| 1.2 Loans and receivables | 4,201,821 | 396,145 | 34,961 | 49,148 | 199,795 | 142,113 | 14,871 | - |
| 1.3 Other assets | - | | - | - | - | - | - | - |
| 2. Liabilities | | | | | | | | |
| 2.1 Amounts due | 2,266,042 | 214,661 | 163,646 | 77,133 | 1,422 | 9,723 | - | - |
| 2.2 Debt instruments | - | 1,963,227 | - | - | - | - | - | - |
| 2.3 Other liabilities | - | | - | - | - | - | - | - |
| 3. Financial derivatives | | | | | | | | |
| Options | | | | | | | | |
| 3.1 Long positions | - | - | - | - | - | - | - | - |
| 3.2 Short positions | - | - | - | - | - | - | - | - |
| Other derivatives | | | | | | | | |
| 3.3 Long positions | - | - | - | - | - | - | - | - |
| 3.4 Short positions | - | - | - | - | - | - | - | - |

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

The risk management unit monitors this risk by:

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

### 3. Other qualitative disclosures on interest rate risk

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

## 3.2.2 PRICE RISK

QUALITATIVE DISCLOSURE

1. General aspects

The group is not exposed to price risks

QUANTITATIVE DISCLOSURE

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

The group is not exposed to price risks.

2. Other quantitative disclosures on price risk

The group is not exposed to price risks.

## 3.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

1. General aspects

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

QUANTITATIVE DISCLOSURE

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

The group is not exposed to currency risks.

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

The group is not exposed to currency risks.

3. Other quantitative disclosures on currency risk

The group is not exposed to currency risks.

## 3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

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

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

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

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

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

QUANTITATIVE DISCLOSURE

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

| Period *(€'000)* | Total income and other income |
|---|---|
| 31.12.2018 | 105,310 |
| 31.12.2019 | 98,765 |
| 31.12.2020 | 161,521 |
| Average | 121,865 |
| Weighting factor | 15% |
| **Internal capital** | **18,280** |

## 3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

### 1. General aspects, management and measurement of liquidity risk

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

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

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

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

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

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

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

The maturity ladder shows the balances and therefore the imbalances between expected inflows and outflows for each time bucket and, through the construction of cumulative imbalances, calculates the net balance of financial requirements (or surplus) over the period of time considered.
In addition, the "scenario technique" is used which assumes the occurrence of adverse events for some items in the various buckets making up the maturity ladder in order to analyse the consequences.

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

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

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

QUANTITATIVE DISCLOSURE

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

| Captions/ Temporal frame *(€'000)* | On demand | From 1 day to 7 days | from 7 days to 15 days | From 15 days to 1 month | From 1 to 3 months | From 3 to 6 months | From 6 months to 1 year | From 1 to 3 years | From 3 to 5 years | After 5 years | Open term |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | | | |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | 58,157 | - | - |
| A.3 Financing | 425,335 | 553 | 873 | 5,441 | 205,304 | 287,296 | 570,804 | 1,644,847 | 845,680 | 1,139,141 | - |
| A.4 Other assets | - | - | - | - | - | - | - | - | - | - | - |
| Financial liabilities | | | | | | | | | | | |
| B.1 Due to: | | | | | | | | | | | |
| - banks | 2,219,632 | - | 51,798 | 94,815 | 53,077 | 69,249 | 86,772 | 39,498 | 117 | - | - |
| - financial companies | 1,275 | 4 | - | 34 | 30 | 1,308 | 4,305 | 22,219 | 40,258 | 9,317 | - |
| - customers | 33,097 | - | - | - | - | - | - | - | - | 1,983 | - |
| B.2 Debt instruments | 90,784 | - | - | 41,853 | 76,409 | 155,637 | 291,417 | 988,655 | 326,238 | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - | - |
| Off-statement of financial position | | | | | | | | | | | |
| C.1 Credit derivatives with exchange of principal | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.2 Credit derivatives without exchange of principal | | | | | | | | | | | |
| - Positive difference | - | - | - | - | - | - | - | - | - | - | - |
| - Negative difference | - | - | - | - | - | - | - | - | - | - | - |
| C.3 Financing to be received | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | 367 | 84 | 60,868 | - |
| - Short positions | 277,692 | - | - | 126,454 | - | - | - | - | - | - | - |
| C.5 Financial guarantees given | - | - | - | - | - | - | 2,346 | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - | - |

## 3.5 DERIVATIVES AND HEDGING POLICIES

### TRADING DERIVATIVES

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

None.

### ACCOUNTING HEDGES

### QUALITATIVE DISCLOSURE

General hedging strategy aspects

None.

### QUANTITATIVE DISCLOSURE

3.5.2. Hedging derivatives: year-end nominal amounts

None.

3.5.3. Residual maturity of hedging derivatives: notional amounts

None.

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

None.

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

None.

3.5.6. Hedging instruments: fair value hedges

None.

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

None.

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

None.

# Section 4 – Equity

## 4.1 Equity

### 4.1.1 Qualitative disclosure

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

### 4.1.2 Quantitative disclosure

#### 4.1.2.1 Equity: breakdown

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| 1. Share capital | 357,953 | 357,953 |
| 2. Share premium | 105,000 | 105,000 |
| 3. Reserves | (55,183) | (60,008) |
| - income-related | (55,183) | (60,008) |
| a) legal | 1,385 | 1,144 |
| b) statutory | - | - |
| c) treasury shares | - | - |
| d) other reserves | (56,568) | (61,152) |
| - other | - | - |
| 4. (Treasury shares) | - | - |
| 5. Valuation reserves | (402) | (325) |
| - Equity instruments at fair value through other comprehensive income | - | - |
| - Hedges of equity instruments at fair value through other comprehensive income | - | - |
| - Financial assets (other than equity instruments) at fair value through other comprehensive income | - | - |
| - Property, equipment and investment property | - | - |
| - Intangible assets | - | - |
| - Hedges of investments in foreign operations | - | - |
| - Cash flow hedges | - | - |
| - Hedging instruments (non-designated items) | - | - |
| - Exchange differences | - | - |
| - Non-current assets held for sale and disposal groups | - | - |
| - Financial liabilities designated at fair value (change in credit rating) | - | - |
| - Special revaluation laws | - | - |
| - Actuarial losses on defined benefit pension plans | (402) | (325) |
| - Portion of valuation reserves of equity-accounted investees | - | - |
| 6. Equity instruments | - | - |
| 7. Profit for the year | 565 | 4.825 |
| Total | 407,933 | 407,445 |

4.1.2.2 Fair value reserves: breakdown

None.

4.1.2.3 Fair value reserves: changes

None.

## Section 4.2 Own funds and ratios

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

4.2.1 Own funds

4.2.1.1 Qualitative disclosure

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

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

4.2.1.2 Quantitative disclosure

FINANCIAL INTERMEDIARIES

| *(€'000)* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| A. Tier 1 capital before application of prudential filters | 415,496 | 412,042 |
| B. Tier 1 prudential filters: | - | - |
| G1 - Positive IFRS prudential filters (+) | - | - |
| G2 - Negative IFRS prudential filters (-) | - | - |
| C. Tier 1 capital including application of prudential filters (A + B) | 415,496 | 412,042 |
| D. Elements to be deducted from Tier 1 capital | - | - |
| E. Total tier 1 capital (C – D) | 415,496 | 412,042 |
| F. Tier 2 capital before application of prudential filters | - | - |
| G. Tier 2 prudential filters: | - | - |
| G.1 - Positive IFRS prudential filters (+) | - | - |
| G.2 - Negative IFRS prudential filters (-) | - | - |
| H. Tier 2 capital including application of prudential filters (F + G) | - | - |
| I. Elements to be deducted from Tier 2 capital | - | - |
| L. Total tier 2 capital (H – I) | - | - |
| M. Elements to be deducted from tier 1 and tier 2 capital | - | - |
| N. Regulatory capital (E + L - M) | 415,496 | 412,042 |

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

The profit for the year shall be included in own funds after the next supervisory report on the first quarter of 2021 (to be sent by 12 May 2021).

Alba Leasing S.p.A. has exercised the option to apply the transitional arrangements introduced by the new article 473-bis of Regulation (EU) no. 575/2013 to phase in the impact on own funds of the application of the new impairment model introduced by IFRS 9.

These transitional arrangements allow the inclusion of a positive temporary component in common equity tier 1 capital equal to a percentage of the increase in accruals for expected credit losses due to application of IFRS 9.
The percentage decreases over five years and is 70% of the increase in the accruals for expected credit losses due to application of IFRS 9 for the period from 1 January to 31 December 2020.

Had it not applied this transitional regime, the parent's own funds would have amounted to €403,347 thousand.

The parent did not apply for the further benefit of the 288 Newsletter (Implementation for financial intermediaries of the European Bank concerning reporting obligations for the regulations in the 873/2020 (c.d. CRR "Quick-fix") Guidelines. The parent is still carrying out the appropriate appraisals.

4.2.2 Capital adequacy

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

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

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

4.2.2.1 Qualitative disclosure

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

### 4.2.2.2 Quantitative disclosure

| *(€'000)* | Unweighted amounts | | Weighted amounts/requirements | |
|---|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | 31/12/2020 | 31/12/2019 |
| A. RISK-WEIGHTED ASSETS | | | | |
| A.1 Credit and counterparty risk | 5,812,307 | 6,196,836 | 4,087,549 | 4,357,770 |
| B. CAPITAL REQUIREMENTS | | | | |
| B.1 Credit and counterparty risk | | | 245,253 | 261,466 |
| B.2 Requirement for provision of payment services | | | - | - |
| B.3 Requirement for issue of electronic money | | | - | - |
| B.4 Specific prudential requirements | | | 18,577 | 15,442 |
| B.5 Total prudential requirements | | | 263,830 | 276,909 |
| C. EXPOSURES AND CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | | | 4,397,159 | 4,615,143 |
| C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio) | | | 9.45% | 8.93% |
| C.3 Regulatory capital/risk-weighted assets (Total capital ratio) | | | 9.45% | 8.93% |

Risk-weighted assets amount to €4,397,159 thousand.

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

Given the above transitional rules, CET1 was equal to 9.45% at 31 December 2020. If the group had not applied the transitional arrangements (as described above), CET1 would have been 9.20% for a difference of 0.25 percentage points.

Alba Leasing S.p.A. has exercised the option to apply the transitional arrangements introduced by the new article 473-bis of Regulation (EU) no. 575/2013 to phase in the impact on own funds of the application of the new impairment model introduced by IFRS 9.

These transitional arrangements allow the inclusion of a positive temporary component in common equity tier 1 capital equal to a percentage of the increase in accruals for expected credit losses due to application of IFRS 9. The percentage decreases over five years as shown below:

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

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

## Section 5 – Comprehensive income

| (€'000) | 2020 | 2019 |
|---|---|---|
| 10. Profit for the year | 565 | 4,825 |
| Other items that will not reclassified to profit or loss | | |
| 20. Equity instruments at fair value through other comprehensive income | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfers to other equity items | - | - |
| 30. Financial liabilities at fair value through profit or loss (changes in own credit rating) | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfers to other equity items | - | - |
| 40. Hedges of equity instruments at fair value through other comprehensive income | - | - |
| a) Fair value gains (losses) (hedged item) | - | - |
| b) Fair value gains (losses) (hedging item) | - | - |
| 50. Property, equipment and investment property | - | - |
| 60. Intangible assets | - | - |
| 70. Defined benefit plans | (77) | (75) |
| 80. Non-current assets held for sale and disposal groups | - | - |
| 90. Share of valuation reserves of equity-accounted investees | - | - |
| 100. Related tax | - | - |
| Other items that will be reclassified to profit or loss | - | - |
| 110. Hedges of investments in foreign operations | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfer to profit or loss | - | - |
| c) Other changes | - | - |
| 120. Exchange gains (losses) | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfer to profit or loss | - | - |
| c) Other changes | - | - |
| 130. Cash flow hedges | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfer to profit or loss | - | - |
| c) Other changes | - | - |
| 140. Hedging instruments (non-designated items) | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfer to profit or loss | - | - |
| c) Other changes | - | - |
| 150. Financial assets (other than equity instruments) at fair value through other comprehensive income | - | - |
| a) Fair value gains (losses) | - | - |
| b) Transfer to profit or loss | - | - |
| - impairment losses | - | - |
| - profit/loss on sale | - | - |
| c) Other changes | - | - |
| 160. Non-current assets held for sale and disposal groups | - | - |
| a) Changes in fair value | - | - |
| b) Transfer to profit or loss | - | - |
| c) Other changes | - | - |
| 170. Share of valuation reserves of equity-accounted investees | - | - |
| a) Changes in fair value | - | - |
| b) Transfer to profit or loss | - | - |
| - impairment losses | - | - |
| - profit/loss on sale | - | - |
| c) Other changes | - | - |
| 180. Related tax | - | - |
| 190. Total other comprehensive income (expense) | (77) | (75) |
| 200. Comprehensive income (captions 10 + 190) | 488 | 4,750 |
| 210. Comprehensive income attributable to non-controlling interests | - | - |
| 220. Comprehensive income attributable to the owners of the parent | 488 | 4,750 |

## Section 6 – Related party transactions

### 6.1 Remuneration of key management personnel

| *(€'000)* | 2020 |
|---|---|
| Directors | 662 |
| Statutory auditors | 154 |
| Other key management personnel | 2,156 |
| Total | 2,972 |

Key management and supervisory personnel include the managing director and first level managers (eight in total – one of those has been in office since October 1, 2020).

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

None.

### 6.3 Related party transactions

Related party transactions are generally carried out at market conditions.

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

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

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

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

### *6.3.1 Summary*

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

| *(€'000)* | 2020 FINANCIAL STATEMENTS | Other related parties | | | |
|---|---|---|---|---|---|
| | | BANCA POPOLARE DELL'EMILIA ROMAGNA | BANCO BPM | BANCA POPOLARE DI SONDRIO | CREVAL |
| STATEMENT OF FINANCIAL POSITION - ASSETS | | | | | |
| Financial assets at amortised cost | 5,097,011 | 1,461 | 1,190 | 105 | - |
| a) loans and receivables with banks | 135,561 | 1,461 | 1,190 | 105 | - |
| - current accounts and demand deposits | 8,702 | 1,461 | - | - | - |
| - other | 126,859 | - | 1,190 | 105 | - |
| b) loans and receivables with financial companies | 159,539 | - | - | - | - |
| c) loans and receivables with customers | 4,801,911 | - | - | - | - |
| Other assets | 170,912 | - | - | - | - |
| STATEMENT OF FINANCIAL POSITION - LIABILITIES | | | | | |
| Financial liabilities at amortised cost | 4,695,854 | 780,262 | 839,634 | 286,190 | 297,767 |
| a) Amounts due | 2,732,627 | 780,262 | 839,634 | 286,190 | 297,767 |
| Due to banks | 2,618,929 | 780,262 | 839,634 | 286,190 | 297,767 |
| - current accounts and demand deposits | 2,397,570 | 779,550 | 835,673 | 285,707 | 297,660 |
| - other | 221,359 | 712 | 3,961 | 483 | 107 |
| Due to customers and financial companies | 113,698 | - | - | - | - |
| b) Securities issued | 1,963,227 | - | - | - | - |
| Other liability captions (excluding equity) | 164,136 | - | 580 | 2 | - |
| **Guarantees given** | **2,346** | **-** | **2,346** | **-** | **-** |
| **Guarantees received** | **765,555** | **315,480** | **183,908** | **179,535** | **86,632** |
| **Commitments** | **465,465** | **-** | **-** | **-** | **-** |
| INCOME STATEMENT | | | | | |
| Interest and similar income | 108,024 | - | 13 | - | - |
| Interest and similar expense | (22,164) | (3,258) | (3,747) | (783) | (1,745) |
| Fee and commission income | 21,798 | - | 31 | 1 | - |
| Fee and commission expense | (18,818) | (1,883) | (877) | (1,136) | (561) |
| Net trading income (expense) | - | - | - | - | - |
| **Total income** | **88,840** | **(5,141)** | **(4,580)** | **(1,918)** | **(2,306)** |
| **Depreciation, amortisation and net impairment losses (captions 130, 180 and 190)** | **(59,668)** | **-** | **-** | **-** | **-** |
| Net modification losses | (336) | - | - | - | - |
| Administrative expenses | (45,773) | (33) | (71) | (35) | (34) |
| - personnel expense | (27,500) | - | (19) | (19) | (16) |
| - other administrative expenses | (18,273) | (33) | (52) | (16) | (18) |
| Other operating expense, net | 62,602 | - | - | - | - |
| Other income statement items* | (43,879) | - | - | - | - |
| **Pre-tax profit from continuing operations** | **1,786** | **(5,174)** | **(4,651)** | **(1,953)** | **(2,340)** |

* The entry includes item 290 "Profits/loss of ceased operational activities" before taxes. For further information, see "Part C – information on the consolidated income statement – Section 20"

## Section 8 – Other disclosures

### Fees paid to the independent auditors and their network entities

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

| *(€'000)* | Service recipient | Provider | Fees |
|---|---|---|---|
| Statutory audit | Alba Leasing S.p.A. | KPMG S.p.A. | 127 |
| Other services | Alba Leasing S.p.A. | KPMG S.p.A. | 57 |
| Total A) | Alba Leasing S.p.A. | | 184 |
| Statutory audit | Securitisation vehicles | KPMG S.p.A. | 108 |
| Total B) | Subsidiaries | | 108 |
| Total (A + B) | | | 292 |

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

# Independent Auditors' Report

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

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

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

## Report on the audit of the consolidated financial statements

### *Opinion*

We have audited the consolidated financial statements of Alba Leasing S.p.A. (the "parent") and subsidiaries (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alba Leasing and subsidiaries as at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

### Auditors' responsibilities for the audit of the consolidated financial statements

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

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

We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

## Report on other legal and regulatory requirements

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10*

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2020 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2020 and has been prepared in compliance with the applicable law.

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

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

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

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

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

Milan, 12 April 2021

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

# Report of the board of statutory auditors

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

**ALBA LEASING S.p.A.**

**Report of the board of statutory auditors**

**to the shareholders on the consolidated financial statements as at and for the year ended 31 December 2020**

Dear shareholders,

the consolidated financial statements of the Alba Leasing Group as at and for the year ended 31 December 2020, which we received together with the separate financial statements of Alba Leasing S.p.A., comprise the statement of financial position, the income statement and the statements of comprehensive income, changes in equity and cash flows, prepared using the indirect method, and notes thereto and are accompanied by the directors' report.

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

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

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

Under IAS 27 and SIC 12 "Special purpose entities", Alba Leasing S.p.A. is required to prepare consolidated financial statements that include the securitisation special purpose vehicles (Alba 6 SPV S.r.l., Alba 8 SPV S.r.l., Alba 9 SPV S.r.l., Alba 10 SPV S.r.l. and Alba 11 VH S.r.l.) and the assets and liabilities relating to the banking sub-portfolio portion of the segregated assets managed by the securitisation SPVs that are attributable to the parent under the agreement on securitised loans of 27 December 2009, as supplemented on 2 July 2010, whose effects failed during 2020, as it will be reported.

The arrangement of the consolidated financial statements requires completeness and continuity in the presentation of all risks and benefits connected to the credit portfolio belonging to Alba Leasing; the parent, though not having the right to vote the vehicles, deems that a situation of control on those vehicles exists, as well as on activities connected the mentioned bank sub-portfolio in accordance with IFRS 10, as long as effects cease.

No other structured entities consolidated by Alba Leasing ex lFRS 12 exist.

In this respect, the Board of Directors presented suitable information on the multi-originator securitization operation on non-performing loans by Alba Leasing S.p.A, Banco BPM S.p.A. and Release S.p.A. called “Titan” (see Supplementary Note – Part D – Section 2 – item B). At the date of the consolidated financial statements, Alba Leasing owns a limited percentage of mezzanine notes, junior notes and senior notes. Based on the analysis done, confirmed by the auditors of the parent, the operation is marked by a derecognition on the linked assets and liabilities. The operation generated a loss of €31,449 thousand on sale of assets, net from taxes, recorded at entry 290 (Profits and loss of ceased operational activities, net of taxes) of the consolidated financial statements.

The closure of the last two securitization operations "lTA8" and "lTA11" in 2020, related to the bank sub-portfolio securitizations object of the 2009 Measure on securitized loans, marked the fail of the effects on the Risk and Benefits Agreement of 24 December 2009 on the mentioned sub-portfolio, with the following closure of the related balance sheets; entry 200 of the consolidated financial statements (“Other Operating Revenues”) highlights positive components of €69,891 thousand.

Credit risk adjustments amount to €55,598 thousand, net of recoveries, due to an increased caution in accounting estimates related to the effects of the Covid-19 pandemic on credit exposures, especially the ones object of funding measures.

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

- the consolidated financial statements show a profit for the year of €546,572; (over €4,824,646 in 2019);
- total assets amount to €5,267,923,269 (over €5,288,092,156 in 2019) and equity, net of the profit for the year, amounts to €407,368,844 (over €402,620,849 in 2019);

The consolidated financial statement and balance sheets were issued respecting business continuity, as reported by the Board of Directors in the Report on Consolidated Management and Notes to the financial statements; the Board of Directors also reported on:

- operating performance and its context;
- major events during the performance;
- events after the end of the financial year, deemed not to affect the reported assets, economic and financial values;
- risks of tax litigation;
- Covid-10 impacts and related economic support measures, as requested by the communication of Bank of Italy of 21 January 2021.

The independent auditors issued their audit report on the group’s consolidated financial statements at 31 December 2020 today. This report is unqualified and states that the

consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2020 and of its financial performance and cash flows for the year then ended.
This board notes that the regular reports sent to Bank of Italy are based on the financial figures derived from the consolidated financial statements, since the parent believes that this complies with the substance over form principle, especially with reference to the effects of the agreement on securitised loans. This decision was agreed with Bank of Italy and does not affect the reporting capital calculation.
Finally, in this board's opinion, the consolidated financial statements correctly present the financial position and financial performance of Alba Leasing S.p.A. and its share of the SPVs relating to the banking sub-portfolio covered by the agreement on securitised loans in accordance with the laws referred to earlier.

Milan, 12 April 2021

For the board of statutory auditors
(signed on the original)
Antonio Mele (Chairman)

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

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

1. The undersigned Stefano Rossi and Sandro Marcucci, in their respective capacities as Chief Executive Officer and Financial Reporting Manager of Alba Leasing S.p.A. hereby declare, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the financial statements:
   - were adequate in view of the company's characteristics and
   - were effectively applied during the year ended 31 December 2020

2. In relation and in addition to the present declaration, the Financial Reporting Manager notifies that:
   - assessment of the adequacy and effective application of said administrative and accounting procedures for the preparation of the financial statements as at 31 December 2020 was based on the use of methodologies that were internally defined, coherently with benchmark standards for internal control systems which are widely accepted at international level.

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

Milan, 25 March 2021

Stefano Rossi
Chief Executive Officer

Sandro Marcucci
Financial Reporting Manager

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