amco
ASSET MANAGEMENT COMPANY

2021 Consolidated Financial statements

AMCO - ASSET MANAGEMENT COMPANY

Registered office: Via Santa Brigida, 39 - 80133 Naples - Headquarters: Via San Giovanni sul Muro 9 - 20121 Milan -
Vicenza office: Viale Europa, 23 - 36100 Vicenza - Enrolled in the Register of Financial Intermediaries pursuant to Art. 106 of Italian Legislative Decree No. 385/93 under No. 6
ABI 12933 Share Capital EUR 655,153,674.00 fully paid-up REA ("Repertorio Economico Amministrativo", Economic & Administrative Index) no. 458737 CCIAA Napoli CF and VAT No. 05828330638

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corporate offices and independent auditors

BOARD OF DIRECTORS

Chairperson	Stefano Cappiello
Chief Executive Officer	Marina Natale
Director	Domenico Iannotta

BOARD OF STATUTORY AUDITORS[1]

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

PARTIES APPOINTED TO CARRY OUT FINANCIAL CONTROL BY THE COURT OF AUDITORS (ITALIAN LAW 259/58)

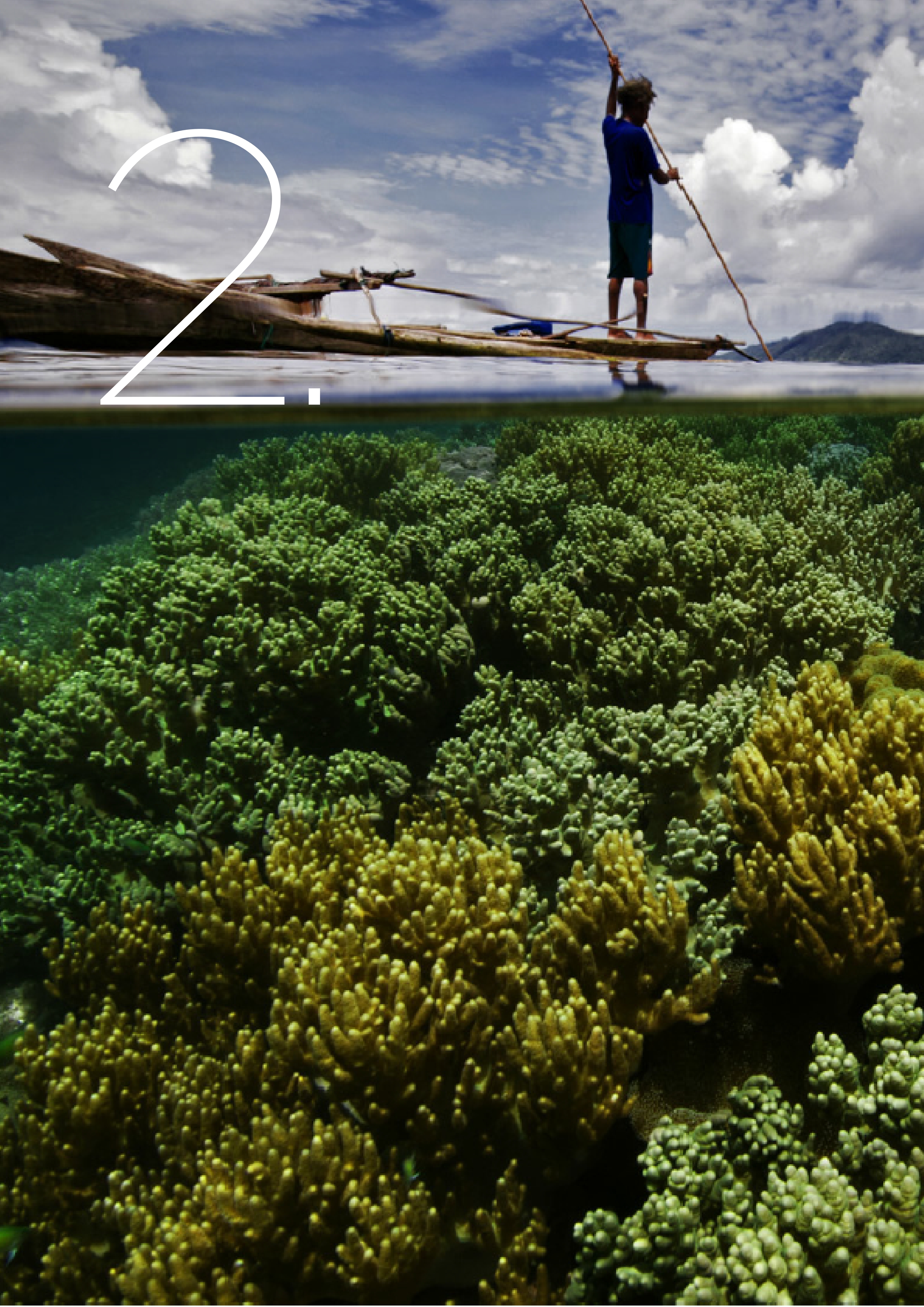
Principal Appointee	Giulia De Franciscis
Substitute Appointee	Carmela de Gennaro[2]

SUPERVISORY BODY pursuant to Italian Legislative Decree No. 231/2001[3]

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

At the date of closing the financial statements as at 31 December 2021

1 The appointment will last until the approval of the financial statements as at 31 December 2023.
2 Starting from 1 January 2022, Mr. Vincenzo Liparino replaced Ms. Carmela de Gennaro.
3 The appointment will last until the approval of the financial statements as at 31 December 2023.



2.

introduction

AMCO - Asset Management Company S.p.A. (hereinafter the "AMCO" or “AMCO S.p.A." or the "Parent Company”) 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.

Since 1997 the Parent Company has operated in the context of legislative and regulatory interventions pursuant to Law no. 588 of 19 November 1996 (conversion into Law from Legislative Decree no. 497 of 24 September 1996, laying down “urgent provisions for the reorganisation, restructuring and privatisation of Banco di Napoli”) and of art. 3 of 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 Italian 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 Italian Decree Law 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[6] 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.

On the basis of the articles of association applicable at the time of these half-yearly financial reports, AMCO’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 Art. 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 Art. 64 of the TUB and by financial intermediaries enrolled in the register set forth in Art. 106 of the TUB, even if not part of a banking group. The Company may also purchase on the market equity 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 Art. 5 of Italian Decree Law No. 99 of 25 June 2017, converted with amendments into Italian Law No. 121 of 31 July 2017, and the revisions of ministerial decrees

6 *During the 2021 financial year, the unwinding of the securitised loans by the two vehicles, Flaminia SPV S.r.l. and Ambra SPV S.r.l., was completed.*

adopted pursuant to this regulation – will be able to (i) issue loans to transfer debtors, in the various forms indicated in Art. 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 leases, as well as operating and hire leases, becoming the assignee of assets and obligations deriving from resolved or ongoing lease agreements, 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 Art. 2, paragraphs 6 and 6-bis, of Italian 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. The Company may also invest in synthetic securitisation transactions involving loans originating from banks recorded in the register pursuant to Art. 13 of Italian Legislative Decree No. 385 of 1 September 1993 (hereinafter TUB), by companies belonging to banking groups recorded in the register pursuant to Art. 64 of the TUB and by financial intermediaries recorded in the register pursuant to Art. 106 of the TUB, even if they do not belong to a banking group, or from branches or foreign branches of these entities, provided that the loans involved in the transaction are qualified as "stage 2" according to the current accounting regulations or in any case with a rating assigned by an external credit agency assessment (ECAI) not exceeding a credit rating associated with the creditworthiness class "BB" according to the current supervisory regulations, or equivalent rating assigned by the holder of the credit according to its internal assessment procedures of the credit risk.

5. 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 Art. 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 derivatives financial instruments.

6. 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 Art. 2364, paragraph 1, No. 5 of the Italian Civil Code.

7. The Company, in its capacity as Parent Company of the AMCO Financial Group, pursuant to Art. 109, paragraph 1 of the TUB, issues, in the exercise of management and coordination, instructions to the members of the Group for the execution of the provisions dictated by the Banca d'Italia.

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, AMCO is subject to financial management control by the Court of Auditors.

As at 31 December 2021, AMCO owns the entire equity investment 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 Company was put into liquidation on 16 June 2021.

AMCO's corporate structure as at 31 December 2021 is shown in the following diagram[5]:

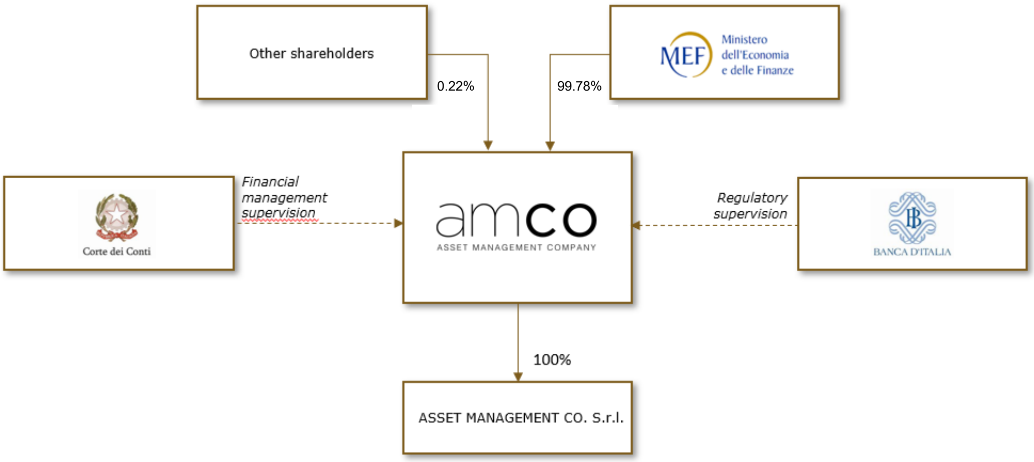
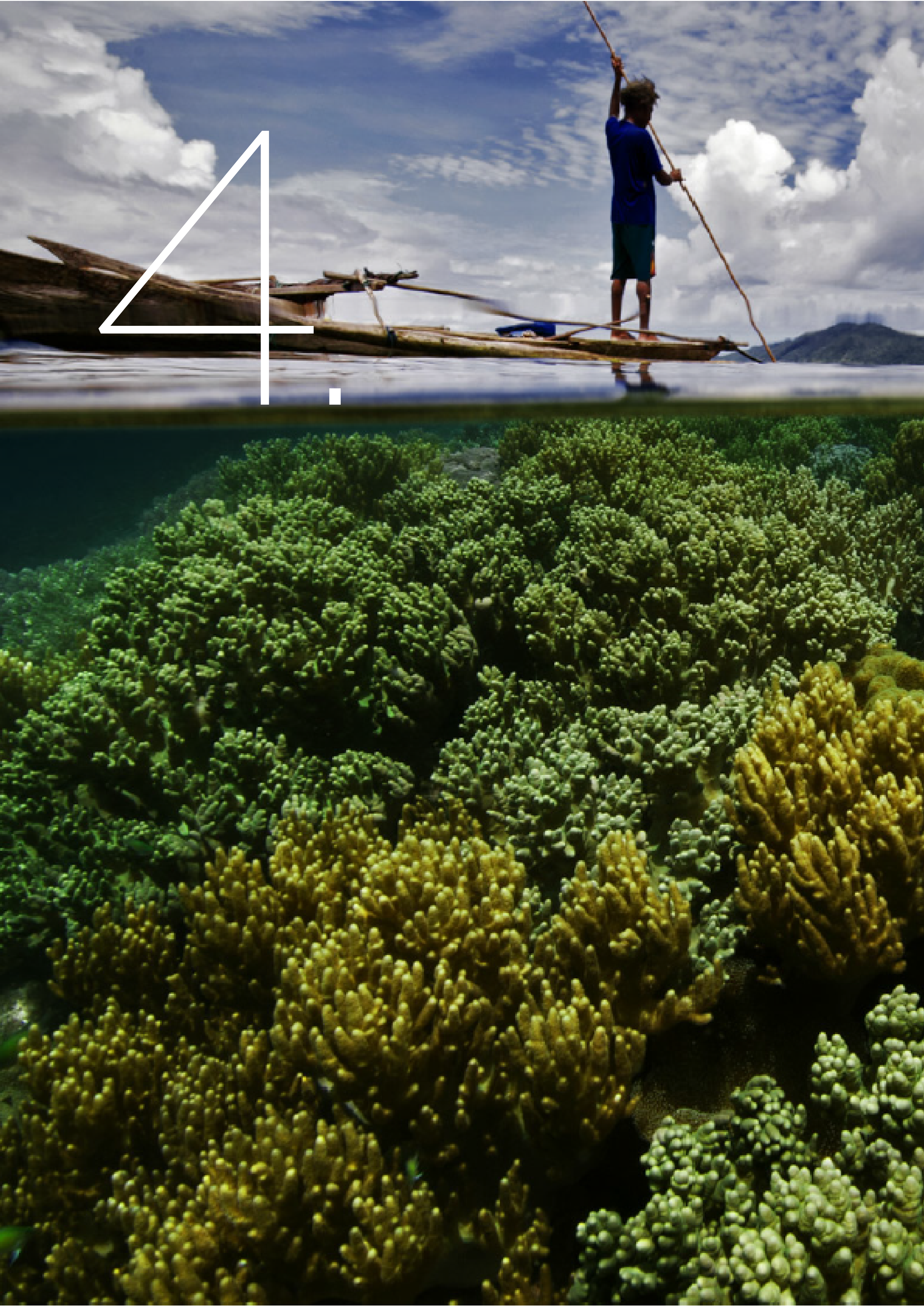


Figure 1 - Corporate Structure as at 31 December 2021[6]

The Parent Company's fully paid-up share capital is divided into 600,000,000 ordinary shares with no nominal value, held entirely by the Italian Ministry of Economy and Finance, and 55,153,674 B shares with no nominal value and no voting rights, held by the Italian Ministry of the Economy and Finance, by other shareholders and including 18,466 treasury shares in portfolio.

5 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 equity investment in it. It should be noted that the receivables conferred in the Vehicle were transferred to AMCO with effect from 1 March 2022 and, consequently, it will be put into liquidation by the end of the same year.

6 The percentage held by "other shareholders" of 0.22% comprises B shares held by other shareholders and treasury shares.


4.

organisational structure

The Parent Company's organisational structure as at 31 December 2021 is shown below:

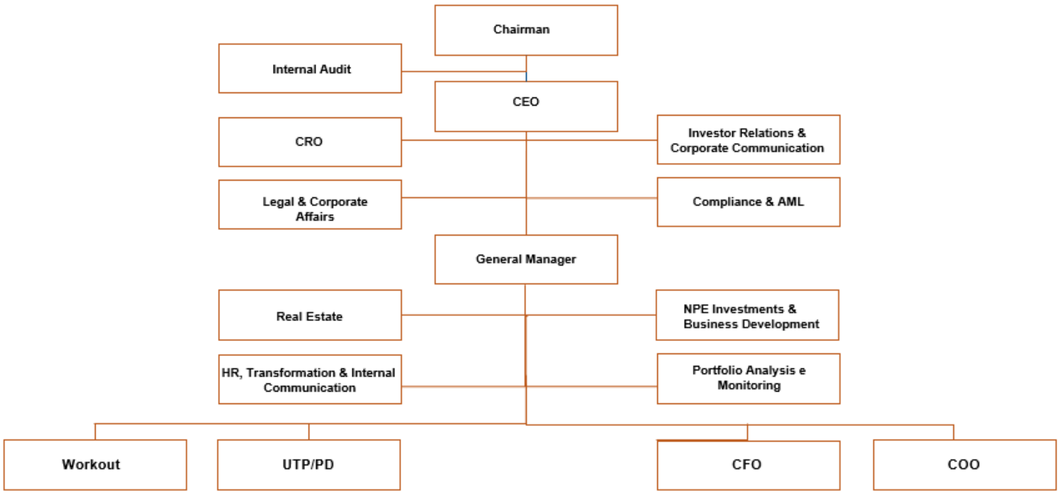


Figure 2 - Organisational structure as at 31 December 2021

As at 31 December 2021, 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 Italian 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 16 March 2021. In compliance with the above-mentioned regulation, the 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 2023.

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. control by the Italian Ministry of Economy and Finance).

Staff composition

As at 31 December 2021 the number of AMCO employees was a total of 342 units, up compared to the correspondent number as at 31 December 2020 (287 units).

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

The following table provides the break-down of the AMCO headcount at the end of 2021 by gender, age and working years, classification and contract type.

	Senior managers	Middle managers	White-collar workers	Coordinated and continued collaborators	Total
Men (No.)	15	148	44	-	207
Women (No.)	5	81	49	-	135
TOTAL	**20**	**229**	**93**	**-**	**342**
Average age	51	45	38	-	43
Length of service* (average in years)	3	5	5	-	5
Permanent contract	19	229	90	-	338
Fixed-term contract	1	0	3	-	4

Table 1 - Composition of the headcount as at 31 December 2021

Litigations

There were no litigations outstanding with employees as at 31 December 2021.

Turnover

With regard to staff turnover, hiring continued in 2021 based on the organisational and growth needs of the Company, mainly aimed at consolidating the operational strengthening linked to the growth in the volumes of impaired loans under management.

The secondment of the MPS resources, which, on the occasion of the non-proportional demerger transaction carried out with MPS, had been seconded to AMCO was definitively concluded.

Permanent contract	31/12/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category*	31/12/2021
Senior managers	16	1	-	-	2	19
Middle managers	183	43	1	(9)	11	229
White-collar workers	82	20	5	(4)	(13)	90
TOTAL	**281**	**64**	**6**	**(13)**	**-**	**338**

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

Fixed-term contract	31/12/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	31/12/2021
Senior managers	1	-	-	-	-	1
Middle managers	1	-	(1)	-	-	0
White-collar workers	4	5	(5)	(1)	-	3
TOTAL	**6**	**5**	**(6)**	**(1)**	**-**	**4**

Table 2 - Staff turnover in 2021

Training

In the course of 2021, with regard to the ongoing Covid-19 health emergency, the Parent Company continued with the provision of training activities through an e-learning platform to guarantee all staff remote and flexible access to content. 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 231/2001 general and special parts;
- Anti-corruption;
- Health and safety;
- GDPR (Privacy) and Cybersecurity.

Moreover, during the year, ad hoc training sessions were planned for managers - aimed at supporting them, through structured and modular paths, in the digital transformation processes and in guiding their respective teams - and employees - such as specialised foreign language courses in the professional field, assessment and development paths, as well as workshops on regulatory changes with an impact on the management of non-performing and UTP loans.

The total training hours carried out in 2021 were 9,625, broken down as follows:

Training hours	Senior managers	Middle managers	White-collar workers	Total
Permanent contract	558	6,466	2,560	9,584
Fixed-term contract	11	-	30	41
TOTAL	**569**	**6,466**	**2,590**	**9,625**

Table 3 - Staff training as at 31 December 2021

Health and safety

Sickness, accident and maternity days in 2021 total 795 days for employees in place as at 31 December 2021.

	Sick leave (days)	Accident and injury leave (days)	Maternity leave (days)	Total
Permanent contract	538	-	240	778
Fixed-term contract	12	-	-	12
Part-time contract	5	-	-	5
TOTAL	**555**	**-**	**240**	**795**

Table 4 - Health and safety as at 31 December 2021

Geographic location

As at 31 December 2021, the registered office of the Parent Company was located in Via Santa Brigida No. 39 in Naples, while the General Management[7] was in Via San Giovanni sul Muro 9 in Milan. The Company also operates from offices in Viale Europa 23 in Vicenza.

[7] Transferred in 2021 from the previous headquarters in Via del Lauro 7.

MEET OUR TEAM

STEFANO CAPPIELLO

CHAIRPERSON

MARINA NATALE

CEO

LUCA BATTAGLIERO

HR, TRANSFORMATION & INTERNAL COMMUNICATION

STEFANO CHIOCCHETTA

REAL ESTATE

MARCO GIACCONE

PORTFOLIO ANALYSIS E MONITORING

LORENZO LAMPIANO

LEGAL AND CORPORATE AFFAIRS

CLAUDIA MANGIONE

INTERNAL AUDIT CORRUPTION PREVENTION AND TRANSPARENCY

STEFANO MICHELI

CHIEF OPERATING OFFICER

MARCO VITTORIO MINETTI

ANTI-MONEY LAUNDERING

MANUELA OGNISSANTI

COMPLIANCE

EADBERTO PERESSONI

CHIEF FINANCIAL OFFICER

FABIO PETTIROSSI

UTP/PD

GIORGIO PICCARRETA

SPECIAL PARTNERSHIP E SERVICERS MANAGEMENT

MARCO SALEMI

CHIEF RISK OFFICER

LAURA SPOTORNO

INVESTOR RELATIONS E CORPORATE COMMUNICATIONS

PAOLO TOSI

WORKOUT

ROBERTO ZAMBOTTI

NPE INVESTMENT E BUSINESS DEVELOPMENT

5.

report on operations

MACROECONOMIC SCENARIO

During 2021 the international economy was characterised, albeit with different timing and rhythms for various countries, by a decisive recovery in world trade and production growth after the significant decline recorded in 2020 due to the restrictions introduced to deal with the pandemic originating from the Covid-19 virus. Despite the acceleration of the vaccination campaign, the picture changed with a resurgence of the pandemic due to the rapid spread of new virus variants that have forced many countries to reintroduce new restrictions on mobility, leading to the downward revisions of growth targets[13].

After a 2021, which registered an expansion of 5.9%, the forecast of the global GDP growth rate for 2022 stands at 4.5%, down from the 4.9% estimated in October 2021, affected by lower growth expectations for the economies of the United States and China.

As regards Italy, after a first quarter of stagnation (growth of 0.1%), in 2021 the economic system recorded a growth of 2.7% and 2.6% on a quarterly basis, respectively in the second and third quarters of the year, supported mainly by the expansion of household consumption. This economic change was also reinforced by an acceleration in the tertiary sector following the easing of the restrictive measures starting from the second quarter of the year. On the other hand, added value decelerated in construction and, to a lesser extent, in industry in the strict sense, after the strong expansion in the first part of the year. In the fourth quarter[14], following a new wave of infections and tensions in global supply chains, growth slowed (estimate of +0.5% compared to the third quarter) with a strong weakening in the services sector and in manufacturing[15]. A growth of the Gross Domestic Product of 6.5% is estimated for 2021 compared to the previous year.

The recovery of the economy has also allowed growth in employment. In December 2021, the employment rate was 2.4% higher than in December 2020, while the unemployment rate, at 9.0%, is still 0.6% lower than pre-pandemic levels, while the inactivity rate rose from 34.6% to 35.1%[16].

The Italian economy projections show GDP growth at a rate of 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. The projections assume that new infections will reach a peak in the first quarter of 2022, with negative short-term repercussions on mobility and consumption behaviours. Therefore, a gradual improvement in the national and global health picture is expected as spring approaches, as well as a robust GDP growth. In the three-year period, GDP growth will be driven above all by an increase in investments due to the reduction of uncertainty regarding demand prospects and favourable financing conditions, as well as a gradual increase in household consumption and the recovery of world trade. This growth profile is highly dependent on the effectiveness of the support measures introduced by the government in recent months and on the relaunch measures financed by the national budget and European funds, including those outlined in the National Recovery and Resilience Plan (PNRR).

The Covid-19 pandemic contributed to the growth of NPE stocks in all major European countries. In particular, the estimates for Italy, which in mid-2020 had managed to reduce the stock of NPEs to a gross value of around EUR 70 billion, envisage an increase in NPEs by 2022, with a time delay in respect to the pandemic thanks to the aid measures adopted by the government, which have effectively contributed to mitigating the impact on the quality of banks' assets. On 31 December 21, the deadline by which small and medium-sized enterprises could make use of the moratoriums supported by a public guarantee expired: at that date there were still moratoriums in

[13] IMF: World Economic Outlook, January 2022.
[14] ISTAT: preliminary GDP forecast, IV quarter 2021.
[15] Banca d'Italia: Economic Bulletin No. 1 – 2022.
[16] ISTAT: employed and unemployed people, December 2021.

place for approximately EUR 33 billion, less than a quarter of the total amount granted since March 2020.

On the basis of data from Banca d'Italia, as at 30 September 2021 the gross incidence of non-performing loans held by Italian banks on the loan totals stood at 3.6% compared with 3.8% in June 2021. In the third quarter of the year, the flow of new non-performing loans in relation to total loans increased by 1.1% compared to the second quarter. Although they are slightly increasing, the deterioration rates of bank assets remain at very low levels and the share of performing loans for which banks have detected a significant increase in credit risk has decreased.

Net bad loans (i.e. net of write-downs and provisions already made by banks with their own resources) in November 2021 amounted to EUR 17.6 billion, an increase compared to EUR 16.7 billion in October 2021, but down compared to November 2020, when they amounted to EUR 23.5 billion (-25.1% year-on-year vs. 19.5% in the previous period). Compared to the maximum level of net bad loans in November 2015 (EUR 88.8 billion), the reduction is EUR 71.2 billion (equal to -80.1%). The ratio of net bad loans to total loans stood at 1.02% in November 2021 (1.35% in November 2020)[17].

[17] ABI: Monthly Outlook, January 2022.

OPERATING PERFORMANCE

Income statement

2021 was a particularly positive year for the AMCO Group, both in terms of commercial and financial performance.

In particular, collections, equal to EUR 1.35 billion[13], grew by 57% compared to 2020, with an improvement in the collection rate (ratio between collections and average volumes managed) from 3.4% achieved in 2020 to 4.1%.

On the other hand, the economic results are affected by the update, completed in 2021, of recovery expectations on the non-performing loans portfolio brought to AMCO through a non-proportional demerger, completed at the end of 2020, of a set of assets and liabilities of Banca Monte dei Paschi di Siena (hereinafter "MPS"). This update, made in order to adjust the value of the portfolio to AMCO policies, was necessary since the non-performing loans were transferred "in continuity of accounting values" (and therefore at book values, as allowed by the IFRS principles for transactions "under common control"). This update gave rise to net adjustments on loans and securities for a total of EUR 528.6 million, resulting in the financial year 2021 ending with a consolidated net loss of EUR 421.9 million. This impact was largely sustainable and such as not to affect the Group’s high levels of capitalisation: the CET1 ratio as at 31 December 2021 was 35.1%, a level significantly higher than the regulatory requirements, compared to 37.3% as at 31 December 2020.

Net of the extraordinary situation highlighted above, AMCO recorded a Net profit of EUR 69.6 million in 2021, up 22% YoY thanks to the trend in revenues, supported by an average increase of 33% in the average AuM following the acquisitions made in the second half of 2020 in relation to on-balance portfolios, in particular MPS.

On the other hand, assets under management at the end of 2021 amounted to EUR 32.5 billion, down by EUR 1.7 billion compared to 2020 due to the effect of recovery activities, only partially offset by the portfolios purchased during the year (equal to EUR 388 million) and the new contributions on the Cuvée transaction (equal to EUR 183 million).

A comment is provided below on the Group’s economic performance according to the reclassified income statement, whose reconciliation with the financial statements is illustrated in the attachment referred to in Section 13 of this document.

[13] Operating data, including collections on servicing portfolios.

EUR/thousand - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Servicing commissions	46,542	48,007	(1,465)	-3%
Interests and commissions from customers	189,351	101,570	87,782	86%
Other income/charges from activities with customers	71,153	64,569	6,585	10%
Total Revenues	**307,046**	**214,145**	**92,901**	**43%**
Staff costs	(39,944)	(29,987)	(9,958)	33%
Net operational costs	(81,327)	(25,331)	(55,996)	221%
of which gross costs	(88,982)	(30,051)	(58,932)	196%
of which recoveries	7,655	4,720	2,936	62%
Total Costs and Expenses	**(121,271)**	**(55,318)**	**(65,953)**	**119%**
EBITDA	**185,775**	**158,827**	**26,947**	**17%**
Value adjustments/reversals from ordinary operations	(542,842)	(42,671)	(500,171)	1172%
Value adjustments/reversals on property, plant and equipment and intangible assets	(2,719)	(2,065)	(654)	32%
Provisions	(3,507)	227	(3,734)	n.s.
Other operating income/expenses	(2,379)	(26,496)	24,117	-91%
Financial activity result	(2,564)	18,669	(21,234)	n.s.
EBIT	**(368,237)**	**106,491**	**(474,728)**	**n.s.**
Interests and commissions from financial activity	(76,242)	(36,257)	(39,985)	110%
Pre-tax profit	**(444,479)**	**70,234**	**(514,713)**	**n.s.**
Current taxes	22,503	5,775	16,728	290%
NET RESULT	**(421,976)**	**76,009**	**(497,985)**	**n.s.**

Table 5 – Reclassified consolidated income statement as at 31 December 2021 and 31 December 2020

Revenues amounted to EUR 307.0 million, up by EUR 92.9 million (+43%) compared to 2020 thanks to the increase in interest from customers and other income and expenses from activities with customers.

In particular, servicing commissions amounted to EUR 46.5 million, down 3% compared to the previous year due to the lower contribution deriving from the management of the portfolios of the former Veneto Banks following the reduction in volumes, partially offset by the increase of the commissions received as part of the Cuvée operation thanks to the growth in volumes managed as a result of the new contributions completed in 2021.

Interest and commissions from activities with customers were up by 86% compared to 2020.

EUR/(000) - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Total POCI Portfolios	115,227	88,880	26,346	30%
Total Portfolios Amortised Cost	74,124	12,689	61,435	484%
TOTAL	**189,351**	**101,570**	**87,781**	**86%**

This increase is mainly due to the expansion of the business, which took place in the second half of 2020, which generated growth in both the interest deriving from POCI portfolios (EUR +26.3 million) and in amortised cost portfolios (in particular MPS).

The **other income and expenses from ordinary operations** amounted to EUR 71.2 million, up by EUR 6.6 million YoY (+10%) thanks to the higher reversals of cash collections made through recovery activities.

The growth in assets under management, in addition to increasing revenues, led to an increase in **costs** both in terms of staff costs and administrative expenses.

Staff costs amounted to EUR 39.9 million, an increase of approximately EUR 10.0 million (+33%) compared to 2020 due to an increase in the AMCO workforce (+55 headcount YoY) and the recourse to 88 employees seconded from MPS to ensure initial support and operational continuity in the management of the portfolio subject to the demerger. At the end of 2021, all seconded workers returned to their home institution.

Net operating costs, equal to EUR 81.3 million, are up by EUR 56.0 million (+221%) compared to 2020 with an increase in both recovery and overhead costs.

EUR/(000) - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Legal and other collection costs	29,902	6,598	23,304	353%
Outsourcing fees	14,587	1,514	13,073	864%
Repossessed property costs	7	-	7	n.s.
Insurance Policies Credit	2,557	465	2,092	450%
Expenses for collection activities	**47,053**	**8,576**	**38,477**	**449%**
IT	10,325	6,056	4,269	70%
Business information	2,557	809	1,748	216%
BPO and Document Archive	3,321	1,647	1,673	102%
Professional costs	10,372	4,894	5,478	112%
Logistics	3,627	1,995	1,632	82%
DTA fee	2,833	679	2,154	317%
Other expenses	1,240	674	566	84%
Structure costs	**34,274**	**16,755**	**17,519**	**105%**
TOTAL	**81,327**	**25,331**	**55,996**	**221%**

The **expenses related to collection activities** are affected by the increase in assets under management recorded in the financial statements, with particular reference to the former MPS and Banca Popolare di Bari portfolios and the growth in collections made by the servicers who have been outsourced to manage part of the portfolio.

Overhead costs are up by EUR 17.5 million (+105%) due to the growth in assets under management, which affects in particular the "Business information", "BPO and document archive" and "DTA fee" categories (the increase is due to the registration of the DTAs included in the MPS set). IT costs reflect, in addition to the growth in fees based on volumes, the software developments related to the optimisation initiatives of the operating machine. Professional costs are linked to consultancy support on projects and initiatives both for business development and for the efficiency of processes and the operating machine in various areas of the Group.

Due to the effect of the trend of revenues and costs described above, the **EBITDA** amounted to EUR 185.8 million, up by 17% compared to the same period of the previous year, due to an increase in revenues exceeding the increase in costs; the evolution of both figures is due to the increase in the volumes of loans and receivables with customers recorded in the financial statements.

The **balance of reversals of value adjustments from ordinary operations** is negative and equal to EUR 542.8 million mainly due to the write-downs on the MPS portfolio described above.

Other operating income and expenses amounted to EUR -2.4 million. The item mainly consists of the collar for EUR -17.8 million (mechanism for adjusting the fee and commission income of the former Veneto Banks, correlating the same to the evolution of costs actually incurred for the management and recovery of the legal relationships and assets sold by AMCO on behalf of the two Segregated Estates) partially offset by the value adjustment on positions in foreign currency.

The **financial activity result** was negative for EUR 2.6 million mainly due to the write-down on the equity investment in the Italian Recovery Fund (“IRF”) partially offset by capital gains realised on the securities portfolio used to manage liquidity.

Net interest income from financing activities was negative and amounted to EUR -76.2 million, up by EUR 40.0 million compared to the same period of the previous year as a result of the funding transactions carried out in the second half of 2020 and in the first half of 2021 necessary to support business development. The cost of funding is in any case sustainable and decreasing due to the better rates applied to the issues made in July 2020, also thanks to a favourable market scenario, and to the refinancing of part of the loan at more advantageous rates.

Taxes record the positive impact of the accounting of tax assets for the recognition of deferred tax assets that are found to be sustainable on the basis of the expected prospective profitability.

Balance Sheet

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

EUR/(000) - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Loans and receivables with banks	158,624	251,585	(92,961)	-37%
Loans and receivables with customers	4,585,719	5,686,223	(1,100,504)	-19%
Financial assets	1,152,586	718,836	433,750	60%
Equity investments	10	10	-	0%
Property, plant and equipment and intangible assets	29,154	4,677	24,477	523%
Tax assets	234,785	210,687	24,098	11%
Other assets	26,715	28,355	(1,641)	-6%
TOTAL ASSETS	6,187,592	6,900,372	**(712,780)**	**-10%**

EUR/(000) - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Payables to third parties	3,673,371	3,952,065	(278,694)	-7%
Tax liabilities	4,103	6,075	(1,972)	-32%
Provisions for specific purposes	22,950	20,811	2,139	10%
Other liability items	91,129	97,368	(6,239)	-6%
Share capital	655,081	655,084	(2)	0%
Share premium	604,552	604,552	-	0%
Reserves	1,572,479	1,498,311	74,168	5%
Valuation reserves	(14,098)	(9,903)	(4,194)	42%
Result for the year	(421,976)	76,009	(497,985)	-655%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,187,592**	**6,900,372**	**(712,780)**	**-10%**

Table 6 – Reclassified consolidated balance sheet liabilities and shareholders' equity as at 31 December 2021 and 31 December 2020

Loans and receivables with customers amounted to EUR 4.6 billion and are composed almost entirely of non-performing loans acquired as part of debt purchasing transactions between 2019 and 2021.

EUR/(000) - %	31/12/2021	31/12/2020	Delta insurance	Delta %
Total POCI Portfolios	1,795,912	1,721,947	73,964	4.3%
Total Portfolios Amortised Cost	2,765,285	3,608,986	(843,701)	-23.4%
Other loans and receivables	24,522	355,290	(330,767)	-93.1%
Total loans and receivables with customers	**4,585,719**	**5,686,223**	**(1,100,504)**	**-19.4%**

The reduction of 19.4% compared to December 2020 is due both to the extinction of the receivable from the vehicles of the Hydra M transaction, which took place as part of the repayment of the secured debt, and to the reduction of the portfolios at the amortised cost mainly due to collections and the application of the write-downs on the MPS portfolio described above.

The POCI portfolios, on the other hand, grew by 4.3% due to the acquisition transactions that took place in 2021, which offset the normal trend of the year relating to collections, cancellations and capitalisation of interest.

Financial assets amounted to EUR 1,152.6 million, up 60.4% compared to December 2020, mainly due to the increase in investments in Italian government bonds made for the use of excess liquidity, from a point of view of a more efficient management of liquidity.

Item (Data EUR/000)	31/12/2021	31/12/2020	Delta insurance	Delta %
Financial assets FVTPL	70	267	(196)	-73.6%
Italian Government bonds	498,819	56,119	442,700	788.9%
UCI shares	568,707	558,374	10,334	1.9%
- of which IRF	447,279	470,911	(23,632)	-5.0%
- of which Back2Bonis	90,847	74,623	16,223	21.7%
- of which Other UCI	30,581	12,839	17,742	138.2%
Shares and capital instruments	26,075	46,849	(20,774)	-44.3%
Loans to customers valued at fair value	58,914	57,228	1,687	2.9%
Total financial assets	**1,152,586**	**718,836**	**433,947**	**60.4%**

The UCITS units are up by 1.9% and are mainly composed of:

- Italian Recovery Fund of EUR 447.3 million, down compared to December 2020 mainly due to the repayment of principal and revenues of EUR 21.3 million and to the residual part of the write-down of the equity investment of EUR 5.1 million determined on the basis of the provisions of the company fair value policy;
- Back2Bonis for EUR 90.8 million, an increase of 21.7% both due to the new contributions made in 2021 (equal to EUR 10.9 million) and the revaluation of the equity investment of EUR 5.6 million determined on the basis of the provisions of the company fair value policy;
- Other UCITS for EUR 30.6 million, whose EUR 17.7 million increase is mainly due to the subscription of the shares of the Sansedoni Fund, which took place in the last quarter of 2021.

Receivables that do not meet the criteria for recognition under assets measured at amortised cost amounted to EUR 58.9 million, up 2.9% (these receivables mainly relate to the former MPS portfolio and to a lesser extent to the former Carige and former Banco BPM portfolios).

Property, plant and equipment and intangible assets amounted to EUR 29.2 million and increased by EUR 24.5 million compared to December 2020 mainly due to the registration of the right of use of the lease for the new Milan office.

Equity investments and other assets were substantially stable compared to the end of 2020.

Tax assets amounted to EUR 234.8 million, up 11% mainly due to the registration of DTAs previously not registered following the performance of a probability test.

Payables to third parties amounted to EUR 3,622 million, down by 7% compared to December 2020 due to the total repayment of the secured loan of EUR 1 billion, only partially offset by the unsecured issue carried out in April for EUR 750 million.

Shareholders' equity of EUR 2,396 million, down by 15% compared to December 2020 mainly due to the loss recorded in 2021.

Key balance sheet indicators 31 December 2021

Item (Data EUR/000) - %	31/12/2021	31/12/2020	Delta%/bps
Regulatory capital	2,362,065	2,824,052	-16.36%
Weighted risk assets	6,732,029	7,570,666	-11.08%
CET 1	***35.09%***	***37.30%***	**(222)**
Total Capital Ratio	***35.09%***	***37.30%***	**(222)**

Despite the negative result of income statement, AMCO confirms also for 2021 the solidity of its balance sheet, with a Total Capital Ratio of 35.09%, comfortably higher than the regulations' requirements (8%).

Business development

Portfolio purchase transactions

During 2021, the Group's organic growth continued through the acquisition of new portfolios and the development of new business initiatives, which overall brought the average total of assets under management during the year to over EUR 32 billion. The transactions that took place during the year are described below:

1 - Debt purchasing transactions

- On 22 March 2021, AMCO signed a contract with **Banca Carige 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 arising from lease agreements, mainly real estate, for a Gross Book Value of approximately EUR 70 million. The transaction was economically effective on 1 January 2021.
- On 3 December 2021, AMCO signed a purchase agreement with the **Iccrea Cooperative Banking Group** pursuant to Art. 58 of the TUB and *without recourse* of a portfolio of non-performing loans for a total Gross Book Value of EUR 264 million including: EUR 222 million of loans and receivables with corporate customers originating from the Parent Company Iccrea Banca, Banca Sviluppo and other 30 mutual banks belonging to the Group and EUR 42 million consisting of corporate lease receivables from Iccrea BancaImpresa. The transaction had an economic effective date of 1 July 2021.
- On 20 December 2021, AMCO signed a new contract with **Banca Carige 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 arising from a lease agreement, mainly real estate, for a Gross Book Value of approximately EUR 18 million. The transaction had an economic effective date of 1 July 2021.

2 - Servicing transactions

Below are the servicing transactions completed during the year:

- on 31 March 2021, AMCO, through the Assets Allocated for the Vicenza Group, completed the purchase en bloc pursuant to Art. 58 of the TUB, and without recourse by Ambra SPV S.r.l., of a portfolio of non-performing loans for a Gross Book Value of approximately EUR 3.9 billion. The transaction, which took effect on 1 April 2021, did not generate any effects on the assets under management as the Segregated Estate of the Vicenza Group already held 99.62% of the securitisation notes of Ambra SPV S.r.l.;

- on 31 March 2021, AMCO, through the Assets Allocated for the Vicenza Group, completed the purchase en bloc pursuant to Art. 58 of the TUB and without recourse by Flaminia SPV S.r.l. of a portfolio of non-performing loans for a Gross Book Value of approximately EUR 1.9 billion. The operation, which took effect on 1 April 2021, did not generate effects on the assets under management as the Segregated Estate of the Veneto Group already owned 100% of the securitisation notes of Flaminia SPV S.r.l.;
- in 2021, the growth of the Cuvèe transaction continued. 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 lease positions;
  - on 26 May 2021, a portfolio with a Gross Book Value of approximately EUR 52 million was conferred by BPER;
  - on 16 September 2021, a further EUR 59 of Gross Book Value was transferred by AMCO, Banco Desio and a leading bank;
  - on 21 December 2021, a further 124 million of Gross Book Value was transferred by Iccrea Banca, CRA Binasco and a leading bank.

Following these contributions, the assets managed by the Cuvèe platform exceed EUR 1.1 billion. The scheme of the operation foresees that against the contribution of the credits in the vehicle Ampre SPV S.r.l. (of which AMCO 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.

Reimbursement of the guaranteed loan deriving from the demerger transaction with Banca MPS

As part of the financing of the partial non-proportional spin-off between Banca Monte dei Paschi di Siena and AMCO finalised on 1 December 2020, part of the liabilities transferred to the Complex was refinanced through a secured loan with maturity in 1 year, guaranteed by the securitisation of the portfolio object of the Complex through the creation of Segregated Estate pursuant to Art. 7.1 (a) Italian Law 130/99.

On 29 January 2021, AMCO made a principal repayment of the aforementioned Secured loan for EUR 250 million using, in accordance with the loan agreement, the collections made on the portfolio acquired through the MPS Complex as from 1 December 2020, the date of economic effectiveness of the transaction.

The full repayment of the Secured loan took place on 1 June 2021.

AMCO debt structure

On 13 April 2021, AMCO issued a senior unsecured bond issue under its EMTN Programme for a nominal value of EUR 750 million with 7-year maturity in April 2028. In order to optimise the average duration of the liabilities from an Asset and Liability Management perspective, to reduce the level of asset encumbrance and to reduce the cost of funding, part of the proceeds of the above-mentioned issue, together with the cash flows generated by the former MPS NPE portfolio, were used to fully repay the Secured loan on 1 June 2021, which was still outstanding for EUR 750 million.

As at 31 December 2021, the composition of AMCO's debt is as follows:

ISIN	Description	Nominal	Coupon	Maturity	Price 31.12.2021	Rating
XS1951095329	AMCOSP 2 5/8 02/13/24	250,000,000	2.625%	13/02/2024	104.959	BBB
XS2063246198	AMCOSP 1 3/8 01/27/25	600,000,000	1.375%	27/01/2025	102.516	BBB
XS2206380573	AMCOSP 1 1/2 07/17/23	1,250,000,000	1.500%	17/07/2023	102.275	BBB
XS2206379567	AMCOSP 2 1/4 07/17/27	750,000,000	2.250%	17/07/2027	106.284	BBB
XS2332980932	AMCOSP 0 3/4 04/20/28	750,000,000	0.750%	20/04/2028	97.194	BBB
IT0005386138	FUCINO A1 19/40 0.2	18,286,000	0.20%	31/12/2040	N/A	NO
IT0005386146	FUCINO A2 19/40 2.5	40,635,000	2.50%	31/12/2040	N/A	NO

Performance of managed assets

Following the acquisition of non-performing loans through the transactions described above, AMCO is now one of the main players in the Italian market for the management of Non-Performing Exposure (NPE). AMCO is the 4th largest operator[14] in the management of NPE positions and, in particular, as regards the management of 'unlikely to pay' and 'past due' loans, AMCO is the 1st largest operator[15] 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 as at 31 December 2021 can be broken down as follows:

1 - Debt purchasing

- EUR 5.6 billion for 49 thousand debtors relating to the "POCI" portfolios.
- EUR 1.4 billion for around 1,700 debtors relating to the portfolio originating from the former Banco di Napoli.
- EUR 7.2 billion for 72 thousand debtors deriving from the MPS portfolio forming part of the demerger compendium transferred to AMCO at the end of 2020.

2 - Servicing

- EUR 14.9 billion for 98 thousand debtors relating to the Segregated Estates of the Veneto and Vicenza Groups.
- EUR 1.9 billion for 934 debtors relating to Financed Capital of VB LCA and BPVI LCA.
- EUR 1.1 billion for 157 debtors relating to the *Back2Bonis* portfolio.

Business outlook

AMCO continues to pursue the 2020-2025 objectives, confirming 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 of NPE portfolios. 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

The Italian NPL market, PwC, December 2021: the ranking reported by PWC is based on data provided by the operators as at 30 June 2021.

15 *The Italian NPL market, PwC, December 2021: the ranking reported by PWC is based on data provided by the operators as at 30 June 2021.*

provision of new finance, enabling them to normalise their financial situation and fully repay their debt.

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, positioning the Group as a top market performer thanks to an effective management model geared towards efficiency and performance.

Furthermore, 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 quantitative and qualitative growth of human resources.

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 following the conclusion of the phase of the health emergency and the redefinition of work spaces, also taking into account the new offices in Milan, 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.

Information on the effects of the Covid-19 pandemic

Impact on operations and valuations as at 31 December 2021

During 2021, the Group continued the initiatives put in place in 2020 from the start of the pandemic to safeguard the health of all stakeholders and to ensure operational continuity.

Although there are signs of economic recovery and macroeconomic forecasts are positive, there are still elements of uncertainty, which could cause a slowdown in the recovery. The combined effect of the macroeconomic situation and the type of AMCO'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 and receivables with customers, specific attention was paid to the ability of so-called 'unlikely-to-pay' debtors to generate sufficient debt-servicing cash flows to repay AMCO's credit exposures. In order to assess the possible impacts on the valuation of the assets and on its own capital, AMCO continued what was done in 2020 by carrying out sensitivity analyses aimed at identifying specific situations of difficulty of the debtors.

During the preparation of the 2021 Budget and the 2021 Risk Framework, the Parent Company carried out a sensitivity analysis by preparing two scenarios (basic and adverse) in line with the guidelines issued by the Banca d'Italia for the purposes of self-assessment of the capital adequacy of the Group.

These analyses did not reveal any particular risks for AMCO; 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 how this fair value may evolve in the future and whether the assets can be sold at estimated prices.

As in 2020, also in 2021, in its ordinary operations, AMCO provided eligible individuals with the support measures provided at the national level. Without prejudice to the preservation of the company's viability, in addition to those provided for by law, AMCO has voluntarily extended extraordinary support measures to customers deemed most deserving.

Figures in EUR/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*")	209	117,585	132	72,396	67	22,536	10	22,652
Loans subject to voluntary moratorium ("individual voluntary moratoriums")	935	515,309	738	305,104	148	23,987	49	186,217
TOTAL	**1,144**	**632,894**	**870**	**377,500**	**215**	**46,524**	**59**	**208,870**

Table 7 - Covid moratorium figures as at 31 December 2021

Staff initiatives

With regard to employees, the application of smart working on a large scale was confirmed for all employees of the Group, allowing however the possibility of access to the AMCO offices in compliance with the regulations and providing for appropriate controls to safeguard the health of employees and the community; for these purposes, a weekly rotation system has been envisaged to ensure that the spaces are occupied in line with the regulations and instructions of the competent doctor. Furthermore, during the first access phase, all employees are subjected to an anti-hygiene swab and are given individual protection (masks and sanitising gel).

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.

During 2021 training sessions were organised for all employees to provide more effective guidance and work methods to manage smart working activities, with a particular focus on collaboration and interaction with other colleagues and with their managers.

Therefore, in continuity with what was done in 2020, the Group continued to invest in activities to improve and make remote work more effective, and to ensure the safe use of the AMCO offices (periodic sanitation of the environments, supply of personal protection equipment and rapid swabs); in 2021 these investments amounted to EUR 0.7 million in costs.

RATING

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.

On 26 October 2021, Standard & Poor's ("S&P") confirmed AMCO's Investment Grade rating, with the Long-Term Issuer Credit Rating at 'BBB'. In addition, S&P improved the outlook to Positive from Stable, 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 16 December 2021, Fitch Ratings raised the LTIDR to BBB (from BBB-) with Stable Outlook, and the Short-Term Foreign Currency IDR to F2 from F3.

RELATED-PARTY TRANSACTIONS

The Parent Company 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. With the latter, in 2021 there were two contracts relating to servicing activities, against which the fee and commission expense of EUR 0.3 million and fee and commission income of EUR 0.2 million were recognised in 2021.

The other financial transactions carried out with investees of the Ministry of Economy and Finance, realised at market conditions, refer to the current account relationships held by Monte Paschi di Siena S.p.A. and Poste Italiane.

Lastly, it is noted that in the context of the securitisation transaction of the Non Performing Exposure portfolio of Banca Fucino carried out on 14 September 2019, which led to the formation of the Fucino NPL's S.r.l. and for which AMCO plays the role of Master Servicer and Special Servicer, as well as being the sole investor of Junior and Mezzanine notes, AMCO has the essential control of the same vehicle on the basis of the IFRS 10 accounting standard. Consequently, the securitisation vehicle is a "related party", in addition to being the subject of the accounting consolidation. Fee and commission income pertaining to AMCO in 2021 amounted to EUR 0.3 million, in addition to interest income deriving from securitisation notes for EUR 1.7 million.

GOING CONCERN

In addition to the indications already provided previously, owing to the absence of equity, financial or managerial ratios that could compromise the Group's operational capacity, there are no elements that would call into question the ability to operate on a going concern basis on a time span of 12 months.

This annual report was 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.

The macroeconomic context shows signs and prospects of recovery after the difficulties experienced due to the Covid-19 pandemic; however, there are still elements of uncertainty linked to the effect of the inflation dynamics on the economy that also take place in the eurozone and the consequent response of central banks in terms of normalisation of the monetary policy.

In addition to the above, the recent developments in the situation in Eastern Europe have led to geopolitical tensions on a larger scale, the impacts of which cannot be estimated. However, albeit in a currently fluid context, the main risk factors to be considered are a possible (further) upward impact on the costs of energy raw materials, as well as impacts on the macroeconomic situation (which could result in a weakening of the current recovery and tensions on the financial markets). However, it should be noted that AMCO does not hold direct or indirect exposures with Russian or Ukrainian counterparties.

These circumstances, extraordinary in their nature and extent, could have direct and indirect repercussions on the economic activity and the relative effects cannot be forecasted at present.

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 Parent Company is required to observe due to the issue of five 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

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 and efficacy 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 Parent 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 financial 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 Parent 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 Arts. 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 out in Art. 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 Parent 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:
  - 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 Community pursuant to Regulations (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, where applicable;
  - 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 Group;
  - that the Report on Operations annexed to the consolidated financial statements includes a reliable analysis of the Parent Company’s performance and result as well as its situation, together with a description of the main risks and uncertainties to which the Parent 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 Parent 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

In accordance with the provisions of paragraph 125 of Italian Law 124/2017 of 4 August 2017, it is noted that during the 2021 financial year the Parent Company had not received subsidies, contributions, paid positions and/or in any case economic advantages of any type from public administrations.

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

- the Parent Company has not carried out any research and development activities during the year;
- the Parent Company holds 18,466 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 thousands of Euro

	ASSETS ITEMS	31/12/2021	31/12/2020
10.	Cash and cash equivalents	154,973	247,278
20.	Financial assets measured at fair value through profit and loss	651,918	658,801
	a) financial assets held for trading	70	267
	b) financial assets measured at fair value	-	-
	c) other financial assets mandatorily measured at fair value	651,848	658,534
30.	Financial assets measured at fair value through other comprehensive income	500,668	60,036
40.	Financial assets measured at amortised cost	4,589,370	5,690,529
	a) loans and receivables with banks	3,651	4,307
	b) loans and receivables with financial companies	82,259	381,766
	c) loans and receivables with customers	4,503,460	5,304,456
50.	Hedging derivatives	-	-
60.	Change in value of financial assets subject to a generic hedge (+/-)	-	-
70.	Equity investments	10	10
80.	Property, plant and equipment	27,217	2,941
90.	Intangible assets	1,937	1,736
	of which goodwill	-	-
100.	Tax assets	234,785	210,687
	a) current	11,207	10,789
	b) deferred	223,578	199,898
110.	Non-current assets and groups of assets held for disposal	-	-
120.	Other assets	26,715	28,354
	TOTAL ASSETS	**6,187,592**	**6,900,371**

CONSOLIDATED BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

Amounts expressed in thousands of Euro

	LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS	31/12/2021	31/12/2020
10.	Financial liabilities measured at amortised cost	3,673,371	3,952,065
	a) payables	26,199	1,046,059
	b) debt securities issued	3,647,172	2,906,006
20.	Financial liabilities held for trading	4	4
30.	Financial liabilities measured at fair value	-	-
40.	Hedging derivatives	-	-
50.	Change in value of financial liabilities object to a generic hedge (+/-)	-	-
60.	Tax liabilities	4,103	6,075
	a) current	-	4,352
	b) deferred	4,103	1,723
70.	Liabilities associated to assets held for disposal	-	-
80.	Other liabilities	91,124	97,363
90.	Post-employment benefits	556	591
100.	Provisions for risks and charges:	22,394	20,221
	a) commitments and guarantees issued	-	-
	b) pensions and similar obligations	130	125
	c) other provisions for risks and charges	22,264	20,096
110.	Share capital	655,154	655,154
120.	Treasury shares (-)	(72)	(70)
130.	Equity instruments	-	-
140.	Share premiums	604,552	604,552
150.	Reserves	1,572,479	1,498,311
160.	Valuation reserves	(14,098)	(9,903)
170.	Profit (Loss) for the year	(421,976)	76,009
180.	Non-controlling interests	-	-
	TOTAL LIABILITIES AND NET EQUITY	**6,187,592**	**6,900,371**

CONSOLIDATED INCOME STATEMENT

Amounts expressed in thousands of Euro

	ITEMS	31/12/2021	31/12/2020
10.	Interest and similar income	189,899	105,335
	of which: interest income calculated with the effective interest method		
20.	Interest and similar expenses	(77,796)	(41,226)
30.	**INTEREST MARGIN**	**112,102**	**64,109**
40.	Fee and commission income	47,893	49,232
50.	Fee and commission expense	(754)	(1,147)
60.	**NET FEES AND COMMISSIONS**	**47,139**	**48,085**
70.	Dividends and similar revenues	1,419	13
80.	Trading activity net result	13,592	(7,779)
90.	Hedging activity net result	-	-
100.	Profit (loss) on sale/repurchase of:	4,348	24,735
	a) financial assets measured at amortised cost	2,658	2,836
	b) financial assets measured at fair value through other comprehensive income	1,690	21,899
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit and loss	344	19,054
	a) financial assets and liabilities measured at fair value	-	-
	b) other financial assets mandatorily measured at fair value	344	19,054
120.	**BROKERAGE MARGIN**	**178,945**	**148,216**
130.	Net value adjustments/reversals for credit risk of:	(480,180)	(3,239)
	a) financial assets measured at amortised cost	(479,591)	(4,465)
	b) financial assets measured at fair value through other comprehensive income	(589)	1,226
140.	Profit/loss from contractual amendments without cancellation	-	-
150.	**NET RESULT OF FINANCIAL MANAGEMENT**	**(301,236)**	**144,978**
160.	Administrative expenses:	(128,517)	(58,913)
	a) staff costs	(39,944)	(29,987)
	b) other administrative expenses	(88,573)	(28,926)
170.	Net provisions for risks and charges	(3,507)	227
	a) commitments and guarantees issued	-	-
	b) other net provisions	(3,507)	227
180.	Net value adjustments/reversals on property, plant and equipment	(1,995)	(1,804)
190.	Net value adjustments/reversals on intangible fixed assets	(724)	(262)
200.	Other operating income and expenses	(8,499)	(13,997)
210.	**OPERATIONAL COSTS**	**(143,244)**	**(74,748)**
220.	Net gains (losses) on equity investments	-	5
230.	Net result of the measurement at fair value of property, plant and equipment and intangible assets	-	-
240.	Vale adjustments on goodwill	-	-
250.	Profit (loss) on disposal of investments	-	-
260.	**PROFIT (LOSS) OF CURRENT OPERATIONS BEFORE TAXES**	**(444,479)**	**70,234**
270.	Income taxes for the year on current operating activities	22,503	5,775
280.	**PROFIT (LOSS) OF CURRENT OPERATIONS AFTER TAXES**	**(421,976)**	**76,009**
290.	Profit (Loss) from discontinued operations after taxes	-	-
300.	**PROFIT (LOSS) FOR THE YEAR**	**(421,976)**	**76,009**
310.	Profit (Loss) for the year attributable to third-party funds	-	-
320.	Profit (Loss) for the year attributable to the parent company	(421,976)	76,009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts expressed in thousands of Euro

	ITEMS	31/12/2021	31/12/2020
10.	**Profit (Loss) for the year**	**(421,976)**	**76,009**
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	1,378	(213)
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	8	(10)
80.	Non-current assets and groups of assets held for disposal		
90.	Share of equity investment valuation reserve valued at shareholders' 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	(5,581)	(4,986)
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**	**(4,194)**	**(5,209)**
180.	**Other comprehensive income (Items 10+170)**	**(426,170)**	**70,800**
190.	Consolidated comprehensive income pertaining to third parties		
200.	**Consolidated comprehensive income pertaining to the parent company**	**(426,170)**	**70,800**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2021 FINANCIAL YEAR

Amounts expressed in thousands of Euro

	Balance as at 31/12/2020	Amendment of opening balances	Balance as at 01/01/2021	Allocation of previous year profit (loss)		Changes in the year							Shareholders' equity pertaining to the group as at 31/12/2021	Shareholders' equity pertaining to third parties as at 31/12/2021
							Transactions on shareholders' equity							
				Reserves	Dividends and other distributions	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes	Comprehensive income for 2021		
Capital:														
a) ordinary shares	600,000		600,000										**600,000**	
b) other shares	55,154		55,154										**55,154**	
Share premiums	604,552		604,552										**604,552**	
Reserves:														
a) from profits	822,442		822,442	76,009		(1,711)							**896,740**	
b) others	675,869		675,869			(131)							**675,738**	
Valuation reserves	(9,903)		(9,903)									(4,194)	**(14,097)**	
Equity instruments														
Treasury shares	(70)		(70)					(2)					**(72)**	
Profit (Loss) for the year	76,009		76,009	(76,009)								(421,976)	**(421,976)**	
Net equity pertaining to the group	**2,824,053**		**2,824,053**			**(1,842)**		**(2)**				**(426,170)**	**2,396,039**	
Net equity pertaining to third parties														

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2020 FINANCIAL YEAR

Amounts expressed in thousands of Euro

	Total at 31/12/2019	Amendment of opening balances	Balance as at 01/01/2020	Allocation of previous year profit (loss)		Changes in the year							Shareholders' equity pertaining to the group as at 31/12/2020	Shareholders' equity pertaining to third parties as at 31/12/2020
							Transactions on shareholders' equity							
				Reserves	Dividends and other distributions	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes 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) from 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 pertaining to the group	**1,822,863**		**1,822,863**			**673,754**	**256,706**	**(70)**				**70,800**	**2,824,053**	
Net equity pertaining to third parties														

CONSOLIDATED STATEMENT OF CASH FLOWS - Direct method

Amounts expressed in thousands of Euro

A. OPERATING ACTIVITIES	31/12/2021	31/12/2020
1. Ordinary activities	**12,267**	**86,073**
Interest income received (+)	156,013	98,383
Interest expenses paid (-)	(72,860)	(18,069)
Dividends and similar revenues (+)	1,419	13
Net fees and commissions (+/-)	43,229	53,856
Staff costs (-)	(39,944)	(29,987)
Other costs (-)	(80,638)	(15,964)
Other revenues (+)	5,938	4,739
Duties and taxes (-)	(890)	(6,899)
Costs/revenues relating to discontinued operations net of tax effect (+/-)		
2. Cash flow generated/absorbed by financial assets	**230,185**	**(4,109,413)**
Financial assets held for trading	196	(267)
Financial assets measured at fair value	-	-
Other assets mandatorily measured at fair value	7,221	(87,384)
Financial assets measured at fair value through other comprehensive income	(445,445)	799,813
Financial assets measured at amortised cost	663,557	(4,705,211)
Other assets	4,656	(116,365)
3. Cash flow generated/absorbed by financial liabilities	**(307,303)**	**3,035,886**
Financial liabilities measured at amortised cost	(277,046)	3,020,711
Financial liabilities held for trading	-	4
Financial liabilities measured at fair value	-	-
Other liabilities	(30,257)	15,171
Net cash flow generated/absorbed by operating activities	**(64,851)**	**(987,454)**
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	**(27,452)**	**(1,963)**
Purchases of equity investments		
Purchases of property, plant and equipment	(26,272)	(340)
Purchases of intangible assets	(1,180)	(1,623)
Purchases of company business units		
Net cash flow generated/absorbed by investment activities	**(27,452)**	**(1,954)**
C. FUNDING ACTIVITIES		
Issues/purchases of treasury shares	(2)	929,237
Issues/purchases of equity instruments		
Dividend distribution and other purposes		
Net cash flow generated/absorbed by funding activities	**(2)**	**929,237**
NET CASH FLOW GENERATED/ABSORBED IN THE YEAR	**(92,305)**	**(60,171)**

RECONCILIATION

Amounts expressed in thousands of Euro

RECONCILIATION	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	**247,278**	**307,449**
Total net cash flow generated/absorbed in the year	(92,305)	(60,171)
Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the end of the year	**154,973**	**247,278**


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 2021 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 2021 in accordance with the requirements of Regulations (EU) No. 1606/2002.

For the preparation of this report, reference was also made to what was established by the Banca d'Italia in the Provisions relating to the Financial Statements of IFRS Intermediaries other than Banking Intermediaries, issued with Measure of 29 October 2021, which fully replace those of 30 November 2018. Furthermore, where applicable, the information requested by the Banca d'Italia with the communication dated 21 December 2021 - Update of the additions to measures of the Provision "The financial statements of IFRS intermediaries other than banking intermediaries" concerning the impacts of Covid -19 and measures to support the economy - was provided.

The new measures are aimed at aligning, as far as possible, financial reporting to supervisory reporting harmonised at European level (FINREP) in order to avoid the management of "double tracks" between supervisory and financial reporting and contain the reporting costs of intermediaries. The main changes made concern the presentation in the financial statements of:

- some categories of financial assets (on-demand receivables from banks and central banks and purchased and originated credit impaired loans), which are represented similarly to what is already indicated in the European harmonised reports (FINREP) and in the recently updated Banca d'Italia circulars;
- intangible assets, for which specific evidence is required of software that is not an integral part of hardware pursuant to IAS 38;
- detailed information on fee and commission income and expense;
- contributions to the resolution fund and to the deposit guarantee schemes, for which separate disclosure is required in the relevant items.

The amendments also incorporate the new elements introduced by the amendments to IFRS 7 regarding disclosure on financial instruments, endorsed with Regulation (EU) 2021/25 of 13 January 2021, in force starting from 1 January 2021. With the adoption of the amendments to IFRS 7, account was taken of the new information requests in relation to the reform of the benchmarks for determining the interest rates on financial instruments.

Finally, the provisions contained were adopted:

- in paragraph "2. Disclosure required by IFRS 7 connected with the reform of the benchmarks" of the provisions attached to the communication of 21 December 2021 - Update of the additions to the measures of the Provision "The financial statements of IFRS intermediaries other than banking intermediaries" concerning the impacts of Covid -19 and measures to support the economy;

- in paragraph "1. Transfers of financial assets" of the communication of 23 December 2019 - Financial statements of banking and financial intermediaries closed or in progress as at 31 December 2019.

In the preparation of the consolidated financial statements the IAS/IFRS standards adopted and effective as at 31 December 2021 were applied (including the SIC and IFRIC interpretative documents), without any derogation to their application.

1.1 - International accounting standards in force since 2021

The accounting standards, amendments and IFRS interpretations applicable from 1 January 2021 are reported below:

- On 31 March 2021, the IASB published an amendment called "*Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16*)", which extends by one year the application period of the amendment issued in 2020, which provided for lessees the right to account for the reduction in fees connected to Covid-19 without having to assess, through analysis of the contracts, whether the definition of lease modification of IFRS 16 was respected. Therefore, lessees who applied this option in the 2020 financial year recognised the effects of rent reductions directly in the income statement at the effective date of the reduction. The 2021 amendment, available only to entities that had already adopted the 2020 amendment, is effective as of 1 April 2021 and early adoption is allowed. The Group has not applied the available practical expedient.
- On 13 January 2021, Regulation (EU) 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 benchmarks with alternative reference rates. These amendments provide for a specific accounting treatment to allocate over time changes in the value of financial instruments or lease agreements due to the replacement of the benchmark 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 benchmark for determining interest rates. The amendments, which apply as from 1 January 2021, have not generated any effect in these consolidated financial statements as the conditions for their application are not present in the Group.

1.2 - 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 2021

- On 28 June 2021, Regulation (EU) 1080/2021 adopted the amendments to IFRS 3 "***Reference to the Conceptual Framework***", which aim to update the reference to the standard's Conceptual Framework, without significantly changing the requirements of IFRS 3. The amendments, which aim at greater consistency in financial reporting and at the avoidance of potential confusion from having more than one version of the Conceptual Framework in use, are applicable starting from 1 January 2022 and will not have any effect on the Group's consolidated financial statements.

- On 28 June 2021, Regulation (EU) 1080/2021 adopted the 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 from 1 January 2022 and will not have any effect on the Group's consolidated financial statements.
- On 28 June 2021, Regulation (EU) 1080/2021 adopted the 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. No effects are expected on the Group's consolidated financial statements as the conditions for their application are not present.
- On 28 June 2021, Regulation (EU) 1080/2021 adopted the amendments contained in the document "***Annual Improvements to IFRS Standards 2018 - 2020 Cycle***" to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples of IFRS 16. The amendments, essentially of a technical and editorial nature, are applicable starting from 1 January 2022 and will not have any effects on the Group's consolidated financial statements.
- On 19 November 2021, Regulation (EU) 2036/2021 implemented the new ***IFRS 17 - Insurance Contracts*** standard issued by the IASB, intended to replace IFRS 4. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from insurance contracts issued. IASB developed the standard providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts. The new standard will be applied as from 1 January 2023. No impacts are expected on the Group's consolidated financial statements as the conditions for the application of the new standard are not present.

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

At the reference date for these consolidated 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 23 January 2020, the IASB published the document **"*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 payables and other short-term or long-term liabilities. The amendments take effect on 1 January 2023; however, earlier application is permitted.
- In February 2021, the IASB published the document **"*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*"** containing amendments aimed at improving disclosure on accounting policies, in order to provide more useful information to users of financial statements. The amendments enter into force on 1 January 2023.
- In February 2021, the IASB published the document **"*Definition of Accounting Estimates - Amendments to IAS 8*"** containing amendments aimed at helping companies to differentiate changes in accounting estimates from changes in accounting policies. The amendments enter into force on 1 January 2023.

- In May 2021 the IASB published the document ***"Amendments to IAS 12 - Income taxes"*** to specify how companies shall account for the deferred tax on transactions such as leases and dismantling obligations. In particular, it is clarified that the exemption provided by the standard does not apply and that companies are required to recognise the deferred tax on such transactions. The amendments will apply from 1 January 2023, but earlier application is permitted.

Section 2 - Basis of preparation

The accounting standards adopted for the preparation of these consolidated financial statements, with reference to the phases of classification, recognition, evaluation and derecognition of financial assets and liabilities, have remained unchanged with respect to those adopted for the preparation of the 2020 Financial Statements, with the exception of the reclassification of on-demand receivables from banks, which, as indicated in the new provisions of the Banca d'Italia for the "Financial Statements of IFRS Intermediaries other than Banking Intermediaries", are represented under item 10 of Assets - *Cash and cash equivalents* and no longer under item 40c - *Financial assets measured at amortised cost/Loans and receivables with banks*. In order to make the comparative data homogeneous, these on-demand receivables were reclassified also for the previous year.

In addition, the expenses relating to credit recovery outsourcers have been represented in these financial statements under item *160b - Administrative expenses: other administrative expenses*, and no longer under item *50 - Fee and commission expense*.

With reference to the going-concern principle, having also taken into account the recent evolution characterising the legislative and operational context in which the Group falls, there is reasonable certainty that AMCO 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 Parent Company, which may give rise to any uncertainties in this sense.

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

In compliance with the provisions of Art. 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 2020.

The statement of cash flows for the reference period 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 2021, the reference date of the annual consolidated financial statements, and to its approval date by the Board of Directors, no events have occurred such as to require an adjustment of the values included therein.

As already indicated in the Report on Operations, the macroeconomic context shows signs and prospects of recovery after the difficulties experienced due to the Covid-19 pandemic; however, there are still elements of uncertainty linked to the effect of the inflation dynamics on the economy that also take place in the eurozone and the consequent response of central banks in terms of normalisation of the monetary policy. In addition to this are the recent geopolitical tensions in Eastern Europe, which could determine a further upward impact on the costs of energy raw materials that would translate into a weakening of the recovery underway. These circumstances, extraordinary in nature and extent, could have direct and indirect repercussions on economic activity and therefore impact on the Group's future recoveries and, consequently, on its profitability.

In addition, the following events took place:

- in January 2022, the acquisition of a portfolio of non-performing loans from Banca di Credito Cooperativo di S. Marcellino in LCA was finalised for a total gross book value of EUR 14 million;
- with effect from 1 March 2022, the unwinding was completed of the securitisation of the loans conferred in the vehicle Fucino NPL's S.r.l., whose senior class notes had been subscribed by Banca del Fucino, while the mezzanine and junior class notes had been subscribed by AMCO S.p.A.

Section 4 - Other aspects

4.1 - Use of estimates and assumptions in the preparation of the consolidated financial statements for the year

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 "POCI and non-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.

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 statements' values.

4.2 - Other

As reported in the introduction to the Report on Operations, in 2018 AMCO 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 transfer 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 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 direct beneficiary of the results of assets and liabilities, the Parent Company 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:

- AMCO is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Parent Company;
- AMCO 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 AMCO ensures that the relationship between the Parent 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. This need for information was resolved in the Report on Operations and in the Notes to the Financial Statements to which reference is made.

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

Risks, uncertainties and impacts of the Covid-19 epidemic

Although there are signs of economic recovery and macroeconomic forecasts are positive, there are still elements of uncertainty, which could cause a slowdown in the recovery. The combined effect of the macroeconomic situation and the type of AMCO'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 and receivables with customers, specific attention was paid to the ability of so-called 'unlikely-to-pay' debtors to generate sufficient debt-servicing cash flows to repay AMCO's credit exposures. In order to assess the possible impacts on the valuation of the assets and on its own capital, AMCO continued what was done in 2020 by carrying out sensitivity analyses aimed at identifying specific situations of difficulty of the debtors.

During the preparation of the 2021 Budget and the 2021 Risk Framework, AMCO carried out a sensitivity analysis by preparing two scenarios (basic and adverse) in line with the guidelines issued by the Banca d'Italia for the purposes of self-assessment of the capital adequacy of the Company.

These analyses did not reveal any particular risks for the Group, 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 how this fair value may evolve in the future and whether the assets can be sold at estimated prices.

Contractual changes resulting from Covid-19

1) Contractual amendments and accounting derecognition (IFRS 9)

In order to limit the long-term effects of the crisis triggered by the health emergency, the Italian government adopted extraordinary measures aimed at containing unemployment and supporting the most vulnerable sectors, associated with bank loans to enterprises guaranteed by the government and the extension of the solidarity fund for first home mortgages ("Gasparrini Fund"). As in 2020, also in 2021, in its ordinary operations, the Group provided eligible individuals with the support measures provided at the national level. Without prejudice to the preservation of the corporate viability, in addition to those provided for by law, the Group has voluntarily extended extraordinary support measures to customers deemed most deserving. Please refer to the paragraph "Information on the effects of the Covid-19 pandemic" for further information.

2) Amendment of the IFRS 16 accounting standard

With reference to lease agreements, it should be noted that the practical expedient provided for by Regulation (EU) No. 1434/2020 and Regulation (EU) No. 1421/2021 was not applied, as the cases envisaged by the amendment did not occur and, specifically, the Group did not obtain a reduction in lease fees associated with Covid-19 during the year.

Additional information relating to the reform of the benchmarks for determining interest rates

With regard to the benchmarks reform for determining interest rates, at the date of these financial statements there are no significant impacts or changes in the risk management strategy, as the Group has no exposures to which the IBOR Reform applies.

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 "Organizational structure" section, the Parent Company AMCO currently owns only the entire equity investment of Amco S.r.l., a Romanian company placed into liquidation during the financial year, with registered office in Bucharest and dedicated to the management of non-performing loans to debtors resident in Romania, held by Veneto Group Assets, as the liquidation of the subsidiary Immobiliare Carafa S.r.l. was concluded during 2021. 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 formed following the formation of the securitisation vehicle called Fucino NPL's S.r.l. in the context of the so called true sale securitisation transaction of a Non Performing Exposure of Banca Fucino, for a Gross Book Value of EUR 297 million, 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 AMCO 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 AMCO 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 significant third-party interests

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 2021).

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

The measurement criteria 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 doing so 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 financial assets recognised under that item, based on market data or internal Group 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 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 SSPI test;
- equity investments, not qualifiable as controlling, associated or of joint control, which 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 shareholders' 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 profit or loss deriving from the variations in fair value, with respect to the amortised cost, to a specific shareholders' equity reserve in the statement of comprehensive income until the financial asset is derecognised, or a reduction in value is not observed.

Equity instruments for which the choice has been made for classification in this category are measured at fair value and the amounts recognised under the matching entry in shareholders' 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 not “on demand” loans with banks, with financial companies and with customers, which 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 - “POCI” (Purchased or Originated Credit Impaired) - at the time of the initial recognition no provision for the coverage of losses, on condition that the expected loss is already taken into account in the fair value of the financial asset at the time of acquisition and 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 and receivables with 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 Banca d’Italia 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 include all assets used in the company's operations that are expected to be used for more than one period.

This item also includes property, plant and equipment governed by IAS 2 - Inventories, i.e. assets deriving from the enforcement of guarantees or from the purchase at auction or unassigned assets linked to resolved lease agreements which the Group intends to sell in the near future.

The same item also 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 lease agreements - 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 Balance Sheet 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 lease agreement 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 payables to customers for advances and other. Payables recognised for leases 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 de-recognised when they are settled, i.e. there are no further obligations for the Group.

Lease payables are written off if the underlying contract is terminated. Derecognition is affected 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 shareholders' 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 Group'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'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.

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, respectively, the current tax liabilities of the year, calculated on the basis of an 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.

Staff severance indemnity

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

- "defined-contribution plan" for the portions of staff severance indemnity 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 staff severance indemnity 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.

As required by IAS 19, actuarial gains/losses are recognised immediately and in full in the "Statement of comprehensive income" with an impact on shareholders’ 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.

Only where the effect of the timing deferral in bearing the estimated charge is objectively foreseeable, determinable 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 having the right.

The price of transaction represents the amount of consideration to which the entity considers having 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 accrual 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 asset portfolios held took place.

A.4 - INFORMATION ON FAIR VALUE

International accounting standard IFRS 13 and the rules established by the Banca d'Italia for the preparation of the financial statements of IFRS Intermediaries other than Bank Intermediaries 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 listed on 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 listed 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;
- for UCITS, the fair value is 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 Banca d'Italia, 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;
- 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 recognised at amortised cost, both POCI and non-POCI, 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, level transfers 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 listed 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	31/12/2021				31/12/2020			
	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		70		70		267		267
b) financial assets measured at fair value								
c) other financial assets mandatorily measured at fair value	5,441		646,406	651,848	13,999		644,534	658,534
2. Financial assets measured at fair value through other comprehensive income	498,819		1,849	500,668	57,666		2,370	60,036
3. Hedging derivatives								
4. Property, plant and equipment								
5. Intangible assets								
TOTAL ASSETS	**504,261**	**70**	**648,255**	**1,152,586**	**71,665**	**267**	**646,904**	**718,836**
1. Financial liabilities held for trading		4		4		4		4
2. Financial liabilities measured at fair value								
3. Hedging derivatives								
TOTAL LIABILITIES		**4**		**4**		4		**4**

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

- financial assets held for trading at Level 2, amounting to EUR 70 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;
- other financial assets mandatorily measured at fair value at Level 1, for EUR 5 million, include the equity investment held by the Parent Company in Trevi Finanziaria Industriale S.p.A., originating in part from the conversion of loans in relation to restructuring agreements and in part in relation to the compendium demerged from MPS;

- financial assets mandatorily measured at Level 3 fair value, for a total of EUR 675.8 million, which include the investment in the Italian Recovery Fund for EUR 447.3 million, the investment in the Back2bonis Fund for EUR 90.8 million, the SFPs of Astaldi S.p.A. from the restructuring agreement for EUR 15.3 million, the units of the SGT Sansedoni fund acquired in the context of a credit recovery transaction for EUR 17.3 million, as well as Non Performing Exposures that do not meet the criteria of IFRS 9 to be classified at amortised cost (as they had not passed the SPPI test) for EUR 58.9 million and other financial assets for EUR 16 million;
- financial assets measured at fair value though other comprehensive income of Level 1, for a total of EUR 498.8 million, consisting of the temporary investment of liquidity in government bonds;
- financial assets measured at fair value through other comprehensive income of Level 3, for a total of EUR 1.8 million, mainly consisting of the investment in Banca Carige S.p.A. for EUR 1.3 million and other securities for EUR 0.5 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	**644,534**			**644,534**	**2,370**			
2. Increases								
2.1 Purchases	30,998			30,998				
2.2 Profit attributable to:								
2.2.1 Income statement	7,262			7,262	16			
- of which: capital gains	7,262			7,262	16			
2.2.2 Shareholders’ equity								
2.3 Transfers from other levels								
2.4 Other increases	1,692			1,692				
3. Decreases								
3.1 Sales								
3.2 Refunds	22,735			22,735	22			
3.3 Loss attributable to:								
3.3.1 Income statement	15,344			15,344	515			
- of which: capital losses	15,344			15,344	515			
3.3.2 Shareholders’ equity								
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing balance	**646,407**			**646,407**	**1,849**			

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 fair value level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	TOTAL 31/12/2021				TOTAL 31/12/2020			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	4,589,370			4,589,370	5,690,530			5,690,530
2. Financial assets held for investment								
3. Non-current assets and groups of assets held for disposal								
TOTAL	**4,589,370**			**4,589,370**	**5,690,530**			**5,690,530**
1. Financial assets measured at amortised cost	3,673,371	3,647,172		26,199	3,952,065	2,906,006		1,046,059
2. Liabilities associated to assets held for disposal								
TOTAL	**3,673,371**	**3,647,172**		**26,199**	**3,952,065**	**2,906,006**		**1,046,059**

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

	31/12/2021	31/12/2020
a) Cash	-	-
b) Unrestricted deposits with Banks	154,973	247,278
TOTAL	**154,973**	**247,278**

The "Unrestricted deposits with Banks" item includes all current account exposures, net of adjustments.

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

ITEMS/VALUES	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
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		70			267	
1.1 for trading		70			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		**70**			267	
TOTAL A+B		**70**			267	

Financial derivatives held for trading include the balance, including accruals, of the deriving instruments, which AMCO took over in the context of the demerger transaction with Banca Monte Paschi di Siena.

2.2 - Derivative financial instruments

Underlying assets/Derivative types	31/12/2021				31/12/2020			
	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			6,033				26,233	
Fair value			70				267	
2. Equity securities and stock indices								
Notional value								
Fair value								
3. Currencies and gold								
Notional value								
Fair value								
4. Loans								
Notional value								
Fair value								
5. Goods								
Notional value								
Fair value								
6. Others								
Notional value								
Fair value								
TOTAL			**70**				**267**	

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

ITEMS/VALUES	31/12/2021	31/12/2020
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	70	267
TOTAL B	**70**	**267**
TOTAL (A+B)	**70**	**267**

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

ITEMS/VALUES	31/12/2021			31/12/2020		
	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	**5,441**		**18,785**	13,999		**28,933**
3. UCITS units			**568,707**			**558,374**
4. Loans			**58,914**			**57,228**
4.1 Repurchase agreement						
4.2 Others			58,914			57,228
TOTAL	**5,441**		**646,407**	**13,999**		**644,535**

The item “Equity securities” includes:

- the residual portfolio of shares of Trevi Finanziaria Industriale S.p.A. acquired following the conversion of receivables from the portfolio acquired from Banca Carige and from transaction with Monte dei Paschi di Siena for a total of EUR 5.3 million;
- equity financial instruments (SFP) acquired following the conversion of receivables from the portfolio acquired from Banca Carige and in the context of the transaction with Monte dei Paschi di Siena for a total of EUR 18.7 million;

The item “UCITS units” includes:

- the investment in Italian Recovery Fund for EUR 447.2 million. As at 31 December 2021, the Company held 472.6 units with unit value of EUR 946,413 (compared to the 493.39 units held as at 31 December 2021). The reduction in the number of units in the portfolio lies in the cancellation of units following capital distributions in May and September 2021;
- the units of the Back2Bonis Fund, assigned to the Company in the context of the Cuvée operation, amounting to EUR 90.8 million as at 31 December 2021;
- the SGT Sansedoni fund units, acquired in 2021 as part of a debt to equity swap transaction and valued at EUR 17.3 million at 31 December 2021;
- the units of Efesto, acquired in 2020 as part of the transaction with Monte dei Paschi di Siena and valued at EUR 12.5 million as at 31 December 2021;
- the units of the Clessidra Restructuring Fund, acquired in 2020 and valued at EUR 0.7 million as at 31 December 2021.

Loans include credits from the portfolios of the former Banca Carige, Monte dei Paschi di Siena and Banco Popolare, which do not pass the SSPI test and for which the measurement at fair value is mandatory.

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

ITEMS/VALUES	31/12/2021	31/12/2020
1. Equity securities	**24,226**	42,932
of which: banks	107	
of which: other financial companies		8,851
of which: non-financial companies	24,119	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	**568,707**	**558,374**
4. Loans	**58,914**	**57,228**
a) Public administrations		
b) Banks		
c) Other financial companies	9,052	17,872
of which insurance companies		
d) Non-financial companies	49,284	38,470
e) Households	578	885
TOTAL A	**651,848**	**658,534**

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

ITEMS/VALUES	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**498,819**			**56,113**		**6**
1.1 Structured securities						
1.2 Other debt securities	498,819			56,113		6
2. Equity securities			1,849	1,552		2,364
3. Loans						
TOTAL	**498,819**		**1,849**	**57,666**		**2,370**

As at 31 December 2021 this item had a balance of EUR 500.1 million. In detail:

- Other debt securities: the amount of EUR 498.8 million, inclusive of the interest accrued and net of the write-down, refers to investment in Italian government bonds;
- Equity securities: the total amount of EUR 1.8 million mainly refers, for EUR 1.3 million, to the investment in Banca Carige S.p.A. equal to 1,804,490 shares.

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

ITEMS/VALUES	31/12/2021	31/12/2020
1. Debt securities	**498,819**	**56,119**
a) Public administrations	498,819	56,119
b) Banks		
c) Other financial companies		
of which insurance companies		
d) Non-financial companies		
2. Equity securities	**1,849**	**3,916**
a) Public Administrations		
b) Banks	1,355	1,871
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies	493	2,046
3. Loans		
a) Public administrations		
b) Banks		
c) Other financial companies		
of which insurance companies		
d) Non-financial companies		
e) Households		
TOTAL	**500,668**	**60,036**

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

ITEMS/VALUES	Gross value					Total value adjustments			Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	
		of which instruments with low credit risk							
1. Debt securities	499,496	499,496				(677)			
2. Loans									
Total (T)	**499,496**	**499,496**				**(677)**			
Total (T-1)	**56,207**	**56,207**				**88**			
of which: purchased 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	31/12/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3
1. Time deposits												
2. Current accounts												
3. Loans												
2.1 Repurchase agreement												
2.2 Lease financing												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other												
4. Debt securities												
3.1 Structured securities												
3.2 Other debt securities												
5. Other assets	3,651					3,651	4,307					4,307
TOTAL	**3,651**					**3,651**	**4,307**					**4,307**

Other assets refer to receivables from the ICCREA Group related to the collections made by the Group during the interim period on the management of receivables of the portfolios acquired by the Company in December. The amounts were fully collected in January 2022.

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

Type of transactions/Values	31/12/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3
1. Loans	24,865		57,374			82,239			24,276			24,276
1.1 Repurchase agreement												
1.2 Lease financing												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans	24,865		57,374			82,239			24,276			24,276
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets	20						357,490					357,490
TOTAL	**24,885**		**57,374**			**82,306**	**357,490**		**24,276**			**381,766**

As at 31 December 2021, the item shows a balance of EUR 82.3 million, consisting of the receivables of the portfolios acquired for EUR 57.4 million and from the loan to the Back2Bonis Fund for EUR 24.9 million.

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

Type of transactions/Values	31/12/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3	First and second stages	Third stage	Purchased or Originated Credit Impaired	L1	L2	L3
1. Loans	16,165	3,440	4,483,855			4,503,460	46,555		5,257,901			5,304,456
1.1 Lease financing												
of which: without option of final purchase												
1.2 Factoring												
- with recourse												
- without recourse												
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 financing	16,165	3,440	4,483,855			4,503,460	46,555					
of which: from enforcement of guarantees and commitments									5,257,901			5,304,456
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets												
TOTAL	**16,165**	**3,440**	**4,483,855**			**4,503,460**	**46,555**		**5,257,901**			**5,304,456**

As at 31 December 2021 this item had a balance of EUR 4,503.5 million, mainly made up of:

- Portfolios measured at amortised cost (former Monte Paschi di Siena, former Banco di Napoli) for EUR 2,734.5 million;
- Portfolios valued as POCI for EUR 1,768.9 million

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

Type of transactions/Values	31/12/2021			31/12/2020		
	First and second stages	Third stage	Purchased or Originated Credit Impaired	First and second stages	Third stage	Purchased or Originated Credit Impaired
1. Debt securities						
a) Public administrations						
b) Non-financial companies						
2. Loans to:						
a) Public administrations			4,490			6,551
d) Non-financial companies	6,350	1,708	3,099,556	46,555		3,451,870
e) Households	9,815	1,732	1,379,809			1,799,479
3. Other assets						
TOTAL	**16,165**	**3,440**	**4,483,855**	**46,555**		**5,257,901**

4.5 - Financial assets measured at amortised cost: gross value and total value adjustments

ITEMS/VALUES	Gross value					Total value adjustments				
	First stage	of which instruments with low credit risk	Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	Total partial write-offs (*)
1. Debt securities										
2. Loans	25,272	25,272	16,429	6,541	9,136,513	(407)	(264)	(3,101)	(4,595,331)	
3. Other assets	3,717	3,717								
Total 31/12/2021	**28,989**	**28,989**	**16,429**	**6,541**	**9,136,513**	**(407)**	**(264)**	**(3,101)**	**(4,595,331)**	
TOTAL 31/12/2020	**384,194**	**384,194**	**27,200**		**9,479,000**	**(336)**	**(1,445)**		**(4,281,828)**	

4.5a - Loans valued at amortised cost subject to Covid-19 support measures: gross value and total value adjustments

ITEMS/VALUES	Gross value					Total value adjustments				
	First stage	of which instruments with low credit risk	Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	Total partial write-offs (*)
1. Loans subject to concession compliant with GLs					55,597				11,449	
2. Loans subject to existing moratorium measures no longer compliant with GLs and not valued as subject to transfer										
3. Loans with other forbearance measures				2,908	1,455,611			1,678	404,933	
4. New loans										
TOTAL 31/12/2021				**2,908**	**1,511,208**			**1,678**	**416,382**	
TOTAL 31/12/2020										

4.6 - Financial assets measured at amortised cost: guaranteed assets

	31/12/2021						31/12/2020					
	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	
	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Non-impaired assets guaranteed by:												
- Assets in financial leases												
- Factoring credits												
- Mortgages					14,411	14,411					4,714	4,714
- Pawns											678	678
- Personal guarantees					1,482	1,482			39	39	1,617	1,616
- Credit derivatives												
2. Impaired assets guaranteed by:												
- Assets in financial leases												
- Factoring credits												
- Mortgages			31,758	31,758	2,878,918	2,878,918					3,714,237	3,714,237
- Pawns			1,015	1,015	70,516	70,516					54,103	54,103
- Personal guarantees			8,084	4,616	815,772	815,772			66,494	66,494	454,168	454,168
- Credit derivatives					1,964	1,964						
TOTAL			**40,857**	**37,389**	**3,783,063**	**3,783,063**			**66,494**	**66,533**	**4,229,519**	**4,229,519**

EV = Book value of exposures
GV = Fair value of guarantees

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. Exclusively controlled companies						
1. 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. as at 31 December 2021 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. The Company was put into liquidation on 16 June 2021.

7.2 - Annual changes in equity investments

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

7.5 - Non-significant equity investments: accounting information

Items/Values	Profit/Loss	Total assets	Shareholders' equity	Revenues
AMCO - Asset Management Co. S.r.l.	**(125)**	**931**	**807**	**239**
TOTAL	**(125)**	**931**	**807**	**239**

Section 8 - Property, plant and equipment - Item 80

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

ASSETS/VALUES	31/12/2021	31/12/2020
1. Owned assets		
a) land		
b) buildings		
c) movable assets	1,087	149
d) electronic equipment	35	50
e) others	308	306
2. Right of use acquired through leases		
a) land		
b) buildings	25,582	2,234
c) movable assets		
d) electronic equipment		43
e) others	197	151
TOTAL	**27,208**	**2,932**
of which: from enforcement of guarantees and commitments		

The increase in fixed assets as at 31 December 2021 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 new Milan offices.

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

Assets/Values	31/12/2021	31/12/2020
1. Inventories of assets obtained from enforcement of guarantees and commitments		
a) land		
b) buildings	**9**	9
c) movable assets		
d) electronic equipment		
e) others		
2. Other inventories of property, plant and equipment		
TOTAL	**9**	**9**
of which: measured at fair value less costs to sell	9	9

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 AMCO upon its liquidation.

8.6 - Operating property, plant and equipment: annual changes

	Land	Buildings	Moveable assets	Electronic equipment	Others	Total
A. Initial gross balances		**5,058**	**189**	**233**	**905**	**6,385**
A.1 Total net impairments		(2,824)	(41)	(140)	(448)	**(3,453)**
A.2 Net initial balances		2,234	149	93	457	**2,932**
B. Increases						
B.1 Purchases		24,998	1,009	8	334	**26,349**
B.2 Capitalised improvement costs						
B.3 Reversals						
B.4 Positive change in fair value attributable to:						
a) shareholders' 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				1		**1**
C. Decreases:						
C.1 Sales				2		
C.2 Depreciation		(1,574)	(70)	(65)	(286)	**(1,995)**
C.3 Impairment losses attributable to						
a) shareholders' equity						
b) income statement						
C.4 Negative change in fair value attributable to						
a) shareholders' 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		**(76)**				
D. Net closing balance		**25,582**	**1,087**	**35**	**505**	**27,208**
D.1 Total net impairments		**(4,398)**	**(111)**	**(204)**	**(734)**	**(5,447)**
D.2 Gross closing balance		**29,980**	**1,198**	**238**	**1,239**	**32,655**
E. Valuation at cost		**25,582**	**1,087**	**35**	**505**	**27,208**

8.8 – Inventories of property, plant and equipment regulated by IAS 2: annual changes

	Inventories of property, plant and equipment deriving from the recovery of non-performing loans					Other inventories of property, plant and equipment	Total
	Land	Buildings	Moveable assets	Electronic equipment	Others		
A. Opening balances		**9**					**9**
B. Increases							
B.1 Purchases							
B.2 Reversals							
B.3 Positive exchange rate differences							
B.4 Other changes							
C. Decreases:							
C.1 Sales							
C.2 Impairment losses							
C.3 Negative exchange rate differences							
C.4 Other changes							
D. Closing balance		**9**					**9**

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 2021 the Company 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	31/12/2021		31/12/2020	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets	**1,937**		**1,736**	
of which software	1,902		1,691	
2.1 owned:	1,937		1,736	
a) generated internally	1,905		1,691	
b) others	32		45	
2.2 right of use acquired through leases				
Total 2	1,937		1,736	
3. Assets attributable to financial leases				
3.1 unexercised assets				
3.2 assets retired following termination of agreement				
3.3 other assets				
Total 3				
Total (1+2+3)	**1,937**		**1,736**	
Total (T-1)	**1,736**		**579**	

The increase in fixed assets as at 31 December 2021, which amounted to EUR 1.9 million, is almost entirely attributable to the capitalisation of software that occurred during the year.

9.2 - Intangible assets: annual changes

	TOTAL
A. Initial gross balances	**1,736**
B. Increases	
B.1 Purchases	925
B.2 Reversals	
B.3 Positive change in fair value attributable to:	
a) shareholders' equity	
b) income statement	
B.4 Other changes	
C. Decreases:	
C.1 Sales	
C.2 Amortisation	724
C.3 Value adjustments attributable to	
a) shareholders' equity	
b) income statement	
C.4 Negative change in fair value attributable to	
a) shareholders' equity	
b) income statement	
C.5 Other changes	
D. Net closing balance	**1,012**

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

	31/12/2021	31/12/2020
Deferred tax assets with balancing entry in the income statement	223,578	199,898
Deferred tax assets with balancing entry in shareholders' equity		
Assets for current taxes	11,207	10,789
TOTAL	**234,785**	**210,687**

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:

- for EUR 144.1 million to IRES and IRAP DTAs on write-downs of receivables not yet deducted pursuant to Art. 106, paragraph 3 of the Consolidated Income Tax Act or on goodwill and intangibles exempt from Art. 10-ter of Italian Legislative Decree 185/2008 (deriving from the complex demerged from Banca MPS), pursuant to the provisions of Art. 2 of Italian Legislative Decree No. 225 of 29/12/2010 and subsequent amendments (Italian Law 214/2011);
- for EUR 38.5 million to DTAs on ACE and losses deemed recoverable by the Probability Test;
- for EUR 40.9 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 over a period of 5 years on the basis of the 2020-2025 Strategic Plan appropriately corrected and integrated to consider both the variability of external events and the actual corporate performance with respect to the plan.

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

	31/12/2021	31/12/2020
Deferred tax liabilities with balancing entry in the income statement	4,103	1,723
Deferred tax liabilities with balancing entry in shareholders' equity		
Liabilities for current taxes		4,352
TOTAL	**4,103**	**6,075**

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 (as balancing entry in the income statement)

	31/12/2021	31/12/2020
1. Opening balances	**199,898**	**68,673**
2. Increases		
2.1 Prepaid taxes recognised during the year		
a) relating to previous years	4,883	18,955
b) due to change in accounting criteria		
c) reversals		
d) others	34,413	1,861
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	15,616	10,787
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	**223,578**	**199,898**

10.3.1 - Changes in deferred tax assets pursuant to Italian Law No. 214/2011 (as balancing entry in the income statement)

	31/12/2021	31/12/2020
1. Initial amount	**152,070**	**57,507**
2. Increases		**102,496**
3. Decreases	**7,932**	**7,932**
3.1 Transfers	7,932	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	**144,138**	**152,070**

10.4 - Changes in deferred tax liabilities (as balancing entry in the income statement)

	31/12/2021	31/12/2020
1. Initial amount	**1,723**	**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	4,462	
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	2,082	147
b) due to change in accounting criteria		
c) others		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Final amount	**4,103**	**1,723**

Section 12 - Other assets - Item 120

12.1 - Other assets: break-down

	31/12/2021	31/12/2020
Receivables from segregated estates	14,066	10,716
Receivables for invoices/services to be issued or collected	2,180	5,835
Improvements to third-party assets	1,887	647
Accrued income and prepaid expenses	1,124	1,277
Guarantee deposits	914	596
Miscellaneous receivables for register fees and expenses to be recovered	278	278
Others	6,265	9,006
TOTAL	**26,715**	**28,355**

As at 31 December 2021 the “Other assets” item had a balance of EUR 26.7 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 2021 and collected in the first quarter of 2022;
- “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;
- “Improvements to third-party assets” include the fit-out expenses of the new Milan office considered capitalizable by IAS 16;
- “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.

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	31/12/2021			31/12/2020		
	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			26,195			2,776
3. Other payables	5			47,747		
TOTAL	**5**		**26,195**	**1,043,283**		**2,776**
Fair value – Level 1				**995,536**		
Fair value – Level 2						
Fair value – Level 3	**5**		**26,195**	**47,747**		**2,776**
FAIR VALUE TOTAL	**5**		**26,195**	**1,043,283**		**2,776**

As at 31 December 2021 this item had a balance of EUR 26.2 million. Payables to customers of EUR 26.2 million are entirely attributable to the recognition of the financial liabilities for leases pursuant to IFRS 16.

Furthermore, as indicated in the report on operations, during the year the Company repaid the secured loan deriving from the demerger with Banca MPS for approximately EUR 1 billion.

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

TYPES OF SECURITIES/VALUES	31/12/2021				31/12/2020			
	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	50,458			50,458	54,788			54,788
1.2 others	3,596,714	3,596,714			2,851,218	2,851,218		
2. other securities								
2.1 structured								
2.2 others								
TOTAL	**3,647,172**	**3,596,714**		**50,458**	**2,906,006**	**2,851,218**		54,788

This item refers to senior unsecured bonds issued by the Company and listed on the Luxembourg Stock Exchange and 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 paragraphs 39 and B11 of IFRS 7.

Time bands	Payments to be made	
	31/12/2021	31/12/2020
- up to 1 year	1,648	1,596
- from over 1 year to 2 years	3,434	593
- from over 2 years to 3 years	3,206	407
- from over 3 years to 4 years	2,982	280
- from over 4 years to 5 years	2,954	21
- beyond 5 years	13,783	
TOTAL EXPECTED CASH FLOWS	**28,007**	**2,897**
Effect of discounting	(1,812)	(121)
Lease liabilities	**26,195**	**2,776**

Section 2 - Financial liabilities held for trading - Item 20

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

TYPE OF TRANSACTIONS/VALUES	31/12/2021					31/12/2020				
	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 obligations					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			4		
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		4		X
TOTAL A+B	**X**		**4**			X		4		

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

Underlying assets/ Derivative types	31/12/2021				31/12/2020			
	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			1,761				686	
Fair value			4				4	
2. Equity securities and stock indices								
Notional value								
Fair value								
3. Currencies and gold								
Notional value								
Fair value								
4. Loans								
Notional value								
Fair value								
5. Goods								
Notional value								
Fair value								
6. Others								
Notional value								
Fair value								
TOTAL			**4**				**4**	

Section 6 - Tax liabilities - Item 60

Please refer to section 10 of the assets.

Section 8 - Other liabilities - Item 80

8.1 - Other liabilities: break-down

	31/12/2021	31/12/2020
Invoices to be received	32,687	18,284
Payable to LCA for COLLAR	17,787	50,033
Payables to suppliers	7,538	2,990
Withholding taxes and social security contributions payable	2,739	2,078
Compensation, reimbursement of expenses and payables to personnel	1,409	912
Other payables	28,963	23,068
TOTAL	**91,124**	**97,365**

The item is mainly composed of:

- invoices to be received and payables to suppliers, increasing due to the corporate expansion phase and the full implementation of the former Monte dei Paschi di Siena portfolio, purchased in December 2020;
- 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 and commissions due to AMCO to the costs actually sustained for the management and recovery activities of the obligations of the transferred assets. The settlement of the amounts is

scheduled on a three-year basis and in May 2021 the 2018-2020 three-year period was settled. As at 31 December 2021, only the 2021 portion is recognised as payable;

- the item "Other payables" includes items in progress at the end of the year, which were settled in January 2022.

Section 9 - Staff severance indemnity - Item 90

9.1 - Staff severance indemnity: annual changes

	31/12/2021	31/12/2020
A. Opening balances	**591**	**593**
B. Increases	**22**	**14**
B1. Provision for the year	22	4
B2. Other changes		10
C. Decreases	**8**	**16**
C1. Liquidations paid		16
C2. Other changes	8	
D. Closing balance		
TOTAL	**604**	**591**

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:

	31/12/2021
Annual discount rate	**0.98%**
Annual inflation rate	**1.75%**
Staff severance indemnity annual increase rate	**2.81%**

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	525,922	576,938	558,903	543,196	542,426	560,458

9.2.b - Future Cash Flows

The table below shows the result of a break-down of the liability by staff severance indemnity over the next few years (not discounted):

Years	*Cash Flows*
0-1	27,005
0-2	49,036
2-3	24,033
3-4	39,606
4-5	21,830

Section 10 - Provisions for risks and charges - Item 100

10.1 - Provisions for risks and charges: break-down

ITEMS/VALUES	31/12/2021	31/12/2020
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	14,306	12,864
4.2 staff costs	6,868	5,911
4.3 others	1,220	1,446
TOTAL	**22,394**	**20,221**

As at 31 December 2021 the provision had a balance of EUR 22.4 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 6.2 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 Art. 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 Company currently has 10 further pending disputes where the risk of an adverse outcome is deemed to be "possible", for overall claims amounting to EUR 13 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		**125**	**20,096**	**20,221**
B. Increases				
B1. Provision for the year		72	9,892	
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		67	7,723	
C2. Changes due to adjustments to the discount rate				
C3. Other changes				
D. Closing balance		**130**	**22,264**	**22,394**

10.6 - Provisions for risks and charges: other provisions

Please refer to paragraph "10.1 Provisions for risks and charges: break-down".

Section 11 - Shareholders' 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 Italian Ministry of Economy and Finance, and 55,153,674 B shares with no nominal value and no voting rights, held by the Italian Ministry of the Economy and Finance, by other shareholders and including treasury shares in portfolio.

11.2 - Treasury shares

Types	Amount
1. Treasury shares	**72**
1.1 Ordinary shares	72
1.2 Other shares	
TOTAL	**72**

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**

11.5 - Other information

The "Other profit reserves" item is made up for EUR 206.4 million of reserves for the first-time adoption of international accounting standards and for EUR 85.5 million of retained earnings.

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	(72)				
- Profit reserves:					
Legal reserve - mandatory portion	131,031	B			
Legal reserve - portion exceeding 20%	347,270	A B C	347,270		
Other profit reserves**	418,389	A B C	418,389		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	(4,925)				
- Valuation reserves:					
- Financial assets measured at fair value through other comprehensive income ***	(13,845)	B	(13,845)		
- Actuarial profit/loss on defined-benefit plans	(252)	B	(252)		
- Profits carried forward (accumulated losses)	(421,976)	A B C	(419,311)		
TOTAL	**2,396,040**				
Available portion			1,626,921		
Non-distributable residual portion			767,090		

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

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

*** Available reserves pursuant to Art. 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 31/12/2021	Total 31/12/2020
	First stage	Second stage	Third stage	Purchased and/or Originated Credit Impaired		
1. Commitments to disburse funds						
a) Public administrations						
b) Banks						
c) Other financial companies				127	127	24,435
d) Non-financial companies	131,076		6,841	120,422	258,339	108,992
e) Households		36	2,279	1,205	3,521	
2. Financial guarantees issued						
a) Public administrations						
b) Banks						
c) Other financial companies						
d) Non-financial companies						
e) Households						

2 – Other commitments and guarantees issued

	Nominal value	
	31/12/2021	31/12/2020
1. Other guarantees issued		
of which: impaired	271	-
a) Public administrations		
b) Banks		
c) Other financial companies		
d) Non-financial companies	271	-
e) Households		
2. Other commitments		
of which: impaired		
a) Public administrations		
b) Banks		
c) Other financial companies		
d) Non-financial companies		
e) Households		

PART C - INFORMATION ON THE CONSOLIDATED 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	31/12/2021	31/12/2020
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	613			613	3,726
3. Financial assets measured at amortised cost:					
3.1 Loans and receivables with banks		36		36	42
3.2 Loans and receivables with financial companies		3,801		3,801	1,421
3.3 Loans and receivables with customers		185,312		185,312	100,147
4. Hedging derivatives	X	X			
5. Other assets	X	X			
6. Financial liabilities	X	X	X	137	
Total	**613**	**189,149**		**189,899**	**105,336**
of which: interest income on impaired assets		**189,112**		**189,112**	**101,423**
of which: interest income on leases	X				

Interest and similar income mainly include:

- EUR 189.9 million deriving from loans and receivables with financial companies and customers. In more detail, interest income is composed of:
  - Portfolios valued at amortised cost for EUR 73.7 million;
  - Portfolios valued as POCI for EUR 115.2 million.
- EUR 0.6 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	TOTAL 31/12/2021	TOTAL 31/12/2020
1. Financial assets measured at amortised cost					
1.1 Payables to banks	13,146	X	X	13,146	4,477
1.2 Payables to financial companies		X	X		
1.3 Payables to customers	96	X	X	96	138
1.4 Debt securities issued	X	64,554	X	64,554	36,608
2. Financial liabilities held for trading					
3. Financial liabilities measured at fair value					
4. Other liabilities	X	X	1	1	2
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X		
TOTAL	**13,242**	**64,554**	**1**	**77,976**	**41,225**
of which: interest expenses relative to lease payables	96	X	X	96	138

Interest and similar expenses include:

- EUR 64.5 million for the most part relative to interest expenses, accounted at amortised cost, of senior unsecured bonds issued by the Company;
- EUR 12.5 million related to the interest expenses deriving from the liabilities included in the demerger compendium of the transaction with Monte dei Paschi di Siena in 2020; These liabilities were fully repaid in May 2021;
- EUR 0.7 million relative to interest expenses on bank current accounts and for a residual part deriving from lease agreements 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 - Fee and commission income: break-down

TYPES OF SERVICES/VALUES	31/12/2021	31/12/2020
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	4,349	2,358
h) other fees and commissions (to be specified)	-	-
- credit recovery Segregated Estates	43,145	46,196
− securities lending	-	516
- others	399	162
TOTAL	**47,893**	**49,232**

Fee and commission income amounted to approximately EUR 48 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 43.1 million. A marginal amount derives from commissions related to servicing activities on the Fucino and Ampre securitised portfolio (EUR 4.3 million) and for the remainder commissions for activities carried out on behalf of the subsidiary AMCO S.r.l.

2.2 - Fee and commission expense: break-down

SERVICES/VALUES	31/12/2021	31/12/2020
a) guarantees received		
b) distribution of services by third parties		
d) collection and payment services		
e) other fees and commissions (to be specified)	754	1,147
TOTAL	**754**	**1,147**

Fees and 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 and for fee and commission expense on bank current account balances.

Section 3 - Dividends and similar revenues - Item 70

3.1 - Dividends and similar revenues: break-down

ITEMS/INCOME	31/12/2021		31/12/2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		1,419		13
C. Financial assets valued at fair value through other comprehensive income				
D. Equity investments				
TOTAL		**1,419**		**13**

The item refers to the income distributed by UCIs mainly deriving from the investment in the Italian Recovery Fund.

Section 4 - Trading activity net result - Item 80

4.1 - Trading activity net result: break-down

INCOME COMPONENTS/TRANSACTIONS	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Trading losses (D)	Net result (A+B) - (C+D)
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 UCITS units					
1.4 Loans					
1.5 Others					

INCOME COMPONENTS/TRANSACTIONS	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Trading losses (D)	Net result (A+B) - (C+D)
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Others					
3. Financial assets and liabilities: currency exchange differences	13,436	-	-	-	**13,436**
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	160	-	5	-	155
of which: natural hedges related to the fair value option	-	-	-	-	-
TOTAL	-	-	-	-	-

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

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

6.1 - Profit (loss) on disposal/repurchase: break-down

INCOME COMPONENTS/ITEMS	31/12/2021			31/12/2020		
	Profit	Losses	Net result	Profit	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	4,755	2,097	2,658	2,836		2,836
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with financial companies	-	-	-	-	-	-
1.3 Loans and receivables with customers	4,755	2,097	2,658	2,836	-	2,836
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	2,123	433	1,690	23,225	1,325	21,899
2.2 Loans	-	-	-	-	-	-
TOTAL ASSETS	**6,879**	**2,530**	**4,348**	**26,060**	**1,325**	**24,735**
B. Financial assets measured at amortised cost						
1. Payables to banks						
2. Payables to financial companies						
3. Payables to customers						
4. Debt securities issued						
TOTAL LIABILITIES						

The “Profit/loss from disposal or repurchase” item shows a positive balance following the net capital gains realised on the sale of government bonds for EUR 1.7 million and the sale of receivables for EUR 2.7 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/TRANSACTIONS	Capital gains (A)	Profit on disposal (B)	Capital losses (C)	Loss on disposal (D)	Net result (A+B) - (C+D)
1. Financial assets	**26,633**	**3,054**	**26,408**		**327**
1.1 Debt securities	136	-	136		-
1.2 Equity securities	107	2,926	11,530		(8,497)
1.3 UCITS units	7,155	-	5,084		2,070
1.4 Loans	19,236	128	9,640	2,952	6,771
2. Financial assets in currency: currency exchange differences	**X**	**X**	**X**	**X**	**-**
TOTAL	**26,633**	**3,054**	**26,408**		**344**

Capital gains as at 31 December 2021 mainly derive from:

- for EUR 19.2 million attributable to the assessment of credit positions pertaining to the former Carige, former MPS and former BPM portfolios;
- for EUR 7.2 million largely deriving from the recovery of the value of the units of the Back2Bonis and Efesto funds, for EUR 5.6 million and EUR 1.5 million respectively.

The gains on capital securities for a total of EUR 3.1 million mainly refer to the collections made in 2021 for the sale of WeBuild shares.

Capital losses mainly refer to:

- for EUR 9.6 million attributable to the valuation of credit positions of the former Carige and former MPS portfolios;
- for EUR 5.1 million to the fair value measurement of the investment in the Italian Recovery Fund;
- for EUR 11.5 million to the write-down of equity and semi-equity securities.

Losses on disposal of EUR 2.9 million derive from the conversion of some loans into equity financial instruments.

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/ TRANSACTIONS	VALUE ADJUSTMENTS (1)						REVERSALS (2)				TOTAL	TOTAL
	First stage	Second stage	Third stage		Purchased or Originated Credit Impaired		First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	(T)	(T-1)
			Write-off	Others	*Write-off*	Others					31/12/2021	31/12/2020
1. Loans and receivables with banks												
- for leases												
- for factoring												
- other loans and receivables							100				100	169
2. Loans and receivables with financial companies												
- for leases												
- for factoring												
- other loans and receivables												
3. Loans and receivables with customers												
- for leases												
- for factoring												
- for consumer credit												
- other loans and receivables	301				14,717	591,117	12			126,431	(479,691)	(4,633)
TOTAL	**301**				**14,717**	**591,117**	**112**			**126,431**	**(479,591)**	**(4,465)**

Net value adjustments/reversals 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.

Net value adjustments as at 31 December 2021 mainly derive from:

- higher adjustments for the former MPS portfolio for EUR 536.5 million;
- net write-backs for the former BDN portfolio of EUR 18.6 million;
- net write-backs on POCI portfolios for EUR 41.6 million.

8.1a - Net value adjustments for credit risk relative to financial assets measured at amortised cost subject to Covid-19 support measures: break-down

INCOME COMPONENTS/TRANSACTIONS	NET VALUE ADJUSTMENTS						TOTAL	TOTAL
	First stage	Second stage	Third stage		Purchased or Originated Credit Impaired			
			Write-off	Others	*Write-off*	Others	31/12/2021	31/12/2020
1. Loans subject to concession compliant with GLs						3,176	3,176	
2. Loans subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession								
3. Loans with other forbearance measures						127,254	127,254	
4. New loans								
TOTAL 31/12/2021						**130,430**	**130,430**	
TOTAL 31/12/2020								

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

INCOME COMPONENTS/ TRANSACTIONS	VALUE ADJUSTMENTS (1)						REVERSALS (2)						TOTAL (T)	TOTAL (T-1)
	First stage	Second stage	Third stage		Purchased or Originated Credit Impaired		First stage	Second stage	Third stage		Purchased or Originated Credit Impaired		31/12/2021	31/12/2020
			Write-off	Others	*Write-off*	Others			*Write-off*	Others	*Write-off*	Others		
A. Debt securities	594						5						589	(1,297)
B. Loans														
- With customers														
With financial companies														
- With banks														
of which: purchased or originated impaired financial assets														
C. Total	**594**						**5**						**(589)**	**(1,297)**

The net value adjustments on financial assets measured at fair value with balancing entry in shareholders' equity, equal to EUR 0.6 million, refer exclusively to the revaluation of government bonds in the portfolio as at 31 December 2021 in accordance with the provisions of IFRS 9.

Section 10 - Administrative expenses - Item 160

10.1 - Staff costs: break-down

TYPE OF EXPENSES/VALUES	TOTAL 31/12/2021	TOTAL 31/12/2020
1) Employees	**34,944**	**29,092**
a) salaries and wages	26,116	21,919
b) social security	5,103	4,421
c) staff severance indemnity	636	442
d) pension funds	-	-
e) provision for staff severance indemnity	22	4
f) provision for pensions and similar obligations:	-	-
- defined-contribution plans	-	-
- defined-benefit plans	-	-
g) payments to external complementary pension funds:	-	-
- defined-contribution plans	*1,149*	*1,033*
- defined-benefit plans	-	-
h) other benefits for employees	1,918	1,272
2) Other active personnel	-	17
3) Directors and Statutory Auditors	441	307
4) Retired personnel	-	-
5) Recoveries of expenses for personnel seconded to other companies	-	-
6) Reimbursements of expenses for personnel seconded to the company	4,559	571
TOTAL	**39,944**	**29,987**

Staff costs amounted to EUR 39.9 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 2020 is due to the increase in the number of Company staff, which rose from 287 to 342 units during the financial year.

10.2 - Average number of employees by category

Position	31/12/2021	31/12/2020
Employees		
a) senior managers	19	19
b) middle managers	210	168
c) employees	83	71
Other personnel	**62**	**7**

10.3 - Other administrative expenses: break-down

TYPE OF EXPENSES/VALUES	31/12/2021	31/12/2020
Legal and collection costs	33,331	6,924
Debt collection outsourcing fees	14,141	785
IT - IT consultancy and interventions	7,114	3,667
Professional costs - consultancy on extraordinary projects	5,994	1,704
IT - fees and user licences	5,082	2,815
Professional costs - others (legal, tax, etc.)	3,709	1,776
Business information	3,587	696
BPO and Document archive - outsourced services	3,173	1,622
DTA fee	2,833	679
Logistics - other expenses (maintenance of third-party assets, stationery, furnishings, etc.)	1,384	513
IT - other (equipment rental, telephone expenses, etc.)	1,218	719
Logistics - rental expenses and condominium charges	1,201	206
BPO and Document archive - fronting	1,113	207
Logistics - expenses for utilities and services	959	869
Professional costs - auditing company fees	589	485
Other expenses	3,144	5,259
TOTAL	**88,573**	**28,926**

Other administrative expenses amounted to EUR 88.6 million and consisted mainly of credit recovery expenses, IT and software costs and legal and notary fees. The increase observed compared to the previous year reflects the leap in size of the parent company's business.

The "Other expenses" item includes fees 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 appointed to carry out the statutory audit of the accounts and the companies belonging to its network.

Type of services	31/12/2021
Audit	433
Other services	107
TOTAL	**540**

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. The "Audit" item includes the fees relative to the statutory audit of the 2021 financial statements. The "Other services" item includes EUR 47 thousand for fees relating to agreed auditing procedures and for EUR 60 thousand for fees relating to the preparation of the offering memorandum prior to the bond issue.

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	31/12/2021	31/12/2020
For risk of sums repayments and compensation for damages	(79)	1,072
For risks on litigation and other	(118)	(30)
Other provisions for risks	(3,309)	(815)
TOTAL	**(3,506)**	**227**

The item is mainly made up of provisions for risks on litigation.

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	Depreciation (A)	Impairment losses (B)	Reversals (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 For operating purposes	1,995			1,995
- Owned	249			249
- Right of use acquired through leases	1,746			1,746
A.2 Held for investment				
- Owned				
- Right of use acquired through leases				
A.3 Inventories	X			
TOTAL	**1,995**			**1,995**

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 (A)	Impairment losses (B)	Reversals (C)	Net result (A + B - C)
1. Intangible assets other than goodwill				
of which: software				
1.1 owned	724			724
1.2 acquired through financial lease				
2. Assets attributable to financial leases				
3. Asset granted with operating lease				
TOTAL	**724**			**724**

Section 14 - Other operating income and expenses - Item 200

TYPE OF EXPENSES/VALUES	31/12/2021	31/12/2020
Other operating income	9,573	5,895
Other operating expenses	(18,072)	(19,891)
TOTAL	**(8,499)**	**(13,996)**

14.1 - Other operating expenses: break-down

TYPE OF EXPENSES/VALUES	31/12/2021	31/12/2020
Charges for COLLAR	17,787	19,071
Other operating expenses	286	820
TOTAL	**18,072**	**19,891**

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	31/12/2021	31/12/2020
Allocation of expenses	1,732	902
Indirect expenses recoveries	7,704	4,772
Other operating income	137	221
TOTAL	**9,573**	**5,895**

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

Section 15 - Net gains (losses) on equity investments - Item 220

15.1 - Net gains (losses) on equity investments: break-down

INCOME COMPONENT/VALUES	31/12/2021	31/12/2020
1. Income		
1.1 Revaluations		
1.2 Profit on disposal		
1.3 Reversals		
1.4 Other income		
2. Charges		**144**
2.1 Impairments		
2.2 Loss on disposal		
2.3 Impairment losses		144
2.4 Other expenses		
NET RESULT	**-**	**144**

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

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

INCOME COMPONENT/VALUES		31/12/2021	31/12/2020
1.	Current taxes (-)		(4,350)
2.	Changes in current taxes of previous financial years (+/-)	1,202	(52)
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 (+/-)	23,680	10,030
5.	Changes in deferred taxes (+/-)	(2,379)	147
6.	**Taxes for the year (-)(-1+/-2+3+/-4+/-5)**	**22,503**	**5,775**

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 2021.

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		**(441,814)**		***27.50%***
Increases				
Provisions for risks and charges	10,878		2,992	*0.68%*
Capital losses on financial assets at fair value	9,302		2,558	*0.58%*
Write-down of interest on arrears	5,495		1,511	*0.34%*
Other increases	332		91	*0.02%*
total increases		**26,007**		
Decreases				
Use of provisions for risks and charges	(7,971)		(2,192)	*-0.50%*
Capital gains on financial assets at fair value	(16,229)		(4,463)	*-1.01%*
Collar payment	(18,353)		(5,047)	*-1.14%*
Recognition of tax losses	(117,720)		32,373	*7.33%*
Write-downs of receivables and loans of previous years	(27,446)		(7,548)	*-1.71%*
Other decreases	(10,611)		2,918	*0.66%*
Total decreases		**(198,330)**		
Theoretical taxable income - IRES		**(614,137)**	**23,193**	***5.25%***

Reconciliation IRAP tax charges	Taxable income		IRAP	%
	Detail	Total		
Taxable income before adjustments		**(441,814)**		***5.72%***
Increases		-		
Capital losses on financial assets at fair value	5,829	-	333	*0.08%*
total increases		**5,829**		
Decreases				
Write-downs of receivables and loans of previous years	(6,716)		(384)	*-0.09%*
Adjustments to receivables from previous years (FTA IFRS 9)	(17,756)		(1,016)	*-0.23%*
Provisions for risks and charges	(2,792)		(160)	*-0.04%*
Other changes	5,829		(333)	*-0.08%*
Contingencies taxes from previous years	(21,026)		1,203	*0.27%*
Total decreases		**(27,264)**		
Theoretical taxable income		**(469,078)**	**(690)**	***-0.16%***

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	31/12/2021			31/12/2020		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Bad loans	5,909,735	3,595,717	2,314,018	6,947,254	4,004,147	2,943,107
2. Unlikely to pay	3,063,069	987,672	2,075,397	3,174,516	991,514	2,183,002
3. Non-performing past-due exposures	229,177	16,439	212,738	213,968	625	213,343
TOTAL	**9,201,981**	**4,599,828**	**4,602,153**	**10,335,738**	**4,996,286**	**5,339,452**

B.2 - Breakdown by residual life

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

Time bands	Exposures	
	31/12/2021	31/12/2020
- up to 6 months	252,695	327,586
- from over 6 months to 1 year	346,246	321,829
- from over 1 year to 3 years	1,904,727	1,401,772
- from over 3 years to 5 years	1,649,320	1,445,913
- beyond 5 years	449,164	1,842,351
Total	**4,602,153**	**5,339,452**

D. - GUARANTEES ISSUED AND COMMITMENTS

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

Operations		31/12/2021	31/12/2020
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	271	
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	130,889	
	c) Customers		
	i) funds whose utilisation is certain		
	ii) funds whose utilisation is uncertain	99,942	133,427
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		
Total		**231,102**	**133,427**

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, in the context 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 Italian Securitisation Law (Master Servicing and Special Servicing activities).

The transaction was finalised 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.

Effective 1 March 2022, the unwinding was finalised of the securitization of loans transferred to the vehicle Fucino NPL’s S.r.l.

Quantitative disclosures

As at 31 December 2021 AMCO held Junior and Mezzanine securitisation notes for a 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 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 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 Banca d’Italia 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 entity entrusted 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 Art. 2, paragraph 3, letter (c), paragraphs 6 and 6-bis of Italian Law 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.

The third phase of the Cuvèe operation was launched in October 2021, with the transfer by the three transferors (including AMCO) of credits for approximately EUR 59.7 million, while the fourth sale phase, in which AMCO did not take part, took place in December for a total of EUR 124 million.

Quantitative disclosures

AMCO transferred loans to the platform and received fund units valued at EUR 90.8 million as at 31 December 2021. As required by the Banca d'Italia circular 288/2015 and subsequent updates, AMCO applies a 100% weighting to the fund units.

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%**	+6.9 million (+7.6%)	+4.0 million (+4.4%)	+1.2 million (+1.3%)
	0	+2.8 million (+3.1%)		-2.8 million (-2.9%)
	-5%	-1.3 million (-1.5%)	-4.0 million (-4.4%)	-6.5 million (-7.1%)

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

As at 31 December 2021, the NAV of the equity investments in the Italian Recovery Fund was EUR 447.3 million while the fair value, calculated consistently with the AMCO internal method, was EUR 452.6 million (with a residual commitment of EUR 20.3 million). As per internal procedure, the NAV value is recorded in the balance sheet if this results in an amount lower than the fair value. From a regulatory point of view, it is considered a high risk exposure as required by Banca d'Italia Circular 288/2015 and subsequent updates.

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%**	+42.9 million (+9.5%)	+22.6 million (+5.0%)	+3.5 million (+0.8%)
	0	+19.3 million (+4.3%)	-	-18.2 million (-4.0%)
	-5%	-4.3 million (-1.0%)	-22.6 million (-5.0%)	-39.9 million (-8.8%)

Efesto

Qualitative disclosures

The Efesto Fund, established and managed by Finanziaria Internazionale Investments Società di Gestione del Risparmio S.p.A. (hereinafter, the “Management Company” or the “SGR”), belonging to the Banca Finanziaria Internazionale Group, was established by the Board of Directors of the Management Company on 30 July 2020. The Fund is a closed-end, reserved, mutual, alternative, Italian, real estate investment fund established pursuant to Arts. 10 and 14 of Italian Ministerial Decree 30/2015, which invests in credits pursuant to Italian Law 130/99 and in other assets permitted by the legislation applicable to funds referred to in Art. 7, paragraph 1, lett. b) and paragraph 2-bis, of Italian Law 130/99. The duration of the Fund was identified as 10 years from the start date of the Fund, with maturity on the immediately following 31 December and therefore corresponding to 31 December 2030. The depositary bank of the Fund (“Depositary”, as specified below) is BFF Bank S.p.A. The Fund began operations on 2 November 2020. The Units are reserved exclusively for investors who fall within the definition of “professional investors” pursuant to Art. 1, paragraph 1, lett. P) of Italian Ministerial Decree 30/2015 and that are i) banks ii) companies belonging to banking groups or iii) financial intermediaries registered in the list provided for by Art. 106 of the Consolidated Banking Law. The Efesto fund units were acquired in 2020 as part of the Monte dei Paschi di Siena transaction.

As required by Banca d’Italia circular 288/2015 and subsequent updates, AMCO applies a 100% weighting % to the fund units.

Quantitative disclosures

The fund units were valued, in line with the internal regulations relating to the Fair Value Policy, at EUR 12.5 million.

The change in fair value of the investment in Efesto 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%**	+1.0 million (+7.9%)	+0.6 million (+5.0%)	+0.3 million (+2.2%)
	0	+0.3 million (+2.8%)	-	-0.3 million (-2.7%)
	-5%	-0.3 million (-2.4%)	-0.6 million (-5.0%)	-0.9 million (-7.5%)

Section 3 - Information on risks and on relevant hedging policies

Introduction

With regard to the risk management and control process in the Group, 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 Banca d'Italia. 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 the risk management process, as well as of the relative identification and control procedures and modes, continuously checking their adequacy.

AMCO 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 audit 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”.

The Company may also invest in synthetic securitisation transactions involving loans originating from banks and financial intermediaries, provided that the loans involved in the transaction are qualified as “stage 2” according to the current accounting regulations or in any case with a rating assigned by an external credit agency assessment (ECAI) not exceeding a credit rating associated with the creditworthiness class “BB” according to the current supervisory regulations, or equivalent rating assigned by the holder of the credit according to its internal assessment procedures of the credit risk.

Impacts resulting from the Covid-19 pandemic

As at 31 December 2021, there were no significant impacts of the crisis deriving from the Covid-19 pandemic in terms of deterioration of the Company's loan portfolio.

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.

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. The Group adopts an approach differentiating between originated portfolios from purchased 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.

Following the MPS transaction, AMCO updated its credit valuation methodologies. The revision of the criteria essentially concerned the trigger threshold for the application of the analytical valuations (increased from EUR 500,000 to EUR 1 million in terms of gross exposure of the counterparty) and the methods for determining lump-sum provisions.

With reference to the second aspect, the provisioning percentages previously defined on the basis of external benchmarks were integrated with coefficients estimated on the evidence of internal recoveries according to an LGD (Loss Given Default) approach. This made it possible to further differentiate the provisions and make them more consistent with the historical experience of recoveries.

In particular, estimates are obtained from a sample of closed positions through statistical analyses that, starting from a long list, led to the definition of a short list based on empirical (univariate and correlation analyses) and expert based (selecting from similar indicators those most consistent with business logics) criteria and the estimation of an overall model using multivariate regressions. The model obtained uses the following information:

- type of segment (individuals/companies);
- *administrative status;*
- *vintage*;
- presence of mortgage guarantees;
- LTV (loan to value);
- presence of personal guarantees.

Finally, in order to calibrate the model output to the long-term recovery expectations, the anchor value was determined on the basis of benchmark data and a calibration factor (“prior correction”) of the precise estimate was entered.

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 Banca d’Italia Circular No. 217/1996 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”.

Changes due to Covid-19

As at 31 December 2021, there were no significant impacts of the crisis deriving from the Covid-19 pandemic in terms of measuring the expected losses on the Company's loan portfolio.

Quantitative disclosures

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

1 - Break-down of assets 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	2,312,082	2,021,484	209,674	217.21	45,914	**4,589,370**
2. Financial assets measured at fair value through other comprehensive income					498,819	**498,819**
3. Financial assets measured at fair value						
4. Other financial assets mandatorily measured at fair value	1,936	53,914	3,064			**58,914**
5. Financial assets in the process of being disposed						
TOTAL 31/12/2021	**2,314,018**	**2,075,398**	**212,738**		**544,733**	**5,147,104**
TOTAL 31/12/2020	**2,943,107**	**2,183,003**	**213,343**		**711,968**	**6,051,422**

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

PORTFOLIOS/QUALITY	Impaired assets				Performing assets			TOTAL
	Gross exposure	Total value adjustments	Net exposure	*Total partial write-offs**	Gross exposure	Total value adjustments	Net exposure	net exposure
1. Financial assets measured at amortised cost	9,784,754	(5,241,515)	4,543,239		46,739	(608)	46,131	**4,589,370**
2. Financial assets measured at fair value through other comprehensive income					499,496	(677)	498,819	**498,819**
3. Financial assets measured at fair value								
4. Other financial assets mandatorily measured at fair value	60,377	(1,462)	58,914					**58,914**
5. Financial assets in the process of being disposed								
TOTAL 31/12/2021	**9,845,131**	**(5,242,977)**	**4,602,154**		**546,235**	**(1,284)**	**544,950**	**5,147,104**
TOTAL 31/12/2020	**9,632,204**	**(4,283,751)**	**5,339,453**	**315**	**713,853**	**(2,151)**	**711,969**	**6,051,422**

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

Portfolios/risk stages	First stage			Second stage			Third stage			Purchased or Originated Credit Impaired		
	From 1 to 30 days	From over 30 up to 90 days	beyond 90 days	From 1 to 30 days	From over 30 up to 90 days	beyond 90 days	From 1 to 30 days	From over 30 up to 90 days	beyond 90 days	From 1 to 30 days	From over 30 up to 90 days	beyond 90 days
1. Financial assets measured at amortised cost				221	1,119	2,549	17	111	1,983	18,959	41,788	3,743,988
2. Financial assets measured at fair value through other comprehensive income												
TOTAL 31/12/2021				**221**	**1,119**	**2,549**	**17**	**111**	**1,983**	**18,959**	**41,788**	**3,743,988**
TOTAL 31/12/2020		**16,742**	**4,037**	**3,688**	**2,096**	**428**				**39,130**	**82,569**	**4,509,383**

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 write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs
Opening balances	**(680)**			**(680)**	**(1,412)**			**(1,412)**
Increases in purchased or originated financial assets	(285)			(285)	(538)			(538)
Derecognitions other than write-offs	284			284	8			8
Net value adjustments/reversals for credit risk (+/-)	204			204	(359)			(359)
Contractual amendments without derecognition								
Changes of the estimation method								
Write-off	17			17	84			84
Other changes								
Closing balance	**(460)**			**(460)**	**(2,217)**			**(2,217)**
Cash collection recoveries on financial assets subject to write-off	(195)			(195)	(40)			(40)
- Write-offs recognised directly to the income statement	(475)			(475)	(296)			(296)

Assets falling within the third stage				of which: purchased or originated impaired financial assets	Total provisions for commitments to disburse funds and financial guarantees issued			Total
Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	comprehensive income	of which: individual write-downs		First stage	Second stage	Third stage	
(4,993,006)			**(4,993,006)**	**(4,993,006)**				**(4,995,098)**
(3,177)			(3,177)	(5,269)				(4,000)
2,726			2,726	149				3,017
(397,058)			(397,058)	(427,674)				(397,212)
152,431			152,431	141,185				152,532
(5,238,084)			**(5,238,084)**	**(5,284,615)**				**(5,240,760)**
(29,205)			(29,205)	(28,209)				(29,440)
(48,827)			(48,827)	(46,935)				(49,599)

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**
	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES										
A.1 On demand										
a) Non-performing	X				X					
b) Performing	155,154		X		182		X		**154,973**	
A.2 Others										
a) Bad loans	X			50,265	X			37,732	**12,533**	
- of which: forborne exposures	X			76	X				**76**	
b) Unlikely to pay	X			64,789	X			18,510	**46,279**	
- of which: forborne exposures	X			42,852	X			12,719	**30,133**	
c) Non-performing past-due exposures	X			13,939	X			6,324	**7,614**	
- of which: forborne exposures	X			7,752	X			3,907	**3,845**	
d) Performing past-due exposures			X				X			
- of which: forborne exposures			X				X			
e) Other performing exposures	28,990		X		407		X		**28,583**	
- of which: forborne exposures			X				X			
TOTAL A	**184,144**	**-**	**-**	**128,993**	**589**	**-**	**-**	**62,566**	**249,982**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Non-performing				**127**					**127**	
b) Performing										
TOTAL B	**-**	**-**	**-**	**127**	**-**	**-**	**-**	**-**	**127**	
TOTAL A+B	**184,144**	**0**	**0**	**129,119**	**589**	**0**	**0**	**62,566**	**250,109**	

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**	**42,732**	**85,938**	**965**
	- of which: exposures transferred but not derecognised			
B.	**Increases**	**16,400**	**18,774**	**27,428**
	B.1 inflows from performing exposures			
	B.2 inflows from purchased or originated impaired financial assets	2	8,459	9,784
	B.3 transfers from other categories of non-performing exposures	15,257		6,419
	B.4 contractual amendments without derecognition			
	B.5 other increases	1,142	10,315	11,225
C.	**Decreases**	**4,394**	**45,830**	**18,789**
	C.1 outflows to performing exposures			
	C.2 write-off	2,079	1,110	13,132
	C.3 collections	1,619	5,160	936
	C.4 proceeds from disposals			
	C.5 losses on disposal			
	C.6 transfers to other categories of non-performing exposures		21,676	
	C.7 contractual amendments without derecognition			
	C.8 other decreases	695	17,884	4,720
D.	**Final gross exposure**	**54,739**	**58,882**	**9,604**
	- 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**	**53,286**	
	- of which: exposures transferred but not derecognised		
B.	**Increases**		
	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 inflows from non-performing exposures not subject to concession		
	B.5 other increases		
C.	**Decreases**	**9,854**	
	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	433	
	C.5 collections	5,363	
	C.6 proceeds from disposals		
	C.7 losses on disposal		
	C.8 other decreases	4,058	
D.	**Final gross exposure**	**48,744**	
	- 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	**27,719**		**36,453**	**17,214**		
- of which: exposures transferred but not derecognised						
B. Increases	31,218		**6,967**		8,351	3,223
B.1 value adjustments on purchased or originated impaired financial assets	17,347	X	6,967	X	5,128	X
B.2 other value adjustments						
B.3 losses on disposal						
B.4 transfers from other categories of non-performing exposures	13,870				3,223	3,223
B.5 contractual amendments without derecognition						
B.6 other increases						
C. Decreases	17,989		**24,169**	**6,108**	3,490	779
C.1 reversals of valuation	15,890		9,076	5,567	2,711	
C.2 reversals of cash collection	1,180		631	542	533	533
C.3 profits on disposal						
C.4 write-off	920		592		246	246
C.5 transfers to other categories of non-performing exposures			13,870			
C.6 contractual amendments without derecognition						
C.7 other decreases						
D. Closing total adjustments	**40,947**		**19,251**	**14,178**	**4,862**	**2,445**
- 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**
	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES										
A.1 On demand										
a) Non-performing	X				X					
b) Performing			X				X			
A.2 Others										
a) Bad loans	X		507	6,564,697	X		344	4,243,616	2,321,244	
- of which: forborne exposures	X			58,862	X			30,910	27,952	
b) Unlikely to pay	X			2,908,585	X			923,612	1,984,973	
- of which: forborne exposures	X			1,266,732	X			365,894	900,838	
c) Non-performing past-due exposures	X		6,010	236,011	X		2,821	8,556	230,644	
- of which: forborne exposures	X		2,908	184,806	X		1,230	2,719	183,766	
d) Performing past-due exposures			X	217			X		217	
- of which: forborne exposures			X				X			
e) Other performing exposures	499,496	16,429	X	86	677	201	X		515,133	
- of which: forborne exposures			X				X			
TOTAL A	**499,496**	**16,429**	**6,517**	**9,709,596**	**677**	**201**	**3,165**	**5,175,784**	**5,052,211**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Non-performing			9,121	121,898					131,019	
b) Performing	131,076	36							131,113	
TOTAL B	**131,076**	**36**	**9,121**	**121,898**					**262,132**	
TOTAL A+B	**630,572**	**16,465**	**15,638**	**9,831,494**	**677**	**201**	**3,165**	**5,175,784**	**5,314,343**	

6.4a - Loans subject to Covid-19 support measures: gross and net values

TYPES OF EXPOSURE/VALUES	Gross exposure				Total value adjustments				Net exposure	*Total partial write-offs**
	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired	First stage	Second stage	Third stage	Purchased or Originated Credit Impaired		
A. Bad loans										
a) Subject to concession compliant with GLs										
b) Subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession										
c) Subject to other forbearance measures				47,355				28,296	**19,059**	
d) New loans										
B. Unlikely to Pay loans										
a) Subject to concession compliant with GLs				53,226				11,169	**42,057**	
b) Subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession										
c) Subject to other forbearance measures				1,216,535				369,639	**846,896**	
d) New loans										
C. Non-performing past-due loans										
a) Subject to concession compliant with GLs				2,371				279	**2,091**	
b) Subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession										
c) Subject to other forbearance measures			2,908	191,721			1,230	6,998	**186,402**	
d) New loans										
D. Other non-performing past-due loans										
a) Subject to concession compliant with GLs										
b) Subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession										
c) Subject to other forbearance measures										
d) New loans										
D. Other performing loans										
a) Subject to concession compliant with GLs										
b) Subject to existing moratorium measures no longer compliant with GLs and not valued as subject to concession										
c) Subject to other forbearance measures										
d) New loans										
TOTAL A+B+C+D+E			**2,908**	**1,511,208**			**1,230**	**416,382**	**1,096,505**	

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**	**6,904,127**	**3,071,407**	**212,845**
	- of which: exposures transferred but not derecognised			
B.	**Increases**	**264,683**	**612,452**	**61,220**
	B.1 inflows from performing exposures	14	179	6,304
	B.2 inflows from purchased or originated impaired financial assets	42,804	220,699	1,304
	B.3 transfers from other categories of non-performing exposures	112,013	28,296	35,366
	B.4 contractual amendments without derecognition			
	B.5 other increases	109,853	363,278	18,246
C.	**Decreases**	**583,207**	**777,503**	**34,955**
	C.1 outflows to performing exposures		113	1,513
	C.2 write-off	152,035	49,909	1,551
	C.3 collections	252,049	251,729	13,477
	C.4 proceeds from disposals			
	C.5 losses on disposal	61,421		
	C.6 transfers to other categories of non-performing exposures	23,164	142,978	9,533
	C.7 contractual amendments without derecognition			
	C.8 other decreases	94,538	332,774	8,881
D.	**Final gross exposure**	**6,560,246**	**2,906,356**	**242,020**
	- of which: exposures transferred but not derecognised			

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**	**1,603,772**	**17,128**
	- of which: exposures transferred but not derecognised		
B.	**Increases**	**152,106**	**909**
	B.1 inflows from non-forborne performing exposures		
	B.2 inflows from forborne performing exposures	5,061	X
	B.3 inflows from forborne non-performing exposures	X	
	B.4 inflows from non-performing exposures not subject to concession		
	B.5 other increases	147,045	909
C.	**Decreases**	**337,634**	**13,389**
	C.1 outflows to non-forborne performing exposures	X	6,744
	C.2 outflows to performing forborne exposures	113	X
	C.3 outflows to non-performing forborne exposures	X	5,061
	C.4 write-off	887	
	C.5 collections	83,680	1,098
	C.6 proceeds from disposals		
	C.7 losses on disposal		
	C.8 other decreases	252,954	485
D.	**Final gross exposure**	**1,572,937**	**11,289**
	- 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	**3,976,197**	**7,322**	**953,138**	**401,653**	**625**	**220**
- of which: exposures transferred but not derecognised						
B. Increases	**900,518**	**38,472**	**317,298**		**16,536**	**3,018**
B.1 value adjustments on purchased or originated impaired financial assets	834,131	X	317,274	X	5,335	X
B.2 other value adjustments	365		-		2,711	1,234
B.3 losses on disposal						
B.4 transfers from other categories of non-performing exposures	66,022	38,472	24		7,905	1,502
B.5 contractual amendments without derecognition						
B.6 other increases	1				585	281
C. Decreases	**636,211**	**41,628**	**352,619**	**122,014**	**5,848**	**392**
C.1. reversals of valuation	456,857	33,725	219,607	70,226	1,735	294
C.2 reversals of cash collection	49,926	15	33,127	12,854	360	95
C.3 profits on disposal						
C.4 write-off	119,735		27,393	461	3,627	3
C.5 transfers to other categories of non-performing exposures	9,693	7,888	72,491	38,472	44	
C.6 contractual amendments without derecognition						
C.7 other decreases					82	
D. Closing total adjustments	**4,240,504**	**30,910**	**927,299**	**368,862**	**11,313**	**5,831**
- of which: exposures transferred but not derecognised						

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**		**56,608**	**71,264**		**30,752**		**4,585,766**	**4,744,390**
	- First stage		56,608	71,264		30,752		24,932	180,379
	- Second stage							16,165	16,165
	- Third stage							3,440	3,440
	- Purchased or Originated Credit Impaired							4,541,229	4,461,812
B.	**Financial assets measured at fair value through other comprehensive income**			**498,819**				**-**	**498,819**
	- First stage			498,819					498,819
	- Second stage								
	- Third stage								
	- Purchased or Originated Credit Impaired								
C.	**Financial assets in the process of being disposed**								
	- First stage								
	- Second stage								
	- Third stage								
	- Purchased or Originated Credit Impaired								
Total (A+B+C)				**570,083**		**30,752**		**4,585,766**	**5,243,209**
D.	**Commitments to disburse funds and financial guarantees issued**							**261,986**	**261,986**
	- First stage							131,076	131,076
	- Second stage							36	36
	- Third stage							9,120	9,120
	- Purchased or Originated Credit Impaired							121,754	121,754
Total (D)								**261,986**	**261,986**
TOTAL (A+B+C+D)				**570,083**		**30,752**		**4,847,752**	**5,505,195**

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
Classes 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

	31/12/2021	31/12/2020
a) States	498,819	56,113
b) Other public institutions	4,490	6,551
c) Non-financial companies	3,156,613	3,485,242
d) Financial companies	276,493	703,796
e) Income-generating households	1,391,933	1,777,466
f) Other operators	-	22,253
TOTAL	**5,328,348**	**6,051,421**

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

	31/12/2021	31/12/2020
a) North West	1,270,437	1,458,026
b) North East	470,667	1,018,394
c) Centre	2,238,379	1,958,785
d) South and Islands	1,333,275	1,595,680
e) Abroad	15,591	20,537
TOTAL	**5,328,349**	**6,051,422**

9.3 - Large exposures

	31/12/2021	31/12/2020
a) Amount (carrying amount)	946,099	828,334
b) Amount (weighted value)	670,919	777,851
c) Number	2	2

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 RWAs of each loan and, consequently, for the estimate of Own Funds absorbed by this type of risk.

3.2 - Market risk

During 2021, the Group 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 assets and liabilities items (basis risk).

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

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

The Group 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 2021 the Company did not implement any interest rate risk hedging.

Impacts resulting from the Covid-19 pandemic

No impacts on the market risk profile deriving from the health emergency were recorded in 2021. Following the Covid-19 pandemic, the Parent Company did not change its strategies, objectives or policies for managing, measuring and controlling market risks.

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	Indefinite life
1.	**Assets**	**240,919**	**41,800**	**387,405**	**337,795**	**3,808,526**	**539,921**	**1,397**	**-**
	1.1 Debt securities			100,528		300,855	97,437		
	1.2 Loans and Receivables	240,919	41,800	286,877	337,795	3,507,671	442,484	1,397	
	1.3 Other assets								
2.	**Liabilities**	**5**	**168**	**163**	**1,210**	**2,121,721**	**1,499,646**	**50,458**	**-**
	2.1 Payables	5	168	163	1,210	11,762	12,891		
	2.2 Debt securities					2,109,959	1,486,755	50,458	
	2.3 Other liabilities								
3.	**Financial derivatives**								
	Option products								
	3.1 Long positions								
	3.2 Short positions								
	Other derivatives								
	3.3 Long positions		1,682	699	393	2,700	360	157	
	3.4 Short positions		4,701	1,289					

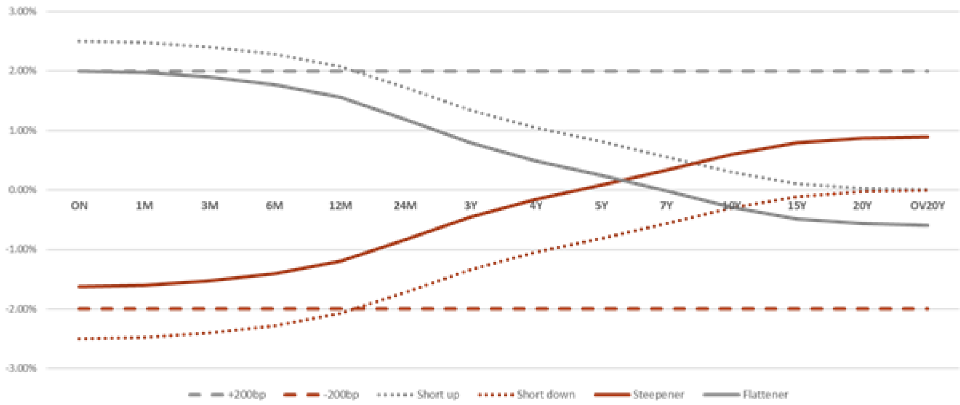
2 - Models and other methods for the measurement and management of interest rate risk

The methodology used to calculate the interest rate risk provides for:

- the classification of assets and liabilities in 14 time 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 in normal conditions and considering the shock 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 addition, AMCO, in order to assess its exposure to interest rate risk under stressed conditions, adopts the non-parallel rate change scenarios provided by BIS ("Interest rate risk in the banking book", 2019) 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.



During 2021, the Group did not carry out transactions falling within the trading book in accordance with the regulatory classification.

Quantitative disclosures

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 the Group'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 and in any case amortising portfolio.

As at 31 December 2021, the Group exchange-rate risk component amounted to EUR 165.8 million of foreign currency exposure entirely due to loans in foreign currency.

Quantitative disclosures

1 - Break-down 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						9
1.3 Loans and receivables	165,800					
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	**165,800**					**9**
Total liabilities						
Imbalance (+/−)	**165,800**					

US dollar exposures refer to:

- for the former Banca Carige portfolio in foreign currency loans for USD equivalent to EUR 154.3 million;
- for the portfolio of the former Monte dei Paschi di Siena in loans in USD equivalent to EUR 11.5 million.

Exposures in other currencies refer for item 1.2 to the equity investment in AMCO S.r.l.

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

As required by EU Regulation 575/2013 (CRR) and subsequent amendments, the Group measures the exchange-rate risk as the sum of the general net position in foreign exchange, i.e. the sum of the net positions in each currency, multiplied by the coefficient of 8%.

3.3 - Operational risks

Qualitative disclosures

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

The definition adopted and implemented by the Group 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 Art. 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 Art. 316 of Regulation (EU) No. 575/2013 as subsequently amended.

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 requirement for the operational risk quantified as at 31 December 2021 is of EUR 19 million.

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 the Group 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 20 April 2021, the Parent Company placed one senior unsecured bond issue for a nominal amount of 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 out of total 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.

Impacts resulting from the Covid-19 pandemic

No impacts on the liquidity risk profile deriving from the health emergency were recorded in 2021. Following the Covid-19 pandemic, the Group did not change its strategies, objectives or policies for managing, measuring and controlling liquidity risk.

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	indefinite life
On-balance sheet assets	**144,220**	**3,661**	**0**	**15,560**	**35,680**	**255,498**	**376,889**	**2,028,304**	**2,061,645**	**1,231,362**	**58,914**
A.1 Government securities									300,000	200,000	
A.2 Other debt securities											
A.3 Loans	144,220	3,661	0	15,560	35,680	255,498	376,889	2,028,304	1,761,645	462,655	58,914
A.4 Other assets										568,707	
On-balance sheet liabilities	**5**	**-**	**-**	**8,311**	**6,681**	**5,800**	**36,918**	**1,506,641**	**605,935**	**1,513,783**	**-**
B.1 Payables to:											
- Banks											
- Financial institutions											
- Customers	5			61	119	175	1,293	6,641	5,935	13,783	
B.2 Debt securities				8,250	6,563	5,625	35,625	1,500,000	600,000	1,550,458	
B.3 Other liabilities											
Off-balance sheet transactions	**-**	**16**	**-**	**11**	**17**	**13**	**45**	**-**	**-**	**130,762**	**100,340**
C.1 Financial derivatives with underlying capital exchange											
C.2 Financial derivatives without underlying capital exchange		16		11	17	13	45				
C.3 Loans to be received											
C.4 Irrevocable commitments to disburse funds										130,762	100,069
C.5 Financial guarantees issued											271
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	TOTAL 31/12/2021	TOTAL 31/12/2020
1. Share capital	**655,154**	**655,154**
2. Share premiums	**604,552**	**604,552**
3. Reserves		
- of profits		
a) legal	478,301	478,301
b) statutory		
c) treasury shares		
d) others	418,439	340,605
- others	675,738	679,405
4. (Treasury shares)	**(72)**	**(70)**
5. Valuation reserves		
Equity securities measured at fair value through other comprehensive income	(8,321)	(9,643)
Hedging of equity securities measured at fair value through other comprehensive income		
Financial assets (other than equity securities) measured at fair value through other comprehensive income	(5,525)	
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 profit (loss) relating to defined-benefit plans	(252)	(261)
Share of valuation reserve relating to equity investments valued at shareholders' equity		
6. Equity instruments		
7. Profit (Loss) for the year	**(421,976)**	**76,009**
TOTAL	**2,396,038**	**2,824,052**

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

Assets/Values	31/12/2021		31/12/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		5,525	56	
2. Equity securities		8,321		(9,699)
3. Loans				
TOTAL		**13,845**	**56**	**9,699**

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**	**56**	**(9,699)**	
2.	**Increases**			
	2.1 Increases in fair value		183	
	2.2 Value adjustments for credit risk			
	2.3 Reversal to income statement of negative disposal reserves			
	2.4 Transfers to other components of shareholders' equity (equity securities)			
	2.5 Other changes			
3.	**Decreases**			
	3.1 Decreases in fair value	(5,581)	(515)	
	3.2 Reversals for credit risk			
	3.3 Reversal to income statement of positive disposal reserves			
	3.4 Transfers to other components of shareholders' equity (equity securities)			
	3.5 Other changes			
4.	**Closing balance**	**(5,525)**	**(8,321)**	

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 Nos. 288 and 286 of the Banca d'Italia as subsequently amended, which implement Regulation EU 575 of 2013 - CRR as subsequently amended), 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.

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 Art. 467, paragraph 2 of Regulation (EU) No. 575 of 2013 (CRR).

4.2.1.2 - Quantitative disclosures

		31/12/2021	31/12/2020
A.	**Tier 1 capital before the application of prudential filters**	**2,401,636**	**2,819,290**
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)**	**2,401,636**	**2,819,290**
D.	Elements to be deducted from Tier 1 capital	(38,635)	(115)
E.	**Total Tier 1 capital (Tier 1) (C - D)**	**2,363,001**	**2,819,175**
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 II 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)**	**2,363,001**	**2,819,175**

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 the Group 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 Banca d'Italia 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 the Group 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 as subsequently amended, 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, the Parent Company 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. RISK ASSETS				
A.1 Credit and counterpart risk	6,411,016	6,973,787	6,329,135	7,434,300
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			506,331	594,744
B.2 Requirement for the provision of payment services				
B.3 Requirement for the issuance of electronic money				
B.4 Specific prudential requirements			32,051	14,138
B.5 Total prudential requirements				
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Weighted risk assets			6,732,029	7,611,024
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			35.10%	37.00%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)			35.10%	37.00%

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

Section 5 - Analytical statement of consolidated comprehensive income

ITEMS		31/12/2021	31/12/2020
10.	**Profit (Loss) for the year**	**(421,976)**	**74,801**
	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	(333)	(213)
	b) transfers to other components of shareholders' equity	1,711	-
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 shareholders' 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 shareholders' equity		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined-benefit plans	8	(10)
80.	Non-current assets and groups of assets held for disposal		
90.	Share of equity investment valuation reserve valued at shareholders' 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	(5,581)	56
	b) reversal to income statement		
	- impairment losses		
	- profit/loss on disposal		(5,042)
	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 shareholders' equity		
	a) changes to fair value		
	b) reversal to income statement		
	- impairment losses		
	- profit/loss 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**	**(4,194)**	**(5,209)**
200.	**Other comprehensive income (Items 10+190)**	**(426,170)**	**69,592**
210.	**Consolidated comprehensive income pertaining to third parties**		
220.	**Consolidated comprehensive income pertaining to the parent company**	**(426,170)**	**69,592**

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 break-down of the fees disbursed or accrued during 2021 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	1,099

It is also advised that the Chief Executive Officer, before the assignment of delegated powers, had been employed by the Company as a manager, agreeing that any additional tasks, also administrative ones, would not involve additional payments.

In accordance with the agreement, at the time of conferment pursuant to Art. 2381, paragraph 3 of the Italian Civil Code, the Chief Executive expressly renounced both the remuneration agreed at the Shareholders’ Meeting pursuant to Art. 2389, paragraph 1 of the Italian Civil Code, and the remuneration due pursuant to Art. 2389, paragraph 3 of the Italian Civil Code in relation to the powers conferred.

For the year 2021, the remuneration of the General Manager, including social security contributions and benefits as well as the gross annual salary, is equal to EUR 973 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 2021 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 the Group 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

In 2021 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 fee and commission income to AMCO for EUR 0.3 million and fee 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 Italian Ministry of Economy and Finance refer exclusively to the current accounts held at normal market conditions with Poste Italiane and Monte dei Paschi di Siena S.p.A.

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 2021 or the main economic effects recognised in 2021 for transactions with related parties.

	Balance sheet items				Income statement items			
	Other financial assets mandatorily measured at *fair value*	Assets	Debt securities issued	Other assets	Interest income	Fee and commission income	Fee and commission expense	Other operating income and expenses
Investees								
AMCO S.r.l.						160	(269)	
Other related companies								
Monte Paschi di Siena		16,305						
Poste Italiane S.p.A.		784						

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.2 - Part relating to the main items of the financial statements, paragraph Property, plant and equipment;*
2) *in part B - Information on the Balance Sheet*
   (a) *Assets Section 8 - Property, plant and equipment - Item 80*
   (b) *Liabilities Section 1 - Financial liabilities measured at amortised cost - Item 10*
3) *in part C - Information on the Income Statement*
   (a) *Section 1 - Interest - Items 10 and 20*
   (c) *Section 10 - Administrative expenses - Item 160*
   (c) *Section 12 - Net value adjustments/reversals on property, plant and equipment – Item 180*

Pursuant to paragraph 53, letter a) of IFRS 16, please note that, with regard to a total of EUR 1,746 thousand of amortisation/depreciation recognised for the right of use for the period, the underlying asset classes are as follows:

- offices and apartments: EUR 1,574 thousand;
- motor vehicles: EUR 130 thousand;
- office equipment: EUR 43 thousand.

Lastly, please note that pursuant to paragraph 55 of IFRS 16, at the end of the financial year, the short-term lease portfolio object of commitment has not changed with respect to the short-term lease portfolio to which the short-term lease 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. This disclosure is therefore consistent with the disclosure requirements of IFRS 8. The organisational model of the AMCO Group is divided into business segments with specific operational responsibilities: Workout Business Unit, UTP Department, 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 half-yearly consolidated financial report. 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	13,237	30,076	3,229	46,542
Interests and commissions from customers	35,278	91,044	63,028	189,351
Other income/expenses from ordinary operations	45,568	25,586	0	71,153
Total Revenues	**94,083**	**146,706**	**66,257**	**307,046**
COSTS				
Staff costs	(16,763)	(16,669)	(6,512)	(39,944)
Net operational costs	(51,957)	(17,935)	(11,437)	(81,328)
of which direct expenses	(38,929)	(6,773)	(9,490)	(55,192)
of which indirect costs	(13,027)	(11,161)	(1,947)	(26,136)
Total Costs and Expenses	**(68,720)**	**(34,603)**	**(17,949)**	**(121,273)**
EBITDA	**25,363**	**112,102**	**48,308**	**185,773**
Balance of writebacks/value adjustments	(13,905)	(101)	(528,837)	(542,842)
Amortisation and depreciation	(1,055)	(1,025)	(639)	(2,719)
Provisions	(4,866)	0	1,359	(3,507)
Other operating income/expenses	1,722	11,623	(15,724)	(2,379)
Financial activity result	0	0	(2,564)	(2,564)
EBIT	**7,260**	**122,599**	**(498,097)**	**(368,239)**
Interests and commissions from financial activity	0	0	(76,242)	(76,242)
Pre-tax profit	**7,260**	**122,599**	**(574,340)**	**(444,481)**

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 with 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 EBITDA of the Workout Business Unit amounted to EUR 25.4 million, made up of EUR 94.1 million in revenues and EUR 68.7 million in costs.

In carrying out its credit management and collection activities, the Workout generated revenues from:

- fee and commission income of EUR 13.2 million, deriving exclusively from collection activities on the portfolios of the former Veneto Banks;
- net interest income linked to POCI portfolios and the release of time values on portfolios measured at amortised cost of EUR 35.3 million (EUR 64.2 million of real interest, net of EUR 29.0 million of interest expense reallocated by the Treasury on the basis of the TIT);
- other revenues from ordinary operations amounting to EUR 45.6 million, on the other hand, relate to the recovery of receivables from collections.

The costs of the Workout Business Unit amounted to EUR 68.7 million and consist of staff costs (including personnel allocated to the operating segment) of EUR 16.8 million, net operating costs of EUR 52.0 million (of which 13.0 million of overhead costs allocated according to the cost allocation model and legal/recovery costs associated with the individual positions for 38.9 million). The pre-tax result and EBIT of the business unit amounted to EUR 7.3 million and were negatively impacted by adjustments to loans for EUR 13.9 million and by allocations to provisions for risks for legal disputes for EUR 4.9 million.

The UTP Business Unit is responsible for proactively managing receivables classified as "going concern" purchased 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. Management's EBITDA was EUR 112.1 million, consisting mainly of revenues of EUR 146.7 million and costs of EUR 34.6 million.

The revenues of the UTP Division are composed of:

- commission income of EUR 30.1 million, consisting of EUR 26.9 million from collection activities on the portfolio of the former Veneto Banks and for EUR 3.2 million from the management of the receivables transferred to the *Back2Bonis* fund;
- interest from customers of EUR 91.0 million, already net of notional interest on TIT of EUR 34.1 million, consisting of interest on POCI portfolios, contractual interest and the release of time values on loans in the MPS portfolio;
- other revenues from ordinary operations amounting to EUR 25.6 million, on the other hand, relate to the recovery of receivables from collections.

Net costs amounted to EUR 34.6 million, of which EUR 16.7 million relating to personnel and EUR 17.9 million to net expenses (EUR 11.2 million relating to structural costs determined according to the cost allocation model and EUR 6.8 million relating to debt collection activities). Pre-tax profit and EBIT amounted to EUR 122.6 million, which benefit from EUR 11.6 million of other related operating income/expenses from the profit on the euro/dollar exchange rate on the Messina Group's dollar positions.

Treasury is responsible for monitoring the Company's liquidity needs and managing them proactively through a risk/return maximisation strategy, and the Centre of Government assumes the function of guiding, coordinating, supporting, and controlling the other divisions.

EBITDA was positive for EUR 48.3 million, thanks to revenues composed mainly of notional interest allocated to the other divisions of EUR 63.0 million, in addition to commissions not allocated to the business divisions of EUR 3.2 million.
The value adjustments of EUR 528.6 million relative to the review, completed in 2021, of recovery expectations on the non-performing loans portfolio brought to AMCO through a non-proportional demerger, completed at the end of 2020, of a set of assets and liabilities of Banca Monte dei Paschi di Siena (hereinafter "MPS") were allocated to the Governance Centre. This review, made in order to adjust the value of the portfolio to AMCO policies, was necessary since the non-performing loans were transferred "in continuity of accounting values" (and therefore at book values, as allowed by the IFRS principles for transactions "under common control").
Consequently, EBITDA is negative and equal to EUR 498.1 million due to and also affected by the allocation of the mechanism for adjusting the commission income of the former Veneto Banks ("collar"). Pre-tax profit was affected by net borrowing costs of EUR 76.2 million, bringing the division to a loss of EUR 574.3 million.

Performance of managed assets

Figures in €/000	*Workout*	UTP PD	AMCO
Assets Under Management	18,745	13,780	32,525

Assets under management refer to gross non-performing loans allocated to the respective business units. These assets include both those reflected in AMCO's financial statements (on balance), those of the Segregated Estates of the former Venetian 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. The so-called "gone concern" positions are instead managed with 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)	149.0	132.4	31.8	313.2

The FTEs are calculated as an annual average of AMCO employees, 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 Art. 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 Arts. 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 Art. 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 Transfer 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.

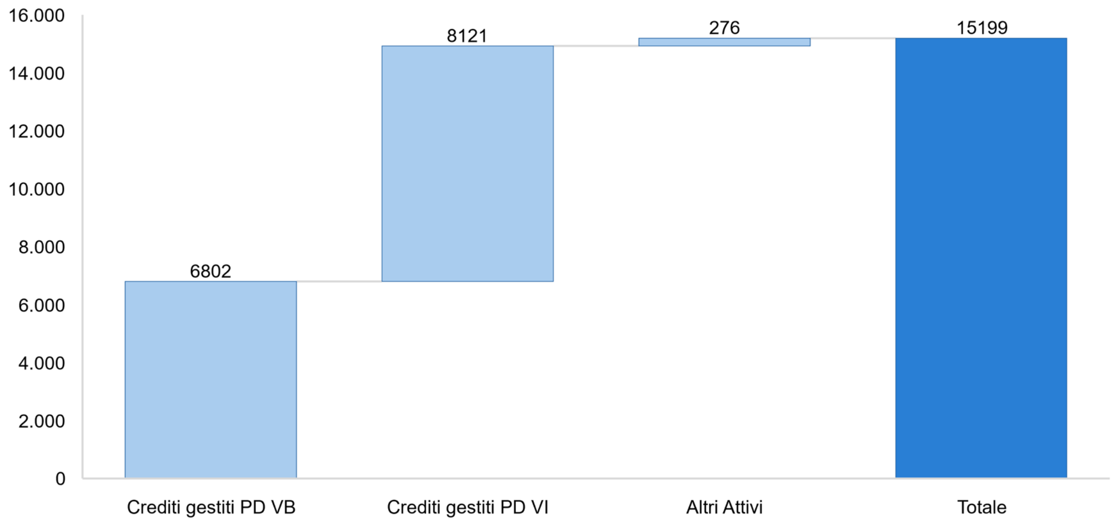
From the analysis carried out on the basis of cash flows currently expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability 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 2021 AMCO manages a portfolio of non-performing exposures ("NPE") of around EUR 14.9 billion in terms of gross book value. The portfolio, with total assets of EUR 14.9 billion, breaks down as follows:

Total SE (EUR/million)	31/12/2021	31/12/2020
Gross Book Value	**14,923**	**16,121**
- Italian portfolio	14,386	9,467
- Securitised portfolio	-	6,032
- Foreign portfolio	537	621
Net Present Value	**3,898**	**4,380**
- Other assets	276	213
TOTAL	**4,174**	**4,594**



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 loan recovery for the main stakeholders (the LCAs or their creditors).

The Net Present Value[16] 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 Art. 3 of the Transfer Contract, 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.

[16] 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 2021 on the management agreements of the Segregated Estates is EUR 639 million, of which EUR 357 million for the Vicenza Group Segregated Estate and EUR 282 million for the Veneto Group Segregated Estate.

These cash flows have been reported to the LCAs on a quarterly basis, as required by the transfer contract.

Statement of the Veneto Group Segregated Estate as at 31 December 2021

Introduction

On 11 April 2018, pursuant to the provisions of Art. 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 Arts. 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, in accordance with Art. 5, paragraph 4 the Decree Law 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 Transfer 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 IFRS 12 accounting standard. 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 Estate, the portfolio includes:

Veneto Group SE (EUR/million)	31/12/2021	31/12/2020
Gross Book Value	**6,802**	**7,384**
- Italian portfolio	6,265	4,760
- Securitised portfolio (Flaminia)	0	2,003
- Foreign portfolio	537	621
Net Present Value	**1,789**	**2,009**
- Other assets	115	90
TOTAL	**1,904**	**2,099**

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.

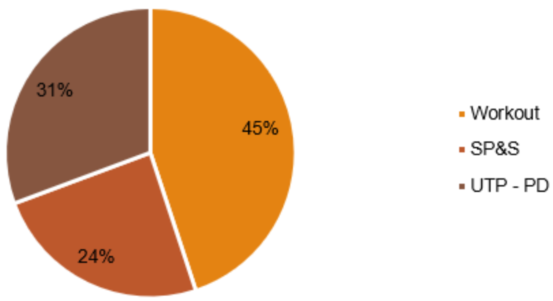
The item "Other assets" includes:

- Liquidity on current accounts of EUR 60 million inclusive of remuneration for the last quarter of 2021 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 54 million;
- Active rate derivatives with a mark to market of EUR 1 million.

The following tables report an overview of portfolios:

Portfolio breakdown

By unit (€/mln)	
Workout	3,056
SP&S	1,660
UTP - PD	2,087



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:

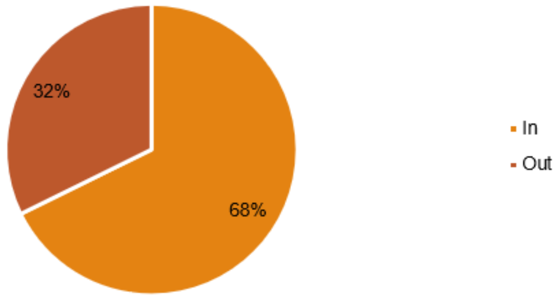
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;

- 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 30.7% of the total.

Portfolio breakdown

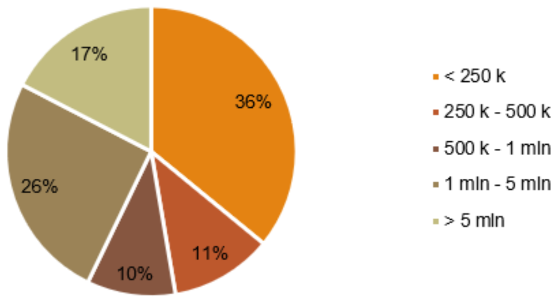
By type of management (€/mln)	
In	4,606
Out	2,196



Outsourced management represents 32% 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	2,444
250 k - 500 k	774
500 k - 1 mln	672
1 mln - 5 mln	1,730
> 5 mln	1,183



Analysing the portfolio by amount it can be noted that 42.8% of the portfolio is made up by positions amounting to more than EUR 1 million, while 36% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Veneto Group SE (EUR/million)	31/12/2021	31/12/2020
Collections		
- Non-securitised portfolio	327	263
- Securitised portfolio (Flaminia)	13	33
TOTAL	**340**	**297**

The cash repaid in 2021 on the management agreements of the Segregated Estate is around EUR 282 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer contract.

With regard to the Flaminia securitised portfolio, cash flows transferred to the LCAs amounted to EUR 13 million.

Statement of the Vicenza Group Segregated Estate as at 31 December 2021

Introduction

On 11 April 2018, pursuant to the provisions of Art. 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 Arts. 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 set out in Art. 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 Transfer 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 IFRS 12 accounting standard. 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 Estate, the portfolio includes:

Vicenza Group SE (EUR/million)	31/12/2021	31/12/2020
Gross Book Value	**8,121**	**8,736**
- Italian portfolio	8,121	4,707
- Securitised portfolio (Ambra)	-	4,029
- Foreign portfolio	-	-
Net Present Value	**2,109**	**2,372**
- Other assets	161	123
TOTAL	**2,270**	**2,495**

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.

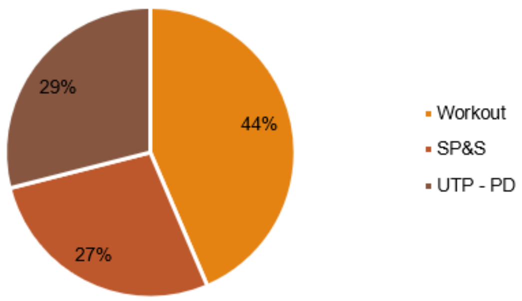
The item "Other assets" includes:

- Liquidity on current accounts of EUR 64 million inclusive of remuneration for the last quarter of 2021 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 94 million;
- Active rate derivatives with a mark to market of EUR 2 million.

The following tables report an overview of portfolios:

Portfolio breakdown

By unit (€/mln)	
Workout	3,537
SP&S	2,231
UTP - PD	2,352



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:

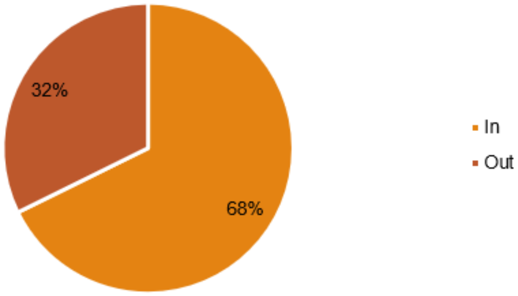
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;

● 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” (Workout) loans and “going concern” (UTP/PD) loans, it can be observed that the UTP/PD business unit accounts for 29% of the total.

Portfolio breakdown

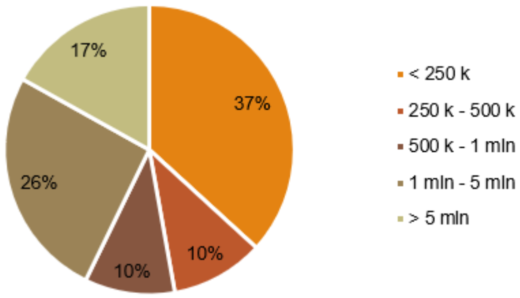
By type of management (€/mln)	
In	5,889
Out	2,231



Outsourced management represents 32% 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	2,988
250 k - 500 k	843
500 k - 1 mln	817
1 mln - 5 mln	2,099
> 5 mln	1,374



Analysing the portfolio by amount it can be noted that 43% of the portfolio is made up by positions amounting to more than EUR 1 million, while 37% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Vicenza Group SE (EUR/million)	31/12/2021	31/12/2020
Collections		
- Non-securitised portfolio	381	266
- Securitised portfolio (Flaminia)	34	85
TOTAL	**415**	**351**

The cash repaid in 2021 on the management agreements of the Segregated Estate is around EUR 357 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer contract.

With regard to the Ambra securitised portfolio, cash flows transferred to the LCAs amounted to EUR 34 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 Report on Operations as at 31 December 2021 pursuant to Art. 154 bis of Italian Legislative Decree 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 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 2021.
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 2021:
   - 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 Community and the Provisions of the Banca d'Italia on the subject.
4. Lastly, it is certified that the Report on Operations as at 31 December 2021 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.

Milan, 8 March 2022

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 2021 CONSOLIDATED FINANCIAL STATEMENTS

OF AMCO – Asset Management Company S.p.A.

AMCO - Asset Management Company S.p.A. (the "**Parent Company**", "**AMCO**" or the "**Company**") 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 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 subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's SPV 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. In addition to being subject of consolidation, the securitisation vehicle is a "related party". Fee and commission income pertaining to the Company in 2021 amounted to EUR 0.3 million, in addition to interest income deriving from securitisation notes for EUR 1.7 million.

Please note that the receivables conferred in the vehicle were transferred to AMCO with effect from 1 March 2022 and, consequently, it will be put into liquidation by the end of the same year.

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. The Company was put into liquidation on 16 June 2021. With the latter there were two contracts in place relating to servicing activities, against which the fee and commission expense of EUR 0.3 million and fee and commission income of EUR 0.2 million were recognised in 2021.

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.

The other financial transactions carried out with investees of the Italian Ministry of Economy and Finance, realised at market conditions, refer to the current account relationships held by Banca Monte dei Paschi di Siena S.p.A. and Poste Italiane S.p.A.

With reference to the results for the year, the financial statements show a positive result from current operations in terms of EBITDA of EUR 185.8 million, up from EUR 158.8 million at 31 December 2020 (+17%).

The 2021 consolidated financial statements closed with a net loss of EUR 422 million, compared to the profit for the previous year of EUR 76 million and discounts the effects of the update of recovery expectations on the non-performing loans portfolio brought to AMCO through a non-proportional demerger, completed at the end of 2020, of a set of assets and liabilities of Banca Monte dei Paschi di Siena. This update resulted in adjustments for a total of EUR 528.6 million. This impact was largely sustainable and such as not to affect the high levels of Group capitalisation.

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

The most significant items in the Financial Statements include servicing fees of EUR 46.5 million, a decrease compared to the figure as at 31 December 2020 of EUR 48.0 million (-3%). The Company mainly receives servicing fees on the management of the portfolios of the former Veneto Banks. In particular, servicing fees were down 3% compared to the previous year due to the lower contribution deriving from the management of the portfolios of the former Veneto Banks following the reduction in volumes, partially offset by the increase of the commissions received as part of the Cuvèe transaction thanks to the growth in volumes managed as a result of the new contributions completed in 2021.

Among the other items that have a positive impact on the operating result, it should be noted that interest income from customers accounted for at 31 December 2021 amounted to EUR 189.4 million, an increase compared to the figure at 31 December 2020, equal to EUR 101.6 million (+86%), an increase mainly due to the expansion of the business in the second half of 2020, which generated a growth in both the interest deriving from POCI portfolios and portfolios at amortised cost (in particular MPS).

In addition to interest and commissions, other income from core business is recognised for EUR 71.2 million, an increase of EUR 6.6 million compared to 31 December 2020 thanks to the recovery activity, which generated greater recoveries from collections.

Total costs increased as a result of the various transactions concluded by the Company during the year. Specifically, there were overall costs of EUR 121.2 million, up from EUR 55.3 million in 2020.

Among the costs, staff costs increased in 2021 compared to 2020 (+33%), reaching approximately EUR 40 million due to the significant development of the workforce (+55) and for the use of 88 employees seconded from MPS to ensure initial support and operational continuity in the management of the portfolio subject to demerger). At the end of 2021, all seconded workers returned to their home institution.

Net operating costs, equal to EUR 81.3 million, are also up by EUR 56.0 million (+221%) compared to 2020, with an increase in both recovery and overhead costs.

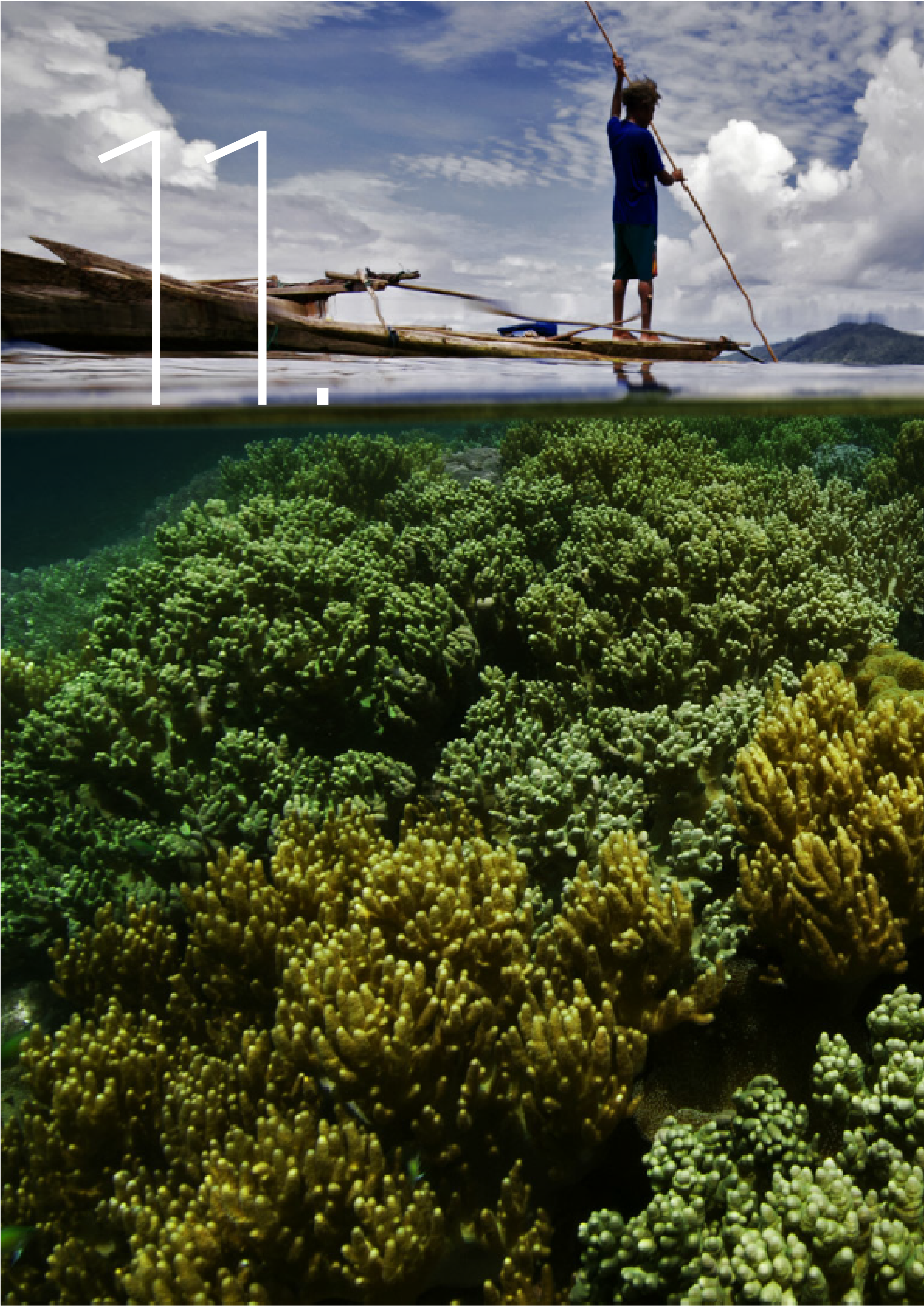
Tax assets are expressed as a total of EUR 234.8 million (compared to EUR 210.7 million in 2020) and only include direct taxes in application of IAS 12. The largest of these items, amounting to approximately EUR 144.1 million, reflects the IRES and IRAP DTAs in relation to write-downs of receivables not yet deducted and tax relief on goodwill and intangibles. The recoverability of tax assets has been assessed based on the Probability Test performed by the Company. 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.

In consideration of the results of the activities carried out by the company appointed to carry out the statutory audit of the accounts contained in the audit report on the consolidated Financial Statements, received on 29 March 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 2021.

Rome, 29 March 2022

Signed by	Signed by	Signed by
G. Riccardi	**G. Puglisi**	**G. B. Lo Prejato**
Chairperson	Permanent Auditor	Permanent Auditor

11.



independent auditors' report

Deloitte.

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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 subsidiary (the "Group"), which comprise the balance sheet as at December 31, 2021, 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, 2021, 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" or "AMCO") 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.

Valuation of ex-MPS non performing exposures portfolio	
Description of the key audit matter	In the notes to the financial statements Part C – Section 8 – Net value adjustments/reversals for credit risk and in the Report on Operations – paragraph “Operating performance”, it is highlighted that the 2021 economic results are affected by the update, completed in 2021, of recovery expectations on the non-performing loans portfolio brought to AMCO through a non-proportional demerger, completed at the end of 2020, of a compendium of assets and liabilities of Banca Monte dei Paschi di Siena (hereinafter "MPS"). This update, made in order to adjust the value of the portfolio to AMCO policies, was necessary since the non-performing loans were transferred "in continuity of accounting values", or by reference to book values to which the loans, at the effective date of the transaction, carried out between companies attributable to the same shareholder ("business combination under common control”), where recorded in the books of the demergered entity. Such an update gave rise to net adjustments on loans and securities for a total of Euro 536.5 million. As reported in the notes to the financial statements Part A – Section A.2 – Part relating to the main financial statements items, paragraph – Financial assets measured at amortised cost and Part D – Section 3 – Paragraph 2 – Credit risk management policies, following the MPS transaction, AMCO updated its policies and credit valuation methodologies to make them more consistent with the historical experience of recoveries of the parent company. Given the relevance of the amount of ex-MPS NPE portfolio (equal to a net value of Euro 2.7 billion) and the related adjustments recorded to profit and loss as well as the complexity of the valuation processes adopted by the Company for the determination of the relative recoverable amount, we deem that the valuation of ex-MPS non performing exposures represent a key audit matter of the Group’s consolidated financial statements as at December 31, 2021.
Audit procedures performed	As part of the auditing activities, the following main audit procedures were carried out: • analysis and understanding of the processes and methodologies for the evaluation of non performing exposures adopted by the Company and of its updates; • understanding and detection of relevant controls for the process of the evaluation of non performing exposures measured at amortised cost (analytical valuation and collective valuation). This activity also involved the verification of the implementation of these controls in the corresponding business processes;

- checks for a sample of non performing exposures of the valuation in accordance with the new credit valuation policy and, for those collectively valuated, the reasonableness of the estimate of the parameters used;

- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the relevant regulatory framework and the applicable accounting standards.

Accounting of the purchase of non performing exposures ("purchased or originated credit impaired – POCI")	
Description of the key audit matter	As highlighted in the notes to the financial statements Part B – Information on the Balance Sheet, Part C – Information on the Income Statement and Part D – Other Information and in the Report on Operations – paragraph "Operating performance", during fiscal year 2021 the parent company completed the acquisition without recourse: • with economic effectiveness starting from January 1, 2021 from Banca Carige S.p.A. of a portfolio of non performing loans deriving from lease agreements, mainly real estate, having a gross book value of Euro 70 million; • with economic effectiveness starting from July 1, 2021 from Gruppo Bancario Cooperativo Iccrea of a portfolio of non performing loans, having a gross book value of Euro 264 million; • with economic effectiveness starting from July 1, 2021 from Banca Carige S.p.A. of an additional portfolio of non performing loans deriving from lease agreements, mainly real estate, having a gross book value of Euro 18 million. The above-mentioned financial assets acquired as non performing loans ("purchased or originated credit impaired - POCI"), are classified as "Financial assets measured at amortised cost - loans and receivables with customers" whose balance as at December 31, 2021, also inclusive of the loans acquired in the past, amounted to Euro 1,768.9 million, grown by 4.3% compared to the previous year due to the acquisition transactions that took place in 2021, which offset the normal trend of the year relating to collections, cancellations and capitalisation of interest. The Group accounted for interest revenues on POCI portfolios for a total amount of Euro 115.2 million. The Group, as described in the notes to the accounts Part A – Section A.2 - Part relating to the main financial statements items, paragraph - Financial assets measured at amortised cost, in the definition of the effective interest rates "credit adjusted" relating to the purchased non performing exposures, applied to an evaluation model characterized by subjectivity and complex processes, based on assumptions regarding, among others, expected future cash flows deriving from the loans themselves and the related expected recovery time.

	Given the relevance of the non performing exposures purchased by the Company ("purchased or originated credit impaired – POCI"), both during the year and in the past, and the complexity of processes of estimation of the relating interest income, carried out by the Directors and characterized by a high judgment of some assumptions (e.g. the expected future cash flows and the related expected recovery timing), we deem that the accounting of the purchase of non performing exposures, with particular reference to the determination of their effective interest income, represents a key audit matter of the Group's consolidated financial statements as at December 31, 2021.
Audit procedures performed	As part of the auditing activities, the following main audit procedures were carried out: • understanding of the structure and methods used for the purchase of portfolios of non performing exposures with customers through the acquisition and analysis of the Board of Directors' meeting minutes and of the contractual arrangements concluded with the originators, as well as through Management's enquiries; • analysis and understanding of the models of estimation used and verification of the reasonableness of the assumptions and key variables adopted for the determination of the effective returns for the acquired portfolios of impaired loans; • understanding and detection of relevant controls of the process of determining and monitoring the effective interest rate. This activity also involved the verification of the implementation of these controls in the corresponding business processes; • for the transactions carried out during the financial year, 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 international financial reporting standard IFRS 9. • verification of the completeness of the acquisition of the data relating to the portfolios acquired during the year by reconciling the sub-ledgers with the general ledger; • verification of the existence, on a sample basis, of the non performing exposures purchased during the year, through the acquisition and analysis of the relevant contracts; • verification of the determination of interest income related to the purchased non performing exposures, also with the support of experts belonging to Deloitte network;

- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the relevant regulatory framework and 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 the Group as at December 31, 2021, 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 the Group as at December 31, 2021 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 the Group as at December 31, 2021 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
March 29, 2022

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.

EUR/(000) - %	31/12/2021	31/12/2020
Loans and receivables with banks	**158,624**	**251,585**
+ 40 (a). Loans and receivables with banks	158,624	251,585
Loans and receivables with customers	**4,585,719**	**5,686,223**
+ 40 (b). Financial assets measured at amortised cost: loans and receivables with financial companies	82,259	381,766
+ 40 (c). Financial assets measured at amortised cost: loans and receivables with customers	4,503,460	5,304,456
Financial assets	**1,152,586**	**718,836**
+ 20 (a). Financial assets valued at fair value through profit and loss - financial assets held for trading	70	267
+ 20 (c). Financial assets measured at fair value through profit and loss: other financial assets mandatorily measured at fair value	651,848	658,534
+ 30. Financial assets measured at fair value through other comprehensive income	500,668	60,036
Equity investments	**10**	**10**
+ 70. Equity investments	10	10
Property, plant and equipment and intangible assets	**29,154**	**4,677**
+ 80. Property, plant and equipment	27,217	2,941
+ 90. Intangible assets	1,937	1,736
Tax assets	**234,785**	**210,687**
+ 100 (a). Current tax assets	11,207	10,789
+ 100 (b). Prepaid tax assets	223,578	199,898
Other assets	**26,715**	**28,355**
+ 10. Cash and cash equivalents		-
+ 120. Other assets	26,715	28,355
Total assets	**6,187,592**	**6,900,372**

Table 8 - Reconciliation of reclassified balance sheet assets as at 31 December 2021

EUR/(000) - %	31/12/2021	31/12/2020
Payables to third parties	**3,673,371**	**3,952,065**
+ 10 (a). Financial liabilities measured at amortised cost: payables	26,199	1,046,059
+ 10 (b). Financial liabilities measured at amortised cost: debt securities issued	3,647,172	2,906,006
Tax liabilities	**4,103**	**6,075**
+ 60 (a). Current tax liabilities		4,352
+ 60 (b). Deferred tax liabilities	4,103	1,723
Provisions for specific purposes	**22,950**	**20,811**
+ 90. Staff severance indemnity	556	591
+ 100 (b). Provisions for risks and charges: pensions and similar obligations	130	125
+ 100 (c). Provisions for risks and charges: other provisions for risks and charges	22,264	20,096
Other liabilities	**91,129**	**97,368**
+ 20. Financial liabilities held for trading	4	4
+ 80. Other liabilities	91,124	97,364
Share capital	**655,154**	**655,154**
+ 110. Share capital	655,154	655,154
Treasury shares	**(72)**	**(70)**
+ 120. Treasury shares	(72)	(70)
Share premiums	**604,552**	**604,552**
+ 140. Share premiums	604,552	604,552
Reserves	**1,572,479**	**1,498,311**
+ 150. Reserves	1,572,479	1,498,311
Valuation reserves	**(14,098)**	**(9,903)**
+ 160. Valuation reserves	(14,098)	(9,903)
Profit for the year	**(421,976)**	**76,009**
+ 170. Profit (Loss) for the year	(421,976)	76,009
Total liabilities	**6,187,592**	**6,900,372**

Table 9 - Reconciliation of reclassified balance sheet liabilities as at 31 December 2021

EUR/(000) - %	31/12/2021	31/12/2020
Servicing commissions	46,542	48,007
+ 40. Fee and commission income (partial)	46,542	48,007
Interests/commissions from business with customers	189,351	101,570
+ 10. Interest income (partial)	189,351	101,567
+ 40. Fee and commission income (partial)		2
Other income/expenses from ordinary operations	71,153	64,569
+ 100 (a). Profit/loss from sales or repurchase of accounts receivables	2,759	25,966
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - mandatorily at fair value	-	-
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at fair value through OCI (partial)	68,394	38,603
+ 250. Profit/loss from sale of investments (partial)		-
TOTAL REVENUES	307,046	214,145
Staff costs	(39,944)	(29,987)
+ 160 (a). Staff costs	(39,944)	(29,987)
Operational costs	(81,327)	(25,331)
+ 160 (b). Other administrative expenses	(88,573)	(29,506)
+ 200. Other operating income and expenses (partial)	7,655	4,720
+ 50. Fee and commission expense (partial)	(409)	(545)
TOTAL COSTS	(121,271)	(55,318)
EBITDA	185,775	158,827
Net value adjustments/reversals on receivables and securities from ordinary operations	(542,842)	(42,671)
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - mandatorily at fair value	5,208	397
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	(548,049)	(43,067)
+ 10. Interest income (partial)		
Value adjustments/reversals on property, plant and equipment and intangible assets	(2,719)	(2,065)
+ 180. Net value adjustments/reversals on property, plant and equipment	(1,995)	(1,804)
+ 190. Net value adjustments/reversals on intangible assets	(724)	(262)
Net provisions for risks and charges	(3,507)	227
Other operating income/expenses	(2,379)	(26,496)
+ 80. Trading activity result	13,592	(7,779)
+ 200. Other operating income/expenses	(9,494)	(13,997)
- 200. Other operating income and expenses (partial)	(7,655)	(4,720)
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	1,178	
Financial activity result	(2,564)	18,669
+ 70. Dividends	1,419	13
+ 100 (b). Profit/loss from sale or repurchase of financial assets measured at fair value through other comprehensive income (partial)	1,690	21,899
+ 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)	(5,084)	(4,485)
+ 130 (b). Net value adjustments/reversals for credit risk of: assets measured at fair value through OCI (partial)	(589)	1,242
+ 220 Profit/loss from equity investments	-	
EBIT	(368,237)	106,491
Interests and commissions from financial assets	(76,242)	(36,257)
+ 10. Interest income (partial)	786	3,767
+ 20. Interest expenses	(77,796)	(41,226)
+ 40. Fee and commission income (partial)	1,113	1,223
+ 50. Fee and commission expense (partial)	(345)	(22)
PRE-TAX PROFIT	(444,480)	70,234
Current taxes	22,503	5,775
+ 270. Current taxes	22,503	5,775
RESULT FOR THE YEAR	**(421,977)**	**76,009**

Table 10 – Reconciliation of reclassified income statement as at 31 December 2021


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