amco
ASSET MANAGEMENT COMPANY

2020 Consolidated Financial statements

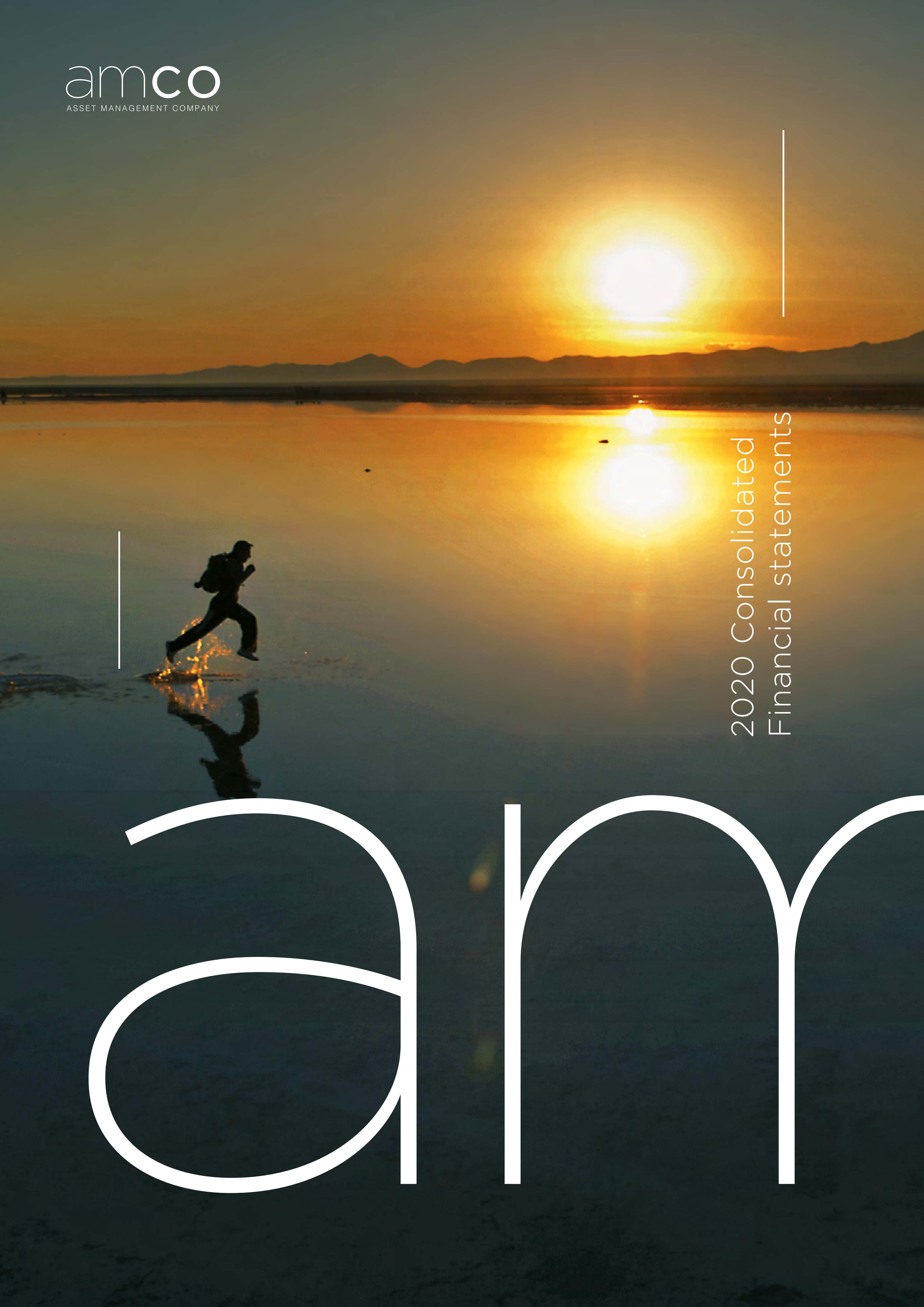


Table of contents

1.

corporate offices and independent auditors

BOARD OF DIRECTORS[1]

Chairperson	Stefano Cappiello
Chief Executive Officer	Marina Natale
Director	Domenico Iannotta

BOARD OF STATUTORY AUDITORS

Chairperson	Giampiero Riccardi
Permanent auditor	Giuseppa Puglisi
Permanent auditor	Giovanni Battista Lo Prejato
Substitute Auditor	Maurizio Accarino
Substitute auditor	Delia Guerrera

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

Manager in Charge	Silvia Guerrini[2]

PARTIES APPOINTED TO CARRY OUT FINANCIAL CONTROL BY THE COURT OF AUDITORS (LAW NO 259/58)

Principal Appointee	Giulia De Franciscis
Substitute Appointee	Carmela de Gennaro

SUPERVISORY BODY pursuant to Italian Legislative Decree No 231/2001

Chairperson	Arturo Betunio
Member (external)	Olga Cuccurullo
Member (internal)	Lorenzo Lampiano

At the date of closing the consolidated financial statements as at 31 December 2020

[1] The Board of Directors was appointed in its new composition by a resolution of the Shareholders' Meeting of 20 April 2020 and its term of office expires on the date of approval of the financial statements as at 31 December 2022. With the approval of the financial statements for the year ended 31 December 2019, the three-year term of office of the Board of Directors expired, consisting of the following three members: Alessandro Rivera, Chairperson; Marina Natale, Chief Executive Officer and Domenico Iannotta, Director.

[2] The appointment was renewed by resolution of the Board of Directors on 28 April - 5 May 2020 with effect from the approval of the 2019 financial statements and for a period equal to the term of office of the Board of Directors, i.e. until the approval of the 2022 financial statements.


2.

introduction

AMCO - Asset Management Company S.p.A. (hereinafter also “AMCO” or “AMCO S.p.A.” or the “Parent Company”) is a financial intermediary pursuant to Art. 106 of the TUB (Consolidated Banking Act), specialised in the management and recovery of non-performing loans.

Since 1997, the Parent Company has operated within the framework of the legislative and regulatory measures provided for in Italian Law No 588 of 19 November 1996 (conversion into law of Italian Decree Law No 497 of 24 September 1996 laying down 'Urgent provisions for the reorganisation, restructuring and privatisation of Banco di Napoli') and Article 3 of Italian Ministerial Decree of 14 October 1996. In this context, the company became a bulk assignee, pursuant to art. 58 of the Consolidated Banking Act, for selling purposes, of loans and other assets of problematic recoverability of Banco di Napoli and of other Banco di Napoli Group companies (ISVEIMER and BN Commercio e Finanza), represented mainly by non-performing or bad loans, in addition to assets deriving from the reorganisation, participating interests and securities.

With Ministerial Decree of 22 February 2018 published in Official Gazette No 123 of 29 May 2018, the Ministry of Economy and Finance, in implementing the powers granted by art. 5, paragraphs 1 and 5 of Decree Law No 99 of 25 June 2017, has arranged for AMCO (formerly SGA), through Segregated Estates nominated “Veneto Group” and “Vicenza Group”, to become the assignee of non-performing loans, assets of problematic recoverability and connected juridical relationships respectively of Veneto Banca S.p.A. in administrative compulsory liquidation (hereinafter, also “VB LCA”) and of Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation (hereinafter, also “BPVI LCA”), together also the “former Veneto Banks” (hereinafter the “LCAs”), both subject to administrative compulsory liquidation since June 2017, with the objective of maximising the recovery value over time and at the same time optimising the management of relationships with debtors.

In addition to the non-performing loans and doubtful assets of the two banks, the sale also involved securitisation securities issued by Flaminia SPV S.r.l and Ambra SPV S.r.l, and the ownership of foreign loans relating to the banks formerly controlled by Veneto Banca S.p.a. in Croatia, Albania, Moldova and Romania.

The AMCO Group's growth continued during 2019 and 2020, through other market operations that led it to manage volumes of non-performing loans totalling EUR 34 billion, making it the 6th largest market player[3].

In particular, in 2020 the partial non-proportional demerger of a compendium composed of non-performing loans, other assets, liabilities and equity from Banca Monte dei Paschi di Siena S.p.A. (hereinafter also "MPS”) to the Parent Company was completed. The transaction is of strong strategic importance, allowing for further expansion of business volumes and supporting long-term profitability by achieving economies of scale.

On the basis of the articles of association applicable at the time of these financial statements, the Parent Company’s corporate purpose is as follows:

“1. The Company’s corporate purpose involves the purchase and management for selling purposes, according to economic criteria, of loans originating from banks enrolled in the register set forth in Article 13 of Italian Legislative Decree No 385 dated 1 September 1993 (hereinafter TUB), by companies belonging to banking groups enrolled in the register set forth in Article 64 of the TUB and by financial intermediaries enrolled in the register set forth in Article 106 of the TUB, even if not part of a banking group. The Company may also purchase on the market equity

[3] The Italian NPL market, PwC, December 2020: the ranking reported by PWC is based on data provided by the operators as at 30 June 2020.

investments and other financial assets, including securitisation securities with underlying loans originated from banks, companies belonging to banking groups and financial intermediaries even if not part of a banking group as well as closed-end investment fund units, reserved for professional investors, set up for the subscription of shares issued by banks or for the subscription and/or purchase of securities issued by companies set up to finance the acquisition of loans originating from banks, companies belonging to banking groups and financial intermediaries even if not part of a banking group, or for direct purchase of such loans. The Company – also through the segregated estates constituted pursuant to Article 5 of Italian Decree Law No 99 of 25 June 2017, converted with amendments into Law No 121 of 31 July 2017, and the revisions of ministerial decrees adopted pursuant to this regulation – will be able to (i) issue loans to transfer debtors, in the various forms indicated in Article 2 of Italian Ministerial Decree No 53 of 2 April 2015, directly or indirectly, to debtors transferred to the same pursuant to this paragraph or managed by the same pursuant to the subsequent paragraph 2, as well to collective investment schemes or vehicles to acquire or manage, directly or indirectly, loans and advances originated by banks, financial intermediaries even if not part of a banking group and by companies part of banking groups, as long as these loans pursue, also through the interposition of the management platform, the objective of maximising the value of acquired loans (and of any other loans, assets and obligations accessory or linked to them); and (ii) exercise the activity of financial leasing, as well as operating and hire leasing, becoming the assignee of assets and obligations deriving from resolved or ongoing lease contracts, stipulated between third parties, and of the underlying assets, and concluding new lease contracts in order to reallocate the leased assets acquired.

2. The Company also deals with the management of third party judicial and extrajudicial recovery of loans originating from banks, companies belonging to banking groups and financial intermediaries even if not part of a banking group. In this context, the Company, where it operates on behalf of securitisation companies constituted pursuant to Italian Law No 130 of 30 April 1999, will be able to carry out the role of subject mandated to the collection of transferred loans, payments and the verification of the compliance of transactions with the law and the information prospectus, pursuant to Article 2, paragraph 6 and 6-bis, of Law No 130 of 30 April 1999.

3. The activities referred to in paragraphs 1 and 2 of this Article will focus on non-performing loans and, ancillary to these, loans that at the time of investment or when they are subsequently taken over are classified as performing. These activities will be carried out in Italy and, in compliance with current legislation and the regulatory rules possibly applicable, abroad.

4. In order to achieve the corporate purpose, the Company may carry out operations for the management, in any form, divestment and sale of loans and receivables, equity investments and other financial assets; as well as, in furtherance of the company purpose, any other commercial, financial, securities and real estate transactions, in compliance with current regulations. Pursuant to Article 18, paragraph 3 of Italian Legislative Decree No 58 of 24 February 1998, the Company can exercise with respect to transfer debtors, in connection with the activities described in paragraph 1 of this article, trading services and activities on its own behalf and order execution services on behalf of clients, in each case limited to derivative financial instruments.

5. The Company can also issue bonds in compliance with current legislative and statutory provisions. It is for the Board of Directors to decide on the issue of financial instruments other than shares or non-convertible into such. The adoption of a programme to issue financial *instruments other than shares or non-convertible into such and aimed at regulated markets, or a single issue of such instruments not realised on the basis of a program authorised by the Shareholders' Meeting, may only be implemented in case of identified financial needs of the Company and with the prior authorisation of the Shareholders' Meeting pursuant to Article 2364, paragraph 1, No 5 of the Italian Civil Code."*

On 14 September 2019, the securitisation transaction of Non-Performing Exposure portfolio of Banca Fucino was finalised with effect from 1 January 2019. In this transaction the Parent Company AMCO plays the role of Master Servicer and Special Servicer as well as having subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's S.r.l. With regard to the dual role that the Parent Company plays in the securitisation transaction, as well as the role of only investor in the Junior and Mezzanine Notes, in application of the IFRS 10 accounting standard, the Parent Company AMCO has a significant position of control on the securitisation vehicle and, in accordance with the accounting standard, therefore is responsible for the preparation and presentation of the consolidated financial statements. Specifically, from internal analyses carried out, it has emerged that the Parent Company controls Fucino NPL's S.r.l. as it simultaneously has:

- power over the securitisation vehicle;
- the benefit of rights on the variable yields resulting from the relationship with the securitisation vehicle;
- the ability to exercise its power on the securitisation vehicle to significantly influence the amount of its yields.

3.

corporate structure

In accordance with Article 12 of Italian Law No 259 of 21 March 1958, as a company almost entirely owned by the Ministry of Economy and Finance, the AMCO Group is subject to financial management control by the Court of Auditors.

As of 31 December 2020, the Parent Company AMCO owns the entire interest in AMCO - Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estate.

The AMCO Group's corporate structure as at 31 December 2020 is shown in the following diagram[4]:

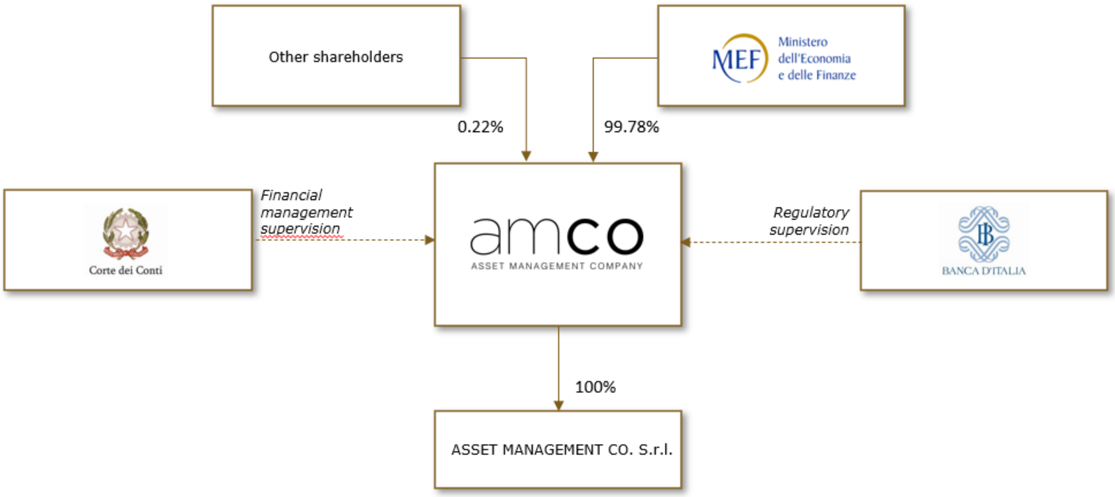


Figure 1 - Corporate Structure as at 31 December 2020[5]

The fully paid-up share capital is divided into 600,000,000 ordinary shares with no nominal value, held entirely by the Ministry of Economy and Finance, and 55,153,674 B shares with no nominal value and no voting rights, held by the Ministry of the Economy and Finance, by other shareholders and including treasury shares in portfolio.

[4] The chart does not include the vehicle Fucino NPL's S.r.l. because, although it is consolidated in accordance with IFRS 10, AMCO does not hold any direct interest in it.

[5] The percentage held by 'other shareholders' of 0.22% comprises B shares held by other shareholders and treasury shares.


4.

organisational structure

The AMCO Group's organisational structure as at 31 December 2020 is shown below:

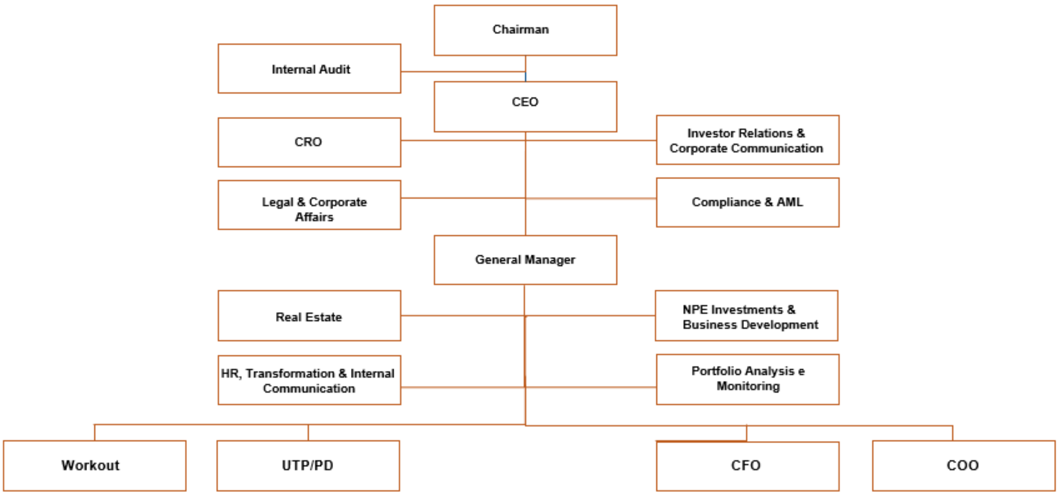


Diagram 2 - Organisational structure as at 31 December 2020

As at 31 December 2020, the following activities were outsourced:

- IT system for administrative and accounting management;
- software and hardware consulting and support;
- preparation of payroll and related relations with public offices;
- tax consultancy.

In order to prevent the commission of offences from which might derive the administrative responsibility of entities pursuant to Legislative Decree no. 231/2001, the Parent Company has adopted an Organisational, Management and Control Model last updated with resolution of the Board of Directors of 21 June 2019. In compliance with the above-mentioned regulation, the Parent Company has also provided to appoint a Supervisory Body, whose members have proven experience in financial, corporate and juridical issues, whose mandate will expire with the approval of the financial statements as at 31 December 2020.

The Parent Company, with resolution of 19 October 2016, established the figure of the "Manager in charge of preparing the Company's Financial Reports", as required by the Articles of Association and on a consistent basis with the change in its shareholding structure (i.e. full control by the Ministry of Economy and Finance).

Staff composition

As at 31 December 2020 the number of the AMCO Group employees was a total of 287 units, up compared to the correspondent number as at 31 December 2019 (233 units).

As of the same date, there are no coordinated and continuous collaboration contracts in place.

The following table provides the break-down of the Parent Company headcount at the end of 2020 by gender, age and working years, classification and contract type.

	Senior managers	Middle managers	White-collar workers	Coordinated and continued collaborators	Total
Men (number)	12	121	38	-	171
Women (number)	5	63	48	-	116
Total	**17**	**184**	**86**	**-**	**287**
Average age	50	44	38	-	44
Length of service* (average in years)	1.8	4.3	6.5	-	4.2
Permanent contract	16	183	82	-	281
Fixed-term contract	1	1	4	-	6

(*) Length of service with AMCO S.p.A.

Table 1 - Composition of the headcount as at 31 December 2020

Litigations

There were no litigations outstanding with employees as at 31 December 2020.

Turnover

With regard to staff turnover, recruitment continued in 2020 on the basis of the AMCO Group's organisational and growth needs, mainly due to the consolidation of servicing activities, the acquisition of new portfolios of non-performing loans and the non-proportional demerger transaction carried out with MPS.

With reference to the latter transaction with MPS, 88 employees were seconded.

Permanent contract	01/01/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	31/12/2020
Senior managers	14	-	-	-3	5	16
Middle managers	146	35	1	-5	6*	183
White-collar workers	71	24		-2	-11	82
Total	**231**	**59**	**1**	**-10**	**-**	**281**

* 11 promotions from White-collar worker (Professional Area) to Middle Management and 5 promotions from Middle Management to Senior Management.

Fixed-term contract	01/01/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	31/12/2020
Senior managers	1	-	-	-	-	1
Middle managers	-	2	-1	-	-	1
White-collar workers	1	4	-	-1	-	4
Total	**2**	**6**	**-1**	**-1**	**-**	**6**

Table 2 - Staff turnover in 2020

Training

In 2020, due to the Covid-19 health emergency, training delivery methods were revised. The Parent Company has therefore activated an e-learning platform to guarantee access to content for all personnel in a flexible and remote manner.

The courses covered a variety of topics, including compulsory training on legislation, institutional directives and regulations specific to the sector, such as:

- Anti-money laundering;
- Italian Legislative Decree No 231/2001 and Italian Law No 190/2012;
- Anti-corruption;
- Health and safety;
- GDPR (Privacy) and Cybersecurity.

During the year, *ad hoc* training sessions were also planned for managers, aimed at supporting them with structured and modular paths, in the digital transformation processes and in the guidance of their respective teams.

The total training hours carried out in 2020 were 14,920, broken down as follows:

Training hours	Senior managers	Middle managers	White-collar workers	Total
Permanent contract	680	10,308	3,727	14,715
Fixed-term contract	25	42	138	205
Total	**705**	**10,350**	**3,865**	**14,920**

Table 3 - Staff training as at 31 December 2020

Health and safety

Sickness, accident and maternity days in 2020 total 1,017 days for Parent Company employees in place as at 31 December 2020.

	Sick leave (days)	Accident and injury leave (days)	Maternity leave (days)	Total
Permanent contract	560	126	316	1,002
Fixed-term contract	-	-	-	-
Part-time contract	15	-	-	15
Total	**575**	**126**	**316**	**1,017**

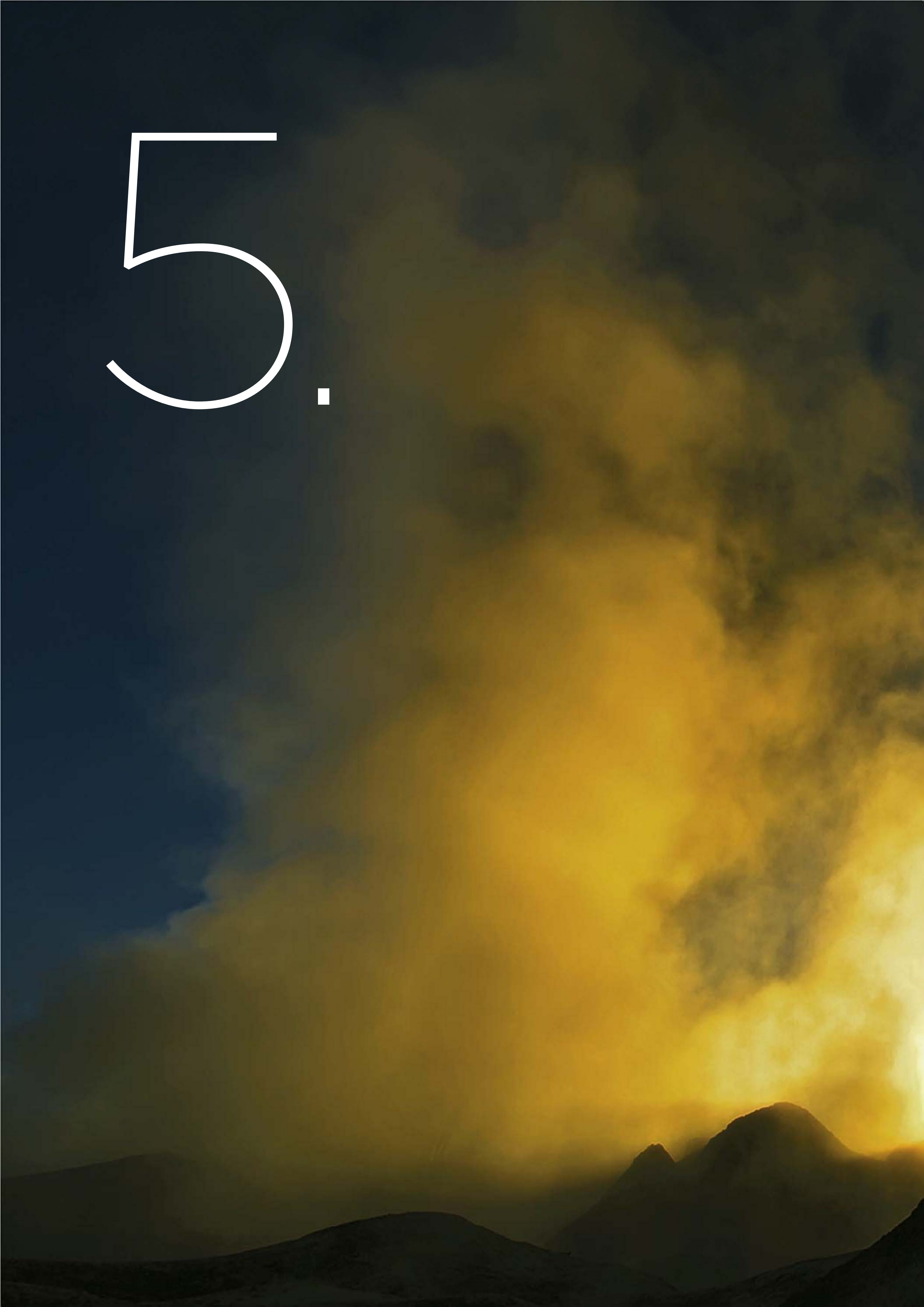
Table 4 - Health and safety as at 31 December 2020

Geographic location

As at 31 December 2020, the registered office of the Parent Company was located in Via Santa Brigida No 39 in Naples, while the General Management was in Via del Lauro No 5/7 in Milan. The Parent Company also operates from offices in Viale Europa No 23 in Vicenza.

It is envisaged that the 88 workers seconded by MPS will work on a secondment basis at the offices and premises leased or sublet by MPS to the Parent Company AMCO and located in: Bari, Bologna, Florence, Mantua, Milan, Naples, Padua, Salerno, Turin and Verona.

5.



report on operations

MACROECONOMIC SCENARIO

In 2020, the international economy experienced an abrupt slowdown due to the pandemic crisis that began in the first quarter of the year. The uncertainty arising from the health emergency added to an international context already characterised by a low-growth phase that began in mid-2018, due to tensions in international trade relations (particularly between the US and China and between the UK and Europe) and geopolitical tensions.

In 2020, stringent restrictions imposed by individual states to counter the spread of the virus led to a contraction of the economy on a global scale by 4.4% in real terms compared to 2019[6]. Although there was a greater than expected recovery of the economy in the summer months, the increase in infections, particularly intense in the European Union and the United States, led to a new slowdown in global activity at the end of the year, particularly in the advanced countries. The commencement of the vaccination campaigns reflects favourably on the outlook for the medium and long term, although the timing and intensity of the recovery remains uncertain.

The Italian economy was affected by the Covid-19 health emergency and European political tensions throughout 2020. Following a slump in GDP in the first two quarters of 5.3% and 12.8%[7] respectively relative to the previous quarter, the third quarter saw growth of 16.1%[8] compared to the second quarter. This change in the economy resulted from an increase in added value in the primary sector, industry and services. On the demand side, there was a positive contribution from both the domestic and net foreign components. In the fourth quarter, following the second wave of the virus and the consequent measures to counteract its spread, GDP fell again (-3.5% compared to the third quarter) with significant effects on the services sector and marginal effects on manufacturing[9].

Repeated cyclical downturns since March 2020 have resulted in employment levels in each month being lower than a year earlier (-1.9% December 2020 vs. 2019)[10]. The employment rate followed a non-linear trend, consistent with the dynamics of GDP, with an increase in the summer months and a slowdown in the last quarter of the year, reaching a level of 58% in December. In the same month, the unemployment rate stood at 9% and the inactivity rate at 36.1%.

Despite the adverse scenario, the banking sector has also shown a reduction in the riskiness of assets in 2020, undoubtedly thanks to a lower formation of non-performing loans and the activity for the management of non-performing positions, but also mainly to the process of disposal of NPLs. This contraction in the stock of NPEs that began in 2015 continues, although it has slowed compared to the same period in 2019, standing at EUR 130 billion in Italy at the end of the first half of 2020[11].

On the basis of data from Bank of Italy, as at 30 September 2020 the gross incidence of non-performing loans held by Italian banks on the loans totals was further reduced (-11.5%)[12] compared to the second quarter of the same year.

6 IMF: World Economic Outlook, January 2021
7 Istat: Quarterly Income Statements, II quarter 2020
8 Istat: Preliminary GDP forecast, IV quarter 2020.
9 Bank of Italy: Economic Bulletin No 1 - 2021.
10 Istat: Employed and unemployed people, December 2020.
11 PwC: The Italian NPL market, December 2020.
12 Bank of Italy: Economic Bulletin No 1 - 2021.

This trend is also confirmed by the latest available data on net bad loans, which stood at EUR 23.6 billion in November 2020, down from EUR 29.3 billion in November 2019 (-19.5% year-on-year vs. -19.8% in the previous period), while the ratio of net bad loans to total loans stood at 1.35% (1.69% in November 2019)[13].

[13] Abi: Monthly Outlook, January 2021.

OPERATING PERFORMANCE

Relevant events of 2020

Information on the effects of the Covid-19 pandemic

Impact on operations and valuations at 31 December 2020

The Covid-19 pandemic that first hit China and then spread globally, starting in February 2020, has had an unprecedented impact on domestic and global economic and manufacturing activities. Nevertheless, the AMCO Group's operations were affected only to a limited extent. Even during the first lockdown period implemented initially on a regional level (two of the Group's three offices are located in Lombardy and Veneto, regions most affected by the pandemic and its containment measures) and then on a national scale, the Group's operational continuity has always been guaranteed. As early as 23 February 2020, with the activation of the crisis management protocol, the business continuity management processes envisaged by the Parent Company were activated and the activities and working methods were promptly modified to ensure the containment of the health emergency, ensuring first and foremost the safety of employees and in any case guaranteeing full operations through the extension of the "agile working" or smart working mode to all staff.

In order to facilitate the agile operation of employees by guaranteeing constant remote operations and to allow for a limited number of people to be safely present in the office, the Parent Company has both anticipated certain investments already planned in terms of connectivity and incurred expenses to guarantee the health of workers. Specifically, expenses incurred in 2020 included:

- EUR 0.2 million for upgrades to remote collaboration tools and security for IT network connections, in order to make it possible to activate the agile work mode for the entire company population as of the last week of February 2020 and to ensure continuity in the second half of the year;
- EUR 0.6 million for the weekly sanitation protocols of workplaces, the individual protection equipment, the extraordinary interventions in relation to ventilation and air conditioning systems and the serological/swab tests prior to entering the offices, for which a process of planning and containment of numbers in attendance in the post-lockdown period has been activated.

In light of the above, the Group has not made any use of the economic support measures allocated by the government (e.g. the extraordinary wages guarantee fund).

The need to suspend production activities for a significant number of sectors (repeatedly in some cases throughout 2020 on the basis of the country risk in force at the time) has resulted in a worsening of the macroeconomic scenario, the effects of which on the real economy are still uncertain both in terms of scope and timing. The combined effect of the exogenous factors listed above and the type of the AMCO Group's customers required a careful assessment of certain balance sheet items that, by their nature, are more exposed to general economic trends; in particular, reference is made to loans to customers and financial companies, the fair value of financial assets attributable to non-performing loans and deferred tax assets.

With regard to loans to customers, specific attention was paid to the ability of so-called ‘unlikely-to-pay’ debtors to generate sufficient debt-servicing cash flows to repay the Parent Company AMCO's credit exposures. In order to assess the possible impacts on the valuation of assets and on its capital endowment, since the beginning of the lockdown, AMCO S.p.A. has carried out targeted sensitivity analyses in 2 phases coinciding with the drafting of ICAAP 2019 and the preparation of the 2020/21 Budget and 2021 Risk Framework. In the first phase (June 2020), the analyses were conducted in accordance with the guidelines issued by the Bank of Italy for the purpose of self-assessment of the Parent Company AMCO's capital adequacy. These analyses assumed two macroeconomic scenarios, 'Baseline' and 'Adverse', the first characterised by a drop in GDP in 2020 of -7.2% (a figure in line with that achieved by Italy in 2008-2009) and a recovery in the following year of 4.4%, while the second foresaw a greater reduction in GDP in 2020 of -12.4% and a recovery in 2021 of 7.8%. The two scenarios predicted that general economic trends would have consequences in terms of:

- increase in the danger rate, i.e., the slide into the riskier classes of impaired loans of counterparties currently in temporary financial difficulty;
- modification of the timing of collections related to the lengthening of executive procedures and not for the recovery of positions classified as ‘bad’;
- a reduction in recoveries on both unsecured and secured positions, the latter due to the reduction in the value of loan guarantees, with particular reference to the property market;
- consequent change in the asset/liability balance with an impact on the interest rate risk and the liquidity position.

Analyses have led to estimates of the impact on expected collections and quantification of credit risk, against which the company has adequate capital buffers necessary to address any future losses.

In addition, the revised collection forecasts against the estimated effects of the Covid-19 pandemic were used for pricing purposes for the purchase of new portfolios during 2020.

On the other hand, with regard to interest rate risk, the estimated impacts are not considered significant since the changes in prospective payment flows do not significantly alter the duration of the portfolio.

In the second phase, in November 2020, the analysis described above was updated considering, after analysing the new forecasts issued by institutional bodies or market operators, the published scenarios which saw a general convergence towards a contraction of 2020 GDP of between -8.3% and -10.6% with an average of -9.6%.

In view of the above, the Parent Company AMCO has defined a "Baseline" scenario as a GDP contraction of -9.5% for 2020 and a recovery in 2021 of 4.8%, used for the 2021 Budget and for the 2021 Risk Framework, and an "Adverse" scenario with a 2020 GDP contraction of -13.5% and a recovery in 2021 of 3.5% (evolution aligned with the adverse scenario published by the Bank of Italy), considered for conducting the credit stress tests and quantifying the related buffer with a focus on sector dynamics.

No significant effects are expected on the Group's liquidity or funding capacity, as demonstrated by the placement on 9 July 2020 of a senior unsecured bond issue in two tranches, for a nominal amount of EUR 1,250 million with a maturity of 3 years and EUR 750 million with a maturity of 7 years.

The results of the analysis referred to in the preceding paragraphs, and in particular the sensitivity analyses, were inferred on the basis of the information and best estimates available at the time. The assessments were made on the basis of information considered reasonable and sustainable, however the current macroeconomic scenario is affected by a high degree of uncertainty, the outcome of which is not currently foreseeable and which may require changes in the assessments made, depending on the evolution of the pandemic, the effect of the economic policy measures implemented, the progress of the vaccination campaign and the mode of economic recovery. A possible worsening of the macroeconomic forecasts could imply a revision of the estimates of expected cash flows, or of other parameters, which are not foreseeable at the moment, and adjustments in the book values of the assets or in the need to allocate specific provisions for future risks and charges. In addition, the fair value of property securing loans and financial instruments that are not quoted in an active market incorporates a high degree of uncertainty as to how this fair value may evolve in the future and whether the assets can be sold at estimated prices.

In 2020, in its day-to-day operations, the AMCO Group provided eligible individuals with the support measures provided at the national level. In addition to those provided for by law, as part of its broader institutional role but without prejudice to safeguarding the company's profitability, the Parent Company has voluntarily extended extraordinary support measures to customers deemed most deserving. Details in terms of the number and gross amount of loans subject to moratorium as of 31 December 2020[14] are provided below:

Figures in €/000	Requests		Accepted		Rejected		To be processed	
	#	Gross Exp.	#	Gross Exp.	#	Gross Exp.	#	Gross Exp.
Loans subject to moratorium under the "*Cura Italia*" Decree ("*moratoria ex lege*")	127	83,589	77	46,995	40	13,942	10	22,652
Loans subject to voluntary moratorium ("*moratorie volontarie individuali*")	612	427,011	462	212,637	96	17,816	54	196,558
Total	**739**	**510,600**	**539**	**259,632**	**136**	**31,758**	**64**	**219,210**

Table 5 - Covid moratorium figures as at 31 December 2020

Staff initiatives

In March, a committee was set up at AMCO S.p.A. to apply and verify the "Shared protocol for the regulation of measures to combat and contain the spread of the Covid-19 virus in the workplace", which was signed in the same month by national employers' and trade union organisations. For the Milan, Naples and Vicenza offices, the Workers' Safety Representatives (WSR), the Company Trade Union Representatives (CTUR), the Competent Doctors, the Safety Officers, the Prevention and Protection Service Manager, the Workers' Health and Safety Management System Manager and the Chairperson of the Crisis Committee are permanent members of the Covid-19 Protocol Committee.

During the health emergency period and to date, specific information has been periodically sent to all personnel (as well as to external collaborators such as professionals, special servicers, suppliers and partners) in order to communicate the operational solutions adopted by AMCO, as well as the rules of conduct, including rules for access to the Company's premises and good practices to be adopted within the same.

In April, a set of 10 washable and reusable protective masks produced in Italy following the conversion of facilities and in accordance with the guidelines of the Politecnico di Milano was delivered to the homes of each employee.

[14] The statistics also include the measures granted to the debtors of the Veneto Group and Vicenza Group Segregated Estates.

Video calls, information and training sessions on health emergencies, safety measures adopted, behaviour to be implemented and instructions to be followed were organised. This initiative met with the needs of colleagues, who had the opportunity to receive answers to the questions asked during the session and thus contributed to greater awareness for individual and collective health and safety.

Particular attention was also paid to people in fragile situations, with current or previous conditions potentially more susceptible to infection and/or possible complications in relation to COVID-19, who were personally supported not only by the attending physicians, but also by the competent doctors and invited to remain operational remotely for the entire period of the health emergency.

Despite the circumstances, the Company's workforce continued to grow from 233 employees at the end of 2019, to 287 staff at 31 December 2020.

Business development

Portfolio purchase transactions

In 2020, the AMCO Group continued their organic growth through the acquisition of new portfolios and the development of new business initiatives which overall brought the total of assets under management to over EUR 34 billion. The transactions that took place during the year are described below:

1 - Debt purchasing transactions

- On 12 March 2020, the Parent Company signed a contract with **Credito Valtellinese S.p.A.**, for the purchase, en bloc, pursuant to Art. 58 of the TUB, and without recourse, of a portfolio of bad loans for a Gross Book Value of approximately EUR 177 million. The transaction had an economic effective date of 1 March 2020.
- On 15 June 2020, the Parent Company signed a contract with **Banca del Fucino S.p.A.** and **IGEA Banca S.p.A.** for the purchase, en bloc, pursuant to Art. 58 of the TUB, and without recourse, of a portfolio of the bank's non-performing loans for a Gross Book Value of approximately EUR 30 million. The portfolio consists of ‘unlikely to pay’ and bad loans. The transaction had an economic effective date of 1 January 2020.
- The Parent Company has entered into an agreement with **Banca Popolare di Bari S.c.p.A.** under extraordinary administration ("BPB") for the transfer, without recourse and en bloc - pursuant to Article 58 of Italian Legislative Decree No 385 of 1 September 1993 - concerning the purchase by AMCO of a portfolio of non-performing loans of BPB. The portfolio has a gross book value of about EUR 2 billion and is made up of about 60% of positions classified as ‘unlikely to pay’ (UTP) and the remainder of bad loans. The total price of the transaction is approximately EUR 500 million and the economic effective date has been set at 1 July 2020.
- The Parent Company also acquired a second tranche of non-performing loans from **Banca Carige S.p.A.**, belonging to a single group as debtor, with a gross book value of approximately EUR 227 million, almost entirely ‘unlikely to pay’. The economic effective date was set for 1 January 2020.
- On 5 August 2020, the Parent Company signed an agreement with **Credito Valtellinese S.p.A.** for the transfer, without recourse and en bloc - pursuant to Article 58 of Italian Legislative Decree No 385 of 1 September 1993 - concerning the purchase by AMCO of a portfolio of non-performing loans of Creval. The portfolio has a Gross Book Value of about EUR 270 million, mainly from corporate customers, and is made up of about 60% of positions

classified as bad loans and about 40% as ‘unlikely to pay’. The economic effective date was set for 1 July 2020.

- On 12 December 2020, the Parent Company signed a transfer agreement with **Banco BPM**, without recourse and en bloc - pursuant to Article 58 of Italian Legislative Decree No 385 of 1 September 1993 - concerning the purchase by AMCO of a portfolio of non-performing loans of Banco BPM. The portfolio has a Gross Book Value of more than EUR 600 million, mainly for corporate customers classified as ‘unlikely to pay’. The economic effective date was fixed at 1 April 2020.
- On 16 December 2020, the Parent Company signed a transfer agreement with **Banca Carige S.p.A.**, without recourse and en bloc - pursuant to Article 58 of Italian Legislative Decree No 385 of 1 September 1993 - concerning the purchase by AMCO of a portfolio of non-performing loans. The portfolio has a Gross Book Value of EUR 54 million, comprising loans mainly to corporate customers (100% unsecured), fully classified as bad loans. The economic effective date was set for 1 July 2020.

Assets under management also include EUR 7.7 billion of non-performing loans acquired through the transfer of the demerger compendium as part of the MPS transaction described in the next paragraph.

2 - Partial non-proportional demerger between Banca Monte dei Paschi di Siena and the Parent Company AMCO

On 29 June 2020 the Boards of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereinafter also referred to as the "Demerged Company") and AMCO (hereinafter also referred to as the "Beneficiary Company") approved the plan for the partial non-proportional demerger with asymmetrical option of MPS in favour of AMCO. Following the approval of the demerger project by the Shareholders' Meetings of the two companies, held on 4 October 2020 and 5 October 2020 respectively, the demerger deed was signed on 25 November 2020 and became effective on 1 December 2020.

From a regulatory point of view, the Transaction was subject to prior notification to the Bank of Italy by AMCO pursuant to the Supervisory Provisions for Financial Intermediaries (Bank of Italy Circular No 288 of 3 April 2015), as a result of which no prohibition proceedings were initiated pursuant to Article 108, paragraph 3, letter d) of the TUB. On 2 September 2020, the European Central Bank notified the Demerged Company of its authorisation for the Transaction pursuant to Article 57 of Italian Legislative Decree No 385/1993 and Title III, Chapter 4, Section III, of Bank of Italy No 229 of 21 April 1999 (as well as pursuant to Articles 77 and 78 of Regulation (EU) No 575/2013).

2.1 - Structure of the transaction

The transaction took the form of a partial non-proportional demerger with asymmetrical option, pursuant to articles 2506 et seq. of the Italian Civil Code, of a compendium of assets and liabilities (the "Compendium") of MPS in favour of AMCO, which was implemented through the assignment to AMCO of part of the assets of MPS, with the allocation to the shareholders of MPS of newly issued class B shares of AMCO in an amount not proportional to the stake held by the latter in MPS prior to the Demerger. Shareholders of MPS other than the Ministry of Economy and Finance were also granted the option not to be allotted the aforesaid B Shares of AMCO, with a consequent increase in the number of MPS shares subject to exchange by the MEF and maintenance of the interest in MPS by the minority shareholders of MPS (the "Asymmetric Option").

MPS shareholders who did not participate in the approval of the Transaction were also granted the right to sell - i.e., to have their MPS ordinary shares purchased by the Demerged Company pursuant to and for the purposes of Article 2506-bis, paragraph 4, of the Italian Civil Code - as well as the right of withdrawal pursuant to Article 2437, paragraph l, letters a) and g), and Article 2437-quinquies of the Italian Civil Code.

AMCO's newly issued B Shares have the same rights as AMCO's already issued ordinary shares with the exception of voting rights at the shareholders' meeting (ordinary and extraordinary). AMCO's B Shares, like AMCO's already issued ordinary shares, are dematerialised and are not traded on any regulated market or multilateral trading facility.

From an accounting point of view, since the transaction was carried out between companies subject to the same controlling entity ("under common control"), the Demerger was carried out on a going concern basis in accordance with international accounting standards. More specifically, this transaction was not put in place with a realisation purpose but in the interest of obtaining a more specific asset management by the common shareholder within the same economic interest group. Therefore, it does not fall within the scope of application of IFRS 3 "Business Combination" in relation to the allocation of the purchase price, nor does it fall within the scope of application of IFRIC 17 "Distributions of Non-cash Assets to Owners", but is considered an "under common control transaction" and therefore applying the principle of continuity of values, i.e. referring to the book values at which these assets and liabilities were recorded in the accounts of the Demerged Company on the effective date of the Demerger[15].

2.2 - Exchange ratio and distribution criteria

In order to allocate, in execution of the Demerger, the newly issued B Shares of AMCO to the shareholders of MPS and to implement the possible exercise of the asymmetrical option by the minority shareholders of MPS, an exchange ratio has been identified in accordance with applicable regulatory provisions.

Based on the valuations performed, the Board of Directors and the Shareholders' Meeting of AMCO approved an exchange ratio of 0.4 B Shares of AMCO to be granted for each ordinary share of MPS that was subject to cancellation. By virtue of this exchange ratio, the demerger resulted in the allocation of 55,153,674 B Shares of AMCO to the shareholders of MPS and the cancellation of 137,884,185 MPS ordinary shares held by the shareholders of AMCO. As a result of the non-proportionality of the Demerger, the MEF was allocated 90% of AMCO's B Shares, with the remaining 10% allocated to MPS's minority shareholders. More precisely, depending on the Exchange Ratio and the distribution ratios, and without prejudice to the effects of the exercise of the asymmetrical option:

- 0.0638 AMCO B shares were allotted to the MEF for each MPS share held and 0.1595 MPS shares were cancelled for each MPS share held;
- each of the MPS Minority Shareholders was allotted 0.0152 B AMCO shares for each MPS share held and 0.0380 MPS shares were cancelled for each MPS share held.

It should be noted that as a result of the exchange transactions following the Demerger, remainders/fractions of AMCO B Shares were determined, which were grouped together in order to allocate a whole number of such shares. To this end, AMCO has purchased the corresponding B Shares, allocating them among the "treasury shares" pursuant to and for the purposes of Articles 2357 and 2357-ter of the Italian Civil Code and in compliance with the limitation imposed by Article 2357, paragraph 1 of the Italian Civil Code.

[15] For the valuation of the MPS portfolio, see the description in the Notes to the financial statements, Part A - Accounting policies, Section 4.

As a result of the Transaction, the Parent Company AMCO's share capital is composed as shown in the table below:

Shareholder	No of Ordinary shares	No of class B shares	Total	% Share capital
MEF	600,000,000	53,737,958	653,737,958	*99.784%*
Other minority shareholders	-	1,397,819	1,397,819	*0.213%*
Treasury shares	-	17,897	17,897	*0.003%*
Total	**600,000,000**	**55,153,674**	**655,153,674**	***100%***

Table 6 - Composition of share capital as a result of the MPS transaction

2.3 - Composition of the Compendium

The demerged compendium, determined as of 31 December 2019, consisted of the following:

- on the assets side, a portfolio of non-performing loans with a gross book value ("GBV") of EUR 8.1 billion (excluding arrears, of which approximately EUR 4.8 billion in bad loans and EUR 3.3 billion in probable defaults) equal to a net book value ("NBV") of EUR 4.2 billion (including approximately EUR 2.3 billion of bad loans and EUR 1.8 billion of probable defaults), deferred tax assets of EUR 104 million and other assets (derivatives, equity financial instruments and equity investments) of EUR 6 million;
- under liabilities, EUR 3.2 billion of financial debt represented by a bridge loan to be refinanced by AMCO after the Transaction becomes effective, as detailed below, as well as derivative instruments for an amount of approximately EUR 0.1 million;
- the resulting balance of EUR 1.1 billion.

The legal and economic effectiveness date of the transaction has been fixed at 1 December 2020. Movements between the date on which the compendium was determined (31 December 2019) and the date on which the demerger took effect were settled through credit/debit items or as a direct offsetting entry to the balance sheet, based on the provisions of the demerger agreement between the Demerged and Beneficiary Companies. Therefore, in accordance with the terms of the agreement between the parties, the demerged compendium involved the transfer of EUR 379.2 million to the beneficiary and the contribution of an effective capital endowment of EUR 937.4 million.

The compendium subject to actual transfer on 1 December 2020 is therefore made up as follows:

Asset items - Demerger Compendium	01/12/2020
10. Equalisation fund	379,248
20. Financial assets measured at fair value through profit and loss	94,860
a) financial assets held for trading	*433*
b) other financial assets mandatorily measured at fair value	*94,427*
30. Financial assets measured at fair value through other comprehensive income	2,140
40. Financial assets measured at amortised cost	3,515,776
c) Financial assets measured at amortised cost: loans and receivables with customers	*3,515,776*
70. Equity investments	-
100. Tax assets	120,982
b) prepaid tax assets	*120,982*
110. Non-current assets or groups of assets held for disposal	-
120. Other assets	1,599
Total	**4,114,605**

Table 7 - Asset items of the "demerger compendium" as at 1 December 2020

Liability items - Demerger Compendium	01/12/2020
10. Financial liabilities measured at amortised cost	3,179,187
a) payables to banks	*3,179,187*
20. Financial liabilities held for trading	6
80. Other liabilities	784
160. Valuation reserves	-2,793
n.a. capital endowment	937,420
Total	**4,114,605**

Table 8 - Liability items of the "demerger compendium" as at 1 December 2020

The change in the scope of the deferred tax assets involved in the demerger resulted in AMCO incurring a debt of EUR 47.8 million to MPS, settled in cash in February 2021.

2.4 - Financing the transaction

The debt comprising the liabilities transferred into the Compendium consisted of a loan which, at the date of the demerger, J.P. Morgan Securities Plc and UBS Europe SE made available to MPS in the form of a bridge loan for a total value of EUR 3,179 million. The debt was disbursed prior to the date of the AMCO Shareholders' Meeting that resolved on the Transaction and was divided into 4 lines:

- Facility A for an amount of EUR 1,329 million;
- Facility B for an amount of EUR 850 million;
- Facility C1 for an amount of EUR 500 million;
- Facility C2 for an amount of EUR 500 million.

On the effective date of the Transaction:

- Facility A was replaced by a Secured Loan, divided into 2 sub-facilities A1 and A2 with a maturity of 1 year (the "Sub-facilities A1 and A2"), secured through the securitisation of the NPE portfolio of the Compendium through the creation of a Separate Asset pursuant to Art. 7.1 (a) of Italian Law 130/99;
- Facility B was repaid in full through AMCO cash on hand and proceeds from the spot or forward sale of AMCO's banking book;
- Facilities C1 and C2 were fully repaid with the proceeds of the issues carried out by AMCO under the EMTN programme in July 2020.

Sub-facilities A1 and A2 are in turn structured as follows:

- Sub-facility A1, for an amount of EUR 1,000 million maturing on 1 December 2021 and repayable through the amounts generated by the management of the MPS Portfolio and/or AMCO's available liquidity (starting from the sixth month following the disbursement of the Secured Loan);
- Sub-facility A2, for an amount of EUR 329 million, already fully repaid through unsecured issues under AMCO's EMTN programme in July 2020.

In order to guarantee the so-called Secured Loan, the funding structure envisages that the Segregated Estate receives a loan from the vehicle HydraM SPV Srl. On the basis of this credit exposure granted to the Segregated Estate pursuant to Article 7.1 (a) of Italian Law 130/99, the securitisation vehicle HydraM SPV Srl issued a single untranched note fully subscribed by an Irish vehicle (wholly owned by AMCO), the liabilities of which include sub-facility A1.

Since the NPE portfolio does not qualify for derecognition under IFRS 9 and substance over form prevails, the loan to J.P. Morgan Securities Plc and UBS Europe SE has been directly disclosed in these separate financial statements, thus "eliminating" both the HydraM vehicle and the Irish Vehicle.

2.5 - Strategic rationale of the transaction

The transaction is characterised by a strong strategic rationale for the AMCO Group, in line with the 2020-2025 business plan, which can be summarised in the following points:

- an increase in management volumes capable of strengthening the Group's **market positioning** and making further portfolio acquisitions and/or management mandates more feasible, in order to offset the run-off of existing portfolios with the development of volumes under management and thus optimise corporate efficiency;
- increasing **economies of scale** by optimising the incidence of the Group's structural costs;
- increasing **operating profitability** due to industrial leverage;
- creation of a hub for **attraction for talented resources** thanks to the increased size and prospects for further growth as well as **retention** of resources already working in the Group;
- optimisation of the volumes of assets managed by loan managers, thanks to **management synergies** linked to common debtors and/or homogeneous portfolios and taking into account the Group's business model, with the focus of loan managers on positions of higher amounts;
- increased effectiveness of recoveries through:
  - a greater proportion of common debtors in the managed portfolios, which would guarantee greater contractual strength with respect to the debtor and greater collaboration with the latter in order to normalise their financial situation and optimise recovery times and percentages;
  - synergistic management of recovery strategies for common portfolio clusters (i.e. geographical area);
- refinement of the valuation skills of the portfolios to be acquired thanks to:
  - the expansion of the statistical dataset in relation to NPE recoverability;
  - consolidation of the capacity to define the most appropriate recovery strategy for each UTP position.

3 - Servicing transactions

Below are the servicing transactions completed during the year:

- on 18 April 2020 Banca Intesa Sanpaolo S.p.A. exercised, for the third time, the option offered by Italian Decree Law No 99 of 25 June 2017, at Art. 4, paragraph 5, letter b), for the retrocession to the LCAs of part of the assets (performing at the time of the purchase operation by ISP) relative to the former Veneto Banks High-Risk positions. These positions were subsequently disposed by the LCAs to the AMCO-managed Segregated Estates. The overall Gross Book Value of the **third High Risk retrocession** was of around EUR 110 million, with an economic effective date of 18 April 2020;
- on 13 June 2020, Banca Intesa Sanpaolo S.p.A. exercised its last option to sell "high risk" positions. The **fourth High Risk retrocession** related to positions with an overall Gross Book

Value of EUR 200 million and the economic effective date was set for 13 June 2020. No further retrocessions are planned for the future;

- on 8 December 2020, the second phase of the *Cuvèe* transaction was launched, this is a multi-originator platform to manage loans classified as 'unlikely to pay' deriving from loans and credit facilities with a different nature granted to companies operating in the property sector, now extended to include Real Estate leasing positions. With the second phase, Intesa Sanpaolo, Unicredit Leasing and Banco Desio have also joined the project. The management platform operates at multiple levels through:
  - (a) the disposal of UTP loans by Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca, Banco BPM, Intesa Sanpaolo, Unicredit Leasing, Banco Desio and AMCO itself to a securitisation vehicle (called "Ampre SPV Srl");
  - (b) the subscription of securities issued by the vehicle by a closed-end investment mutual fund reserved to professional investors (called "Back2Bonis") and managed by Prelios SGR;
  - (c) assignment of the fund shares to the transferring shareholders in proportion to the value of the loans transferred.

Under the terms of the transaction, in exchange for the transfer of the receivables to the vehicle company Ampre SPV S.r.l. (of which the Parent Company is Master and Special Servicer), the transferors will be assigned the units of the fund named "Back2bonis", which owns the notes of the securitisation vehicle.

The Parent Company, as a result of the contribution of receivables recorded among its assets during 2019 and 2020, received 188.168 units of the Back2Bonis Fund as a counterpart. AMCO valued the fund's units at EUR 74.4 million as at 31 December 2020, in accordance with its internal policies for the valuation of UCITS.

It is specified that AMCO's shareholding in the Fund is equal to around 22% of the total subscribed shares, while its participation through the Veneto Group and Vicenza Group Segregated Estates is of 15%.

Performance of managed assets

Following the acquisition of non-performing loans through the transactions described above, the Parent Company AMCO is now one of the main players in the Italian market for the management of Non-Performing Exposure (NPE). AMCO is the 6th largest operator[16] in the management of NPE positions and, in particular, as regards the management of 'unlikely to pay' and past due loans, AMCO is the 2nd largest operator[17] in Italy. AMCO is able to fully oversee the management process of positions, including through agreements with specialised partners and the option of directly providing new finance to allow for continuity and the relaunch of industrial entities.

In terms of Gross Book Value, assets under management at 31 December 2020 can be broken down as follows:

[16] The Italian NPL market, PwC, December 2020: the ranking reported by PWC is based on data provided by the operators as at 30 June 2020.

[17] The Italian NPL market, PwC, December 2020: the ranking reported by PWC is based on data provided by the operators as at 30 June 2020.

1 - Debt purchasing

- EUR 6 billion for 50 thousand debtors relating to so-called POCI portfolios acquired from 2019 (of which EUR 2.4 billion from the Carige portfolio, EUR 2.2 billion from the BPB portfolio, EUR 625 million from the Banco Popolare portfolio, EUR 393 million from the two Creval portfolios, EUR 284 million relating to loans securitised in the vehicle Fucino NPL's S.r.l. and EUR 78 million relating to the ICS and Igea-Fucino portfolios).
- EUR 1.5 billion for 1,800 debtors relating to the portfolio originating from the former Banco di Napoli.
- EUR 7.7 billion for 75 thousand debtors deriving from the MPS portfolio forming part of the demerger compendium transferred to AMCO.

2 - Servicing

- EUR 16.1 billion for 90 thousand debtors relating to the Veneto Group and Vicenza Group Segregated Estates, including EUR 4 billion in loans relating to the Ambra securitisation and EUR 2 billion relating to the Flaminia securitisation.
- EUR 1.9 billion for 960 debtors relating to Financed Capital.
- EUR 0.9 billion for 120 debtors relating to the Back2Bonis portfolio.

Main indicators as at 31 December 2020

The profit and loss result of the 2020 financial year shows a net operating profit of EUR 76 million.

To best represent the economic and financial position of the Group, considered its peculiarity in the current financial Italian system, the mandatory schemes were reclassified in accordance with management criteria.

The intended purpose is that of facilitating their reading and understanding through specific groupings of items and reclassifications which are better defined below.

Furthermore, the Group’s main economic and financial indicators relative to the 2020 financial year are indicated in the tables below, alongside the comparative data for the previous financial year.

Reclassified balance sheet

The balance sheet was reclassified on the basis of the nature of the assets and liabilities held by the Company, classifying the various entries into homogenous categories.

Item (Data EUR/000)	31/12/2020	31/12/2019	Delta	Delta %
Loans and receivables with banks	251,585	324,338	-72,753	-22%
Loans and receivables with customers	5,686,223	979,400	4,706,823	481%
Financial assets measured at fair value	718,836	1,404,511	-685,675	-49%
Equity investments	10	14	-4	-29%
Property, plant and equipment and intangible assets	4,677	6,816	-2,139	-31%
Tax assets	210,687	79,912	130,775	164%
Other assets	28,355	24,717	3,638	15%
Total assets	**6,900,372**	**2,819,708**	**4,080,664**	**145%**

Table 9 – Reclassified balance sheet assets as at 31 December 2020 and 31 December 2019

Item (Data EUR/000)	31/12/2020	31/12/2019	Delta	Delta %
Financial liabilities at amortised cost	3,952,065	915,507	3,036,558	332%
Tax liabilities	6,075	8,201	-2,126	-26%
Provisions for specific purposes	20,811	20,784	27	0%
Other liabilities	97,368	52,353	45,015	86%
Share capital	655,154	600,000	55,154	9%
Treasury shares	-70	0	-70	n.a.
Share premium	604,552	403,000	201,552	50%
Reserves	1,498,311	779,011	719,300	92%
Valuation reserves	-9,903	-1,460	-8,443	578%
Profit/loss for the year	76,009	42,311	33,698	80%
Total liabilities and net equity	**6,900,372**	**2,819,708**	**4,080,664**	**145%**

Table 10 – Reclassified balance sheet liabilities and net equity as at 31 December 2020 and 31 December 2019

Reclassified income statement

The criteria used for the preparation of the reclassified income statement aim at highlighting within the EBITDA the Company's costs and revenues from ordinary operations, which consists of the activities for the management and recovery of impaired assets both recorded in the balance sheet and managed through servicing mandates. This category also includes the revenues deriving from investment instruments, such as securitisation notes and shares in mutual funds, for which AMCO has the mandate to manage the underlying impaired assets, as the performance of the Company as servicer has an impact on the value enhancing of investment instruments. However, costs and revenues deriving from the financial and ancillary management activities of the Company are reclassified under the EBITDA.

Income statement (Data EUR/000)	31/12/2020	31/12/2019	Delta	Delta %
Servicing commissions	48,007	47,139	868	2%
Interests and commissions from business with customers	101,570	32,382	69,187	214%
Other income/expenses from ordinary operations	64,569	15,320	49,249	321%
TOTAL REVENUES	**214,145**	**94,841**	**119,304**	**126%**
Staff costs	-29,987	-23,580	-6,407	27%
Net operational costs	-25,231	-19,915	-5,316	27%
- of which gross costs	*-29,951*	*-26,014*	*-3,936*	*15%*
- of which recoveries	*4,720*	*6,099*	*-1,379*	*-23%*
TOTAL COSTS	**-55,218**	**-43,496**	**-11,722**	**27%**
EBITDA	**158,927**	**51,345**	**107,582**	**210%**
Net value adjustments/reversals on receivables and securities from ordinary operations	-42,671	-3,581	-39,090	1092%
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	-2,065	-1,514	-551	36%
Net provisions for risks and charges	227	-3,611	3,837	-106%
Other operating income/expenses	-26,496	-12,054	-14,442	120%
Financial activity result	18,669	20,845	-2,175	-10%
EBIT	**106,592**	**51,430**	**55,162**	**107%**
Interests and commissions from financial activity	-36,358	-6,095	-30,263	497%
PRE-TAX PROFIT	**70,234**	**45,335**	**24,899**	**55%**
Current taxes	5,775	-3,024	8,799	-291%
RESULT FOR THE YEAR	**76,009**	**42,311**	**33,698**	**80%**
EBITDA MARGIN	***74.2%***	***54.1%***		***20.08%***
COST/INCOME	***25.8%***	***45.9%***		***-20.08%***

Table 11 – Reclassified income statement as at 31 December 2020 and 31 December 2019[18]

Solidity of balance sheet structure

EUR/millions - %	31/12/2020	31/12/2019	Delta
Regulatory capital	2,824	1,780	58.6%
Weighted risk assets	7,571	2,793	171.1%
CET 1	***37.3%***	***63.7%***	***(26.4)***
Total Capital Ratio	***37.3%***	***63.7%***	***(26.4)***

Table 12 - Main economic and financial indicators as at 31 December 2020

Also for 2020, AMCO confirms the solidity of its balance sheet Total Capital Ratio of 37.3%, comfortably higher than the regulations' requirements (8%). Compared to the previous year, the balance sheet ratios have decreased mainly due to the increase in the Company's assets following the transactions that took place during the year.

[18] The 2019 comparative figure has been changed as a result of the reclassification of the time value component from the item "Interests and commissions from business with customers" to the item "Net value adjustments/reversals on receivables and securities from ordinary operations".

Analysis of the main financial indicators

Financial assets measured at amortised cost account for 86.1% of total assets and include:

- EUR 251.6 million relative to loans to banks, mainly from balances in correspondence current accounts;
- EUR 5.7 billion in loans to customers and financial companies, relating to:
  - the former MPS portfolio making up part of the demerger compendium (for EUR 3.5 billion);
  - portfolios related to the acquisitions that took place from 2019 for EUR 1.7 billion (of which EUR 868 million related to the former Banca Carige portfolio, EUR 507 million related to the former Banca Popolare di Bari portfolio, EUR 183 million related to the former BPM portfolio, EUR 85 million related to the portfolio securitised in the vehicle Fucino NPL's, EUR 62 million related to the former Creval portfolio and EUR 17 million related to the former-ICS and former-Igea Fucino portfolios);
  - receivables from the vehicle company HydraM SPV (for EUR 357 million), arising from the MPS transaction as described in the previous paragraphs (see the "Business Development" section for more details);
  - portfolio of former Banco di Napoli, Isveimer and GRAAL (for EUR 104 million).

Total Assets consist of 10.4% of investments in **financial assets measured at fair value**, whose break-down is indicated below:

- EUR 470.9 million relative to the investment in the Italian Recovery Fund;
- EUR 74.3 million relative to the investment in Back2Bonis;
- EUR 60.3 million related to shares, equity financial instruments and other financial instruments (of which EUR 52.6 million deriving from the MPS demerger compendium and EUR 7 million from the former Banca Carige and EUR 0.7 million related to the investment in the Clessidra fund);
- EUR 57.2 million relating to loans that do not meet the criteria for recognition as assets measured at amortised cost (EUR 44.2 million relating to the MPS portfolio, EUR 9.3 million relating to the former-Carige portfolio and EUR 3.8 million relating to the former-Banco BPM portfolio);
- EUR 56.2 million (including accruals of EUR 0.5 million) related to investments in government bonds (gross of adjustments).

For the remaining part, Assets include **property, plant and equipment and intangible assets**, **tax assets** and **other assets**.

With total assets of EUR 6.9 billion, the company's capital structure shows equity of EUR 2.8 billion and third-party funds of EUR 4 billion.

Financial debt mainly includes bonds totalling EUR 2.9 billion and payables to banks of EUR 1 billion, the latter arising from liabilities included in the demerger compendium of the MPS transaction. Payables to banks have already been partly repaid in February 2021 for EUR 250 million, reducing the exposure to EUR 750 million. The repayment was made against the cash generated by the MPS portfolio itself.

With reference to bonds, these relate to the following issues:

- on 6 February 2019 AMCO placed its first unsecured senior bond for EUR 250 million, under the European programme for the issue of medium/long-term financial instruments (“EMTN Programme”) of EUR 1 billion, agreed with resolution of the Shareholders' Meeting of 10 May

2018 and approved by the Luxembourg stock exchange on 25 May 2018. The issue was settled, for the entire amount, on 13 February 2019. The bond has a five-year maturity and confers the right to the payment of a fixed annual coupon equal to 2.625%. The issue, which was reserved to qualified and institutional investors and required a minimum investment of EUR 100,000, obtained a rating of BBB- from Fitch and is listed on the Luxembourg stock exchange;

- on 1 October 2019 AMCO placed its second unsecured senior bond for EUR 600 million, also using the EMTN Programme. The issue of EUR 600 million was settled for the whole amount on 7 October 2019. The bond is due to mature on 27 January 2025 and requires the payment of an annual fixed coupon of 1.375%. The transaction, which received orders for around EUR 800 million from 80 institutional investors, received a good level of interest in particular from banks (around 52% of the total) and asset managers (around 36%), both Italian and European, and received a BBB- rating from Fitch and BBB from Standard&Poor's;
- on 9 July 2020, AMCO placed two unsecured senior bond issues for a nominal amount of EUR 1,250 million, maturing in three years and carrying a fixed annual coupon of 1.5%, and EUR 750 million, maturing in seven years and carrying a fixed annual coupon of 2.25%, under the EMTN programme. The total orders for the two tranches reached EUR 5 billion from 243 institutions, which is 2.5 times the amount of the total issue, demonstrating the high level of interest in the market.

  The issuances confirmed AMCO's ability to attract a stable investor base of diverse geographic origin, with over 60% of the allocations being from foreign investors. Investors in the transaction include asset managers, banks and financial institutions. The maturity date of the 3-year bond is 17 July 2023 and the maturity date of the 7-year bond is 17 July 2027. The bonds, which are listed on the Luxembourg regulated market, are rated BBB- by Fitch and BBB by Standard&Poor's.

Management of impaired assets

MPS Portfolio

Following the acquisition of the portfolio of non-performing loans forming part of the demerger compendium transferred from MPS to AMCO, the Company began managing and recovering these positions. As at 31 December 2020, the portfolio, consisting of 70% bad loans and 30% 'unlikely to pay', had a gross book value of EUR 7.7 billion (including arrears) and a carrying amount of EUR 3.5 billion. In December 2020, the Company recorded collections of EUR 38.4 million (in addition to the EUR 396 million in collections obtained by MPS in 2020 and retroceded with the demerger compendium) and recorded interest income of EUR 6.2 million (net of the "time value" effect).

As part of the provisions of IFRS 9, the Company has also recognised EUR 44.2 million in the portfolio of loans that are compulsorily measured at fair value (since they do not comply with the definition of SPPI as required by IFRS 9).

Portfolios acquired and accounted for as "purchased or originated credit impaired"

Following the acquisitions of non-performing loan portfolios in 2019 and 2020, the Company continued to manage and recover these positions. The portfolios have a Gross Book Value as at 31 December 2020 of EUR 6 billion and consist of 46% bad loans and 54% 'unlikely to pay'. During 2020, despite the effects of the pandemic, the Company collected approximately EUR

147.9 million, of which EUR 16.5 million related to collections for the interim period. The largest contribution in terms of profitability is attributable to the interest on the former Banca Carige and former BPB portfolios, in particular:

- the former Banca Carige portfolio generated interest income of EUR 48 million, write-backs on collections net of losses of EUR 9 million and net value adjustments of EUR 26.4 million against EUR 84.5 million in operating collections;
- the former BPB portfolio generated interest income of EUR 21.1 million, write-backs on collections net of losses of EUR 13.9 million, write-backs from time value of EUR 2 million against EUR 34.5 million of operating collections (of which EUR 4.4 million in the interim period);
- the former Banco BPM portfolio generated interest income of EUR 9 million, write-backs on collections net of losses of EUR 1.6 million and net value adjustments of EUR 0.4 million against EUR 10.7 million in operating collections (relating to the interim period);
- the former Creval portfolio generated interest income for EUR 4 million, write-backs on collections net of losses for EUR 2.6 million and net value adjustments for EUR 0.2 million against EUR 8.7 million of operating collections (of which EUR 0.9 million relating to the interim period);
- the securitised portfolio in the vehicle company Fucino NPL's S.r.l. generated interest income of EUR 5.2 million, write-backs on collections net of losses of EUR 0.9 million and net value adjustments of EUR 5.5 million against EUR 8 million in operating collections;
- the former Igea Fucino and ICS portfolios generated interest income of EUR 1.8 million, write-backs on collections net of losses of EUR 0.5 million, net value adjustments of EUR 0.9 million against collections of EUR 1.4 million (of which EUR 0.5 million relating to the interim period).

In the context of the provision of IFRS 9, the Company provided to recognise in the financial statements the assets of the acquired portfolios as purchased or originated credit impaired assets (hereinafter also “POCI”), recognising as at 31 December 2020 loans for a total of EUR 1.7 billion and interest income for EUR 89.1 million. In addition to the POCI accounting, loans that must be measured at fair value were recognised for EUR 13.1 million (because they do not comply with the definition of SPPI as provided for by IFRS 9), of which EUR 9.3 million relating to the former Banca Carige portfolio and EUR 3.8 million to the former Banco-BPM portfolio.

NPLs from former Banco di Napoli, former Isveimer and former GRAAL

During 2020, AMCO continued with the management of the assets of the former Banco di Napoli, the former ISVEIMER and the former GRAAL, comprising non-performing loans, agreements and other problematic assets (unsecured loans exposed to country risk, securities, equity investments), for an original gross value of around EUR 10,141 million, acquired by AMCO over 20 years ago for a total price equating to roughly EUR 6,750 million, of which EUR 6,597 million relating to loans and receivables and EUR 153 million relating to securities and equity investments.

In 2020, the activity for the recovery of the portfolio, initiated by now over 20 years ago, recorded overall revenues for EUR 27.8 million, bringing the recoveries realised since the acquisition of the portfolio up to 31 December 2020 to EUR 5,210 million.

Financial investments

During the 2020 financial year the Company, in accordance with its new corporate purpose, continued with the implementation of a new investment strategy in financial assets.

Investment in government securities

As at 31 December 2020, the Company's investments in government securities amounted to a total of EUR 55.7 million, which generated EUR 3.7 million in interest income, in addition to approximately EUR 21.9 million in net capital gains from the sale of certain securities and the release of previous write-downs (including EUR 1.3 million from the release of previous write-downs).

Italian Recovery Fund

Following the issue of Italian Decree Law No 69/2016, AMCO formalised a commitment to subscribe a nominal amount of EUR 450 million (in 2016) and an additional EUR 70 million (in 2017) for the investments in units of the Atlante II Fund, subsequently renamed the Italian Recovery Fund (hereinafter, also referred to as the “Fund” or “IRF”).

The Italian Recovery Fund 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.

IRF was formally set up on 8 August 2016; during the current financial year the shareholders' meeting resolved to extend the maturity date of the fund from 31 March 2021 to 31 December 2026.

The Fund invests in so-called mezzanine and junior financial instruments, issued by vehicles established ad hoc for the acquisition of portfolios of non-performing loans originating from numerous Italian banks.

As at 31 December 2020, AMCO paid EUR 438.6 million by way of drawdown of its own commitment, net of the reimbursements already received.

The fair value of the investment was determined using internal models in accordance with the criteria set out in current policies, adjusting the Net Asset Value (NAV) provided by DeA Capital Alternative Funds SGR S.p.A. as part of the fund's management report as at 31 December 2020, taking into account the capital repayments, net of withholdings, received in May (EUR 14.4 million) and August 2020 (EUR 11 million). On the basis of this value, the fair value of the investment at the date of these financial statements is of EUR 470.9 million, giving rise to a capital loss of EUR 4.5 million.

The investment in the Italian Recovery Fund represents a method for operating indirectly for AMCO in the segment representing its core business. The independence and specialisation of the fund’s management company ensure an objective and precise valuation of the investment which the fund evaluates and makes and that involve specifically banks and financial entities of the Italy system. Furthermore, the fund carries out the management of the assets in the portfolio by means of the active monitoring of the special servicers and of the recoveries, intervening in the strategic decisions relating to the portfolios, as envisaged by the governance rules of each transaction. It is also to be noted that DeA Capital Alternative Funds SGR S.p.A. has recently recruited resources with experience in the process of management and recovery of loans to ensure the necessary attention to the management of large cases and the monitoring of servicers.

The returns expected from the investment are consistent and compatible with AMCO’s objectives, both in terms of IRR and in terms of timescale of the investment. In fact, on conclusion of the on-boarding process for the portfolios acquired by the servicers, the fund - as declared by DeA Capital Alternative Funds SGR S.p.A. in the Annual report - will consider the transfer of sub-portfolios attractive in bulk for specialised investors, for the purpose of speeding up the liquidation of the loans and increase returns compatible with the statutory duration of the Fund.

Banca Carige S.p.A.

The total investment held by AMCO in Banca Carige at 31 December 2020 was 1,804,490 shares (following the aggregation deliberated by Banca Carige), for a countervalue of EUR 1.9 million, in line with the valuation made at 31 December 2019, based on the official price of the capital increase.

It is noted that the investment is recognised in the financial statements, in compliance with the provisions of IFRS 9, at fair value through other comprehensive income (FVOCI), taking into account that this instrument is recognised as capital not held for the purpose of trading. The increase in value of the shares previously held in the portfolio is therefore recognised as a direct increase of the Valuation Reserve under Net Equity.

Back2Bonis

In relation to this operation AMCO transferred loans recognised under its own assets for EUR 74.4 million, receiving 188,165 shares in the Back2Bonis Fund in return. As the loans directly transferred by AMCO relate to relationships forming part of the acquired portfolios, the Company valued the fund shares at EUR 74.4 million as at 31 December 2020.

Analysis of the economic result

As at 31 December 2020 the Group recorded an **EBITDA** of EUR 158.9 million, an increase compared to EUR 51.3 million as at 31 December 2019 (+210%). Below is a break-down of EBITDA and net profit based on the reclassified income statement.

The total of **fees and commissions income** as at 31 December 2020 is of EUR 48 million, an increase compared to EUR 47.1 million in the previous financial year.

The commission structure is based on the type of activity carried out (master servicing, special servicing) and the levels of commission set in the contract with the two former Veneto Banks as a function of the management characteristics of the loan (e.g. gone concern, going concern).

The figure indicated above was calculated as a sum of:

- EUR 35 million, represented by commissions received by AMCO for the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates;
- EUR 10.8 million, for the Special Servicing activity on loans included in the Ambra and Flaminia securitisations by Credito Fondiario S.p.A., which acts as Master Servicer;
- EUR 1.6 million for fees that AMCO receives as master and special servicer from the securitisation vehicle Ampre SPV S.r.l.;
- EUR 0.4 million deriving from the mandate to manage Financed Capital;
- EUR 0.2 million for fees that AMCO receives from AMCO S.r.l. Romania for servicing activities.

Interest income from customers recognised in the financial statements for 2020 amounts to EUR 101.6 million, and mainly originate from the recognition of:

- interest income deriving from assets acquired and recognised as purchased or originated credit-impaired (“POCI”) in compliance with the provisions of IFRS 9, which recorded revenues for an amount equal to EUR 89.1 million;

- interest income deriving from the former MPS portfolio and the portfolio of the former Banco di Napoli for EUR 12.4 million (of which EUR 6.2 million deriving from the MPS portfolio and EUR 6.2 million as the "time value" effect of the portfolios of the former Banco di Napoli and MPS);

In addition to interests and commissions, revenues include **other income** from ordinary operations for EUR 64.6 million, mainly deriving from:

- profit from the sale of receivables and securities for EUR 25.7 million (of which EUR 23 million from the sale of assets mandatorily valued at fair value and EUR 2.8 million from the sale of financial assets at amortised cost);
- write-backs on collections net of losses for EUR 38.6 million.

Total costs show an upward trend linked to the transactions concluded by the Company during the year. Specifically, there were costs of EUR 55.2 million (compared to EUR 43.5 million in 2019) due to:

- **staff costs**, equal to EUR 30 million, up compared to 2019 due to the significant increase in the number of personnel (from 233 to 287 resources);
- **operational costs**, equal to EUR 25.2 million, determined by:
  - EUR 23.7 million (net of recovery expenses of the Segregated Estates and Financed Capital for a total of EUR 4.7 million) due to charges for the recovery of loans, consultancies and set up costs linked to the structural growth of the Group's activities, in accordance with the development of new managed assets;
  - EUR 1.5 million for fees and commissions expense, mainly due to commissions paid to the Romanian subsidiary for the management of non-performing loans of the Veneto Group Segregated Estate to Romanian residents and the outsourced management of several relationships of the other portfolios.

EBIT for the 2020 financial year amounted to EUR 106.6 million, compared to EUR 51.3 million as at 31 December 2019, due to the effect of:

- **value adjustments/reversals on receivables and securities** negative for EUR 42.7 million (EUR 3.6 million in 2019). The item includes net value adjustments of EUR 43.1 million on assets measured at amortised cost (of which EUR 31.4 million relating to net value adjustments on portfolios accounted for as POCI);
- **depreciation, amortisation and net impairment losses on tangible and intangible fixed assets** negative for the amount of EUR 2.1 million, mainly related to the amortisation of the right to use buildings in accordance with IFRS 16 for EUR 1.5 million and the amortisation of software for EUR 0.2 million;
- **other operating income and expenses** negative for EUR 26.5 million. This amount is mainly due to the mechanism required by transfer contracts with the two former Veneto Banks according to which, at the end of every three-year period, an adjustment of the Company's fees is determined (so called Collar) with the objective of correlating the same to the evolvement of the costs actually sustained for the management and recovery activities of legal relationships and assets transfers carried out by AMCO on behalf of the two Segregated Estates. In view of these possible adjustments, provision is made with regard to the 2020 financial year to recognise a cost of EUR 19 million; To this cost must be added EUR 7.7 million in losses from the revaluation of foreign currency balances;
- **net result of financial activity** for EUR 18.7 million, essentially deriving from net capital gains and write-downs issued following the sale of government bonds for a total of EUR 23.1 million,

partially offset by adjustments on positions measured at fair value.

The Group recognised a **net profit** in 2020 of EUR 76 million, up compared to the profit for the previous financial year of EUR 42.3 million and discounted, with respect to EBIT, the negative result of interest expense on financial liabilities and taxes, offset by interest income on government bonds, commitment fees in relation to the Back2Bonis portfolio and fees received for securities lending transactions.

Interest expense arising from financial liabilities is mainly represented by bonds issued during 2019 and 2020 and amounted to EUR 35.5 million, interest expense on financial liabilities included in the demerger compendium transferred from MPS to AMCO amounting to EUR 3.6 million in addition to EUR 1.1 million on senior notes issued by the vehicle Fucino NPL's S.r.l.

Interest income deriving from investments in government securities classified at Fair Value Through Other Comprehensive Income (“FVOCI”), equal to EUR 3.7 million (EUR 2.2 million in 2019).

Current taxes include a positive amount of EUR 5.8 million determined by the recognition of deferred tax assets of the MPS compendium previously not recognised for the amount of EUR 19.0 million (in addition to EUR 1.9 million of additional DTAs generated by 2020 provisions), partially offset by the use of previously recognised tax assets for the amount of EUR 11.1 million and IRAP for the year for the amount of EUR 4.3 million.

RATING

On 1 July 2020, Fitch Ratings, at Investment Grade level, confirmed the LTIDR as BBB- with Stable Outlook, and the Short-Term Foreign Currency IDR as F3. Confirmation follows the announcement of the transactions with Banca Popolare di Bari S.c.p.A. and Banca Monte dei Paschi di Siena S.p.A. The Fitch Ratings thus maintained the alignment between AMCO's Long-Term rating and the same rating assigned to Italy.

On 27 October 2020, Standard&Poor's ("S&P") affirmed AMCO's Investment Grade rating, with the Long-Term Issuer Credit Rating at 'BBB'. In addition, S&P improved the Outlook to Stable from Negative, in line with that of the Italian government. S&P considers AMCO a government-related entity with an almost certain probability of financial support from the Italian government, so it aligns AMCO's Long-Term rating with that assigned to Italy.

On 14 January 2021, Fitch Rating raised AMCO's commercial, residential and asset-backed special servicer ratings to 'CSS2', 'RSS2', 'ABSS2' from 'CSS2-', 'RSS2-', 'ABSS2-'. Fitch makes reference to AMCO's business growth derived from a variety of sources, demonstrating its ability to successfully pursue its strategic objectives. Among the factors considered by Fitch in its rating analysis are the increase of the number of employees to 287 at the end of 2020, from 71 at the end of 2017, to meet the needs of servicing activities and strengthen central functions, improving the loans onboarding process, which has been made more efficient, launching its own data warehouse in 2020, creating a new structure for the UTP/PD business and finally, from 1 January 2021, creating a separate Real Estate business unit. In addition, according to the Agency, AMCO coped well with the impact of Covid-19 in 2020, with minimal impacts; all employees worked remotely, equipped with all necessary tools.

RELATED PARTY TRANSACTIONS

On 20 July 2020, the liquidation procedure of Immobiliare Carafa S.r.l., a company established for the optimum realisation of mortgages and used for auction measures and acceptance in lieu transactions, was completed. The liquidation was completed through the approval of the financial statements and the final liquidation distribution plan, the latter of which was entirely attributed to AMCO as sole shareholder.

AMCO wholly owns the Company AMCO - Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estate. A contract referred to servicing activities is in place with the latter, for which commissions expense of EUR 0.5 million was recognised during the 2020 financial year.

Among the financial transactions carried out with other companies in which the Ministry of Economy and Finance holds an interest, mention should be made of the partial non-proportional demerger with asymmetric option of a compendium consisting of non-performing loans, tax assets, other assets, financial debt, other liabilities and equity by Monte dei Paschi di Siena S.p.A. in favour of AMCO, the details of which have been set out in the preceding paragraphs.

The other financial transactions carried out with other subsidiaries of the Ministry of Economy and Finance, realised at market conditions, refer to current accounts with Monte Paschi di Siena S.p.A. and Poste Italiane, in addition to securities lending transactions with Monte Paschi di Siena S.p.A., which generated commissions income for EUR 0.5 million during the 2020 financial year.

BUSINESS OUTLOOK

In 2020, the national and international scenario has been characterised by the spread of Coronavirus and the consequent restrictive measures for its containment implemented by the public authorities of the countries involved. These circumstances, extraordinary in their nature and extent, have direct and indirect repercussions on the economic activity and have created a climate of general uncertainty, whose evolution and relative effects cannot be forecasted. Any support measures put in place by national authorities (such as, including but not limited to, moratoria on the payment of mortgages and loans) could have an impact on the future recoveries of the Group and, therefore, on its profitability.

In this context, the AMCO Group confirms the objectives contained in its 2020-2025 economic and financial projections, approved by the Company's Board of Directors on 29 June 2020, maintaining its intention to further increase its assets under management, seizing the opportunities offered by the market, both in its role as debt purchaser and as servicer. AMCO's business model is also confirmed, which remains focused on maximising collections, also by enhancing the value of the assets used as collateral, in particular on non-performing loans, while for UTP loans the strategy is aimed at maintaining business continuity and supporting virtuous companies, including through the provision of new finance, enabling them to normalise their financial situation and fully repay their debt.

Moreover, after the transactions carried out in 2020, in particular the acquisition of the Banca Popolare di Bari Group and the completion of the demerger with Banca Monte dei Paschi di Siena S.p.A. and the related contribution of the demerged compendium, AMCO aims to consolidate its growth through the continuous development of operational solutions to support the Business

Divisions, the continuous evolution of the technological infrastructure and the growth in both quantity and quality of human resources.

The scalability of AMCO's business model will allow for the creation of economies of scale thanks to the possibility of leveraging fixed-cost resources and structures, and an increase in size accompanied by an increase in assets under management per loan manager, positioning AMCO as a top market performer thanks to an effective management model geared towards efficiency and performance. The development of human capital is considered a priority and envisages specific development strategies and dedicated investments to attract the best professionals in the sector, to increase technical, managerial and behavioural skills through targeted training courses, as well as to improve the engagement and well-being of resources with the structural introduction of smart working and the redefinition of work spaces in order to improve work-life balance and corporate collaboration.

In addition to the promotion of professional skills in the management/recovery of NPE positions, there is the continuous development of innovative technological infrastructures based on an open and flexible operating model, with processes diversified to enable differentiated management strategies, processes and monitoring instruments of the operations of internal managers and third party servicers, as well as the application of appropriate asset analysis and valuation procedures for the issue of new loans to support customers.

GOING CONCERN

In addition to the indications already provided previously, owing to the absence of financial or managerial ratios that could compromise the Company's operational capacity, there are no elements that would call into question the ability to operate on a going concern basis.

These financial statements were therefore prepared on a going concern basis.

RISKS AND UNCERTAINTIES

Considering the mission and operations, as well as the market context in which AMCO operates, risks have been identified to be assessed in the self-assessment processes (ICAAP) and which are detailed in Section 3 – Information on risks and on relevant hedging policies in the Notes to the financial statements to which reference is made.

The main uncertainties, given the company business, are essentially linked to the macroeconomic situation, which could have repercussions on the general economic performance and therefore on the ability of debtors to repay their exposures.

With regard to this, starting from January 2020, the national and international scenario has been characterised by the spread of Coronavirus and the consequent restrictive measures for its containment implemented by the public authorities of the countries involved. These circumstances, extraordinary in their nature and extent, have direct and indirect repercussions on the economic activity and have created a climate of general uncertainty, whose evolution and relative effects cannot be forecasted. Any support measures put in place by national authorities (such as, including but not limited to, moratoria on the payment of mortgages and loans) could have an impact on the future recoveries of the Company and, therefore, on its profitability.

CORPORATE GOVERNANCE REPORT

Introduction

This section of the Report on Operations is drawn up in accordance with the provisions of Art. 123-bis of Italian Legislative Decree No 58 of 24 February 1998 (hereinafter, also only the "TUF"), which the Company is required to observe due to the issue of four unsecured senior bonds, listed on the Stock Exchange of Luxembourg, through the Euro Medium Term Note programme adopted by the same. Furthermore, as AMCO did not issue shares listed for trading in regulated markets or in multilateral trading system, this report is limited to the provisions of art. 123-bis, paragraph 2, letter b), of the TUF due to the effect of the exemption pursuant to art. 123-bis, paragraph 5.

Main characteristics of the internal control and risk management system in force in relation to the financial reporting process

During the 2020 financial year, the Manager in Charge of preparing the Company's Financial Reports pursuant to Art. 154-bis of the TUF (hereinafter, also only the "Manager in Charge") defined a methodological framework which describes the criteria adopted and the relative roles and responsibilities in the context of the definition, implementation, monitoring and updating over time of the internal control and risk management system relative to the financial reporting process and the assessment of its adequacy with the aim of ensuring the reliability, accuracy, dependability and timeliness of the financial reporting itself.

The control model adopted is broken down into the following activities: (a) identification of the primary and secondary risks of financial reporting; (b) risk assessment of financial reporting; (c) identification of the controls with regard to the risks identified; (d) assessment of the controls with regard to the risks identified.

(a) Identification of the primary and secondary risks of financial reporting

The identification of the scope of significant processes in terms of the potential impact on financial reporting was carried out on the basis of the classification of the processes actually adopted by the Company, considering both quantitative and qualitative parameters. More specifically:

- quantitative parameters, through which activities and controls on the most relevant items of AMCO's Separate Financial Statements and Consolidated Financial Statements are focused;
- qualitative parameters, defined on the basis of the understanding of the company's situation and of the specific risk factors inherent in administrative and accounting processes.

(b) Risk assessment of financial reporting

The administrative and accounting risk assessment allows to identify the risks linked to accounting information and is carried out under the supervision of the Manager in Charge. In the context of this process, the objectives that the system intends to achieve have been identified in order to ensure a truthful and correct representation of the same (pursuing the content of financial statements in terms of completeness, accuracy, existence/occurrence, valuation and presentation of operational transactions). The risk assessment is focused on the areas of the financial statements where potential impacts on financial reporting have been identified.

(c) Identification of the controls with regard to the risks identified

The identification of the controls necessary to mitigate the risks identified in the previous stage is carried out by taking into account the control objectives associated to financial reporting. On the basis of the adopted framework, the activities for the assessment of the Internal Control and Risk Management System relative to financial reporting are carried out at least every six months in order to guarantee adequate accounting reporting in the context of the preparation of annual separate and consolidated financial statements and abbreviated interim statements.

(d) Assessment of the controls with regard to the risks identified

The controls identified are assessed in relation to their adequacy and effectiveness through specific monitoring activities carried out by the Manager in Charge and are aimed at checking:

- the design and implementation of current activities and controls, or the ability of the described control and its attributes to guarantee an adequate risk coverage;
- the operational effectiveness of the current activities and controls, or that the control has operated in a systematic manner in order to prevent risks.

On an annual basis, the Manager in Charge defines reports which summarise the result of the control assessments with regard to the risks previously identified on the basis of the results of the monitoring activities carried out. The assessment of controls may involve the definition of corrective actions or improvement plans in relation to any issues identified. A summary of the activities carried out and of the main outcomes is prepared and communicated to the Board of Statutory Auditors and to the Board of Directors.

Roles and functions involved

In order to obtain adequate assurance on the information that may have an impact on AMCO’s economic and financial position and guarantee the circularity of the same, the Manager in Charge coordinates with the Company’s corporate functions, its bodies and governance organisms such as the Board of Directors, the Board of Statutory Auditors, the Supervisory Body, the Independent Auditors and Internal Auditing.

These subjects are responsible for interacting with the Manager in Charge in order to advise and possibly report events that may determine significant changes in the processes, should they have an impact on the adequacy or the actual functionality of the existing administrative and accounting procedures.

The Independent Auditors

Pursuant to Articles 13 and 17 of Italian Legislative Decree No 39 of 27 January 2010, on a reasoned proposal by the Board of Statutory Auditors, on 12 February 2019 the AMCO’s ordinary Shareholders' Meeting resolved to assign the mandate for the regulatory audit for the financial statements for the 2019-2027 financial years to the company Deloitte & Touche S.p.A., with effect from the date of approval of the financial statements for the 2018 financial year.

Manager in Charge of preparing the Company’s Financial Reports

Pursuant to Art. 13 of AMCO’s Articles of Association, the Board of Directors appoints the Manager in Charge, after mandatory consultation with the Board of Statutory Auditors, for a period of no less than the duration of office of the Board itself and no more than six financial years, establishing their powers, means and remuneration.

The Manager in Charge must meet the integrity requirements applicable to Directors and must be chosen according to professionalism and competence criteria from managers with an overall experience of at least three years in the administration field with companies or consultancy / professional firms.

On 15 March 2019, the Board of Directors, after positive consultation with the Board of Statutory Auditors, appointed Ms Silvia Guerrini - already Administration Manager, and meeting the requirements mentioned above - as Manager in Charge, in accordance with the provisions of Art. 154-bis of the TUF and the requirements set in Article 13 of the Articles of Association.

In compliance with current corporate regulations, the Manager in Charge carries out the tasks assigned to them by the law, the regulations and the Articles of Association, ensuring maximum professional diligence and making reference to the general principles commonly accepted as best practice with regard to the internal control. In particular, the Manager in Charge:

- ensures the preparation, also providing their support with respect to Company policies in relation to the management of internal regulations, of adequate administrative and accounting procedures for the preparation of the financial statements and any other communication of a financial nature;
- attests, in conjunction with the Chief Executive Officer, in a specific report, annexed to the separate financial statements and consolidated financial statements, as well as the abbreviated interim report:
  - to the adequacy and effective application of the aforementioned procedures in the period to which the documents refer;
  - that the documents are drafted in compliance with the applicable international accounting standards recognised by the European Union pursuant to Regulations (EC) No 1606/2002, of the European Parliament and Council, of 19 July 2002, where applicable;
  - to the correspondence of documents to the accounting entries and records;
  - according to their knowledge, that the documents are suitable to provide a truthful and correct representation of the financial, economic and assets situation of the Company;
  - that the Report on Operations annexed to the separate financial statements includes a reliable analysis of the Company’s performance and result as well as the Company’s situation, together with a description of the main risks and uncertainties to which the Company is exposed.

The Board of Directors ensures that the Manager in Charge has adequate means and powers for the exercise of the tasks assigned to them and the effective respect of the administrative and accounting procedures.

The following powers are conferred to the Manager in Charge:

- adequate financial independence (budget) determined by the Board of Directors on an annual basis;
- the option to organise an adequate structure, also through the formulation of reasoned requests for recruitment and training of service personnel, in the context of their area of activity;
- the use, for control purposes, of information systems.

Lastly, as already previously described, the participation to internal flows relevant to accounting purposes is guaranteed by the coordination with the Company’s corporate functions, the administrative and control bodies (Board of Directors and Board of Statutory Auditors), the Supervisory Body and other second level (Compliance, Risk Management) and third level (Internal Auditing) control functions.

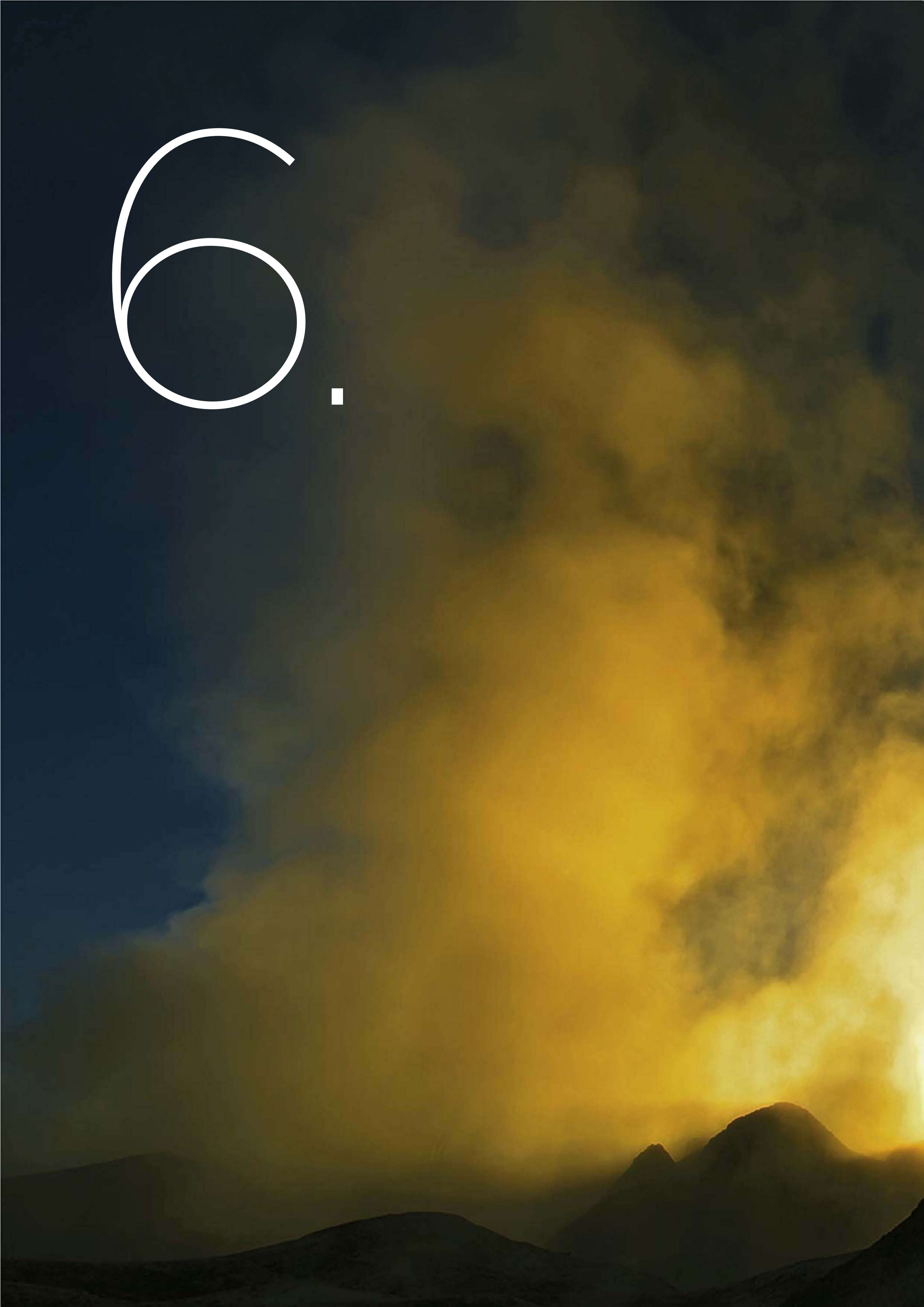
OTHER INFORMATION

Subsequent to that described in this report on operations, in particular in the section regarding the related parties, the Parent Company has drawn up the consolidated financial statements including the securitisation vehicle “Fucino NPL’s S.r.l.” in the scope of consolidation, but not the wholly-owned subsidiary AMCO - Asset Management Co. S.r.l. Romania, given its negligible impact at aggregate level.

In accordance with the provisions of paragraph 125 of Italian Law No 124/2017 of 4 August 2017, it is noted that during the 2020 financial year the Company had not received subsidies, contributions, paid positions and in any case economic advantages of any type from public administrations.

Pursuant to the matters laid down by Article 2428 of the Italian Civil Code, the following information is provided:

- the Group has not carried out any research and development activities during the year;
- the Group holds 17,897 treasury shares within the limits set forth by the Italian Civil Code and does not hold shares or holdings in parent companies, neither directly nor through trust companies or third parties, nor it has purchased or sold treasury shares or shareholdings in parent companies, neither directly nor through trust companies or third parties.



6.

consolidated financial statement schedules

CONSOLIDATED BALANCE SHEET
ASSETS

Amounts expressed in thousand of Euros

	ASSETS	31/12/2020	31/12/2019
10.	Cash and cash equivalents	0	0
20.	Financial assets measured at fair value through profit and loss		
	a) financial assets held for trading	267	
	b) financial assets measured at fair value		
	c) other financial assets mandatorily measured at fair value	658,534	559,709
30.	Financial assets measured at fair value through other comprehensive income	60,036	844,803
40.	Financial assets measured at amortised cost		
	a) loans and receivables with banks	251,585	324,338
	b) loans and receivables with financial companies	381,766	6,660
	c) loans and receivables with customers	5,304,456	972,740
50.	Hedging derivatives		
60.	Change in value of financial assets object of a generic hedge (+/-)		
70.	Equity investments	10	14
80.	Property, plant and equipment	2,941	6,237
90.	Intangible assets	1,736	579
	of which goodwill		
100.	Tax assets		
	a) current	10,789	11,238
	b) deferred	199,898	68,673
110.	Non-current assets and groups of assets held for disposal		
120.	Other assets	28,355	24,717
	TOTAL ASSETS	**6,900,372**	**2,819,708**

CONSOLIDATED BALANCE SHEET
LIABILITIES AND NET EQUITY

Amounts expressed in thousand of Euros

	LIABILITIES AND NET EQUITY ITEMS	31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost (IFRS 7, para. 8(g))		
	a) payables	1,046,059	5,787
	b) debt securities issued	2,906,006	909,720
20.	Financial liabilities held for trading	4	
30.	Financial liabilities measured at fair value		
40.	Hedging derivatives		
50.	Change in value of financial liabilities object of a generic hedge (+/-)		
60.	Tax liabilities		
	a) current	4,352	6,543
	b) deferred	1,723	1,658
70.	Liabilities associated to assets held for disposal		
80.	Other liabilities	97,364	52,353
90.	Post-employment benefits	591	593
100.	Provisions for risks and charges:		
	a) commitments and guarantees issued		
	b) pensions and similar obligations	125	48
	c) other provisions for risks and charges	20,096	20,143
110.	Share capital	655,154	600,000
120.	Treasury shares (-)	-70	
130.	Equity instruments		
140.	Share premiums	604,552	403,000
150.	Reserves	1,498,311	779,011
160.	Valuation reserves	-9,903	-1,460
170.	Profit (Loss) for the year (+/-)	76,009	42,311
	TOTAL LIABILITIES AND NET EQUITY	**6,900,372**	**2,819,708**

CONSOLIDATED INCOME STATEMENT

Amounts expressed in thousand of Euros

	ITEMS	31/12/2020	31/12/2019
10.	Interest and similar income	105,335	34,767
	of which: net interest income calculated with the effective interest method	105,293	34,609
20.	Interest and similar expenses	-41,226	-8,681
30.	**INTEREST MARGIN**	**64,109**	**26,087**
40.	Fees and commissions income	49,232	47,340
50.	Fees and commissions expense	-1,147	-1,101
60.	**NET FEES AND COMMISSIONS**	**48,085**	**46,239**
70.	Dividends and similar revenues	13	
80.	Trading activity net result	-7,779	
90.	Hedging activity net result		
100.	Profit (loss) on sale/repurchase of:		
	a) financial assets measured at amortised cost	2,836	-993
	b) financial assets measured at fair value through other comprehensive income	21,899	4,100
	c) financial liabilities		
110.	Net result of other financial assets and liabilities measured at fair value through profit and loss		
	a) financial assets and liabilities measured at fair value		
	b) other financial assets mandatorily measured at fair value	19,054	17,803
120.	**BROKERAGE MARGIN**	**148,216**	**93,235**
130.	Net impairment losses/reversals of impairment losses on:		
	a) financial assets measured at amortised cost	-4,465	13,115
	b) financial assets measured at fair value through other comprehensive income	1,226	-1,297
140.	Profit/loss from contractual amendments without cancellation		
150.	**NET RESULT OF FINANCIAL MANAGEMENT**	**144,978**	**105,053**
160.	Administrative expenses:		
	a) staff costs	-29,987	-23,580
	b) other administrative expenses	-28,926	-24,913
170.	Net provisions for risks and charges	227	-3,611
	a) commitments and guarantees issued		
	b) other net provisions		
180.	Net value adjustments/reversals on property, plant and equipment	-1,804	-1,477
190.	Net value adjustments/reversals on intangible assets	-262	-38
200.	Other operating income and expenses	-13,997	-5,955
210.	**OPERATIONAL COSTS**	**-74,748**	**-59,574**
220.	Net gains (losses) on equity investments	5	-144
230.	Net result of the measurement at fair value of property, plant and equipment and intangible assets		
240.	Value adjustments on goodwill		
250.	Profits (losses) on disposal of investments		-0
260.	**PROFIT (LOSS) OF CURRENT OPERATING ACTIVITIES BEFORE TAXES**	**70,234**	**45,335**
270.	Income taxes for the year on current operating activities	5,775	-3,024
280.	**PROFIT (LOSS) OF CURRENT OPERATING ACTIVITIES AFTER TAXES**	**76,009**	**42,311**
290.	Profit (Loss) from discontinued operations after taxes		
300.	**PROFIT (LOSS) FOR THE YEAR**	**76,009**	**42,311**
310.	Profit (Loss) for the year attributable to third-party funds		
320.	Profit (Loss) for the year attributable to the parent company	76,009	42,311

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts expressed in thousand of Euros

	ITEMS	31/12/2020	31/12/2019
10.	**Profit (Loss) for the year**	**76,009**	**42,311**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	-213	549
30.	Financial liabilities measured at fair value through profit and loss (change in its creditworthiness)		
40.	Hedging of equity securities measured at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined-benefit plans	-10	-41
80.	Non-current assets and groups of assets held for disposal		
90.	Share of equity investment valuation reserve valued at net equity		
	Other income components net of taxes with reversal to the income statement		
100.	Hedging of foreign investments		
110.	Currency exchange differences		
120.	Hedging of financial flows		
130.	Hedging instruments (non-designated elements)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-4,986	5,042
150.	Non-current assets and groups of assets held for disposal		
160.	Share of equity investment valuation reserve valued at net equity		
170.	**Total other income components net of taxes**	**-5,209**	**5,550**
180.	**Other comprehensive income (Item 10+170)**	**70,800**	**47,861**
190.	Consolidated comprehensive income pertaining to third-party funds		
200.	**Consolidated comprehensive income pertaining to the parent company**	**70,800**	**47,861**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY - 2020

Amounts expressed in thousand of Euros

	Total at 31/12/2019	Amendment of opening balances	Total at 01/01/2020	Allocation of previous year profit (loss)		Changes in the year							Net equity at 31/12/2020
							Transactions on net equity						
				Reserves	Dividends and other distributions	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Other changes	Comprehensive income for 2020	
Capital:													
a) ordinary shares	600,000		600,000										**600,000**
b) other shares							55,154						**55,154**
Share premiums	403,000		403,000				201,552						**604,552**
Reserves:													
a) of profits	779,011		779,011	42,311		1,120							**822,442**
b) others						675,869							**675,869**
Valuation reserves	-1,460		-1,460			-3,235						-5,209	**-9,903**
Equity instruments													
Treasury shares								-70					**-70**
Profit (Loss) for the year	42,311		42,311	-42,311								76,009	**76,009**
Net equity	**1,822,863**		**1,822,863**	**0**		**673,754**	**256,706**	**-70**				**70,800**	**2,824,053**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY - 2019

Amounts expressed in thousand of Euros

	Total at 31/12/2018	Amendment of opening balances	Total at 01/01/2019	Allocation of previous year profit (loss)		Changes in the year							Net equity at 31/12/2019
						Change in reserves	Transactions on net equity					Comprehensive income for 2019	
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Other changes		
Capital:													
a) ordinary shares			3,000				597,000						**600,000**
b) other shares													
Share premiums							403,000						**403,000**
Reserves:													
a) of profits			731,425	47,519		68							**779,011**
b) others													
Valuation reserves			-7,009									5,550	**-1,460**
Equity instruments													
Treasury shares													
Profit (Loss) for the year			47,519	-47,519								42,311	**42,311**
Net equity			**774,935**	**0**		**68**	**1,000,000**					**47,861**	**1,822,862**

CONSOLIDATED STATEMENT OF CASH FLOWS - Direct method

Amounts expressed in thousand of Euros

A. OPERATING ACTIVITIES	31/12/2020	31/12/2019
1. Ordinary activities	**84,969**	**37,399**
Interest income received (+)	98,383	2,385
Interest expenses (-)	-18,069	-175
Dividends and similar revenues (+)	13	
Net fees and commissions (+/-)	53,856	59,579
Staff costs (-)	-29,987	-23,580
Other costs (-)	-17,067	-4,951
Other revenues (+)	4,739	8,148
Duties and taxes (-)	-6,899	-4,007
Costs/revenues relating to discontinued operations net of taxes (+/-)		
2. Cash flow generated/absorbed by financial assets	**-4,040,494**	**-1,944,128**
Financial assets held for trading	-267	
Financial assets measured at fair value		
Other assets mandatorily measured at fair value	-87,384	-39,883
Financial assets measured at fair value through other comprehensive income	799,813	-836,142
Financial assets measured at amortised cost	-4,640,291	-1,050,121
Other assets	-112,366	-17,982
3. Cash flow generated/absorbed by financial liabilities	**3,028,242**	**914,714**
Financial liabilities measured at amortised cost	3,017,066	907,280
Financial liabilities held for trading	4	
Financial liabilities measured at fair value		
Other liabilities	11,172	7,433
Net cash flow generated/absorbed by operating activities	**-927,283**	**-992,015**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	**9**	
Sales of equity investments	9	
Collected dividends on equity investments		
Sales of property, plant and equipment		
Sales of intangible assets		
Sales of company business units		
2. Cash flow absorbed by	**-1,963**	**-7,985**
Purchases of equity investments		
Purchases of property, plant and equipment	-340	-7,530
Purchases of intangible assets	-1,623	-455
Purchases of company business units		
Net cash flow generated/absorbed by investment activities	**-1,954**	**-7,985**
C. FUNDING ACTIVITIES		
Issues/purchases of treasury shares	929,237	1,000,000
Issues/purchases of equity instruments		
Dividend distribution and other purposes		
Net cash flow generated/absorbed by funding activities	**929,237**	**1,000,000**
NET CASH FLOW GENERATED/ABSORBED IN THE YEAR	**-0**	**-31**

RECONCILIATION

Amounts expressed in thousand of Euros

RECONCILIATION	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	**0**	**0**
Total net cash flow generated/absorbed in the year		**0**
Cash and cash equivalents: foreign exchange effect		
Cash and cash equivalents at the end of the year	**0**	**0**

7.


notes to
the financial
statements

PART A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 - Statement of compliance with international accounting standards

These consolidated financial statements as at 31 December 2020 were drawn up in compliance with the International Account Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission on 31 December 2020 in accordance with the requirements of Regulation (EU) No 1606/2002.

For the preparation of this report, reference was also made to what was established by the Bank of Italy in the Provisions relating to the Financial Statements of IFRS Intermediaries other than Banking Intermediaries, issued with Measure of 30 November 2018, which fully replace those of 22 December 2017.

Moreover, the document disclosed the information requested by Bank of Italy communication of 27 January 2021, where applicable.

In the preparation of the consolidated financial statements the IAS/IFRS standards adopted and effective as at 31 December 2020 were applied (including the SIC and IFRIC interpretative documents), without any derogation to their application.

Section 2 - Basis of preparation

The accounting policies adopted for the preparation of these consolidated financial statements, with respect to the classification, recognition, measurement and derecognition of financial assets and liabilities have remained unchanged from those adopted for the preparation of the 2019 Consolidated Financial Statements.

As already expressed in the Consolidated Report on Operations, with reference to the going-concern principle, having also taken into account the recent evolution characterising the legislative and operational context in which the AMCO Group falls, there is reasonable certainty that the same will operate in the future with a management model aimed at achieving an efficient and effective recovery of non-performing loans and the other assets. As things stand, there are no elements in the financial and equity structure of the Group, which may give rise to any uncertainties in this sense.

These consolidated financial statements are consistent with the accounting records of the Group.

As at 31 December 2020 there aren’t profit or losses attributable to other third party funds.

In compliance with the provisions of Article 5 of Italian Legislative Decree No 38/2005, these consolidated financial statements are prepared using the euro as the reporting currency. The amounts in the financial statements and in the Notes to the financial statements are stated in thousands of euro and show a comparison with the consolidated figures as at 31 December 2019.

The statement of cash flows for the period of reference and for the previous one was prepared using the direct method.

Section 3 - Subsequent events after the end of the year

With specific reference to the provisions of IAS 10, it is advised that after 31 December 2020, the consolidated financial statements reference date, and up to 11 March 2021, the approval date of the same consolidated financial statements by the Board of Directors, no events have occurred such as to require an adjustment of the values included in the same.

In addition, the following events took place:

- Banca Carige and the Parent Company AMCO S.p.A. have defined an agreement to modify the terms of completion of the sale of the non-performing lease portfolio, taking into account the slowdown in the preparatory activities for the transfer of the assets caused by the Covid-19 health emergency.

  Specifically, the sale is expected to be completed on 20 March 2021 (legal effectiveness) with the economic effectiveness of the transaction on 1 January 2021 (the sale agreement signed on 16 November 2020 provided for completion in two waves: 30 June 2020 and 30 September 2020).

- With regard to the MPS transaction, the Parent Company AMCO S.p.A. repaid EUR 250 million, on 1 February 2021, of the debt owed to UBS and JPMorgan, which matures on 1 December 2021 and is guaranteed through the securitisation of the MPS compendium portfolio. The debt therefore decreased from EUR 1,000 million to EUR 750 million.

- On 14 January 2021, Fitch Rating raised the Parent Company AMCO S.p.A.'s commercial, residential and asset-backed special servicer ratings to 'CSS2', 'RSS2', 'ABSS2' from 'CSS2-', 'RSS2-', 'ABSS2-'. Fitch makes reference to the Parent Company AMCO S.p.A.'s business growth derived from a variety of sources, demonstrating its ability to successfully pursue its strategic objectives. Among the factors considered by Fitch in its rating analysis are the increase of the number of employees to 287 at the end of 2020, from 71 at the end of 2017, to meet the needs of servicing activities and strengthen central functions, improving the loans onboarding process, which has been made more efficient, launching its own data warehouse in 2020, creating a new structure for the UTP/PD business and finally, from 1 January 2021, creating a separate Real Estate business unit. In addition, according to the Agency, the Parent Company AMCO S.p.A. coped well with the impact of Covid-19 in 2020, with minimal impacts; all employees worked remotely, equipped with all necessary tools.

Section 4 - Other aspects

4.1 - International accounting standards in force since 2020

The accounting standards, amendments and IFRS interpretations applicable from 1 January 2020 are reported below:

- On 29 November 2020, Regulation No 2104/2019 endorsed the document "**Definition of Material (Amendments to IAS 1 and IAS 8)**" published by the IASB on 31 October 2018, introducing a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, as well as the concept of "obscured information" alongside the concepts of omitted or incorrect information already existing in the two standards. It is emphasised that materiality depends on the nature and relevance of the information, or both, and that it must be ascertained whether information, either individually or in combination with other information, is material in the overall context of the financial statements. It is clarified that information is "obscured" if it has been described in such a way as to produce, for the primary readers of the financial statements, an effect similar to that which would have been produced if that information had been omitted or incorrect. There is no significant effect in these consolidated financial statements arising from the adoption of these amendments.
- On 15 January 2020, Regulation No 34/2020 endorsed the IASB amendments contained in the document dated 26 September 2019, "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**", amending IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures. In particular, some of the requirements for the application of hedge accounting have been modified, providing for temporary derogation to the same, in order to mitigate the impact deriving from the uncertainty of the IBOR reform on future cash flows in the period before its completion. It also requires companies to provide further information in their financial statements with regard to their hedge transactions which are directly affected by the uncertainties generated by the reform and to which the above mentioned derogations apply. In these consolidated financial statements there are no significant effects deriving from the application of such amendments.
- On 29 November 2019, Regulation No 2075/2019 implemented certain amendments to the IFRSs relating to references to the **Conceptual Framework**. The amendments aim to update, in several Accounting Standards and Interpretations, references to the previous Framework, replacing them with references to the Conceptual Framework as amended by the IASB on 29 March 2018. The Conceptual Framework, in defining the fundamental concepts for financial reporting, guides the Board in the development of IFRS standards and supports companies in understanding them and in developing accounting standards when no standard is applicable to a particular case. In these consolidated financial statements there are no particular effects deriving from the application of the new conceptual framework.
- On 21 April 2020, Regulation 551/2020 adopted the amendments to IFRS 3 introduced by the IASB publication of 22 October 2018, "**Definition of a Business (Amendments to IFRS 3)**", inserting the definition of "business", understood as "a set of inputs and processes applied to those inputs that are capable of contributing to the creation of output". The term "capacity to create an output" is therefore replaced with "capacity of contributing to the creation of an output" to clarify that a business can also exist without the presence of all the inputs and processes necessary to create an output. An optional test ("concentration test") is also introduced to help rule out the presence of a business if the price paid is substantially

attributable to a single asset or group of assets. However, the changes made to the standard had no impact on these consolidated financial statements.

- On 9 October 2020, Regulation No 1434/2020 implemented the document, "**Covid-19-Related Rent Concessions (Amendment to IFRS 16)**", which the IASB published on 28 May 2020 in order to provide lessees with the option of not applying the rules for recognising contractual changes to leases, in the case of concessions on rents for reasons attributable to COVID-19, by accounting for the effects of reductions in rent directly in the income statement. In these consolidated financial statements, this option has not had any effect, as the conditions for its application have not been met.

4.2 - Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 31 December 2020

- On 13 January 2021, Regulation (EU) No 25/2021 implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 contained in the document, "**Interest Rate Benchmark Reform-Phase 2**", published by the IASB on 27 August 2020 to account for the consequences of effectively replacing existing interest rate reference indices with alternative reference rates. These amendments provide for a specific accounting treatment to allocate over time changes in the value of financial instruments or leasing contracts due to the replacement of the reference index for determining interest rates, thus avoiding immediate repercussions on the profit (loss) for the year and unnecessary terminations of hedging relationships following the replacement of the reference index for determining interest rates. The amendments shall apply from 1 January 2021 at the latest.

4.3 - Accounting standards, amendments and IFRS interpretations not yet adopted by the European Union

At the reference date for these financial statements the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 25 June 2020, the IASB published amendments to **IFRS 17 - Insurance Contracts** issued on 18 May 2017 by the IASB, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to guarantee that an entity provides pertinent information which faithfully represent the rights and obligations deriving from insurance contracts issued. IASB developed the standard to eliminate inconsistencies and weaknesses in current accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts held by an insurer. The amendments are intended to help companies implement the Standard and make it easier for them to explain their financial performance. The mandatory application of the new standard has been moved to 1 January 2023.
- On 23 January 2020, the IASB published an amendment entitled, "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".** The purpose of the document is to clarify how to classify debts and other short-term or long-term liabilities. The amendments take effect on 1 January 2023; however, earlier application is permitted.
-

- On 14 May 2020, the IASB issued amendments to IFRS 3 "**Reference to the Conceptual Framework**" to complete the update of references to the Conceptual Framework for Financial Reporting in the accounting standard. The amendments are applicable as of 1 January 2022.
- On 14 May 2020, the IASB issued amendments to IAS 37 "**Onerous Contracts - Cost of Fulfilling a Contract**," designed to provide clarification on how to determine the onerousness of a contract, as well as indicate which items to consider when assessing whether a contract is loss-making. The amendments are applicable as of 1 January 2022.
- On 14 May 2020, the IASB issued amendments to IAS 16 "**Property, Plant and Equipment: Proceeds before intended use**", aimed at defining the correct recognition in the income statement of income deriving from the sale of goods produced by an asset before it is ready for use, together with the relative production costs. The amendments are applicable as of 1 January 2022.
- On 14 May 2020, the IASB issued "**Annual Improvements to IFRS Standards 2018- 2020 Cycle**", containing amendments, primarily of a technical and editorial nature, to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases. The amendments are applicable as of 1 January 2022.

4.4 - Use of estimates and assumptions in the preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires the recourse to estimates and assumptions that may determine significant effects on the values recognised in the balance sheet and in the income statement, as well as the information provided in the financial statements. The preparation of these estimates involves the use of available information and the adoption of subjective assessments, based also on past experience, in order to formulate reasonable assumptions for the recognition of operational transactions. By their nature estimates and assumptions used may vary from year to year and, therefore, it cannot be excluded that in future financial years the current values recognised could vary due to the change in the subjective valuations used. The main cases where subjective estimates and assessments are used include:

- the quantification of impairment of receivables and, in general, of other financial assets;
- the determination of fair value of financial instruments to be used for the purposes of the information provided in the financial statements;
- the use of valuation models for the recognition of fair value of financial instruments unlisted in active markets;
- the definition of recovery plans for both the so-called POCI receivables and receivables measured at amortised cost;
- the quantification of personnel provisions and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

With regard to the former MPS non-performing loan portfolio, in light of the limited time span between the effective date of the demerger (1 December 2020) and the reporting date of these financial statements (31 December 2020), as well as in line with the assumptions adopted in the execution of the transaction (continuity of book values, since it is an "under common control transaction"), no valuations of the NPE portfolio were carried out on the basis of the valuation policies adopted by the Group. The impacts, in terms of adjustments/write-backs, expressed in this document are the subject of individual objective observations that have emerged in the management of acquired loans and not of a comprehensive revision of the value of the demerged assets. However, the comprehensive review of positions will be carried out in 2021 in order to fully integrate the portfolio into the Group's procedures.

The description of the accounting policies applied on the main financial statement aggregates provides additional information on the subjective assumptions and assessments used in the preparation of these consolidated financial statements. Lastly, it is noted that the parameters and the information used for the verification of the values referred to in the previous paragraphs are, therefore, influenced by the particularly uncertain macroeconomic and market scenario, which could undertake rapid changes that cannot be predicted at this point, with consequent effects on the financial statement values.

4.5 - Others

Veneto Group and Vicenza Group Segregated Estates

As reported in the introduction to the Report on Operations, on 11 April 2018, the Parent Company AMCO S.p.A. acquired the non-performing loans and other assets linked with Banca Popolare di Vicenza in LCA and Veneto Banca in LCA, assigning them to Segregated Estates, whose statement must be prepared in compliance with international accounting standards.

The adoption of International accounting standards for the preparation of separate statements for Segregated Estates requires that, in application of the IFRS 9 accounting standard, an analysis of the derecognition of assets must be carried out by the transferor, assuming that it prepares financial statements in accordance with IAS/IFRS standards (even when this is not the case), in order to check if the conditions for the recognition of the assets by the Segregated Estates transferee apply. The analyses carried out on the two separate Veneto Group and Vicenza Group Segregated Estates have considered the following scenarios:

- estimate of the net future financial flows of loans in the hypothesis of the existent of Assignment Contracts;
- estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of the same business model on the part of the LCAs;
- estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of a different same business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

From the analysis carried out on the basis of cash flows expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability between the hypothesis of Transfer to the Parent Company AMCO Segregated Estates and the hypotheses in which this did not occur (both maintaining the same management business model – nevertheless shared with the LCAs, and in hypothesis of an alternative one) is essentially nil.

On the basis of these assumptions, the Parent Company AMCO S.p.A. has not essentially acquired all the risks and benefits of the ownership of the acquired financial assets and, in consequence, the requirements in the provisions of IFRS 9 for the accounting recognition of the financial asset in the financial statements have not been met.

As the holder of Segregated Estates, even though not a direct beneficiary of the results of assets and liabilities, the Group is required to provide adequate disclosure in its financial statements/reports, in accordance with the requirements of accounting standard IFRS 12 “Disclosure of interests in other entities”. In more detail, for the purposes of the information be supplied, it has been assessed that:

- the AMCO Group is not required to consolidate the Segregated Estates, nor can these be considered joint ventures;
- the AMCO Group does not have a direct or indirect equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and the Parent Company AMCO S.p.A. ensures that the relationship between the Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27.

Reference is made to section 9 of the Segregated Estates for the statement for the same.

Section 5 - Scope and method of consolidation

Scope and method of consolidation

Companies through which AMCO is exposed to variable yields, or in which it holds rights on such yields deriving from its relationship with the same and, at the same time, having the ability to impact on such yields through the exercise of its power on such entities are considered to be controlled companies.

This control can be simply expressed with the simultaneous presence of the following elements:

- the power to manage the relevant assets of the company invested in;
- the exposure or the rights to the variable yields resulting from the relationship with the company invested in;
- the ability to exercise its power on the company invested in to influence the amount of its yields.

The consolidation method adopted to prepare these financial statements is that of “full consolidation”, that is to say line-by-line consolidation of the assets and liabilities of the consolidated company.

Only the securitisation vehicle “Fucino NPL’s S.r.l.” is included in the scope of consolidation as, in accordance with the IFRS 10 accounting standard, AMCO has a position of essential control on the securitisation vehicle.

5.1 Equity investments in wholly owned subsidiaries

Denominations	Operational office	Registered office	Type of relationship	Participatory relationship		Votes available %
				Participating entity	Interest %	
AMCO - Asset Management Co. S.r.l.	Bucharest	Bucharest	1	AMCO S.p.A.	100%	100%
Fucino NPL’s S.r.l.	Milan	Milan	1	n.a.	n.a.	n.a.

As already explained in the Directors' Report on Operations in the "Organisational Structure" section, the Parent Company AMCO currently only owns the entire equity investment in Amco S.r.l. (formerly SGA S.r.l.), a Romanian company with registered office in Bucharest and dedicated to managing non-performing loans to debtors resident in Romania, held by the Veneto Group Segregated Estate, as the liquidation of the subsidiary Immobiliare Carafa S.r.l. was definitively concluded in 2020. Furthermore, even though it holds no equity instruments with voting rights, the Parent Company AMCO also holds the control of the vehicle Fucino NPL’s S.r.l., as specified in more detail in the paragraph below.

5.2 Valuations and significant assumptions for the determination of the scope of consolidation

Pursuant to paragraph 7 – letter a) of IFRS 12, information is provided with regard to valuations and significant assumptions used for the determination of the scope of consolidation.

It should be noted that the AMCO Group was created following the establishment of the securitisation vehicle named Fucino NPL's S.r.l. as part of the so-called "true sale" securitisation of a portfolio of Non-Performing Exposures of Banca Fucino, for a Gross Book Value of EUR 297 million, which took place on 14 September 2019. In this operation the Parent Company AMCO plays the role of Master Servicer and Special Servicer as well as having subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle. With regard to the dual role that AMCO plays in the securitisation transaction, as well as the role of only investor in the Junior and Mezzanine Notes, in application of the IFRS 10 accounting standard, AMCO therefore has a significant position of control on the securitisation vehicle and, in accordance with the accounting standard, therefore AMCO is responsible for the preparation and presentation of the consolidated financial statements. Specifically, from internal analyses carried out, it has emerged that AMCO controls Fucino NPL’s S.r.l. as it simultaneously has:

- power over the securitisation vehicle;
- the benefit of rights on the variable yields resulting from the relationship with the securitisation vehicle;
- the ability to exercise its power on the securitisation vehicle to significantly influence the amount of its yields.

However, taking into account the Framework for the preparation and presentation of financial statements and the concepts of “significance” and “materiality”, the inclusion of the wholly-owned subsidiary SGA S.r.l. in the consolidated financial statements was not considered to be substantially useful, due to its negligible impact at an aggregate level. This, in consideration of:

- the irrelevance of the assets of the subsidiary SGA S.r.l., compared to the total aggregate assets;
- the absence of third-party funds in the shareholding structure of both AMCO and the subsidiary;
- the irrelevance of any additional information deriving from the possible consolidation of the subsidiary and on the effects deriving from the same, pursuant to IAS 1.31 and IAS 8.8;
- the relationship between charges and benefits, in terms of information, connected with the consolidation of the subsidiary;
- the substantial representation of the Group’s assets and the profitability already reflected in the financial statements of the Parent Company AMCO S.p.A. and in these consolidated financial statements, which takes into account the inclusion, in its scope, only of the securitisation vehicle Fucino NPL’s S.r.l.

5.3 Equity investments in wholly owned subsidiaries with third-party funds

The wholly owned company does not have significant third-party funds and, therefore, the provisions of IFRS 12, paragraph 12 letter g) and paragraph B10 do not apply.

5.4 Significant restrictions

There are no significant restrictions within the Group pursuant to paragraph 13 of IFRS 12.

5.5 Other information

The financial statements of Fucino NPL's S.r.l. used in the preparation of the consolidated financial statements have the same closing date (31 December 2020).

A.2 - PART RELATING TO THE MAIN FINANCIAL STATEMENT ITEMS

The measurement bases adopted for the preparation of the financial statements in accordance with current IAS/IFRS accounting standards are illustrated below.

Financial assets measured at fair value through profit and loss

Classification criteria

This category includes financial assets other than those classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

This item, in particular, can include:

- financial assets held for trading;
- financial assets measured at fair value, or financial assets so defined at the time of initial recognition and where the prerequisites apply. In this case, an entity can irrevocably designate a financial asset as measured at fair value through profit and loss at initial recognition if, and only if, by so doing it eliminates or significantly reduces a value inconsistency;
- financial assets mandatorily measured at fair value, which have not exceeded the requirements for the measurement at amortised cost.

Recognition criteria

The initial recognition of financial assets takes place on the settlement date for debt securities and for equity securities. At the time of initial recognition, financial assets measured at fair value through profit and loss are recognised at fair value, without taking into account transaction expenses or revenues directly attributable to the same instrument.

Measurement and recognition criteria of income items

Market prices are used for the determination of the fair value of financial instruments listed on an active market.

In the absence of an active market, estimation methods and commonly adopted assessment methods are used, which take into account all the risk factors related to the instruments themselves and that are based on market data or internal information.

For equity securities not quoted on an active market and derivative instruments which have as their object such equity securities, the cost criterion is used as estimate of fair value only on a residual basis and in a limited number of circumstances, or in case of non-applicability of all the valuation methods previously mentioned, or in the presence of a wide range of possible valuations of fair value, in the context of which cost represents the most significant estimate.

Derecognition criteria

Financial assets are the derecognised when the rights to contractual financial cash flows connected to them expire or when the financial asset is disposed of with the essential transfer of all risks and contractual rights connected to the ownership of the same financial assets.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes financial assets that satisfy both of the following conditions:

- financial asset held according to a business model whose objective is achieved both through the collection of contractually anticipated financial flows and through their disposal (Held to collect and sell business model);
- the contractual terms of the financial asset involve, on pre-set dates, financial flows represented exclusively by payment of capital and the interest on the amount of capital to be repaid ("SPPI test" passed). The item also includes equity instruments not held for the purposes of trading for which, at the time of initial recognition, the option for the measurement at fair value through other comprehensive income was chosen.

In particular, this item includes:

- debt securities attributable to a Held to collect and sell business model that have passed the SPPI test;
- equity investments, not qualifiable as controlling, associated or of joint control, that are not held for trading, for which the option of the measurement at fair value through other comprehensive income was chosen.

With the exception of equity securities for which no reclassification is allowed, reclassification of financial assets to other categories of financial assets is allowed except in the case where the entity modifies its own business model for the management of financial assets.

In such cases, which must absolutely be infrequent, financial assets can be reclassified from the category measured at fair value through other comprehensive income to one of the other two categories listed in IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit and loss).

The transfer value is represented by the fair value at the time of reclassification and the effects of the reclassification apply from the date of the same.

In case of reclassification from the category in object to that at amortised cost, the cumulative profit (loss) recognised in the valuation reserve must be adjusted to the fair value of the financial asset at the date of reclassification.

However, in case of reclassification to the category of fair value through profit and loss, the cumulative profit (loss) previously recognised in the valuation reserve is reclassified from net equity to the profit (loss) for the year.

Recognition criteria

Initial recognition of financial assets takes place on the settlement date on the basis of their fair value inclusive of transaction charges/revenues directly attributable to the acquisition of the financial instrument.

Charges/revenues that are subject to reimbursement by the debtor counterpart or are classified as ordinary internal administrative costs are excluded, even though the above-mentioned characteristics might apply.

The initial fair value of the financial asset is normally equivalent to the cost incurred for its acquisition.

Measurement and recognition criteria of income items

After the initial recognition, financial assets are measured at fair value, with allocation of profits or losses deriving from the variations in fair value, with respect to the amortised cost, to a specific net equity reserve in the statement of comprehensive income until the financial asset is derecognised, or a reduction in value is not observed.

Equity instrument for which the choice has been made for classification in this category are measured at fair value and the matching entry of the recognised amounts in net equity (Statement of comprehensive income) must not subsequently be transferred to the income statement, not even in case of disposal (“OCI exemption”).

The only component attributable to equity securities in question to be recognised in the income statement is represented by their relative dividends. Fair value is determined on the basis of criteria already illustrated for Financial assets measured at fair value through profit and loss. For equity securities not quoted on an active market, the cost criterion is used as estimate of fair value only on a residual basis and in a limited number of circumstances, or in case of non-applicability of all the valuation methods previously mentioned, or in the presence of a wide range of possible valuations of fair value, in the context of which cost represents the most significant estimate.

Derecognition criteria

Financial assets are the derecognised when the rights to contractual financial cash flows connected to them expire or when the financial asset is disposed of, with the essential transfer of all risks and contractual rights connected to the ownership of the same financial assets.

Financial assets measured at amortised cost

Classification criteria

This item includes loans with banks, with financial companies and with customers, that is to say all loans that require fixed or in any case determinable payments and that are not listed on an active market.

Recognition criteria

The initial recognition of financial assets takes place on the settlement date for debt securities and at the date of issue in case of loans. At the time of initial recognition financial assets are measured at fair value, inclusive of transaction expenses or revenues directly attributable to the same instrument.

Specifically, with regards to loans, the date of issue normally coincides with the date of signature of the contract. When this is not the case, at the time of signature of the contract a commitment is entered into to issue funds which is fulfilled at the date of issue of the loan.

The recognition of the loan takes place on the basis of the fair value of the same, equal to the amount issued, or subscription price, inclusive of charges/revenues directly attributable to the individual loan and determinable from the start of the transaction even though liquidated at a later time.

Charges are excluded when, even though they have the above-mentioned characteristics, they are subject to reimbursement by the debtor counterpart of the difference between the amount issued and that reimbursable at maturity, typically attributed to charges/revenues deriving directly from a single loan.

On the other hand, with regard to assets already classified as impaired at the time of acquisition, so called “POCI” (Purchased or Originated Credit Impaired), at the time of the initial recognition no provision for the coverage of losses for POCI financial assets must be recognised if the expected loss is already taken into account in the fair value of the financial asset at the time of acquisition and this is included in the calculation of the correct effective internal rate of the loan.

Measurement and recognition criteria of income items

After the initial recognition, loans to customers measured at amortised cost, equal to the value of first recognition increased/decreased by reimbursements of capital, value adjustments/reversals and amortisation – calculated with the effective interest rate method – of the difference between the amount issued and that repaid at maturity, typically attributed to charges/revenues deriving directly from a single loan. This criterion is not used for exposures with a duration of less than 12 months (given the non-significance of the same in this case).

The effective interest rate is the rate that discounts the flow of estimated future payments for the expected duration of the loan such as to obtain exactly the net book value at the time of first recognition, which includes both transaction charges/revenues directly attributable and payments paid or received by contracting parties. This accounting treatment, using a financial logic, allows the distribution of the economic effect of charges/revenues along the expected residual life of the loan.

Valuation criteria are strictly linked to the stage assigned to the loan, where stage 1 includes performing loans, stage 2 includes under-performing loans, or those loans where there has been a significant increase of the credit risk (“significant impairment”) compared to the initial recognition of the instrument and stage 3 includes non-performing loans, or those loans that show objective evidence of impairment. Value adjustments that are recognised in the income statement for performing loans classified as stage 1 are calculated by taking into account the loss expected in one year, while performing loans in stage 2 by taking into account the expected losses attributable to the contractually determined entire residual life of the asset (Lifetime expected loss).

Performing financial assets are subject to evaluation in function of the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from internal historical data.

For impaired assets, the amount of loss to be recognised in the income statement is defined on the basis of a process of analytical valuation or determined by homogeneous categories and, therefore, analytically attributed to each position. Financial instruments defined as bad loans, ‘unlikely to pay’ or expired/past due by more than 90 days in accordance with the regulations of Bank of Italy are defined as impaired assets in accordance with the IAS/IFRS and European supervisory regulations.

The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantees. With regard to the discount rate of estimated future cash flows in expected repayment schedules of non-performing exposures of the former Banco di Napoli, taking into account the Company's specific operating characteristics and since the original effective rate would have been excessively costly to find, the interest rate applied to the loans outstanding with Banco di Napoli is used, in that it expresses an average representation of the charges related to the non-return on the portfolio of managed loans and receivables.

Should the reasons for the impairment be removed following an event occurring after the recognition of the same, reversals are carried out with allocation to the income statement. The reversal cannot in any case exceed the amortised cost that the loan would have in the absence of previous value adjustments. Reversals of impairment linked to the passing of time contribute to the generation of interest margin. The amortised cost corresponds to the nominal value.

With regard to POCI financial assets, the income component in terms of interest income is recognised by calculating an effective credit-adjusted interest rate defined by estimating future cash flows in consideration of all the contractual terms and the expected credit losses. The credit adjusted effective interest rate is calculated at the time of the initial recognition and it is the rate that precisely discounts estimated future cash flows, making their sum equivalent to the value of initial recognition of the asset inclusive of transaction costs.

Derecognition criteria

Loans are derecognised when they are deemed to be definitely unrecoverable or in case of disposal, if this involves the essential transfer of all risks and benefits connected to the same loans.

Property, plant and equipment

Classification criteria

Property, plant and equipment includes all assets used in the company's operations that are expected to be used for more than one period.

This item also includes tangible assets governed by IAS 2 - Inventories, i.e. assets deriving from the enforcement of guarantees or from the purchase at auction, which the Group intends to sell in the near future.

The same item includes, separately from the previous categories, property deriving from the enforcement of guarantees or the purchase at auction, held by the Group for investment purposes, governed by IAS 40.

Finally, rights of use acquired through leasing and governed by IFRS 16 are included.

Recognition and measurement criteria

Property, plant and equipment are initially recognised at cost, which includes, in addition to the purchase price, any accessory costs directly attributable to the purchase and putting into operation of the asset.

Subsequently, functional property, plant and equipment are measured at cost, less depreciation and any impairment losses, which are recognised in the income statement.

Assets recognised as Inventories are valued after purchase at the lower of cost and net realisable value, which is estimated on the basis of the market and the specific characteristics of the asset. The difference between cost and realisable value is charged to the income statement.

Property held for investment purposes should be valued, subsequent to purchase, using the fair value method.

Rights of use relating to leasing contracts - recognition and measurement criteria

In accordance with IFRS 16, rights of use acquired under leases are initially recognised as the sum of the present value of future lease payments over the expected contractual term. Where the contractual term is renewable (e.g. property) it is estimated for a reasonably certain period of use of the asset. The rate used for discounting is, for each contract and where available, the contractual implicit interest rate. Where this is not available or cannot be determined, a conventional internal rate is used.

Subsequent to initial recognition, the right of use acquired is depreciated over the entire expected useful life of the asset.

Derecognition criteria

Property, plant and equipment are derecognised from the financial statements at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The early termination of a leasing contract gives rise to the cancellation of the right of use that has not yet been amortised, with a corresponding cancellation of the associated liability for the lease instalments and, if necessary, charging the difference to the income statement.

Other assets and other liabilities

This item includes assets and liabilities not attributable to other asset and liability items in the balance sheet.

Financial liabilities measured at amortised cost

Classification criteria

The item includes payables for bank credit lines and other payables to the banking system, as well as payables for bonds issued and for securitisation notes and payables to customers for advances and other. Payables recognised for leasing as lessee are also recognised.

Recognition criteria

Financial liabilities are recognised at their fair value at the date of stipulation of the contract and/or issue of the securities, which is normally equal to the amounts obtained, also considering the direct costs of stipulation or issue.

Lease payables are recorded by discounting, at the implicit interest rate, the instalments foreseen for the duration of the contract or, in the case of property, for a duration of at least 12 months.

Measurement bases

Subsequent to initial recognition, financial liabilities are measured, where not short-term, at amortised cost using the effective interest rate of the transaction, obtained with reference to the effective cost of the transaction and the contractual outflow.

Derecognition criteria

Financial liabilities are derecognised when they are settled, i.e. there are no further obligations for the Company.

Lease payables are written off if the underlying contract is terminated. Derecognition is effected by setting off any remaining balance against the corresponding value of the right of use recorded in the balance sheet assets.

Capital transactions

Purchase of treasury shares

The repurchase of own equity instruments is deducted from capital. No profit or loss is recognised in the income statement on their purchase, sale, issue or cancellation; the consideration paid or received is recognised directly in equity, under a specific item.

Costs of issuing equity instruments and other capital transactions

Costs incurred in the issue or repurchase of own equity instruments, or in any capital transaction, including registration fees, stamp duty and other charges due to the Regulatory Authority, as well as charges for legal, accounting and other professional advisors, are recognised as a deduction from equity to the extent that they are costs directly attributable to the transaction, or are charges that would not otherwise have been incurred.

Transaction costs related to a capital transaction are appropriately recognised as a separate item as a decrease in the Company's equity.

Current and deferred taxes

Classification, recognition and measurement criteria

Deferred tax assets relating to temporary differences deductible and future tax benefits obtainable from the carry-forward of tax losses are recognised only if there is a reasonable probability that they will be recovered, considered on the basis of AMCO Group's capacity to generate sufficient taxable income in future years and taking into account the specific regulations laid down by Italian Decree Law No 225 of 29 December 2010 as amended.

Deferred tax liabilities, relating to taxable temporary differences, are recognised in full in the financial statements. Where deferred tax assets and deferred tax liabilities refer to components that have affected the income statement, the balancing entry is represented by income taxes.

With Italian Law Decree No 59 of 3 May 2016, converted into Italian Law No 119 of 30 June, regulations concerning DTA were amended, in order to avoid the classification as "State aid" of the national regulations that establish the automatic convertibility of "qualified" DTA into tax credits, in the presence of statutory and/or tax losses.

In particular, Article 11 of the aforementioned decree established that the convertibility into tax credits of "qualified" DTAs in excess of the taxes already paid can be maintained, upon specific exercise of irrevocable option, by paying an annual fee in the amount of 1.5% of any positive difference between:

- the sum of “qualified” DTAs recognised as from 2008, including those already converted into tax credits and
- the sum of taxes paid as from 2008.

This fee, deductible for IRES and IRAP purposes, must be calculated (and, if due, paid) with regard to each financial year up to the last financial year affected by the regulations, initially expected for 2029 and subsequently postponed to 2030 with Law no. 15 of 17 February 2017.

In order to ensure that qualified DTAs entered in the consolidated financial statements can be converted into credits, the Group opted for the above fee system.

Therefore, since the fee is an expense adapted to elements that change in time, it is recognised as a cost on the basis of the annual contribution determined and paid each year.

Income taxes, calculated in accordance with national tax legislation, are recognised as an expense on an accrual basis, on a consistent basis with the recognition method of the expenses and revenues that generated them. Current assets and liabilities include the net balance of the Group's tax position with respect to the Italian tax authorities. Specifically, these entries include the current tax liabilities of the year, calculated on the basis of a prudential expectation of the tax due for the year, determined on the basis of current tax regulations, and current tax assets represented by payments on account and other tax credits.

Post-employment benefits

Staff severance indemnity refers to "post-employment benefit" classified as:

- “defined contribution plan” for the portions of post-employment benefits accruing from 1 January 2007 (the date of application of the supplementary pension reform pursuant to Italian Legislative Decree No 252 of 5 December 2005) both in case of employee choice of supplementary pension and in the case of allocation to the Treasury Fund managed by INPS.

The amount of the portions accounted under personnel costs is determined based on the contributions due without using actuarial calculations;

- “defined-benefit plan” and therefore recognised on the basis of its actuarial value determined with the “Projected unit credit” method, for the portion of post-employment benefits accrued until 31 December 2006. The determination of the relative liability is carried out by an external expert using the "Projected Unit Credit Method".

The Iboxx Eurozone Corporates AA index with a duration of more than 10 years is used to determine the annual discount rate adopted for the calculations, as it is considered to be more representative of market returns, taking into account the average residual duration of the liability.

Following the entry into force of the new version of IAS 19 issued by the IASB in June 2011 and effective as from 1 January 2013, actuarial gains and losses are recognised immediately and entirely in the "Statement of comprehensive income" with an impact on Net Equity.

Provisions for risks and charges

Classification, recognition and measurement criteria

Provisions for risks and charges are made up of liabilities of uncertain timing or amount and recognised in the financial statements in that:

- there is a present obligation (legal or constructive) as a result of a past event;
- the payment to settle the obligation is probable;
- a probable future outflow can be estimated reliably.

The item includes provisions for estimated losses on lawsuits, including revocatory actions, as well as estimated outlays against legal or implicit obligations outstanding at the end of the reporting period.

Where the effect of the timing deferral in bearing the estimated charge is objectively foreseeable and assumes a material aspect, the Group calculates the amount of the provisions and allocations to an extent equal to the present value of the outlays that are expected to be necessary to settle the obligations.

If the provisions are discounted, the amount of the provisions recognised in the financial statements increases in each period to reflect the passage of time. The adjustment of provisions is recognised in the income statement. The provision is reversed when the use of resources to produce economic benefits to fulfil the obligation become unlikely or when the obligation expires.

Revenues and costs

Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary activities and are recognised at the time the control of goods or services is transferred to the client, at an amount that represents the amount of consideration to which the entity considers to have the right.

The price of transaction represents the amount of consideration to which the entity considers to have the right to in exchange of the transfer to the customer of the promised goods and services. It can include fixed or variable amounts, or both. Revenues from variable consideration are recognised in the income statement if reliably estimated and only if it is highly likely that this consideration will not be, at a later date, totally or for a significant portion derecognised from the income statement.

Costs are recognised in the Income Statement in compliance with the accruals principle; the expenses relative to obtaining the contract and the fulfilment of obligations towards customers are recognised in the Income Statement in the periods in which the relative revenues are recognised.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

During the year no transfers between the different assets portfolios held took place.

A.4 - INFORMATION ON FAIR VALUE

International accounting standard IFRS 13 and the rules established by the Bank of Italy for the preparation of the financial statements of banks require that assets and liabilities, based on the determination of their fair value, be related to a specific hierarchy based on the nature of the inputs used in determining their fair value (known as "levels of fair value").

There are three levels:

Level 1

Includes the instruments that are measured with effective market quotes. In this case, the fair value corresponds to the price at which the financial instrument would be exchanged at the reporting date (without any change) on the main active market, or - in the absence of a main market - on the market considered more advantageous to which the entity has immediate access.

Level 2

Includes those instruments for which inputs - other than quoted market prices included within Level 1 - observable directly (observable data) or indirectly are used for measuring.

The measurement of such an instrument is based on prices or credit spreads derived from official listings on active markets of substantially similar instruments in terms of risk factors (comparable approach), using an appropriate method of calculation (pricing model). The methods used in the comparable approach make it possible to reproduce the prices of instruments quoted in active markets without including discretionary parameters, such as to have a decisive influence on the final price of measurement.

If a fair value measurement uses observable data that require a material adjustment based on non-observable inputs, that measurement is included in Level 3.

Level 3

Includes the instruments that are measured by using non-observable market data. The relative fair value is the result of measurements involving estimates and assumptions made by the assessor (mark to model). The measurement is carried out using pricing models that are based on specific assumptions concerning:

- the development of expected cash flows, possibly related to future events to which probabilities derived from historical experience or based on assumptions of behaviour can be attributed;
- the level of certain input parameters not quoted in active markets, for whose assessment preference is given to the information acquired from prices and spread observed on the market. If this information is not available, historical data of the underlying specific risk factor or specialised research (e.g. reports by rating agencies or primary market players) is used.

Qualitative disclosures

A.4.1 - Levels of fair value 2 and 3: valuation techniques and inputs used

In the absence of an active market, the following methods and significant assumptions were adopted in determining the fair value of financial instruments:

- for financial items (assets and liabilities) with a residual maturity of 18 months or less, the fair value is reasonably assumed to be approximated by their carrying amount. This includes bank current accounts;
- for UCITS, the fair value was calculated on the basis of internal models according to the criteria provided by the policies in force, adjusting the Net Asset Value (NAV) provided by the Fund Administrator. This is in compliance with the provisions of Document No 8 of the Coordination Table on the application of IAS/IFRS (of April 2020), in which the Bank of Italy, Consob and IVASS reiterated the need to evaluate possible corrections to the NAV for the determination of the fair value of UCITS units, where the valuation criteria of the underlying assets are not aligned with the criteria provided by IFRS standards for the determination of the fair value of the same, or where there are significant illiquidity factors concerning the underlying assets or the units of the funds themselves. The indications provided by the document have been specifically addressed to positions in UCITS units that invest in Non-Performing Exposures (NPEs), but must be considered applicable to all UCITS units characterised by similar problems in the valuation of the underlying assets and of the units themselves;
- for other financial assets (equity or semi-equity securities, securitisation notes, bonds, derivatives, etc.), commonly adopted estimation methods are used, which take into account all risk factors related to the instruments themselves;
- with regard to impaired assets, the carrying amount is deemed to be an approximation of the fair value; this in the absence of specific prices by trade associations and Supervisory Bodies, as well as on the assumption that the Group is in a going concern situation and has no need to liquidate and/or significantly reduce its assets under unfavourable conditions. The fair value thus determined reflects the credit quality of non-performing assets.

A.4.2 - Measurement processes and sensitivity

Since the measurement results, where they do not refer to prices on active markets, can be significantly affected by assumptions mainly used for cash flow timing, the discount rates adopted and the methods used to estimate credit risks, the estimated fair values could differ from those realised in an immediate sale of financial instruments. The parameters used and the models adopted can also differ between different financial institutions, generating results that are also significantly different, even in the event of changes in assumptions.

A.4.3 - Fair value hierarchy

With reference to financial assets measured at fair value on a recurring basis, passages of level are determined on the basis of the following lines.

For equity instruments, the transfer level takes place:

- when in the period observable inputs were available on the market (e.g. prices defined in the context of comparable transactions on the same instrument between independent and responsible counterparties). In this case, there will be a reclassification from level 3 to level 2;
- when directly or indirectly observable elements used as a basis for the evaluation no longer apply, or when they are no longer updated (e.g. non-recent comparable transactions or no longer applicable multiples). In this case, valuation criteria using non-observable inputs are used;
- when a security is no longer quoted on an active market, even temporarily, there will be a reclassification from level 1 to level 2 or level 3, depending on the case.

Quantitative disclosures

A.4.5 - Fair value hierarchy

A.4.5.1 - Assets and liabilities measured at fair value on a recurring basis: break-down by level of fair value

Type of financial instrument	31/12/2020				31/12/2019			
	L1	L2	L3	Total	L1	L2	L3	Total
1. Financial assets measured at fair value through profit and loss								
a) financial assets held for trading		267		267				
b) financial assets measured at fair value								
c) other financial assets mandatorily measured at fair value	13,999		644,543	658,534			559,709	559,709
2. Financial assets measured at fair value through other comprehensive income	57,665		2,370	60,036	842,987		1,816	844,803
3. Hedging derivatives								
4. Property, plant and equipment								
5. Intangible assets								
TOTAL ASSETS	**71,664**	**267**	**646,913**	**718,836**	**842,987**		**561,525**	**1,404,512**
1. Financial liabilities held for trading		4		4				
2. Financial liabilities measured at fair value								
3. Hedging derivatives								
TOTAL LIABILITIES		**4**		**4**				

Assets and liabilities measured at fair value on a recurring basis consist mainly of:

- Level 2 financial assets held for trading, amounting to EUR 267 thousand, relating to interest rate derivative contracts entered into between Banca MPS and customers and sold as part of the demerger transaction since they are directly linked to the NPEs sold;
- Level 1 other financial assets mandatorily measured fair value, for EUR 14 million, include the equity investments held by the Group in Astaldi S.p.A. and Trevi Finanziaria Industriale S.p.A. for EUR 5.1 million and EUR 8.9 million, respectively. Both investments originated in

part from the conversion of loans under restructuring agreements and in part were included in the compendium demerged from MPS;

- Level 3 financial assets mandatorily measured at fair value, for a total of EUR 644.5 million, which include the investment in the Italian Recovery Fund for EUR 470.9 million, the investment in the Back2bonis Fund for EUR 74.4 million, the SFPs of Astaldi S.p.A. from the restructuring agreement for EUR 22.9 million, as well as Non-Performing Exposures that do not meet the criteria of IFRS 9 to be classified at amortised cost (SPPI test) for EUR 57.2 million and other financial assets for EUR 19.1 million;
- Level 1 financial assets measured at fair value through other comprehensive income, for a total of EUR 57.7 million, consisting of the temporary investment of liquidity in government securities for EUR 56.1 million and the equity investment in Gabetti included in the compendium demerged from MPS for EUR 1.6 million;
- Level 3 financial assets measured at fair value through other comprehensive income, for a total of EUR 2.4 million, consisting of the investment in Banca Carige S.p.A. for EUR 1.8 million and other securities for EUR 0.6 million.

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

	Financial assets measured at fair value through profit and loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets measured at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	**559,709**			**559,709**	**1,816**			
2. Increases								
2.1 Purchases	30,167			30,167	185			
2.2 Profits attributable to:								
2.2.1 Income statement								
- *of which: Capital gains*								
2.2.2 Net equity								
2.3 Transfers from other levels								
2.4 Other increases	91,766			91,766	560			
3. Decreases								
3.1 Sales								
3.2 Refunds	26,817			26,817	6			
3.3 Losses attributable to:								
3.3.1 Income statement	10,289			10,289	185			
- *of which: Capital losses*	10,289			10,289	185			
3.3.2 Net equity								
3.4 Transfers to other levels								
3.5 Other decreases				167				
4. Closing balances	**644,534**			**644,534**	**2,370**			

A.4.5.4 - Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: break-down by levels of fair value

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	TOTAL 31/12/2020				TOTAL 31/12/2019			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	5,937,808			5,937,808	1,303,739			1,303,739
2. Financial assets held for investment								
3. Non-current assets and groups of assets held for disposal								
TOTAL A	**5,937,808**			**5,937,808**	**1,303,739**			**1,303,739**
1. Financial liabilities measured at amortised cost	3,952,065	2,901,741		1,050,324	915,507			915,507
2. Liabilities associated to assets held for disposal								
TOTAL B	**3,952,065**	**2,901,741**		**1,050,324**	**915,507**			**915,507**

PART B - INFORMATION ON THE BALANCE SHEET - ASSETS

Section 1 - Cash and cash equivalents - Item 10

	31/12/2020	31/12/2019
a) Cash and cash equivalents	-	-
b) Unrestricted deposits with Banks		
TOTAL	**-**	**-**

Section 2 - Financial assets measured at fair value through profit and loss - Item 20

2.1 - Financial assets held for trading: break-down by type

ITEM/VALUES	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equities and UCITS units.						
3. Loans						
TOTAL A						
B. Derivative instruments						
1. Financial derivatives		267				
1.1 for trading		267				
1.2 related to the fair value option						
1.3 others						
2. Credit derivatives						
2.1 for trading						
2.2 related to the fair value option						
2.3 others						
TOTAL B		**267**				
TOTAL A+B		**267**				

Financial derivatives held for trading include the balance, including accruals, of the instruments deriving from the demerger transaction with Banca Monte Paschi di Siena.

2.2 - Derivative financial instruments

Underlying assets/Derivative types	31/12/2020				31/12/2019			
	Over the counter				*Over the counter*			
		Without Central Counterparties				Without Central Counterparties		
	Central Counterparties	With compensation agreements	Without compensation agreements	Organised markets	Central Counterparties	With compensation agreements	Without compensation agreements	Organised markets
1. Debt securities and interest rates								
Notional value			26,233					
Fair value			267					
2. Equities and stock index								
Notional value								
Fair value								
3. Currencies and gold								
Notional value								
Fair value								
4. Credits								
Notional value								
Fair value								
5. Goods								
Notional value								
Fair value								
6. Others								
Notional value								
Fair value								
TOTAL			**267**					

2.3 - Financial assets held for trading: break-down by debtor/issuer

ITEM/VALUES	31/12/2020	31/12/2019
A. On-balance sheet assets		
1. Debt securities		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
2. Equity securities		
a) Banks		
b) Other financial companies		
of which: insurance companies		
d) Non financial companies		
d) Other issuers		
3. UCITS units		
4. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which insurance companies		
d) Non financial companies		
e) Households		
TOTAL A		
B. Derivative instruments		
a) Central Counterparties		
b) Others	267	
TOTAL B	**267**	
TOTAL (A+B)	**267**	

2.6 - Other financial assets mandatorily measured at fair value: break-down by type

ITEM/VALUES	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	**13,999**		**28,933**			
3. UCITS units			**558,374**			**546,584**
4. Loans			**57,228**			**13,125**
4.1 Repurchase agreement						
4.2 Others			57,228			13,125
TOTAL	**13,999**		**644,534**			**559,709**

The item “Equity securities” includes:

- the shares of Trevi Finanziaria Industriale S.p.A. and Astaldi S.p.A. acquired during the year following the conversion of receivables claimed by the Company from the portfolio acquired from Banca Carige for EUR 2.4 and EUR 0.6 million, respectively;
- the shares of Astaldi and Trevi Finanziaria Industriale S.p.A., acquired as part of the transaction with Monte dei Paschi di Siena for EUR 4.5 million and EUR 6.4 million, respectively;
- other shares acquired in the transaction with Monte dei Paschi di Siena with a fair value of less than EUR 100;
- equity financial instruments acquired as part of the transaction with Monte dei Paschi di Siena for a total of EUR 26.3 million, mainly relating to the Astaldi, Stefanel, Rainbow Magicland and CMC Ravenna groups;
- Astaldi equity financial instruments acquired during the year following the conversion of receivables claimed by the Company from the portfolio acquired from Banca Carige for EUR 2.6 million.

The item UCITS units include:

- the investment in Italian Recovery Fund for EUR 470.9 million. As at 31 December 2020, the Company held 493.39 units with unit value of EUR 954,445 (compared to the value of 520 units held as at 31 December 2019, equal to EUR 964,111). The reduction in the number of units in the portfolio lies in the cancellation of units following capital distributions in May and August 2020;
- the units of the Back2Bonis Fund, assigned to the Company in the context of the *Cuvée* transaction, valued at EUR 74.4 million as at 31 December 2020;
- the units of the Clessidra Restructuring Fund, acquired in 2020 and valued at EUR 0.7 million at 31 December 2020;
- the units of Efesto, acquired in 2020 as part of the transaction with Monte dei Paschi di Siena and valued at EUR 12.4 million as at 31 December 2020.

Loans include credits from the portfolios of the former Banca Carige, Monte dei Paschi di Siena and Banco Popolare which do not pass the SPPI test and for which the measurement at fair value is mandatory. For the last two portfolios, as these are receivables whose juridical transfer took place 1 December 2020 and 12 December 2020 respectively, the valuation as at 31 December 2020 is equal to the purchase price net of any write-downs resulting from events which occurred between the purchase date and the date of approval of these financial statements.

2.7 - Other financial assets mandatorily measured at fair value: break-down by debtors/issuers

ITEM/VALUES	31/12/2020	31/12/2019
1. Equity securities	**42,932**	
of which: banks		
of which: other financial companies	8,851	
of which: non-financial companies	34,081	
2. Debt securities		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which insurance companies		
d) Non financial companies		
3. UCITS units	**558,374**	**546,584**
4. Loans	**57,228**	**13,125**
a) Public administrations		
b) Banks		
c) Other financial companies	17,872	
of which insurance companies		
d) Non financial companies	38,470	13,125
e) Households	885	
TOTAL	**658,534**	**559,709**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 - Financial assets measured at fair value through other comprehensive income: break-down by type

ITEM/VALUES	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**56,113**		**6**	**842,987**		**12**
1.1 Structured securities						
1.2 Other debt securities	56,113		6	842,987		12
2. Equity securities	**1,552**		**2,364**			**1,804**
3. Loans						
TOTAL	**57,665**		**2,370**	**842,987**		**1,816**

As at 31 December 2020 this item had a balance of EUR 60 million. In detail:

- Other debt securities: the amount of EUR 56.1 million, inclusive of the interest accrued and the write-down, refers almost entirely to investment in Italian government securities. A residual part, equal to EUR 6 thousand, refers to Bosnian government securities unlisted on regulated markets with maturity on 17 December 2021.
- Equity securities: the total amount of EUR 3.9 million refers for EUR 1.8 million to the investment in Banca Carige S.p.A. equal to 1,804,490 shares, for EUR 1.5 million to the Gabetti shares acquired following the Monte dei Paschi di Siena transaction and for EUR 0.5 million to the equity financial instruments held in Arezzo Fiere Congressi.

3.2 - Financial assets measured at fair value through other comprehensive income: break-down by debtors/issuers

ITEM/VALUES	31/12/2020	31/12/2019
1. Debt securities	**56,119**	**842,998**
a) Public administrations	56,119	842,998
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
2. Equity securities	**3,917**	**1,804**
a) Public Administrations		
b) Banks	1,871	1,804
c) Other financial companies		
of which: insurance companies		
d) Non financial companies	2,046	
3. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
e) Households		
TOTAL	**60,036**	**844,803**

3.3 - Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

ITEM/VALUES	Gross value				Total value adjustments			Total partial write-offs (*)
	First stage		Second stage	Third stage	First stage	Second stage	Third stage	
		of which instruments with low credit risk						
1. Debt securities	56,207	56,207			88			
2. Loans								
Total (T)	**56,207**	**56,207**			**88**			
Total (T-1)	**842,998**	**842,998**			**1,314**			
of which: acquired or originated impaired financial assets	X	X			X			

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 - Financial assets measured at amortised cost: break-down of loans and receivables with banks

Type of transactions/Values	31/12/2020						31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Deposits and current accounts	247,278					247,278	307,449					307,449
2. Loans												
2.1 Repurchase agreement												
2.2 Lease financing												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities												
3.1 Structured securities												
3.2 Other debt securities												
4. Other assets	4,307					4,307	16,889					16,889
Total	**251,585**					**251,585**	**324,338**					**324,338**

Other assets mainly refer to receivables from Banca Monte Paschi di Siena, Banco Popolare and Banca Carige related to the collections made by the Banks during the interim period on the management of receivables of the portfolios acquired by the Company.

4.2 - Financial assets measured at amortised cost: break-down of loans and receivables with financial companies

Type of transactions/Values	31/12/2020						31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans		24,276	24,276			24,276		6,640	6,640			6,640
1.1 Repurchase agreement												
1.2 Lease financing												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans		24,276	24,276			24,276		6,640	6,640			6,640
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets	357,490					357,490	20		20			20
Total	**357,490**	**24,276**	**24,276**			**381,766**	**20**	**6,640**	**6,660**			**6,660**

As at 31 December 2020, the item shows a balance of EUR 381.8 million, mainly consisting of the receivable from HydraM SPV for EUR 357.4 million and receivables from the acquired portfolio for EUR 24.3 million.

4.3 - Financial assets measured at amortised cost: break-down of loans and receivables with customers

	Type of transactions/Values	31/12/2020						31/12/2019					
		Carrying amount			Fair value			Carrying amount			Fair value		
		First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1.	**Loans**	46,555	5,257,901	5,257,901			5,304,456	3,968	968,772	968,772			972,740
1.1	Lease financing												
	of which: without option of final purchase												
1.2	Factoring												
	- with recourse												
	- without recourse								433	433			433
1.3	Consumer credit												
1.4	Credit cards												
1.5	Pawn lending												
1.6	Loans granted in relation to payment services rendered												
1.7	Other loans	46,555	5,257,901	5,257,901			5,304,456	3,968	968,339	968,339			972,307
	of which: from enforcement of guarantees and commitments												
2.	**Debt securities**												
2.1	Structured securities												
2.2	Other debt securities												
3.	**Other assets**												
Total		**46,555**	**5,257,901**	**5,257,901**			**5,304,456**	**3,968**	**968,772**	**968,772**			**972,740**

As at 31 December 2020 this item had a balance of EUR 5,304.4 million, mainly made up of:

- Portfolio of the former Monte Paschi di Siena: for EUR 3,481.4 million;
- Portfolio of the former Carige: amounting to EUR 859.3 million, up from EUR 747.2 million in 2019. The increase is mainly due to the new portfolios acquired during the year;
- Portfolio of former Banca Popolare di Bari: for EUR 502.2 million;
- Portfolio of former Banca Popolare di Milano: for EUR 172.7 million;
- Portfolio of former Credito Valtellinese: for EUR 61.1 million;
- Portfolio of former Banca del Fucino for EUR 85.0 million;
- Other portfolios for EUR 142 million, of which EUR 104 million of former Banco di Napoli;

4.4 - Financial assets measured at amortised cost: break-down of loans and receivables with customers by debtor/issuers

Type of transactions/Values	31/12/2020			31/12/2019		
	First and second stage	Third stage	of which: acquired or originated impaired	First and second stage	Third stage	of which: acquired or originated impaired
1. Debt securities						
a) Public administrations						
b) Non financial companies						
2. Loans to:						
a) Public administrations		6,551	6,551		998	998
b) Non-financial companies	46,555	3,451,870	3,451,900	3,968	738,924	738,924
c) Households		1,799,479	1,799,479		228,850	228,850
3. Other assets						
Total	**46,555**	**5,257,901**	**5,257,901**	**3,968**	**968,772**	**968,772**

4.5 - Financial assets measured at fair value through other comprehensive income: gross value and overall value adjustments

ITEM/VALUES	Gross value				Total value adjustments			Total partial write-offs (*)
	First stage							
		of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Debt securities								
2. Loans	21,117	21,117	27,200	10,276,559	-336	-1,445	-4,994,364	
3. Other assets	609,358	605,111			-285			
Total (T)	**630,475**	**626,228**	**27,200**	**10,276,559**	**-621**	**-1,445**	**-4,994,364**	
Total (T-1)	**328,811**	**290,658**		**1,786,426**	**-485**		**-810,629**	**315**
of which: acquired or originated impaired financial assets				10,276,559			-4,994,364	

4.6 - Financial assets measured at amortised cost: guaranteed assets

	31/12/2020						31/12/2019					
	Loans and receivables with banks		Loans and receivables with financial companies		Loans and receivables with customers		Loans and receivables with banks		Loans and receivables with financial companies		Loans and receivables with customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Non-impaired assets guaranteed by:												
- Assets in financial leases												
- Factoring credits												
- Mortgages					4,714	4,714						
- Pawns					678	678						
- Personal guarantees			39	39	1,616	1,616						
- Credit derivatives												
2. Impaired assets guaranteed by:												
- Assets in financial leases												
- Factoring credits												
- Mortgages					3,714,237	3,714,237			4,217	4,217	561,376	561,376
- Pawns					54,103	54,103			49	49	6,126	6,126
- Personal guarantees			66,494	66,494	454,168	454,168			1,967	1,967	299,522	299,522
- Credit derivatives												
Total			**66,533**	**66,533**	**4,229,519**	**4,229,519**			**6,233**	**6,233**	**867,024**	**867,024**

Amounts refer to all exposures, totally or partially secured, to individual debtors.

Section 7 - Equity investments - Item 70

7.1 - Equity investments: information on equity investment relations

Denominations	Registered office	Operational office	Shareholding interest %	Votes available %	Carrying amount	Fair value
A. Company under common control						
B. Company under significant interest						
a. AMCO - Asset Management Co. S.r.l.	Bucharest	Bucharest	100%	100%	10	n.a
Total					**10**	**n.a**

The balance of this item, amounting to EUR 10 thousand, refers to the equity investment held by AMCO S.p.A. at 31 December 2020 in AMCO - Asset Management Co. S.r.l., a company with registered office in Romania whose purpose is the recovery of loans from the Romanian portfolio of the Veneto Group Segregated Estate.

7.2 - Annual changes in equity investments

Items/Values	Group equity investments	Non group equity investments	Total
A. Opening balances	**14**		**14**
B. Increases			
B.1 Purchases			
B.2 Reversals	5		5
B.3 Revaluations			
B.4 Other changes			
C. Decreases			
C.1 Sales			
C.2 Value adjustments			
C.3 Impairments			
C.4 Other changes	9		9
D. Closing balances	**10**		**10**

The item "Reversals" refers to the reversal of the value of the equity investment in Immobiliare Carafa S.r.l. in liquidation, following the allocation to the Parent Company of the only property remaining in that company. The item "Other changes" includes the decrease due to the disposal of this investment following the completion of the liquidation.

7.5 - Non-significant equity investments: accounting information

Items/Values	Profit/Loss	Total assets	Net equity	Revenues
AMCO - Asset Management Co. S.r.l.	72	1,336	942	480
Total	**72**	**1,336**	**942**	**480**

Section 8 - Property, plant and equipment - Item 80

8.1 - Operating property, plant and equipment: break-down of assets measured at cost

Assets/Values	31/12/2020	31/12/2019
1. Owned assets		
a) land		
b) buildings		
c) movable assets	149	162
d) electronic equipment	50	72
e) others	306	364
2. Asset acquired through financial lease		
a) land		
b) buildings	2,234	5,404
c) movable assets		
d) electronic equipment	43	78
e) others	151	157
Total	**2,932**	**6,237**
of which: from enforcement of guarantees and commitments		

The decrease in fixed assets as at 31 December 2020 is partly attributable to the amortisation of assets for right of use as per IFRS 16 and for the redetermination of the right of use of the property of the Milan offices.

8.5 - Inventories of property, plant and equipment regulated by IAS 2: break-down

Assets/Values	31/12/2020	31/12/2019
1. Inventories of assets obtained from enforcement of guarantees and commitments		
a) land		
b) buildings		
c) movable assets		
d) electronic equipment		
e) others		
2. Other inventories of property, plant and equipment	**9**	
Total	**9**	
of which: measured at fair value less costs to sell		

The property in inventory comes from the liquidation of the former subsidiary Immobiliare Carafa S.r.l. in liquidation. This property, which had already been used to guarantee loans in the Banco Napoli portfolio, was acquired by the investee company and was sold to the Parent Company upon its liquidation.

8.6 - Operating property, plant and equipment: annual changes

	Land	Buildings	Moveable assets	Electronic equipment	Others	Total
A. Initial gross balances		**6,631**	**181**	**233**	**732**	**7,776**
A.1 Total net impairments		-1,226	-19	-82	-211	-1,539
A.2 Net initial balances		**5,404**	**162**	**150**	**521**	**6,237**
B. Increases						
B.1 Purchases		260	8		160	428
B.2 Capitalised improvement costs						
B.3 Reversals						
B.4 Positive change in fair value attributable to:						
a) net equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from financial assets held for investment		X	X	X		
B.7 Other changes						
C. Decreases:						
C.1 Sales						
C.2 Amortisation and depreciation		-1,487	-22	-58	-237	-875
C.3 Value adjustment attributable to						
a) net equity						
b) income statement						
C.4 Negative change in fair value attributable to						
a) net equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) property, plant and equipment held for investment		X	X	X		
b) non-current assets and groups of assets held for disposal						
C.7 Other changes		-1,943			-13	-1,957
D. Net closing balances		**2,234**	**149**	**93**	**457**	**2,932**
D.1 Total net impairments		-2,824	-41	-140	-448	-3,453
D.2 Gross closing balances		**5,058**	**189**	**233**	**905**	**6,385**
E. Valuation at cost		**2,234**	**149**	**93**	**457**	**2,932**

8.9 - Commitments for the purchase of property, plant and equipment

In accordance with the provisions of IAS 16, paragraph 74, letter c), please note that as at 31 December 2020 the Group does not have any commitments for the purchase of property, plant and equipment.

Section 9 - Intangible assets - Item 90

9.1 - Intangible assets: break-down

Assets/Values	31/12/2020		31/12/2019	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets				
2.1 owned:	1,736		579	
a) generated internally	1,691			
b) others	45		579	
2.2 Right of use acquired through leases				
Total 2	1,736		579	
3. Assets attributable to financial leases				
3.1 unexercised assets				
3.2 assets retired following termination of agreement				
3.3 other assets				
Total 3				
4. Asset granted with operating lease				
Total (1+2+3+4)	**1,736**		**579**	
Total (T-1)	**579**		**85**	

The increase in fixed assets at 31 December 2020, which amounted to EUR 1.7 million, is almost entirely attributable to the capitalisation of software during the year.

9.2 - Intangible assets: annual changes

	Total
A. Opening balances	**579**
B. Increases	
B.1 Purchases	
B.2 Reversals	1,419
B.3 Positive change in fair value:	
a) net equity	
b) income statement	
B.4 Other changes	
C. Decreases:	-
C.1 Sales	
C.2 Amortisation and depreciation	
C.3 Value adjustments	
a) net equity	
b) income statement	262
C.4 Negative change in fair value	
a) net equity	
b) income statement	
C.5 Other changes	
D. Closing balances	**1,737**

Section 10 - Tax assets and tax liabilities - Item 100 of assets and Item 60 of liabilities

10.1 - Tax assets: current and deferred: break-down

	31/12/2020	31/12/2019
Deferred-tax assets with balancing entry in the income statement	199,898	68,673
Deferred tax assets with balancing entry in net equity		
Assets for current taxes	10,789	11,238
TOTAL	**210,687**	**79,912**

This item includes only tax assets recognised in accordance with IAS 12 and therefore relating to direct taxes. Other tax receivables are included in the item "Other assets".

Recognised deferred tax assets refer to:

- EUR 152.1 million for IRES and IRAP DTAs on write-downs of receivables not yet deducted pursuant to Article 106, paragraph 3 of the TUIR or on goodwill and intangibles redeemed pursuant to Article 10-ter of Italian Decree Law No 185/2008 (from the compendium demerged from Banca MPS), pursuant to the provisions of Art. 2 of Italian Decree-Law No 225 of 29/12/2010 and subsequent amendments (Law No 214/2011);
- EUR 6.2 million to IRES and IRAP DTAs in relation to ACE and previous year losses of which AMCO became the beneficiary in the demerger transaction with Banca MPS;
- EUR 41.4 million to IRES DTAs generated by deductible temporary differences.

The recoverability of tax assets has been assessed based on the Probability Test performed by the Company. The exercise was conducted using the 20-25 Strategic Plan appropriately adjusted to consider the fluidity of the current macroeconomic scenario.

In addition, following the performance of the Probability Test, the tax benefits that are currently unrecognised but can potentially be pursued against future taxable income amount to EUR 75.1 million. The recoverability of these contingent assets will be assessed from time to time on the basis of probability tests conducted at reporting dates.

10.2 - Tax liabilities: current and deferred: break-down

	31/12/2020	31/12/2019
Deferred tax liabilities with balancing entry in the income statement.	1,723	1,658
Deferred tax liabilities with balancing entry in net equity		
Liabilities for current taxes	4,352	6,543
TOTAL	**6,075**	**8,201**

Current tax liabilities refer to IRAP for the year. Deferred taxes refer to revenues whose contribution to taxable income is deferred over time.

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

	31/12/2020	31/12/2019
1. Opening balances	**68,673**	**64,710**
2. Increases		
2.1 Prepaid taxes recognised during the year		
a) relating to previous years	18,955	5,047
b) due to change in accounting criteria		
c) reversals		
d) others	1,861	2,449
2.2 New taxes or increases in tax rates		
2.3 Other increases	121,194	
3. Decreases		
3.1 Prepaid taxes derecognised during the year		
a) transfers	10,787	3,533
b) write-downs due to non-recoverability		
c) due to change in accounting criteria		
d) others		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) conversion into tax credits pursuant to Law No 214/2011		
b) others		
4. Final amount	**199,898**	**68,673**

The "other increases" mainly refer to the deferred tax assets contributed in the demerger compendium of the transaction with Banca MPS that were deemed recoverable based on the Probability Test.

10.3.1 - Changes in deferred tax assets pursuant to Italian Law No 214/2011 (recognised in profit or loss)

	31/12/2020	31/12/2019
1. Initial amount	**57,507**	**57,507**
2. Increases	**102,496**	
3. Decreases	**7,932**	
3.1 Transfers	7,932	
3.2 Conversion into tax credits		
a) deriving from losses for the year		
b) deriving from tax losses		
3.3 Other decreases		
4. Final amount	**152,070**	**57,507**

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

	31/12/2020	31/12/2019
1. Initial amount	**1,658**	
2. Increases		
2.1 Deferred taxes recognised during the year		
a) relating to previous years		
b) due to change in accounting criteria		
c) others		1,658
2.2 New taxes or increases in tax rates		
2.3 Other increases	212	
3. Decreases		
3.1 Deferred taxes derecognised during the year		
a) transfers	147	
b) due to change in accounting criteria		
c) others		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Final amount	**1,723**	**1,658**

Section 12 - Other assets - Item 120

12.1 - Other assets: break-down

	31/12/2020	31/12/2019
Guarantee deposits	596	587
Improvements to third party assets	647	591
Miscellaneous receivables for register fees and expenses to be recovered	278	278
Receivables from Segregated Estates	10,716	15,966
Receivables for invoices/services to be issued or collected	5,835	5,176
Accrued income and prepaid expenses	1,277	450
Others	9,006	1,669
Total	**28,355**	**24,717**

As at 31 December 2020 the item “Other assets” had a balance of EUR 28.3 million, mainly made up of:

- the “Receivables from Segregated Estates” include amounts relating to the expenses anticipated by AMCO and reallocated to Segregated Estates, in addition to commissions to be collected accrued in the fourth quarter of 2020 and collected in the first quarter of 2021;
- “Receivables for invoices/services to be issued” include amounts relative to recovery of expenses paid in advance by AMCO in the management of Financed Capital in addition to the relative commissions;
- “Accrued income and prepaid expenses" include, respectively, the portion of revenues accruing during the year, the financial manifestation of which will take place after the reporting date, and the costs that have already had a financial manifestation but which are, in whole or in part, accrued at a later date.
- “others" includes transitory items, partly deriving from transactions that took place near the end of the year. The increase from 31 December 2019 is expected to be organic given the higher volumes of the Company's financial assets under management.

LIABILITIES

Section 1 - Financial liabilities measured at amortised cost - Item 10

1.1 - Financial liabilities measured at amortised cost: break-down of payables

Type of transactions/Values	31/12/2020			31/12/2019		
	with banks	with financial companies	with customers	with banks	with financial companies	with customers
1. Loans						
1.1 Repurchase agreement						
1.2 Other loans	995,536					
2. Lease payables			2,776			5,782
3. Other payables	47,747			5		
TOTAL	**1,043,283**		**2,776**	**5**		**5,782**
Fair value – Level 1	**995,536**					
Fair value – Level 2						
Fair value – Level 3	**47,747**		**2,776**	**5**		**5,782**
FAIR VALUE TOTAL	**1,043,283**		**2,776**	**5**		**5,782**

As at 31 December 2020 this item had a balance of EUR 1,046 million. Payables to banks derive entirely from the liabilities included in the demerger compendium of the Monte de Paschi di Siena transaction. Payables to banks have already been partly repaid in February 2021 for EUR 250 million, reducing the exposure to EUR 750 million. The repayment was made against the cash generated by the MPS portfolio itself.

Payables to customers of EUR 2.7 million are entirely attributable to the recognition of the financial liability for leases pursuant to IFRS 16.

1.2 - Financial liabilities measured at amortised cost: break-down of debt securities issued

TYPES OF SECURITIES/VALUES	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds								
1.1 structured	54,788			54,788	59,205			59,205
1.2 others	2,851,218	2,851,218			850,516	854,797		
2. other securities								
2.1 structured								
2.2 others								
TOTAL	**2,906,006**	**2,851,218**		**54,788**	**909,721**	**854,797**		59,205

This item refers to senior unsecured bonds issued by the Parent Company in February 2019, October 2019 and July 2020, and listed on the Luxembourg Stock Exchange, as well as the senior notes of the securitisation issued by the subsidiary Fucino NPL's S.r.l.

1.5 - Lease payables

As required by paragraph 53 letter g) and paragraph 58 of IFRS 16, information is provided below in relation to the analysis of deadlines for lease payables pursuant to paragraph 39 and B11 of IFRS 7.

Time bands	Payments to be made	
	31/12/2020	31/12/2019
- up to 1 year	1,596	1,421
- from over 1 year to 2 years	593	1,456
- from over 2 years to 3 years	407	1,302
- from over 3 years to 4 years	280	1,123
- from over 4 years to 5 years	21	774
- beyond 5 years		21
TOTAL EXPECTED CASH FLOWS	**2,897**	**6,097**
Effect of discounting	-121	-315
Lease liabilities	**2,776**	**5,782**

Section 2 - Financial liabilities held for trading - Item 20

2.1 - Financial liabilities held for trading: break-down by type

TYPE OF TRANSACTIONS/VALUES	31/12/2020					31/12/2019				
	NV	FV			FV*	NV	FV			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Payables to banks										
2. Debt securities										
3.1 Bonds										
3.1.1 Structured					X					
3.1.2 Other bonds					X					
3.2 Other securities										
3.2.1 Structured					X					
3.2.2 Others					X					
TOTAL A										
B. Derivative instruments										
1. Financial derivatives										
1.1 For trading	X		4		X					
1.2 Related to the fair value option	X				X					
1.3 Others	X				X					
2. Credit derivatives										
2.1 For trading	X				X					
2.2 Related to the fair value option	X				X					
2.3 Others	X				X					
TOTAL B	**X**		**4**		**X**	X				X
TOTAL A+B	**X**		**4**			X				

Financial derivatives held for trading include the balance, including accruals, of the instruments deriving from the demerger transaction with Banca Monte Paschi di Siena.

2.4 - Details of financial liabilities held for trading: derivative financial instruments

Underlying assets/ Derivative types	31/12/2020				31/12/2019			
	Over the counter			Organised markets	*Over the counter*			Organised markets
	Central Counterparties	Without Central Counterparties			Central Counterparties	Without Central Counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates								
Notional value			686					
Fair value			4					
2. Equities and stock indices								
Notional value								
Fair value								
3. Currencies and gold								
Notional value								
Fair value								
4. Credits								
Notional value								
Fair value								
5. Goods								
Notional value								
Fair value								
6. Others								
Notional value								
Fair value								
TOTAL			**4**					

Section 6 - Tax liabilities - Item 60

See section 10 of assets.

Section 8 - Other liabilities - Item 80

8.1 - Other liabilities: break-down

	31/12/2020	31/12/2019
Payables to suppliers	2,990	6,624
Withholding taxes and social security contributions payable	2,078	1,542
Invoices to be received	18,284	6,425
Compensation, reimbursement of expenses and payables to personnel	912	445
Payable to LCA for COLLAR	50,033	30,963
Other payables	23,068	6,355
TOTAL	**97,365**	**52,353**

The difference between 31 December 2020 and 2019 is due essentially to:

- the decrease in trade payables, offset by the increase in invoices to be received due to the corporate expansion phase which, as mentioned in the report on operations, saw the on-boarding of several portfolios in December;
- greater contributions for social security relative to employees;
- the cost relative to the mechanism for the adjustment of AMCO fees to the LCAs indicated in transfer agreement with the latter. This mechanism ensures the correlation of fees due to AMCO to the costs actually sustained for the management and recovery activities of the obligations of the transferred assets. The liquidation of the amounts is carried out on a three-year basis. The amount will be settled in May 2021;
- the item "Other payables" includes items in progress at the end of the year, which were settled in January 2021.

Section 9 - Post-employment benefits - Item 90

9.1 - Post-employment benefits: annual changes

	31/12/2020	31/12/2019
A. Opening balances	**593**	**612**
B. Increases	**14**	**57**
B1. Provision for the year	4	16
B2. Other changes	10	41
C. Decreases	**16**	**76**
C1. Liquidations paid	16	68
C2. Other changes		9
D. Closing balances		
TOTAL	**591**	**593**

9.2 - Other information

For a better understanding of the technical valuations carried out by the independent actuary expert, the main assumptions used are shown below:

	31/12/2020
Annual discount rate	**0.34%**
Annual inflation rate	**0.80%**
Post-employment benefits annual increase rate	**2.10%**

9.2.a - Sensitivity analysis

The results of a sensitivity analysis to changes in the main actuarial assumptions included in the calculation model are shown below.

Sensitivity analysis	Annual discount rate		Annual inflation rate		Annual turnover rate	
	0.50%	-0.50%	0.25%	-0.25%	2.00%	-2.00%
Past service Liability	564,222	619,068	599,151	582,189	580,865	602,753

9.2.b - Future Cash Flows

The table below shows the result of a breakdown of the liability by post-employment benefits over the next few years (not discounted):

Years	Cash Flows
0-1	100,404
0-2	24,245
2-3	23,442
3-4	22,650
4-5	21,883

Section 10 - Provisions for risks and charges - Item 100

10.1 - Provisions for risks and charges: break-down

ITEM/VALUES	31/12/2020	31/12/2019
1. Provision for credit risk relating to commitments and guarantees issued		
2. Provision for other commitments and guarantees issued		
3. Company pension funds		
4. Other provisions for risks and charges		
4.1 legal and tax disputes	12,864	15,508
4.2 staff costs	5,911	3,232
4.3 others	1,446	1,451
TOTAL	**20,221**	**20,191**

As at 31 December 2020 the provision had a balance of EUR 20.2 million. More specifically:

- Legal and tax disputes where the provision mainly includes:
    - Provisions for EUR 5 million towards sum collected by the Company in the course of its activity for the recovery of loans where there is the probability that reimbursement to debtors/guarantors will be required;
    - Provisions of EUR 2.3 million for disputes in which the risk of damages to debtors/guarantors has been assessed as probable;

- Provisions for EUR 3.8 million for disputes and future charges relative to legal costs following the recovery of the loan. The decrease is largely due to the use of fees already set aside due to invoicing.

- Staff costs: the item mainly refers to the provision for the company bonus set forth in Article 48 of the National Collective Labour Agreement, as well as for company welfare;
- Others: this item includes the provision for the risk of the retrocession of ISMEA (former SGFA) to cover the expected disbursements for the forfeited portion of revenues already enforced to be reversed to the guarantor, as required by the relative regulations.

It is also noted that in addition to the reasons for which the risk of an adverse outcome is considered to be probable and for which a provision for future risks has been set, the Parent Company currently has 5 further pending disputes where the risk of an adverse outcome is considered to be “possible”, for overall claims amounting to EUR 13.4 million.

10.2 - Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	TOTAL
A. Opening balances		**48**	**20,143**	**20,191**
B. Increases				
B1. Provision for the year		87	7,222	**7,309**
B2. Changes due to the passing of time				
B3. Changes due to adjustments to the discount rate				
B4. Other changes				
C. Decreases				
C1. Use for the year		10	7,269	**7,279**
C2. Changes due to adjustments to the discount rate				
C3. Other changes				
D. Closing balances		**125**	**20,096**	**20,221**

10.6 - Provisions for risks and charges: other provisions

Please refer to paragraph “10.1 Provisions for risks and charges: breakdown”

Section 11 - Net equity - Items 110, 120, 130, 140, 150, 160 and 170

11.1 - Share capital: break-down

Types	Amount
1. Share capital	655,154
1.1 Ordinary shares	600,000
1.2 Other shares	55,154
TOTAL	**655,154**

The fully paid-up share capital is divided into 600,000,000 ordinary shares with no nominal value, held entirely by the Ministry of Economy and Finance, and 55,153,674 B shares with no nominal value and no voting rights, held by the Ministry of the Economy and Finance, by other shareholders and including treasury shares in portfolio.

11.2 - Treasury shares

Types	Amount
1. Treasury shares	**70**
1.1 Ordinary shares	70
1.2 Other shares	
TOTAL	**70**

The amount refers entirely to treasury shares in portfolio deriving from the demerger transaction with Monte dei Paschi di Siena completed in December 2020.

11.4 - Share premium: break-down

Types	Amount
1. Share premiums	604,552
TOTAL	**604,552**

The amount refers to the share premium following the share capital increase on 29 November 2019 and following the demerger transaction with Monte dei Paschi di Siena.

11.5 - Other information

The item "Other profit reserves" is made up for EUR 291.3 million of reserves for the first-time adoption of international accounting standards and for EUR 52.7 million of retained earnings.

Furthermore, as indicated in Section 6, the profit for the year of EUR 76 million will be allocated to a profit reserve.

Nature/description	Amount	Possibility of use*	Available portion	Summary of use in last 3 years	
				To cov. Losses	For other reasons
- Share capital	655,154				
- Treasury shares	(70)				
- Profit reserves:					
Legal reserve - mandatory quota	131,031	B			
Legal reserve - quota exceeding 20%	347,270	A B C	347,270		
Other profit reserves**	344,174	A B C	344,174		2,400
- Share premium reserve	604,552	A B C	604,552		
- Demerger reserve	680,714	A B C	680,714		
- Reserve for costs of share capital increase	(4,878)				
- Valuation reserves:					
- Financial assets measured at fair value through other comprehensive income***	(9,642)	B	(9,642)		
- Actuarial profits/losses on defined-benefit plans	(261)	B	(261)		
- Retained earnings (losses)	76,009	A B C	76,009		
Total reserves and profits	2,168,969				
Available portion			2,052,719		
Non-distributable residual portion			771,539		

* A = To increase share capital
B = To cover losses
C = For distribution

** Available reserves pursuant to Article 6 of Italian Legislative Decree No 38/2005

*** Available reserve pursuant to Article 6 of Italian Legislative Decree No 38/2005

Other information

1 - Commitments and financial guarantees issued (other than those measured at fair value)

Items	Nominal value on commitments and financial guarantees issued			Total at 31/12/2020	Total at 31/12/2019
	First stage	Second stage	Third stage		
1. Commitments to disburse funds					
a) Public administrations					
b) Banks					
c) Other financial companies	24,435			24,435	88,333
d) Non financial companies	108,992			108,992	
e) Households					
2. Financial guarantees issued					
a) Public administrations					
b) Banks					
c) Other financial companies					
d) Non financial companies					
e) Households					

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 - Interest and similar income: break-down

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other operations	31/12/2020	31/12/2019
1. Financial assets measured at fair value through profit and loss:					
1.1 Financial assets held for trading					
1.2 Financial assets measured at fair value					
1.3 Other financial assets mandatorily measured at fair value					
2. Financial assets measured at fair value through other comprehensive income	3,726			3,726	2,227
3. Financial assets measured at amortised cost:		**101,610**		**101,610**	**32,540**
3.1 Loans and receivables with banks		42	X	42	720
3.2 Loans and receivables with financial companies		1,421	X	1,421	
3.3 Loans and receivables with customers		100,147	X	100,147	31,779
4. Hedging derivatives	X	X			
5. Other assets	X	X			41
6. Financial liabilities	X	X	X		
Total	**3,726**	**101,610**		**105,336**	**34,767**
of which: interest income from impaired assets		101,423		101,423	31,662
of which: interest income on leases					

Interest and similar income include:

- EUR 89.1 million deriving from the accounting treatment as “purchased or originated credit impaired” (“POCI”), in accordance with the provisions of IFRS 9, of which EUR 41.1 million on Non-Performing Exposures portfolios acquired during the financial year. In more detail, interest income is composed of:
  - EUR 48.0 million from the portfolio of the former Banca Carige;
  - EUR 21.1 million from the portfolio of the former Banca Popolare di Bari;
  - EUR 9.0 million from the portfolio of the former Banco Popolare di Milano;
  - EUR 5.2 million from the portfolio of the former Fucino;
  - EUR 4.0 million from the portfolio of the former Credito Valtellinese;
  - EUR 1.2 million from the portfolio of the former Istituto per il Credito Sportivo;
  - EUR 0.6 million from the portfolio of the former IGEA-Fucino.
- EUR 6.2 million for reversal of impairments connected to the passing of time relative for both the portfolio of the former Banco di Napoli as well as MPS, corresponding to interests accrued on impaired financial assets;
- EUR 6.2 million for interest income generated by the portfolio of the former Monte dei Paschi di Siena, which will become legally effective on 1 December 2020;

- EUR 3.7 million relative to interest income accrued on government bond portfolios classified as FVOCI.

1.3 - Interest and similar expenses: break-down

ITEMS/TECHNICAL FORMS	Payables	Securities	Other operations	31/12/2020	31/12/2019
1. Financial liabilities measured at amortised cost					
1.1 Payables to banks	4,477	X	X	4,477	
1.2 Payables to financial companies		X	X		
1.3 Payables to customers	138	X	X	138	172
1.4 Debt securities issued	X	36,608	X	36,608	8,506
2. Financial liabilities held for trading					
3. Financial liabilities measured at fair value					
4. Other liabilities and provisions	X	X	2	2	3
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X		
TOTAL	**4,615**	**36,608**	**2**	**41,225**	**8,681**
of which: interest expenses relative to lease payables	138			138	-

Interest and similar expenses include:

- EUR 35.5 million relative to interest expenses, accounted at amortised cost, of senior unsecured bonds issued by the Company in 2019 and 2020;
- EUR 1.1 million relating to interests on the senior notes issued by the vehicle Fucino NPL's S.r.l.;
- EUR 4.5 million related mainly to the interest expenses deriving from the liabilities included in the demerger compendium of the transaction with Monte de Paschi di Siena. A residual amount of EUR 0.8 million refers to interest paid on bank current accounts;
- EUR 0.1 million resulting from lease contracts where the Company is the lessee, in accordance with the provisions of IFRS 16.

Section 2 - Fees and commissions - Items 40 and 50

2.1 - Fees and commissions income: break-down

TYPES OF SERVICES/VALUES	31/12/2020	31/12/2019
a) lease operations		
b) factoring operations		
c) consumer credit		
d) guarantees issued		
e) services of:		
- fund management for third parties		
- foreign exchange intermediation		
- product distribution		
- others		
f) collection and payment services		
g) servicing of securitisation operations	2,358	
h) other commissions (to be specified)		
- credit recovery Segregated Estates	46,196	47,139
- securities lending	516	184
- others	162	17
TOTAL	**49,232**	**47,340**

Fees and commissions income amounted to EUR 49.2 million. This account mainly includes servicing commissions received for the management of Segregated Estates relative to the former Veneto Banks for the amount of EUR 46.2 million, broken down as follows:

- commissions on the Ambra and Flaminia securitised portfolios for EUR 10.9 million;
- commissions on non-securitised portfolios for EUR 35 million;
- commissions on financed capital portfolios for EUR 0.4 million.

A marginal amount derives from securities lending transactions carried out on the government bond portfolio for EUR 0.5 million, from commissions related to servicing activities on the Ampre securitised portfolio (EUR 2.4 million) and for the remainder commissions for activities carried out on behalf of the subsidiary AMCO S.r.l.

2.2 - Fees and commissions expense: break-down

SERVICES/VALUES	31/12/2020	31/12/2019
a) guarantees received		
b) distribution of services by third parties		
d) collection and payment services		
e) other commissions (to be specified)	1,147	1,101
TOTAL	**1,147**	**1,101**

Commissions mainly refer to the amount recognised to AMCO S.r.l. for servicing activity on the Romanian portfolio of the Segregated Estate of the Group.

Section 3 - Dividends and similar revenues - Item 70

3.1 - Dividends and similar revenues: break-down

ITEMS/INCOME	31/12/2020		31/12/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value				
C. Financial assets valued at fair value through other comprehensive income		13		
D. Equity investments				
TOTAL		**13**		

This item refers to income distributed by UCITS.

Section 4 - Trading activity net result - Item 80

4.1 - Trading activity net result: break-down

INCOME COMPONENTS/OPERATIONS	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Trading losses (D)	Net profit (A+B) - (C+D)
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 UCITS units					
1.4 Loans					
1.5 Others					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Others					
3. Financial assets and liabilities: exchange differences			7,894		**-7,894**
4. Derivative instruments					
4.1 Financial derivatives	115				**115**
4.2 Credit derivatives					
of which: natural hedges related to the fair value option					
TOTAL	**115**		**7,894**		**-7,779**

This item mainly refers to exchange rate differentials deriving from foreign currency loans in the portfolio of the former Banca Carige.

Section 6 - Profit (loss) on disposal/repurchase - Item 100

6.1 - Profits (losses) on disposal/repurchase: break-down

INCOME COMPONENTS/ITEMS	31/12/2020			31/12/2019		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	2,836		2,836			-993
1.1 Loans and receivables with banks						
1.2 Loans and receivables with financial companies						
1.3 Loans and receivables with customers	2,836		2,836	633	1,626	-993
2. Financial assets measured at fair value through other comprehensive income						
2.1 Debt securities	23,225	1,325	21,899	4,100		4,100
2.2 Loans						
TOTAL ASSETS	**26,060**	**1,325**	**24,735**	**4,733**	**1,626**	**3,106**
B. Financial liabilities measured at amortised cost						
1. Payables to banks						
2. Payables to financial companies						
3. Payables to customers						
4. Debt securities issued						
TOTAL LIABILITIES						

The item Profit/loss from disposal or repurchase shows a positive balance following the net capital gains realised on the sale of government securities (EUR 21.9 million) and the profit on the sale of receivables of EUR 2.8 million.

Section 7 - Net result of other financial assets and liabilities measured at fair value through profit and loss - Item 110

7.2 - Net change in the value of other financial assets and liabilities measured at fair value through profit and loss: break-down of other financial assets mandatorily measured at fair value

INCOME COMPONENTS/OPERATIONS	Capital gains (A)	Profits on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net profit (A+B) - (C+D)
1. Financial assets	**3,700**	**23,147**	**7,794**		**19,053**
1.1 Debt securities		8,154			8,154
1.2 Equity securities	3,244	59	643		2,660
1.3 UCITS units	216		5,612		-5,396
1.4 Loans	240	14,934	1,539		13,635
2. Financial assets in currency: exchange differences	X	X	X		
TOTAL	**3,700**	**23,147**	**7,794**		**19,053**

Capital gains on equity instruments at 31 December 2020 amounted to EUR 3.2 million and are attributable to equity investments in Astaldi S.p.A. and Trevi Finanziaria Industriale S.p.A. held by the Parent Company AMCO following the conversion of loans.

Gains on the sale of debt securities and loans for a total of EUR 23.1 million refer to collections made in 2020 for positions belonging to the same economic group as the former Banca Carige portfolio.

Capital losses mainly relate to UCITS units for the amount of EUR 5.6 million, mainly due to the fair value adjustment of the value of the units in the Italian Recovery Fund as at 31 December 2020.

Section 8 - Net value adjustments/reversals for credit risk - Item 130

8.1 - Net value adjustments for credit risk relative to financial assets measured at amortised cost: break-down

INCOME COMPONENTS/ OPERATIONS	VALUE ADJUSTMENTS			REVERSALS		31/12/2020	31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
1. Loans and receivables with banks							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
Other loans and receivables							
- for leases							
- for factoring							
- other loans and receivables				169		169	-435

INCOME COMPONENTS/ OPERATIONS	VALUE ADJUSTMENTS			REVERSALS		31/12/2020	31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
2. Loans and receivables with financial companies							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
Other loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
3. Loans and receivables with customers							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- for consumer credit							
- other loans and receivables		-5,199	-57,290		58,158	-4,331	13,584
Other loans and receivables							
- for leases							
- for factoring							
- for consumer credit							
- pawn lending							
- other loans and receivables	-302					-302	-34
Total	**-302**	**-5,199**	**-57,290**	**169**	**58,158**	**-4,465**	**13,115**

Net impairment losses recorded on loans and receivables with customers originate from the economic effects generated as a result of recovery activities, as well as from the update of the measurements of managed positions. The item also includes reversals to cash in checking current accounts for EUR 0.2 million determined in accordance with IFRS 9.

8.2 - Net value adjustments for credit risk relative to financial assets measured at fair value through other comprehensive income: break-down

INCOME COMPONENTS/ OPERATIONS	VALUE ADJUSTMENTS			REVERSALS		31/12/2020	31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
A. Debt securities	-88			1,314		**1,226**	**-1,297**
B. Loans							
- With customers							
- With financial companies							
- With banks							
of which: acquired or originated impaired financial assets	-88			1,314		**1,226**	**-1,297**
C. Total	**-88**			**1,314**		**1,226**	**-1,297**

The net value adjustments on financial assets measured at fair value with counterparty in net equity, equal to EUR 1.2 million, refer exclusively to the revaluation of government securities in the portfolio on 31 December 2020 in accordance with the provisions of IFRS 9.

Section 10 - Administrative expenses - Item 160

10.1 - Staff costs: break-down

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
1) Employees	29,092	21,779
a) salaries and wages	21,919	15,380
b) social security	4,421	3,753
c) post-employment benefits	442	481
d) pension funds		
e) provision for post-employment benefits	4	16
f) provision for pensions and similar obligations:		
- defined contribution plan		
- defined-benefit plans		
g) payments to external complementary pension funds:		
- defined contribution plan	1,033	794
- defined-benefit plans		
h) other benefits for employees	1,272	1,355
2) Other active personnel	17	71
3) Directors and Auditors	307	230
4) Retired personnel		
5) Recoveries of expenses for personnel seconded to other companies		
6) Reimbursements of expenses for personnel seconded to the company	571	1,500
TOTAL	**29,987**	**23,580**

Personnel costs amounted to EUR 30 million and are mainly constituted by wages and salaries and relative social security contributions and bonus provisions for employees, in addition to expenses incurred for seconded personnel. The increase compared with 2019 is entirely due to the increase in the number of Company staff, which rose from 233 to 287 units during the financial year.

10.2 - Average number of employees by category

Position	31/12/2020	31/12/2019
Employees		
a) senior managers	18.71	13.3
b) middle managers	167.74	134.4
c) employees	70.79	60.1
Other personnel	**6.75**	**0**

10.3 - Other administrative expenses: break-down

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
External consultancy expenses	5,460	5,285
Out-of-pocket expenses for debt collection	2,769	2,572
Expenses for software and information systems	2,591	3,482
Legal and other debt recovery expenses	3,502	2,338
User licence fees	2,371	514
Insurance policies	2,096	771
Cleaning/surveillance costs	845	568
Expenses for document archiving	641	301
Short-term/modest value rental	637	155
Maintenance of third-party property/condominium expenses	445	730
Fronting bank expenses	207	-
Utilities expenses	189	196
Subscriptions/magazines/newspapers and consumables	130	203

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
Personnel recruitment and selection	101	275
Bank charges	100	0
Taxes/fees/association contributions	78	50
Other expenses	6,763	7,474
TOTAL	**28,926**	**24,914**

Other administrative expenses amounted to EUR 28.9 million and consisted mainly of external consultancy fees, credit recovery expenses, IT and software costs and legal and notary fees. Expenses for external consultancy services mainly include costs for due diligence activities related to transactions concluded during the year.

The item "Other expenses" includes fees paid to the Independent Auditors Deloitte & Touch S.p.A. for the external audit of the financial statements and legal and advisory consultancy activities following the acquisition of Segregated Estates from the former Veneto Banks. These financial statements also report the remuneration paid to the company mandated with the audit of the accounts and the companies making part of its network.

Type of services	31/12/2020
Audit	415
Other services	602
Total	**1,017**

The balances include the fees relative to the activities carried out and do not include VAT, out-of-pocket expenses and any payments to the supervisory authorities. This item Audit includes the fees relative to the audit activity for the 2020 financial statements. Other services include EUR 47 thousand in fees for agreed verification procedures, EUR 60 thousand in fees for the preparation of the statements prior to the bond issue, and EUR 495 thousand in fees for the verification of statements in connection with the extraordinary transaction with Banca Monte dei Paschi di Siena.

In addition to the remuneration for the independent auditors, "consultancy expenses" include EUR 3.9 million for organisational consultancies and due diligence activities linked to possible acquisitions of portfolios / extraordinary operations;

The item "Other expenses" as at 31 December 2020 includes:

- EUR 0.7 million for the charge relating to the 2017 DTA fee;
- EUR 4.4 million for non-deductible VAT, taxes and other indirect levies.

Section 11 - Net provisions for risks and charges - Item 170

11.3 - Net provisions for other risks and charges: break-down

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
For HR risks and charges	47	-285
For risk of sums repayments	1,050	137
For employees' supplementary pension scheme	-77	-43
For risk of litigation	-751	-4,028
For risk of compensation for damages	22	4
For risk of reimbursement of expenses	594	603
For tax risks	-658	
TOTAL	**227**	**-3,611**

This item is mainly made up of releases made against the risk of repayment of sums, offset by allocations due to possible legal expenses for the management of disputes with customers of portfolios acquired between the economic and legal effectiveness of the sale.

Section 12 - Net value adjustments/reversals on property, plant and equipment - Item 180

12.1 - Net value adjustments/reversals on property, plant and equipment: break-down

ASSETS/INCOME COMPONENTS	Amortisation and depreciation (A)	Impairment losses (B)	Reversals (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 For operating purposes	1,804			1,804
- Owned	182			182
- Right of use acquired through leases	1,622			1,622
A.2 Held for investment				
- Owned				
- Right of use acquired through leases				
A.3 Inventories				
TOTAL	**1,804**			**1,804**

Section 13 - Net value adjustments/reversals on intangible assets - Item 190

13.1 - Net value adjustments/reversals on intangible assets: break-down

ASSETS/INCOME COMPONENTS	Amortisation and depreciation (A)	Impairment losses (B)	Reversals (C)	Net result (A + B - C)
1. Intangible assets other than goodwill				
1.1 owned	262			262
1.2 acquired through financial lease				
2. Assets attributable to financial leases				
3. Asset granted with operating lease				
TOTAL	**262**			**262**

Section 14 - Other operating income and expenses - Item 200

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
Other operating income	5,895	6,778
Other operating expenses	-19,891	-12,733
TOTAL	**-13,996**	**-5,955**

14.1 - Other operating expenses: break-down

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
Charges for COLLAR	19,071	12,610
Other operating expenses	820	123
TOTAL	**19,891**	**12,733**

This item mainly includes the cost incurred in the financial year relative to the three-yearly fee adjustment mechanism for the management of loans of the Segregated Estates as indicated in part B of section 10.

14.2 - Other operating income: break-down

TYPE OF EXPENSES/VALUES	31/12/2020	31/12/2019
Allocation of expenses	902	612
Other operating income	4,993	6,166
TOTAL	**5,895**	**6,778**

This item mainly includes the recovery of indirect expenses incurred by the Company and reallocated, on the basis of internally defined economic/financial allocation criteria, to the Segregated Estates and Financed Capital.

Section 15 - Profits (losses) on equity investments - Item 220

15.1 - Profits (losses) on equity investments: break-down

INCOME COMPONENT/VALUES	31/12/2020	31/12/2019
1. Income	**5**	
1.1 Revaluations		
1.2 Profits on disposal		
1.3 Reversals	5	
1.4 Other income		
2. Expenses		**144**
2.1 Impairments		
2.2 Losses on disposal		
2.3 Impairment losses		144
2.4 Other expenses		
NET RESULT	**5**	**144**

Section 19 - Income taxes for the year on current operating activities - Item 270

19.1 - Income taxes for the year on current operating activities: break-down

INCOME COMPONENT/VALUES		31/12/2020	31/12/2019
1.	Current taxes (-)	-4,350	-5,397
2.	Changes in current taxes of previous financial years (+/-)	-52	68
3.	Reduction of current year taxes (+)		
3.bis	Reduction of current year taxes for tax credits pursuant to Italian Law No 214/2011 (+)		
4.	Changes in prepaid taxes (+/-)	10,030	3,963
5.	Changes in deferred taxes (+/-)	147	-1,658
6.	**Taxes for the year (-)(-1+/-2+3+/-4+/-5)**	**5,775**	**-3,024**

Current taxes refer to the provision for IRAP on the result for the year.

The net change in deferred tax assets primarily relates to the provision of deferred tax assets following the performance in the Probability Test, partially offset by deferred tax assets recorded in prior periods and deducted in 2020.

19.2 - Reconciliation between theoretical tax expense and actual tax expense of the financial statements

Reconciliation IRES tax charges	Taxable income		IRES	%
	Detail	Total		
Result before taxes		**69,026**	**-16,566**	***24.00%***
Increases				
Provisions for risks and charges	914		-219	*0.32%*
Contingent liabilities	778		-187	*0.27%*
Lease charges exceeding fringe benefits	332		-80	*0.12%*
Other increases	339		-96	*0.14%*
total increases		**2,423**		
Decreases				
Use of provisions for risks and charges	-614		147	*-0.21%*
Other decreases	-1			*0.00%*
Tax losses and ACE tax for previous years	-22,623		5,429	*-7.87%*
Provisions for risks and charges for previous years	-75,454		18,109	*-26.24%*
Contingencies from lower taxes in previous year	-1,623		389	*-0.56%*
Total decreases		**-100,315**		
Theoretical taxable income		**-28,867**	**6,928**	***-10.04%***

Tax charges reconciliation - Add. IRES	Taxable income		ADD. IRES	%
	Detail	Total		
Result before taxes		**69,026**	**-2,416**	**3.50%**
Increases				
Provisions for risks and charges	914		-32	*0.05%*
Contingent liabilities	778		-27	*0.04%*
Lease charges exceeding fringe benefits	332		-12	*0.02%*
Other increases	339		-14	*0.02%*
total increases		**2,423**		
Decreases				
Use of provisions for risks and charges	-614		21	*-0.03%*
Other decreases	-1			*0.00%*
Use of ACE - Add. IRES	-5,190		182	*-0.26%*
Adjustments to receivables from previous years (FTA IFRS 9)	-84,409		2,954	*-4.28%*
Provisions for risks and charges for previous years	-100,046		3,502	*-5.07%*
Contingencies from lower taxes in previous year	-1,623		57	*-0.08%*
Total decreases		**-191,884**		
Theoretical taxable income		**-120,435**	**4,215**	**-6.11%**

Reconciliation IRAP tax charges	Taxable income		IRAP	%
	Detail	Total		
Taxable income before adjustments		**114,534**	**-6,551**	**5.72%**
Increases				
Expenses and recoupment chargebacks	4,428		-243	*0.21%*
Contingent liabilities	662		-38	*0.03%*
Use of provisions for risks and charges	1,188		-357	*0.06%*
Other increases	6,246		-499	*0.31%*
Contingencies from higher IRAP in previous year	8,718			*0.44%*
total increases		**21,063**		
Decreases				
Deduction for personnel	-23,120		1,322	*-1.15%*
Provisions for risks and charges	-17,756		1,016	*-0.89%*
Contingencies from higher IRAP in previous year	-842		48	*-0.04%*
Total decreases		**-41,718**		
Theoretical taxable income		**93,878**	**-5,370**	***4.69%***

PART D - OTHER INFORMATION

Section 1 - Specific references to the activities carried out

B. - FACTORING AND TRANSFER OF LOANS AND RECEIVABLES

B.1 - Gross value and carrying amount

B.1.2 - Purchase operations of non-performing loans other than factoring

Item/Values	31/12/2020			31/12/2019		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Bad loans	6,947,254	4,004,147	2,943,107	1,227,595	-808,831	418,764
2. Unlikely to pay	3,174,516	991,514	2,183,002	331,414	-2,182	329,232
3. Non-performing past due exposures	213,968	625	213,343	240,109	-	240,109
Total	**10,335,738**	**4,996,286**	**5,339,452**	**1,799,118**	**-811,013**	**988,105**

B.2 - Breakdown by residual life

B.2.3 - Purchase operations of non-performing loans other than factoring

Time bands	Exposures	
	31/12/2020	31/12/2019
- up to 6 months	327,586	24,118
- from over 6 months to 1 year	321,829	24,295
- from over 1 year to 3 years	1,401,772	214,732
- from over 3 years to 5 years	1,445,913	384,370
- beyond 5 years	1,842,351	340,591
Total	**5,339,451**	**988,105**

D. - GUARANTEES ISSUED AND COMMITMENTS

D.1 - Value of guarantees (real or personal) issued and commitments

Operations		31/12/2020	31/12/2019
1.	**Guarantees of a financial nature issued at first request**		
	a) Banks		
	b) Financial companies		
	c) Customers		
2.	**Other guarantees of a financial nature issued**		
	a) Banks		
	b) Financial companies		
	c) Customers		
3.	**Commercial guarantees issued**		
	a) Banks		
	b) Financial companies		
	c) Customers		

Operations		31/12/2020	31/12/2019
4.	**Irrevocable commitments to disburse funds**		
	a) Banks		
	i) funds whose utilisation is certain		
	ii) funds whose utilisation is uncertain		
	b) Financial companies		
	i) funds whose utilisation is certain		
	ii) funds whose utilisation is uncertain		
	c) Customers		
	i) funds whose utilisation is certain		
	ii) funds whose utilisation is uncertain		
5.	**Commitments underlying credit derivatives: sales of protection**		
6.	**Assets used to guarantee third-party obligations**		
7.	**Other irrevocable commitments**		
	a) to issue guarantees		
	b) others	133,427	88,333
Total		**133,427**	**88,333**

The amount shown in item 7.b refers to:

- the irrevocable commitment made by the Company to subscribe to and pay for units in the Italian Recovery Fund for EUR 20.3 million;
- the irrevocable commitment made by the Company to subscribe to and pay for units in the Clessidra Fund for EUR 4.1 million;
- the commitment to the Back2Bonis Fund of EUR 108.9 million.

Section 2 - Securitisation transactions, information on non-consolidated structured entities (other than securitisation vehicles) and assets disposal operations

A. - SECURITISATION TRANSACTIONS

Qualitative disclosures

In September 2019 as part of a securitisation transaction originated by Banca del Fucino S.p.A., AMCO purchased the equity and mezzanine tranches issued by Fucino NPL's vehicle with an underlying portfolio of bad loans and ‘unlikely to pay’/past due loans.

With a Servicing Contract between AMCO and Fucino NPL’s, on 13 September 2019 the latter transferred to AMCO the mandate to carry out management, administration, recovery, collection and reporting activities in relation to the transferred loans, as well as the mandate to carry out control activities on the correctness of the operation pursuant to Art. 2, paragraph 6-bis of the Securitisation Law (Master Servicing and Special Servicing activities).

The operation was completed on 27 September 2019 with the issue of notes and at the same time the underwriting of the senior tranche by Banca del Fucino and the Junior and Mezzanine tranches by AMCO.

Quantitative disclosures

As at 31 December 2020 AMCO, in its role of the transaction sponsor, holds Junior and Mezzanine securitisation notes for an nominal amount of EUR 34.0 million, representing a fair value of EUR 29.3 million (including accrued interest). The relative regulatory requirements are calculated by taking into account the regulatory requirements of the underlying portfolio.

B. - INFORMATION ON NON CONSOLIDATED STRUCTURES (OTHER THAN THE SECURITISATION VEHICLE)

Cuvée Project

Qualitative disclosures

In the context of a securitisation transaction pursuant to Italian Law No 130, relative to loans transferred by different Originating Banks, in accordance with a loan transfer agreement finalised on 23 December 2019, the company Ampre SPV S.r.l. acquired without recourse a loans portfolio mainly deriving from secured or unsecured loans, credit facilities and overdrawn current accounts, arisen in the period between 1999 and 2018 and due from debtors classified by their respective Originating Banks as 'unlikely to pay' pursuant to Bank of Italy circular letter No 272 of 30 July 2008 as subsequently amended and/or supplemented.

The transfer was also announced through publication on the Official Gazette, Part II, No 153 of 31 December 2019.

In the context of the securitisation, Ampre SPV S.r.l. mandated AMCO to carry out, in relation to the transferred loans, the role of subject with the task to provide collection of the loans and cash and payment services and responsible for checking the compliance of operations to the law and to the information prospectus pursuant to Article 2, paragraph 3, letter (c), paragraph 6 and paragraph 6-bis of Italian Law No 130.

At the same time Ampre SPV S.r.l issued a non segmented securitisation note with the objective of transferring it to the Back2Bonis mutual fund, which financed the purchase through the issue of fund units purchased by the Originating Banks.

On 8 December 2020, the second phase of the *Cuvèe* transaction was launched, with the contribution by seven transferors (including AMCO and the Veneto and Vicenza Group Segregated Estates) of loans of approximately EUR 450 million.

Quantitative disclosures

AMCO transferred loans to the platform and received fund units valued at EUR 74.4 million as at 31 December 2020. In consideration of the potential leverage of the fund and the standard approach used in the weighting of exposures, AMCO applied a weighting of 100% to the fund units, as per Article 132 of the CRR.

On the basis of the methodology described with reference to the units of the Italian Recovery Fund (to which reference is made), the change in fair value of the investment in Back2Bonis subject to the discounting rate (+/-1%) and of expected distribution flows (+/-5%) is represented in the following table.

		Changes in the discounting rate		
		-1%	**0**	**+1%**
Changes in cash flows	**+5%**	+7.3 m (+9.8%)	+3.7 m (+5.0%)	+0.3 m (+0.4%)
	0	+3.4 m (+4.6%)		-3.2 m (-4.4%)
	-5%	-0.4 m (-0.6%)	-3.7 m (-5.0%)	-6.8 m (-9.1%)

Italian Recovery Fund

Qualitative disclosures

In October 2016 the first closing took place of the closed-end alternative investment fund Italian Recovery Fund, formerly "Atlante II" and constituted by Quaestio Capital SGR. As required by the Regulations, the purpose of the fund is to increase the value of its assets by carrying out investment transactions in non-performing loans from a number of Italian banks, possibly guaranteed by assets, also property assets, as well as property assets (also not subject to guarantee), in the context of value enhancing operations relating to the non-performing loans.

The fund carries out the above mentioned investment transactions through the underwriting of financial instruments of different seniority levels, concentrating where possible on mezzanine and junior exposures, also not traded on the regulated market, issued by one or more vehicles, also in the form of investment funds, for the purchase of non-performing loans from a number of Italian banks.

Quantitative disclosures

At 31 December 2020 AMCO's fair value of the Italian Recovery Fund was EUR 470.9 million (with a residual commitment for EUR 20.3 million). From the regulatory point of view, the investment is considered a high risk exposure as per Article 128 of the CRR.

As indicated in section A.4, for UCITS, the fair value was calculated on the basis of internal models according to the criteria provided by the policies in force, adjusting the Net Asset Value (NAV) provided by the Fund Administrator. This is in compliance with the provisions of Document No 8 of the Coordination Table on the application of IAS/IFRS (of April 2020), in which the Bank of Italy, Consob and IVASS reiterated the need to evaluate possible corrections to the NAV for the determination of the fair value of UCITS units, where the valuation criteria of the underlying assets are not aligned with the criteria provided by IFRS standards for the determination of the fair value of the same, or where there are significant illiquidity factors concerning the underlying assets or the units of the funds themselves.

The indications provided by the document have been specifically addressed to positions in units of UCITS that invest in Non-Performing Exposures (NPEs), but must be considered applicable to all units of UCITS characterised by similar problems in the valuation of the underlying assets and of the units themselves.

The change in fair value of the investment in the Italian Recovery Fund subject to the discounting rate (+/-1%) and of expected distribution flows (+/-5%) is represented in the following table.

		Changes in the discounting rate		
		-1%	**0**	**+1%**
Changes in cash flows	**+5%**	+45.5 m (+9.7%)	+23.5 m (+5.0%)	+2.9 m (+0.6%)
	0	+20.9 m (+4.4%)	-	-19.7 m (-4.2%)
	-5%	-3.6 m (-0.8%)	-23.5 m (-5.0%)	-42.3 m (-9.0%)

Section 3 - Information on risks and on relevant hedging policies

Introduction

Following the acquisition, through two Segregated Estates, of the non-performing loans of the former Veneto Banks, AMCO has essentially strengthened its own risk management structure by completely reviewing its governance structure.

In particular, control structures were strengthened and internal regulations were thoroughly reviewed/updated.

In the overall risk management and control process, primary responsibility lies with the governing bodies, each in accordance with their respective competencies. Based on the Company's own governance model:

- the Board of Directors, in its capacity as Body with strategic supervision function, plays a fundamental role in achieving an effective and efficient risk management and control system. As part of corporate risk governance, this body approves the risk management policies outlined with reference to the main significant risks identified;
- the Chief Executive Officer, in line with risk management policies, defines and oversees the implementation of the risk management process, by establishing, among other things, the specific duties and responsibilities of the involved company structures and functions;
- the functions in charge of these audits are separate from the production functions and contribute to the definition of risk management policies and the risk management process;
- the Risk Management Function, in particular, has the task to ensure the constant risk protection and monitoring relating to the First and Second Pillar of the prudential framework for financial intermediaries issued by the Bank of Italy. To this end, the Risk Management Function defines the procedures for the measurement of risks, carries out a constant control and requires, where necessary, the execution of opportune stress tests, reporting the progress of the Company’s risk profile to the Corporate Bodies. The Risk Management Function is also called on to cooperate towards the definition of risk management policies and of the risk management process, as well as of the relative identification and control procedures and modes, continuously checking their adequacy.

AMCO has adopted an Internal Auditing System based on three levels, in accordance with the legal and regulatory provisions in force. This model envisages the following forms of control:

- 1st level: line controls aimed at ensuring the proper performance of transactions; they are carried out by the same operating and management structures;
- 2nd level: audit of risks and compliance which have the objective to ensure, among other things:
  - the correct implementation of the risk management process;
  - compliance with operating limits assigned to the various functions;
  - compliance of corporate activity to the regulations, including those for self-regulation;
- 3rd level: internal audit checks aimed at identifying any violation of procedures and regulations, as well as periodical assessing the completeness, adequacy, functionality (in terms of efficiency and efficacy) and reliability of the organisational structures of the other components of the internal audit and information systems, on a regular basis in relation to the nature and the intensity of risks. The internal audit system is periodically subject to

examination and adaptation in relation to the development of corporate activities and the reference context.

This control system regulated by the “Internal control and operating interrelationship system” is integrated by the Risk Policy, which outlines the guidelines of the corporate risk management process. Specifically, the Risk Policy:

- formalises the risk map to which AMCO is, or may be, exposed and defines it in accordance with the supervisory regulations;
- defines the Risk Owners, or the personnel who are required, during daily operations, to identify, measure, monitor, mitigate and report the risks deriving from ordinary company operations;
- defines the stages into which the risk management process is broken down (identification, measure management, control and reporting);
- reports the main risks evaluation methods.

In addition, AMCO defines and annually updates a Risk Framework which defines the propensity to risk, the tolerance thresholds, the risk limits in accordance with the business model and the maximum risk that the Company may assume in accordance with procedures in line with the Supervisory Review and Evaluation Process (SREP) used by the Supervisory Authority in the evaluation of the risk for banks and financial intermediaries.

The Risk Framework expresses AMCO risk appetite for relevant risks through qualitative objectives (Preference) and, for measurable risks, through the following quantitative thresholds:

- Risk Capacity: the maximum level of risk that AMCO is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or the Supervisory Authority;
- Risk Appetite: level of risk (overall and by type) that AMCO intends to assume in pursuing its strategic objectives;
- Risk Tolerance: maximum allowed deviation from the risk appetite fixed so as to ensure in any case sufficient margins for operating, also in stress conditions, within the maximum risk that may be taken (capacity);
- Limit system: set of risk limits, differentiated by type of risk, finalised to compliance with appetite thresholds.

3.1 - Credit risk

Qualitative disclosures

1 - General aspects

The Company’s corporate purpose involves the purchase and management for selling or in/out-of-court recovery purposes, according to economic, efficiency and effectiveness criteria, of non-performing loans originating from banks and by companies belonging to banking groups. The Company may also purchase on the market equity investments and other financial assets, including closed-end investment fund units, reserved for professional investors, set up for the subscription of shares issued by banks or for the subscription and/or purchase of securities issued by companies set up to finance the acquisition of non-performing loans originating from banks and companies belonging to banking groups.

The credit management process complies with the most general principles of prudence, is consistent with the Company's mission and the business objectives and with credit risk management policies established by the Board of Directors.

The acquisition and management of other assets, including investments in closed-end investment funds, is carried out with the objective of investments in assets directly and/or indirectly linked to the core business of the Company, optimising the return and the duration of the cash and cash equivalents, within the limits of the general principle of "prudence".

2 - Credit risk management policies

The Company is organised with regulatory/computerised structures and procedures for the management, classification and audit of loans.

With reference to the management of credit, the Company also makes use of IT support, through which the performance of recovery actions and the trend of collections is constantly monitored in line with expectations and as a result of the initiatives undertaken.

With reference to the classification of loans, in accordance with IAS/IFRS provisions, as at the date of the financial statements the presence of objective impairment elements on each financial instrument or group of instruments is checked.

The positions that have followed an anomalous trend are classified on the basis of the provisions of Bank of Italy Circular No 217 of 5 August 1996 as amended, into different risk categories:

- bad loans: exposures to subjects who are insolvent or in essentially equivalent positions;
- unlikely to pay: credit exposures for which it is deemed unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor will meet its obligations in full (in terms of capital and/or interests);
- non-performing expired and/or past due: exposures, other than those specified under bad loans or unlikely to pay that, at the reference date, are past due and or expired for over 90 days and which exceed a pre-set material threshold;
- “exposures with forbearance measures”: exposures with forbearance measures are differentiated into:
    - non-performing exposures with forbearance measures. Depending on the case, these exposures represent a detail of bad loans, unlikely to pay, or non-performing expired and/or past due; therefore, they do not represent a separate category of impaired assets;
    - other exposures with forbearance measures, corresponding to “Forborne performing exposures”.

In terms of measuring the credit risk of the managed portfolio, already implicit in its particular nature, the Company subjects the value of the managed portfolio to impairment testing on a regular basis, which could consequently determine a reduction in its estimated realisable value. AMCO adopts an approach differentiating between originated portfolios from acquired portfolios positions (POCI). With reference to the former, analytical valuations are differentiated between "going concern" positions, for which an estimate of cash flows to service debt is required, and "gone concern" positions, where the liquidation value of assets is assessed. In both cases, the estimated cash flows consider guarantees net of haircut values. For smaller positions, valuations consider standardised percentages based on the characteristics of the counterparty, the collateral and the vintage.

The valuations relating to the POCI positions, on the other hand, consider the business plan defined at the time of acquisition and the consistency between actual and expected collections, as well as other relevant events such as:

- opening of bankruptcy proceedings or developments of proceedings already under way;
- approved and initiated settlement agreements;
- worsening of economic conditions affecting the debtor's expected cash flows.

The resolutions relating to the management, classification, measurement and derecognition of loans are the competence of the Board of Directors, of the Chief Executive Officer and of the business units depending on the type of action and the extent of exposure. The relative mandates are detailed in the “Mandated powers regulations”.

With regard the audit system, line audits (first level) are carried out by the UTP-PD, Workout, and Portfolio Analysis and Monitoring business units while the risk management audit (second level) is carried out by the Risk Management Function.

3 - Non-performing credit exposures

With reference to the classification of loans, in accordance with IAS/IFRS provisions, as at the date of the financial statements the presence of objective impairment elements on each financial instrument or group of instruments is checked.

The positions that have followed an anomalous trend are classified on the basis of the provisions of Bank of Italy Circular No 217 of 5 August 1996 as amended, into different risk categories:

- bad loans: exposures to subjects who are insolvent or in essentially equivalent positions;
- unlikely to pay: credit exposures for which it is deemed unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor will meet its obligations in full (in terms of capital and/or interests);
- non-performing expired and/or past due: exposures, other than those specified under bad loans or unlikely to pay that, at the reference date, are past due and or expired for over 90 days and which exceed a pre-set material threshold;
- “exposures with forbearance measures”: exposures with forbearance measures are differentiated into:
    - non-performing exposures with forbearance measures. Depending on the case, these exposures represent a detail of bad loans, unlikely to pay, or non-performing expired and/or past due; therefore, they do not represent a separate category of impaired assets;
    - other exposures with forbearance measures, corresponding to “Forborne performing exposures”.

Quantitative disclosures

For the purposes of quantitative information on credit quality, the term “credit exposures” does not include equity securities and UCITS units.

1 - Breakdown of credit exposures by portfolio and credit quality (carrying amounts)

PORTFOLIOS/QUALITY		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		2,937,453	2,131,430	213,343		655,583	**5,937,808**
2. Financial assets measured at fair value through other comprehensive income						56,119	**56,119**
3. Financial assets measured at fair value						267	**267**
4. Other financial assets mandatorily measured at fair value		5,655	51,573				**57,228**
5. Financial assets in the process of being disposed							
TOTAL	**31/12/2020**	**2,943,107**	**2,183,003**	**213,343**		**711,968**	**6,051,422**
TOTAL	**31/12/2019**	**418,764**	**329,665**	**240,109**		**1,171,324**	**2,159,862**

2 - Breakdown of financial assets by portfolio and credit quality (gross and net values)

PORTFOLIOS/QUALITY		Impaired assets				Performing assets			TOTAL net exposure
		Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost		9,564,054	- 4,281,828	5,282,226	315	657,646	- 2,063	655,583	**5,937,808**
2. Financial assets measured at fair value through other comprehensive income						56,207	- 88	56,119	**56,119**
3. Financial assets measured at fair value						X	X	267	**267**
4. Other financial assets mandatorily measured at fair value		59,150	- 1,922	57,228		X	X		**57,228**
5. Financial assets in the process of being disposed									
TOTAL	**31/12/2020**	**9,623,204**	**- 4,283,751**	**5,339,453**	**315**	**713,853**	**- 2,151**	**711,969**	**6,051,422**
TOTAL	**31/12/2019**	**1,799,551**	**- 811,013**	**988,538**	**315**	**1,173,123**	**- 1,799**	**1,171,324**	**2,159,862**

3 - Breakdown of financial assets by overdue bands (carrying amounts)

Portfolios/risk stages		First stage			Second stage			Third stage		
		From 1 to 30 days	From over 30 days up to 90 days	beyond 90 days	From 1 to 30 days	From over 30 days up to 90 days	beyond 90 days	From 1 to 30 days	From over 30 days up to 90 days	beyond 90 days
1.	Financial assets measured at amortised cost		16,742	4,037	3,688	2,096	428	39,130	82,569	4,509,383
2.	Financial assets measured at fair value through other comprehensive income									
	Total (2020)		**16,742**	**4,037**	**3,688**	**2,096**	**428**	**39,130**	**85,569**	**4,509,383**
	Total (2019)									**975,413**

4 - Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and provisions

Reasons/risk stages	Total value adjustments						
	Assets falling within the first stage				Assets falling within the second stage		
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual impairments
Opening balances	**485**	**1,314**	**1,799**				
Increases in acquired or originated financial assets							
Derecognitions other than write-offs							
Net value adjustments/reversals for credit risk (+/-)	133	-1,226	-1,093				
Contractual amendments without derecognition							
Changes of the estimation method							
Write-off							
Other changes							
Closing balances	**618**	**88**	**706**				
Cash collection recoveries on financial assets subject to write-off							
- Write-offs recognised directly to the income statement							

stage	Assets falling within the third stage					Total provisions for commitments to disburse funds and financial guarantees issued			Total
of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	comprehensive income	of which: individual impairments	of which: acquired or originated impaired financial assets	First stage	Second stage	Third stage	
	810,629			**810,629**	**810,629**				**812,428**
				0.00					**0**
	3,533,382								
	-60,738			-60,738	-60,738				**-61,830**
	4,283,273			**749,891**	**749,891**				**4,283,980**
	5,199			5,199	5,199				5,199

5 - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different credit risk stages (gross and nominal values)

This section is not applicable to the Company as all Financial assets are classified at Stage 3 and stage transfers were not implemented during the year.

6 - Credit exposures with customers, with banks and with financial companies

6.1 - Credit and off-balance sheet exposures with banks and financial companies: gross and net values

TYPES OF EXPOSURE/VALUES	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	4,337			**4,337**	-
- of which: forborne exposures	71			**71**	
b) Unlikely to pay	26,829		- 1,539	**25,290**	
- of which: forborne exposures	20,996		- 1,539	**19,458**	
c) Non-performing past due exposures	965			**965**	
- of which: forborne exposures				**-**	
d) Performing past due exposures				**-**	
- of which: forborne exposures				**-**	
e) Other performing exposures		609,310	- 282	**609,028**	
- of which: forborne exposures				**-**	
TOTAL A	**32,131**	**609,310**	**- 1,821**	**639,620**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing		**X**			
b) Performing	**X**				
TOTAL B					
TOTAL A+B	**32,131**	**609,310**	**- 1,821**	**639,620**	**-**

The table includes EUR 6,316 thousand of financial assets classified at fair value through profit and loss, classified among probable defaults

6.2 - On-balance sheet credit exposures with banks and financial companies: changes in gross non-performing exposures

Reasons/Categories		Bad loans	Unlikely to pay	Non-performing past due exposures
A.	**Initial gross exposure**	**2,612**	**13,643**	**1,078**
	- of which: exposures transferred but not derecognised			
B.	**Increases**			
	B.1 inflows from performing exposures			
	B.2 inflows from acquired or originated impaired financial assets	1,413	14,398	
	B.3 transfers from other categories of non-performing exposures	62	86	
	B.4 contractual amendments without derecognition			
	B.5 other increases	271	2,400	50
C.	**Decreases**			
	C.1 outflows to performing exposures			
	C.2 write-off			
	C.3 collections		-423	
	C.4 proceeds from disposals			
	C.5 losses on disposal			
	C.6 transfers to other categories of non-performing exposures			-148
	C.7 contractual amendments without derecognition			
	C.8 other decreases	-20	-3,276	-16
D.	**Final gross exposure**	**4,337**	**26,829**	**965**
	- of which: exposures transferred but not derecognised			

6.2 bis - On-balance sheet credit exposures with banks and financial companies: changes in forborne exposures differentiated by credit quality

Reasons/Categories		Forborne exposures: non-performing	Forborne exposures: performing
A.	**Initial gross exposure**	**-**	**-**
	- of which: exposures transferred but not derecognised		
B.	**Increases**	**21,067**	
	B.1 inflows from non-forborne performing exposures		
	B.2 inflows from forborne performing exposures		X
	B.3 inflows from forborne non-performing exposures	X	
	B.4 other increases	21,067	
C.	**Decreases**		
	C.1 outflows to non-forborne performing exposures	X	
	C.2 outflows to performing forborne exposures		X
	C.3 outflows to non-performing forborne exposures	X	
	C.4 write-off		
	C.5 collections		
	C.6 proceeds from disposals		
	C.7 losses on disposal		
	C.8 other decreases		
D.	**Final gross exposure**	**21,067**	**-**
	- of which: exposures transferred but not derecognised		

6.3 - Non-performing on-balance sheet credit exposures with banks and financial companies: changes in total value adjustments

Reasons/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments						
- of which: exposures transferred but not derecognised						
B. Increases			**1,539**	**1,539**		
B.1 value adjustments on acquired or originated impaired financial assets		X		X		X
B.2 other value adjustments						
B.3 losses on disposal						
B.4 transfers from other categories of non-performing exposures						
B.5 contractual amendments without derecognition						
B.6 other increases			1,539	1,539		
C. Decreases						
C.1 reversals of valuation						
C.2 reversals of cash collection						
C.3 profits on disposal						
C.4 write-off						
C.5 transfers to other categories of non-performing exposures						
C.6 contractual amendments without derecognition						
C.7 other decreases						
D. Closing total adjustments			**1,539**	**1,539**		
- of which: exposures transferred but not derecognised						

6.4 - Credit and off-balance sheet exposures with customers: gross and net values

TYPES OF EXPOSURE/VALUES	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	6,269,255		- 3,330,484	2,938,770	
- of which: forborne exposures	31,208		- 7,322	23,886	
b) Unlikely to pay	3,108,815		- 951,102	2,157,713	
- of which: forborne exposures	1,453,969		-420,948	1,033,021	
c) Non-performing past due exposures	213,004		-625	212,379	
- of which: forborne exposures	159,416		- 220	159,197	
d) Performing past due exposures					
- of which: forborne exposures					
e) Other performing exposures		104,809	-1,869	102,941	
- of which: forborne exposures					
TOTAL A	**9,591,074**	**104,809**	**- 4,284,081**	**5,411,802**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing					
b) Performing					
TOTAL B					
TOTAL A+B	**9,591,074**	**104,809**	**-4,284,081**	**5,411,802**	

The table includes EUR 50,912 thousand of financial assets classified at fair value through profit and loss, classified among probable defaults.

6.5 - Credit exposures with customers: changes in gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**1,955,236**	**320,848**	**239,030**
- of which: exposures transferred but not derecognised			
B. Increases	**5,190,430**	**2,952,765**	**29,431**
B.1 inflows from performing exposures			
B.2 inflows from acquired or originated impaired financial assets	211,958	686,619	14,118
B.3 transfers from other categories of non-performing exposures	11,434	30,504	
B.4 contractual amendments without derecognition			
B.5 other increases	4,967,038	2,235,641	15,313
C. Decreases	**-202,749**	**-164,780**	**-55,457**
C.1 outflows to performing exposures			
C.2 write-off	-119,898	-1,986	
C.3 collections	-66,917	-100,204	-2,068
C.4 profits from disposals		-29,302	
C.5 losses on disposal			
C.6 transfers to other categories of non-performing exposures	-2,600	-3,812	-34,941
C.7 contractual amendments without derecognition			
C.8 other decreases	-13,333	-29,476	-18,447
D. Final gross exposure	**6,942,917**	**3,108,833**	**213,004**
- of which: exposures transferred but not derecognised			

The values of this table are inclusive of interest on arrears. The table includes EUR 45,640 thousand of financial assets classified at fair value through profit and loss, classified among probable defaults and EUR 5,654 thousand classified among bad loans.

6.5 bis - On-balance sheet credit exposures with customers: changes in forborne exposures differentiated by credit quality

Reasons/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**13**	**17**
- of which: exposures transferred but not derecognised		
B. Increases	**1,644,581**	
B.1 inflows from non-forborne performing exposures		
B.2 inflows from forborne performing exposures		X
B.3 inflows from forborne non-performing exposures	X	
B.4 other increases	1,644,581	
C. Decreases		
C.1 outflows to non-forborne performing exposures	X	
C.2 outflows to performing forborne exposures		X
C.3 outflows to non-performing forborne exposures	X	
C.4 write-off		
C.5 collections		
C.6 profits from disposals		
C.7 losses on disposal		
C.8 other decreases		
D. Final gross exposure	**1,644,594**	**-**
- of which: exposures transferred but not derecognised		

6.6 - Non-performing on-balance sheet credit exposures with customers: changes in total value adjustments

Reasons/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total adjustments	**1,539,081**		**4,826**			
- of which: exposures transferred but not derecognised						
B. Increases						
B.1 value adjustments on acquired or originated impaired financial assets						
B.2 other value adjustments	10,058		10,227		10	
B.3 losses on disposal						
B.4 transfers from other categories of non-performing exposures						
B.5 contractual amendments without derecognition						
B.6 other increases	2,594,827	7,322	936,185	420,948	615	220
C. Decreases						
C.1. reversals of valuation	-2,786		-1			
C.2 reversals of cash collection	-18,544		-58			
C.3 profits on disposal	-1,522		-5			
C.4 write-off	-116,676		-366			
C.5 transfers to other categories of non-performing exposures						
C.6 contractual amendments without derecognition						
C.7 other decreases						
D. Closing total adjustments	**4,004,439**	**7,322**	**950,809**	**420,948**	**625**	
- of which: exposures transferred but not derecognised						

The values of this table are inclusive of interest on arrears. The table includes EUR 384 thousand in value adjustments related to "Financial assets measured at fair value through profit and loss".

7 - Classification of financial assets, of commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

7.1 - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external ratings (gross values)

Exposures	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost			**215,134**		**36,451**		**5,686,223**	**5,937,808**
- First stage			215,134		36,451		357,423	609,008
- Second stage								
- Third stage							5,328,800	5,328,800
B. Financial assets measured at fair value through other comprehensive income			**56,113**				**6**	**56,119**
- First stage			56,113				6	56,119
- Second stage								
- Third stage								
TOTAL (A+B)			**271,247**		**36,451**		**5,686,229**	**5,993,927**
of which: acquired or originated impaired financial assets							5,328,800	5,328,800
C. Commitments to disburse funds and financial guarantees issued							**133,472**	**133,472**
- First stage							133,427	133,472
- Second stage								
- Third stage								
Total (C)							**133,427**	**133,427**
Total (A+B+C)			**271,247**		**36,451**		**5,819,656**	**6,127,399**

The tables below show the mapping between the classes of risk and the agency ratings used.

Long-term ratings for exposures to: central governments and central banks, supervised intermediaries; public entities; local authorities, multilateral development banks; companies and other parties:

Class of creditworthiness	Moody's	Fitch Standard&Poor's DBRS
Class 1	from Aaa to Aa3	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower

Short-term ratings for exposures to supervised intermediaries and companies:

Class of creditworthiness	Moody's	Fitch	Standard&Poor's	DBRS
Class 1	P-1	F1+, F1	A-1+, A-1	R-1
Class 2	P-2	F2	A -2	R-2
Class 3	P-3	F3	A -3	R-3
Class from 4 to 6	NP	lower than F3	lower than A-3	R-4,R-5 R-6

9 - Concentration of credit

9.1 - Breakdown of on and off-balance sheet credit exposures by sector of the business segment of the counterparty

	31/12/2020	31/12/2019
a) State	56,113	843,031
b) Other public institutions	6,551	1,100
c) Non financial companies	3,485,242	1,891,967
d) Financial institutions	703,796	396,316
e) Income-generating households	1,777,466	285,767
f) Other operators	22,253	220,881
Total	**6,051,422**	**3,639,062**

9.2 - Breakdown of on and off-balance sheet credit exposures by geographical area of the counterparty

	31/12/2020	31/12/2019
a) North West	1,458,026	825,773
b) North East	1,018,394	70,515
c) Centre	1,958,785	1,381,428
d) South and Islands	1,595,680	1,325,480
e) Abroad	20,537	35,866
Total	**6,051,422**	**3,639,062**

9.3 - Large exposures

	31/12/2020	31/12/2019
a) Amount (carrying amount)	828,334	1,578,502
b) Amount (weighted value)	777,851	1,434,897
c) Number	2	3

10 - Models and other methods for the measurement and management of credit risk

For the measurement of credit risk AMCO adopts the standardised method for the calculation of the RWA of each loan and, consequently, for the estimate of Own Funds absorbed by this type of risk.

3.2 - Market risk

During 2020, AMCO did not carry out transactions falling within the trading book in accordance with the regulatory classification.

3.2.1 - Interest-rate risk

Qualitative disclosures

1 - General aspects

The interest rate risk relates to the losses that the Company may suffer due to the effect of adverse changes in market rates and refers to the failure of expiry and repricing dates (repricing risk) to coincide with the different change in reference rates for active and passive items (basis risk).

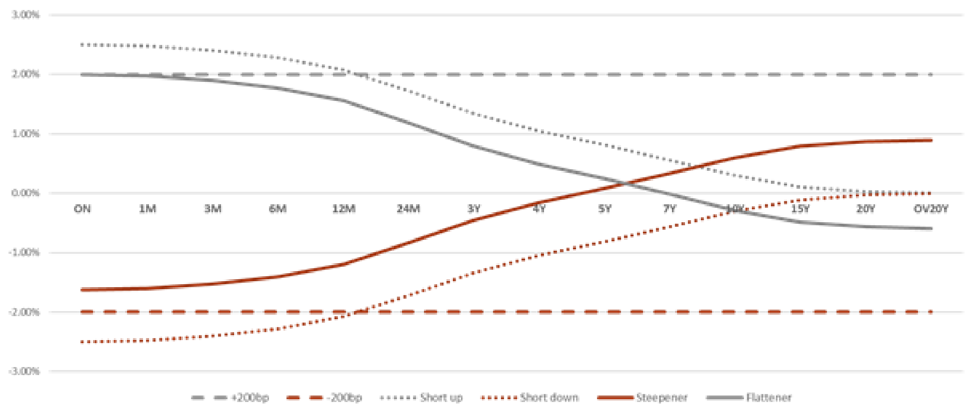
This measurement is carried out with ALM techniques for the estimation of the impact on the generation of interest income and on the actual value of active and passive balance-sheet items due to changes in the interest rate.

The interest rate risk falls under “second pillar” risks.

AMCO uses the method prescribed by prudential regulations to manage interest rate risk. It provides for the implementation of a sensitivity analysis of the interest rate through a parallel shock of +/- 200 bps. In case of decreases, the constraint of non-negativity of rates is guaranteed.

In addition, AMCO, in order to assess its exposure to interest rate risk under stressed conditions, also adopts the rate change scenarios provided by BIS i.e.:

- steepener - increase in the slope of the curve;
- flattener - reduction of the slope of the curve;
- short up - increase in short-term rates;
- short down - reduction in short-term rates.



In particular, the method used requires:

- the classification of assets and liabilities in 14 temporal bands in function of their residual life (fixed rate items) or at the date of renegotiation (variable rate items);
- weighting of net exposures: in the context of each band, active positions are offset by passive ones, so obtaining a net position. The latter is multiplied by a weighting factor obtained by the product of the hypothetical variation of the market rates (calculated as the difference between the market curve and the same after shocking) and the modified duration of the band.
- the sum of weighted exposures of the different temporal bands: weighted exposures from the different bands are added together, obtaining a total weighted exposure which approximates the change in the actual value of items exposed to this type of risk in the case of the hypothesised rate shock.

In 2020 the Company did not implement any interest rate risk hedging.

Quantitative disclosures

1 - Breakdown by residual duration (repricing date) of financial assets and liabilities

	Items/residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Unspecified life
1.	**Assets**	**250,758**	**419,998**	**266,506**	**334,967**	**2,858,815**	**2,051,419**	**322,443**	**162,260**
	1.1 Debt securities				6		56,113		
	1.2 Loans and Receivables	250,758	169,998	159,083	324,172	2,858,815	1,436,932	322,443	115,411
	1.3 Other assets		250,000	107,423	10,789		558,374		46,849
2.	**Liabilities**	**1,284**	**251,901**	**50,044**	**751,888**	**2,143,391**	**757,149**	**760**	**591**
	2.1 Payables	1,284	250,430	48,572	744,593	1,180			
	2.2 Debt securities		1,471	1,471	2,943	2,142,211	757,149	760	
	2.3 Other liabilities				4,352				591
3.	**Financial derivatives**					**271**			
	Option products								
	3.1 Long positions								
	3.2 Short positions								
	Other derivatives					**271**			
	3.3 Long positions					267			
	3.4 Short positions					4			

2 - Models and other methods for the measurement and management of interest rate risk

Since no assets are allocated to the trading book, for the quantification of its exposure to interest rate risk, AMCO uses the simplified method envisaged by the Supervisory regulations in Annex C of Title IV, Chapter 14, of Circular No 288 of the Bank of Italy.

For the purposes of determining internal capital under ordinary conditions, the Company applies an annual interest-rate change of +/- 200 basis points.

During 2020, AMCO did not carry out transactions falling within the trading book in accordance with the regulatory classification.

3.2.2 - Price risk

Qualitative disclosures

1 - General aspects

The price risk is the risk that arises from fluctuations in the price of securities due to factors relating to market trend and the issuer's situation. Since the Company does not engage in trading in securities for trading purposes, it is not required to establish a specific capital requirement to control this risk.

Given the nature of AMCO's assets, this risk is fully absorbed in credit risk.

2 - Models and other methods for the measurement and management of price risk

Not applicable taking into account the absence of trading book activity.

3.2.3 - Exchange-rate risk

Qualitative disclosures

1 - General aspects

The exchange-rate risk, understood as the company's exposure to fluctuations in foreign currency translation rates, appears residual in the light of the impact of the carrying amount of loans and receivables in foreign currency compared to the total value of the managed portfolio.

Quantitative disclosures

1 - Breakdown of assets, liabilities and derivatives by currency

Types of exposure/Values	Currencies					
	US dollars	Pounds sterling	Yen	Canadian dollars	Swiss franks	Other currencies
1. Financial assets						
1.1 Debt securities						
1.2 Equity securities						16
1.3 Loans and Receivables	184,343					
1.4. Other financial assets						
2. Other assets						
3. Financial liabilities						
3.1 Payables						
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**184,343**					**16**
Total liabilities						
Imbalance (+/−)	**184,343**					**16**

US dollar exposures refer to:

- for the portfolio of the former Banco di Napoli, a single loan from the portfolio of the former Banco di Napoli International, fully written down (for USD 32.6 million);

- for the portfolio of the former Banca Carige, loans under valuation of USD 171 million acquired during the year;
- for the portfolio of the former Monte dei Paschi di Siena, USD 22.4 million in foreign currency receivables arising from the demerger.

Exposures in other currencies refer for item 1.2 to the investment in AMCO S.r.l. and to securities in German deutschmarks deriving from the enforcement of guarantees on loans in the portfolio of the former Banco di Napoli.

3.3 - Operational risks

Qualitative disclosures

1 - General aspects, management processes and measurement methods for operational risk

The definition adopted and implemented by AMCO identifies the operational risk as the “risk of loss deriving from the inadequacy or the dysfunction of processes, human resources and internal systems, or from external events, including juridical risk”.

For determining the internal capital to meet the operational risk, AMCO uses the basic method set forth in Article 316 of Regulation (EU) No 575/2013. As part of the basic method, the capital requirement is equal to 15% of the three-year average of the relevant indicator, understood as the sum of the elements envisaged by Article 316 of Regulation (EU) no. 575/2013.

In terms of mitigation of risk with respect to the significant increase in activities, the Company has provided to strengthen its procedures through the already mentioned process of redefinition of corporate governance and internal regulations.

Quantitative disclosures

The operational risk quantified as at 31 December 2020 is of EUR 177,972 thousand.

3.4 - Liquidity risk

Qualitative disclosures

1 - General aspects, management processes and measurement methods for liquidity risk

The liquidity risk is represented by the possibility that the Company is not able to meet its payment commitments due to the inability to access funds (Funding Liquidity Risk) or the inability to dispose of assets on the market to offset the imbalance in liquidity (Market Liquidity Risk). Furthermore, liquidity risk relates to the inability to access new adequate financial resources, in terms of amounts and costs, with respect to the operative needs/opportunities which would compel AMCO to slow down or stop the development of the activity, or to sustain excessive collection costs to meet its commitments, with significant negative impacts on margins. AMCO’s main financial source is represented by its equity.

In consideration of the current equity and financial structure of the Company, this risk is particularly inherent in the ability to cover the cash liabilities with the available cash assets.

On 9 July 2020, AMCO placed two unsecured senior bond issues for a nominal amount of EUR 1,250 with a maturity of 3 years, and EUR 750 million with a maturity of 7 years, under the EMTN programme.

AMCO adopts a liquidity and investment management policy that defines the liquidity management model and related processes and a liquidity risk management policy that defines the risk measurement tools (maturity ladder, percentage of restricted assets and diversification of forms of funding). These metrics are included in the Risk Framework, which defines appropriate target thresholds, maximum values and operating limits.

Quantitative disclosures

1 - Temporal break-down of financial assets and liabilities by residual contractual maturity

Items/Time bands	On demand and revocable	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 3 years	from over 3 years to 5 years	beyond 5 years	unspecified life
On-balance sheet assets	**265,751**	**367,354**	**14,113**	**56,727**	**130,543**	**176,091**	**361,593**	**1,522,492**	**1,532,080**	**2,427,903**	**207,909**
A.1 Government securities	45		525				525	2,100	2,100	50,525	
A.2 Other debt securities											
A.3 Loans	265,706	367,354	13,588	56,727	130,543	176,091	361,068	1,520,392	1,529,980	1,819,004	207,909
A.4 Other assets										558,374	
On-balance sheet liabilities	**1,284**		**6,556**	**255,032**	**15,229**	**48,608**	**785,976**	**1,384,550**	**959,503**	**854,904**	
B.1 Payables to:											
- Banks	1,280		6,556	255,000		47,743	750,000				
- Financial institutions											
- Customers	4.69			31.93	416.42	865.74	351.13	1,000	232		
B.2 Debt securities					14,813	0	35,625	1,383,550	959,270	854,904	
B.3 Other liabilities											
Off-balance sheet transactions		**1**	**3**	**2**	**25**	**32**	**129**	**59**	**4**	**8**	**133,427**
C.1 Financial derivatives with underlying capital exchange											
C.2 Financial derivatives without underlying capital exchange		1	3	2	25	32	129	59	4	8	
C.3 Loans to be received											
C.4 Irrevocable commitments to disburse funds											133,427
C.5 Financial guarantees issued											
C.6 Financial guarantees received											

Section 4 - Information on equity

4.1 - Corporate equity

4.1.1 - Qualitative disclosures

The corporate equity represents the first line of defence with regard to risks connected to the overall activity of the financial intermediary; an adequate net worth level allows the expression of the company's own business purpose with the necessary margins of autonomy and at the same time maintain its stability as intermediary. Furthermore, equity represents the main reference point for the valuation of the Supervisory Body; the most important control instrument in terms of risk management is based on this. In addition, the operation of the different departments is linked to the size of equity.

The Basel 3 framework on the issue of own funds has introduced various new elements compared to the previous prudential regulations, requiring in particular: a recomposition of intermediaries' capital in favour of ordinary shares and profit reserves ("common equity"), in order to increase its quality; the adoption of more stringent criteria for the calculation of other equity instruments (innovative equity instruments and subordinate liabilities); a greater harmonisation of elements to be deducted (with reference to some categories of assets for prepaid taxes and the relevant equity investments in banking, financial and insurance companies); the only partial inclusion of third-party funds in the common equity.

In the determination of own funds, reference is made to the specific regulations according to which this is constituted by the algebraic sum of a series of elements (positive and negative) that, in relation to the quality of equity recognised to each of them, can be used in the calculation of Tier 1 capital (both primary Tier 1 capital – Common Equity Tier 1, and in terms of Additional Tier 1 capital) or Tier 2, even though with some limitations. The positive elements constituting funds must be fully available to the financial companies, so as to be used without limitation for the hedging of risks and corporate losses. The amount of these elements is net any applicable taxes. The total of own funds is constituted by Tier 1 Capital, in turn composed by Common Equity Tier 1 (CET 1) and Additional Tier 1 Capital (AT 1), to which Tier 2 (T2) Capital is added net of deductions.

4.1.2 - Quantitative disclosures

4.1.2.1 - Company equity: break-down

Items/Values	31/12/2020	31/12/2019
1. Share capital	655,154	600,000
2. Share premiums	604,552	403,000
3. Reserves		
- of profits		
a) legal	478,301	478,301
b) statutory		
c) treasury shares		
d) others	340,605	300,710
- others	679,405	
4. (Treasury shares)	-70	
5. Valuation reserves		
- Financial assets measured at fair value through other comprehensive income	-9,643	-1,208
- Property, plant and equipment		
- Intangible assets		
- Hedging of foreign investments		
- Hedging of financial flows		
- Hedging instruments (non-designated elements)		
- Currency exchange differences		
- Non-current assets and groups of assets held for disposal		
- Financial liabilities measured at fair value through profit and loss (change in its creditworthiness)		
- Special revaluation laws		
- Actuarial profits/losses relating to defined-benefit plans	-261	-251
- Share of valuation reserve relating to equity investments valued at net equity		
6. Equity instruments		
7. Profit (Loss) for the year	76,009	42,311
Total	**2,824,052**	**1,822,863**

4.1.2.2 - Valuation reserves of financial assets measured at fair value through other comprehensive income: break-down

Assets/Values	31/12/2020		31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	56		5,042	
2. Equity securities		-9,699		-6,251
3. Loans				
Total	**56**	**-9,699**	**5,042**	**-6,251**

4.1.2.3 - Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

		Debt securities	Equity securities	Loans
1.	**Opening balances**	**5,042**	**-**	
2.	**Changes in the year**			
	2.1 Increases in fair value		7,828	
	2.2 Value adjustments for credit risk		1,314	
	2.3 Reversal to income statement of negative disposal reserves			
	2.4 Transfers to other components of equity (equity securities)			
	2.5 Other changes			
3.	**Changes in the year**			
	3.1 Decreases in fair value			
	3.2 Reversals for credit risk			
	3.3 Reversal to income statement of positive disposal reserves	-4,986	-4,100	
	3.4 Transfers to other components of equity (equity securities)			
	3.5 Other changes			
4.	**Closing balances**	**56**	**5,042**	

4.2 - Own funds and adequacy ratios

4.2.1 - Own funds

4.2.1.1 - Qualitative disclosures

Own funds are calculated by the Company on the basis of the equity values determined by applying international accounting standards, taking into account the Supervisory provisions in force (Circular No 288 and 286 of the Bank of Italy, which implement Regulation (EU) No 575/2013 - CRR), and allocating the components in relation to the capital quality recognised to them.

The current components of the Company's Own funds are fully eligible for inclusion in Common Equity Tier 1 capital – CET 1.

The calculation of the Common Equity Tier 1 capital does not take into account the profit for the year, if the conditions set out in Article 26, paragraph 2 of Regulation (EU) No 575/2013 (CRR) are not met.

Furthermore, the Company has not adopted the option for the total sterilisation of unrealised gains and losses deriving from exposures to Central Governments classified in the AFS category, envisaged by Article 467, paragraph 2, of Regulation (EU) No 575/2013 (CRR).

4.2.1.2 - Quantitative disclosures

		31/12/2020	31/12/2019
A.	**Tier 1 capital before the application of prudential filters**	**2,824,067**	**1,780,552**
B.	Tier 1 prudential filters:		
	B.1 Positive IAS/IFRS prudential filters (+)		
	B.2 Negative IAS/IFRS prudential filters (-)		
C.	**Tier 1 capital gross of elements to be deducted (A + B)**	**2,824,067**	**1,780,552**
D.	Elements to be deducted from Tier 1 capital	-115	-579
E.	**Total Tier 1 capital (Tier 1) (C – D)**	**2,823,952**	**1,779,973**
F.	**Tier 2 capital before the application of prudential filters**		
G.	Tier 2 capital prudential filters:		
	G.1 Positive IAS/IFRS prudential filters (+)		
	G.2 Negative IAS/IFRS prudential filters (-)		
H.	**Tier 2 capital gross of elements to be deducted (F + G)**		
I.	Elements to be deducted from Tier 2 capital		
L.	**Total supplementary capital (Tier 2) (H – I)**		
M.	Elements to be deducted from Tier 1 and Tier 2 capital		
N.	**Regulatory capital (E + L - M)**	**2,823,952**	**1,779,973**

4.2.2 - Capital adequacy

4.2.2.1 - Qualitative disclosures

The Company has defined an internal process for assessing its capital adequacy in order to periodically manage and control the level of risk exposure it assumes in the carrying out of its business.

The ICAAP process is broken down in the following phases:

- strategic lines and considered horizon;
- corporate governance, organisational structures and internal control systems associated with the ICAAP;
- methods used for identifying, measuring, aggregating risks and carrying out stress tests;
- estimates and components of total internal capital with reference to the end of the previous financial year and, prospectively, to the current financial year;
- reconciliation between total internal capital and regulatory requirements and between total capital and own funds;
- ICAAP self-assessment;
- annual review of ICAAP, the outcome of which is a prerequisite for improvements and changes to the process.

Identification of risks to be assessed and stress tests

This phase is aimed at identifying all the risks involved in the operations carried out by AMCO that could hinder or limit the Company in the full achievement of its strategic objectives, risks that must therefore be measured or assessed.

This results in the identification of the risks to which the Company is (or could be) exposed with respect to operations and markets of reference.

In order to identify significant risks, the Company first takes into consideration all the risks contained in the list set forth in Annex A in Title IV, Chapter 14, Section III of Bank of Italy Circular No 288. The analysis is then further examined to assess whether the specific business and company operations reveal further significant risk factors.

Measurement/assessment of individual risks and determination of internal capital

Risks identified by AMCO are classified into two categories:

(a) risks quantifiable in terms of internal capital, for which the Company uses specific metrics to measure the capital requirement;

(b) risks that cannot be quantified in terms of internal capital, for which a capital buffer is not determined and for which, in accordance with Circular No 288, adequate control and mitigation systems are set up.

With regard to the risks referred to in point a) above, the measurement of individual risks and the determination of the internal capital related to each of them are carried out using the methods envisaged by the reference regulations and that are considered most appropriate, in relation to their operational and organisational characteristics, both in current and in prospective terms.

In the risk measurement/assessment phase, AMCO defines and carries out stress tests for a better assessment of risk exposure. The results of the stress tests are taken into account in the overall evaluation of the internal capital and used for the definition of the risk threshold within the Risk Framework.

Determination of total internal capital and reconciliation with regulatory requirements and own funds

This phase of the process aims at acquiring the individual capital requirement values determined for each type of risk and their aggregation according to a so-called simplified "building block" approach, which consists in summing up the internal capitals calculated against each of the measurable risks. This determines the amount of total internal capital.

Total internal capital is compared with regulatory requirements and own funds in order to check its adequacy. In particular, current and future own funds must be able to cover the capital requirements of current, future and stressed risks determined in the ICAAP report.

4.2.2.2 - Quantitative disclosures

Categories/Values	Unweighted amounts		Weighted amounts / requirements	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. RISK ASSETS				
A.1 Credit and counterpart risk	7,033,754	2,843,242	7,392,694	2,698,278
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			591,415	215,862
B.2 Requirement for the provision of payment services				
B.3 Requirement for the issuance of electronic money				
B.4 Specific prudential requirements			14,238	7,545
B.5 Total prudential requirements				223,407
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Weighted risk assets			7,570,666	2,792,590
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			37.3%	63.7%
C.3 Capital for supervisory purposes/Weighted risk assets (Total capital ratio)			37.3%	63.7%

Pursuant to the provision of Art. 92, paragraph 1 of the CRR, the minimum requirements for Own Funds required for AMCO by prudential regulations is 8%.

Section 5 - Analytical statement of comprehensive income

ITEMS		31/12/2020	31/12/2019
10.	**Profit (Loss) for the year**	**74,800,684**	**39,895,038**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income		
	a) changes to fair value	-213,150	616,661
	b) transfers to other components of equity	-	-68,025
30.	Financial liabilities measured at fair value through profit and loss (change in its creditworthiness)		
	a) changes to fair value		
	b) transfers to other components of equity		
40.	Hedging of equity securities measured at fair value through other comprehensive income		
	a) changes to fair value		
	b) transfers to other components of equity		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined-benefit plans	-9,551	-41,165
80.	Non-current assets and groups of assets held for disposal		
90.	Share of equity investment valuation reserve valued at net equity		
100.	Income taxes relative to other income components without reversal to the income statement		
	Other income components net of taxes with reversal to the income statement		
110.	Hedging of foreign investments		
	a) changes to fair value		
	b) reversal to income statement		
	c) other changes		
120.	Currency exchange differences		
	a) changes to fair value		
	b) reversal to income statement		
	c) other changes		
130.	Hedging of financial flows		
	a) changes to fair value		
	b) reversal to income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments (non-designated elements)		
	a) changes to fair value		
	b) reversal to income statement		
	c) other changes		
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income		
	a) changes to fair value	55,906	9,141,945
	b) reversal to income statement		
	- impairment losses	-	
	- profits/losses on disposal	-5,042,379	-4,099,566
	c) other changes		
160.	Non-current assets and groups of assets held for disposal		
	a) changes to fair value		
	b) reversal to income statement		
	c) other changes		
170.	Share of equity investment valuation reserve valued at net equity		
	a) changes to fair value		
	b) reversal to income statement		
	- impairment losses		
	- profits/losses on disposal		
	c) other changes		
180.	Income taxes relative to other income components without reversal to the income statement		
190.	**Total other income components net of taxes**	**-5,209,174**	**5,549,850**
200.	**Other comprehensive income (Item 10+190)**	**69,591,510**	**45,377,431**

Section 6 - Related party transactions

6. - Fees for key management personnel

There are no additional benefits for corporate officers other than those detailed in item 160 “Staff costs".

Therefore, the breakdown of the fees disbursed or accrued during 2020 for the key management personnel, including members of the Board of Statutory Auditors, is provided.

Fees for key management personnel (including the Board of Statutory Auditors)	
Key management personnel	
Short-term benefits and remunerations of Directors and Statutory Auditors	605

It is hereby specified that the remunerations assigned to the Chairman of the Board of Directors and to the non-executive Director, as well as those assigned to the Chairman of the Board of Statutory Auditors and to one of the Permanent statutory auditors, as they cover executive offices within the sphere of the Ministry of Economy and Finance, are returned to the same.

We also inform you that the CEO, prior to the attribution of the proxies, established a subordinate employment relationship with the Company as a manager, agreeing that any additional duties, including administrative duties, would not entail additional remuneration.

Consistently with what was agreed, at the time of conferment pursuant to art. 2381, paragraph 3 of the civil law, the CEO has expressly waived both the remuneration already approved at the shareholders' meeting pursuant to art. 2389, paragraph 1 of the civil law, and to the remuneration attributable pursuant to art. 2389, paragraph 3 of the civil law in relation to the delegated powers.

For the 2020 financial year, the remuneration of the General Manager including gross annual salary, social security contributions and benefits is equal to Euro 479 thousand.

6.2 - Loans and receivables and guarantees issued in favour of Directors and Statutory Auditors

There are no loans and receivables and guarantees issued in favour of directors and statutory auditors.

6.3 - Information on transactions with Related Parties

In accordance with the Introduction, this paragraph provides information on the transactions that took place in 2020 with:

- the MEF controlling shareholder;
- direct and indirect subsidiaries of the MEF;
- direct investees of AMCO.

Transactions of an "atypical or unusual" nature that, due to their significance or materiality, may have given rise to doubts regarding the safeguarding of corporate equity were not carried out by AMCO during the year, neither with related parties nor with parties other than related parties as defined by IAS 24.

With regard to transactions of a non-atypical or unusual nature carried out with related parties, they fall within the scope of operations of AMCO and are carried out at market conditions and in any case on the basis of evaluations of mutual economic convenience.

Transactions with investees

With the company Immobiliare Carafa S.r.l. (fully liquidated at the reporting date of this document) there were no financial transactions in 2020.

In 2020 AMCO S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Segregated Estates of Veneto Group, earned commissions income to AMCO for EUR 0.5 million and commission expense for intra-group services for EUR 0.2 million.

Transactions with other related companies

The financial transactions carried out with other investees of the Ministry of Economy and Finance refer exclusively to the current account held by Poste Italiane at normal market conditions.

Further transactions of a commercial nature with other investees of the MEF are part of the normal use of services as a user at market conditions.

The table below shows the main transactions outstanding as at 31 December 2020 or the main economic effects recognised in 2020 for transactions with related parties.

	Balance sheet items				Income statement items			
	Other financial assets mandatorily measured at fair value	Assets	Other liabilities	Other assets	Interest income	Fees and commissions income	Fees and commissions expense	Other operating income and expenses
Investees								
AMCO S.r.l.				325		160	-545	
Other related companies								
Monte Paschi di Siena		23,741	49,022			516		
Fucino NPL's S.r.l.	29,336	48			1,634	339		
Poste Italiane S.p.A.		685						

Section 7 - Leases (lessee)

Qualitative information

The lease agreements that are included in the scope of application of the IFRS 16 accounting standard, stipulated by the Company as lessee, are represented by the lease agreements for property assets (offices and apartments), motor vehicles and office equipment not included in the definition of “low value”.

The Company is marginally exposed to financial outflows for variable payments due for leases not included in the valuation of lease liabilities, mainly represented by balancing payments on expenses linked to rental agreements.

For each agreement, the Company has determined the duration of the lease taking into account the “non cancellable” period during which the same has the right to use the underlying asset and taking into consideration all the contractual aspects that may change this duration, including, in particular, the possible presence of (i) periods covered by a right of termination or by an option to extend the lease, (ii) leases covered by the option to purchase the underlying asset. Generally, with reference to contracts that include the option by the Company to renew the lease by tacit agreement at the end of a first contractual period, the duration of the lease is determined on the basis of historical experience and the information available at that date, considering, in addition to the non cancellable period, also the period relating to the option to extend (first period of contract renewal), unless there are corporate plans to dispose of the leased asset or clear and documented valuations that indicate it to be reasonable not to exercise the option of renewal or the exercise of the termination option.

The Company has not provided guarantees on the residual value of the leased asset and has made no commitment with regard to the stipulation of lease agreements not included in the value of lease liabilities recognised in the financial statements. Please also note that:

- there are no contractual restrictions in place on the use of assets for which the Company is the lessee;
- there are no agreements imposed on the Company by the same lessors;
- there are no lease agreements in place deriving from sale and leaseback operations.

Pursuant to paragraph 60 of IFRS 16, please note that, in compliance with the Standard’s provisions, which grants exemptions at this regard, the Company has excluded agreements that have as their object assets of “low value” and lease agreements of a contract duration of 12 months or less from the application of IFRS 16.

Quantitative information

In relation to the quantitative information required from the lessee by IFRS 16, please refer to the following sections of the Notes to the financial statements:

1) *in Part A - Accounting Policies, Section 4 - Other aspects “The transition to the IFRS 16 accounting standard”;*
2) *in part B – Information on the Balance Sheet*
    (a) *Assets Section 8 – Property, plant and equipment – Item 80*
    (b) *Liabilities Section 1 – Liabilities measured at amortised cost - Item 10*

3) *in part C – Information on the Income Statement*
   (a) *Section 1 – Interest – Items 10 and 20*
   (b) *Section 10 – Administrative expenses - Item 160*

Pursuant to paragraph 53 letter a) of IFRS 16, please note that, with regard to a total of EUR 1,622 thousand of amortisation/depreciation recognised for the right of use for the period, the underlying asset classes are as follows:

- offices and apartments: EUR 1,487 thousand;
- motor vehicles: EUR 100 thousand;
- office equipment: EUR 35 thousand.

Lastly, it is specified that, in accordance with the provisions of paragraph 55 of IFRS 16, at the end of the financial year, the short term leases portfolio object of commitment has not changed with respect to the short-term leases portfolio to which the short-term leases costs recognised during the financial year refer.

Section 8 - Other detailed information

8.1 - Segment reporting

Criteria for the preparation of segment reporting

The AMCO Group's segment reporting reflects the operational responsibilities enshrined in the Company's organisational structure and represents the way in which management monitors business results, in accordance with the "management approach" principle. These disclosures are therefore consistent with the disclosure requirements of IFRS 8.

The AMCO Group's organisational model is divided into business sectors with specific operational responsibilities: Workout Business Unit, UTP Business Unit, Treasury and Governance Centre. The Workout Business Unit also includes the REOCO division, which is reported separately in internal reports to the Chief Operating Decision Maker ("CODM"), but considered intangible, at this time, in terms of segment reporting in accordance with the aggregation criteria set forth in IFRS 8.13-14.

The attribution of income statement and balance sheet results to the various sectors of activity is based on the accounting principles used in the preparation and presentation of the consolidated financial statements. In order to provide a more effective representation of the results and a better understanding of the components that generated them, a reclassified income statement is presented for each reportable segment, with values that express the contribution to the Group result.

With regard to the measurement of revenues and costs deriving from inter-segment transactions, the application of the multiple internal transfer rate contribution model for the various maturities allows for the correct attribution of the net interest component to the divisions. For this reason, and to provide full disclosure, EBITDA has been adjusted for the result of financial management (so as to include the total cost of funding and not just the component passed on from the Treasury to the other divisions).

To complete the segment reporting, an illustration is also provided of the assets under management for each segment (in terms of gross impaired loans on and off balance), as well as the average FTE allocated to each division during the reporting period.

Finally, it should be noted that information by geographical distribution is not reported as it is not significant.

Breakdown of economic and financial performance by Division

Figures in €/000	Workout	UTP PD	Treasury and Governance Centre	AMCO
REVENUES				
Servicing commissions	12,767	21,122	14,118	48,007
Interests and commissions from customers	23,067	54,041	24,462	101,570
Other income/expenses from ordinary operations	21,976	42,593	0	64,569
Total Revenues	**57,810**	**117,756**	**38,580**	**214,146**
COSTS				
Staff costs	(11,516)	(13,128)	(5,343)	(29,987)
Net operational costs	(13,455)	(7,366)	(4,409)	(25,231)
of which gross costs	(15,657)	(9,562)	(4,732)	(29,951)
of which recoveries	2,201	2,196	323	4,720
Total Costs and Expenses	**(24,972)**	**(20,494)**	**(9,752)**	**(55,218)**
EBITDA	**32,838**	**97,261**	**28,828**	**158,927**
Net value adjustments/reversals	(13,100)	(29,739)	169	(42,671)
Amortisation and depreciation	(822)	(856)	(388)	(2,065)
Provisions	(701)	0	927	227
Other operating income/expenses	864	(7,335)	(20,025)	(26,495)
Financial activity result	0	0	18,657	18,657
EBIT	**19,080**	**59,331**	**28,168**	**106,579**
Interests and commissions from financial activity	0	0	(36,358)	(36,358)
Pre-tax profit	**19,080**	**59,331**	**(8,189)**	**70,222**

The allocation of AUMs among the divisions is carried out according to a management logic: ‘going concern’ loans, both at the level of the individual debtor and at the level of the economic group (in the latter case, for attraction, there could also be residual positions to be managed with a view to liquidation), linked to debt positions considered to be non-structural and for which the counterparties are able to generate cash flows to service the debt, are assigned to the UTP Business Unit, with the aim of maximising recovery and facilitating the debtor's return to bonis, including through the provision of new finance. The so called "gone concern” positions are instead managed from a liquidation perspective, linked to the patient recovery of the loan and the maximisation of the recovery value of the guarantees (also through REOCO activities); these debt positions are assigned to the Workout Business Unit.

The Workout Business Unit is responsible for ensuring the performance of recovery activities for non-performing loans classified as "gone concern", directly acquired or acquired under management by AMCO. As already mentioned, the Workout Business Unit also includes the REOCO division, which was set up to undertake strategies to protect and enhance the value of collateral property assets through the active and direct management of property assets (valuation, marketing, leasing or sale) once ownership has been acquired in the various forms identified from time to time (auction, datio in solutum agreements, etc.).

The gross operating profit of the Workout Business Unit in the 2020 financial year amounted to EUR 32.8 million, comprising EUR 57.8 million in revenues and EUR 25.0 million in expenses. In carrying out its credit management and recovery activities, Workout generated commission income of EUR 12.8 million, largely from collection activities on the portfolio of the former Veneto Banks, as well as net interest income associated with the POCI portfolios of EUR 23.0 million (of which EUR 9.3 million in revenues, net of EUR 2.8 million in interest expense reallocated by the

Treasury on the basis of the internal transfer rate). Other revenues from ordinary operations, on the other hand, relate to the recovery of receivables from collections.

The EBITDA of the Workout Business Unit was impacted by staff costs (including staff allocated to the operating segment for management purposes) of EUR 11.5 million and gross operating costs of EUR 15.6 million (including overheads of EUR 3.9 million and legal/recovery costs of EUR 1.8 million), offset by the recovery of expenses, mainly from the Segregated Estates, of EUR 2.2 million. The division's EBIT amounted to EUR 19.1 million and was impacted by valuation adjustments to the portfolio totalling EUR 13.1 million.

The UTP Business Unit is responsible for proactively managing receivables classified as "going concern" acquired or acquired under management by AMCO with the objective of maximising recovery and pursuing the return to performing status of debtors with a temporary situation of financial difficulty. The management's gross operating result was a positive EUR 97.3 million, mainly made up of revenues of EUR 117.8 million (of which management commissions of EUR 21.1 million and interest from customers of EUR 54.0 million, already net of internal transfer rate imputed interest of EUR 3.8 million) and net costs of EUR 20.5 million (of which EUR 13.1 million related to personnel and EUR 9.6 million to gross overheads and credit recovery, the latter then net of expense recoveries from the Segregated Estates of approximately EUR 2.2 million). EBIT amounted to EUR 59.3 million, including EUR 29.7 million in adjustments to loans and EUR 7.3 million in other operating expenses related to the exchange rate delta of foreign currency loans.

Treasury is responsible for monitoring the Company's liquidity needs and managing them proactively through a risk/return maximisation strategy. With this in mind, the temporary deployment of liquidity under the Held to Collect and Sell business model continued in 2020. The active management of the so-called banking book, mainly in Italian government bonds, generated a positive result of EUR 18.7 million, of which EUR 23.2 million related to securities of the banking book offset by the downward adjustment of the fair value of the Italian Recovery Fund for EUR 4.5 million. This amount is added to EBITDA of EUR 18.3 million, generated by the notional interest allocated to the other divisions, and leads to EBIT of EUR 35.9 million. Pre-tax profit was affected by net borrowing costs of EUR 36.4 million, bringing the division to a loss of EUR 0.5 million.

Finally, the Governance Centre, which takes on the function of guidance, coordination, support and control of the other divisions. The segment's gross operating profit of EUR 10.5 million mainly comprises commission income not allocated to the business units on the basis of cost & revenue allocation criteria of EUR 14.1 million, interest income from an internal transfer rate of EUR 4.7 million, personnel costs of EUR 4.7 million and net operating expenses of EUR 3.6 million. The net result of the Governance Centre was negative by EUR 7.7 million due to the allocation of the mechanism for adjusting the commission income of the former Veneto Banks (so-called Collar) for EUR 19.1 million.

Performance of managed assets

Figures in €/000	Workout	UTP PD	AMCO
Assets Under Management	19,901	14,114	34,015

Assets under management refer to gross non-performing loans allocated to the respective business divisions. These assets include both those reflected in AMCO's financial statements (on balance), those of the Segregated Estates of the former Veneto Banks and the others for which AMCO acts as Special Servicer.

The allocation among the divisions is carried out according to a management logic: ‘going concern’ loans, both at the level of the individual debtor and at the level of the economic group (in the latter case, for attraction, there could also be residual positions to be managed with a view to liquidation), linked to debt positions considered to be non-structural and for which the counterparties are able to generate cash flows to service the debt, are assigned to the UTP Business Unit, with the aim of maximising recovery and facilitating the debtor's return to bonis, including through the provision of new finance. "gone concern” positions are instead managed from a liquidation perspective, linked to the patient recovery of the loan and the maximisation of the recovery value of the guarantees (also through REOCO activities); these debt positions are assigned to the Workout Business Unit.

Organisational structure

Figures in €/000	Workout	UTP PD	Treasury and Governance Centre	AMCO
FTE (indirect)	114.5	118.7	26.4	259.7

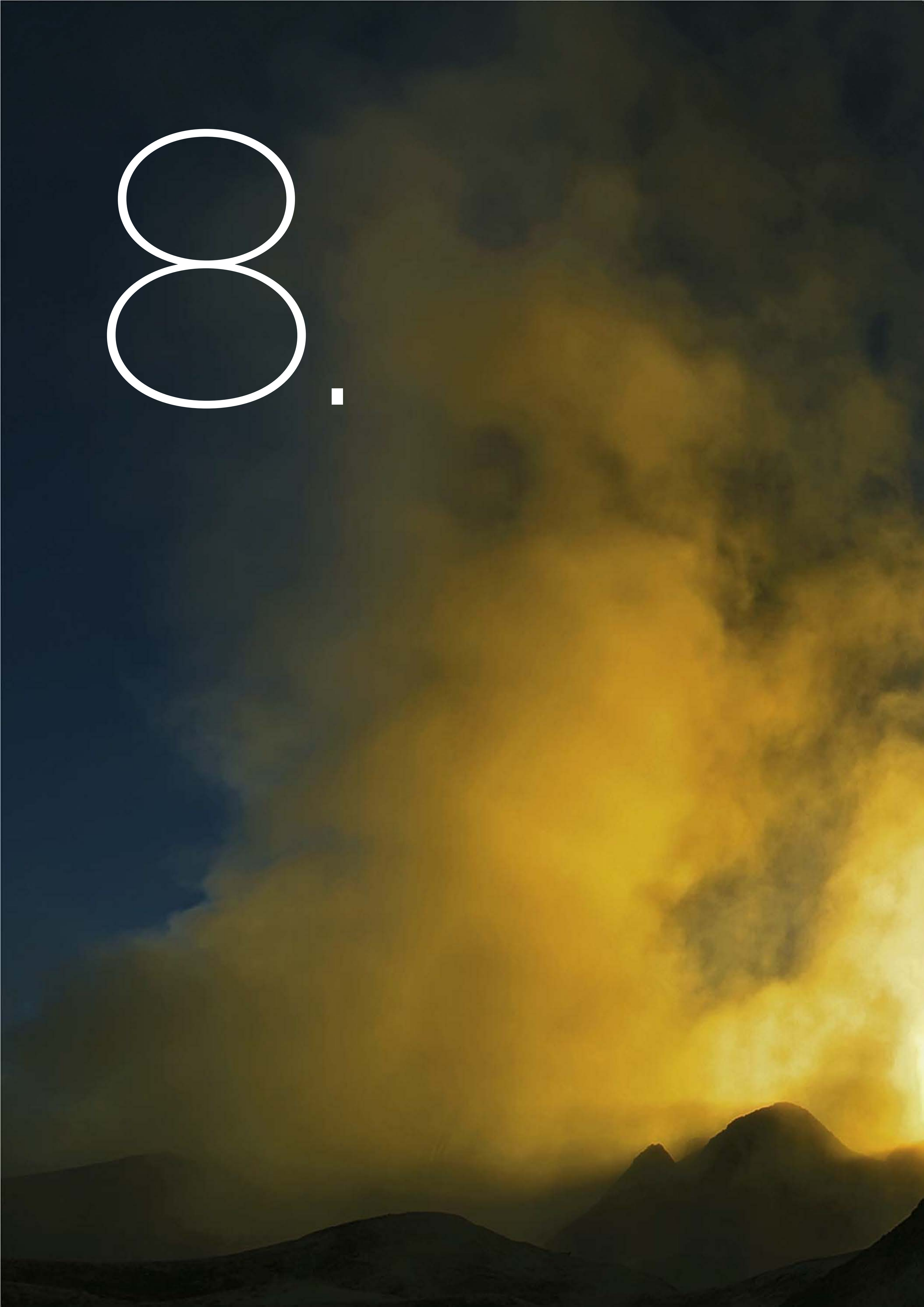
The FTEs are calculated as an annual average, also taking into account any management reallocations of staff between operating sectors

8.2 - Earnings per share

AMCO does not disclose information on earnings per share in that this information is optional for unlisted intermediaries and for intermediaries not in the process of being listed.

8.3 - Fees paid to the Independent Auditors

Information on the fees paid to the Independent Auditors has been provided in Section 10, Item 160 of the Income Statement (to which reference should be made).


8.

section relating to Segregated Estates ("Patrimoni Destinati")

Introduction

On 11 April 2018, pursuant to the provisions of Article 5 of Italian Decree Law No 99 of 25 June 2017 (hereinafter also "Decree Law"), converted into Italian Law No 121 of 31 July 2017, and further to the provisions of Italian Ministerial Decree No 221 of 22 February 2018 (hereinafter "MD 221/2018"), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also "Transfer Contracts") to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the "Vicenza Group Segregated Estates" and the "Veneto Group Segregated Estates" (hereinafter also "Segregated Estates" or "SE"), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the above mentioned Decree in Article 5, paragraph 4 indicates that "The separate financial statements are prepared in compliance with international accounting standards". These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

The adoption of International accounting standards for the preparation of separate statements for Segregated Estates requires that, in application of the IFRS 9 accounting standard, an analysis of the derecognition of assets must be carried out by the transferor, assuming that it prepares financial statements in accordance with IAS/IFRS standards even when this is not the case, in order to check if the conditions for the recognition of the assets by the Segregated Estates transferee apply. The analyses carried out on the two separate Veneto Group and Vicenza Group Segregated Estates have considered the following scenarios:

1. Estimate of the net future financial flows of loans in the hypothesis of the existent of Assignment Contracts;
2. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of the same business model on the part of the LCAs;
3. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of a different same business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

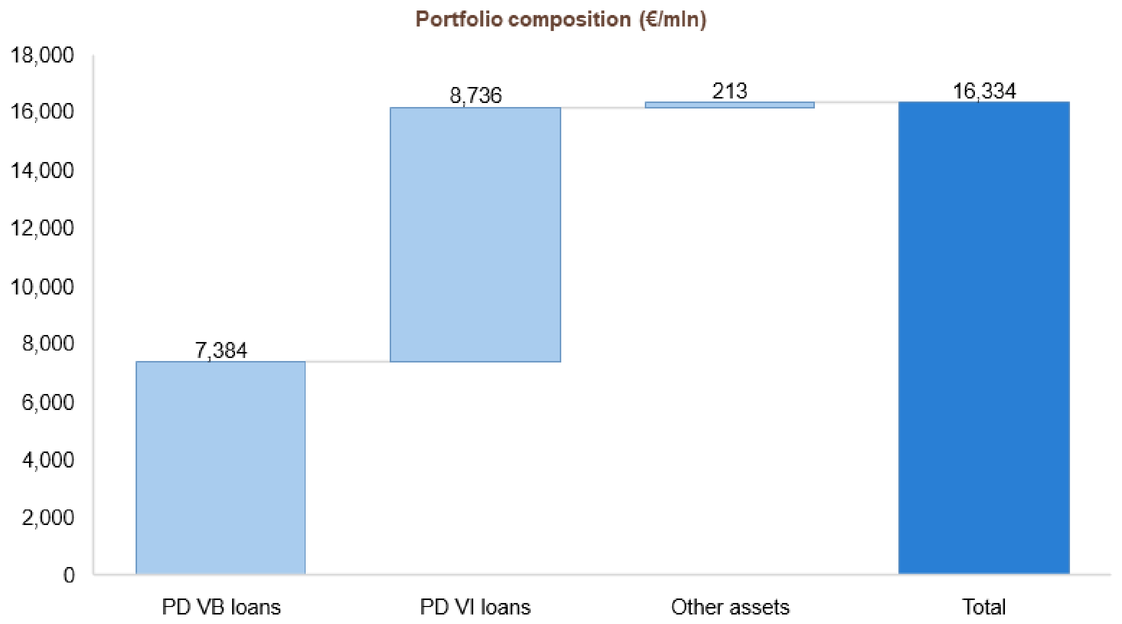
From the analysis carried out on the basis of cash flows currently expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability between the hypothesis of Transfer to AMCO Segregated Estates and the hypotheses in which this did not occur (both maintaining the same management business model – nevertheless shared with the LCAs, and in hypothesis of an alternative one) is essentially nil.

On the basis of these assumptions, AMCO has not essentially acquired all the risks and benefits of the ownership of the acquired financial assets and, in consequence, the requirements in the provisions of IFRS 9 for the accounting recognition of the financial asset in the financial statements have not been met.

Introduction

Following the acquisition of the portfolios of the former Veneto Banks, as at 31 December 2020 AMCO manages a portfolio of non-performing exposures ("NPE") of around EUR 16.1 billion in terms of gross book value. The portfolio, with total assets of EUR 16.1 billion, breaks down as follows:

Total SE (€/mln)	31/12/2020	31/12/2019
Gross Book Value	**16,121**	**16,708**
- Italian portfolio	9,467	9,715
- Securitised portfolio	6,032	6,342
- Foreign portfolio	621	651
Net Present Value	**4,381**	**5,128**
- Other assets	213	257
Total	**4,594**	**5,385**



Information on the GBV of the Segregated Estates and on the portfolios' Net Present Value is included in the statements of the Segregated Estates, which are part of the financial statements of AMCO, basing the estimates on best estimates of the internally processed recovery curves to guarantee the information alignment with respect to the prospects for the loans recovery for the main stakeholders (the LCAs or their creditors).

The Net Present Value[19] includes:

(i) estimated legal expenses for the recovery of loans;

(ii) commissions for the management of outsourcing;

(iii) the discount effect of the estimates of recovery over time.

Furthermore, in accordance with Article 3 of the Transfer agreement, the fee for the above transaction is represented by an amount receivable of the administrative compulsory liquidations procedures vis-à-vis the respective Segregated Estates of AMCO, for an amount equal to the net book value of the assets and legal rights and obligations transferred, which will be periodically adjusted to the lower or higher realisable value net of the recovery costs and charges incurred.

19 It is specified that the Net Present Value is based on internal data and valuations and therefore does not represent an IFRS 9 compliant value.

The cash repaid in 2020 on the management agreements of the Segregated Estates is EUR 550 million, of which EUR 281 million for the Vicenza Group Segregated Estates and EUR 268 million for the Veneto Group Segregated Estates.

These cash flows have been reported to the LCAs on a quarterly basis, as required by the transfer agreement.

Statement of the Veneto Group Segregated Estate as at 31 December 2020

Introduction

On 11 April 2018, pursuant to the provisions of Article 5 of Italian Decree Law No 99 of 25 June 2017 (hereinafter also "Decree Law"), converted into Italian Law No 121 of 31 July 2017, and further to the provisions of Italian Ministerial Decree No 221 of 22 February 2018 (hereinafter "MD 221/2018"), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also "Transfer Contracts") to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the "Vicenza Group Segregated Estates" and the "Veneto Group Segregated Estates" (hereinafter also "Segregated Estates" or "SE"), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the Decree that regulated the operation indicated in Article 5, paragraph 4 indicates that "The separate financial statements are prepared in compliance with international accounting standards". These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

The adoption of International accounting standards for the preparation of separate statements for Segregated Estates requires that, in application of the IFRS 9 accounting standard, an analysis of the derecognition of assets must be carried out by the transferor, assuming that it prepares financial statements in accordance with IAS/IFRS standards even when this is not the case, in order to check if the conditions for the recognition of the assets by the Segregated Estates transferee apply. The analyses carried out on the two separate Veneto Group and Vicenza Group Segregated Estates have considered the following scenarios:

1. Estimate of the net future financial flows of loans in the hypothesis of the existent of Assignment Contracts;
2. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of the same business model on the part of the LCAs;
3. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of a different same business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

From the analysis carried out on the basis of cash flows currently expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability between the hypothesis of Transfer to AMCO Segregated Estates and the hypotheses in which this did not occur (both maintaining the same management business model – nevertheless shared with the LCAs, and in hypothesis of an alternative one) is essentially nil.

On the basis of these assumptions, AMCO has not essentially acquired all the risks and benefits of the ownership of the acquired financial assets and, in consequence, the requirements in the provisions of IFRS 9 for the accounting recognition of the financial asset in the financial statements have not been met.

As the holder of Segregated Estates, even though not a beneficiary of the results of assets and liabilities, AMCO is required to provide adequate disclosure in its financial statements, in accordance with the requirements of accounting standard IFRS 12. In more detail, for the purposes of the information be supplied, it has been assessed that:

- AMCO is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Company;
- AMCO does not have an equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and AMCO ensures that the relationship between the Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27 and fulfilled in this reports and accounts, as well as in the Notes to the financial statements of AMCO.

Performance of managed assets

On 18 April 2020 Banca Intesa Sanpaolo exercised, for the third time, the option offered by Italian Decree Law No 99 of 25 June 2017, at Art. 4, paragraph 5, letter b), for the transfer to the LCAs of the performing assets of the former Veneto Banks High-Risk positions at the time of the purchase by the same Intesa Sanpaolo. These positions were successfully transferred to the respective Segregated Estates. With reference to the Veneto Group Segregated Estate the Gross Book Value transferred is around EUR 35 million.

On 13 June 2020 Banca Intesa Sanpaolo exercised the last option for a further portfolio with a Gross Book Value of around EUR 64 million.

On 23 December 2019 AMCO and the Prelios Group signed an agreement with Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca and Banco BPM (together the “banks”) for the creation of a multi-originator platform to manage UTP (unlikely to pay) loans relative to the property sector. The transaction, called *Cuvée*, was executed through an untranched securitisation transaction of loans transferred by the banks and by AMCO (the securitisation vehicle is Ampre SPV S.r.l.) and the investment in a closed common property Fund managed by Prelios SGR (called “Back2Bonis”). In 2019 the Veneto Group Segregated Estate transferred to the Fund a Gross Book Value of around EUR 28 million.

In 2020 the Veneto Group Segregated Estate further transferred to the Fund a Gross Book Value of around EUR 28 million.

Report

With reference to the Veneto Group Segregated Estates, the portfolio includes:

Veneto Group SE (EUR/mln)	31/12/2020	31/12/2019
Gross Book Value	**7,384**	**7,667**
- Italian portfolio	4,760	4,884
- Securitised portfolio (Flaminia)	2,003	2,133
- Foreign portfolio	621	651
Net Present Value	**2,009**	**2,345**
- Other assets	90	147
Total	**2,099**	**2,492**

The Net Present Value is based on internal data and valuations and therefore does not represent the approximation of an IFRS 9 compliant value. It reflects the estimated legal expenses for the recovery of loans as well as the outsourcing management commissions, in addition to the discounting effect on the estimated recoveries over time.

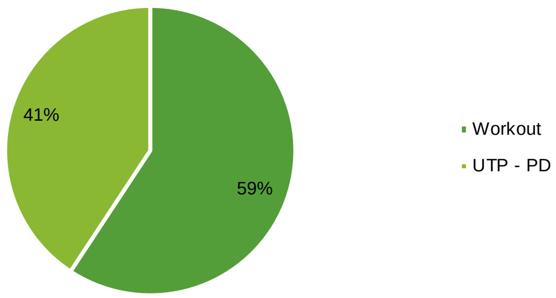
The item Other assets includes:

- Liquidity on current accounts of EUR 84 million inclusive of remuneration for the last quarter of 2020 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 5 million. Please note that the units of the Back2Bonis Fund have not been included as they are already included in the NPV of loans;
- Active rate derivatives with a mark to market of EUR 1.1 million.

The following tables report an overview of portfolios:

Portfolio breakdown

By unit (€/mln)	
Workout	4,376
UTP - PD	3,008



In accordance with sector best practices, also included in the "Guidance to banks on non-performing loans" issued by the European Central Bank, AMCO's management strategies are differentiated in accordance with the characteristics of debtors and their relative credit exposures with the objective of maximising value of positions.

With regard to this, the portfolio management is differentiated in accordance with the following criteria:

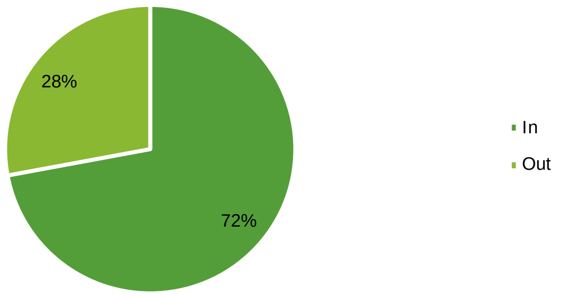
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;

- going concern loans, or loans whose operating cash flows from the borrower continue to be produced, for which the recovery strategy requires a management finalised at the reinstatement/safeguard of the going concern also by making recourse to new finance, should the prerequisites for this exist.

If the portfolio is analysed according to business unit, intended as the company division with the task of managing "gone concern" loans (Workout) loans and "going concern" (UTP/PD) loans, it can be observed that the UTP/PD business unit accounts for 41% of the total.

Portfolio breakdown

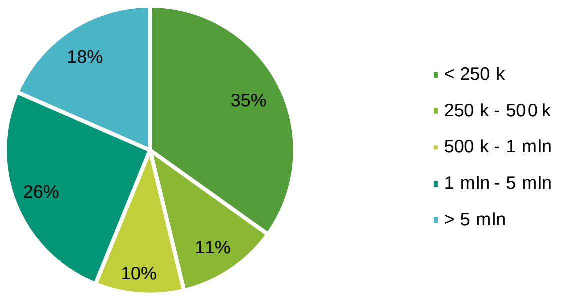
By type of management	(€/mln)
In	5,322
Out	2,062



Outsourced management represents 28% of the portfolio, as the strategy defined by the Company determines that economies of scale for low value positions (generally particularly fragmented) are best achieved through specialist servicers (also taking account the level of maturity and standardisation of market solutions).

Portfolio breakdown

By amount	(€/mln)
< 250 k	2,578
250 k - 500 k	836
500 k - 1 mln	732
1 mln - 5 mln	1,879
> 5 mln	1,360



Analysing the portfolio by amount it can be noted that 44% of the portfolio is made up by positions amounting to more than EUR 1 million, while 35% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Veneto Group SE (EUR/mln)	31/12/2020	31/12/2019
Collections		
- Non-securitised portfolio	263	290
- Securitised portfolio (Flaminia)	33	37
Total	**297**	**327**

The cash repaid in 2020 on the management agreements of the Segregated Estates is around EUR 248 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer agreement.

With regard to the Flaminia securitised portfolio, cash flows transferred to the LCAs amounted to EUR 33.3 million.

Statement of the Vicenza Group Segregated Estate as at 31 December 2020

Introduction

On 11 April 2018, pursuant to the provisions of Article 5 of Italian Decree Law No 99 of 25 June 2017 (hereinafter also "Decree Law"), converted into Italian Law No 121 of 31 July 2017, and further to the provisions of Italian Ministerial Decree No 221 of 22 February 2018 (hereinafter "MD 221/2018"), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also "Transfer Contracts") to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the "Vicenza Group Segregated Estates" and the "Veneto Group Segregated Estates" (hereinafter also "Segregated Estates" or "SE"), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the Decree that regulated the operation indicated in article 5, paragraph 4 indicates that "The separate financial statements are prepared in compliance with international accounting standards". These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

The adoption of International accounting standards for the preparation of separate statements for Segregated Estates requires that, in application of the IFRS 9 accounting standard, an analysis of the derecognition of assets must be carried out by the transferor, assuming that it prepares financial statements in accordance with IAS/IFRS standards even when this is not the case, in order to check if the conditions for the recognition of the assets by the Segregated Estates transferee apply. The analyses carried out on the two separate Veneto Group and Vicenza Group Segregated Estates have considered the following scenarios:

1. Estimate of the net future financial flows of loans in the hypothesis of the existent of Assignment Contracts;
2. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of the same business model on the part of the LCAs;
3. Estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of a different same business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

From the analysis carried out on the basis of cash flows currently expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability between the hypothesis of Transfer to AMCO Segregated Estates and the hypotheses in which this did not occur (both maintaining the same management business model – nevertheless shared with the LCAs, and in hypothesis of an alternative one) is essentially nil.

On the basis of these assumptions, AMCO has not essentially acquired all the risks and benefits of the ownership of the acquired financial assets and, in consequence, the requirements in the provisions of IFRS 9 for the accounting recognition of the financial asset in the financial statements have not been met.

As the holder of Segregated Estates, even though not a beneficiary of the results of assets and liabilities, AMCO is required to provide adequate disclosure in its financial statements, in accordance with the requirements of accounting standard IFRS 12. In more detail, for the purposes of the information be supplied, it has been assessed that:

- AMCO is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Company;
- AMCO does not have an equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and AMCO ensures that the relationship between the Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27 and fulfilled in this reports and accounts, as well as in the Notes to the financial statements of AMCO.

Performance of managed assets

On 18 April 2020 Banca Intesa Sanpaolo exercised the option offered by Italian Decree Law No 99 of 25 June 2017, at Art. 4, paragraph 5, letter b), for the transfer to the LCAs of the performing assets of the former Veneto Banks High-Risk positions at the time of the purchase by the same Intesa Sanpaolo. These positions were successfully transferred to the respective Segregated Estates. With reference to the Vicenza Group Segregated Estate the Gross Book Value transferred is around EUR 76 million.

On 13 June 2020 Intesa Sanpaolo exercised the same option for a portfolio with a Gross Book Value of around EUR 136 million.

On 23 December 2019 AMCO and the Prelios Group signed an agreement with Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca and Banco BPM (together the “banks”) for the creation of a multi-originator platform to manage UTP (unlikely to pay) loans relative to the property sector. The transaction, called *Cuvée*, was executed through an untranched securitisation transaction of loans transferred by the banks and by AMCO (the securitisation vehicle is Ampre SPV S.r.l.) and the investment in a closed common property Fund managed by Prelios SGR (called “Back2Bonis”). In 2019 the Vicenza Group Segregated Estate transferred to the Fund a Gross Book Value of around EUR 54 million.

In 2020 the Vicenza Group Segregated Estate further transferred to the Fund a Gross Book Value of around EUR 35 million.

Report

With reference to the Vicenza Group Segregated Estates, the portfolio includes:

Vicenza Group SE (EUR/mln)	31/12/2020	31/12/2019
Gross Book Value	**8,736**	**9,040**
- Italian portfolio	4,707	4,831
- Securitised portfolio (Ambra)	4,029	4,209
- Foreign portfolio	-	-
Net Present Value	**2,372**	**2,783**
- Other assets	123	110
Total	**2,495**	**2,893**

The Net Present Value is based on internal data and valuations and therefore does not represent the approximation of an IFRS 9 compliant value. It reflects the estimated legal expenses for the recovery of loans as well as the outsourcing management commissions, in addition to the discounting effect on the estimated recoveries over time.

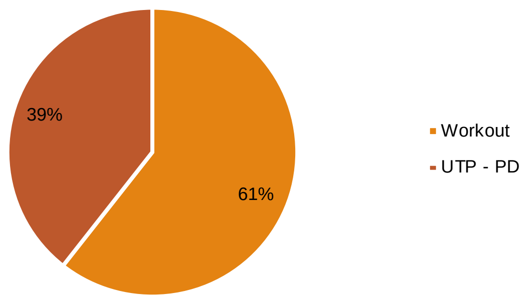
The item Other assets includes:

- Liquidity on current accounts of EUR 89 million inclusive of remuneration for the last quarter of 2020 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 30 million. Please note that the units of the Back2Bonis Fund have not been included as they are already included in the NPV of loans;
- Active rate derivatives with a mark to market of EUR 4 million.

The following tables report an overview of portfolios:

Portfolio breakdown

By unit (€/mln)	
Workout	5,293
UTP - PD	3,444



In accordance with sector best practices, also included in the "Guidance to banks on non-performing loans" issued by the European Central Bank, AMCO's management strategies are differentiated in accordance with the characteristics of debtors and their relative credit exposures with the objective of maximising value of positions.

With regard to this, the portfolio management is differentiated in accordance with the following criteria:

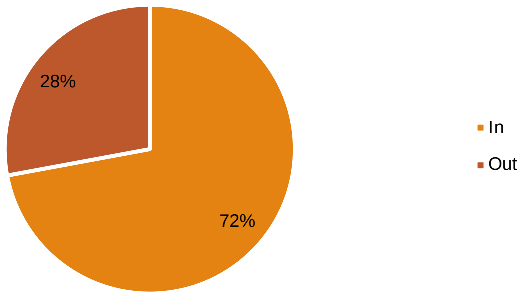
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;

- going concern loans, or loans whose operating cash flows from the borrower continue to be produced, for which the recovery strategy requires a management finalised at the reinstatement/safeguard of the going concern also by making recourse to new finance, should the prerequisites for this exist.

If the portfolio is analysed according to business unit, intended as the company division with the task of managing “gone concern” loans (Workout) loans and “going concern” (UTP/PD) loans, it can be observed that the UTP/PD business unit accounts for 39% of the total.

Portfolio breakdown

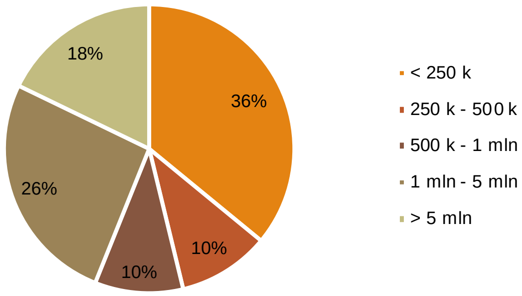
By type of management	(€/mln)
In	6,442
Out	2,294



Outsourced management represents 28% of the portfolio, as the strategy defined by the Company determines that economies of scale for low value positions (generally particularly fragmented) are best achieved through specialist servicers (also taking account the level of maturity and standardisation of market solutions).

Portfolio breakdown

By amount	(€/mln)
< 250 k	3,144
250 k - 500 k	895
500 k - 1 mln	859
1 mln - 5 mln	2,284
> 5 mln	1,555



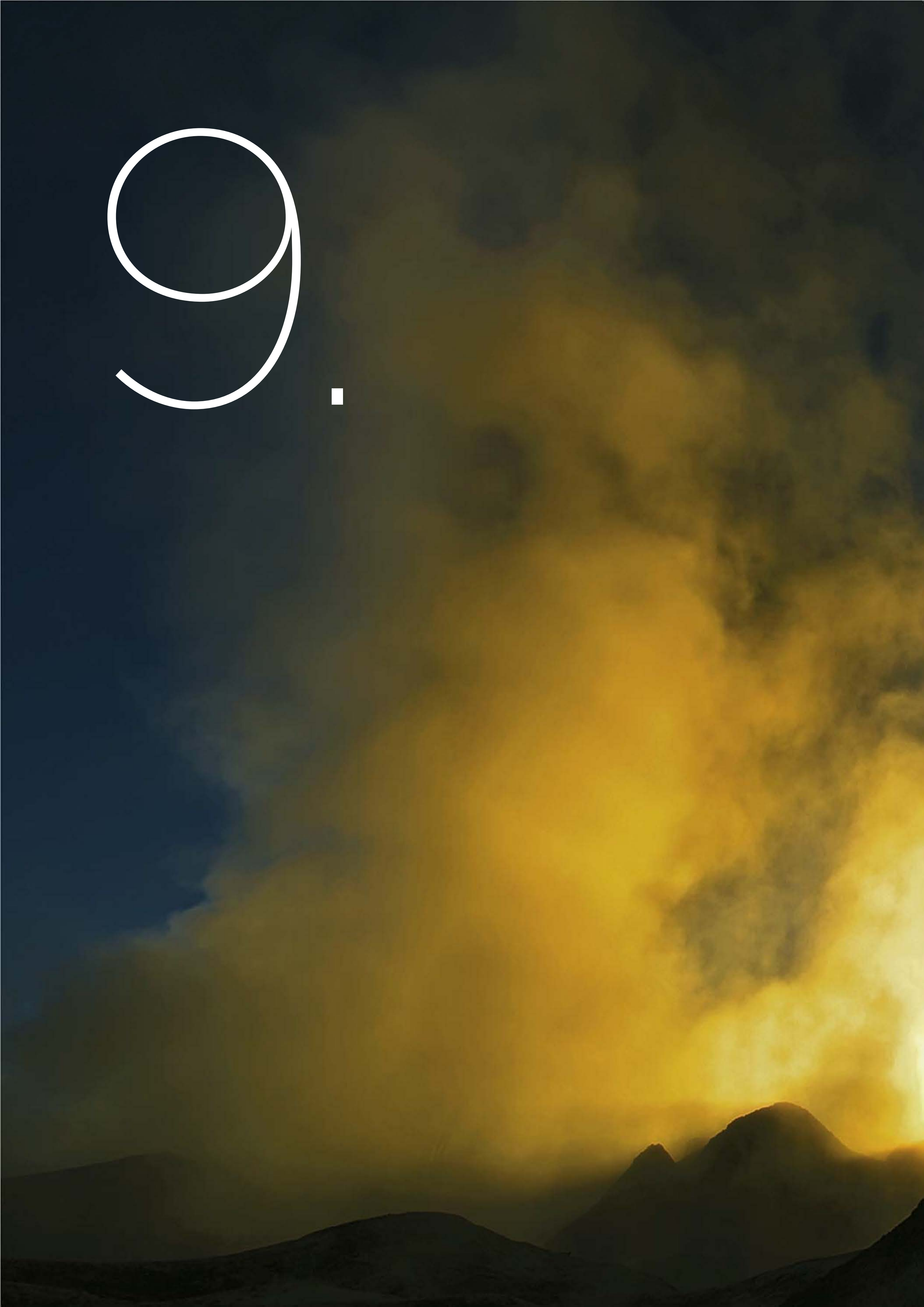
Analysing the portfolio by amount it can be noted that 46% of the portfolio is made up by positions amounting to more than EUR 1 million, while 32% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Vicenza Group SE (EUR/mln)	31/12/2020	31/12/2019
Collections		
- Non-securitised portfolio	266	259
- Securitised portfolio (Flaminia)	85	98
Total	**351**	**358**

The cash repaid in 2020 on the management agreements of the Segregated Estates is around EUR 183 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer agreement.

With regard to the Ambra securitised portfolio, cash flows transferred to the LCAs amounted to EUR 85 million.

9.



declaration of the CEO and the Manager in charge

Attestation of the Chief Executive Officer and Manager in charge of preparing the Company's Financial Reports on the Consolidated Financial Statements and Consolidated Report on Operations as at 31 December 2020 pursuant to Art. 154 bis of Italian Legislative Decree No 58/1998

1. The undersigned MARINA NATALE, in her role of Chief Executive Officer and SILVIA GUERRINI, in her role of Manager in charge of preparing the Company's Financial Reports of the Parent Company AMCO – Asset management company S.p.A., also taking into account the provisions of Art. 154 bis, paragraphs 3 and 4, of Italian Legislative Decree No 58 of 24 February 1998, Art. 13, paragraph 6, of the Articles of Association and what stated at point 2 below, certify:
   - the adequacy in relation to the characteristics of the company and the corporate structure;
   - the effective application of administrative and accounting procedures and practices in the preparation of the Consolidated Financial Statements as at 31 December 2020.
2. In this regard, it should be noted that the undersigned SILVIA GUERRINI has carried out activities useful for the verification of the adequacy and the effective application of current procedures and consolidated administrative and accounting provisions, while at the same time continuing to pursue the rationalisation of the same.
3. The undersigned also certify that the consolidated financial statements as at 31 December 2020:
   - correspond to the accounting entries and records;
   - are suitable to provide a truthful and correct representation of the financial, economic and assets situation of the Company;
   - are drawn-up in compliance with the IAS/IFRS international accounting standards recognised by the European Union and the Provisions of the Bank of Italy on the subject.
4. Lastly, it is certified that the Consolidated Report on Operations as at 31 December 2020 includes a reliable analysis of the performance and result as well as the Group's situation, together with a description of the main risks and uncertainties to which the Group is exposed.

Milan, 11 March 2021

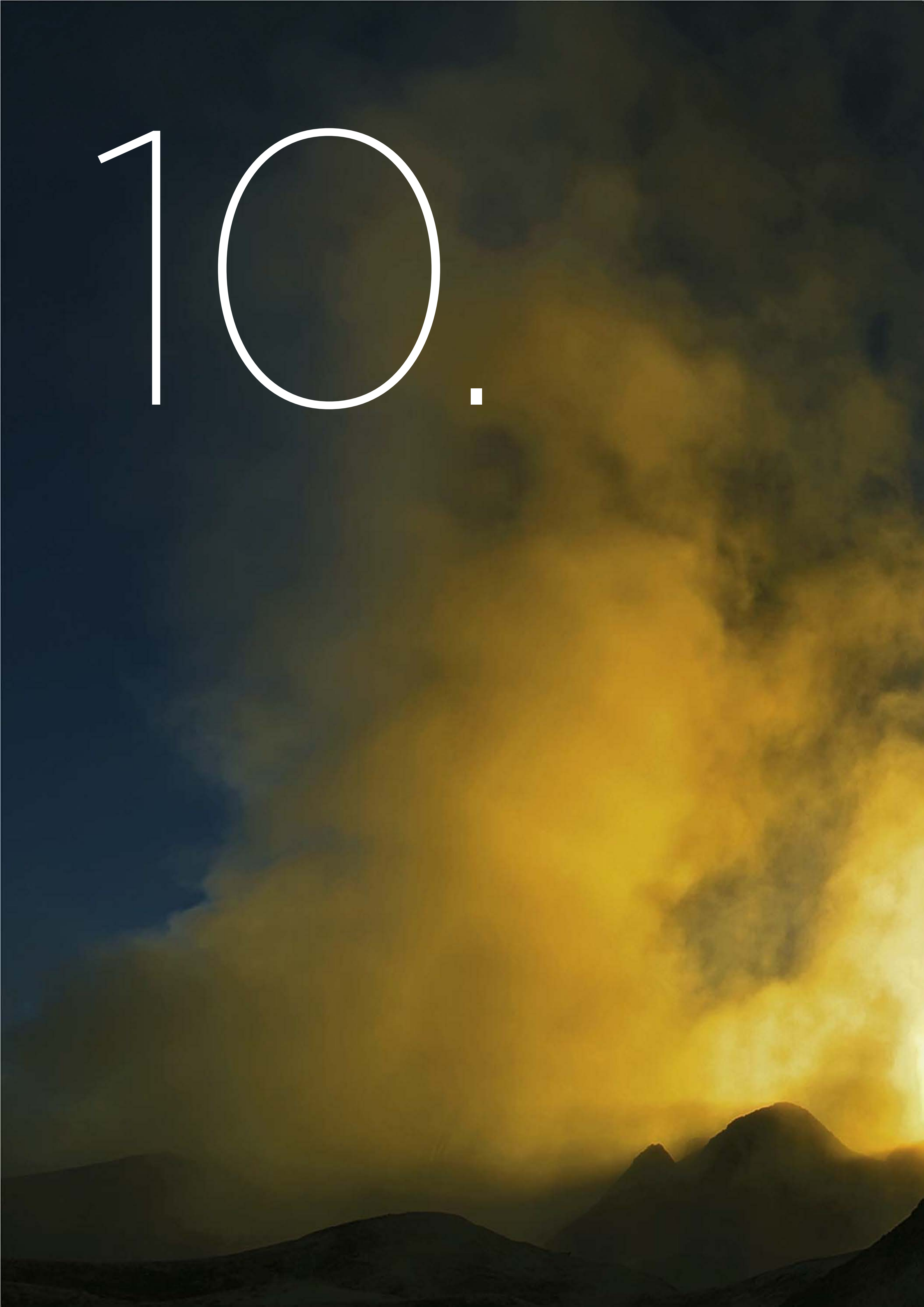
Signed by

Marina Natale
Chief Executive Officer

Signed by

Silvia Guerrini
Manager in charge of preparing the Company's Financial Reports

10.



internal auditors' report

INTERNAL AUDITORS' REPORT ON THE 2020 AMCO CONSOLIDATED FINANCIAL STATEMENTS

AMCO - Asset Management Company S.p.A. (the "Parent Company" or "AMCO") is a Financial Intermediary pursuant to Art. 106 of the Consolidated Banking Law (Testo Unico Bancario - TUB), specialised in the management and recovery of non-performing loans.

On 14 September 2019, the securitisation transaction of a Non-Performing Exposure portfolio of Banca Fucino was finalised with effect from 1 January 2019.

In this transaction the Parent Company AMCO plays the role of *Master Servicer* and *Special Servicer* as well as having subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's S.r.l. With regard to the dual role that the Parent Company plays in the securitisation transaction, as well as the role of sole investor in the Junior and Mezzanine Notes, in application of the IFRS 10 accounting standard, the Parent Company AMCO has a significant position of control over the securitisation vehicle and, in accordance with the aforementioned accounting standard, is required to prepare and present consolidated financial statements.

AMCO also wholly owns the company AMCO - Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estate. A servicing agreement is in place with the latter, for which commissions expense of EUR 0.5 million was recognised during the 2020 financial year.

On 20 July 2020, the liquidation procedure of Immobiliare Carafa S.r.l., a company established for the optimum realisation of mortgages and used for auction measures and acceptance in lieu transactions, was completed. The liquidation was completed through the approval of the financial statements and the final liquidation distribution plan, the latter of which was entirely attributed to AMCO as sole shareholder.

The Parent Company has drawn up the consolidated financial statements including the securitisation vehicle "Fucino NPL's S.r.l." in the scope of consolidation, but not the wholly-owned subsidiary AMCO - Asset Management Co. S.r.l. Romania, given its negligible impact at aggregate level.

Among the financial transactions carried out with other companies in which the Ministry of Economy and Finance holds an interest, mention should be made of the partial non-proportional demerger with asymmetric option of a compendium consisting of non-performing loans, tax assets, other assets, financial debt, other liabilities and equity by Banca Monte dei Paschi di Siena S.p.A. in favour of AMCO, the details of which have been set out in the Internal Auditors' Report on the 2020 AMCO separate financial statements.

The other financial transactions carried out with other subsidiaries of the Ministry of Economy and Finance, realised at market conditions, refer to current accounts with Banca Monte Paschi di Siena S.p.A. and Poste Italiane S.p.A., in addition to securities lending transactions with Monte Paschi di Siena S.p.A., which generated commissions income for EUR 0.5 million during the 2020 financial year.

With reference to the results for the year, the financial statements show a positive result from current operations in terms of EBITDA of EUR 158.9 million, up from EUR 51.3 million at 31 December 2019 (+210%).

The 2020 consolidated financial statements closed with a net profit of EUR 76 million, up from the net profit of EUR 42.3 million earned the previous year.

The capital structure of AMCO is affected by the partial non-proportional demerger between Banca Monte dei Paschi di Siena and AMCO resolved by their respective Boards of Directors on 29 June 2020. The demerger of a compendium of assets and liabilities of MPS in favour of AMCO was implemented through the assignment to AMCO of part of the assets of MPS, with the allocation to the shareholders of MPS of newly issued class B shares[1] of AMCO in an amount not proportional to the stake held by the latter in MPS prior to the demerger.

Following the demerger transaction, AMCO's capital is composed of the equity investment of the Ministry of Economy and Finance of EUR 653,737,958 (broken down into EUR 600,000,000 of ordinary shares and EUR 53,737,958 of B shares), the minority interest held by Various Shareholders for EUR 1,397,250 in B shares and treasury B shares for EUR 18,846.

The most significant balance sheet items include the commission margin of EUR 48 million. The total of fees and commissions income as at 31 December 2020 is EUR 49.2 million, up from EUR 47.3 million as at 31 December 2019 (+4%). The Company mainly receives servicing fees on the management of the portfolios of the former Veneto Banks. The commission profile defined by the Transfer Agreements includes Master Servicing fees and Special Servicing fees, differentiated on the basis of the management characteristics of the loan. Commissions mainly originate from the servicing management connected to the Veneto Banks for EUR 46.2 million and, marginally, from commissions deriving from securities lending transactions carried out on the government bond portfolio for EUR 0.5 million, from commissions related to servicing activities on the Fucino and Ampre securitised portfolios (EUR 2.4 million) and for the remaining commissions from activities carried out on behalf of the subsidiary AMCO S.r.l. Commission expense as at 31 December 2020 amounted to approximately EUR 1.15 million, mainly consisting of commissions paid to the

[1] AMCO's newly issued B Shares have the same rights as AMCO's already issued ordinary shares with the exception of voting rights at the shareholders' meeting.

Romanian subsidiary SGA S.R.L. for the management of non-performing loans of the Veneto Group Segregated Estate to debtors residing in Romania.

Among the other items positively affecting the operating result, it should be noted that interest income from customers recognised at 31 December 2020 amounted to EUR 101.6 million and was mainly determined by the recognition of interest income deriving from assets recognised as "purchased or originated credit-impaired" ("POCI") in accordance with the provisions of IFRS 9, which recorded revenues of EUR 89.1 million.

In addition to interest and commissions, other income from ordinary operations amounted to EUR 64.6 million, mainly deriving from write-backs on collections net of losses of EUR 38.6 million and profit from the sale of receivables and securities of EUR 25.7 million.

Total costs increased as a result of the various transactions concluded by the Company during the year. Specifically, there were costs of EUR 55.2 million (up from EUR 43.5 million in 2019).

Among the costs, staff costs had an increase in 2020 compared to 2019 (+21.4%), settling at approximately EUR 30 million due to the significant development of the workforce (from 233 to 287 resources). Other administrative expenses, amounting to approximately EUR 28.9 million, are substantially determined by credit recovery costs, consultancy and set-up costs associated with the structural growth of the Company's activities consistently with the development of new managed assets.

Tax assets are expressed as a total of EUR 210.7 million (compared to EUR 79.9 million in 2019) and only include direct taxes in application of IAS 12. The largest of these items, amounting to approximately EUR 152.1 million, reflects the IRES and IRAP DTAs in relation to write-downs of receivables not yet deducted and tax relief on goodwill and intangibles. Following the positive results achieved in the last few financial years, the Company has not suffered any tax losses to be carried forward.

Current taxes include a positive amount of EUR 5.8 million and relate to the recognition of deferred tax assets of the MPS compendium not previously recognised for the amount of EUR 19.0 million and additional DTAs generated by the 2020 provisions for the amount of approximately EUR 1.9 million, partially offset by the utilisation of previously recognised tax assets for the amount of EUR 11.1 million and IRAP for the current year for the amount of EUR 4.3 million.

In consideration of the results of the activities carried out by the company appointed to carry out the legal audit of the accounts contained in the audit report on the Financial Statements, received on 2 April 2021, and of the assessments directed by the same Board, also regarding the legitimacy of the decisions made by the Directors and the adequacy of the organisational, administrative and accounting structure adopted by the company, the Board of Statutory Auditors expresses its favourable opinion regarding the approval of AMCO's Consolidated Financial Statements for the year ended 31 December 2020.

Rome, 2 April 2021

IL COLLEGIO SINDACALE

Signed by

dott. **G. Riccardi** (Presidente)

Signed by

dott.ssa **G. Puglisi** (Sindaco Effettivo)

Signed by

dott. **G. B. Lo Prejato** (Sindaco Effettivo)

11.

independent auditors' report

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
AMCO – Asset Management Company S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of AMCO – Asset Management Company S.p.A. and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of AMCO – Asset Management Company S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Purchase of Non Performing Exposures

Description of the key audit matter

As highlighted in Report on Operations – paragraph "Relevant events of 2020" and in the notes to the consolidated financial statements Part B – Information on the balance sheet, Part C –Information on the income statement and Part D – Other Information, during fiscal year 2020, the Group completed the acquisition of the following non-performing loans portfolios:

- with economic effectiveness starting from January 1, 2020 from Banca del Fucino S.p.A. and IGEA Banca S.p.A. a portfolio constituted by loans classified as "Bad Loans" and "Unlikely to pay", having a gross book value of 30 million Euro;

- with economic effectiveness starting from January 1, 2020 Banca Carige S.p.A. a portfolio constituted by loans almost all classified as "Unlikely to pay", having a gross book value of 227 million Euro;

- with economic effectiveness starting from March 1, 2020 from Credito Valtellinese S.p.A. a portfolio constituted by loans classified as "Bad Loans", having a gross book value of 177 million Euro;

- with economic effectiveness starting from April 1, 2020 from Banco BPM S.p.A. a portfolio constituted by loans almost classified as "Unlikely to pay", having a gross book value of over 600 million Euro;

- with economic effectiveness starting from July 1, 2020 from Banca Popolare di Bari S.c.p.A. in Amministrazione Straordinaria a portfolio constituted by loans classified for approximately 60% as "Unlikely to pay" and for the remaining portion as "Bad loans", having a gross book value of 2 billion Euro;

- with economic effectiveness starting from July 1, 2020 from Credito Valtellinese S.p.A. an additional portfolio constituted by loans classified for approximately 60% as "Bad loans" and for the remaining portion as "Unlikely to pay", having a gross book value of 270 million Euro;

- with economic effectiveness starting from July 1, 2020 from Banca Carige S.p.A. an additional portfolio constituted by loans almost all classified as "Bad Loans", having a gross book value of 54 million Euro.

On the above-mentioned financial assets acquired as non performing loans ("purchased or originated credit-impaired" ("POCI")), the Group accounted for interest revenues, according to IFRS 9, for 41.1 million Euro.

The Company, in the definition of the effective interest rate ”credit adjusted” relating to the purchased Non Performing Exposures, applied to an evaluation model characterized by subjectivity and complex estimation processes, based on assumptions regarding, among others, expected future cash flows and expected recovery time.

Given the materiality of the purchased non performing exposures and the complexity of the estimate of the relating interest income carried out by the Directors, using highly judgmental inputs (e.g. the expected future cash flows and expected recovery time), we deem that the recognition and the evaluation of the purchased non performing exposures and their effective interest income accounting model, represent a key audit matter of the Group’s consolidated financial statements as at December 31, 2020.

Audit procedures performed

As part of the auditing activities, the following main audit procedures were carried out:

- understanding of the purchased Non Performing Exposures transaction, through reading the Board of Directors’ meeting minutes, the contract as well as through Management’s enquiries;
- understanding and detection of relevant controls for the definition of the “credit-adjusted” effective interest rate and of the relating monitoring activities;
- analysis of the accounting treatment applied also through enquiries to the Company’s operational units and check of its compliance with the requirements of the applicable international financial reporting standards, also with the support of experts belonging to Deloitte network;
- analysis of the completeness of informational background and data relating to purchased portfolios through verification of the correspondence between management and accounting data;
- analysis and understanding of the valuation methods applied and checks on the reasonableness of the assumptions and key inputs adopted for determining and evaluating the “credit-adjusted” effective interest rate relating to the purchased non performing exposures;
- recomputation of interest income on purchased non performing exposures;
- recomputation, on a sample basis, of purchased non performing exposures book value;

- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

Partial non-proportional demerger with asymmetrical option of Banca Monte dei Paschi di Siena S.p.A. in favour of AMCO – Asset Management Company S.p.A.

Description of the key audit matter	As highlighted in Report on Operations– paragraph “Relevant events of 2020”, on June 29, 2020, the Boards of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereinafter also referred to as the "Demerged Company" or “MPS”) and of AMCO – Asset Management Company S.p.A. (hereinafter also referred to as the "Beneficiary Company" or “AMCO”) approved the project for the partial non-proportional demerger with asymmetrical option of MPS in favour of AMCO. Following the approval of the demerger project by the Shareholders' Meetings of the two companies, the demerger deed was signed on November 25, 2020 with economic effectiveness starting from December 1, 2020. The transaction took the form of a partial non-proportional demerger with asymmetrical option, pursuant to articles 2506 et seq. of the Italian Civil Code, of a compendium of assets and liabilities (the "Compendium") of MPS in favour of AMCO, which was implemented through the assignment to AMCO of part of the assets of MPS, with the allocation to the shareholders of MPS of newly issued class B shares of AMCO in an amount not proportional to the stake held by the latter in MPS prior to the demerger. Shareholders of MPS other than the Ministry of Economy and Finance (hereinafter also referred to as the "MEF”) were also granted the option not to be allotted the aforesaid B Shares of AMCO, with a consequent increase in the number of MPS shares subject to exchange by the MEF and maintenance of the interest in MPS by the minority shareholders of MPS. From an accounting point of view, since the transaction was carried out between companies subject to the same controlling entity ("under common control"), the demerger was carried out on a going concern basis (i.e. by referring to the accounting values of assets and liabilities recorded by the Demerged Company at the effectiveness date of the operation as reported on Report on Operations – paragraph 2.3 “Composition of the Compendium”) in accordance with international accounting standards. More specifically, this transaction was not put in place with a realization purpose but in the interest of obtaining a more specific assets’ management by the common shareholder. Therefore, the Officers of the Company deemed it does not fall within the scope of application of IFRS 3 “Business Combination” in relation to the allocation of the purchase price, nor does it fall within the scope of application of IFRIC 17 “Distributions of Non-cash Assets to Owners”.

As highlighted in the notes to the consolidated financial statements Part A – section 4 – paragraph 4.4 - Use of estimates and assumptions in the preparation of the financial statements for the year, at the light of the limited time span between the effective date of the demerger (December 1, 2020) and the reporting date of these financial statements, as well as in line with the assumptions adopted in the execution of the transaction (i.e. continuity of book values, since it is an “under common control transaction”), no valuations of the demerged portfolio were carried out on the basis of the valuation policies adopted by the Group. The comprehensive review of Non Performing Exposures will be carried out in 2021 in order to fully integrate the portfolio into the Company's procedures.

Given complexity of such transaction and the materiality of the related accounting impacts, we deem that the demerger represents a key audit matter of the Group’s consolidated financial statements as at December 31, 2020.

Audit procedures performed

As part of the auditing activities, the following main audit procedures were carried out:

- understanding of the acquired Compendium and of the demerger transaction, through reading Board of Directors’ meeting minutes, the contract as well as through with Management’s enquiries;
- understanding and detection of relevant controls for the accounting of the demerged Compendium;
- analysis of the accounting treatment applied also through enquiries to the Company’s operational units and check of its compliance with the requirements of the applicable international financial reporting standards, also with the support of experts belonging to Deloitte network;
- analysis, also with the support of experts belonging to Deloitte network, of the “on-boarding process” of the informational background and data relating to acquired Compendium, through understanding of governance, organization and management aspects of IT systems migration, evaluation of Group’s activities during migration and post-migration phases, verification of the adequacy and of the operational effectiveness of the controls implemented by the Company on the IT systems involved in the migration process;
- analysis of the accuracy of the accounting recording of the transaction;

- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of AMCO – Asset Management Company S.p.A. has appointed us on February 12, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of AMCO – Asset Management Company S.p.A. are responsible for the preparation of the report on operations and the information referred to in paragraph 2, letter (b) of the article 123-bis of Legislative Decree 58/98 contained in the specific section relating to the report on corporate governance and the ownership structure of AMCO – Asset Management Company S.p.A. as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of information contained in the specific section relating to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements of AMCO – Asset Management Company S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information referred to in paragraph 2, letter (b) of the article 123-bis of Legislative Decree 58/98 contained in the specific section relating to the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of AMCO – Asset Management Company S.p.A. as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

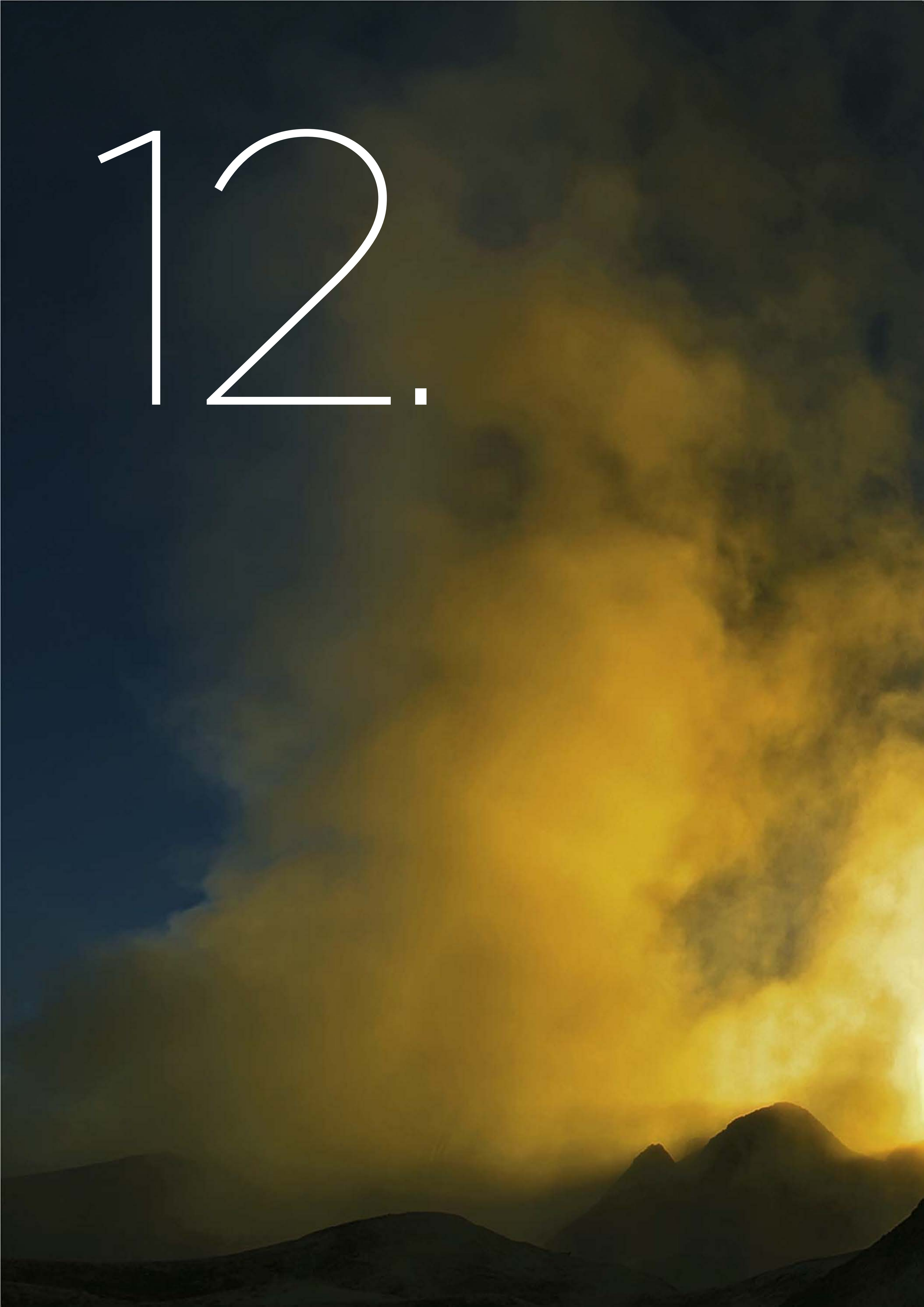
DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
April 2, 2021

This report has been translated into the English language solely for the convenience of international readers.

12.



annexes

Below are the reconciliation tables used to prepare the reclassified balance sheet and income statement. Please refer to the previous sections for an explanation of the restatements for the comparative period.

Item (Data EUR/000)	31/12/2020	31/12/2019
Loans and receivables with banks	**251,585**	**324,338**
+ 40 (a). Loans and receivables with banks	251,585	324,338
Loans and receivables with customers	**5,686,223**	**979,400**
+ 40 (b). Financial assets measured at amortised cost: loans and receivables with financial companies	381,766	6,660
+ 40 (c). Financial assets measured at amortised cost: loans and receivables with customers	5,304,456	972,740
Financial assets	**718,836**	**1,404,511**
+ 20 (a). Financial assets valued at fair value through profit and loss: financial assets held for trading	267	0
+ 20 (c). Financial assets measured at fair value through profit and loss: other financial assets mandatorily measured at fair value	658,534	559,709
+ 30. Financial assets measured at fair value through other comprehensive income	60,036	844,803
Equity investments	**10**	**14**
+ 70. Equity investments	10	14
Property, plant and equipment and intangible assets	**4,677**	**6,816**
+ 80. Property, plant and equipment	2,941	6,237
+ 90.Intangible assets	1,736	579
Tax assets	**210,687**	**79,912**
+ 100 (a). Current tax assets	10,789	11,238
+ 100 (b). Prepaid tax assets	199,898	68,673
Other assets	**28,355**	**24,717**
+ 10. Cash and cash equivalents	0	0
+ 120. Other assets	28,355	24,717
Total assets	**6,900,372**	**2,819,708**

Table 13 – Reconciliation of reclassified balance sheet assets as at 31 December 2020

Item (Data EUR/000)	31/12/2020	31/12/2019
Financial liabilities at amortised cost	**3,952,065**	**915,507**
+ 10 (a). Financial liabilities measured at amortised cost: payables	1,046,059	5,787
+ 10 (b). Financial liabilities measured at amortised cost: debt securities issued	2,906,006	909,720
Tax liabilities	**6,075**	**8,201**
+ 60 (a). Current tax liabilities	4,352	6,543
+ 60 (b). Deferred tax liabilities	1,723	1,658
Provisions for specific purposes	**20,811**	**20,784**
+ 90. Employee severance indemnities	591	593
+ 100 (b). Provisions for risks and charges: pensions and similar obligations	125	48
+ 100 (c). Provisions for risks and charges: other provisions	20,096	20,143
Other liabilities	**97,368**	**52,353**
+ 20. Financial liabilities held for trading	4	
+ 80. Other liabilities	97,364	52,353
Share capital	**655,154**	**600,000**
+ 110. Share capital	655,154	600,000
Treasury shares	**-70**	**0**
+ 120. Treasury shares	-70	0
Share premiums	**604,552**	**403,000**
+ 140. Share premiums	604,552	403,000
Reserves	**1,498,311**	**779,011**
+ 150. Reserves	1,498,311	779,011

Item (Data EUR/000)	31/12/2020	31/12/2019
Valuation reserves	**-9,903**	**-1,460**
+ 160. Valuation reserves	-9,903	-1,460
Profit for the year	**76,009**	**42,311**
+ 170. Profit (Loss) for the year	76,009	42,311
Total assets	**6,900,372**	**2,819,708**

Table 14 – Reconciliation of reclassified balance sheet liabilities as at 31 December 2020

Item (Data EUR/000)	31/12/2020	31/12/2019
Servicing commissions	**48,007**	**47,139**
+ 40. Fees and commissions income (partial)	48,007	47,139
Interests/commissions from business with customers	**101,570**	**32,382**
+ 10. Interest income (partial)	101,567	32,382
+ 40. Fees and commissions income (partial)	2	0
Other income/expenses from ordinary operations	**64,569**	**15,320**
+ 100 (a). Profit/loss from sales or repurchase of accounts receivables	25,966	-993
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - mandatorily at FV	0	0
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at fair value with impact on OCI (partial)	38,603	16,313
+ 250. Profit/loss from sale of investments (partial)	0	0
TOTAL REVENUES	**214,145**	**94,841**
Staff costs	**-29,987**	**-23,580**
+ 160 (a). Staff costs	-29,987	-23,580
Operational costs	**-25,231**	**-19,915**
+ 160 (b). Other administrative expenses	-28,438	-24,913
+ 200. Other operating income and expenses (partial)	4,720	6,099
+ 50. Fees and commissions expense (partial)	-1,513	-1,101
TOTAL COSTS	**-55,218**	**-43,496**
EBITDA	**158,927**	**51,345**
Net value adjustments/reversals on receivables and securities from ordinary operations	**-42,671**	**-3,581**
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - mandatorily at FV	397	-384
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	-43,067	-3,197
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	**-2,065**	**-1,514**
+ 180. Net value adjustments/reversals on property, plant and equipment	-1,804	-1,477
+ 190. Net value adjustments/reversals on intangible assets	-262	-38
Net provisions for risks and charges	**227**	**-3,611**
Other operating income/expenses	**-26,496**	**-12,054**
+ 80. Trading activity result	-7,779	0
+ 200. Other operating income/expenses	-13,997	-5,955
- 200. Other operating income and expenses (partial)	-4,720	-6,099
Financial activity result	**18,669**	**20,845**
+ 70 Dividends and similar revenues	13	0
+ 100 (b). Profit/loss from sale or repurchase of financial assets measured at fair value through other comprehensive income (partial)	21,899	4,100
+ 110 (b). Net result of other financial assets and liabilities measured at fair value through profit and loss - other financial assets mandatorily measured at fair value (partial)	-4,485	18,187
+ 130 (b). Net value adjustments/reversals for credit risk of: assets measured at fair value through OCI (partial)	1,242	-1,297
+ 220 Profit/loss from equity investments	0	-144
EBIT	**106,592**	**51,430**

Item (Data EUR/000)	31/12/2020	31/12/2019
Interests and commissions from financial activity	**-36,358**	**-6,095**
+ 10. Interest income (partial)	3,767	2,385
+ 20. Interest expenses	-41,326	-8,681
+ 40. Fees and commissions income (partial)	1,223	201
+ 50. Fees and commissions expense (partial)	-22	0
PRE-TAX PROFIT	**70,234**	**45,335**
Current taxes	**5,775**	**-3,024**
+ 270. Current taxes	5,775	-3,024
RESULT FOR THE YEAR	**76,009**	**42,311**

Table 15 – Reconciliation of reclassified income statement as at 31 December 2020


amco.it