

PRESS RELEASE

2019 RESULTS CONFIRM THE STRONG GROWTH PATH

Operational set-up completed; solid balance sheet ready for further growth

- **Assets under Management (+18% y/y) at €23.3bn.**
- **Balanced business mix between NPL and UTP¹ (56%/44%) and between revenues from servicing and investments (55%/45%).**
- **Cash recoveries in 2019 equal to 3.7% of AuM²; up by 91% y/y in 4Q19.**
- **Solid balance sheet ready to sustain further growth: CET1 63.7%, Debt/Equity 0.5x.**
- **EBITDA +49% y/y, with strong revenue growth (+48% y/y). EBITDA margin at 51%.**
- **Net profit of €39.9m (- 16% y/y) due to positive extraordinary taxes in 2018.**

Milan, March 12th, 2020. - The Board of Directors of AMCO - Asset Management Company S.p.A. met yesterday and approved the separated and consolidated financial statements as at December 31st, 2019.

"AMCO is one of the main players in the Italian NPEs market, with a well-balanced combination of NPLs and UTPs. We manage about 30 thousand UTP corporate counterparties with an approach aimed at corporates' sustainability. We are a constantly evolving company, and we aim to attract talents in a dynamic environment," said Alessandro Rivera, Chairman of AMCO.

"2019 was AMCO's first year of full operations: we were the protagonists of fast business growth, we completed the operational set-up making an innovative structure come alive that will allow us to grow further by exploiting economies of scale. The balance sheet structure and capital ratios are very solid, ready for further growth in 2020," said Marina Natale, CEO of AMCO.

¹ Loans classified as Unlikely to Pay.

² AuM – Asset under Management.

2019 RESULTS

Business performance

In 2019 AMCO showed a rapid business growth. Assets under Management grew by 18%, reaching €23.8bn pro-forma³ at the end of 2019, compared to €20.2bn at the end of 2018 and €2.3bn at the end of 2017. The growth was achieved through the acquisition of four portfolios:

- the securitization of Banca Fucino's NPEs for €297m in September;
- the transfer back by Intesa of high-risk assets in two tranches for a total of €700 million⁴ in May and October;
- the purchase of €2.3bn from Banca Carige in December 2019. Another €0.5bn may be transferred in 2020 should certain conditions precedent be met;
- the purchase of a portfolio of non-performing mortgage loans for €47m from Istituto per il Credito Sportivo in December.

In addition, a highly innovative transaction called Cuvée was concluded in December, setting-up a multi-originator fund where AMCO and Prelios Group manage in partnership a portfolio of medium-small UTP loans of real estate companies undergoing restructuring or in financial difficulties. The loans contributed by the banks of the MPS group, UBI, Banco BPM and by AMCO in December were approximately equal to €450m; further phases of contribution are planned with the aim of reaching €1.5bn.

The composition of Assets under Management is well-balanced. Out of a total of €23.3bn at the end of 2019, €10bn are UTP, managed with an approach aimed at fostering corporates' sustainability and €13bn are Non-Performing Loans. The total number of counterparties is 120,000, of which over 30,000 are corporate counterparties related to UTP positions.

Cash collections in 2019, which represents the first year of full operations of AMCO's new structure, amount to 3.7% of AuMs at the beginning of the year. The trend of cash recoveries in the third and fourth quarters (the only ones comparable with 2018) is very positive: in 3Q2019 cash recoveries increased by 82% y/y and in 4Q19 by 91% y/y.

Data and comparisons

AMCO's performance during the year based on the 2019 separate financial statements is illustrated below. Comparisons with the previous year are based on the 2018 separated financial statements. The attached tables also provide an illustration of consolidated data for 2019, which cannot be

³ Pro-forma for loans to be transferred from Carige to AMCO in 2020.

⁴ Of which c.€600m relating to the Segregated accounts *Patrimoni Destinati* of the former Veneto banks. The remaining relates to the management of the "financed capital" (called *Baciate*).

compared with the previous year because no consolidated financial statements were produced in 2018.

Income Statement

In 2019 AMCO recorded a net profit of €39.9m, down by 16.1% y/y due to positive extraordinary taxes in 2018. Operating profitability is growing strongly, with EBITDA up by 49.3% y/y, driven by strong revenue growth (+48.0% y/y) which more than offset the increase in costs related to organic growth and the creation of a platform that allows to take advantage from economies of scale. As at 31 December 2019 there were 233 employees, compared to 144 at the end of 2018 and 71 at the end of 2017: in two years, resources have more than tripled, attracting talents from highly diversified professional backgrounds.

Income Statement (€m)	31/12/2018	31/12/2019	Delta %
Servicing fees	37.8	47.2	25.0%
Interest and fees from customers	0.0	24.0	n.s.
Other operating income/expenses	20.7	15.3	- 26.0%
TOTAL REVENUES	58.5	86.6	48.0%
Personnel expenses	(15.9)	(23.6)	48.1%
Other administrative expenses	(12.9)	(18.7)	44.5%
TOTAL COSTS	(28.8)	(42.3)	46.5%
EBITDA	29.7	44.3	49.3%
Net impairment gains/losses from loans and financial assets	4.5	(0.4)	n.s.
Depreciation and amortisation	(0.1)	(1.5)	n.s.
Net provisions for risks and charges	1.5	(3.6)	n.s.
Other operating income/expenses	(17.5)	(12.0)	- 31.1%
Net result of financial activity	20.3	20.8	2.5%
EBIT	38.4	47.6	24.0%
Net interest from financial activity	0.6	(5.8)	n.s.
Pre-tax income	39.0	41.8	7.1%
Income taxes	8.5	(1.9)	n.s.
Net profit	47.5	39.9	- 16.1%
EBITDA MARGIN	50.7%	51.2%	
COST/INCOME	49.3%	48.8%	

Revenues show strong growth (+48.0%) reaching €86.6m, with a good balance between revenues from servicing activities (55% of total) and portfolio investment activities (45% of total). Revenues from servicing activities are originated almost entirely from the management of the Veneto banks' loan portfolio. Revenues from portfolio investments is made up of interest from customers (EIR)

calculated using the POCI⁵ method on Carige's portfolio starting from the second half of 2019 (€22.7m) and from cash recoveries from the former Banco di Napoli portfolio (€15.3m, down 26% y/y). The contribution of the ICS portfolio is minimal, both in terms of the amount of the portfolio and because the contribution began in April. The Cuvée portfolio did not generate revenues in 2019 as the transaction was completed at the end of December.

Total costs amount to €42.3m, an increase of 46.5% due to the organic growth and full set-up of the operating machine. The higher efficiency is however demonstrated by a slight decrease in cost/income ratio, which reaches 48.8% compared to 49.3% in 2018. In addition, legal and debt collection costs decreased by 12% y/y, while the average FTE cost decreased from €162 thousand in 2018 to €113 thousand in 2019 as the management team allocated more resources in business positions. At the end of 2019, 71% of staff were employed in business positions and the remaining 29% in corporate functions, while at the end of 2018 business functions employed 66% of resources and corporate functions 34%.

EBIT is up by 24.0% y/y thanks to the strong contribution of the result of financial activity which contributes for €20.8m and is mainly composed of the revaluation of the investment in the IRF fund (Italian Recovery Fund)⁶ for €18.2m.

Net interest from financial activity amounts to €5.8m, including €2.2m of interest income mainly from BTPs, in addition to €8.2m of interest expense on the bonds issued by AMCO during 2019, accrued only with regards to the months after their issuance.

Net profit for the year reached €39.9m, down by 16.1% due to positive extraordinary taxes recorded in 2018.

Balance Sheet

The balance sheet shows strong growth: assets and liabilities more than tripled since the end of 2019. On the assets side, growth was almost entirely due to the acquisition of the Carige portfolio (approximately +€760m), financial assets (+€920m) and liquidity (+€230m⁷). On the liabilities side, we highlight the €1bn capital increase paid in December 2019 through a cash contribution by the sole shareholder, the Ministry of Economy and Finance, and the new bond issues (+€850m).

Financial assets at the end of the year amount to €1,439m and are composed of the participation in IRF (€501m), revalued by approximately €18m, and of Government bonds (€843m) with an average maturity of 4.5 years.

⁵ POCI - Purchased or Originated Credit Impaired - accounting method that calculates EIR - Effective Interest Rate

⁶ Italian Recovery Fund - previously known as the Fondo Atlante - is a closed-end alternative investment fund governed by Italian law, reserved for professional investors, set up for the purchase of financial instruments of different seniority, issued by one or more vehicles set up and/or to be set up for the purchase of bank NPLs. The fund has a maturity date of 31.3.2021. The noteholders' meeting resolved to lengthen the maturity of the fund from 31.03.2021 to 31.12.2026.

⁷ Including loans from Banca Carige collected in January.

In February 2019, AMCO placed the first senior unsecured bond of €250m with qualified and institutional investors under AMCO's *Euro Medium Term Note Programme* (EMTN). The bond, listed on the Luxembourg Stock Exchange, has a five-year maturity with a fixed rate of 2.625%.

In October 2019 AMCO successfully issued a €600m senior unsecured bond with a 5-year maturity on 27 January 2025 and a fixed coupon of 1.375%. Also, this bond was issued under the EMTN programme, which was extended from €1bn to €3bn. The transaction was rated BBB by Standard & Poors and BBB- by Fitch.

Balance Sheet (€m)	31/12/2018	31/12/2019
Loans to banks	83.1	317.8
Loans to customers	131.2	887.0
Financial assets	502.2	1,438.9
Equity investments	0.2	0
Intangible and tangible assets	0.3	6.8
Tax assets	70.8	79.9
Other items	34.7	24.7
Total Assets	822.4	2,755.2
Financial liabilities at amortized cost	0	856.3
Tax liabilities	4.1	7.1
Provisions for risks and charges	17.4	20.8
Other liabilities	25.9	50.7
Net Equity	775.0	1,820.4
Total liabilities and Net Equity	822.4	2,755.2

The company has a very solid capital base, able to support business growth expected in the future. Following the capital increase, net equity increased from €775m at 31.12.2018 to €1,820m at 31.12.2019.

As a result of the capital increase, the CET1 capital ratio at the end of 2019 was 63.7%, well above the minimum regulatory requirements (8%). The Total Capital ratio is also 63.7%, as there are no subordinated bonds on the balance sheet.

The Debt/Equity ratio is at 0.5 times, confirming the possibility of increasing leverage.

RATING

In 2017 AMCO was rated by Fitch Ratings as a servicer. During 2017 Fitch assigned to AMCO ratings of RSS2- CSS2- and ABS2-, confirmed in August 2018, following the annual review.

Furthermore, in September 2018 Fitch assigned to AMCO a Long-Term Issuer Default Rating (LTIDR) of BBB- and a Short-Term Issuer Default Rating (STIDR) of F3, with a negative outlook. This rating was confirmed on September 20th, 2019. On December 12th, 2019 Fitch Ratings increased its rating outlook to “positive”, following the share capital increase of €1bn by the sole shareholder and the participation of AMCO in the derisking of Banca Carige.

On July 23rd, 2019 AMCO also obtained by S&P Ratings an LTIDR and a Senior Unsecured Debt IDR of BBB with a negative outlook. The rating was confirmed on occasion of the second bond issuance of €600m placed in October 2019.

OTHER SIGNIFICANT EVENTS AFTER 31 DECEMBER 2019

No significant events such as to require an adjustment of the values in the financial statements occurred after 31 December 2019.

It has to be noted that during 2020, on the basis of the agreements signed on November 15th and 16th, 2019 between Banca Carige and AMCO, certain conditions precedent should occur for the completion of the purchase of loans relating to the Messina Group (gross book value of €310m) as well as the purchase of the non-performing leasing portfolio (gross book value of €177m).

AMCO has also submitted a binding offer to Banca Carige for the sale of a synthetic protection of a portion of the risk related to a performing high-risk loan portfolio of €1.1bn.

In accordance with the Strategic Guidelines for 2019-2023, AMCO is systematically active in the search for opportunities to develop business volumes. Regarding this, it is highlighted that:

- in January 2020 AMCO submitted a binding offer for the acquisition of a non-performing secured loans portfolio originated by a primary Italian bank for a gross accounting value of €180m (for around 1,500 counterparties);
- in February 2020 AMCO submitted a binding offer for the purchase of a non-performing loans portfolio originated by a local banking group for a gross book value of €33m (for around 200 counterparties). The portfolio consists for 60% of non-performing loans and for 40% of UTP loans.

Furthermore, on February 20th, 2020, the subsidiary SGA S.r.l. based in Romania changed its name into AMCO – Asset Management Co. S.r.l.

Finally, it is worth to highlight that the current situation in relation to the spreading of Coronavirus, which are deemed extraordinary by nature and extension, could have direct and indirect impacts on the Italian and global economic activities. Hence the current general context is uncertain, and for the time being it is not possible to estimate the evolution and the impacts of the situation.

DECLARATION BY THE MANAGER CHARGED WITH PREPARING THE FINANCIAL REPORTS

The undersigned Silvia Guerrini, in her capacity as the manager charged with preparing the company's financial reports, hereby declares, in compliance with paragraph 2 of Article 154 bis of the *Testo Unico della Finanza*, that the accounting information contained in this press release, corresponds to the accounting documents, books and records.



AMCO – Asset Management Company S.p.A.

AMCO is a full-service credit management company, fully owned by the Ministry of Economy and Finance. AMCO, a fast-growing company, is one of the main players in the management of NPE assets in Italy, with about €24 billion pro-forma assets under management (at the end of 2019) related to over 120,000 counterparties, including €10 billion of Unlikely to Pay and Past Due related to 30,000 Italian companies.

AMCO oversees the entire process of non-performing loans management, with a model of fully integrated servicing, also with the involvement of qualified third-party partners. AMCO is a partner for all its stakeholders, with an approach aimed at corporates' sustainability, also directly granting new lending to promote corporates' business continuity and their industrial relaunch.

AMCO's mission is to achieve high performance levels in NPEs management and pursue sustainable growth leveraging economies of scale. This aim is pursued through a management strategy diversified between NPLs and UTPs, a sound organizational structure and specialized professionals, a constant and accurate monitoring of asset management activities.

The company has over 233 employees, located in 3 offices in Italy: Milan, Naples and Vicenza. There is also an office in Romania.

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PROFIT AND LOSS ACCOUNT – SEPARATED FINANCIAL STATEMENTS

Amounts in EUR	31/12/2019	31/12/2018
10. Interest and similar income	29,588,906	4,376,176
20. Interest and similar expense	(8,397,374)	(1,936)
30. Interest margin	21,191,532	4,374,240
40. Fees and commissions income	47,422,845	37,773,027
50. Fees and commissions expense	(1,081,751)	(554,130)
60. Net fees and commissions	46,341,094	37,218,897
70. Dividends and similar revenues		
80. Trading activity net result		
90. Hedging activity net result		
100. Profit/loss on sale/repurchase of:		
a) financial assets measured at amortised cost	(993,159)	713,558
b) financial assets designated at fair value with impact on comprehensive income	4,099,565	(1,196,479)
c) financial liabilities		
110. Net result of other assets and of financial liabilities valued at fair value with impact on the income statement:		
a) financial assets and liabilities designated at fair value		
b) other financial assets compulsorily valued at fair value	17,803,063	21,567,922
120. Brokerage margin	88,442,095	62,678,138
130. Net impairment losses on credit risk of:		
a) financial assets measured at amortised cost	13,120,698	20,872,884
b) financial assets designated at fair value with impact on comprehensive income	(1,297,365)	91,188
140. Profit/loss from contractual amendments without cancellation		
150. Net result of financial management	100,265,428	83,642,210
160. Administrative expenses:		
a) personnel expenses	(23,580,284)	(15,919,983)
b) other administrative expenses	(23,694,875)	(16,027,049)
170. Net accruals to provisions for risks and charges	(3,610,806)	1,461,961
a) undertakings and guarantees issued		
b) other net provisions		
180. Net adjustments on property, plant and equipment	(1,476,690)	(37,202)
190. Net adjustments on intangible fixed assets	(37,536)	(25,671)
200. Other operating income and expenses	(5,950,478)	(14,009,535)
210. Operational costs	(58,350,669)	(44,557,479)
220. Net gains (losses) on equity investments	(144,154)	(97,856)
230. Net result of the valuation at fair value of property, plant and equipment and intangible assets		
240. Changes in impairment losses		
250. Profit (loss) on disposal of investments	(149)	(9,247)
260. Profit (loss) of current assets before taxes	41,770,456	38,977,628
270. Income taxes for the year on current operating activities	(1,875,418)	8,541,137
280. Profit (loss) of current assets after taxes	39,895,038	47,518,765
290. Profit (loss) from discontinued operations after taxes		
300. Net profit (loss) of the year	39,895,038	47,518,765

STATEMENT OF FINANCIAL POSITION – SEPARATED FINANCIAL STATEMENTS ASSETS

Amounts in EUR	31/12/2019	31/12/2018
10. Cash and cash equivalents	116	148
20. Financial assets valued at fair value with impact on the income statement		
a) financial assets held for trading		
b) financial assets designated at fair value		
c) financial assets compulsorily valued at fair value	594,105,485	502,022,127
30. Financial assets valued at fair value with impact on the comprehensive income	844,802,701	199,878
40. Financial assets measured at amortised cost		
a) loans and receivables with banks	317,836,110	83,092,790
b) loans and receivables with financial companies	6,660,096	20,135
c) loans and receivables with customers	880,374,333	131,173,462
50. Hedging derivatives		
60. Change in value of financial assets object of a generic hedge (+/-)		
70. Equity investments	13,727	157,881
80. Property, plant and equipment	6,237,387	184,434
90. Intangible assets	578,640	84,994
of which goodwill		
100. Fiscal assets		
a) current	11,238,231	6,065,654
b) paid in advance	68,673,463	64,710,196
110. Non-current assets held for disposal		
120. Other assets	24,719,023	34,704,309
Total assets	2,755,239,312	822,416,008

**STATEMENT OF FINANCIAL POSITION – SEPARATED FINANCIAL
STATEMENTS
LIABILITIES AND NET EQUITY**

Amounts in EUR	31/12/2019	31/12/2018
10. Financial assets measured at amortised cost		
a) payables	5,786,932	4,692
b) debt securities in issue	850,515,782	
20. Financial liabilities held for trading		
30. Financial liabilities designated at fair value		
40. Hedging derivatives		
50. Change in value of financial liabilities object of a generic hedge (+/-)		
60. Fiscal liabilities		
a) current	5,394,438	4,102,357
b) deferred	1,658,394	
70. Liabilities associated to assets held for disposal		
80. Other liabilities	50,652,904	25,919,894
90. Post-employment benefits	592,961	612,448
100. Provisions for risks and charges		
a) undertakings and guarantees issued		
b) pensions and similar obligations	47,650	4,650
c) provisions for risks and charges	20,143,332	16,782,658
110. Share capital	600,000,000	3,000,000
120. Treasury shares (-)		
130. Capital instruments		
140. Share premiums	403,000,000	
150. Reserves	779,011,454	731,479,966
160. Valuation reserves	(1,459,573)	(7,009,422)
170. Profit (Loss) for the year	39,895,038	47,518,765
Total liabilities and net equity	2,755,239,312	822,416,008

PROFIT AND LOSS ACCOUNT – CONSOLIDATED FINANCIAL STATEMENTS

Amounts in EUR		31/12/2019
10.	Interest and similar income	34,767
20.	Interest and similar expense	(8,681)
30.	Interest margin	26,087
40.	Fees and commissions income	47,340
50.	Fees and commissions expense	(1,101)
60.	Net fees and commissions	46,239
70.	Dividends and similar revenues	
80.	Trading activity net result	
90.	Hedging activity net result	
100.	Profit/loss on sale/repurchase of:	
	a) financial assets measured at amortised cost	(993)
	b) financial assets designated at fair value with impact on comprehensive income	4,100
	c) financial liabilities	
110.	Net result of other assets and of financial liabilities valued at fair value with impact on the income statement:	
	a) financial assets and liabilities designated at fair value	
	b) other financial assets compulsorily valued at fair value	17,803
120.	Brokerage margin	93,235
130.	Net impairment losses on credit risk of:	
	a) financial assets measured at amortised cost	13,115
	b) financial assets designated at fair value with impact on comprehensive income	(1,297)
140.	Profit/loss from contractual amendments without cancellation	
150.	Net result of financial management	105,053
160.	Administrative expenses:	
	a) personnel expenses	(23,580)
	b) other administrative expenses	(24,913)
170.	Net accruals to provisions for risks and charges	(3,611)
	a) undertakings and guarantees issued	
	b) other net provisions	
180.	Net adjustments on property, plant and equipment	(1,477)
190.	Net adjustments on intangible fixed assets	(38)
200.	Other operating income and expenses	(5,955)
210.	Operational costs	(59,574)
220.	Net gains (losses) on equity investments	(144)
230.	Net result of the valuation at fair value of property, plant and equipment and intangible assets	
240.	Changes in impairment losses	
250.	Profit (loss) on disposal of investments	(0)
260.	Profit (loss) of current assets before taxes	45,335
270.	Income taxes for the year on current operating activities	(3,024)
280.	Profit (loss) of current assets after taxes	42,311
290.	Profit (loss) from discontinued operations after taxes	
300.	Net profit (loss) of the year	42,311
310.	Net profit (loss) for the year attributable to minority interest	
320.	Net profit (loss) for the year attributable to the parent bank	42,311

**STATEMENT OF FINANCIAL POSITION – CONSOLIDATED FINANCIAL
STATEMENTS
ASSETS**

Amounts in EUR	31/12/2019
10. Cash and cash equivalents	0
20. Financial assets valued at fair value with impact on the income statement	
a) financial assets held for trading	
b) financial assets designated at fair value	
c) financial assets compulsorily valued at fair value	559,709
30. Financial assets valued at fair value with impact on the comprehensive income	844,803
40. Financial assets measured at amortised cost	
a) loans and receivables with banks	324,338
b) loans and receivables with financial companies	6,660
c) loans and receivables with customers	972,740
50. Hedging derivatives	
60. Change in value of financial assets object of a generic hedge (+/-)	
70. Equity investments	14
80. Property, plant and equipment	6,237
90. Intangible assets	579
of which goodwill	
100. Fiscal assets	
a) current	11,238
b) paid in advance	68,673
110. Non-current assets held for disposal	
120. Other assets	24,717
Total assets	2,819,708

**STATEMENT OF FINANCIAL POSITION – CONSOLIDATED FINANCIAL
STATEMENTS
LIABILITIES AND NET EQUITY**

Amounts in EUR		31/12/2019
10.	Financial assets measured at amortised cost	
	a) payables	5,787
	b) debt securities in issue	909,720
20.	Financial liabilities held for trading	
30.	Financial liabilities designated at fair value	
40.	Hedging derivatives	
50.	Change in value of financial liabilities object of a generic hedge (+/-)	
60.	Fiscal liabilities	
	a) current	6,543
	b) deferred	1,658
70.	Liabilities associated to assets held for disposal	
80.	Other liabilities	52,353
90.	Post-employment benefits	593
100.	Provisions for risks and charges	
	a) undertakings and guarantees issued	
	b) pensions and similar obligations	48
	c) provisions for risks and charges	20,143
110.	Share capital	600,000
120.	Treasury shares (-)	
130.	Capital instruments	
140.	Share premiums	403,000
150.	Reserves	779,011
160.	Valuation reserves	(1,460)
170.	Profit (Loss) for the year	42,311
180.	Non-controlling interests	
Total liabilities and net equity		2,819,708