Rating Report
Alba 11 SPV S.r.l.

DBRS Morningstar
June 2020

Contents

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Ratings

Debt	Par Amount (EUR)[1]	Tranche Size / Subordination[2]	Coupon	Rating Action Date	Rating Action	Rating[4]
Class A1 IT0005413205	498,700,000	39.6% / 60.0%	3M Euribor + 0.7%	25 June 2020	New Rating	AAA (sf)
Class A2 IT0005413239	300,000,000	23.8% / 36.0%	3M Euribor + 0.85%	25 June 2020	New Rating	AAA (sf)
Class B IT0005413247	143,600,000	11.4% / 24.5%	3M Euribor + 1.35%	25 June 2020	New Rating	AA (low) (sf)
Class C IT0005413254	131,100,000	10.4% / 14.0%	3M Euribor + 1.85%	25 June 2020	New Rating	BB (high) (sf)
Class J IT0005413262	187,000,000	14.8% / 0%	3M Euribor + 2.0%[3]	N/A	Not Rated	N/A

Notes:
1 As at the issue date.
2 Subordination is expressed in terms of portfolio overcollateralisation and does not include any cash collateral or reserve.
3 Additional return, if any, is paid to the Class J noteholder after the variable interest and margin.
4 The ratings of the Class A1 and Class A2 Notes address the timely payment of interest and the ultimate repayment of principal by the final legal maturity date. The ratings of the Class B and Class C notes address the ultimate payment of interest and ultimate repayment of principal by the final legal maturity date while junior to other outstanding classes of notes but the timely payment of interest when they are the senior-most tranche, in accordance with Issuer's default definition provided in the transaction documents (Trigger Event).

	Initial Amount (EUR)[1]	Size	Remark
Asset Portfolio[2]	1,247,827,248	100.00%	
Reserve Fund	12,479,000	1.16%	Of Rated Notes

Notes:
1 As at the issue date.
2 Portfolio outstanding as at the valuation date, 10 May 2020.

Portfolio Summary

Number of Contracts	14,680
Current Principal Balance (excluding residual value)	1,247,827,248
Average Loan Size	85,002
Weighted-Average Remaining Term (years)	5.7
Pools: Vehicles / Equipment / Real Estate / Naval Air Train	20.2% / 56.6% / 22.3% / 1.0%
Largest / Top 10 / Top 20 Borrower Group Exposure	0.6% / 4.6% / 7.7%
Interest Rate: Fixed / Floating	94.7% / 5.3%
Region: North / Centre / South	63.1% / 15.3% / 21.6%
Borrower: Retail / Corporate / Large Corporate / Other	48.2% / 36.6% / 14.9% / 0.3%

On 25 June 2020, DBRS Morningstar assigned ratings of AAA (sf) to the EUR 498.70 million Class A1 Notes due by September 2040 (the Class A1 Notes), AAA (sf) to the EUR 300.00 million Class A2 Notes due by September 2040 (the Class A2 Notes and, together with the Class A1 Notes, the Class

A Notes), AA (low) (sf) to the EUR 143.60 million Class B Notes due by September 2040 (the Class B Notes) and BB (high) (sf) to the EUR 131.10 million Class C Notes due by September 2040 (the Class C Notes and, together with the Class A and Class B Notes, the Rated Notes).

EUR 187.00 million Class J Notes due by September 2040 (the Class J Notes or the junior notes and together with the Rated Notes, the Notes) were also issued under this transaction, but not rated by DBRS Morningstar.

This transaction represents the issuance of Notes backed by a pool of receivables related to lease contracts to Italian retail and corporate customers that were initially granted by Alba Leasing S.p.A. (Alba Leasing or the Originator) and subsequently assigned to Alba 11 SPV S.r.l. (the Issuer). The portfolio is static and comprises lease receivables well balanced between three pools: vehicles (20.0%), equipment (56.6%), and real estate (22.3%). The residual exposure to other leases (aircrafts, naval, and railway) is limited to 1.0%.

Transaction Parties

Roles	Counterparty	Ratings[1]
Issuer	Alba 11 SPV S.r.l.	
Originator, Servicer, Cash Manager, Reporting Entity	Alba Leasing S.p.A.	
Servicer's Owners	Banco BPM S.p.A. (39.2%) BPER Banca S.p.A. (33.5%) Banca Popolare di Sondrio S.C.p.A. (19.3%) Credito Valtellinese S.p.A. (8.1%)	BBB (low) / R-2 (middle) Private Rating BB (high) / R-3
Backup Servicer, Representative of the Noteholders, Calculation Agent, Corporate Services Provider	Securitisation Services S.p.A.	
Sub-Backup Servicers	Agenzia Italia S.p.A. Trebi Generalconsult S.r.l.	
Account Bank, Italian Paying Agent	Citibank N.A., Milan Branch	AA (low) / R-1 (middle)[2]
Principal Paying Agent	Citibank N.A., London Branch	AA (low) / R-1 (middle)[2]
Listing Agent	A&L Goodbody	
Quota Holders	Stichting Taleschi	
Stichting Corporate Services Provider	Wilmington Trust SP Services (London) Limited	
Class A1, Class B, Class C, and Class J Noteholder	Alba Leasing S.p.A.	
Class A2, Class B, and Class C Noteholder	European Investment Bank	AAA / R-1 (high)
Joint Arrangers	Banca IMI S.p.A. Société Général S.A. Banca Akros S.p.A.	 A (high) / R-1 (middle) BBB (low) / R-2 (middle)

1 Ratings represent Long-Term and Short-Term Issuer ratings unless otherwise specified.
2 Ratings assigned to Citibank N.A.

Relevant Dates

Issue Date	25 June 2020
Initial Rating Date	25 June 2020
Final Portfolio Cutoff Date	10 May 2020
First Payment Date	28 September 2020
Frequency of Payments	Quarterly
Payment Dates	27th day of March, June, September and December (or following business day)
Interest Periods	From the issue date to the first payment date and each calendar quarter ending on a payment date thereafter
Collection Periods	Each calendar quarter ending on the last calendar day of the month preceding a payment date
Payment Report Dates	Five business days prior to each payment date
Investor Report Dates	The day after each payment date
Legal Maturity Date	27 September 2040

Issuer	Alba 11 SPV S.r.l.
Transaction Jurisdiction of Incorporation	The Issuer is incorporated under Italian law
Asset Governing Jurisdiction	The Originator is incorporated under Italian law and the loan contracts connected to the receivables are governed by Italian law
Sovereign Rating	BBB (high), Negative Trend
Asset Comprising the Underlying Collateral Portfolio	Financial rights arising from regular instalments (excluding residual value) of lease contracts granted for the use the following assets: • Pool No. 1: Vehicles • Pool No. 2: Equipment • Pool No. 3: Real Estate • Pool No. 4: Ships and vessels, aeroplanes, or trains

Rating Considerations

DBRS Morningstar's ratings are based on its review of the following analytical considerations:

- The transaction’s capital structure and sufficiency of available credit enhancement (CE).
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms of the transaction documents.
- The Originator’s financial strength and its capabilities with respect to origination, underwriting, and servicing.
- The credit quality of the collateral and the ability of the servicer to perform collection activities on the collateral.
- The structure of the priorities of payments.
- The consistency of the legal structure with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology and presence of legal opinions addressing the true sale to the trust and nonconsolidation of the Issuer.

Extraordinary Rating Considerations as a Result of COVID-19

The Coronavirus Disease (COVID-19) and the resulting isolation measures have caused an economic contraction, leading to sharp increases in unemployment rates and income reductions for many borrowers. DBRS Morningstar anticipates that delinquencies may arise in the coming months for many small and medium-size enterprise (SME) transactions, some meaningfully. The ratings are based on additional analysis and adjustments to expected performance as a result of the global efforts to contain the spread of the coronavirus.

The DBRS Morningstar Sovereign group released on 16 April 2020 a set of macroeconomic scenarios for the 2020-22 period in select economies. These scenarios were updated on 1 June 2020. For details see the following commentaries: *Global Macroeconomic Scenarios: June Update* and *Global Macroeconomic Scenarios: Application to Credit Ratings* with the moderate scenario in the referenced reports.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: https://www.dbrsmorningstar.com/research/357883.

For more information regarding structured finance rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: https://www.dbrsmorningstar.com/research/358308.

For more information on DBRS Morningstar considerations for European ABS transactions and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar commentary: https://www.dbrsmorningstar.com/research/360734.

For more information on DBRS Morningstar considerations for European Structured Credit transactions and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar commentary: https://www.dbrsmorningstar.com/research/361098.

Strengths

- The liquidity support provided by the amortising cash reserve (CR) to cover shortfalls of expenses, senior fees, and interest on the Class A1 and Class A2 notes, and interest on the Class B and Class C notes (if the related interest subordination event has not occurred) as well as principal shortfalls at the final maturity date in September 2040.
- The residual value component of the underlying financial lease contracts has not been securitised. Although the final optional instalment is technically assigned to the issuer, the related purchase price is only payable upon exercise of the option by the lessor thus keeping the Issuer neutral to the residual value risk.
- The weighted-average life of the portfolio is 3.1 years, whereas the weighted-average remaining term is 5.7 years. The relatively limited exposure to real estate leases (unusual in Italian lease transactions) means that the weighted-average life is relatively short.
- The portfolio has a good industry diversification, although it exhibits some concentration in the Building & Development sector (15.6% of the initial portfolio) as per DBRS Morningstar's industry classification. The second- and third-largest industries, Surface Transport and Nonferrous metals/minerals, represent 12.7% and 10.0%% of the pool, respectively.
- The transaction is not exposed to set-off risk as Alba Leasing is not a bank and does not offer deposits.

Challenges

- **Limited Historical Data:** The portfolio includes air/naval/rail lease receivables for which limited historical data is available.
  Mitigant: DBRS Morningstar derived conservative assumptions with regards to its base-case probability of default (PD). The portion of such product is very limited (1.0% of the initial portfolio).
- **Top Borrower Concentration:** Lease contracts are granted to corporates and large corporates (36.6% and 14.9% of the initial portfolio, respectively), but also to retail clients (48.2%).
  Mitigant: The portfolio is granular with the exposure to the largest one, ten and 20 borrower groups representing 0.6%, 4.6% and 7.7% of the portfolio balance, respectively.
- **Interest Rate Mismatch:** The transaction does not include hedging agreements.
  Mitigant: The Notes and 94.7% of the initial portfolio are floating rate. Floating-rate receivables are mostly indexed to three-month Euribor. DBRS Morningstar factored the effect of the interest rate mismatch in accordance with its methodology and the rating level. The exposure to basis and repricing risk has been also addressed in the DBRS Morningstar analysis.
- **Permitted Variations:** The Servicer's ability to modify some of the original terms of the loan agreements within specified limits, which could increase the interest rate risk and the weighted-average life of the portfolio.
  Mitigant: This Servicer flexibility is common in balance sheet securitisations. DBRS Morningstar has assumed the portfolio to be based on the maximum amount of permitted variations allowed under the Servicing Agreement.
- **Commingling Risk:** Collections in the Servicer's account may be commingled within its estate in case of default.
  Mitigant: Alba Leasing has opened a dedicated account with Intesa SanPaolo S.p.A. to collect customers' payment, thus removing the source of potential commingling risk. All borrowers pay by direct debit.

Transaction Structure

Transaction Summary		
Currency	Euros	
Relevant Jurisdictions	The Issuer and the Originator are incorporated in Italy. All financial lease contracts connected to the receivables are regulated by Italian law. The transaction documents (including the underwriting agreement) are regulated by Italian law.	
Reserve Fund	Provides liquidity support over the life of the deal and can be used to repay principal upon amortisation and on the payment date when the rated notes can be repaid in full.	
	Initial Amount	EUR 12,479,000
	Target Amount	1.16% of the outstanding amount of the Rated Notes
	Amortisation	Applies with the amortisation of the Notes
	Floor	EUR 5,367,000 (until fully released)

Counterparty Assessment

The Issuer

The Issuer is a special purpose vehicle (SPV), incorporated and registered in the Republic of Italy as a limited liability company (*società a responsabilità limitata*) and enrolled in the official list held by the Bank of Italy (*elenco delle società veicolo*).

The Issuer was established with the exclusive purpose to enter into this securitisation transaction. Within the scope of its role, it is permitted to purchase receivables, to issue securitisation notes, to enter into the relevant transaction documents and to carry out the activities related to securitisation transactions.

The Issuer has no subsidiaries or employees and it has a unique shareholder, Stichting Taleschi, an independent charitable institution set up in the Netherlands. The Issuer is managed by an independent director appointed by the sole shareholder.

The Issuer has not carried on any business or activities other than those incidental to its incorporation, the authorisation and the other activities incidental to the exercise of its rights and compliance with its obligations under the transaction. The Issuer does not directly conduct any activity and thus has no employees of its own; however, it appointed the transaction parties to conduct all activities necessary to its existence and the management of this securitisation transaction.

Pursuant to the terms of the transaction documents, the corporate services provider and the stichting corporate services provider will source certain other corporate and administration services to the Issuer in consideration for the payment by the Issuer of an annual fee. Likewise, the Issuer has mandated the other transaction parties to conduct all the activities necessary to the continuation of this transaction.

With the deed of pledge, in addition and without prejudice to the segregation provided by the Italian law, the Issuer has mandated the representative of the noteholders to enforce its own contractual rights, arising in relation to the assets backing the Notes and the transaction documents, to the benefit of the noteholders and the other parties of the transaction documents, in particular, in case any of the transaction parties should breach the contractual terms.

Account Bank

Citibank N.A., Milan Branch (Citibank, Milan) was appointed the Issuer's account bank and Italian paying agent for the transaction and Citibank N.A., London Branch was appointed the Issuer's principal paying agent. All the Issuer's funds, including the reserve fund and the collections transferred by the servicer within one business day from receipt, are held on accounts opened and maintained in name of the Issuer with the account bank.

DBRS Morningstar maintains the following ratings on Citibank N.A. and concluded that Citibank, Milan meets the requirements to act as account bank.

Citibank N.A.

Debt Rated	Rating	Trend
Long-Term Senior Debt and Long-Term Deposits	AA (low)	Stable
Short-Term Instruments	R-1 (middle)	Stable
Long-Term Issuer Rating	AA (low)	Stable
Short-Term Issuer Rating	R-1 (middle)	Stable

The transaction documents contain downgrade provisions with respect to account bank consistent with DBRS Morningstar criteria as at the date of this report.

In the context of this transaction, the account bank provided certain representations and warranties, including:

- The transaction accounts (including the collection account but excluding the expenses account) have been treated and maintained in accordance with the segregation provisions set forth under Italian securitisation law.
- Acknowledged that any sum standing to the credit of such is not part of the assets of the account bank and is segregated so that such sums can be attached only by the noteholders.
- Undertook to keep any such amount segregated and to keep appropriate and separate evidence in its accounting books.
- Acknowledged and agreed that it shall have no right to set off any amounts due for any reason whatsoever from the Issuer.
- Undertook to promptly inform the Issuer of the receipt of any request asserting any right or claim from any third party in relation to the Issuer's accounts.

DBRS Morningstar notes that some of these undertakings may not be enforceable in case of insolvency or liquidation of the account bank. However, the downgrade provisions are deemed satisfactory mitigating factors consistent with DBRS Morningstar criteria.

Originator and Receivables' Seller

The receivables backing the Notes were assigned by Alba Leasing as the receivables' seller. The receivables are related to financial lease contracts (*contratti di locazione finanziaria*) granted by Alba Leasing to SMEs as well as to individual enterprises with their registered offices in Italy. Securitised leases are originated by Alba Leasing in its normal course of business.

DBRS Morningstar conducted an updated operational review of Alba Leasing's Italian leasing operations in March 2020. DBRS Morningstar considers Alba Leasing's origination and servicing practices to be consistent with other Italian leasing companies.

Alba Leasing is an Italian leasing company established at the beginning of 2010. The shareholders group is composed of four major Italian cooperative banks including, in order of ownership share:

- Banco BPM S.p.A. (39.2%),
- BPER Banca S.p.A. (33.5%)
- Banca Popolare di Sondrio S.C.p.A. (19.3%), and
- Credito Valtellinese S.p.A. (8.1%).

Credito Valtellinese S.p.A. is the most recent bank to invest in Alba Leasing, becoming a shareholder in August 2014.

Since its creation, Alba Leasing has grown steadily and as of the end of 2019 its leasing contract portfolio totalled approximately EUR 5.4 billion, supported by a Tier 1 capital ratio close to 8.9%. The company is supported by a highly skilled staff, with strong experience in the Italian leasing market, and its entire senior management team has been with the company since its inception.

As of end-December 2019, Alba had originated over 12,600 new leasing contracts valued at EUR 1.53 billion, exceeding previous years' origination volumes by value.

New business for 2019 mainly focused on equipment leasing and real estate leasing with 43% and 38% originated, respectively, in terms of volume by number of contracts. Alba Leasing also originated 15% of contracts relating to automotive leasing.

Further information about the origination procedures can be found in this report's appendix.

Alba Leasing, as the Originator and the receivables' seller, renders certain representations and warranties relating to the receivables assigned on or about the issue date, including:

- Existence, validity, and enforceability of the receivables;
- None of the transferred receivables was a defaulted receivable or a delinquent receivable (i.e. with one instalment in arrears for more than 30 days) as at the moment of the assignment;
- The relevant financial rights relating to the receivables can be assigned and were validly assigned to the Issuer;
- None of the assigned contracts provides for the explicit option for early settlement;
- The assigned receivables are exempt from set-off claims from third parties and from lessors;
- The seller has exclusive title to the receivables and the corresponding assets;
- The receivables and the relevant assets comply with all relevant regulations (including planning and building regulations for the real estate pool);
- The originator has not entered into any swap or other derivative with the assigned lessees;
- The receivables and their related loan contracts respect the eligibility criteria set out in the transaction documents;
- The assets are not under enforcement proceedings or similar legal actions by third parties.

The Issuer retains the right to bring indemnification claims against the seller and Originator if purchased receivables do not exist, cease to exist or prove not to have been legally valid upon assignment. However, the Issuer is exposed to obligors' credit risk as well as liquidity risk (in relation to timely availability of funds) and the seller does not grant any guarantees or warrants the full and timely payment by the obligors of any sums payable.

Servicing and Management of Collections

Alba Leasing is appointed by the Issuer to service the receivables in accordance with the terms' servicing agreement. Pursuant to the servicing mandate, Alba Leasing has undertaken to manage the relationship with lessees (*utilizzatori*) and to invoice, collect, solicit, or instruct its payments under the receivables on behalf of the Issuer, but in accordance with their own practice.

The servicer manages delinquent receivables, directly conducting or outsourcing to specialised parties the arrears management process and the amicable collection process based on the credit and collection policies agreed with the Issuer in the transaction documents. More details are included in the appendix of this report ("Servicing").

The servicer is also responsible of timely identification of defaulted receivables in accordance with the definition included in the transaction documents. For this transaction, the definition requires classification as defaulted receivable upon the earlier of (1) an internal definition, i.e. internal classification as unlikely-to-pay (*inadempienza probabile*) or termination (*sofferenza*), or (2) an instalment in arrears[1] for more than 180 days or six arrears monthly instalments (or next equivalent for other frequencies). After classification of the receivable to defaulted, the servicer conducts the recovery process. More details are included in the appendix of this report ("Servicing").

The credit and collection process regulates the criteria the servicer applies to terminate the underlying lease contracts on behalf of the Issuer and the write-off. In the context of the ordinary recovery process, the servicer disposes of the asset and proceeds of sale of the asset must be applied first towards the securitised receivables (that do not include the residual value instalment) and the remaining portion, if any, will be retained by the seller to offset the residual value exposure.

The Servicer receives payments by lessees and the other payments related to the receivables (collections) on a dedicated collection account held with Intesa SanPaolo S.p.A., which DBRS Morningstar rates publicly as follows:

Intesa SanPaolo S.p.A.

Debt Rated	Rating	Trend	Latest Rating Date
Long-Term Critical Obligation Rating	A	Negative	12 May 2020
Short-Term Critical Obligation Rating	R-1 (low)	Stable	12 May 2020
Long-term Senior Debt and Long-Term Deposits	BBB (high)	Negative	12 May 2020
Short-Term Debt and Short-Term Deposits	R-1 (low)	Negative	12 May 2020
Long-Term Issuer Rating	BBB (high)	Negative	12 May 2020
Short-Term Issuer Rating	R-1 (low)	Negative	12 May 2020

The servicer has procured that, as long as payments by lessees are made (or received in case of direct debit) on the servicer collection account, separate accounting will be maintained for such account. Collections received on the servicer collection account (held by the servicer) are transferred on a daily basis to the collection held by the Issuer with the account bank.

1. According to the transaction definitions, an instalment is considered "in arrears" when it is totally or partially unpaid and remains such for more than 30 days. Instalments unpaid for less than 30 days are considered current (*in bonis*).

Securitisation Services S.p.A. is the named "warm" backup servicer on the transaction. Securitisation Services has been actively engaged with both Alba Leasing and the backup subservicers, Trebi Generalconsult S.r.l. (IT systems) and Agenzia Italia S.p.A. for loan management. The subservicers have been selected because they have the adequate skills, employees, professional qualifications and experience necessary to manage the types of leases and receivables included in the Alba Leasing transaction.

Securitisation Services has drafted a 'crisis plan' outlining the activities to be undertaken upon invocation of the backup agreement following servicer termination. The plan includes details on the operational processes as well as timelines and all activities are to be completed within 15 to 30 days of invocation. A full data dictionary and data mapping of the portfolio is in process and following the close of the transaction. Securitisation Services will have access to loan-by-loan data, regularly updated as defined in the transaction documents.

Securitisation Services is a registered Article 107 servicing company under Italian law (since 2001) and is currently providing securitisation and tax reporting services as well as ongoing portfolio surveillance as 'master servicer' for over 50 Italian securitisation totalling approximately EUR 11 billion. Securitisation Services is also the primary servicer for nine Italian transactions totalling EUR 1.6 billion and the named backup servicer in 18 transactions, including mortgages, leases, SME, and covered bonds. Securitisation Services currently employs approximately 60 people and senior management and department heads average 20 and ten years' experience, respectively.

As part of the operational review process, Securitisation Services provided information to DBRS Morningstar regarding the operations, management experience, and existing portfolio (both active servicing and backup). DBRS Morningstar considers the backup servicing arrangement 'warm'.

DBRS Morningstar believes that Securitisation Services is adequately positioned to assume the servicing role from Alba Leasing should a transfer event occur.

Collections include:

- Payment of regular lease instalments (including principal and interest but not residual value) under the securitised lease contracts by lessees (or their guarantors).
- Indemnities paid by insurance companies in relation to securitised lease contracts to the extent that the indemnity covers the outstanding securitised debt (including overdue interest), typically paid by the insurance company to the seller as the appointed beneficiary of the policy.
- Recoveries paid by lessees (or their guarantors) under defaulted receivables, to the extent that the collected amount does not exceed the outstanding securitised debt (including overdue interest).
- Payments of indemnities by the originator and/or the seller in relation to breach of representation or warranties rendered.
- Proceeds of sale of receivables, including repurchase by the seller.

The servicer transfers collections to the Issuer's accounts held with the account bank by the next business day from receipt of the amounts or from the moment the amount has been identified and recognised. If the servicer becomes insolvent, collections may be commingled within the defaulted entity's estate.

The servicer is also responsible to periodically report the status of the portfolio and the collections made during the reporting period (the servicer report). The report is delivered to some transaction parties and to the Issuer.

Other Funds

The Issuer's principal source of funds is the collections made under the portfolio, including other ancillary amounts payable in connection to the portfolio such as payments of indemnities by the seller and/or the originator (in this case Alba Leasing in both roles).

However, the Issuer's funds include other amounts such as:

- The reserve fund; and
- Interest earned on the Issuer's accounts (when the interest rate is positive).

The Reserve Funds

On the issue date, the EUR 12,479,000 reserve fund (Debt Service Reserve) is funded by the Originator (as the Class J Notes subscriber) through part of the proceeds of subscription of the Class J Notes.

The reserve is initially equal to 1.0% of the collateral portfolio and forms part of the available funds on each payment date when it can be used to pay senior expenses, interest on the Class A1 and Class A2 notes, and the interest on the Class B and Class C notes prior to the occurrence of the relevant subordination event (as detailed in the next section), but does not offset potential credit loss caused by defaulted receivables, as it cannot be used to reach the target of repayment of principal under the Rated Notes. On the last payment date when all of the Rated Notes can be repaid in full, the reserve can be used to repay the Rated Notes (including the Class C Notes).

The reserve fund amortises with the amortisation of the Notes. It is initially set at 1.16% of the Rated Notes and on each payment date it has to be replenished to its target corresponding to 1.16% of the outstanding amount of the Rated Notes (before the principal repayment on that payment date) but never less than EUR 5,367,000, corresponding to 0.5% of the initial amount of the Rated Notes.

Use of Funds

The principal source of payment of interest and of repayment of principal on the Notes will be the collections made in respect of the receivables arising out of lease contracts (including recoveries under defaulted receivables and indemnities payable by the originator and/or seller).

The Issuer pays the transaction parties (including the directors and the entities providing it with all services) and the noteholders only on set dates (the payment dates). All the transaction parties have agreed to be paid on the payment dates and with limited recourse to the Issuer's available funds on a specific date. To allocate funds to its creditors, the Issuer applies a priority of payments specified in the transaction documents. The Issuer has delegated the corporate servicer to pay its small expenses necessary for its daily activity from an expenses account of EUR 25,000 that is replenished on each payment date.

On each payment date, the issuer allocates collections relating to the collection period ending before the payment date and the other available funds. The amount of funds available is determined with the information provided by the servicer in its periodic report.

Prior to its liquidation, the Issuer applies a single combined priority of payments as summarised below.

1	Fees and Expenses (including replenishment of the expenses account)
2	Interest on the Class A1 and Class A2 notes, pari passu and pro rata
3	Interest on the Class B Notes prior to the Class B Interest Subordination Event
4	Interest on the Class C Notes prior to the Class C Interest Subordination Event
5	Replenish the reserve fund up to its target, prior to a release date
6	To pay principal under the Class A1 Notes up to the target for amortisation
7	To pay principal under the Class A2 Notes up to the target for amortisation, after the full redemption of the Class A1 Notes
8	Interest on the Class B Notes after the Class B Interest Subordination Event
9	To pay principal under the Class B Notes up to the target for amortisation, after the full redemption of the Class A Notes
10	Interest on the Class C Notes after the Class C Interest Subordination Event
11	Pay principal under the Class C Notes up to the target for amortisation, after the full redemption of the Class A Notes and Class B Notes
12	Any residual amount to the Payment Account after the occurrence of the Cash Trapping Condition
13	To pay any other amount due and payable to the transaction parties (including indemnities) other than the deferred purchase price
14	Interest on the Junior Notes
15	Pay principal under the Junior Notes, after the full redemption of the Class A Notes, Class B Notes, and Class C Notes and so that the outstanding amount of the Junior Notes is not lower than EUR 100,000
16	To pay the originator the deferred purchase price

Target Amortisation Amount: Principal amount outstanding of the notes minus the collateral portfolio minus the Debt Service Reserve Amount.

Class B Interest Subordination Event: Gross cumulative default ratio higher than 35.0%.

Class C Interest Subordination Event: Gross cumulative default ratio higher than 12.5%.

Cash Trapping Condition: Gross cumulative default ratio is higher than the following ratios:

Payment Date	Applicable Level
September and December 2020	3.25%
December 2020	3.25%
March 2021	3.75%
June 2021	4.5%
September 2021	5.0%
December 2021	6.0%
March and June 2022	6.5%
September 2022 and thereafter	7.5%

Liquidation of the Issuer

If on any payment date the Issuer misses any payment of interest under the most senior class of notes (given that Class A1 and Class A2 Notes rank pari passu with respect to payment of interest) or upon occurrence of some other circumstances specified in the transaction documents (Trigger Event), a liquidation priority of payments is applied thereafter.

Some of the liquidation events are summarised below (note that the list is not exhaustive and for complete details the transaction documents or prospectus should be reviewed):

- Missed interest payment of interest under the most senior class of notes (not remedied within five business days).
- Failure to repay principal under the notes by the legal final maturity date.
- Insolvency of the issuer.
- Breach of obligations not remedied within 30 calendar days.
- Breach of representation and warranties by the Issuer.
- Unlawfulness.

The events of liquidation are events of default of the issuer or follow the full repayment of the notes and thus are generally not relevant for the rating.

1	Fees and Expenses
2	Interests on the Class A1 and Class A2 Notes, pari passu and pro rata
3	Principal on the Class A1 and Class A2 Notes, pari passu and pro rata
5	Interests on the Class B Notes
6	Principal on the Class B Notes
7	Interests on the Class C Notes
8	Principal on the Class C Notes
9	To pay any other amount due and payable to the transaction parties (including indemnities) other than the deferred purchase price
10	Interest on the Junior Notes
11	Principal on the Junior Notes
12	To pay the originator the deferred purchase price

The liquidation priority of payments is also applied in the event of a clean-up call on the originator’s option or upon a legal or tax event.

Optional Redemption

Pursuant to the transaction documents, unless previously redeemed in full, the Issuer may redeem all the Rated Notes (in whole but not in part), and the junior notes (in whole or, subject to the prior consent of the junior noteholders, in part) when the aggregate of the outstanding portfolio is equal to or less than 10.0% of the initial amount.

The Collateral Portfolio

The receivables backing the notes are monetary obligations of lessees arising from financial lease contracts (*contratti di locazione finanziaria*) stipulated between Alba Leasing, as the lessor, and the lessees (*utilizzatori*) for the use of some assets of various types.

Pursuant to the lease contracts, the originator retains full title over the assets, which can be transferred to the relevant lessees upon exercise of the purchase option through the payment of the final instalment which includes the residual value of the asset (*riscatto*) and the related interest component. All lease contracts related to receivables comprising the collateral portfolio include such option and are thus financial leases (*leasing finanziari*).

The lessees have a duty to maintain the leased asset (pay the maintenance costs) and pay the relevant taxes. All contracts also require full-cover insurance to protect the asset that has the originator as its beneficiary and that the lessees must pay for. In certain cases, Alba Leasing mediates the sale of the insurance cover (but does not directly provide any insurance service) and may collect the periodic premium with the monthly instalment that then swipes to the insurer. Taxes and other costs or fees are usually paid with the lease instalment although they do not form part of the assigned receivables.

Receivables can be broadly grouped based on the nature of the underlying assets into:

- Auto or vehicle leases,
- Equipment leases,
- Real estate leases,
- Ship and vessel (naval), aircraft, and railway leases.

On or about the transfer date, Alba Leasing transferred about EUR 1.247,83 million of receivables selected in accordance with some criteria (eligibility criteria). The initial price to be paid for the assignment will be calculated as the aggregated principal outstanding of the selected leases, excluding all amounts related to residual value. Residual values, although formally transferred to the Issuer, are not paid unless and until the lessees have exercised their options. The purchase price payable on the issue date only comprises the principal excluding residual and was paid by the Issuer with the proceeds of subscription of the notes.

As of 10 May 2020, the collateral pool comprised 14,680 contracts with the average size of the contracts being EUR 85,002. The pool is granular, where the largest obligor group accounts for 0.6% of the outstanding principal and the top 20 obligors (at group level) represent 7.7%.

The portfolio is static and the amortisation will start on the first payment date in September 2020.

Eligibility Criteria

The Originator selects the initial portfolio by applying eligibility criteria including the following selection criteria:

- Entered into by Alba Leasing as lessor,
- Governed by Italian law,
- Granted to companies based or professionals residing in the Republic of Italy,
- Denominated in euros,
- With the first instalment already paid by the debtor,
- Not classified as "defaults" and with no more than one instalment in arrears by 30 days,
- Effective date of the leasing after 1 January 2010,
- Payment date of the last instalment not falling after 1 June 2035,
- Have at least two outstanding instalments,
- Paying on a monthly, two-monthly, quarterly or semiannual basis,
- Paying a fixed or floating interest rate (the latter indexed to one-month, three-month or six-month Euribor),
- Current balance higher than EUR 5,000,
- Loans with French amortisation plan.

Are excluded from the selection the following:

- One instalment (*canone anticipato*) of the relevant amortisation plan has not been regularly paid,
- Leases granted in favour of employees of Alba Leasing or companies connected to it,
- Disbursed pursuant to certain contributions or subsidies made by third entities (including Legge Sabatini and Legge Sabatini -bis, InnovFin guarantee granted by the EIF),
- Debtors with SAE Code 247 (monetary mutual funds), 245 (banking system), 300 (Bank of Italy), 248 (electronic money institutions), 101 (Cassa Depositi e Prestiti S.p.A.).

Portfolio Summary

DBRS Morningstar has analysed the initial portfolio selected by Alba Leasing as at 10 May 2020. The main characteristics of the portfolio are summarised below:

Portfolio Collateral Balance Summary (as of 10 May 2020)	
Number of Loans	14,680
Number of Borrowers	9,380
Number of Borrower Groups	9,455
Outstanding Balance	1,247,827,248
Average Loan Size	85,002
Weighted-Average Remaining Term (years)	5.7
Weighted-Average Seasoning (years)	1.3
Weighted-Average Original Term (years)	7.0
Weighted-Average Coupon (fixed rate loans)	2.2%
Weighted-Average Margin (floating rate loans)	2.6%
Residual Value (% on Outstanding Balance)	4.8%

Type of Collateral	Current Balance	Current Balance %	No. Loans	No. of Loans %
P1 – Vehicles	251,563,280	20.2%	5,773	39.3%
P2 – Equipment	705,723,215	56.6%	7,947	54.1%
P3 – Real Estate	278,440,642	22.3%	920	6.3%
P6 – Air/Naval/Train	12,100,111	1.0%	40	0.3%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Days Principal Arrears	Current Balance	Current Balance %	No. Loans	No. of Loans %
Performing	1,236,450,205	99.1%	14,543	99.1%
0-30 days	11,377,043	0.9%	137	0.9%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Payment Holiday	Current Balance	Current Balance %	No. Loans	No. of Loans %
No	697,760,346	55.9%	8,254	56.2%
Principal & Interest	488,799,099	39.2%	5,790	39.4%
Principal Only	61,267,803	4.9%	636	4.3%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Borrower Location by Region	Current Balance	Current Balance %	No. Loans	No. of Loans %
Lombardy	381,307,947	30.6%	4,204	28.6%
Emilia Romagna	168,233,315	13.5%	2,216	15.1%
Veneto	144,056,071	11.5%	1,478	10.1%
Campania	89,762,442	7.2%	1,098	7.5%
Lazio	83,437,244	6.7%	970	6.6%
Tuscany	57,484,613	4.6%	660	4.5%
Piedmont	55,202,562	4.4%	638	4.3%
Apulia	51,804,819	4.2%	639	4.4%
Sicily	47,918,422	3.8%	684	4.7%
Marche	34,413,582	2.8%	272	1.9%
Abruzzo	33,815,354	2.7%	508	3.5%
Others (each <2.0%)	100,390,880	8.0%	1,313	8.9%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Interest Rate Type	Current Balance	Current Balance %	No. Loans	No. of Loans %
Floating Rate	1,181,145,905.72	94.7%	13,768	93.8%
Fixed Rate	66,681,342.38	5.3%	912	6.2%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Interest Rate Index	Current Balance	Current Balance %	No. Loans	No. of Loans %
One-month Euribor	3,338,189	0.3%	18	0.1%
Three-month Euribor	903,440,308	72.4%	11,344	77.3%
Three-month Euribor (Minus margins ranging between 0.15 and 0.35)	274,367,409	22.0%	2,406	16.4%
Fixed Rate	66,681,342	5.3%	912	6.2%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Principal/Interest Payment Frequency	Current Balance	Current Balance %	No. Loans	No. of Loans %
Bimonthly	2,278,131	0.2%	7	0.0%
Monthly	1,220,859,910	97.8%	14,107	96.1%
Quarterly	24,677,842	2.0%	565	3.8%
Semi Annually	11,365	0.0%	1	0.0%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Amortisation Type	Current Balance	Current Balance %	No. Loans	No. of Loans %
French	1,247,827,248	100.0%	14,680	100.0%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Payment Type	Current Balance	Current Balance %	No. Loans	No. of Loans %
Direct Debit	1,247,827,248	100.0%	14,680	100.0%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

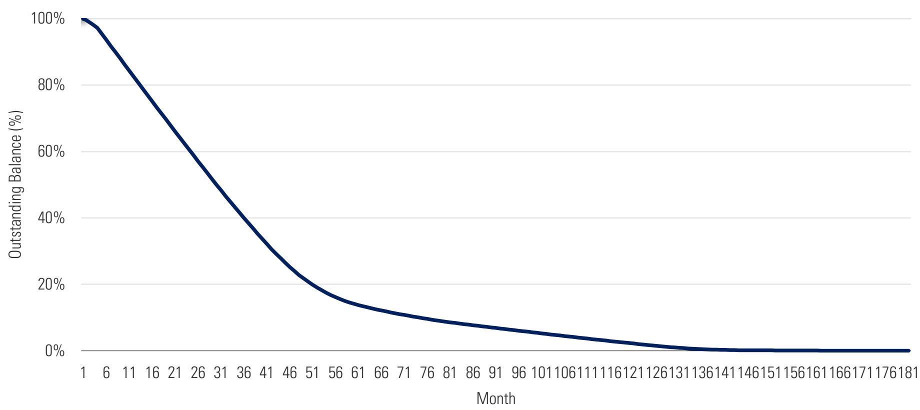
Borrower Type (Internal Definition)	Current Balance	Current Balance %	No. Loans	No. of Loans %
Retail	601,073,294	48.2%	9,617	65.6%
Corporate	456,707,852	36.6%	3,764	25.6%
Large Corporate	185,688,583	14.9%	1,227	8.4%
Not Defined	2,584,594	0.2%	28	0.2%
Financial Intermediaries	1,772,926	0.1%	44	0.3%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Borrower Industry Sector Classification	Current Balance	Current Balance %	No. Loans	No. of Loans %
Building & Development	194,769,444	15.6%	2,108	14.4%
Surface Transport	158,632,643	12.7%	2,119	14.4%
Nonferrous Metals/Minerals	125,020,788	10.0%	929	6.3%
Business Equipment & Services	85,795,679	6.9%	1,198	8.2%
Industrial Equipment	78,095,333	6.3%	845	5.8%
Healthcare	71,475,219	5.7%	919	6.3%
Retailers (except food & drug)	63,842,055	5.1%	773	5.3%
Chemicals & Plastics	53,552,483	4.3%	445	3.0%
Food Products	49,261,415	3.9%	591	4.0%
Equipment Leasing	37,762,845	3.0%	755	5.1%
Steel	33,349,632	2.7%	225	1.5%
Automotive	31,308,350	2.5%	380	2.6%
Food/Drug Retailers	30,618,182	2.5%	423	2.9%
Forest Products	30,404,072	2.4%	218	1.5%
Food Service	29,900,254	2.4%	568	3.9%
Ecological Services & Equipment	29,140,772	2.3%	345	2.4%
Others (each <2%)	144,898,083	11.6%	1,839	12.5%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Largest Borrower Groups Exposures

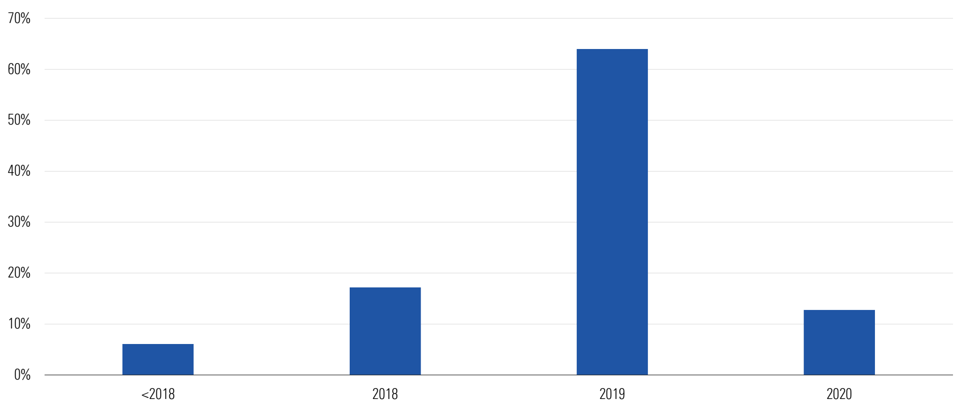
Industry Sector	Region	Current Balance	Current Balance %	No. Loans	No. of Loans %
Equipment Leasing	Emilia Romagna	7,212,866	0.6%	425	2.9%
Healthcare	Lazio	6,232,153	0.5%	20	0.1%
Equipment Leasing	Piedmont	6,227,166	0.5%	16	0.1%
Surface Transport	Emilia Romagna	6,188,731	0.5%	3	0.0%
Equipment Teasing	Lombardy	5,974,320	0.5%	4	0.0%
Nonferrous Metals/Minerals	Veneto	5,477,388	0.4%	6	0.0%
Food Products	Emilia Romagna	5,368,708	0.4%	5	0.0%
Retailers (except food & drug)	Abruzzo	5,239,057	0.4%	24	0.2%
Healthcare	Veneto	5,168,677	0.4%	3	0.0%
Industrial Equipment	Veneto	4,813,110	0.4%	2	0.0%
Top 10		**57,902,178**	**4.6%**	**508**	**3.5%**
Top 20		**96,338,167**	**7.7%**	**576**	**3.9%**
Top 50		**176,001,177**	**14.1%**	**746**	**5.1%**
Top 100		**254,449,978**	**20.4%**	**990**	**6.7%**

Exhibit 1 Portfolio Amortisation Profile



Source: DBRS Morningstar.

Exhibit 2 Origination Year



Source: DBRS Morningstar.

Rating Analysis

The DBRS Morningstar ratings of the notes address the timely payment of interest and full repayment of principal in accordance with the terms of the transaction documents. DBRS Morningstar based the ratings primarily on the following:

- The transaction's capital structure and the form and sufficiency of available credit enhancement in the form of (1) subordination, (2) reserve funds, and (3) excess spread.
- The ability of the transaction's structure and triggers to withstand stressed cash flow assumptions in order to timely pay interest and ultimately repay the principal under the notes before the legal maturity date according to the terms of the transaction documents.
- Alba Leasing's capabilities with respect to originations and underwriting.
- Alba Leasing's financial situation and its capabilities with respect to servicing.
- The presence of Securitisation Services S.p.A., Agenzia Italia S.p.A. and Trebi Generalconsult S.r.l, respectively, as the appointed backup servicer and the appointed sub-backup servicers, and their capabilities in that respect.
- DBRS Morningstar conducted an updated operational risk review of Alba Leasing in March 2020, and deems it an acceptable originator and servicer.
- The credit quality of the collateral and ability of the servicer to perform collection activities on the collateral.
- The sovereign rating of the Republic of Italy, currently at BBB (high) with a Negative trend.
- The legal structure and presence of legal opinions addressing the assignment of the assets to the issuer and consistency with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology.

Default and Recovery Assumptions

Asset Analysis

DBRS Morningstar used the SME Diversity Model to determine a lifetime default rate at the rating levels. The SME Diversity Model takes key loan-by-loan information of the securitised portfolio by incorporating the individual amortisation plans as well as individual borrower industries and base-case annual PDs derived from DBRS Morningstar's analysis of the historical data provided. The SME Diversity Model employs a Monte Carlo simulation to determine cumulative default rates (or hurdle rates) at each rating stress level.

Average Annualised Default Rate

The average annualised default rate is determined from the historical data supplied by the Originator. DBRS Morningstar used additional dynamic arrears data provided by the Originator to determine a conservative annualised default rate. A sovereign adjustment was applied as the DBRS Morningstar Long-Term Local and Foreign Currency Issuer Ratings of the Republic of Italy (rated BBB (high) with a Negative trend) are below AA (low).

For this transaction, DBRS Morningstar considered a base case PD of 2.4% for vehicles leases, 2.7% for equipment leases and 1.7% for real estate leases, which is based on the performance data provided by the Originator over the last eight years, by number of loans and split by type of lease. In addition, given the limited information on air, naval, and train leases, DBRS Morningstar assumed a base case PD of 4.9%.

As per its *European Structured Credit Transactions' Risk Exposure to Coronavirus (COVID-19) Effect* commentary published on 18 May 2020, DBRS Morningstar anticipates certain economic activities will be significantly affected by the coronavirus outbreak. The list of economic activities most affected are available in the above report.

As a result, DBRS Morningstar applied additional adjustments to reflect the expectations of a higher PD. DBRS Morningstar considered an adjustment factor of 2x the base-case PD for borrowers in the "High" risk industries, and an adjustment factor of 1.5x the base-case PD for borrowers in "Mid-High" risk industries. Based on the detailed NACE code mapping, the current exposure to the coronavirus industry risk levels is as follows:

COVID-19 Risk Level	Current Balance	Current Balance %	No. Loans	No. of Loans %
Low to Mid	832,152,933	66.7%	10,091	68.7%
Mid-High	54,825,814	4.4%	594	4.0%
High	360,848,501	28.9%	3,995	27.2%
Total	**1,247,827,248**	**100.0%**	**14,680**	**100.0%**

Borrower concentration is taken into account within the SME Diversity Model. In exceptional cases, DBRS Morningstar may require additional analysis to be conducted in order to ensure that the risk associated with specific borrowers is accounted for appropriately. It was determined that there were no borrowers that required additional analysis in the portfolio for this transaction.

DBRS Morningstar employs a two-factor correlation model as the basis for the SME default modelling. This correlation structure is implemented in the SME Diversity Model, allowing for explicit concentration in obligor and industries while using a Monte Carlo process to generate the stressed default rates. To take into account the increased concentration risk inherent in SME pools related to obligor and industry, DBRS Morningstar applies a rating level-based correlation stress using the DBRS Morningstar Diversity Model.

Overall Rating Parameter Inputs for the DBRS Morningstar Diversity Model

The inputs used to calculate the portfolio default rate are:

Parameters	
Adjusted WAL of Portfolio	3.1 years
Assumed Annualised PD for Vehicles Leases	2.4%
Assumed Annualised PD for Equipment Leases	2.7%
Assumed Annualised PD for Real Estate Leases	1.7%
Assumed Annualised PD for Air/Naval/Train Leases	4.9%
COVID-19 PD Adjustment "High" Risk Sectors	2x
COVID-19 PD Adjustment "Mid-High" Risk Sectors	1.5x
AAA (sf) Inter-industry Correlation	11.4%
AAA (sf) Intra-industry Correlation	28.4%
AA (low) (sf) Inter-industry Correlation	9.8%
AA (low) (sf) Intra-industry Correlation	24.4%

Parameters	
BB (high) (sf) Inter-industry Correlation	5.1%
BB (high) (sf) Intra-industry Correlation	12.8%

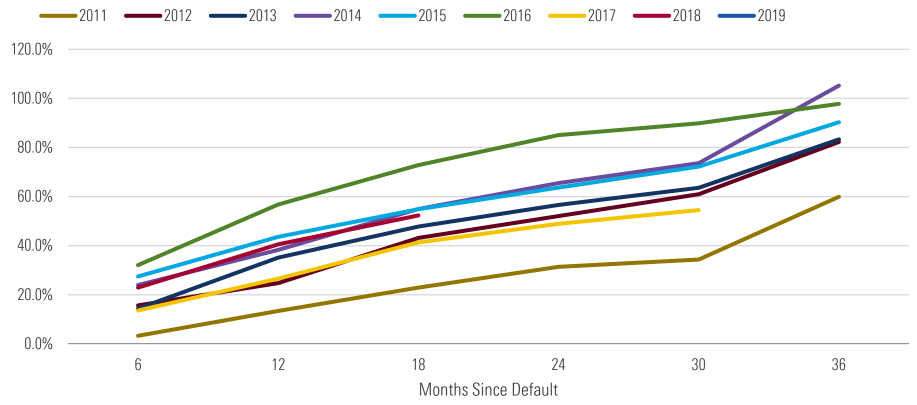
The portfolio lifetime total default rate for the required rating (based on the inputs described in the table above) is indicated below:

Rating Level	Lifetime Total Default Rate
AAA (sf)	39.6%
AA (low) (sf)	33.1%
BB (high) (sf)	17.4%

Recovery Rate and Recovery Delay

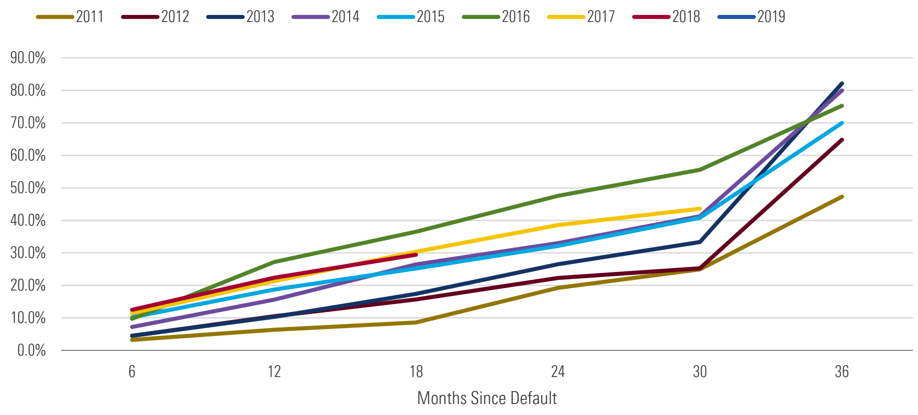
DBRS Morningstar received quarterly vintage recovery data with further breakdowns by vehicles, equipment, real estate, and air/naval/train, on an aggregated basis and detailed by the recovery sources of insurance, lessee's payment and asset sale. The aggregated recovery data for the three main products are presented below.

Exhibit 3 Vehicles - Total Recoveries



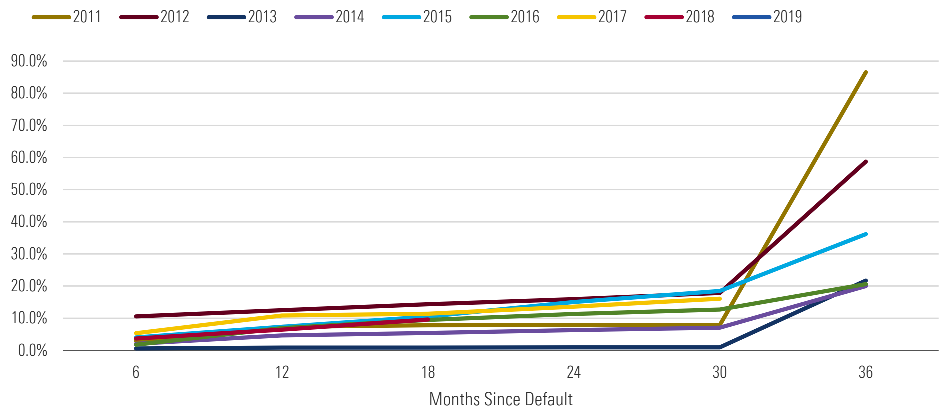
Source: DBRS Morningstar.

Exhibit 4 Equipment - Total Recoveries



Source: DBRS Morningstar.

Exhibit 5 Real Estate - Total Recoveries



Source: DBRS Morningstar.

After considering the quality and trend of data, DBRS Morningstar established a portfolio base-case recovery rate of 43.0% (i.e., loss severity of 57.0%). Recoveries from sale or re-lease of the underlying asset are treaded following a default of the lessor as unsecured claims from a defaulted entity as specified in DBRS Morningstar's *Rating CLOs and CDOs of Large Corporate Credit* methodology. Recoveries from payments by lessees are also computed as unsecured claims. The portfolio recovery rate for rating level is indicated below.

Rating Level	Recovery Rate
AAA (sf)	27.0%
AA (low) (sf)	31.8%
BB (high) (sf)	40.0%

Recovery timing is assumed to be 24 months.

Other Risk Factors

Claw Back Risk

In the Italian legal and regulatory framework, upon default of an entity (a company or a bank) subject to Italian insolvency law, the official receiver may revoke and claw back payments made by the defaulted entity during the period immediately preceding the default. This is permitted in order to avoid selective repayment of specific creditors above others. The time during which claw-back rights can be exercised may be extended up to two years depending on the framework. The initial and subsequent assignments of the receivables may be subject to the same proceedings following an event of default of the seller.

The risk upon assignment is unavoidable but is mitigated by the fact that the official receiver is generally required to prove that the issuer or its agents were aware of the incumbent default. Furthermore, although in the general regulatory framework the suspicious period is six months and might be extended to one year, the Italian Securitisation Law provides for a reduction to three from six months and to six months from one year under the applicable framework.

DBRS Morningstar understands that the repurchase of receivables by the seller or sale to third parties may also be clawed back following the default of the relevant party, and in such circumstances, the securitisation should not benefit from the reduced period provided by the Italian Securitisation Law.

Set-Off Risk and Prepayment Losses

Upon insolvency of a lender, borrowers can invoke the right to set off the amount they owe the lender by any amounts due and payable to them by the lender. Alba Leasing is not a bank and does not offer to take deposits thus removing the main source of set-off risk. Alba Leasing's operations are highly specialised and focused on lease financing, hence it does not provide its customers with financial services that could be an alternative source of exposure that could be set off (e.g. insurance policies). Alba Leasing has also undertaken the obligation not to enter into derivative agreements with securitised customers.

Some amounts (typically set-up fees, management fees, insurance premium, etc.) may be paid upfront by borrowers with financing provided by the lender that includes the paid amounts in the financed amount. Insurance premiums and management fees, although paid upfront, cover the entire life of the loan and, in case of prepayment, the unused amount is payable back to the borrower. Such credit that generates upon early settlement can be retained from the prepaid amount. Alba Leasing periodically receives payments of fees (e.g. insurance policy fees) paid by lessees with the lease instalments, but such component is not securitised and there is not relevant risk of retention or set-off as per DBRS Morningstar current understanding.

Commingling Risk

The Italian Securitisation Law provides for segregation of the Issuer's assets (including funds collected or held on behalf of the Issuer); however, the prompt and timely availability of such funds to the Issuer may be affected by several factors in scenarios when the servicer or the servicer's account bank(s) are insolvent (e.g. discretional decisions that might be made by the insolvency receiver, timing of court enforcement proceedings, etc.). In fact, the default of a banking institution holding account(s) may entail a number of diversified scenarios, some of which can be seriously detrimental to the capacity of the bank to pay back any segregated amounts in a timely way.

DBRS Morningstar understands that Alba Leasing will continue to collect customers' payments according to its ordinary operations but has designated a dedicated account opened and maintained with Intesa SanPaolo S.p.A. to benefit from segregation provided by Italian Securitisation Law.

The effectiveness of such segregation provisions is disputed as the principal is in contrast with other regulation. However, the next business days' sweeping of collections and the combined role of servicer and backup servicer are mitigating factors to the risk loss from commingling of funds. Furthermore, the lessee payments are received via direct debit thus easing the redirection if Alba Leasing needs to be replaced.

The existence of a fully funded reserve (1.16% of the Rated Notes) further mitigates the risk of insolvency of the issuer ensuring timely payment of interest under liquidity stress.

Summary of the Cash Flow Scenarios

DBRS Morningstar's cash flow tool assumptions focused on the amount and timing of defaults and recoveries, prepayment speeds and interest rates. Based on a combination of these assumptions, a total of 18 cash flow scenarios were applied to test the performance of the Rated Notes.

Prepayment Speeds and Prepayment Stress

DBRS Morningstar tested within its cash flow analysis scenarios between zero and 8% constant prepayment rates.

Interest Rate Risk, Basis Risk, and Excess Spread

The Rated Notes pay floating-rate interest indexed to three-month Euribor but the portfolio is a mix of floating-rate contracts (94.7%) and fixed-rate contracts (5.3%). The Issuer has not entered into any interest rate hedging agreement. Therefore, it will be exposed to the interest rate mismatch between assets and liabilities. The Issuer will also be exposed to potential liquidity risks caused by the timing mismatch between payments on the Rated Notes (quarterly) and payments collected on the portfolio (a mixture of bimonthly, monthly, quarterly, and semiannual receipts). A timing mismatch could result in a temporary shortfall, which could lead to the default of the Rated Notes. DBRS Morningstar considers this risk to be mitigated by the availability of the CR to cover potential interest shortfalls.

The basis and repricing risk could affect the performance of the transaction, leading to an interest shortfall resulting from adverse movements in the interest rate index on the Rated Notes versus the interest rate indices on the loan portfolio. DBRS Morningstar has analysed the historical relationship between different Euribor indices and has determined average basis and repricing risk between the different index pairs. Based on the current interest rate distribution of the, DBRS Morningstar assumed a stressed basis risk of 29 basis points per year.

Since the residual value instalments are not securitised but the interest component (including the interest on the residual value) is entirely assigned to the Issuer, the interest rate paid under the receivables tends to increase over time due to increase of the residual value in proportion to the securitised amount. In fact, the securitised amount amortises whereas the residual value does not amortise until the receivable is fully repaid.

Interest Rate Stresses

The purpose of the interest rate stress scenarios is to determine whether the transaction has any systemic interest rate risk exposure. Interest rate risk can arise from multiple scenarios, including where a transaction is exposed to floating-rate liabilities and fixed-rate assets without benefiting from an interest rate hedge. The higher the target rating, the more extreme the level of interest rate stress that is used. For example, the interest rates assumed under the increasing interest rate stress scenario are higher for a target rating of AAA (sf) than they are for AA (sf). DBRS Morningstar applied its standard interest rate stresses as detailed in its methodology *Interest Rate Stresses for European Structured Finance Transactions* (10 October 2019).

Timing of Defaults

DBRS Morningstar estimated the default timing patterns and created base, front- and back-loaded default curves. The weighted-average life of the collateral portfolio is expected to be about three years and the front-loaded, base and back-loaded default distributions are listed below over a period of three years.

Period	Front	Mid	Back
1	50%	30%	20%
2	30%	40%	30%
3	20%	30%	50%

Risk Sensitivity

DBRS Morningstar expects a lifetime base-case probability of default and loss given default for each rated pool based on a review of historical data. Adverse changes to asset performance may cause stresses to base-case assumptions and therefore have a negative effect on credit ratings. The tables below illustrate the sensitivity of the ratings to various changes in the base-case default rates and loss severity assumptions relative to the base-case assumptions used by DBRS Morningstar in assigning the ratings.

Class A1 Notes				
		Increase in Default Rate (%)		
		0	25	50
Increase in Loss Given Default (%)	0	AAA (sf)	AAA (sf)	AAA (sf)
	25	AAA (sf)	AAA (sf)	AA (high) (sf)
	50	AAA (sf)	AAA (sf)	AA (sf)

Class A2 Notes				
		Increase in Default Rate (%)		
		0	25	50
Increase in Loss Given Default (%)	0	AAA (sf)	AA (high) (sf)	AA (low) (sf)
	25	AA (high) (sf)	A (high) (sf)	A (low) (sf)
	50	A (high) (sf)	BBB (high) (sf)	BBB (low) (sf)

Class B Notes				
		Increase in Default Rate (%)		
		0	25	50
Increase in Loss Given Default (%)	0	AA (low) (sf)	A (low) (sf)	BBB (high) (sf)
	25	A (low) (sf)	BBB (high) (sf)	BB (high) (sf)
	50	BBB (high) (sf)	BB (high) (sf)	BB (high) (sf)

Class C Notes				
		Increase in Default Rate (%)		
		0	25	50
Increase in Loss Given Default (%)	0	BB (high) (sf)	BB (sf)	B (high) (sf)
	25	BB (sf)	B (high) (sf)	B (low) (sf)
	50	B (high) (sf)	B (low) (sf)	CCC (high) (sf)

Appendix

Origination and Underwriting

Origination and Sourcing

Alba Leasing's origination strategy is focused predominantly on the banking sector between shareholder (SH) banks and partner banks defined as small, regional, or provincial banks not affiliated with any particular banking group. SH banks funding represented around 55% of all new originations in 2019 (reduced from 85% in 2009) with the remaining production sourced through partner banks and a small percentage directly through other channels. Alba Leasing has diversified its sources of funding year-by-year reducing the funding support granted by SH through the use of the market that has helped finance new production.

For SH banks, which benefit from a single bank portfolio and stronger commercial and marketing relationships, the Alba Leasing model is customised to suit the various banks' needs in order to maximise potential opportunities. For partner banks, the origination model provides a single structure which manages all partner banks with responsibilities assigned geographically. SH banks have a dedicated account manager for each banking group and a regional client manager dedicated to a particular bank. Partner banks have nondedicated account managers and a client manager supervising all the banks within a respective area. Alba Leasing maintains commercial outlets among the SH banks with other outlets based in a Banco BPM branch. Banca Popolare dell'Emilia Romagna branches, Banca Popolare di Sondrio, and Creval branches also house outlets.

To effectively manage the credit quality of the leasing portfolio, Alba Leasing's credit process is based on several key factors. The company places significant focus on the control of concentration risk from the beginning of the origination process, mainly favouring small and medium-size contracts. The monitoring and management of risky positions is also maintained through processes and credit policy shared and agreed with the SH banks.

Underwriting Process

The underwriting process is not centralised. SH and partner banks have a degree of autonomy in the underwriting process, based on the type of agreement signed with Alba Leasing. Within the company, some underwriting powers are delegated to Alba Leasing's network. Nevertheless, dual sign-off between the account manager and the loan network manager is required for all lease contracts and Alba Leasing approval is required for larger contracts.

Based on the origination channel and credit amount, product features and related processes may vary. Credit limits for SH banks range from EUR 100,000 for vehicle leases to EUR 200,000 for equipment leases, and EUR 400,000 for real estate contracts. The "Presto Leasing" product is used for the SH banks and includes a 10% to 70% guarantee in favour of Alba Leasing. Assessment of credit risk and approval phases are run by the SH banks, and final approval is subject to Alba Leasing and the evaluations carried out by the company's credit experts. Upon termination of the lease for failure to pay, the bank will be required to indemnify Alba Leasing for an amount equal to 10% to 70% of the final loss payable following the recovery process with the amount based on the net loss.

Partner banks use the “Specialist Loan” product which includes insurance and a full inhouse credit evaluation by Alba Leasing. The credit review includes Alba Leasing’s scoring system, Sprint, for leases up to EUR 150,000 and a more intensive, manual process for larger leases that is judgmental based on a specific tool.

All documentation regarding the client, corporate, and guarantor(s) is collected by the originating bank together with a completed questionnaire for compliance with anti-money laundering regulations. A check is made against the Bank of Italy credit bureau together with a review of the leasing association (Assilea) database.

Alba Leasing uses the Sprint credit scoring system developed by the Italian agency, CRIF, which provides a variety of scoring model and credit products for the Italian banking industry. Sprint is a traffic light-based system that classifies new applications as green, yellow, or red. Sprint is primarily used for leases sourced from the partner banks and under EUR 150,000. The scoring system is also used to support the credit decision for leases up to EUR 300,000. Applications classified as ‘red’ are always declined although the case may be reviewed starting with the credit officer, but only those refusals caused for a technical reason such as an error in the inputting of data can be reclassified. The subsequent approval of cases originally scored as ‘red’ are rare.

For leases greater than EUR 150,000, the process involves an evaluation of both the single client and its group including affiliated companies and holdings. Alba Leasing also reviews the supplier of the assets being leased (vehicles, equipment). The board delegates the valuation and lease approval process within certain limits, and the deadline for make a decision and execution of the leasing contracted is 120 days, after which, the contract is expired. This credit process also involves a review of information from external sources such as the national credit bureau and other government agencies. As with other Italian leasing companies and banks, internal ratings are assigned to corporates and SMEs and the type of ratings assigned vary depending on the company type with nine rating categories available for corporates.

Alba Leasing, as a necessary condition for the underwriting of the lease, requests an “all risk” insurance policy for its secured leases (real estate, equipment, and vehicles). Insurance coverage may be provided by Alba Leasing’s insurer partner or by any other insurer chosen by the lessee, with the approval of Alba Leasing. Lease approval is delegated to the account manager by the Alba Leasing board. Client managers and loan network managers do not have approval authority. However, loan network manager and account manager can jointly approve applications up to EUR 1 million of total risk (for those banks with the necessary underwriting agreement). This is the maximum amount which Alba Leasing delegates to the network.

Summary Strengths

- Seasoned management team averaging over 20 years' experience mainly in the Italian leasing sector and all senior managers have been with Alba since its creation in 2010.
- No use of brokers or real estate agents and approximately 55% of new originations sourced through shareholder banks.
- Sound IT platform including sophisticated credit scoring and rating models as well as commitment to continuous development evidenced by new system to monitor contract rates and compliance with Italian usury law.

Summary Weaknesses

- Underwriting outsourced to the originating bank.
  Mitigants: Agreements between Alba Leasing and SH and partner banks defining credit guidelines and approval process. Dual sign-off required for all lease contracts with Alba approval required for larger contracts.

Servicing

General servicing activities including lease administration and payment processing are heavily automated. Customer contact is managed primarily in the branch offices associated with the respective bank which has the original relationship with the client. The majority of payments are handled through direct debit or bank transfer.

Alba Leasing, in its capacity as Servicer, transfers all collections to the account bank, held by Citibank – Milan within one business day from receipt of the amount. If Alba Leasing becomes insolvent, the collections may be commingled within the defaulted entity's estate.

DBRS Morningstar publicly rates Citibank N.A. and concludes that Citibank – Milan meets the requirements to act as account bank.

Alba Leasing produces a daily report including the list of delinquent borrowers. Following notification of a missed or rejected payment, the servicing system automatically issues a reminder letter to the client. Telephone calls are also initiated and continued until the payment is received. A second reminder letter is sent to the borrower once a lease is 20 days past due, and external collectors are engaged around day 30. Once a contract is 60 days past due, it is transferred to a client manager to assess the risks and possibly recovery actions and pre-termination letters are mailed once a lease is 90 days past due. Unless a reasonable recovery solution is presented, lease contracts are generally terminated about 15 days after the pre-termination letter. Legal enforcement may also be initiated for larger contracts.

The collection strategy differs depending on the risks associated with the contract initially based on the total exposure to a particular client group. Standard risks are defined as gross exposures under EUR 250,000. In such cases, the early stage collection process includes telephone reminders and automated letters. Middle-stage collection includes visits to the client, at home if necessary, carried out by external collectors. The late stage collection role is given to an internal client manager who will manage the case with a standardised approach for each client and contract. The internal manager can elect the most appropriate recovery actions strategy according to each case.

In high-risk cases, the recovery management is assigned to a qualified manager who will develop a customised approach for the client. The client manager will have direct contact with the customer and may employ other strategies such as home collection where appropriate.

Alba Leasing's remarketing department is responsible for the recovery, storage, and re-location of assets subject to the lease agreements. The team also determines the estimated costs for removal of the assets, performs site visits and inspections, manages the voluntary handover of assets for expired leases and/or executes the repossession order for terminated contracts, and updates the evaluations on recovered assets. External parties support the recovery process and Alba Leasing maintains a panel of specialists for each leasing product.

Summary Strengths

- Good arrears management practices with customer contact initiated immediately upon notification of a missed payment.
- Good securitisation experience with regular issuance of ABS leasing transactions since 2011.

Summary Weaknesses

- Higher default rates for leases originated prior to 2010 with the gross nonperforming loan (NPL) rate of 16%.
  Mitigants: Alba Leasing's credit policy is fairly conservative and the gross NPL rate for new production is just over 3%. The overall NPL rate of approximately 7.8% is consistently below peers at 13.75%.

Methodologies Applied

DBRS Morningstar applied the following primary methodologies to assign a rating to this transaction:

- *Rating European Consumer and Commercial Asset-Backed Securitisations* (13 January 2020).

Other methodologies referenced in this transaction are listed below:

- *Rating CLOs Backed by Loans to European SMEs* (8 July 2019).
- *Legal Criteria for European Structured Finance Transactions* (11 September 2019).
- *Interest Rate Stresses for European Structured Finance Transactions* (10 October 2019).
- *Operational Risk Assessment for European Structured Finance Originators* (28 February 2020).
- *Operational Risk Assessment for European Structured Finance Servicers* (28 February 2020).

The rating methodologies and criteria used in the analysis of this transaction can be found at: https://www.dbrsmorningstar.com/methodology/. Alternatively, please contact info@dbrsmorningstar.com.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to "*Appendix C: The Impact of Sovereign Ratings on Other DBRS Credit Ratings" of the "Rating Sovereign Governments*" methodology at:
https://www.dbrsmorningstar.com/research/319564/rating-sovereign-governments.pdf

Surveillance

The transaction is monitored by DBRS Morningstar in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at www.dbrsmorningstar.com under Methodologies. Alternatively, please contact info@dbrsmorningstar.com.

About DBRS Morningstar

DBRS Morningstar is a global credit ratings business with approximately 700 employees in eight offices globally.

On 2 July 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

Together as DBRS Morningstar, we are the world's fourth-largest credit ratings agency and a market leader in Canada, the U.S., and Europe in multiple asset classes. We rate more than 2,600 issuers and 54,000 securities worldwide and are driven to bring more clarity, diversity, and responsiveness to the ratings process. Our approach and size provide the agility to respond to customers' needs, while being large enough to provide the necessary expertise and resources.