amco
ASSET MANAGEMENT COMPANY

Half-yearly consolidated financial report 2021

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1.

corporate offices and independent auditors

BOARD OF DIRECTORS

Chairperson	Stefano Cappiello
Chief Executive Officer	Marina Natale
Director	Domenico Iannotta

BOARD OF STATUTORY AUDITORS[1]

Chairman	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 (LAW NO 259/58)

Principal Appointee	Giulia De Franciscis
Substitute Appointee	Carmela de Gennaro

SUPERVISORY BODY pursuant to Italian Legislative Decree No 231/2001[2]

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

As at the closing date of the consolidated half-yearly consolidated financial report as at 30 June 2021

[1] With the approval of the financial statements as at 31 December 2020, the mandate of the Board of Statutory Auditors expired. The Shareholders' Meeting of the Parent Company, in the meeting of 28 April 2021, resolved to renew the Board of Statutory Auditors, confirming its composition. The appointment will last until the approval of the financial statements as at 31 December 2023.

[2] With the approval of the financial statements as at 31 December 2020, the mandate of the Supervisory Body pursuant to Legislative Decree no. 231/20021, has expired. In its meeting of 30 April 2021, the Board of Directors resolved to renew the Supervisory Body pursuant to Legislative Decree no. 231/20021, confirming its composition. 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 Ministerial Decree of 22 February 2018 published in Official Gazette No 123 of 29 May 2018, the Ministry of Economy and Finance, in implementing the powers granted by Art. 5, paragraphs 1 and 5 of Decree Law 99 of 25 June 2017, has arranged for AMCO (formerly SGA), through Segregated Estates nominated “Veneto Group” and “Vicenza Group”, to become the assignee of non-performing loans, assets of problematic recoverability and connected juridical relationships respectively of Veneto Banca S.p.A. in administrative compulsory liquidation (hereinafter, also “VB LCA”) and of Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation (hereinafter, also “BPVI LCA”), together also the “former Veneto Banks” (hereinafter the “LCAs”), both subject to administrative compulsory liquidation since June 2017, with the objective of maximising the recovery value over time and at the same time optimising the management of relationships with debtors.

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

The AMCO Group's growth continued during 2020 and the first half-year of 2021, through other market operations that led it to manage volumes of non-performing loans totalling EUR 33 billion, making it the 4th largest market player[3].

On the basis of the articles of association applicable at the time of these consolidated half-yearly financial reports, the Parent Company's corporate purpose is as follows:

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

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

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

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

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

4. The Company may also invest in synthetic securitisation transactions involving loans originating from banks recorded in the register pursuant to art. 13 of Legislative Decree no. 385 (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 Article 18, paragraph 3 of 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 program to issue financial instruments other than shares or non-convertible into such and aimed at regulated markets, or a single issue of such instruments not realised on the basis of a program authorised by the Shareholders' Meeting, may only be implemented in case of identified financial needs of the Company and with the prior authorisation of the Shareholders' Meeting pursuant to Article 2364, paragraph 1, No 5 of the Italian Civil Code.

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 Bank of Italy.

On 14 September 2019, the securitisation transaction of Non Performing Exposure portfolio of Banca Fucino was finalised with effect from 1 January 2019. In this transaction the Parent Company AMCO plays the role of Master Servicer and Special Servicer as well as having subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's 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 half-yearly consolidated financial report. Specifically, from internal analyses carried out, it has emerged that the Parent Company controls Fucino NPL's S.r.l. as it simultaneously has:

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

3.

corporate structure

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

As of 30 June 2021, the Parent Company owns the entire interest in AMCO - Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estate.

AMCO's corporate structure as at 30 June 2021 is shown in the following diagram[4]:

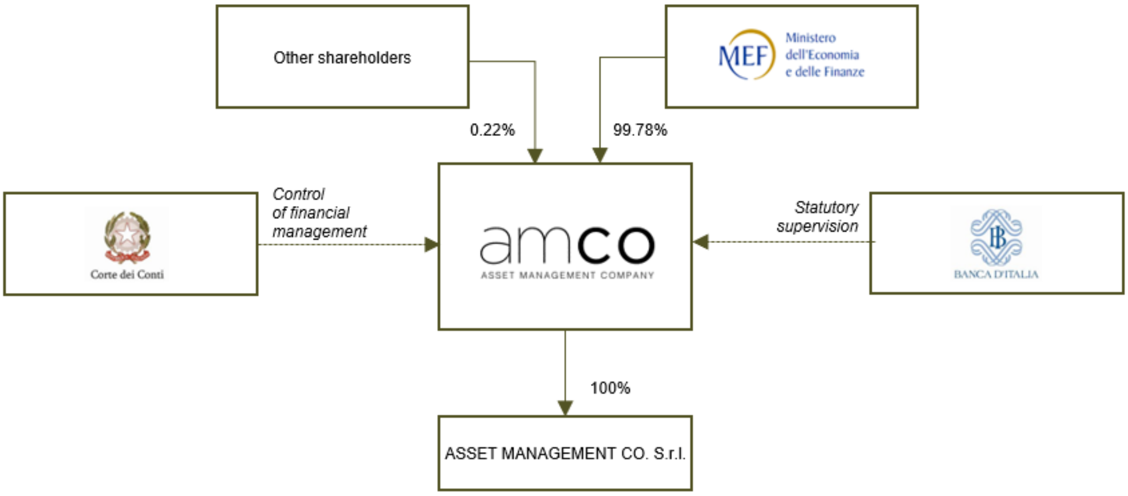

Figure 1 - Corporate Structure as at 30 June 2021[5]

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

4 The chart does not include the vehicle Fucino NPL's S.r.l. because, although it is consolidated in accordance with IFRS 10, AMCO does not hold any direct interest in it. The interests in IrishCo SPV and HydraM spv S.r.l. vehicles are not consistently represented

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

4.

organisational structure

The AMCO Group's organisational structure as at 30 June 2021 is shown below:

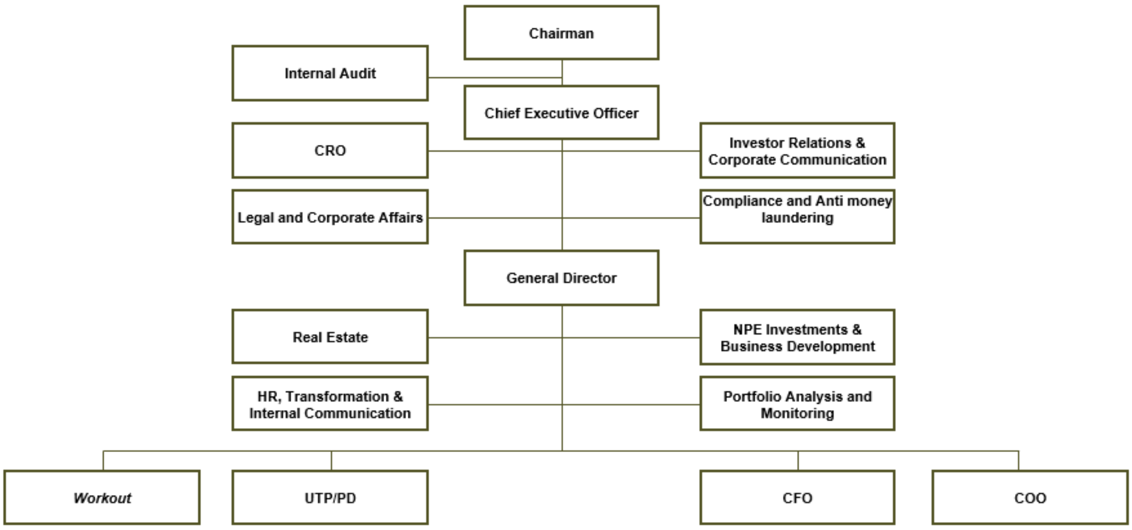

Figure 2 - Organisational structure as at 30 June 2021

As at 30 June 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 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 Parent Company has also provided to appoint a Supervisory Body, whose members have proven experience in financial, corporate and juridical issues, whose mandate will expire with the approval of the financial statements as at 31 December 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 Ministry of Economy and Finance).

Staff composition

As at 30 June 2021 the number of AMCO Group employees was a total of 318 units, up compared to the correspondent number as at 31 December 2020 (287 units).

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

The following table provides the break-down of the AMCO headcount as at 30 June 2021, by gender, age, working years, classification, and contract type.

	Senior managers	Middle managers	White-collar workers	Total
Men (number)	13	133	48	194
Women (number)	5	67	52	124
TOTAL	**18**	**200**	**100**	**318**
Average age	51	45	39	43
Length of service* (average in years)	3	5	6	5
Permanent contract	17	199	95	311
Fixed-term contract	1	1	5	7

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

Table 1 - Composition of the headcount as at 30 June 2021

Litigations

There were no litigations outstanding with employees as at 30 June 2021.

Turnover

With regard to staff turnover, recruitment continued in the first half-year of 2021 on the basis of the AMCO Group's organisational and growth needs, mainly due to the consolidation of servicing activities, the acquisition of new portfolios of non-performing loans and the non-proportional demerger transaction carried out with MPS.

With reference to the latter transaction, has been the secondment of 88 employees from MPS from 1 December 2020. In 2021, the plan for the gradual release of these secondments has begun and will be completed by the end of the year; as of June 30, 2021, there were 58 employees still on secondment.

PERMANENT CONTRACT	31/12/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	30/06/2021
Senior managers	16	1				17
Middle managers	183	20		-4		199
White-collar workers	82	11	3	-1		95
TOTAL	**281**	**32**	**3**	**-5**		**311**

FIXED-TERM CONTRACT	31/12/2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	30/06/2021
Senior managers	1					1
Middle managers	1					1
White-collar workers	4	5	-3	-1		5
TOTAL	**6**	**5**	**-3**	**-1**		**7**

Table 2 - Staff turnover in the first half-year of 2021

Geographic location

As at 30 June 2021, the registered office of the Parent Company was located in Via Santa Brigida No 39 in Naples, while the General Management was in Via del Lauro No 5/7 in Milan. The Parent Company operates from offices in Viale Europa No 23 in Vicenza.


5.

report on operations

MACROECONOMIC SCENARIO

After 2020 was characterised by a collapse of the world economy due to the effects of the COVID-19 pandemic, in the first half of 2021, the international scenario was characterised by a decisive recovery in world trade and a gradual improvement in production, albeit with heterogeneous timing and rhythms between countries. However, there are still uncertainties linked to a possible new acceleration of contagions due to new variants of the virus (e.g. delta variant) that could have impacts on the economy, slowing down its recovery.

The forecast of the global GDP growth rate, excluding the Eurozone, is around 6.2% for 2021. China reported an extraordinary economic result in the first quarter of 2021, with its GDP up by 18.3% and an expected annual growth of 8.4%. In line with the global average, however, the USA grew in the first quarter of this year at a rate of 6.4%, which is expected to remain constant until the end of 2021. On the other hand, the economy in the Eurozone is performing less well, with GDP falling by 0.3% in the first quarter of the current year. However, based on the scenario in June 2021, Eurozone GDP is expected to grow over the next three years: at a rate of 4.6% in 2021, 4.7% in 2022, and 2.1% in 2023.

In the first quarter of 2021, the Italian economy also continued in a phase of stagnation, with a GDP growth rate of 0.1%. Nevertheless, in line with the performance of the European economy, national GDP growth is estimated for the following three years at a rate of 5.1% in 2021, 4.4% in 2022, and 2.3% in 2023. In the three-year forecast 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 projections presented here also assume a continuous improvement of the national and global healthcare framework. Therefore, a trend of the vaccination campaign is expected in line with the plans, which will allow the removal of most of the obstacles to mobility by the end of 2021.

On the presumption of an improvement in the global health scenario, in July 2021 there was a marked increase in both the consumer confidence index (from 101.1 in December 2020 to 116.6) and the composite confidence index of companies (from 88.5 in December 2020 to 116.3). The increase in the consumer confidence index is driven by components relating to the current and future economic climate, even if all variables are growing. Also with regard to companies, the improvement in the climate of confidence is common in all its components (manufacturing, retail services, and construction).

After a first quarter in which the overall level of production increased by 1.3%, this trend is confirmed in the second quarter of 2021 with a growth of 1%.

Despite the recovery scenario, the unemployment rate is expected to rise in the current year to 10.5% from 9.3% in 2020, and then to decrease slightly in the following two years, to 10.3% in 2022 and 9.9% in 2023. The trend in the unemployment rate will reflect the gradual normalisation of the labor market, as well as the gradual elimination of some extraordinary measures to support employment, introduced by the government to deal with the economic shock caused by the COVID-19 pandemic. The return to growth is reflected in an increase in hours worked, which by 2023 will return to the levels prior to the pandemic.

After a slight decline in consumer prices in 2020 (-0.1%), positive inflation is expected for the next three years (1.5% in 2021 and 1.3% in 2022 and 2023), reflecting the restart of the global economy, the increase in the price of raw materials, and the gradual reabsorption of margins of unused capacity.

With regard to interest rates, the 3-month Euribor is expected to remain in negative territory of -0.5 both in 2021 and in 2022, slightly improving in 2023 when it will be equal to -0.4. The 10-year BTP rate, on the other hand, is expected to be substantially stable over the next three years, with a rate of 0.9% in 2021, 1.1% in 2022, and 1.4% in 2023.

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 70 billion, envisage a sharp increase in NPEs between the end of 2021 and 2022, with a time delay in respect to the pandemic caused by the aid measures adopted by the government, which have effectively contributed to mitigating the impact on the quality of banks' assets. In particular, in 2022 the stock of NPEs in Italy is expected to be between 127 and 181 billion depending on the effectiveness of public aid measures.

The upward trend in prices of recent years continues in the European real estate market, nevertheless, at the end of last quarter Italy remains the country with the lowest index (101.10), if compared with a European average (139.65). Prices in most European countries continued to rise thanks to the sharp cut in interest rates and the relaxation of monetary policies that led to an increase in liquidity. This trend is also favoured by a progressive de-urbanisation, driven by an increasingly common culture of smart working and work from home, for which buyers are looking for larger living areas even outside the big cities. The increase in prices was accompanied by an increase in home exchanges, in the first quarter of 2021 more than 45 thousand homes were traded, + 38.6% in terms of trend change compared to the first quarter of 2020.

OPERATING PERFORMANCE

Relevant events of the first half-year of 2021

Information on the effects of the Covid-19 pandemic

Impact on operations and valuations at 30 June 2021

In the first few months of 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 deriving from the possible worsening of contagions (for example, due to the delta variant), 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 to customers, specific attention was paid to the ability of so-called ‘unlikely-to-pay’ debtors to generate sufficient debt-servicing cash flows to repay 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 Bank of Italy for the purposes of self-assessment of the capital adequacy of the Company.

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

As in 2020, also in the first half-year of 2021, in its day-to-day 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. Details in terms of the number and gross amount of loans subject to moratorium as of 30 June 2021[6] are provided below:

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

Figures in €/M	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*")	187	100	115	56	62	21	10	23
Loans subject to voluntary moratorium ("individual voluntary moratoriums")	867	498	667	277	138	22	62	198
TOTAL	**1,054**	**598**	**782**	**333**	**200**	**43**	**72**	**221**

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 collectivity; 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.

In the first half of the year, 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 Parent Company 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 the first half of 2021 these investments amounted to EUR 0.4 million in costs.

Business development

In the first half-year of 2021, the Parent Company continued its organic growth through the acquisition of new portfolios and the development of new business initiatives which overall brought the total of assets under management to over EUR 33 billion.

1 - Debt purchasing transactions

The transactions that took place during the first half-year are described below

- 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 leasing contracts, mainly real estate, for a Gross Book Value of approximately EUR 70 million. The transaction had an economic effective date of 1 January 2021.

2 - Servicing transactions

The transactions that took place during the first half-year are described below:

- 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 had an economic effective date of 1 April 2021;
- 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 transaction had an economic effective date of 1 April 2021;
- on 26 May 2021, the second phase of the *Cuvèe* transaction was launched. This is a multi-originator platform to manage loans classified as ‘unlikely to pay’ deriving from loans and credit facilities with a different nature granted to companies operating in the property sector, now extended to include Real Estate leasing positions, through provision of BPER bank of 13 debtors for a total GBV of EUR 52 million. Following the entry of BPER Banca, the total assets transferred to the *Cuvèe* platform amounted to EUR 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 secured debt

As part of the financing of the partial non-proportional spin-off between Banca Monte dei Paschi di Siena and the AMCO Parent Company 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 NPE portfolio of the Complex through the creation of Segregated Estate pursuant to art. 7.1 (a) Law 130/99.

In order to guarantee the so-called Secured loan, the funding structure envisaged that the Segregated Estate received a loan from the vehicle HydraM SPV S.r.l. On the basis of this credit exposure granted to the Segregated Estate pursuant to Article 7.1 (a) of Law 130/99, the securitisation vehicle HydraM SPV S.r.l. issued a single untranched note fully subscribed by an Irish vehicle (wholly owned by AMCO), the liabilities of which included the loan to JP Morgan Securities Plc and UBS Europe SE for a total of EUR 1,000 million. Since the NPE portfolio does not qualify for de-recognition under IFRS 9 and substance over form prevails, the loan to JP Morgan Securities Plc and UBS Europe SE has been directly disclosed in the separate financial statements, thus "eliminating" both the HydraM vehicle and the Irish Vehicle.

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 NPE portfolio acquired through the MPS Complex as from 1 December 2020, the date of economic effectiveness of the transaction.

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 ALM 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.

Following the full repayment of the Secured loan, the unwinding activities of the structure that guaranteed the loan to JP Morgan Securities Plc and UBS Europe SE was initiated. With a specific resolution of the AMCO Board of Directors, on 24 June 2021, the Segregated Estate pursuant to art. 7.1 (a) L Law 130/99 were extinguished, while on 2 September 2021, has been the Shareholders' Meeting for the liquidation of the Italian vehicle HydraM SPV S.r.l.

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[7] 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[8] in Italy. AMCO is able to fully oversee the management process of positions, including through agreements with specialised partners and the option of directly providing new finance to allow for continuity and the relaunch of industrial entities.

In terms of Gross Book Value, assets under management at 30 June 2021 can be broken down as follows:

1 - Debt purchasing

- EUR 5.6 billion for 47 thousand debtors relating to so-called POCI portfolios acquired from 2019 (of which EUR 2.4 billion from the Carige portfolio, EUR 2.1 billion from the BPB portfolio, EUR 0.6 billion from the Banco Popolare portfolio, EUR 0.4 billion from the two Creval portfolios and EUR 0.1 billion relating to the ICS and Igea-Fucino portfolios).
- EUR 1.5 billion for 1,800 debtors relating to the portfolio originating from the former Banco di Napoli.
- EUR 7.4 billion for 73 thousand debtors deriving from the MPS portfolio forming part of the demerger compendium transferred to AMCO at the end of 2020.

2 - Servicing

- EUR 15.4 billion for 100 thousand debtors relating to the Segregated Estate of the Veneto and Vicenza Groups.
- EUR 1.9 billion for 950 debtors relating to Financed Capital of VB LCA and BPVI LCA.
- EUR 0.3 billion for 3,000 debtors relating to the securitised portfolio in Fucino NPL's S.r.l.
- EUR 1 billion for 119 debtors relating to the *Back2Bonis* portfolio.

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

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

Main indicators as at 30 June 2021

The profit and loss result of the first half-year of 2021 shows a net operating profit of EUR 36.5 million.

In order to better represent the Group's economic and financial situation, the mandatory schedules were reclassified according to management criteria based on both the business lines developed by the Group and its peculiarity in the current Italian financial system; the criteria most closely linked to the type of business are aimed at identifying the items relating to the Group's core business, which consists of the management and recovery of impaired loans, through debt purchasing and servicing activities.

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

Furthermore, the AMCO Group's main economic and financial indicators relative to the first half-year of 2021 are indicated in the tables below, alongside the comparative data for the previous financial year.

Reclassified balance sheet

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

Euro/(000) - %	30/06/2021	31/12/2020	Delta insurance	Delta %
Loans and receivables with banks	181,134	251,585	-70,451	-28%
Loans and receivables with customers	5,219,851	5,686,223	-466,372	-8%
Financial assets	1,067,338	718,836	348,502	48%
Equity investments	10	10	0	0%
Property, plant and equipment and intangible assets	4,159	4,677	-518	-11%
Tax assets	194,000	210,687	-16,687	-8%
Other assets	29,306	28,355	951	3%
TOTAL ASSETS	**6,695,797**	**6,900,372**	**-204,575**	**-3%**

Euro/(000) - %	30/06/2021	31/12/2020	Delta insurance	Delta %
Payable to third parties	3,752,806	3,952,065	-199,259	-5%
Tax liabilities	3,760	6,075	-2,315	-38%
Provisions for specific purposes	15,844	20,811	-4,967	-24%
Other liability items	62,476	97,368	-34,892	-36%
Share capital	655,081	655,084	-2	0%
Share premium	604,552	604,552	0	0%
Reserves	1,572,479	1,498,311	74,168	5%
Valuation reserves	-7,668	-9,903	2,235	-23%
Result for the period	36,467	76,009	-39,542	-52%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,695,797**	**6,900,372**	**-204,575**	**-3%**

Analysis of the main financial indicators

Loans to customers amounted to EUR 5.2 billion and are composed almost entirely of impaired loans acquired as part of debt purchasing transactions between 2019 and 2021.

EUR/millions - %	30/06/2021	31/12/2020	Delta insurance	Delta %
Total POCI Portfolios	**1,727**	**1,722**	**5**	**0%**
Total Portfolios Amortized Cost	**3,461**	**3,630**	**-169**	**-5%**
Other loans and receivables	32	334	-302	-91%
Total loans and receivables with customers	**5,220**	**5,686**	**-466**	**-8%**

The reduction of 8.2% compared to December 2020 is mainly due 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.

The change in the non-performing loan portfolios reflects the trend of collections, write-offs, and capitalisation of interest during the half-year.

It should be noted that in the first half of 2021 Parent Company began the review of the files deriving from the Hydra M (MPS) transaction with the aim of adjusting their book value to the valuation policies currently adopted by AMCO.

The evaluation activity concerns both the analytically valued positions and those subject to statistical valuation. As this is the first application of the AMCO policies in terms of provisioning on the MPS portfolio, the analysis is also extending to the parameters preparatory to the correct application of the valuation policies, including:

- verification of encumbrances on the guarantees transferred;
- verification of the mortgage status for loans secured by a real estate mortgage;

- the ageing of the appraisals and their re-evaluation where considered more significant by date and/or amount;
- verification of the correct correlation between credit and guarantee;
- the standardisation of customer statuses common to the other portfolios acquired by AMCO.

Given the number of positions subject to review and the related guarantees, the revaluation of the credit positions split to AMCO as part of the Hydra M transaction is still in progress as at 30 June 2021. Therefore, as the conclusion of the activities is estimated by the end of the 2021 financial year, this half-yearly financial report does not yet reflect the results of the application of the valuation policies of AMCO's own lending activities, but they will be expressed in the economic and financial position of 31 December 2021. It cannot be excluded that, as a result of these analyses, a negative valuation impact on the files of the former MPS could be significant based on the weight of the portfolio over the total credits managed by AMCO. In consideration of the high level of capitalisation claimed today, it is believed that the Company is fully able to absorb this potential impact, confirming high levels of capital ratios even after the application of its valuation policies.

resolutions adopted by AMCO in the first half of 2021 on the Hydra M portfolio are still included in the Income Statement at 30 June 2021 for a total amount of EUR 17.1 million, divided between item 10) "Interest and similar income" (adjustment of EUR 17.3 million) and item "130) Net adjustments / write-backs for credit risk of financial assets measured at amortized cost" (write-back net of EUR 0.2 million).

Financial assets amounted to EUR 1,067 million, up 48.5% compared to December 2020, mainly due to the increase in investments in Italian government bonds made for the use of excess liquidity, in line with the company strategy.

Item (Data EUR/000)	30/06/2021	31/12/2020	Delta insurance	Delta %
Italian Government Bonds	404,437	56,119	348,317	621%
CIU shares	560,054	558,374	1,681	0%
of which IRF	470,471	470,911	-440	0%
of which *Back2Bonis*	76,697	74,353	2,344	3%
of which Other CIU's	12,886	13,110	-224	-2%
Shares and capital instruments	43,596	46,849	-3,253	-7%
Loans to customers valued at fair value	59,082	57,228	1,854	3%
Derivative trading assets	169	267	-98	-37%
Total financial assets	**1,067,338**	**718,836**	**348,502**	**48%**

The CIU shares are essentially stable and are mainly composed of:

- *Italian Recovery Fund of* EUR 470.5 million, substantially stable compared to December 2020, resulting from the offsetting between the repayment of principal of EUR 8.4 million and the revaluation of the equity investment of EUR 7.9 million determined on the basis of the provisions of the *fair value* company*policy;*
- *Back2Bonis* equal to EUR 76.7 million, up by 3.2% due to the revaluation of the value of the shares of EUR 2.8 million determined on the basis of the provisions of the company *fair value policy*, offset by a repayment of principal of 0.5 million.

Receivables that do not meet the criteria for recognition under assets measured at amortized cost amounted to EUR 59.1 million, up 3.1% (these receivables, which account for only 1.1% of the total loans to customers and financial companies mainly relate to the MPS portfolio and to a lesser extent the former Carige and former Banco BPM portfolios).

Tangible and intangible assets, equity investments, and other assets were substantially stable compared to the end of 2020.

Tax assets amounted to EUR 194 million, down by 8% due to the discharge of DTAs on write-downs of receivables of previous years and use of collar (mechanism for adjusting the commission income of the former Venetian 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).

Payables to third parties amounted to EUR 3,753 million, down by 5% 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.

Special purpose provisions (employee severance indemnity and provisions for risks and charges) decreased by 24% due to the use of the provision for employee bonuses, the discharge of provisions on legal expenses recognised at the time of the acquisition of portfolios from Carige, Banca Popolare di Bari and BancoBPM, as envisaged in the relative sale contracts (more specifically, use of EUR 1.3 million relating to the Carige portfolio for expenses and commissions contractually reimbursed to the transferor, release of EUR 0.8 million relating to the Banca Popolare di Bari portfolios and BancoBPM due to forfeiture of the contractual cases that had provided for the provision).

Other liabilities down by 36% compared to December 2020 mainly due to the payment of the collar to Veneto Banca S.p.A. in LCA and Banca Popolare di Vicenza S.p.A. in LCA for the 2018-2020 period (equal to approximately EUR 50 million).

Shareholders' equity of EUR 2,861 million, stable compared to December 2020

Financial Solidity and Key Performance Indicators

Item (Data EUR/000) - %	30/06/2021	31/12/2020	Delta %
Regulatory capital	2,824,078	2,824,052	0.00%
Weighted risk assets	7,541,752	7,570,666	-0.38%
CET 1	***37.4%***	***37.3%***	***0.1***
Total Capital Ratio	***37.4%***	***37.3%***	***0.1***

Also for 2021, AMCO confirms the solidity of its balance sheet Total Capital Ratio of 37.4%, comfortably higher than the regulations' requirements (8%).

Reclassified income statement

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

Euro/(000) - %	30/06/2021	30/06/2020	Delta insurance	Delta %
Servicing commissions	23,668	23,866	-198	-1%
Interests and commissions from customers	94,469	26,515	67,954	256%
Other income/charges from activities with customers	23,321	5,270	18,051	343%
Total Revenues	**141,460**	**55,651**	**85,808**	**154%**
Staff costs	-19,443	-13,601	-5,842	43%
Net operational costs	-32,460	-8,868	-23,593	266%
of which gross costs	-36,295	-11,462	-24,832	217%
of which recoveries	3,834	2,595	1,239	48%
Total Costs and Expenses	**-51,904**	**-22,469**	**-29,435**	**131%**
EBITDA	**89,556**	**33,182**	**56,373**	**170%**
Net value adjustments/reversals from ordinary operations	3,225	-18,916	22,141	n.s.
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	-1,288	-970	-319	33%
Provisions	825	-173	998	n.s.
Other operating income/expenses	-5,325	-8,322	2,997	-36%
Financial activity result	7,587	9,766	-2,180	-22%
EBIT	**94,579**	**14,568**	**80,011**	**549%**
Interests and commissions from financial activity	-42,735	-5,638	-37,097	658%
Pre-tax profit	**51,844**	**8,930**	**42,914**	**481%**
Current taxes for the period	-15,377	-1,952	-13,425	688%
NET RESULT	**36,467**	**6,978**	**29,489**	**423%**

2020 Income statement restated for consistency with the reclassification criteria applied for the 2021 income statement

Analysis of the economic result

In the first half of 2021, the AMCO Group recorded an **EBITDA** of EUR 89.6 million, up by 170% 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 to customers recorded in the financial statements.

Revenues stood at 141.5 million, up by 85.8 million (+ 154%) compared to the first half of 2020, thanks to the increase in interest from customers (+68 million; + 256%) and other income and expenses from activities with customers (+18.1 million; + 343%) due to the increase in the portfolios of impaired loans to customers, with substantially stable servicing fees.

Commission income from servicing amounted to EUR 23.7 million, slightly down compared to the first half of 2020.

Euro/(000) - %	30/06/2021	30/06/2020	Delta insurance	Delta %
Commissions of former Venetian Banks	22,119	23,096	-977	-4%
Cuvée commissions	1,549	771	779	101%
Total servicing commissions	**23,668**	**23,866**	**-198**	**-1%**

The decrease in commissions deriving from the management of the portfolios of the former Venetian banks, due to the natural decline in the GBV under management on which these commissions are parameterised, is partially offset by the commissions that the Parent Company receives as part of the Cuvée transaction and due to the increase in the size of the transaction.

Interest and commissions from activities with customers were up by 256% compared to the first half of 2020.

Euro/(000) - %	30/06/2021	30/06/2020	Delta insurance	Delta %
Total POCI Portfolios	**55,792**	**25,052**	**30,739**	**123%**
Total Portfolios Amortized Cost	**38,678**	**1,463**	**37,215**	**2,544%**
Total	**94,469**	**26,515**	**67,954**	**256%**

This increase is mainly due to the expansion of the business in the second half of 2020; in fact, the growth in interest deriving from POCI portfolios (+30.8 million) is due almost exclusively to the acquisitions of impaired loans from BP Bari and BancoBPM; also the growth on the Carige portfolio is due to the expansion of the perimeter of the transaction due to the acquisition of the Messina Group positions (which took place in July 2020) and of the lease receivables portfolio (which occurred in the first quarter of 2021).

The increase in portfolios at amortized cost is due exclusively to the recognition of contractual interest on UTP receivables of MPS (EUR 21.3 million), as well as interest from the time value release of the same portfolio (EUR 16.1 million).

Other income/charges from ordinary operations amounted to EUR 23.2 million, up by EUR 18.1 million (+ 343%); the reason for this development is to be attributed both to the growth of debt purchasing activities and to more mature and efficient collection processes and methods.

Costs amounted to EUR 51.9 million, up 131% compared to the first half of 2020, mainly due to the increase in volumes of on-balance assets, which affect both the costs directly related to the recovery activity, and some overheads linked to the evolution of masses.

Personnel expenses amounted to EUR 19.4 million, up by EUR 5.8 million (+ 43%) compared to the first half of 2020; of these, EUR 2.9 million are due almost exclusively to the significant development of the workforce (+60 headcount YoY) necessary to meet the growth in business volumes; the other EUR 2.9 million is due to the use, governed by a specific agreement as part of the spin-off with MPS, of 88 seconded MPS employees necessary to ensure portfolio management and business continuity.

Net operating costs, amounting to EUR 32.5 million, were up by EUR 23.6 million (+ 266%) compared to the first half of 2020 and are broken down as follows:

Euro/(000) - %	30/06/2021	30/06/2020	Delta insurance	Delta %
Legal and other collection costs	10,637	1,341	9,295	693%
Outsourcing fees	6,731	310	6,421	2,070%
Property costs repossessed	96	0	96	n.s.
Insurance Policies Credit	1,280	424	857	202%
Expenses for collection activities	**18,744**	**2,075**	**16,669**	**803%**
IT	4,259	2,633	1,626	62%
Business information	1,210	417	793	190%
BPO and Document Archive	1,789	652	1,138	175%
Professional costs	3,347	1,848	1,499	81%
Logistics	1,070	370	700	189%
DTA fee	1,399	336	1,063	316%
Other expenses	642	532	110	21%
Structure costs	**13,717**	**6,787**	**6,929**	**102%**
Total	**32,460**	**8,862**	**23,598**	**266%**

Expenses related to collection activities increased by 803% due to the increase in assets under management recognized in the financial statements, with particular reference to the MPS and BP Bari portfolios.

Overheads are up by EUR 6.9 million (+ 102%) and the main reason for this is also the growth in assets under management, which applies in particular to the “Business information”, “BPO and document archive” categories, and "DTA fee” (the increase is due to the recognition of DTAs included in the MPS complex) and partially for IT costs, given that most of the fees are parametrized to volumes, which however also reflect an increase in software developments linked to the initiatives to optimise the operating machine; the increase in operating costs is due to the use of consultancy support on specific projects and initiatives in various areas of the AMCO Parent Company.

The **balance of reversals of value adjustments from ordinary operations** was positive and amounted to EUR 3.2 million mainly due to the revaluation of OCIR units held as part of the *Cuvée* transaction (+ 2.8 million), the balance as at 30 June 2020 was affected by write-downs on specific single names due to the first effects of the pandemic. This item includes the effects of the credit resolutions adopted by AMCO in the first half of 2021 on the “Hydra M” portfolio, although the massive revision of the positions is still in progress.

Provisions recorded a positive balance of EUR 0.8 million due to the release of the provisions recognised as per the contractual provision as part of some of the receivables acquisition transactions carried out in the second half of 2020 and released since the cases envisaged by contract for their use did not occur.

Other operating income and expenses amounted to EUR -5.3 million, an improvement on the figure recorded at 30 June 2020; the positive euro/dollar exchange rate effect of EUR 4.5 million on the Messina Group's receivables in dollars fully absorbs the increase in the collar (+2.7 million) due to lower costs allocated to the former Venetian banks, despite overall costs growth, due to economies of scale.

The **result of financial activities was** down by EUR 2.2 million compared to 30 June 2020, due to the lower capital gains realised on the government securities portfolio (EUR -8.4 million compared to the first half of 2020) which were partially offset by the higher revaluation of the shares of the *Italian Recovery Fund* (+6.2 million compared to the first half of 2020).

Net interest income from financing activities was negative and amounted to EUR -42.7 million, up by EUR 37.1 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 the secured loan at more advantageous rates.

RATING

On 16 June 2021, Fitch Ratings confirmed the LTIDR as BBB- with Stable Outlook, and the Short-Term Foreign Currency IDR as F3.

On 30 June 2021, Standard & Poor's (“S&P”) also confirmed the rating of AMCO at Investment Grade level, with the Long-Term Issuer Credit Rating at 'BBB', also confirming the stable Outlook, in line with that of the Italian government. S&P considers AMCO a government-related entity with an almost certain probability of financial support from the Italian government, so it aligns AMCO's Long-Term rating with that assigned to Italy.

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

RELATED PARTY TRANSACTIONS

AMCO wholly owns the Company AMCO - Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estate. With the latter, in the first half of 2021 there were two contracts relating to servicing activities, against which the commission expense of EUR 0.5 million and fee and commission income of EUR 0.1 million were recognised in the first half of 2021.

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

The other financial transactions carried out with 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. Commissions income pertaining to AMCO for the first half-year of 2021 amounted to EUR 0.2 million, in addition to interest income deriving from securitisation notes for EUR 0.8 million.

BUSINESS OUTLOOK

The macroeconomic context shows signs and prospects of recovery after the difficulties recorded in 2020 due to the COVID-19 pandemic; however, elements of uncertainty remain, such as an increase in infections due to new variants of the virus, which could have impacts on the economy and recovery. These uncertainties together with possible support measures put in place by national authorities (such as, including but not limited to, moratoria on the payment of mortgages and loans) could have an impact on the future recoveries of the Group and, therefore, on its profitability.

In this context, AMCO continues to pursue the 2020-2025 projections, 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. AMCO's business model is also confirmed, which remains focused on maximising collections, also by enhancing the value of the assets used as collateral, in particular on non-performing loans, while for UTP loans the strategy is aimed at maintaining business continuity and supporting virtuous companies, including through the provision of new finance, enabling them to normalise their financial situation and fully repay their debt.

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

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

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

GOING CONCERN

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

This half-year 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 recorded in 2020 due to the COVID-19 pandemic; however, elements of uncertainty remain, such as an increase in infections due to new variants of the virus, which could have impacts on the economy and on the recovery. These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, whose developments and related effects cannot be predicted. Any support measures put in place by national authorities (such as, including but not limited to, moratoria on the payment of mortgages and loans) could have an impact on the future recoveries of the Group and, therefore, on its profitability.

OTHER INFORMATION

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

In accordance with the provisions of paragraph 125 of 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 in any case economic advantages of any type from public administrations.

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

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


6.

statements of accounts

BALANCE SHEET ASSETS

Amounts expressed in thousand of Euros

	ASSET ITEMS	30/06/2021	31/12/2020
10.	Cash and cash equivalents	0	0
20.	Financial assets measured at fair value through profit and loss		
	a) financial assets held for trading	169	267
	b) financial assets measured at fair value		
	c) other financial assets mandatorily measured at fair value	660,368	658,534
30.	Financial assets measured at fair value through other comprehensive income	406,801	60,036
40.	Financial assets measured at amortised cost		
	a) loans and receivables with banks	181,134	251,585
	b) loans and receivables with financial companies	55,633	381,766
	c) loans and receivables with customers	5,164,218	5,304,456
50.	Hedging derivatives		
60.	Change in value of financial assets object of a generic hedge (+/-)		
70.	Equity investments	10	10
80.	Property, plant and equipment	2,079	2,941
90.	Intangible assets	2,080	1,736
	of which goodwill		
100.	Tax assets		
	a) current	7,560	10,789
	b) deferred	186,440	199,898
110.	Non-current assets and groups of assets held for disposal		
120.	Other assets	29,306	28,354
	TOTAL ASSETS	**6,695,797**	**6,900,371**

Signed by

Marina Natale
Chief Executive Officer

Signed by

Silvia Guerrini
Manager in charge of preparing the Company's Financial Reports

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

Amounts expressed in thousand of Euros

	LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS	30/06/2021	31/12/2020
10.	Financial liabilities measured at amortised cost		
	a) payables	101,704	1,046,059
	b) debt securities issued	3,651,102	2,906,006
20.	Financial liabilities held for trading	6	4
30.	Financial liabilities measured at fair value		
40.	Hedging derivatives		
50.	Change in value of financial liabilities object of a generic hedge (+/-)		
60.	Tax liabilities		
	a) current	2,127	4,352
	b) deferred	1,633	1,723
70.	Liabilities associated to assets held for disposal		
80.	Other liabilities	62,470	97,363
90.	Post-employment benefits	574	591
100.	Provisions for risks and charges:		
	a) commitments and guarantees issued		
	b) pensions and similar obligations	128	125
	c) provisions for risks and charges	15,142	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	-7,668	-9,903
170.	Profit/(loss) for the period (+/-)	36,467	76,009
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,695,797**	**6,900,371**

Signed by

Marina Natale
Chief Executive Officer

Signed by

Silvia Guerrini
Manager in charge of preparing the Company's Financial Reports

INCOME STATEMENT

Amounts expressed in thousand of Euros

	ITEMS	30/06/2021	30/06/2020
10.	Interest and similar income	94,713	28,855
	of which, net interest income calculated with the effective interest method	*93,887*	*28,885*
20.	Interest and similar expenses	-43,505	-8,801
30.	**INTEREST MARGIN**	**51,208**	**20,054**
40.	Fees and commissions income	24,321	24,693
50.	Fees and commissions expense	-485	-638
60.	**NET FEES AND COMMISSIONS**	**23,836**	**24,055**
70.	Dividends and similar revenues	472	
80.	Trading activity net result	5,295	
90.	Hedging activity net result		
100.	Profit (loss) on sale/repurchase of:		
	a) financial assets measured at amortised cost		
	b) financial assets measured at fair value through other comprehensive income	134	7,997
	c) financial liabilities		
110.	Net result of other financial assets and liabilities measured at fair value through profit and loss		
	a) financial assets and liabilities measured at fair value		
	b) other financial assets mandatorily measured at fair value	11,770	6,063
120.	**BROKERAGE MARGIN**	**92,715**	**58,170**
130.	Net impairment losses/reversals of impairment losses on:		
	a) financial assets measured at amortised cost	22,675	-18,001
	b) financial assets measured at fair value through other comprehensive income	-512	61
140.	Profit/loss from contractual amendments without cancellation		
150.	**NET RESULT OF FINANCIAL MANAGEMENT**	**114,878**	**40,229**
160.	Administrative expenses:		
	a) staff costs	-19,443	-13,601
	b) other administrative expenses	-35,936	-10,827
170.	Net provisions for risks and charges		
	a) commitments and guarantees issued		
	b) other net provisions	825	-173
180.	Net value adjustments/reversals on property, plant and equipment	-931	-875
190.	Net value adjustments/reversals on intangible assets	-357	-95
200	Other operating income and expenses	-7,191	-5,728
210.	**OPERATIONAL COSTS**	**-63,034**	**-31,299**
220.	Net gains (losses) on equity investments		
230.	Net result of the measurement at fair value of property, plant and equipment and intangible assets		
240.	Value adjustments on goodwill		
250.	Profits (losses) on disposal of investments		
260.	**PROFIT/(LOSS) OF CURRENT OPERATING ACTIVITIES BEFORE TAXES**	**51,844**	**8,930**
270.	Income taxes for the year on current operating activities	-15,377	-1,952
280.	**PROFIT/(LOSS) OF CURRENT OPERATING ACTIVITIES AFTER TAXES**	**36,467**	**6,978**
290.	Profit (Loss) on groups of activities held for disposal net of taxes		
300.	**PROFIT/(LOSS) FOR THE PERIOD**	**36,467**	**6,978**

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STATEMENT OF COMPREHENSIVE INCOME

Amounts expressed in thousand of Euros

	ITEMS	30/06/2021	30/06/2020
10.	**Profit/(loss) for the period**	36,467	6,978
	Other income components net of taxes without reversal to the income statement		
20.	Equity securities measured at fair value through other comprehensive income	1,893	
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	17	-0
80.	Non-current assets and groups of assets held for disposal		
90.	Share of equity investment valuation reserve valued at net equity		
	Other income components net of taxes with reversal to the income statement		
100.	Hedging of foreign investments		
110.	Currency exchange differences		
120.	Hedging of financial flows		
130.	Hedging instruments (non-designated elements)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	325	-6,109
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**	**2,235**	**-6,109**
180.	**Other comprehensive income (Item 10+170)**	**38,702**	**868**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2021 PERIOD

Amounts expressed in thousand of Euros

				Allocation of previous year profit (loss)		Changes in the period							
							Transactions on shareholders' equity						
	Balance as at 31/12/2020	Amendment of opening balances	Total at 01.01.2021	Reserves	Dividends and other distributions	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in capital instruments	Other changes	Comprehensive income for the period	Net equity at 30/06/2021
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			-130							**675,739**
Valuation reserves	-9,903		-9,903									2,235	**-7,668**
Equity instruments													
Treasury shares	-70		-70					-2					**-72**
Profit (Loss) for the period	76,009		76,009	-76,009								36,467	**36,467**
Shareholders' equity	**2,824,053**		**2,824,053**			**-1,841**		**-2**				**38,702**	**2,860,911**

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 2020 PERIOD

Amounts expressed in thousand of Euros

				Allocation of previous year profit (loss)		Changes in the year							
							Transactions on shareholders' equity						
	Total at 31.12.2019	Amendment of opening balances	Total at 01.01.2020	Reserves	Dividends and other distributions	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in capital instruments	Other changes	Income for 2020	Shareholders' equity at 31/12/2020
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**
Shareholders' equity	**1,822,863**		**1,822,863**			**673,754**	**256,706**	**-70**				**70,800**	**2,824,053**

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Chief Executive Officer

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STATEMENT OF CASH FLOWS - Direct method

Amounts expressed in thousand of Euros

A. OPERATING ACTIVITIES	30/06/2021	30/06/2020
1. Management	**15,047**	**-1,811**
Interest income received (+)	75,574	3,219
Interest expenses (-)	-31,675	-9,987
Dividends and similar revenues (+)	472	
Net fees and commissions (+/-)	28,062	24,403
Staff costs (-)	-19,443	-13,601
Other costs (-)	-39,831	-8,045
Other revenues (+)	4,262	2,919
Duties and taxes (-)	-2,373	-720
Costs/revenues relating to groups of assets held for sale and net of tax effect (+/-)		
2. Cash flow generated/absorbed by financial assets	**247,228**	**5,577**
Financial assets held for trading	98	
Financial assets measured at fair value		
Other assets mandatorily measured at fair value	10,229	13,029
Financial assets measured at fair value through other comprehensive income	-346,636	54,378
Financial assets measured at amortised cost	580,763	-65,448
Other assets	2,775	3,617
Cash flow generated/absorbed by financial liabilities	**-261,503**	**-3,500**
Financial liabilities measured at amortised cost	-208,763	118
Financial liabilities held for trading	2	
Financial liabilities measured at fair value		
Other liabilities	-52,741	-3,618
Net cash flow generated/absorbed by operating activities	**773**	**266**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by		
Sales of equity investments		
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	**-771**	**-266**
Purchases of equity investments		
Purchases of property, plant and equipment	-69	-61
Purchases of intangible assets	-702	-205
Purchases of company business units		
Net cash flow generated/absorbed by investment activities	**-771**	**-266**
C. FUNDING ACTIVITIES		
Issues/purchases of treasury shares	-2	
Issues/purchases of equity instruments		
Dividend distribution and other purposes		
Net cash flow generated/absorbed by funding activities	**-2**	
TOTAL NET CASH FLOW GENERATED/ABSORBED IN THE PERIOD		

Signed by

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Chief Executive Officer

Signed by

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RECONCILIATION

Amounts expressed in thousand of Euros

RECONCILIATION	30/06/2021	30/06/2020
Cash and cash equivalents at the beginning of the year	0	0
Total net cash flow generated/absorbed in the period	-	-
Cash and cash equivalents: foreign exchange effect		
Cash and cash equivalents at the end of the period	**0**	**0**

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Marina Natale
Chief Executive Officer

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7.

explanatory notes

PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 – Statement of compliance with international accounting standards

This half-yearly consolidated financial report as at 30 June 2021 was 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 30 June 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 30 November 2018, which fully replace those of 22 December 2017. In addition, where applicable, the information requested by the Bank of Italy was provided with the communication of 27 January 2021.

Based on the provisions of IAS 34 par. 10 the Group has availed itself of the right to prepare a summary report for the half-yearly consolidated financial report; the Condensed Half-Yearly Consolidated Financial Statements are therefore composed of the Financial Statements and the Explanatory Notes.

In the preparation of the half-yearly financial report, the IAS/IFRS standards adopted and effective as at 30 June 2021 were applied (including the SIC and IFRIC interpretative documents), without any derogation to their application.

Section 2 – Basis of preparation

The accounting policies adopted for the preparation of this half-yearly consolidated financial report, with respect to the classification, recognition, measurement and de-recognition of financial assets and liabilities have remained unchanged from those adopted for the preparation of the 2020 Financial Statements.

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 AMCO Group, which may give rise to any uncertainties in this sense.

This half-yearly consolidated financial report corresponds to the Group's accounting records.

In compliance with the provisions of Article 5 of Italian Legislative Decree 38/2005, this half-yearly consolidated financial report is prepared using the euro as the reporting currency. The amounts in the financial statements and the Notes to the Financial Statements are expressed in thousands of euro.

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

The Parent Company also prepares the consolidated half-yearly financial report by including the securitisation vehicle Fucino NPL's S.r.l. in the scope of consolidation.

Taking into account the Framework for the preparation and presentation of financial statements and the concepts of “significance” and “relevance” it refers to, it was deemed that the inclusion in the half-yearly financial report of the fully owned subsidiary AMCO S.r.l. was not considered to be substantially useful, given the negligible impact of the latter at an aggregate level, due to:

- 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 equity and profitability of the Group is already reflected in this half-yearly financial report.

Section 3 – Subsequent events after the reference date if the half-yearly consolidated financial report

With specific reference to the provisions of IAS 10, it is advised that after 30 June 2021, the reference date of the half-yearly consolidated financial statement, 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.

The following events took place:

- in July 2021, the Romanian subsidiary AMCO S.r.l. was placed in liquidation, with termination of the employment relationships in place with its employees as from 21 August 2021. The management of the foreign portfolio, previously “in house”, was assigned to an international operator that was already handling the recovery of the foreign portfolio;
- in August, the Parent Company signed an agreement under which Banca Progetto will be able to disburse loans to the borrowers of AMCO - Asset Management Company against the assignment of one fifth of the salary or pension (CQS), at favourable economic conditions;
- on 27 July, the Parent Company renewed its Euro Medium Term Note Program (EMTN), bringing its size to EUR 6 billion;
- on 5 August 2021, AMCO finalised the setup of the Commercial Papers Programme (Promissory Notes pursuant to Law No. 43 of 13/01/1994 - “Regulations on Promissory Notes”). The program, which obtained an A-2 (S&P) and F3 (Fitch) rating, will allow the Company to issue Commercial Papers in EUR, USD and GBP up to a maximum amount of EUR 1 billion and will have a three-year duration. The instruments will have a duration of between 1 month and 1 year and will be listed on the ExtraMOT PRO segment of Borsa Italiana S.p.A. For the establishment of the program, AMCO was supported by Crédit Agricole-CIB as arranger in addition to Equita SIM and UBS Europe as Dealers of the programme.
- on 2 September 2021 the Shareholders' Meeting put the vehicle Hydra M SPV S.r.l. into liquidation. The liquidation process is expected to be completed by 31 October 2021.

Section 4 – Other aspects

4.1 - International accounting standards in force since 2021

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

- 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 reference indices with alternative reference rates. These amendments provide for a specific accounting treatment to allocate over time changes in the value of financial instruments or leasing contracts due to the replacement of the reference index for determining interest rates, thus avoiding immediate repercussions on the profit (loss) for the year and unnecessary terminations of hedging relationships following the replacement of the reference index for determining interest rates. The amendments shall apply from 1 January 2021. In this half-yearly consolidated financial report there are no significant effects deriving from the application of such amendments.

4.2 - Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet mandatorily applicable and not adopted in advance by the Group as at 30 June 2021

- On 2 July 2021, Regulation (EU) 2021/1080 acknowledged the amendments to International Accounting Standards (IAS) 16, 37 and 41 and to International Financial Reporting Standards (IFRS) 1, 3 and 9 presented by the IASB on 14 May 2020 and mainly concerning:
  - the so *-called onerous contracts* and the criteria for defining the onerousness of a contract and the extent of a related provision,
  - 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 complete and correct recognition and measurement of the identifiable assets acquired, the identifiable liabilities assumed and any minority interest in the acquiree, as part of the application of the acquisition method at the time of business combinations.

  The amendments are all effective from 1 January 2022.

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

At the reference date for this half-yearly consolidated financial report, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 25 June 2020, the IASB published amendments to ***IFRS 17 - Insurance Contracts*** issued on 18 May 2017 by the IASB, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to guarantee that an entity provides pertinent information which faithfully represent the rights and obligations deriving from insurance contracts issued. IASB developed the standard to eliminate inconsistencies and weaknesses in current accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts held by an insurer. The amendments are intended to help companies implement the Standard and make it easier for them to explain their financial performance. The mandatory application of the new standard has been moved to 1 January 2023.

- On 23 January 2020, the IASB published an amendment entitled, "***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current."*** The purpose of the document is to clarify how to classify debts and other short-term or long-term liabilities. The amendments take effect on 1 January 2023; however, earlier application is permitted, of which the Company has not availed itself.
- On 12 February 2021, the IASB published ***"Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2."*** The amendments require an entity to disclose its "material" accounting policies, rather than its significant accounting policies. Additional amendments explain how an entity can identify a material accounting standard. The amendments enter into force on 1 January 2023.
- On 12 February 2021, the IASB published the ***"Definition of Accounting Estimates - Amendments to IAS 8."*** The amendments concern the precise definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in the financial statements subject to valuation uncertainty." Entities develop accounting estimates if the accounting policies require that the elements of the financial statements be measured in such a way as to involve measurement uncertainty. The amendments clarify that a change in the accounting estimate that results from new information or new developments is not the correction of an error. The amendments enter into force on 1 January 2023.
- On 7 May 2021, the IASB published ***"Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)."*** The amendments clarify that the exemption from initial recognition does not apply to transactions in which equal amounts of deductible and taxable temporary differences emerge at the time of initial recognition. The amendments enter into force on 1 January 2023.

4.4 - Use of estimates and assumptions in preparing the half-yearly consolidated financial report

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

- the quantification of impairment of receivables and, in general, of other financial assets;
- the determination of fair value of financial instruments to be used for the purposes of the information provided in the financial statements;
- the use of valuation models for the recognition of fair value of financial instruments unlisted in active markets;

- the definition of recovery plans for both the so-called POCI receivables and receivables measured at amortised cost;
- the quantification of personnel provisions and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

As already reported in the Report on operations, during the first half of 2021, the Parent Company started the review of the files deriving from the Hydra M transaction with the aim of adjusting their book value to the valuation policies currently adopted by AMCO.

The evaluation activity concerns both the analytically valued positions and those subject to statistical valuation. As this is the first application of the AMCO policies in terms of provisioning on the Hydra M portfolio, the analysis is also extending to the parameters preparatory to the correct application of the valuation policies, including:

- verification of encumbrances on the guarantees transferred;
- verification of the mortgage status for loans secured by a real estate mortgage;
- the ageing of the appraisals and their re-evaluation where considered more significant by date and/or amount;
- verification of the correct correlation between credit and guarantee;
- the standardisation of customer statuses common to the other portfolios acquired by AMCO.

Given the number of positions subject to review and the related guarantees, the revaluation of the credit positions split to AMCO as part of the Hydra M transaction is still in progress as at 30 June 2021. Therefore, as the conclusion of the activities is estimated by the end of the 2021 financial year, this half-yearly financial report does not yet reflect the results of the application of the valuation policies of AMCO's own lending activities, but they will be expressed in the economic and financial position of 31 December 2021. It cannot be excluded that, as a result of these analyses, a negative valuation impact on the files of the former MPS could be significant based on the weight of the portfolio over the total credits managed by AMCO. In consideration of the high level of capitalisation claimed today, it is believed that the Company is fully able to absorb this potential impact, confirming high levels of capital ratios even after the application of its valuation policies.

Although the massive revision of the positions is still in progress, the effects of the credit resolutions adopted by AMCO in the first half of 2021 on the Hydra M portfolio are still included in the Income Statement at 30 June 2021 for a total amount of EUR 17.1 million, divided between item 10) "Interest and similar income" (adjustment of EUR 17.3 million) and item "130) Net adjustments / write-backs for credit risk of financial assets measured at amortized cost" (write-back net of € 0.2 million).

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 this half-yearly consolidated financial report. Lastly, it is noted that the parameters and the information used for the verification of the values referred to in the previous paragraphs are, therefore, influenced by the particularly uncertain macroeconomic and market scenario, which could undertake rapid changes that cannot be predicted at this point, with consequent effects on the financial statement values.

4.5 - Others

Veneto Group and Vicenza Group Segregated Estates

As reported in the introduction to the Report on Operations, on 11 April 2018 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 of Assignment Contracts;
- estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of the same business model adopted by AMCO 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.

Consequently, because the originating LCAs essentially in practice and in law retain all the risks and benefits of the transferred assets, the criteria for the derecognition of assets in the financial statements of the originators, should they apply IAS/IFRS accounting standards, 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 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, although not mandatory in the condensed half-yearly financial report, was resolved in the Report on Operations and in the Notes to the financial statements to which reference is made.

The half-yearly report of the Segregated Estate was not prepared as the separate report is attached to the financial statements on an annual basis, pursuant to art. 2447 septies of the Italian Civil Code. Please refer to the 2020 Financial Statements for the Reports of Intended Assets as at 31 December 2020.

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 this half-yearly financial report 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	Registered Office	Operational office	Relationship type	Participating entity	Interest%	*Votes available*
1. AMCO - Asset Management Co. S.r.l.	Bucharest	Bucharest	1	Amco S.p.A.	100%	100%
2. Fucino NPL’s S.r.l.	Milan	Milan	1%	Amco S.p.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. (formerly SGA S.r.l.), a Romanian company with registered office in Bucharest and dedicated to the management of non-performing loans to debtors resident in Romania, held by Veneto Group Assets. 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 half-yearly 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 half-yearly consolidated financial report 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 half-yearly financial report of the Parent Company AMCO S.p.A. and in this half-yearly consolidated financial report, which takes into account the inclusion, in its scope, only of the securitisation vehicle Fucino NPL's S.r.l.

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

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

5.4 Significant restrictions

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

5.5 Other information

The financial statements of Fucino NPL's S.r.l. used in the preparation of the half-yearly consolidated financial report have the same closing date (30 June 2021).

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

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

Financial assets measured at fair value through profit and loss

Classification criteria

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

This item, in particular, can include:

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

Recognition criteria

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

Measurement and recognition criteria of income items

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

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

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

Derecognition criteria

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

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

Classification criteria

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

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

In particular, this item includes:

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

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

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

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

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

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

Recognition criteria

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

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

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

Measurement and recognition criteria of income items

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

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

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

Derecognition criteria

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

Financial assets measured at amortised cost

Classification criteria

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

Recognition criteria

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

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

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

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

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

Measurement and recognition criteria of income items

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

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

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

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

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

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.

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

Derecognition criteria

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

Property, plant and equipment

Classification criteria

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

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

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

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

Recognition and measurement criteria

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

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

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

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

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

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

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

Derecognition criteria

Property, plant and equipment are derecognised from the 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 leasing contract gives rise to the cancellation of the right of use that has not yet been amortised, with a corresponding cancellation of the associated liability for the lease instalments and, if necessary, charging the difference to the income statement.

Other assets and other liabilities

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

Financial liabilities measured at amortised cost

Classification criteria

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

Recognition criteria

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

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

Measurement bases

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

Derecognition criteria

Financial liabilities are 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 effected by setting off any remaining balance against the corresponding value of the right of use recorded in the balance sheet assets.

Capital transactions

Purchase of treasury shares

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

Costs of issuing equity instruments and other capital transactions

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

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

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

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

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

In order to ensure that qualified DTAs entered in the financial statements can be converted, the Parent Company opted for the above fee system.

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

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

Post-employment benefits

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

- “defined contribution plan” for the portions of post-employment benefits accruing from 1 January 2007 (the date of application of the supplementary pension reform pursuant to Italian Legislative Decree No 252 of 5 December 2005) both in case of employee choice of supplementary pension and in the case of allocation to the Treasury Fund managed by INPS. The amount of the portions accounted under personnel costs is determined based on the contributions due without using actuarial calculations;
- “defined-benefit plan” and therefore recognised on the basis of its actuarial value determined with the “Projected unit credit” method, for the portion of post-employment benefits accrued until 31 December 2006. The determination of the relative liability is carried out by an external expert using the "Projected Unit Credit Method".

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

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

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

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

Revenues and costs

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

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

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

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

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

A.4 - INFORMATION ON FAIR VALUE

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

There are three levels:

Level 1

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

Level 2

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

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

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

Level 3

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

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

Qualitative disclosures

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

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

- for financial items (assets and liabilities) with a residual maturity of 18 months or less, the fair value is reasonably assumed to be approximated by their carrying amount. This includes bank current accounts;
- for UCITS, the fair value was calculated on the basis of internal models according to the criteria provided by the policies in force, adjusting the Net Asset Value (NAV) provided by the Fund Administrator. This is in compliance with the provisions of Document No 8 of the Coordination Table on the application of IAS/IFRS (of April 2020), in which the 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 CIUs that invest in Non Performing Exposures (NPEs), but must be considered applicable to all units of CIUs characterised by similar problems in the valuation of the underlying assets and of the units themselves;
- for other financial assets (equity or semi-equity securities, securitisation notes, bonds, derivatives, etc.), commonly adopted estimation methods are used, which take into account all risk factors related to the instruments themselves;
- with regard to impaired assets, the carrying amount is deemed to be an approximation of the fair value; this in the absence of specific prices by trade associations and Supervisory Bodies, as well as on the assumption that the Group is in a going concern situation and has no need to liquidate and/or significantly reduce its assets under unfavourable conditions. The fair value thus determined reflects the credit quality of non-performing assets.

A.4.2 - Measurement processes and sensitivity

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

A.4.3 - Fair value hierarchy

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

For equity instruments, the transfer level takes place:

- when in the period observable inputs were available on the market (e.g. prices defined in the context of comparable transactions on the same instrument between independent and responsible counterparties). In this case, there will be a reclassification from level 3 to level 2;

- when directly or indirectly observable elements used as a basis for the evaluation no longer apply, or when they are no longer updated (e.g. non-recent comparable transactions or no longer applicable multiples). In this case, valuation criteria using non-observable inputs are used;

- when a security is no longer quoted on an active market, even temporarily, there will be a reclassification from level 1 to level 2 or level 3, depending on the case.

PART B - INFORMATION ON THE BALANCE SHEET

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

2.2 - Derivative financial instruments

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	30/06/2021				31/12/2020			
	Over the counter				*Over the counter*			
		Without Central Counterparties				Without Central Counterparties		
	Central Counterparties	With compensation agreements	Without compensation agreements	Organised markets	Central Counterparties	With compensation agreements	Without compensation agreements	Organised markets
1. Debt securities and interest rates								
Notional value			15,304				26,233	
Fair value			169				267	
2. Equities 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			**169**				**267**	

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

ITEM/VALUES	30/06/2021			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	**14,875**		**26,357**	**13,999**		**28,933**
3. CIU units			**560,054**			**558,374**
4. Loans			**59,082**			**57,228**
4.1 Repurchase agreement						
4.2 Others			59,082			57,228
TOTAL	**14,875**		**645,493**	**13,999**		**644,535**

The item “Equity securities” mainly includes:

- the shares of Trevi Finanziaria Industriale S.p.A. and Astaldi S.p.A. acquired last year following the conversion of receivables from the portfolio acquired from Banca Carige for EUR 2.4 and EUR 0.8 million respectively;

- the residual shares of Astaldi S.p.A. and Trevi Finanziaria Industriale S.p.A., acquired last year as part of the transaction with Monte dei Paschi di Siena for EUR 6.5 million and EUR 5.1 million, respectively;
- other shares acquired in the transaction with Monte dei Paschi di Siena with a fair value of less than EUR 100;
- equity financial instruments acquired as part of the transaction with Monte dei Paschi di Siena for a total of EUR 23.3 million;
- Astaldi equity financial instruments acquired during the year following the conversion of receivables from the portfolio acquired from Banca Carige for EUR 3 million.

The CIU item units mainly includes:

- the investment in Italian Recovery Fund for EUR 470.5 million. As at 30 June 2021, the Group held 484.5 units with unit value of EUR 971,045 (compared to the value of 493.39 units held as at 31 December 2020). The reduction in the number of units in the portfolio lies in the cancellation of units following capital distribution in March 2021;
- the units of the *Back2Bonis* Fund, assigned to the Parent Company in the context of the *Cuvée* operation, valued at EUR 76.7 million as at 30 June 2021; During the half year, a partial distribution of capital was made for a total of EUR 0.5 million.
- the shares of Clessidra Restructuring Fund, acquired last year and subject to a further 2 drawdowns in 2021 (for a total of EUR 0.2 million) and valued at EUR 0.7 million at 30 June 2021;
- the shares of the Efesto fund, acquired last year as part of the transaction with Monte dei Paschi di Siena, subject to a first repayment in 2021 of EUR 905 million and valued at EUR 12.2 million at 30 June 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.

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

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

ITEM/VALUES	30/06/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**404,434**		**3**	**56,113**		**6**
1.1 Structured securities						
1.2 Other debt securities	404,434		3	56,113		6
2. Equity securities			**2,364**	**1,552**		**2,364**
3. Loans						
TOTAL	**404,434**		**2,367**	**57,665**		**2,370**

As at 30 June 2021 this item had a balance of EUR 406.8 million. In detail:

- Other debt securities: the amount of EUR 404.4 million, inclusive of the interest accrued and the write-down, refers almost entirely to investment in Italian government securities. A residual part, equal to EUR 3 thousand, refers to Bosnian government securities unlisted on regulated markets with maturity on 17 December 2021;
- Equity securities: the total amount of EUR 2.4 million refers for EUR 1.9 million to the investment in Banca Carige S.p.A. equal to 1,804,490 shares, and for EUR 0.5 million to the equity financial instruments held in Arezzo Fiere Congressi. The Gabetti shares acquired last year following the Monte dei Paschi di Siena transaction for EUR 1.5 million were sold during the half-year with a positive effect of EUR 0.18 million carried forward to the profit reserve.

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

ITEM/VALUES	Gross value				Total value adjustments			
	First stage							
		of which instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	Total partial write-offs (*)
1. Debt securities	405,037	405,037			-600			
2. Loans								
Total (T)	**405,037**	**405,037**			**-600**			
Total (T-1)	**56,207**	**56,207**			**-88**			
of which: acquired or originated impaired financial assets	X	X			X			

(*) Value to be given for information purposes

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	30/06/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Deposits and current accounts	180,538					180,538	247,278					247,278
2. Loans												
2.1 Repurchase agreement												
2.2 Lease financing												
2.3 Factoring												
- with recourse												
- without recourse												
2.4 Other loans												
3. Debt securities												
3.1 Structured securities												
3.2 Other debt securities												
4. Other assets	596					596	4,307					4,307
TOTAL	**181,134**					**181,134**	**251,585**					**251,585**

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

TYPE OF TRANSACTIONS/VALUES	30/06/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans		55,613	55,613			55,613		24,276	24,276			24,276
1.1 Repurchase agreement												
1.2 Lease financing												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans		55,613	55,613			55,613		24,276	24,276			24,276
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets	20					20	357,490					357,490
TOTAL	**20**	**55,613**	**55,613**			**55,633**	**357,490**	**24,276**	**24,276**			**381,766**

As at 30 June 2021, the item had a balance of EUR 55.6 million, consisting mainly of receivables from the acquired portfolios. The reduction in the item compared to 31 December 2020 is due to the repayment of the receivable from HydraM SPV.

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

TYPE OF TRANSACTIONS/VALUES	30/06/2021						31/12/2020					
	Carrying amount			*Fair value*			Carrying amount			*Fair value*		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans	37,282	5,126,936	5,126,936			5,164,218	46,555	5,257,901	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 loans	37,282	5,126,936	5,126,936			5,164,218	46,555	5,257,901	5,257,901			5,304,456
of which: from enforcement of guarantees and commitments												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
3. Other assets												
TOTAL	**37,282**	**5,126,936**	**5,126,936**			**5,164,218**	**46,555**	**5,257,901**	**5,257,901**			**5,304,456**

As at 30 June 2021 this item had a balance of EUR 5,164.2 million, mainly made up of:

- Portfolios measured at amortized cost (former Monte Paschi di Siena, former Banco di Napoli): for EUR 3,441.1 million;
- Loan to the Back2Bonis Fund for EUR 19.9 million;
- Portfolios valued as POCI for EUR 1,703.2 million.

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

ITEM/VALUES	Gross value				Total value adjustments			Total partial write-offs (*)
	First stage		Second stage	Third stage	First stage	Second stage	Third stage	
		of which instruments with low credit risk						
1. Debt securities								
2. Loans	20,258	20,258	18,554	9,429,390	-324	-1,207	-4,246,841	
3. Other assets	181,341	181,341			-187			
Total (T)	**201,600**	**201,600**	**18,554**	**9,429,390**	**-511**	**-1,207**	**-4,246,841**	
Total (T-1)	**630,475**	**630,475**	**27,200**	**10,315,432**	**-621**	**-1,445**	**-5,033,237**	
of which: acquired or originated impaired financial assets	X	X	**18,554**	**9,429,390**	X	**-1,207**	**-4,246,841**	

(*) Value to be given for information purposes

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 the AMCO S.p.A. Parent Company at 30 June 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.

7.5 - Non-significant equity investments: accounting information

ITEM/VALUES	Profit/Loss	Total assets	Shareholders' equity	Revenues
AMCO - Asset Management Co. S.r.l.	**77**	**1,339**	**949**	**444**
TOTAL	**77**	**1,339**	**949**	**444**

Section 8 – Property, plant and equipment – Item 80

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

ASSETS/VALUES	30/06/2021	31/12/2020
1. Owned assets		
a) land		
b) buildings		
c) movable assets	165	149
d) electronic equipment	38	50
e) others	254	306
2. Asset acquired through financial lease		
a) land		
b) buildings	1,427	2,234
c) movable assets		
d) electronic equipment	25	43
e) others	162	151
TOTAL	**2,070**	**2,932**
of which: from enforcement of guarantees and commitments		

The decrease in tangible fixed assets as at 30 June 2021 is almost entirely due to the depreciation of assets.

Section 9 – Intangible assets – Item 90

9.1 - Intangible assets: break-down

ASSETS/VALUES	30/06/2021		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				
2.1 owned				
a) generated internally	2,042		1,691	
b) others	38		45	
2.2 Right of use acquired through leases				
Total 2			**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				
4. Asset granted with operating lease				
Total (1+2+3)	**2,080**		**1,736**	
Total (T-1)	**1,736**		**579**	

The increase in fixed assets at 30 June 2021, which amounted to EUR 2.1 million, is almost entirely attributable to the capitalisation of software during the period.

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

	30/06/2021	31/12/2020
Deferred-tax assets with balancing entry in the income statement	186,440	199,898
Deferred tax assets with balancing entry in equity		
Assets for current taxes	7,560	10,789
TOTAL	**194,000**	**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 148.1 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 Legislative Decree 185/2008 (deriving from the complex demerged from Banca MPS), pursuant to the provisions of art. 2 of Legislative Decree no. 225 and subsequent amendments (Law 214/2011);
- for EUR 6.2 million to IRES and IRAP DTAs in relation to ACE and previous year losses of which AMCO became the beneficiary in the demerger transaction with Banca MPS;
- for EUR 32.2 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 Parent Company. The exercise was conducted using the 20-25 Strategic Plan appropriately adjusted to consider the fluidity of the current macroeconomic scenario.

In addition, following the performance of the Probability Test, the tax benefits that are currently unrecognised but can potentially be pursued against future taxable income amount to EUR 74.5 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

	30/06/2021	31/12/2020
Deferred tax liabilities with contra-entry to income statement.	1,633	1,723
Deferred tax liabilities with contra-entry in equity		
Liabilities for current taxes	2,127	4,352
TOTAL	**3,760**	**6,075**

Current tax liabilities refer to the allocation of IRAP on the first half of 2021. Deferred taxes refer to revenues whose contribution to taxable income is deferred over time (mainly default interest not fully written-off).

Section 12 – Other assets – Item 120

12.1 - Other assets: break-down

	30/06/2021	31/12/2020
Receivables from Segregated Estates	14,612	10,716
Accrued income and prepaid expenses	2,812	1,277
Receivables for invoices/services to be issued or collected	2,122	5,835
Improvements to third party assets	970	647
Guarantee deposits	673	596
Miscellaneous receivables for register fees and expenses to be recovered	278	278
Receivables for encumbered assets	183	-
Others	7,655	9,005
TOTAL	**29,306**	**28,354**

As at 30 June 2021 the item “Other assets” had a balance of EUR 29.3 million, mainly made up of:

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

LIABILITIES

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

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

TYPE OF TRANSACTIONS/VALUES	30/06/2021			31/12/2020		
	With Banks	With Financial Companies	With Customers	With Banks	With Financial Companies	With Customers
1. Loans	**99,762**			995,536		
1.1 Repurchase agreement	99,762					
1.2 Other loans	-0			995,536		
2. Lease payables			1,938			2,776
3. Other payables	5			47,747		
TOTAL	**99,767**		**1,938**	**1,043,283**		**2,776**
Fair value – Level 1	**99,762**			**995,536**		
Fair value – Level 2						
Fair value – Level 3	**5**		**1,938**	**47,747**		**2,776**
FAIR VALUE TOTAL	**99,767**		**1,938**	**1,043,283**		**2,776**

As at 30 June 2021 this item had a balance amounting to EUR 101.7 million.

The amount due to banks included in the item other loans at 31 December 2020, amounting to EUR 995 million, was fully repaid in May 2021. The payable to banks included in the item Repurchase agreements, equal to EUR 99.8 million, refers to the transaction signed and started in May 2021 with counterparty MPS Capital Services.

Payables to customers of EUR 1.9 million are entirely attributable to the recognition of the financial liability for leases pursuant to IFRS 16.

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

TYPES OF SECURITIES/VALUES	30/06/2021				31/12/2020			
		Fair value				*Fair value*		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
A. Securities								
1. bonds								
1.1 structured	51,927			51,927	54,788			54,788
1.2 others	3,599,175	3,599,175			2,851,218	2,851,218		
2. other securities								
2.1 structured								
2.2 others								
TOTAL	**3,651,102**	**3,599,175**		**51,927**	**2,906,006**	**2,851,218**		**54,788**

This item refers to senior unsecured bonds issued by the Parent Company in February 2019, October 2019, July 2020, and April 2021 and listed on the Luxembourg Stock Exchange, as well as the senior notes of the securitisation issued by the subsidiary Fucino NPL's S.r.l.

Section 6 – Tax liabilities – Item 60

See section 10 of assets.

Section 8 – Other liabilities – Item 80

8.1 - Other liabilities: break-down

	30/06/2021	31/12/2020
Invoices to be received	19,203	18,284
Payable to LCA for COLLAR	11,297	50,033
Payables to suppliers	2,199	2,990
Remuneration, reimbursement of expenses and payables to personnel	2,026	912
Payable deductions and social security contributions	1,727	2,078
Other payables	26,019	23,067
TOTAL	**62,470**	**97,363**

The difference between 30 June 2021 and 31 December 2020 is due essentially to:

- the decrease in trade payables, offset by the increase in invoices to be received due to the corporate expansion phase;
- the cost relative to the mechanism for the adjustment of AMCO fees to the LCAs indicated in transfer agreement with the latter. This mechanism ensures the correlation of fees due to AMCO to the costs actually sustained for the management and recovery activities of the obligations of the transferred assets. The amounts are to be settled on a three-year basis and the amount of EUR 50 million for the years 2018, 2019, and 2020 was paid in April 2021;
- the item "Other payables" includes items in progress at the end of the year, which were settled in July 2021.

Section 10 - Provisions for risks and charges – Item 100

10.1 - Provisions for risks and charges: break-down

ITEM/VALUES	30/06/2021	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	10,983	12,864
4.2 staff costs	2,841	5,911
4.3 others	1,446	1,446
TOTAL	**15,270**	**20,221**

As at 30 June 2021 the provision had a balance of EUR 15.3 million. More specifically:

- Legal and tax disputes where the provision mainly includes:
  - provisions for EUR 5.1 million towards sum collected by the Group 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 2.4 million for disputes in which the risk of damages to debtors/guarantors has been assessed as probable;

- provisions for EUR 1.9 million for disputes and future charges relative to legal costs following the recovery of the loan. The decrease is largely due to the use of fees already set aside due to invoicing;

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

It is also noted that in addition to the reasons for which the risk of an adverse outcome is considered to be probable and for which a provision for future risks has been set, the Parent Company currently has 5 further pending disputes where the risk of an adverse outcome is considered to be "possible", for overall claims amounting to EUR 13.1 million.

Other information

4 - Financial liabilities subject to offsetting in the financial statements, or subject to master offsetting agreements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Related amounts not offset in the financial statements		Net amount (T) (f=c-d-e)	Net amount (T -1)
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives							
2. Repurchase agreement	99,762		99,762	99,762			
3. Securities lending							
4. Others							
Total (T)	**99,762**		**99,762**	**99,762**			
Total (T-1)	**-**		**-**	**-**			

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 - Interest and similar income: break-down

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other operations	30/06/2021	30/06/2020
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	222		X	222	2,316
3. Financial assets measured at amortised cost					
3.1 Loans and receivables with banks		36	X	36	24
3.2 Loans and receivables with financial companies		1,698	X	1,698	
3.2 Loans and receivables with customers		92,667	X	92,667	26,516
4. Hedging derivatives	X	X			
5. Other assets	X	X			
6. Financial liabilities	X	X	X	90	
TOTAL	**222**	**94,401**	**90**	**94,713**	**28,855**
of which: interest income from impaired assets		**93,539**			**28,855**
of which: interest income on leases					

Interest and similar income include:

- EUR 55.8 million deriving from the accounting treatment as "purchased or originated credit impaired" ("POCI"), in accordance with the provisions of IFRS 9, of Non Performing Exposures portfolios;
- EUR 17.3 million for reversal of impairments connected to the passing of time relative for both the portfolio of the former Banco di Napoli as well as MPS, corresponding to interests accrued on impaired financial assets;
- EUR 21.3 million in interest income generated by the former Monte dei Paschi di Siena portfolio;
- EUR 0.2 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	30/06/2021	30/06/2020
1. Financial assets measured at amortised cost					
1.1 Payables to banks	12,543	X	X	12,543	58
1.2 Payables to financial companies		X	X		
1.3 Payables to customers	46	X	X	46	83
1.4 Debt securities issued	X	30,915	X	30,915	8,659
2. Financial liabilities held for trading					
3. Financial liabilities measured at fair value					
4. Other liabilities and provisions	X	X	0	0	1
5. Hedging derivatives	X	X			
6. Financial assets	X	X	X		
TOTAL	12,590	30,915	0	43,505	8,801
of which: interest expenses relative to lease payables	**46**			**46**	**83**

Interest and similar expenses include:

- EUR 30.4 million relative to interest expenses, accounted at amortised cost, of senior unsecured bonds issued by the Parent Company in 2019, 2020 and 2021;
- EUR 12.5 million related mainly to the interest expenses deriving from the liabilities included in the demerger compendium of the transaction with Monte de Paschi di Siena;
- EUR 0.5 million relating to interests on the senior note issued by the vehicle Fucino NPL's S.r.l.;
- EUR 46 thousand resulting from lease contracts where the Parent Company is the lessee, in accordance with the provisions of IFRS 16.

Section 2 – Fees and commissions – Items 40 and 50

2.1 - Fees and commissions income: break-down

TYPES OF SERVICES/VALUES	30/06/2021	30/06/2020
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	2,132	1,379
h) other commissions (to be specified)		
− credit recovery for Veneto LCAs	22,006	23,096
− securities lending		
- others	183	483
TOTAL	**24,321**	**24,958**

Fees and commissions income amounted to EUR 24.3 million. This account mainly includes servicing commissions received for the management of Segregated Estates relative to the former Venete Banks for the amount of EUR 22 million, broken down as follows:

- commissions on the Ambra and Flaminia securitised portfolios for EUR 2.6 million;

- commissions on non-securitised portfolios for EUR 19.2 million;
- commissions on financed capital portfolios for EUR 0.2 million.

A marginal amount derives from commissions related to servicing activities on the Fucino and Ampre securitised portfolio (EUR 1.5 million) and for the remainder commissions for activities carried out on behalf of the subsidiary AMCO S.r.l.

2.2 - Fees and commissions expense: break-down

SERVICES/VALUES	30/06/2021	30/06/2020
a) guarantees received		
b) distribution of services by third parties		
d) collection and payment services		
e) other commissions (to be specified)	485	638
TOTAL	**485**	**638**

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

Section 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 profit (A+B) - (C+D)
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 UCITS units					
1.4 Loans					
1.5 Others					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Others	X	X	X	X	
3. Financial assets and liabilities: exchange differences	5,191				**5,191**
4. Derivative instruments					
4.1 Financial derivatives					
- In relation to debt securities and interest rates	106		-2		**104**
- In relation to equities and equity indices					
- In relation to currencies and gold					
- others					
4.2 Credit derivatives					
of which: natural hedges related to the fair value option (IFRS 9, paragraph 6.7.1 and IFRS 7, paragraph 9d)	X	X	X	X	
TOTAL	**5,296**		**-2**		**5,295**

This item mainly refers to exchange rate differential deriving from foreign currency loans in the portfolios of the former Banca Carige and the former Monte dei Paschi di Siena.

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

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

INCOME COMPONENTS/ITEMS	30/06/2021			30/06/2020		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost						
1.1 Loans and receivables with banks						
1.2 Loans and receivables with financial companies						
1.3 Loans and receivables with customers						
2. Financial assets measured at fair value through other comprehensive income						
2.1 Debt securities	561	-426	134	7,997		7,997
2.2 Loans						
TOTAL ASSETS	**561**	**-426**	**134**	**7,997**		**7,997**
B. Financial assets measured at amortised cost						
1. Payables to banks						
2. Payables to financial companies						
2. Payables to customers						
3. Debt securities issued						
TOTAL LIABILITIES						

The item Profit/losses on disposal or repurchase represents a positive balance following the net capital gain realised on disposal of the government securities (for EUR 134 thousand).

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)	Profits on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net profit (A+B) - (C+D)
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities	2,160	77	-2,827		**-589**
1.3 CIU units	11,121		-0		**11,121**
1.4 Loans	1,235	113	-110		**1,238**
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	
TOTAL	**14,517**	**190**	**-2,937**		**11,770**

Capital gains on equity instruments at 30 June 2021 amounted to EUR 2.2 million and are attributable to equity investments in Astaldi S.p.A. and Trevi Finanziaria Industriale S.p.A. held by the Parent Company following the conversion of loans and the acquisition of the former MPS portfolio.

The capital gains on OICR units as at 30 June 2021, amounting to EUR 11.1 million, refer to the fair value alignment of the units of the Italian Recovery Fund, Back2Bonis, and *Efesto,* held by the Parent Company.

The gains on equity securities as at 30 June 2021 for EUR 77 thousand refer to the surplus realised in the half-year on the partial sale of the equity investments held in Astaldi S.p.A.

Capital losses on equity securities at 30 June 2021, amounting to EUR 2.8 million, are attributable to the write-down of the equity investment of the company Trevi Finanziaria Industriale S.p.A.

The item loans as at 30 June 2021 includes capital gains of EUR 1.2 million, gains on sale of EUR 113 thousand and capital losses of EUR 110 thousand, deriving from receivables acquired in 2020 that do not pass the SPPI test and, therefore, included in the portfolio measured at fair value through profit or loss.

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

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

	VALUE ADJUSTMENTS			REVERSALS			
		Third stage					
INCOME COMPONENTS/TRANSACTIONS	First and second stage	*Write-off*	Others	First and second stage	Third stage	30/06/2021	30/06/2020
1. Loans and receivables with banks							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
Other loans and receivables							
- for leases							
- for factoring							
- other loans and receivables				99		99	-400
2. Loans and receivables with financial companies							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
Other loans and receivables							
- for leases							
- for factoring							
- other loans and receivables							
3 Loans and receivables with customers							
Acquired or originated impaired loans and receivables							
- for leases							
- for factoring							
- for consumer credit							
- other loans and receivables			-56,810		79,387	22,577	-17,600
Other loans and receivables							
- for leases							
- for factoring							
- for consumer credit							
- pawn lending							
- other loans and receivables							
TOTAL			**-56,810**	**99**	**79,387**	**22,676**	**-18,001**

Net impairment losses recorded on loans and receivables with customers originate from the economic effects generated as a result of recovery activities, as well as from the update of the measurements of managed positions. The item also includes reversals to cash in checking current accounts for EUR 0.1 million determined in accordance with IFRS 9.

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

	VALUE ADJUSTMENTS (1)			REVERSALS (2)			
		Third stage					
INCOME COMPONENTS/TRANSACTIONS	First and second stage	*Write-off*	Others	First and second stage	Third stage	30/06/2021	30/06/2020
A. Debt securities	-512					-512	61
B. Loans							
- With customers							
With financial companies							
- With banks							
of which: acquired or originated impaired financial assets							
C. Total	**-512**					**-512**	**61**

The net value adjustments on financial assets measured at fair value with counterparty in net equity, equal to EUR 0.5 million, refer exclusively to the write-down of government securities in the portfolio on 30 June 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	30/06/2021	30/06/2020
1) Employees	16,300	13,403
a) salaries and wages	11,894	7,847
b) social security	2,737	2,304
c) post-employment benefits	294	143
d) pension funds		
e) provision for post-employment benefits	-7	2
f) provision for pensions and similar obligations:		
- defined contribution plan		
- defined-benefit plans		
g) payments to external complementary pension funds:		
- defined contribution plan	501	517
- defined-benefit plans		
h) other benefits for employees	880	2,588
2) Other active personnel		3
3) Directors and Auditors	227	159
4) Retired personnel		
5) Recoveries of expenses for personnel seconded to other companies		
6) Reimbursements of expenses for personnel seconded to the company	2,917	37
TOTAL	**19,443**	**13,601**

Personnel costs amounted to EUR 19,4 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 30 June 2020 is entirely due to the increase in the number of Parent Company staff, which rose from 258 to 318 units during the financial year.

10.3 - Other administrative expenses: break-down

TYPE OF EXPENSES/VALUES	30/06/2021	30/06/2020
Legal and collection costs	13,340	2,014
Debt collection outsourcing fees	6,374	-
DTA fee	2,863	399
IT - IT consultancy and interventions	2,595	1,181
IT - fees and user licences	1,762	1,702
Professional costs - consultancy on extraordinary projects	1,641	775
Business information	1,604	362
Professional costs - others (legal, tax, etc.)	1,399	1,051
BPO and document archive - outsourced services	1,146	922
BPO and document archive - fronting	713	-
IT - other (equipment rental, telephone expenses, etc.)	597	452
Logistics - rental expenses and condominium charges	450	158
Logistics - expenses for utilities and services	412	497
Professional costs - auditing company fees	284	169
Logistics - other expenses (stationery, furniture rental, etc.)	201	285
Costs on assets repossessed	102	-
Other	452	860
TOTAL	**35,936**	**10,827**

Other administrative expenses amounted to EUR 35,9 million and mainly consist of legal and collection costs, outsourcing fees for debt collection, and charges relating to the DTA fee. The increase compared to the first half of 2020, mainly attributable to credit management costs, is due to the higher volumes of financial assets managed by the Parent Company, especially following the transactions concluded in the second half of 2020.

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	30/06/2021	30/06/2020
For risk of litigation	986	-37
For risk of sums repayments	-73	-45
For employees' supplementary pension scheme	-46	-81
For tax risks	-37	-1
For risk of reimbursement of expenses	-5	-9
TOTAL	**825**	**-173**

The item is mainly composed of releases made on risks for legal disputes, partially offset by allocations for tax risks and supplementary pension plans for employees.

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

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

ASSETS/INCOME COMPONENTS	Amortisation and depreciation (A)	Impairment losses (B)	Reversals (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 For operating purposes				
- Owned	95			95
- Right of use acquired through leases	836			836
A.2 Held for investment				
- Owned				
- Right of use acquired through leases				
A.3 Inventories	X			
TOTAL	**931**			**931**

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

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

ASSETS/INCOME COMPONENTS	Amortisation and depreciation (A)	Impairment losses (B)	Reversals (C)	Net Result (A + B - C)
1. Intangible assets other than goodwill				
1.1 owned	357			357
1.2 rights of use acquired through financial lease				
2. Assets attributable to financial leases				
3. Asset granted with operating lease				
TOTAL	**357**			**357**

Section 14 – Other operating income and expenses – Item 200

TYPE OF EXPENSES/VALUES	30/06/2021	30/06/2020
Other operating income	4,209	2,987
Other operating expenses	-11,399	-8,714
TOTAL	**-7,191**	**-5,728**

14.1 - Other operating expenses: break-down

TYPE OF EXPENSES/VALUES	30/06/2021	30/06/2020
Charges for COLLAR	11,297	8,646
Other operating expenses	103	68
TOTAL	**11,399**	**8,714**

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 8.

14.2 - Other operating income: break-down

TYPE OF EXPENSES/VALUES	30/06/2021	30/06/2020
Allocation of expenses	351	352
Other operating income	3,858	2,635
TOTAL	**4,209**	**2,987**

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

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

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

INCOME COMPONENT/VALUES		30/06/2021	30/06/2020
1.	Current taxes (-)	-2,127	-643
2.	Changes in current taxes of previous financial years (+/-)	117	-720
3.	Reduction of current period taxes (+)		
3.bis	Reduction of current period taxes for tax credits pursuant to Law No 214/2011 (+)		
4.	Changes in prepaid taxes (+/-)	-13,457	809
5.	Changes in deferred taxes (+/-)	90	-1,399
6.	**Taxes for the period (-)(-1+/-2+3+/-4+/-5)**	**-15,377**	**-1,952**

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

The net change in deferred tax assets is refer to the release of DTA for the use of deferred tax assets previously recognised in the financial statements and become deductible in the current year. They mainly refer to adjustments on receivables of previous years and to the payment of the "collar".

PART D – OTHER INFORMATION

Section 8 – Other detailed information

8.1 - 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.

Euro/000 - %	*Workout*	UTP/PD	Treasury and Governance Centre	AMCO
Servicing commissions	6,266	12,365	5,037	23,668
Interests and commissions from customers	17,425	44,844	32,201	94,469
Other income/expenses from ordinary operations	12,445	10,876	0	23,321
Total Revenues	**36,136**	**68,085**	**37,238**	**141,459**
Staff costs	-8,152	-8,190	-3,102	-19,443
Net operational costs	-20,900	-8,047	-3,513	-32,460
of which direct expenses	-15,205	-3,036	-2,960	-21,200
of which indirect costs	-5,695	-5,012	-553	-11,260
Total Costs and Expenses	**-29,052**	**-16,237**	**-6,615**	**-51,904**
EBITDA	**7,084**	**51,848**	**30,623**	**89,555**
Balance of writebacks/value adjustments	-330	3,442	113	3,225
Amortisation and depreciation	-809	-346	-134	-1,288
Provisions	0	0	825	825
Other operating income/expenses	613	4,496	-10,435	-5,325
Financial activity result	0	0	7,587	7,587
EBIT	**6,559**	**59,440**	**28,579**	**94,578**
Interests and commissions from financial activity	0	0	-42,735	-42,735
Pre-tax profit	**6,559**	**59,440**	**-14,156**	**51,844**

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 in the first half of 2021 amounted to EUR 7.1 million, composed of EUR 36.1 million of revenues and EUR 29.1 million of costs.

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

- fee and commission income of EUR 6.3 million, deriving exclusively from collection activities on the portfolios of the former Venetian Banks;
- Net interest income linked to POCI portfolios and the release of time values on portfolios measured at amortized cost of EUR 17.4 million (EUR 32.3 million of real interest, net of EUR 14.8 million of interest expense reallocated by the Treasury on the basis of the TIT);
- Other revenues from ordinary operations amounting to EUR 12.4 million, on the other hand, relate to the recovery of receivables from collections.

The costs of the Workout Business Unit amounted to EUR 29.1 million and consist of personnel expenses (including personnel allocated to the operating segment) of EUR 8.2 million, net operating costs of EUR 20.9 million (of which 5.9 million of overhead costs allocated according to the cost allocation model and legal/recovery costs associated with the individual positions for 15.2 million). The pre-tax profit and EBIT of the division amounted to EUR 6.6 million.

The UTP Business Unit is responsible for proactively managing receivables classified as "going concern" acquired or acquired under management by AMCO with the objective of maximising recovery and pursuing the return to performing status of debtors with a temporary situation of financial difficulty. Management’s EBITDA was Euro 51.8 million, consisting mainly of revenues of EUR 68.1 million and costs of EUR 16.2 million.

The revenues of the UTP Division are composed of:

- commission income of EUR 12.4 million, consisting of EUR 10.9 million from collection activities on the portfolio of the former Venetian Banks and for EUR 1.5 million from the management of the receivables transferred to the *Back2Bonis*fund;
- interest from customers of EUR 44.8 million, already net of notional interest on TIT of EUR 17.4 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 10.9 million, on the other hand, relate to the recovery of receivables from collections.

Net costs amounted to EUR 16.2 million, of which EUR 8.2 million relating to personnel and EUR 8 million to net expenses (EUR 5.0 million relating to structural costs determined according to the cost allocation model and EUR 3.0 million relating to debt collection activities). Pre-tax profit and EBIT amounted to EUR 59.4 million, including valuation write-backs benefiting from EUR 3.4 million (mainly relating to *Back2Bonis* shares) and EUR 4.5 million from 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 30.6 million, thanks to revenues composed mainly of notional interest allocated to the other divisions of EUR 32.2 million, in addition to commissions not allocated to the business divisions of EUR 5 million. EBIT amounted to EUR 28.6 million due to the allocation of the mechanism for adjusting the fee and commission income of the former Venetian Banks (so-called "collar"), partially offset by the positive result of financial activities (EUR 7.6 million mainly due to the revaluation of the shares of the Italian Recovery Fund). Pre-tax profit was affected by net borrowing costs of EUR 42.7 million, bringing the division to a loss of EUR 14.1 million.

Performance of managed assets

Euro/M	*Workout*	UTP/PD	AMCO
Assets Under Management	**19,153**	**14,025**	**33,178**

Assets under management refer to gross non-performing loans allocated to the respective business divisions . These assets include both those reflected in AMCO's financial statements (on balance), those of the Segregated Estates of the former 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

#	*Workout*	UTP/PD	Treasury and Governance Centre	AMCO
Average indirect FTE	**143.7**	**128.6**	**29.7**	**302.1**

The FTEs are calculated as a six-month average of AMCO employees, also taking into account any management reallocations of staff between operating sectors.


8.

declaration by the chief executive officer and the manager in charge

Attestation of the Chief Executive Officer and Manager in charge of preparing the Company's reports on the Half-yearly Consolidated Financial Report and Consolidated Report on Operations as at 30 June 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 the Parent Company AMCO – Asset Management Company S.p.A., also taking into account the provisions of Art. 154 bis, paragraphs 3 and 4, of Italian Legislative Decree No 58 of 24 February 1998, Art. 13, paragraph 6, of the Articles of Association and what stated at point 2 below, certify:
   - the adequacy in relation to the characteristics of the company and the corporate structure;
   - the effective application of the administrative and accounting procedures and practices for the preparation of the Half-Yearly Consolidated Financial Report as at 30 June 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 half-yearly consolidated financial report as at 30 June 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 AMCO Group;
   - 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 Consolidated Report on Operations as at 30 June 2021 includes a reliable analysis of the performance and result as well as the Group's situation, together with a description of the main risks and uncertainties to which the Group is exposed.

Milan, 10 September 2021

Signed by

Marina Natale
Chief Executive Officer

Signed by

Silvia Guerrini
Manager in charge of preparing the Company's Financial Reports

9.

independent auditors' report

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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To Shareholders of
AMCO – Asset Management Company S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of AMCO – Asset Management Company S.p.A. and its subsidiaries (the "AMCO Group"), which comprise the balance sheet as of June 30, 2021 and the income statement, statement of other comprehensive income, statement of changes in net equity and statement of cash flows for the six-month period then ended and the related explanatory notes.

The Directors of AMCO – Asset Management Company S.p.A. are responsible for the preparation of this condensed interim consolidated financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of AMCO Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
September 15, 2021

This report has been translated into the English language solely for the convenience of international readers.

10.

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.

Euro/(000) - %	30/06/2021	31/12/2020
Loans and receivables with banks	**181,134**	**251,585**
+ 40 (a). Loans and receivables with banks	181,134	251,585
Loans and receivables with customers	**5,219,851**	**5,686,223**
+ 40 (b). Financial assets measured at amortised cost: loans and receivables with financial companies	55,633	381,766
+ 40 (c). Financial assets measured at amortised cost: loans and receivables with customers	5,164,218	5,304,456
Financial assets	**1,067,338**	**718,836**
+ 20 (a). Financial assets valued at fair value through profit and loss - financial assets held for trading	169	267
+ 20 (c). Financial assets measured at fair value through profit and loss: other financial assets mandatorily measured at fair value	660,368	658,534
+ 30. Financial assets measured at fair value through other comprehensive income	406,801	60,036
Equity investments	**10**	**10**
+ 70. Equity investments	10	10
Property, plant and equipment and intangible assets	**4,159**	**4,677**
+ 80. Property, plant and equipment	2,079	2,941
+ 90. Intangible assets	2,080	1,736
Tax assets	**194,000**	**210,687**
+ 100 (a). Current tax assets	7,560	10,789
+ 100 (b). Prepaid tax assets	186,440	199,898
Other assets	**29,306**	**28,355**
+ 10. Cash and cash equivalents	0	0
+ 120. Other assets	29,306	28,354
Total assets	**6,695,797**	**6,900,371**

Table 13 – Reconciliation of reclassified balance sheet assets as at 30 June 2021

Euro/(000) - %	30/06/2021	31/12/2020
Financial liabilities at amortised cost	**3,752,806**	**3,952,065**
+ 10 (a). Financial liabilities measured at amortised cost: payables	101,704	1,046,059
+ 10 (b). Financial liabilities measured at amortised cost: debt securities issued	3,651,102	2,906,006
Tax liabilities	**3,760**	**6,075**
+ 60 (a). Current tax liabilities	2,127	4,352
+ 60 (b). Deferred tax liabilities	1,633	1,723
Provisions for specific purposes	**15,844**	**20,811**
+ 90. Employee severance indemnities	574	591
+ 100 (b). Provisions for risks and charges: pensions and similar obligations	128	125
+ 100 (c). Provisions for risks and charges: other provisions for risks and charges	15,142	20,096
Other liabilities	**62,476**	**97,367**
+ 20. Financial liabilities held for trading	6	4
+ 80. Other liabilities	62,470	97,363
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	**-7,668**	**-9,903**
+ 160. Valuation reserves	-7,668	-9,903
Profit for the year	**36,467**	**76,009**
+ 170. Profit (Loss) for the year	36,467	76,009
Total liabilities	**6,695,797**	**6,900,371**

Table 14 – Reconciliation of reclassified balance sheet liabilities as at 30 June 2021

Item (Data EUR/m)	30/06/2021	30/06/2020
Servicing commissions	**23,668**	**23,866**
+ 40. Fees and commissions income (partial)	23,668	23,866
Interests/commissions from business with customers	**94,469**	**26,515**
+ 10. Interest income (partial)	94,365	26,515
+ 40. Fees and commissions income (partial)	103	0
Other income/expenses from ordinary operations	**23,323**	**5,270**
+ 100 (a). Profit/loss from sales or repurchase of accounts receivables	0	0
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - bonds at full value	190	5
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at fair value with impact on OCI (partial)	23,133	5,265
+ 250. Profit/loss from sale of investments (partial)	0	0
TOTAL REVENUES	**141,460**	**55,651**
Staff costs	-19,443	-13,601
+ 160 (a). Staff costs	-19,443	-13,601
Operational costs	-32,460	-8,868
+ 160 (b). Other administrative expenses	-35,936	-10,827
+ 200. Other operating income and expenses (partial)	3,835	2,595
+ 50. Fees and commissions expense (partial)	-358	-635
TOTAL COSTS	**-51,903**	**-22,469**
EBITDA	**89,556**	**33,183**
Net value adjustments/reversals on receivables and securities from ordinary operations	**3,225**	**-18,916**
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - bonds at full value	4,087	4,350
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	-862	-23,266
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	**-1,288**	**-970**
+ 180. Net value adjustments/reversals on property, plant and equipment	-931	-875
+ 190. Net value adjustments/reversals on intangible assets	-357	-95
Net provisions for risks and charges	**825**	**-173**
Other operating income/expenses	**-5,325**	**-8,322**
+ 80. Trading activity results	5,295	0
+ 200. Other operating income/expenses	-7,190	-5,728
- 200. Other operating income and expenses (partial)	-3,835	-2,595
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	405	0
Financial activity result	**7,587**	**9,766**
+ 70. Dividends	472	0
+ 100 (b). Profit/loss from sale or repurchase of financial assets measured at fair value through other comprehensive income (partial)	134	7,997
+ 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)	7,493	1,708
+ 130 (b). Net value adjustments/reversals for credit risk of: assets measured at fair value with impact on OCI (partial)	-512	61
+ 220 Profit/loss from equity investments	0	0
EBIT	**94,579**	**14,568**
Interests and commissions from financial assets	-42,735	-5,638
+ 10. Interest income (partial)	348	-8,801
+ 20. Interest expenses	-43,505	2,340
+ 40. Fees and commissions income (partial)	549	827
+ 50. Fees and commissions expense (partial)	-127	-3
PRE-TAX PROFIT	**51,844**	**8,930**
Current taxes	**-15,377**	**-1,952**
+ 270. Current taxes	-15,377	-1,952
RESULT FOR THE YEAR	**36,467**	**6,978**

Table 15 – Reconciliation of reclassified income statement as at 30 June 2021


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